JPMorganChase PolicyCenter

Federal Opportunities to Strengthen Small Business Vitality and Resiliency

Small businesses are the backbone of the economy, strengthening communities by creating new jobs, driving local economic growth and offering residents more options and opportunities. JPMorganChase is the nation's leading small business bank, serving more than 7 million small businesses and issuing over $4 billion in loans and lines of credit to small businesses in 2023. The firm provides resources to help business owners overcome obstacles through mentorship, financial training and access to capital that can support their growth plans. This includes our dedicated business bankers, small business consultants, community networks, innovative philanthropic solutions and advocacy and policy recommendations. As JPMorganChase continues to expand towards our broader goal of serving 50% of the population in each of the 48 contiguous states, we will continue highlighting the needs for small businesses across the country, in rural and urban areas, to ensure their continued prosperity and growth.

Increase Access to the Full Capital Stack

From 1995 to 2021, small businesses accounted for 63% of net new job creation in the United States.[1] However, access to capital remains a major barrier for small business survival and growth, which has been even more challenging in a high-interest rate environment. JPMorganChase Institute research shows that a small share of small businesses reach $1M in revenue in the first five years and that Black and Hispanic-owned businesses face challenges of lower revenues, profit margins, and cash liquidity and are underrepresented among firms with external financing.[2]

Access to capital, particularly in the initial few years of the business, is vital to small business growth.[3] In November 2023, JPMorganChase committed to hiring more than 1,000 small business bankers by 2025 – doubling its previous goal of hiring 500 new bankers by 2024 - to increase access to credit, as well as provide advice and education for small business partners.[4] There are opportunities for Congress and the Executive Branch to inject additional capital for small businesses and expand access to planning services essential to their resilience.

Recommendations for the Executive Branch

Enhance the Small Business Investment Company (SBIC) program

The Small Business Investment Company (SBIC) program provides flexible forms of growth capital to qualified small businesses. SBICs are privately owned investment funds, licensed and regulated by the SBA to invest in small businesses across different industries and sectors, such as clean energy and education. SBICs are highly regulated private entities that can leverage SBA funds to invest in small businesses, with typical SBIC loans ranging from $250,000 to $10 million.[5] Since its inception, the Small Business Investment Company program has facilitated access to patient capital for tens of thousands of small businesses and has created millions of American jobs. [6]

The SBIC program could reach a more diverse set of asset managers by expanding the types of SBICs that can apply for a license and making more capital available to SBICs who are approved. SBICs have not invested heavily in underserved businesses, providing about 5% of total financing to minority-owned and controlled businesses and about 3% to women-owned businesses annually.[7] Increasing the number of SBIC licenses and streamlining their approval processes, can help lead to greater availability of capital to underserved entrepreneurs. [8]

Expand the SBA Microloan Program

The SBA Microloan program serves as an invaluable resource for businesses having difficulty accessing capital. The JPMorganChase Institute found that personal resources were correlated with a business's financial health, and that Black and Hispanic entrepreneurs have fewer personal resources before starting their businesses.[9] The SBA Microloan program provides loans of up to $50,000 to help small businesses start up and grow to scale. Making product adjustments and increasing resources will allow the program to reach a greater number of entrepreneurs overall and especially, minority owned businesses. In FY23, microlenders approved microloans totaling $86.4M for over 5,500 small businesses.[10]

Recommendations for Congress

Pass the Investing in Main Street Act of 2025 (H.R. 754)

This bipartisan bill updates the *Small Business Investment Act* from 1958 to authorize the ability of certain banking entities to invest up to 15% of their capital and surplus – triple the current 5% limit - in one or more small business investment companies (SBICs) or in any entity established to invest solely in SBICs. Introduced by Representatives Chu (D-CA-28), Finstad (R-MN-1), McIver (D-NJ-10), and Garbarino (R-NY-2), the legislation passed the House under suspension on February 24, 2025, and now is under consideration by the Senate Banking Committee.

Reintroduce and Pass the Community Advantage Loan Program Act

The Small Business Administration (SBA) Community Advantage program helps small businesses secure small-dollar financing with a more targeted focus on underserved small businesses – including small businesses in rural communities – by allowing nonprofit lenders like Community Development Financial Institutions (CDFIs) make small dollar 7(a) loans. Legislative changes are needed to permanently authorize the SBA's Community Advantage loan program following a 12-year pilot-phase from 2011-2023. If enacted, the change would more than double the maximum loan sizes from $350K to $750K and increase loan guarantee percentages to 90% and 80% respectively for loans below $150K and between $150K-$350K.[11] In the 118th Congress, Senator Cardin (D-MD) sponsored the Senate bill, with Reps. Chu (D-CA-28) and Velazquez (D-NY-7), leading the House efforts. The bill should be reintroduced and passed this Congress so that more small businesses have access to critical capital for their early stages of growth.

