March 6, 2024

The Honorable Mike Johnson Speaker U.S. House of Representatives Washington, D.C. 20515	The Honorable Hakeem Jeffries Democratic Leader U.S. House of Representatives Washington, D.C. 20515

Dear Speaker Johnson and Democratic Leader Jeffries,

As a non-profit technology policy, research, and advocacy organization that bridges the gap between policymakers and startups, we are writing to express our support for H.R. 2799, the Expanding Access to Capital Act. U.S. startups drive innovation and job growth, but far too often they are restrained due to challenges accessing capital needed to launch and grow, and this is especially true for startups led by underrepresented founders. More than 10 years have passed since the adoption of the Jumpstart our Business Startups (JOBS) Act. We have seen remarkable progress in our startup ecosystem, but it is time for policymakers to once again examine what is and is not working across the capital formation landscape to further grow our startup ecosystem. The Expanding Access to Capital Act would do just that, by broadening and diversifying the investor pool to unlock needed funding so that U.S. startups can thrive.

Several provisions of the legislation benefit startups, investors, and would-be investors and will grow the economy. Among these key provisions are efforts to increase the aggregate amount startups can raise under Regulation Crowdfunding and to further lift the cap on Regulation A+ offerings, helping to extend startup runway and reduce the aggregate cost of capital.

Perhaps most impactfully, the Expanding Access to Capital Act would provide for a much-needed update to eligibility requirements to be an accredited investor. Less than 20% of U.S. households presently meet the financial thresholds necessary to be an accredited investor and are limited in their ability to invest in the startup ecosystem and build generational wealth. Even more concerning, as more than 90 startups and ecosystem partners previously told the House Financial Services Committee, "just 1.3 percent of angel investors are Black and only 2.3 percent are Hispanic, and the vast majority of early stage investors are men—which means that just a fraction of accredited investors are women and just a fraction of those are women of color." The limited diversity of this pool of investors has a significant impact on which founders and startups ultimately receive investment—especially as "individual investors are more likely than VCs to fund women- and other diverse-founded startups."

Founders from all backgrounds have repeatedly told Engine of the impacts the current accredited investor definition has on startups—stressing that having independent or generational wealth is not an indicator of financial acumen, and therefore shouldn't limit who is able to invest in startups. Tani Chambers, founder and CEO of Ravn, a New York, New York-based wealth-planning platform for women told us:

> The current accredited investor policy makes no sense at all. The financial thresholds in place restrict many financially smart, would-be investors, especially people of color, from participating in the investment space. But the people making these decisions don't ever have to worry about qualifying, so they don't understand. The thought process is, 'If you don't have money, you don't understand money.' And that's just not true.

And Laurel Hess, founder of Lafayette, Louisiana-based startup hampr, a platform which provides quick laundry services by pairing "busy people who need their laundry done with people who need additional income," explained that expanding the accredited investor would help startups run by women and moms like her, to get the funding they need:

> We need more diverse investors—more women investors—so that startups like mine get funded. Part of the way we accomplish that is by allowing more people to invest in startups by expanding the definition of an accredited investor. There are so many people who want to invest but just simply can't because they don't meet the qualifications.

Diverse startups face limitations accessing capital across all streams. Startups with all women teams raised just 2.1% of venture capital in 2023, and Black founders raised less than .5% of the total VC funding in the same year. But we know that diverse investment teams fund diverse founders. The same philosophy is relevant here—expanding the accredited investor definition so that there are more women investors and investors of color—is a critical step towards more equitable capital access. This is especially important as the Securities and Exchange Commission (SEC) is expected to raise the financial requirements for accredited investors (despite expected recommendations from a SEC Small Business Capital Formation Advisory Committee), a move that stands to significantly contract the current already-too-limited pool of eligible investors.

Finally, we're pleased to see the inclusion of Title III of Division B, which would also target the need for greater diversity amongst accredited investors, achieving this goal by reforming 3(c)(1) funds. As we told the Senate Banking Committee in the past, by "boosting the number of possible investors and raising the fund cap, more individuals would have the opportunity to participate at lower investment levels, which could lead to investment in more diverse entrepreneurs and investment by a more diverse pool of accredited investors." This would be particularly beneficial for founders of color and women founders, but also for founders who are located outside of traditional hubs for venture capital.

We commend the House Financial Services Committee's efforts in advancing this important piece of legislation and encourage members to vote in favor of final passage on the floor.

Sincerely,

Engine Advocacy
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Cc: Honorable Members of the U.S. House of Representatives of the 118th Congress