



South Carolina Bankers Association Presentation Access to Capital for Small Businesses

Banks in South Carolina

There are over 70 banks doing business in South Carolina, ranging from the largest in the world to some of the smallest savings and loans. 44 of these banks are headquartered in South Carolina and are located in all areas of the state.

Banks and Small Business Lending

- All banks engage in some level of small business lending and consider it an important part of what they do for the community.
- Banks are required to annually report new small business loans per the Community Reinvestment Act.
- In its 2025 Small Business Profile, the Small Business Administration Office of Advocacy reported that “in 2023, reporting banks issued \$1.4 billion in loans to South Carolina businesses with revenues of \$1 million or less.
- Total reported new lending to businesses through loans of \$1 million or less was \$3.8 billion. Total reported new lending to businesses through loans of \$100,000 or less was \$1.5 billion.”

Banks and the Paycheck Protection Program

During 2020 and 2021, banks doing business in South Carolina made almost 140,000 PPP loans to South Carolina small businesses, totaling more than \$8 billion.

What Can Be Done to Increase Banks' Lending to Small Businesses?

Recent Actions by Congress and Federal Banking Regulators

The One, Big, Beautiful Act

- Federal corporate tax rates remained at 21% and were made permanent.
 - Provisions of the Access to Capital for our Rural Economy (ACRE) Act were included in the bill.
 - ACRE allows banks to exclude from income 25% of the interest received from qualified rural agricultural loans.

The Community Investment and Prosperity Act

- Recently, Sen. Tim Scott introduced the *Community Investment and Prosperity Act* raises the cap on “public welfare investments” for banks from 15% to 20% of the bank’s capital and surplus, which will open up billions of dollars of available capital for investment in small business lending, financial literacy, affordable housing and community development projects across the country.

The Protection of Credit for Small Businesses Act

- Sen. Scott also introduced, in 2024, the *Protecting Access to Credit for Small Businesses Act*, a bill that would prevent the Small Business Administration from acting as a direct lender for the 7(a) Loan Program.
- In previous years there were proposals to allow the SBA to directly lend to small businesses.
- SCBA and Sen. Scott have concerns with this as private lenders have a far better record of efficiently and safely distributing loans to small businesses than government.

CFPB Rescinds the Dodd-Frank Small Business Lending Data Collection Rule

- The CFPB's rule would have required banks to collect more than 80 data points concerning all of their small business loans – far more than the 13 data points required in Dodd-Frank.
- This would have been extremely expensive, especially for smaller banks, causing them to retract from small business lending.

Federal Banking Regulators

- Treasury Secretary Scott Bessent and Federal Reserve Governor Michelle Bowman recently stated that banking regulators will now propose rules that will impact growth.
- Financial institution regulation will now center more on Main Street businesses and what banks can do for them.
- Regulators will update outdated capital requirements, understanding that excessive capitalization reduces bank lending.

Other States Have Taken Action

- Wisconsin recently enacted a provision similar to ACRE.
- Wisconsin's bill states that for banks that make commercial and agricultural loans of \$5 million and less, the income, including interest, fees, and penalty income, is not taxed.
- SCBA strongly supports South Carolina enacting similar legislation as it increases the amount of funds available for the banks to lend.

What Can South Carolina Do?

- Enact legislation, similar to Wisconsin's, that incentivizes bank lending to small businesses (commercial and agricultural) by increasing the amount of funds available for banks to lend.
- Continue General Assembly review of South Carolina's bank statutes and regulations for more modernization
 - In 2021, the General Assembly enacted the Bank State Modernization Act.
 - This was a multi-year project of SCBA and the Board of Financial Institutions to modernize our laws to allow out-of-state banks to charter in South Carolina and to increase new bank creation.
 - This was considered just a first-step and that more review would be needed to modernize South Carolina's banking laws and regulations.