Small Business Succession Planning and Expand Ownership

Over the next decade, 75% of all business owners hope to exit their business.[12] In fact, 12 million businesses – totaling $10 trillion in assets – are likely to change hands over the next 10-15 years. But ownership transitions are not always successful or smooth. Data shows only 30% of family businesses survive the transition from first to second generation ownership. Supporting business owners as they retire or exit their businesses is critical not only for wealth creation and the development of local economies, but an imperative to ensure national competitiveness in critical industries and American leadership in innovation. Small businesses produce 16 times more patents per employee than large businesses and universities and employ nearly 40% of American scientists and engineers.[13]

In Spring 2024, JP MorganChase's Wealth Management team authored a white paper on succession planning for business owners that offers advice on approaches towards a successful planning and both internal and external options for transitions.[14] Small Business policy solutions must include plans to expand access to education and business planning assistance to increase the number of business owners engaging with business continuity and succession planning. Business owners need the right tools and information so they can make decisions about the future of their business that will preserve jobs, expand ownership capabilities, create wealth building opportunities, and drive local economic growth.

Recommendations for the Executive Branch

Fully Implement the Worker Ownership, Readiness and Knowledge Act (WORK) Act:

Employee ownership is an effective succession planning strategy that enables business owners to ensure continuity as they exit their firms, and to create wealth-building opportunities for their employees. The WORK Act was enacted in 2023 and serves as an effective model to leverage federal infrastructure and funding to support high-impact employee ownership activities at the state level. The Department of Labor (DoL) should implement the WORK Act, specifically the Employee Ownership Initiative within DoL to administer grants to support existing and new state employee ownership centers in providing outreach, advice, and training to foster employee ownership. The Employee Ownership Initiative would also create new standards for appraising employee stock ownership plan valuations, and create an information clearinghouse in order to best implement Employee Ownership programs.

Continue SBA Progress to Enable the Main Street Employee Ownership (MSEO) Act

Signed into law in 2018, the MSEO Act was designed to encourage loans for employee ownership transitions, including Employee Stock Ownership Plans (ESOPs) and worker cooperatives, by clarifying and streamlining SBA regulations that make these loans cumbersome. In the past two years, the SBA has made strides in removing barriers to employee ownership transition loans, eliminating the equity infusion requirement, allowing ESOP loans to go through the 7(a) program and the Preferred Lenders Program, and allowing valuations done for an ESOP trustee to satisfy SBA requirements for valuation of stock.[15] These regulatory changes are significant steps towards more effective succession planning for small businesses and SBA should maintain its engagement with the small business community to empower ESOPs and worker co-ops to receive lending that would enable their transition and continuity as worker owned business. To date, there are over 6,500 ESOPs in the United States, covering almost 15 million participants and holding over $1.8 trillion in total assets. [16]

Maintain Rules Enabling Changes in Ownership

New SBA rules allow loans for partial buy-outs, making it easier for small businesses to shift ownership to an employee/s or new person over time, with less risk than transitioning outright to a third party. SBA should prioritize implementing these new rules that will benefit small businesses as they consider succession planning and determine appropriate opportunities for employee ownership structures.

Incorporate succession planning requirements as part of Economic Development Administration (EDA) funding

Since January 2021, the EDA under the Department of Commerce has directed over $6 billion in investments across the country to bolster local economies, create jobs, and modernize infrastructure. EDA can play a powerful role in supporting small businesses – including supporting revolving loan funds that provide much-needed capital, targeted technical assistance, and broader economic development planning initiatives. As the EDA continues to support localities to address long-term economic resiliency, incorporating requirements for succession planning for local industry and legacy businesses within regional economic development plans would encourage more proactive and intentional succession planning policy development at the local level.

Recommendations for Congress

Reintroduce and Advance the Small Business Succession Planning Act

Congress should reintroduce and pass legislation that would help educate and incentivize small businesses around succession planning by directing the SBA to establish a succession planning toolkit, conduct nationwide succession planning workshops, and introduce new, nominal tax breaks for small businesses to create and execute succession plans. The Small Business Succession Planning Act would help small business owners transition their businesses, plan for their futures, and ensure economic stability in the communities they are a part of. In the 118th Congress, Representatives Crow (D-CO-06) and Garbarino (R-NY-02) sponsored the bill, which should be reintroduced and passed in the 119th Congress.

