

**Senate Small Business Committee Hearing- “Oversight of SBA’s Implementation of Final Rules to Expand Access to Capital,” April 26, 2023**

**Testimony of Chris Pilkerton, Chief Legal Officer at Accion Opportunity Fund**

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Thank you, Chairman Cardin, Ranking Member Ernst, and all of the committee members. I am honored to receive the invitation to this hearing, as I believe that thoughtful support for small businesses must be a bipartisan priority.

Over the last several years I have spent my career focusing on issues related to the small business community- with a particular focus on underserved populations. I served as the general counsel of the U.S. Small Business Administration under Administrator Linda McMahon, serving from 2017-2020, as well as the Acting Administrator of the agency from April 2019 into early 2020. During my tenure as Acting Administrator, I was particularly proud of our efforts to lead workforce development programs for too often marginalized citizens- such as those returning from incarceration, young adults aging out of foster care, as well as workforce opportunities for disabled individuals. In March of 2020, I was asked to join the White House to lead a program called the Opportunity Now initiative, which included significant outreach to underserved communities on the topics of access to capital and technical assistance through state and local officials, as well as webinars with minority- focused trade organizations such as the National Minority Supplier Diversity Council.

Since leaving government, I have continued this work in various capacities. First and foremost, I serve as the Chief Legal Officer for Accion Opportunity Fund, the leading nonprofit community development financial institution focused on small business lending to communities of color and low-to-moderate income borrowers all across the country. I have also co-founded and developed an initiative called the Small Business Corps - a private- sector led program to provide underserved small businesses with specific goal-focused technical support provided by fellows who are recent college and business school graduates. That program is housed at the Georgetown University McDonough School of Business and includes D-M-V engagement from schools such as Georgetown, Johns Hopkins, Old Dominion, as well as HBCUs Howard, Morgan State and Norfolk State. I have also worked closely with the performing artist Ice Cube in his work to identify and secure opportunities for Black-owned businesses in the corporate supply chain. Our most recent success was a commitment from the National Football League to provide \$150 million in contract opportunities to several Black-owned businesses, including Fearless- a technology company located in Baltimore, Maryland that has gone on to incubate other minority and women-owned companies in that city.

We all agree that increased access to capital for underserved communities is important, but like anything, there is the goal and the execution of the plan to achieve that goal. I will begin with addressing the rule regarding the lifting of the SBLC moratorium and creation of the new Mission Based SBLC category. While I understand the intention of the rule, it does not speak to the critical need to establish a consistent approach to responsible lender review, but rather highlights that the agency needs flexibility in its lender evaluation to address unforeseen circumstances. While I appreciate the need to be flexible on certain components of such a program, underserved borrowers need the certainty of publicly articulated standards to ensure that they are dealing with responsible and vetted lenders. As SBA Inspector General Hannibal Ware, for whom I have tremendous respect, said in a House hearing last week in response to this issue, he has concerns with the

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inclusion of any lender that doesn’t have clear rules, internal control structures and a proper oversight mechanism in place. In short, appropriate inspection and oversight on the front end can limit investigations, enforcement proceedings and harm to borrowers on the back end.

As such, I recommend that in consultation with Congress, the implementation of this rule be delayed until there has been an independent study about the necessary guidelines and procedures that should be in place in order to secure a safe and responsible lending environment for these small businesses and provide clear and consistent rules to participating lenders that may in fact be new to the SBA landscape. In fact, in Inspector General Ware’s testimony, he indicated that his office has a forthcoming report outlining what the proper control environment should look like. Further, when it comes to lending to underserved communities, other responsible lending frameworks, such as Treasury’s CDFI certification program, are already in place and could certainly be valuable data points for consideration.

I also have concerns about the bandwidth of the agency to oversee the influx of program participants contemplated by the rule. The SBA career staff are some of the most dedicated public servants I have ever worked with, but with limited resources, they may very well be stretched beyond their capacity. The agency needs to ensure that the staff has the resources they need to implement a program that can be sensibly and consistently regulated. I believe a thoughtful independent analysis could calculate the required resources and provide necessary confidence to the marketplace.

As to the rule on affiliation, I think it is important that this body consider the potential unintended consequences of removing this standard from SBA’s analysis. The reason that the affiliation rule is in place is to ensure that the taxpayer guarantee is truly going to those statutorily-mandated independently owned and operated small businesses that need this unique government program- and is not a subsidy program for larger corporations - who already have a competitive advantage.

The combination of these changes to the program as currently written – coupled with the trusted imprimatur of the SBA - could undoubtedly result in a significant flow of capital, but I believe a thoughtful, independent study around these program changes would help ensure the integrity of the admitted lenders, maximize the flow of responsible loans to small businesses and minimize the potential for fraud. The results of such an analysis could ensure that Congress, the agency and the American taxpayer have clarity on how the scope of this program can truly support our country’s underserved communities in a way that is both responsive and responsible. Thank you.