

Opening Statement of Chairman Dave Brat (R-VA)
Subcommittee on Economic Growth, Tax, and Capital Access
“Financing through Fintech: Online Lending’s Role in Improving Small Business Capital Access”

AS PREPARED FOR DELIVERY

Good morning. I call this hearing to order.

Small business access to capital has always been a top priority for this Committee. Access to capital gives small businesses the resources they need to keep the lights on, purchase inventory, pay their employees, and expand their businesses.

For decades, small business owners typically went to their local community bank to receive this capital, these banks were the backbone of how main streets across this nation were created.

However, the amount of community banks in the United States has fallen dramatically in recent years, and regulations such as Dodd-Frank have made it more difficult for small businesses to acquire loans through traditional means.

Therefore, many small businesses have had to resort to other means to acquire capital.

One private sector solution that has grown considerably in recent years to address this credit gap is online lending. While it is difficult to estimate the size of this industry, the online lenders originated between \$5 and \$7 billion in loans to small businesses in 2015, and it is expected to become a \$50 billion dollar industry by 2020.

While this is an emerging industry with several types of business models to assess risk, mitigate lender exposure, and obtain the capital to lend to small businesses, online lenders typically offer smaller loans with rapid approval and funding times.

This morning, we will hear from a distinguished panel of witnesses who will give their perspective on recent trends in the small business online lending industry and how it fits into the overall small business credit market.

I appreciate the witnesses being here today. I look forward to your testimony.

I now yield to the Ranking Member for his opening remarks.

