

Supporting Community Lenders Act

Legislation to Better Support Financial Institutions That Lend to Underserved Communities

Background: Community Development Financial Institutions ([CDFIs](#)), Minority Depository Institutions ([MDIs](#)), Certified Development Companies ([CDCs](#)), and [Microloan Intermediaries](#) take a market-based approach to supporting economically disadvantaged entrepreneurs from across the country. The Office of Community Financial Institutions' goal is to promote and support these institutions. More specifically, the bill is designed to ensure that community financial institutions have an advocate at SBA to support their activities, provide technical support, liaise with other federal agencies, and share best practices. Empowering these institutions will directly support underserved rural, veteran, impoverished, and minority entrepreneurs.

At least [83%](#) of entrepreneurs do not access bank loans or venture capital, and instead rely on savings or personal credit cards. In 2019, more than a [quarter of startups](#) named lack of credit as their top business challenge. Entrepreneurs in rural areas, veterans, women, and minorities face additional hurdles to accessing what credit is available.

CDFIs, MDIs, CDCs, and Microloan Intermediaries directly support entrepreneurs that are struggling to access credit, and must register with the government to demonstrate their bona fides. A recent GAO [report](#) demonstrates that prioritizing community financial institutions successfully increased access to loans for underserved small businesses participating in federal lending programs. With dedicated support these institutions were able to return underserved communities to parity with others, and ensured they received their relative share of allocated capital.

At present, CDFIs, MDIs, CDCs, and Microloan Intermediaries often struggle to navigate the vast federal bureaucracy, may fail to take advantage of available programs, and lack advocates within the federal government. Providing these institutions more targeted support is crucial to expanding access to capital for entrepreneurs in rural or impoverished areas and those that are veterans, women, and minorities.

Consequently, this bill would:

- create an Office of Community Financial Institutions at the SBA;
- define community financial institutions as federally registered CDFIs, MDIs, CDCs, and Microloan Intermediaries;
- create and implement programs that support the growth and development of these institutions;
- establish partnerships with relevant parties within the SBA and across federal agencies and advocate on these institutions' behalf;
- host public meetings with stakeholders at least twice a year; and,
- produce comprehensive reports to Congress every three years.