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Contact: Leah Gipson
(972) 308-6486
Leah.Gipson@ncpa.org

NEW FEDERAL REGULATIONS THREATEN SMALL BUSINESS ACCESS TO CREDIT
New Consumer Financial Protection Agency Would Cause Significant Backslide in the Economy

DALLAS, TX (December 10, 2009) – If Congress votes this week to establish a new Consumer Financial Protection Agency, new job creation would be discouraged and the likelihood of economic recovery would be reduced, according to a new [report](#) by the National Center for Policy Analysis.

“Since many small businesses have difficulty accessing commercial bank loans because of size or lack of credit history, small business owners often use consumer credit, including credit cards or home equity lines of credit to fund their companies,” said Terry Neese, NCPA Distinguished Fellow and co-author of the report. “This new agency could cut off access to credit for many firms and raise borrowing costs for others.”

Because small businesses employ a substantial portion of all workers and are responsible for the creation of most new jobs, the ability of small businesses to borrow has significant implications for the economy. From 1987 – 2005, startup firms with fewer than 20 employees accounted for 86.7 percent of net job creation in the United States.

According to estimates by law professors at George Mason University and the University of Chicago, some of the implications would be:

- Federal credit regulations could increase consumer interest rates by more than 1.6 percent on average.
- Consumer borrowing would be reduced by at least 2.1 percent.
- Net new job creation would fall 4.3 percent.

“Increased federal control over consumer credit would have unintended damaging consequences for small businesses,” said Bethany Lowe, NCPA research assistant and co-author of the report. At a time when the economy is struggling to recover, it would be a bad idea for Congress to vote this week to include an additional layer of regulation that could stifle economic recovery.”

To see the full NCPA report, log on to <http://www.ncpa.org/pub/ba681>.