



June 4, 2021

The Honorable Janet Yellen
United States Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

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Ramiro A. Cavazos
President and CEO

Dear Secretary Yellen,

Thank you, for the opportunity to share a written comment on the State Small Business Credit Initiative (SSBCI) implementation on behalf of our 4.7 million Hispanic Business Enterprises (HBEs) that contribute an estimated \$800 billion to the U.S. economy annually. The United States Hispanic Chamber of Commerce (USHCC), through our programming and network of more than 250 Hispanic chambers across our country, have been providing necessary resources and technical assistance to ensure that all small and minority-owned businesses can access the U.S. Government's economic relief programs and climb out of the COVID-19 economic crisis.

The USHCC's ongoing advocacy during the pandemic and after is focused on three driving pillars: increasing public and private sector procurement opportunities for Hispanic Business Enterprises (HBEs), advocating for issues affecting Hispanic business and the more than 61 million Hispanics living in America, and creating synergies of strategic collaboration with our network of more than 250 local Hispanic chambers across our country. Furthermore, we strive to do this work under three overarching goals which are: influence policy makers to adopt recommendations into stimulus related legislation and administration policies, expand Hispanic and minority-owned small business access to government and private sector procurement, and secure inclusion of the Hispanic community with decision and policy makers throughout the process.

We understand the importance of the SSBCI program and facility. As this program is deployed to state governments, and collaborating capital architects, we must ensure that we create the necessary ecosystems for this capital to be expanded and well leveraged. Enclosed with this letter is the USHCC's Capital Solutions Issue Brief. This critical framework provides the necessary support to restart the fastest growing segment of our American economy.

Furthermore, as states begin to appropriate these funds there must be safeguards in place to ensure that minority communities are part of the capital programming in order for them to revitalize and scale businesses accordingly. Moreover, the U.S. Department of the Treasury needs to give state governments guidance. In order for this capital program to succeed, states need to include avenues of technical assistance during the deployment of these federal funds.

There are many entities that serve as centers of excellence to provide diverse models for business development, capital solutions, and financial literacy. Our network of chambers of commerce have played a critical role in revitalizing Minority Business Enterprises (MBEs) to re-enter the economy by providing the training and tools needed to restart their business safely and strategically. Our trainings and resources focus on providing education to safeguard workers, customers, and workplaces to prevent the transmission of



COVID-19 and other communicable diseases; updating policies and procedures, including telework and providing remote customer service; the mitigation of cyber threats in remote customer services or telework practices; and updating Personal Protective Equipment (PPE). We connect MBEs to investment and procurement opportunities to help them pivot, grow, and move their business to a digital, more sustainable model. Through the SSBCI program, states must effectively execute on providing this type of technical assistance to ensure success.

In the USHCC's 2020-2021 Policy Platform we talk about the urgent need for equity in financial services. While there are various lenders including large and small banks, corporations, pension funds, insurance companies, credit unions, venture capital funds, angel investors, and family offices, minority-owned businesses still have less access to capital than Anglo-owned businesses.

According to the Minority Business Development Agency (MBDA), the average loan amount for minority-owned 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. Furthermore, minority-owned firms are less likely to receive loans than nonminority firms and, in fact, are more likely not to apply for loans due to rejection fears. If they do get loans, minority-owned firms are more likely to receive lower loan amounts than nonminority firms and pay higher interest rates on business loans. That is why we make a call to the establishment of a new fair playing field, as well as increasing access to capital, at reasonable interest rates, in order to overcome the disparities between minority and nonminority business owners in our country.

If you have any questions or require additional information, please do not hesitate to contact us at any time. Thank you in advance for your consideration in this matter, we look forward to future collaboration on these important policy priorities as you continue to design the economic future of our country through strategic capital programs.

Respectfully,

Ramiro A. Cavazos
President and CEO
United States Hispanic Chamber of Commerce

Enclosure: USHCC's Capital Solutions Issue Brief



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.