

November 3, 2022



The Honorable Janet Yellen
U.S. Department of Treasury
1500 Pennsylvania Ave. NW
Washington, DC 20220

Re: TREAS-DO-2022-0017-0001, SSBCI Request for Information Comments

BOARD OF DIRECTORS

Dear Sec. Yellen,

Victor Arias

The United States Hispanic Chamber of Commerce (USHCC) is the nation's largest Latino Business Advocacy organization and works to actively promote the economic growth, development, and interests of more than five million Hispanic-owned businesses. The USHCC exists to support these businesses that contribute over \$800 billion to the American economy each year. We operate through a network of more than 260 local chambers and business associations throughout the nation and have partnerships with more than 200 major global corporations.

Carlos A. Becerra

Carmen Castillo

Jessica Cavazos

Ernie C'De Baca

Yuri Cunza

Reuben Franco

Sil Gonzales

We are grateful for the opportunity to submit these comments to the U.S. Department of the Treasury as it develops guidance for distributing funds for Technical Assistance (TA) activities related to the State Small Business Credit Initiative (SSBCI). The USHCC understands the significance and opportunity that this initiative represents. That is why we are committed to ensuring that we have the necessary mechanisms in place to ensure that the set asides and incentives laid out will include historically unserved and underserved communities.

Regina Heyward

Juan Carlos Liscano

Rachel Kutz

Betty Manetta

The SSBCI program represents an invaluable opportunity to create lasting debt and equity, growth, and venture solutions for Hispanic Business Enterprises (HBEs). Through our convening power, we urge the U.S. Department of the Treasury to assist our asset management firms and financial institutions to have a seat at the table so that connections with state governments are made to make them aware of available resources and solutions that are aligned with the capital needs of our community.

Monika Mantilla

Robert Martinez

Rosa Navejar

Mayra Pineda

The SSBCI program, the Emergency Capital Investment Program (ECIP), and Small Business Investment Company (SBIC) program at the U.S. Department of the Treasury and the U.S. Small Business Administration (SBA) represent unique opportunities to channel capital to Hispanic business owners. This includes full utilization of Hispanic financial institutions and asset management firms, who have historically been overlooked and neglected.

Jacquelyn Puente

Nelson Reyneri

Christine Rice

Alice Rodriguez

Jennifer Rodriguez

In order to be successful, the U.S. Government must utilize diverse investment talent firms. These include but are not limited to regional and community banks, minority asset managers, Environmental, Social, and Governance (ESG) impact funds, Community Development Financial Institutions (CDFIs), credit unions, Minority Depository Institutions (MDIs), and Financial Technology (FinTech) Firms. We must ensure the inclusion of new bold technical assistance programs, public-private partnerships, federal multi-agency initiatives, special purpose financial vehicles with innovative capital models, and other solutions to close the \$1.5 trillion opportunity of capital gap. Specific initiatives to support diverse asset managers and diverse financial institutions should be envisioned and put into action.

Raul Salinas

Yammel Sánchez-Ocaña

Rosa Santana

Ramiro A. Cavazos
President & CEO

We know that newer businesses often lack general knowledge about commercial financing, including the differences between debt and equity financing, what kind of financing model their business may be best suited for, or what steps they need to best apply for and receive capital. When it comes to the needs and challenges of our small and minority-owned businesses across the country, there is no one-size-fits-all solution. That is why we must make sure that there are different types of financing available across



the board. It is essential that we accompany all capital opportunities with the technical assistance needed to be deliberate and efficient.

This technical assistance component is vital given the nature of the challenges that these underserved businesses face. In order to maximize the impact of these technical assistance dollars, we must rely on the trusted channels and actors who have already developed strong networks with local leaders and who understand the regional nuances. Due to the COVID-19 global pandemic, Minority Business Development Agency Centers, Chambers of Commerce, Small Business Administration Community Navigator Hubs, and other community organizations became emergency rooms for small businesses who required the orientation and technical assistance needed to stay afloat and rebuild. These local stakeholders have worked on bridging the communities' necessities and meeting them with resources and opportunities. Using this existing network infrastructure will be key when it comes to reaching our communities around the country with an equity lens.

Below are our specific recommendations as you develop guidance for distributing funds for TA activities related to the SSBCI program:

Across the Capital Continuum

Debt Financing: We often find that entrepreneurs are confused about the differences between term loans, lines of credit, and cash-flow products offered online, such as merchant cash advances. We also see an ongoing demand for one-on-one accounting and financial support.

Equity Financing: Entrepreneurs of color have historically been excluded from venture capital. We see a disconnect between the investor community and Socially Economic Disadvantaged Individuals (SEDI) and Very Small Businesses (VSBs) communities in which we operate. The SSBCI funding could support a "capital ecosystem builder" in a given region or community to help bring together investors, TA providers, and small businesses. In addition, funding could also be allocated toward diverse-led investment funds, like the Minority Business Development Agency, Chambers of Commerce, or mission-driven lenders like community development financial institutions to increase TA support for SEDI-owned businesses.