Modernize Small Business Administration Operations

The SBA is the only cabinet-level federal agency fully dedicated to small businesses. In FY2024, SBA supported over 100,000 financings to small businesses – the most since 2008 - and increased its annual capital impact to $56 billion – up 7% from FY2024.[17]

It is imperative that SBA continues to build upon this momentum to ensure the agency's processes and operations, including technological updates, are modernized to better protect SBA funding and better support businesses. Such support would increase agency responsiveness, improve efficiencies, reduce regulatory burdens on SBA customers including small businesses, banks and lending partners, and public-private small business advisory services. The recently announced Made in America Manufacturing Initiative provides positive momentum around streamlining operations that will empower small business owners in this sector as well as the manufacturing workforce.[18]

Recommendations for the Executive Branch

Consumer Education and Fraud Prevention

Education around the risk of fraud and scams is important to protecting small businesses' financial assets, especially for businesses facing hardships that may be more susceptible to such schemes. A small business survey of 2,000 small-to-medium businesses with annual revenues less than $10M revealed payment fraud – including unauthorized payments and fund transfers, identify theft, and malware and ransom attacks – as a top concern.[19] Similarly, the Better Business Bureau's Institute for Marketplace Trust's 2024 Scam Tracker Risk Report found that businesses reported losing money to scams 29% of the time when they are targeted, with an overall median dollar loss of about $1,200 per scam.[20]

The Administration should prioritize fraud and scam education and data sharing of information through cross-agency collaboration, leveraging resources from the FTC's fraud and scam database, CFPB's consumer education campaigns, and the FBI's coordination with law enforcement to facilitate prosecution of groups or individuals running scams that harm America's small businesses.

Support Connections to Necessary Resources

In 2024, underserved businesses were more likely to feel the brunt of higher interest rates, were more likely to need to use personal funds or make late payments to respond to a financial challenge, and reported higher need for financing.[21] The nonprofit group SCORE is the nation's largest network of volunteer, expert business mentors, and a resource partner for SBA. SBA should encourage SCORE to recruit of volunteers and mentors that reflect the communities they serve - for example, including veterans, women and other underserved business owners to mentor their counterpart entrepreneurs.

Additionally, the SBA should also consider new ways to ensure that resource partners are equipped to educate small businesses with the latest information on regulations, tax credits, retirement plan options for workers, and more. The SBA offers valuable support to assist in accessing capital by identifying the right CDFIs and/or Community Advantage Small Business Lending Companies (CA SBLCs). The newly announced Office of Manufacturing and Trade that will offer small manufacturers dedicated resources and training in partnership with SBA field offices will be a key resource moving forward.[22] The SBA can continue to improve the availability and effectiveness of financial resources for startup and emerging small business owners by:

- *Explore the SBA's Lender Match Tool*: The SBA's Lender Match program is designed to connect small business owners with suitable lenders. The SBA should review this tool to ensure it effectively links small business owners with the appropriate CDFI/CA SBLC to increase access to capital for startup and emerging businesses.
- *Advocate for a Comprehensive CDFI Directory*: While the SBA provides an Excel file list of Micro Lenders, a more user-friendly solution is a directory detailing which CDFIs offer lending organized by zip code location and lending. This would greatly assist business owners in finding the right resources tailored to their location.

Notes

1 https://www.uschamber.com/small-business/state-of-small-business-now
2 https://www.jpmorganchase.com/institute/all-topics/business-growth-and-entrepreneurship/report-small-business-owner-race-liquidity-survival
3 https://www.jpmorganchase.com/institute/all-topics/business-growth-and-entrepreneurship/when-opportunity-knocks-how-economic-cycles-shape-entrepreneurial-ventures-and-their-success
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5 https://www.sba.gov/funding-programs/investment-capital#:~:text=An%20SBIC%20is%20a%20privately,in%20certain%20sectors%20or%20industries
6 https://sbia.org/2025/01/29/sbia-expresses-support-for-investing-in-main-street-act-119th/
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10 https://www.sba.gov/document/report-24-24-verification-inspection-sbas-microloan-program#:~:text=The%20U.S.%20Small%20Business%20Administration's%20Microloan%20Program%20provides%20loans%20to,for%20over%205%2C500%20small%20businesses
11 https://www.congress.gov/bill/118th-congress/house-bill/7560
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