

JEANNE SHAHEEN, NEW HAMPSHIRE, CHAIR
JONI ERNST, IOWA, RANKING MEMBER

MARIA CANTWELL, WASHINGTON
BENJAMIN L. CARDIN, MARYLAND
EDWARD J. MARKEY, MASSACHUSETTS
CORY A. BOOKER, NEW JERSEY
CHRISTOPHER A. COONS, DELAWARE
MAZIE HIRONO, HAWAII
TAMMY DUCKWORTH, ILLINOIS
JACKY ROSEN, NEVADA
JOHN W. HICKENLOOPER, COLORADO

MARCO RUBIO, FLORIDA
JAMES E. RISCH, IDAHO
RAND PAUL, KENTUCKY
TIM SCOTT, SOUTH CAROLINA
TODD YOUNG, INDIANA
JOHN KENNEDY, LOUISIANA
JOSH HAWLEY, MISSOURI
TED BUDD, NORTH CAROLINA

SEAN MOORE, DEMOCRATIC STAFF DIRECTOR
MEREDITH WEST, REPUBLICAN STAFF DIRECTOR

United States Senate

COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP

WASHINGTON, DC 20510-6350

TELEPHONE: (202) 224-5175 FAX: (202) 224-5619

February 13, 2024

The Honorable Gene L. Dodaro
Comptroller General of the United States
Government Accountability Office
441 G Street, NW
Washington D.C. 20548

Dear Mr. Dodaro,

We write today to request that the Government Accountability Office (GAO) examine the role the U.S. Small Business Administration (SBA) has in the broader federal effort to assist veterans, reservists and their spouses gain financial literacy and increase their access to capital. The SBA operates several programs for veterans, reservists and military spouses. At the start of their entrepreneurial journey, Boots to Business and Boots to Business Reboot empower veterans and reservists with the skills and knowledge to launch a business. Through Veterans Business Outreach Centers, veterans can access business planning, entrepreneurial training, counseling and mentorship. Other programs provide tailored support for service-disabled veterans, women veterans and military spouses. These programs are all intended to help veterans on their entrepreneurial journey, but veterans still face a myriad of issues when starting their own small business. One issue of particular importance to veteran small business owners, as with other entrepreneurs, is building credit and accessing capital.

Despite this support, access to capital remains a persistent issue for veteran and reservist entrepreneurs and small business owners. Veterans, in particular, often submit more applications for loans, lines of credit and cash advances than their nonveteran counterparts but obtain less financing than requested.¹ Moreover, veteran-owned small businesses' loan approval rates were lower than their civilian counterparts.²

On November 15, 2023, the Senate Committee on Small Business and Entrepreneurship held a hearing titled, "Veteran Entrepreneurship: From Service to Small Business Success." During the hearing, we heard how barriers to capital access negatively impact veteran-owned small

¹ Sid Sankaran and Jessica Battisto, *Financing Their Future: Veteran Entrepreneurs and Capital Access*, FEDERAL RESERVE BANK OF NEW YORK AND U.S. SMALL BUS. ADMIN., (2018). *See also*, Rosalinda Maury et al., *2021 National Survey of Military-Affiliated Entrepreneurs*, SYRACUSE UNIVERSITY D'ANIELLO INSTITUTE FOR VETERANS & MILITARY FAMILIES, (April 2022).

² *Id.*

businesses and how poor credit history or lack of financial literacy can impact veterans as they transition to civilian life and attempt to secure loans to start a small business. Congress needs more information on the issues facing veterans trying to access capital, what financial literacy programs are available to them and how they could be more effective.

On December 21, 2023, the GAO released a report titled, “Small Business Administration: Procedures for Reporting on Veteran-Owned Businesses Need Improvement,” which details problems with SBA’s operation of programs designed to support veteran-owned small businesses.³ The report states that SBA is required by law and regulations to give special consideration to veterans in its lending programs, but the agency has not developed policies and procedures to do so. We are pleased to see the SBA agrees with GAO’s recommendations to improve services for veterans, and the Senate Small Business Committee is committed to its oversight of the SBA to ensure full compliance. We remain concerned that the findings and recommendations outlined in the December 21, 2023, report also reflect broader issues with the effectiveness of federal programs designed to support veteran, reservist and military spouses trying to start and grow small businesses.

To that end, we respectfully request that the GAO conduct a comprehensive review of federal efforts to ensure veterans, reservists and military spouses are not being left behind when it comes to accessing capital and have the financial literacy necessary to become successful entrepreneurs.

We respectfully request the report include the following:

1. An analysis of the federal lending programs available to provide credit specifically for veteran, reservist or military/veteran spouse-owned small businesses.
2. An analysis of the gaps, if any, in the availability of credit for veteran, reservist or military/veteran spouse-owned small businesses that are not being filled by the federal government or private sources, and the reasons why those gaps exist.
3. An analysis of obstacles veterans, transitioning service members and military spouses face when trying to build credit and access capital.
4. An analysis of the extent to which deployment and other military responsibilities affect the credit history of active duty service members, veterans, reservists and their spouses, and whether services or programs provided by the federal government help offset these effects, to the extent practicable.
5. An analysis of financial literacy services or programs the federal government (including the SBA, the Department of Defense and the Department of Veterans Affairs) provides to active duty service members, veterans, reservists and their spouses to help them improve financial decision making and identify any areas for improving these services.

³ Gov’t. Accountability Office, *Small Business Administration: Procedures for Reporting on Veteran-Owned Businesses Need Improvement*, (2023).

Thank you for your assistance with this request. If you have any questions, please contact the Senate Small Business and Entrepreneurship Committee Majority and Minority Staff at 202-224-5175.

Sincerely,



Jeanne Shaheen
Chair



Joni K. Ernst
Ranking Member