



The Hispanic Business Community has been a key driver of US economic growth. But today, Hispanic business have been disproportionately hurt by the pandemic and the stimulus packages have fallen short of addressing the needs of these businesses.

The United States Hispanic Chamber of Commerce (USHCC) proposes the following framework to provide the necessary support to restart the fastest growing segment of our American economy.

Part 1 – The Problem

- ✓ Hispanic Business Enterprises (HBEs) face disproportionate challenges when accessing capital to start or scale their businesses.
- ✓ Only 2 out of 10 loan requests are approved for small business owners, and unregulated alternative lenders sometimes engage in predatory practices.
- ✓ Minority-owned businesses are less likely to receive loans than nonminority-owned businesses with the same credentials. According to the Latino Business Action Network [2020 State of Latino Entrepreneurship Report](#), the odds of loan approval from national banks are 60% lower for HBEs when compared to their non-minority counterparts.
- ✓ In addition, the average loan amount for firms with more than \$500,000 in gross receipts was \$149,000, while the average for non-minority firms was more than twice that amount at \$310,000.

Part 2 – The Opportunity

- ✓ Real U.S. Latino Gross Domestic Product (GDP) grew 8.7 percent between 2017 and 2018, more than 4 and a half times the growth of non-Latino GDP.
- ✓ Latino GDP grew 72% faster than non-Latino GDP over the entire period from 2010 to 2018.
- ✓ From 2010 to 2018, Latino real consumption grew 133% faster than non-Latino consumption.
- ✓ The growth rate in the number of Latino-owned employer businesses was higher than the U.S. national average growth rate for all employer businesses in 41 states.
- ✓ There is at least a \$1.5 trillion opportunity gap that could be added to the U.S. economy if Latino-owned businesses generated, on average, the same annual revenues than their non-Latino counterparts.

Part 3 – The Path Forward: A Framework for Progress

A. Establishing a Partnership with the Hispanic Business Community by:

- a. Ensuring that the Hispanic Business Community has a seat at the table as policies and programs are being designed and implemented.
- b. Including 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 parity of capital gap.



- c. Utilizing diverse investment talent firms, including regional and community banks, minority asset managers, Environmental, Social, and Governance (ESG) and other impact funds, Community Development Financial Institutions (CDFIs), credit unions, Minority Depository Institutions (MDIs), and Financial Technology firms (FinTech).
- d. Leveraging the USHCC's national network of local Hispanic chambers alongside many other business associations should be leveraged to supporting and connecting business owners, while preparing them to achieve long term benefits for access to capital to scale their respective enterprise.

B. Addressing Businesses at their Needs

- a. HBEs range from starts up to “unicorns”, and encompass a wide range of industries.
- b. Accordingly, “one size does not fit all” and solutions require the ability to mobilize resources that include short-, medium-, and long-term debt and equity, and technical assistance including advisors and mentors.

C. Government as a Force Multiplier

- a. Build on the success of the Community Reinvestment Act (CRA). The CRA should continue to be an important equitable market instrument to encourage innovation and equity investments in Low and Moderate Income (LMI) areas, especially when these proposals are provided by diverse asset managers who have a commitment to serve their communities.
- b. Identify how Requests for Proposals (RFPs) can be issued for special purpose financial vehicles and programs that can provide lasting solutions for our small and diverse business owners.
- c. Establish a Capital Commission on Equity that can review the existing programs and solutions at Treasury, SBA, and bank regulators, as well as those that will be stood up for small businesses as part of the American Rescue Plan (ARP), and provide specific programmatic solutions and recommendations.
- d. The Capital Commission on Equity would have authority and a budget sufficient to request the right research, testimonies, and information necessary to evaluate if minority-owned small businesses are being provided with the right capital access, and would propose specific changes legislatively, programmatically, and forms of proper execution.

D. Ensuring Parity in Programs

- a. Previous rounds of stimulus relief have failed to fully support the needs of Hispanic Business Enterprises.
- b. The U.S. Department of Treasury and the U.S. Small Business Administration (SBA) should immediately support a study to understanding the racial disparities found among existing programs, such as the CDFI, 7(a) loan, 504 loan, and Small Business Investment Company (SBIC) programs, and make recommendations on how to bring them to parity, as well as ensure that programs implemented under the American Rescue Plan (ARP) promote racial parity.