

U.S. DEPARTMENT OF TREASURY

SSBCI VSB AND SEDI OVERVIEW

SSBCI policy as defined by ARPA (American Rescue Plan Act) provides key provisions for Very Small Businesses (VSB) and businesses owned by Socially or Economically Disadvantaged Individuals (SEDI).

Very Small Businesses (VSB):

Very Small Business is defined as a business with fewer than 10 (ten) employees; and may include independent contractors and sole proprietors. As referenced in **Section 3301(c)** of the ARPA.

Socially Economically Disadvantaged Individuals (SEDI):

While the definition of Very Small Businesses (VSB) is fairly straightforward, the exact definition of SEDI is a bit more detailed and nuanced as various Federal Agencies use the SEDI designations for a number of federally funded programs and eligibility requirements.

For the purpose of the SSBCI Program, the Treasury Department defines a SEDI business as follows:

- If privately owned, 51 percent is owned by one or more socially and economically-disadvantaged individuals.
- If publicly owned, 51 percent of the stock is owned by one or more socially and economically-disadvantaged individuals. In the case of a mutual institution, a majority of the Board of Directors, account holders, and the community which the institution services is predominantly comprised of socially and economically disadvantaged individuals.

Socially and economically disadvantaged individuals is defined by reference to section 8 of the Small Business Act ([15 U.S.C. 637](#)) and the regulations thereunder. This definition includes the following:

Socially Disadvantaged:

Socially disadvantaged individuals are those who have been subjected to racial or ethnic prejudice or cultural bias because of their identity as a member of a group without regard to their individual qualities.

Economically Disadvantaged:

Economically disadvantaged individuals are those socially disadvantaged individuals whose ability to compete in the free enterprise system has been impaired due to diminished capital and credit opportunities as compared to others in the same business area who are not socially disadvantaged.

SEDI Owned Businesses:

SEDI Business enterprises must certify that they are owned and controlled by individuals that have had their access to credit on reasonable terms diminished as compared to others in comparable economic circumstances, due to the any of the following:

1. *Membership of a group that has been subjected to racial or ethnic prejudice or cultural bias within American society*
2. *Gender*
3. *Veteran status*
4. *limited English proficiency*
5. *Physical handicap*
6. *Long-term residence in an environment isolated from the mainstream of American society*
7. *Membership of a federally or state recognized Indian Tribe*
8. *Long-term residence in a rural community*
9. *Residence in a U.S. territory*
10. *Residence in a community undergoing economic transitions (including communities impacted by the shift towards a net-zero economy or deindustrialization)*
11. *Membership of another "underserved community" as defined in Executive Order 13985;*
12. *Business enterprises which certify that they are owned and controlled by individuals whose residences are in CDFI Investment Areas, as defined in 12 C.F.R. § 1805.201(b)(3)(ii); business enterprises which certify that they will operate a location in a CDFI Investment Area, as defined in 12 C.F.R. § 1805.201(b)(3)(ii); or business enterprises that are located in CDFI Investment Areas, as defined in 12 C.F.R. § 1805.201(b)(3)(ii)*