



May 31, 2022

Darrel Eddingfield,
Office of Financial Assistance
U.S. Small Business Administration,
409 Third Street SW, Washington, DC 20416

Re: Docket No. SBA-2022-0003

Dear Mr. Eddingfield,

We write in response to the invitation for public comments regarding changes made to the Community Advantage Pilot Program (CA) noticed in the Federal Register on April 29th, 2022. Access to capital is one of the greatest barriers to success for minority entrepreneurs. Since its inception in 2011 CA has successfully expanded access to capital for small businesses located in underserved communities through Community Development Financial Institutions (CDFIs) and other mission-driven lenders. We appreciate the opportunity to share our perspective on recent efforts to strengthen this program.

NALCAB, the National Association for Latino Community Asset Builders, is a US Treasury-certified Community Development Financial Institution (CDFI) that represents and serves over 160 diverse nonprofit community development and asset-building organizations across the country. Over half of our members are lenders, more than 50 of which are certified CDFIs. These organizations uplift Latino communities by strengthening access to quality affordable housing, safe financial products and services, and the ability to start and grow successful businesses. Many of the people served by the NALCAB Network are low- to moderate-income individuals who are first- or second-generation immigrants. During the COVID-19 pandemic, NALCAB mobilized over \$17.6 million in grants and low interest loans, supporting over 120 nonprofits and 600 small businesses.

The National Coalition for Asian Pacific American Community Development (CAPACD) is a coalition of nearly 100 community-based organizations spanning 21 states and the Pacific Islands. Its members work in low-income Asian American and Pacific Islander (AAPI) communities and neighborhoods to build social and economic justice for all. National CAPACD supports its member organizations to employ a diverse set of strategies tailored to local community needs, including small business training and technical assistance, housing counseling and financial empowerment services.

The Center for Responsible Lending (CRL) is a non-profit, non-partisan research and policy organization that works to ensure a fair, inclusive financial marketplace. CRL's work focuses on those who may be marginalized or underserved by the existing financial marketplace -- people who often are targeted for unfair and abusive financial products that leave them worse off. CRL is an

affiliate of the Center for Community Self Help, a national community development organization which includes two credit unions and a non-profit loan fund all of which seek to help low-wealth borrowers buy homes, start and build businesses, and strengthen community resources, across the United States. We refer to this family of companies as “Self-Help.”

The ingenuity and perseverance of minority entrepreneurs make them key drivers of economic growth in this country. Latinos are twice as likely to start a business as the rest of the population and over the past ten years the number of Latino-owned businesses (LOBs) has grown 35%. Likewise, there are over a half million Asian-owned employee businesses and more than 7,000 Native Hawaiian and Pacific Islander employee-owned businesses in the United States which employ nearly 5 million people and contribute over \$13 billion in sales and revenue to the U.S. economy in addition to the more than a million additional micro-businesses and sole proprietorships.

However, to achieve true racial equity in small business ownership, there’s more work to be done. Despite representing 12% of the population, only 2% of U.S. employee businesses are Black-owned. Latinos represent 18% of the population, but only 6% of U.S. employee businesses are owned by Latinos. The financial instability that exists within the AAPI business community is often masked by aggregating the racial category as a whole, making it extremely challenging to know which Asian groups are struggling.

A recently published report by the Alliance for Entrepreneurial Equity found that if business ownership was proportional to population, there would be an additional 738,000 Black-owned businesses adding 7 million more jobs and \$733 billion in sales and revenue to the economy. Making the same equity adjustment for the Latino population would lead to the creation of an additional 884,500 more Latino-owned businesses, creating an additional 7.5 million jobs, and adding \$1.2 trillion more in sales and revenue to the economy.

The greatest challenge preventing greater racial equity in small business opportunity and keeping minority entrepreneurs from reaching their full potential is access to capital. The 2021 Federal Reserve Small Business Credit Survey found that Asian (31%), Black (13%) and Latino (20%) business owners were much less likely to receive all of the non-emergency financing sought in the year prior to the survey than white (40%) business owners. Moreover, AAPI business owners have a unique need for trusted resources that can provide culturally competent, one-on-one technical assistance and business counseling in languages other than English.

Over the last 10 years, through its partnership with lenders who are uniquely able to connect with the needs of underserved entrepreneurs, CA has helped increase access to capital to minority owned businesses.

CA is a valuable tool for mission-based lenders in reaching communities traditionally underserved by conventional lenders and these changes strengthen the program. In fiscal year 2022, it provided nearly \$23 million in funding to minority-owned businesses, 41% of its total funding. Moreover, unlike other SBA lending programs, the majority of its funds go to start ups or businesses less than two years old, meaning that this program provides financing to minority entrepreneurs that may not have the initial financing necessary to start a new business.

Among the reforms made are:

- Increasing the maximum loan size from \$250,000 to \$350,000.

- Simplifying underwriting and collateral requirements for borrowers and lenders, including increasing the maximum unsecured loan size from \$25,000 to \$50,000, thus removing barriers that disproportionately impact underserved borrowers.
- Enabling lenders to offer lines of credit, interest-only periods, and other loan modifications to best serve their borrowers' capital needs.
- Removing the restrictions that can keep individuals with criminal backgrounds from accessing the Community Advantage program.
- Introducing additional abilities for lenders to make revolving lines of credit, interest-only periods, and other loan modifications that meet borrowers where they are to best serve their capital needs.
- Redefining the packaging fee guidelines to better enable CDFIs, CDCs, and mission lenders participating in the Community Advantage program to scale and increase volume to underserved communities.

We believe that the changes made by the Biden Administration are a step in the right direction towards a more equitable America. However, to see that the program reaches its full potential and meets the needs of all underserved populations, and to truly build equity across the administration by removing historic inequities that have limited economic growth for minorities – more must be done. It is our recommendation that the CA underserved target market be expanded to include minority owned businesses – specifically identifying socially and economically disadvantaged individuals, including Black Americans, Hispanic Americans, Native Americans, Asian Americans, Native Hawaiians, Pacific Islanders, and other minorities. Additionally, to directly target CA funding to underserved communities we recommend that Congress and the administration consider expanding its underserved target market to non-employer businesses and small businesses with fewer than 10 employees.

Lastly, all small businesses, but particularly underserved entrepreneurs, need a reliable and stable source of capital. We are glad to see the program extended to September 30th, 2024, but Congress must act to make the program permanent. We are committed to continuing to work with Congress and the administration to further refine CA to ensure minority small businesses can access the resources needed to be successful.

Thank you again for the opportunity to submit comments.

Sincerely



Seema Agnani
Executive Director, National CAPACD



Mike Calhoun
Center for Responsible Lending



Clarinda Landeros
National Association for Latino Community Asset Builders