Gaps in TA for Small Businesses, By Business Stage:

Seed and Early-Stage: There is a wealth of generalized technical assistance for newer firms, from business planning to business formation and marketing. However, we see the following gaps in:

- **Personalized business assistance:** While general business and technical assistance is available, small business owners are often looking for solutions to personal and specific challenges they are facing. We work with a wide range of TA providers, including the Small Business Development Centers (SBDC), SCORE and other nonprofits, many of which seek to address this gap with dedicated mentors and one-on-one assistance. But, mentorship recruitment, expertise, and availability vary widely depending on the organization, where they operate, volunteer availability, and other factors.
- **Financial literacy, accounting, and wealth-building:** Entrepreneurs have different levels of financial acumen. Some small business owners need support in understanding basic business accounting and the importance of separating business and personal finances, while others may struggle with advanced accounting requirements, understanding profit vs. revenue, and more.

Early and Intermediate Stages: Ongoing focus groups and other research we've conducted with small businesses in our network reveal that small business owners are often challenged when it comes to:



- Hiring their first employee: Tax implications, payroll, and benefits pose new challenges when an employer brings on their first worker.
- Creating standard operating procedures: Speaking to the need for more custom, tailored TA, many small business owners find it challenging to create standard operating procedures for their business.
- Legal and contracting help: As small businesses begin to scale; more advanced legal needs arise. While there is plenty of existing support for initial business legal formation and other contracting needs, small firms need more personalized support for specific legal and contracting needs that arise at later stages of the firm.

Established: Established or growth-stage businesses are more likely to have the financial resources to hire or contract legal, accounting, and financial expertise internally. However, entrepreneurs need additional technical assistance in succession planning for those who are considering retirement and planning for the next phase of their business. Some TA funding could be leveraged to support technical assistance around alternative succession planning models such as Employee Stocked Ownerships (ESOP) or cooperatives.

Most Effective Method to Deploy TA Funding

To ensure SSBCI funding is deployed effectively, the U.S. Department of the Treasury should prioritize distribution to organizations and collectives that have a demonstrated track record of working with SEDI-owned businesses, minority communities, and small businesses. Treasury should consider allocating funds to regional or statewide organizations that work with technical assistance providers to serve communities and businesses in a culturally competent manner. These community networks could serve as “hubs” to deploy dollars to individual providers working on the ground with these constituencies.

Another way to increase impact of this critical funding would be to consider proposals that allow for the creation of “back-office” cooperatives that can handle basic business accounting, supplier, and administrative tasks for a network of smaller businesses, based on geography and/or industry.

In rural communities, technical business assistance is much more difficult to deliver effectively at scale. Rural entrepreneurs encounter challenges reaching in-person assistance due to the lack of nearby TA providers, while online TA is hampered by gaps in broadband access.

Considerations for a Competitive TA Grant Program

We encourage the U.S. Department of the Treasury to request proposals that include these recommendations for both direct contracting and subcontracting of TA providers:

- Employ staff dedicated to program delivery (as opposed to bringing in outside consultants).
- Offer services in languages spoken by members of the community it serves.
- Offer flexible programming to reach entrepreneurs who may not be able to access services during certain hours or through traditional platforms.
- Offer services for free or at a very low cost.
- Ensure that TA providers have experience in serving disadvantaged communities with a culturally competent approach.

Funding should be prioritized for jurisdictions that can provide a plan demonstrating a commitment to serving socially and economically disadvantaged businesses:



- In their request, jurisdictions should indicate their strategy for ensuring that technical assistance is delivered primarily to socially and economically disadvantaged groups with specific metrics for reaching businesses with fewer than 20 employees.
- Jurisdictions should identify the types of technical assistance delivery and curriculum that best meet the needs of socially and economically disadvantaged groups, with a focus on:
 - o Financial planning, wealth-building, and creating quality jobs.
 - o Business formation, licensing, and related legal or regulatory expertise.
 - o Provide education for a wide array of financing, debt, equity, and lending solutions.

Considerations for Contracting

Treasury's goal should be to connect small business owners with reliable and trustworthy organizations, consultants and firms that are engaged with these communities. Small businesses either do not trust corporate institutions, do not have an established relationship with them, or are unaware of their existence. To reach the target populations, engaging smaller TA providers that have existing relationships with business owners and entrepreneurs is paramount.

TA providers that work with SEDI:

- Are recognizable Small Business Administration programs, such as the Small Business Development Centers, Women's Business Centers, and Minority Business Development Centers,
- Are associated with other federal programs (CDFIs, USDA rural business programs), or
- Are community-based, mission-driven to serve under resourced or socially and economically disadvantaged individuals with a variety of structures, including non-profit, for-profit, and cooperatives.

Leveraging Funds

There are numerous successful models of nonprofit, private, and philanthropic programs that benefit SEDI-owned businesses. These programs are usually offered for a limited time or are otherwise restricted based on their funding sources. SSBCI funding for these programs could provide long-term stability to these programs that allow them to scale, grow, and sustain their programs.

Socially Economic Disadvantaged Individuals and Small Businesses are comprised of rural, minority, women, and veteran entrepreneurs. These communities already face unique obstacles in their experiences owning a business that their larger, more well-established counterparts do not. Often SEDIs have trouble obtaining transparent capital products, business mentorship, other services, and benefits like retirement and healthcare. The barriers to growth and development these entrepreneurs face have been exacerbated by the unprecedented COVID-19 global pandemic.

Thank you for your service and partnership in supporting our Hispanic and minority-owned businesses across the country. If you have any questions, please do not hesitate to reach out to C. LeRoy Cavazos-Reyna, Vice President of Government and International Affairs of the USHCC at LCavazos@ushcc.com. We commend you for your leadership and look forward to a positive outcome on this important matter.

Respectfully,

Ramiro A. Cavazos
President and CEO
U.S. Hispanic Chamber of Commerce