NATIONAL ASSOCIATION FOR LATINO COMMUNITY ASSET BUILDERS

Priorities for the CARES Act 2.0

CARES 2.0 Must Target Resources to Latino Communities That Have Been Excluded from Federal Economic Stimulus

The federal response to the economic crisis caused by the COVID-19 pandemic has not yet been proportionately or appropriately targeted to the emergency financial needs and opportunities for economic recovery in underserved communities, including the vast majority of Latino-owned businesses. In CARES 1.0 economic stimulus has primarily taken the form of 1) financial assistance to large companies in selected industries, and 2) assistance to companies with fewer than 500 employees through the Paycheck Protection Program (PPP). As has been widely reported, the implementation of the PPP excluded underserved businesses.

The following are data and media analyses on the economic impact of the pandemic in Latino communities and the need for a targeted response from the Pew Research Center, NBC News, The Guardian and again from NBC News.

Little more than a decade ago, the Great Recession devastated sectors of our economy and geographic regions of our country that resulted in a disproportionately negative impact on Latino communities, among other underserved segments of the population. Many families have only begun to recover from that historic economic crisis, only to be faced with another. The future strength and competitiveness of the US economy relies on achieving far broader financial inclusion and, ultimately, greater economic mobility for all people living in the US. Achieving these goals dramatically hinges on the ability of our federal government to appropriately target stimulus resources to those communities that have been hardest hit in this crisis.

The following are recommendations for how Congress can meaningfully address the emergency financial needs and opportunities for economic recovery in Latino and other underserved communities.

1. **Provide Emergency Financial Resources and Entrepreneurial Assistance to Latino Small Businesses**

   1a.) **Appropriate $10 Billion for truly underserved small businesses and sole proprietors that did not access the Paycheck Protection Program.** The PPP delivered more than $650 billion in forgivable loans – essentially grants - primarily to preferred customers of banks. Underserved businesses need and deserve the same deal. Congress must make available a final appropriation of $10 billion for PPP loans to be delivered to underserved business owners only through Community Development Financial Institutions (CDFIs) or Minority Depository Institutions (MDIs). Of this amount, $2.5 billion should be reserved for loans under $75,000. All funding returned to the SBA by public companies and others that inappropriately received PPP loans should be included in this set aside.

   Given that CDFIs are already certified by the US Treasury Department as qualified lenders that specialize in lending to underserved markets, the SBA should be required to provide delegated authority to <u>any</u> CDFI that applies to become a PPP lender. In recognition of the fact that it will require more time and resources to serve truly underserved and very small businesses and sole proprietors, there should be a minimum fee of $2,500 to the lender for making a PPP loan under $50,000 and the time period for processing loans should be extended until September 30, 2020.

1b.) **Appropriate $250 million for community-based non-profit organizations to provide culturally and linguistically relevant technical assistance to diverse, underserved and minority small business owners.** CARES 1.0 included an earmark for university-based Small Business Development Centers (SBDCs) in the amount of $240 million. Often, minority business owners are better served by community-based non-profits that focus on providing culturally and linguistically tailored entrepreneurial counseling to their specific target community rather than university-based centers that do not serve their community as effectively. The national SBDC Association reports that only 28% of the clients served by SBDCs are "minority" of some kind and no additional data on race and ethnicity is made publicly available.

Significantly smaller amounts were made available in CARES 1.0 to Women's Business Centers (WBCs) and Minority Business Development Agency (MBDA), which are funded by the Department of Commerce to provide specialized assistance to a segment of larger small businesses in areas like high tech manufacturing and exports. No funding was made available to the other non-profit networks and community-based organizations and that make up critical elements of our nation's infrastructure for providing entrepreneurial assistance, particularly for minority owned businesses. Many of these organizations are SBA resource partners through the SBA PRIME program. The following distribution of funding would appropriately balance the resources already made available in CARES 1.0.

- $200 million to nonprofit organizations that are not SBDCs, WDCs or MBDAs to provide culturally and linguistically relevant small business technical assistance to small business owners in diverse communities.
- $25 million for SBA to identify new Women's Business Centers to provide small business technical assistance and online training and information.
- $25 million for the Minority Business Development Agency to provide small business technical assistance and online training and information.

1c.) **Reauthorize and appropriate $2 billion for the State Small Business Credit Initiative (SSBCI).** SSBCI was originally created through the Small Business Jobs Act of 2010 and funded with $1.5 billion to strengthen state programs that support financing of small businesses.

1d.) **Expand the impact of the SBA Microloan Program** with an additional $75 million in loans. This should include increasing the aggregate loan limit for each lender from $6 million to $10 million and extending the loan period from seven years to nine years.

2. Mobilize the Community Development Sector to Ensure an Equitable Economic Recovery

2a.) **Appropriate $1 billion for the Community Development Financial Institutions (CDFI) Fund, including an equity addendum to strengthen CDFIs that focus primarily in communities of color.** CDFIs provide financial services in urban neighborhoods and rural areas underserved by traditional financial institutions, particularly those with high rates of poverty and unemployment. Over 1,100 certified CDFIs across the country are working on the front lines of the current economic crisis, triaging distressed businesses, helping families avoid foreclosure or eviction through credit and housing counseling, and working to help stabilize struggling economies. Those CDFIs that primarily serve Latino, Black, Asian/Pacific Islander and Native communities tend to be less well capitalized. Given the disproportionate impact of this economic crisis on communities of color, any method for distributing a $1 billion appropriation must provide greater resources that those CDFIs led by people of color and with a track record of primarily serving communities of color.

2b.) **Invest equitably in community development networks that serve communities of color.** While the Community Development Block Grant program primarily distributes funding to cities, urban counties and states, NeighborWorks America (Neighborhood Reinvestment

Corporation) is among Congress' preferred conduits for distributing community development funding to non-profit networks. Any appropriation to NeighborWorks America must include an equity addendum that requires the distribution of funding to community development networks that more effectively target services to communities of color and support culturally and linguistically relevant practices.

3. Provide Sustainable Relief for Low- and Moderate-Income Renters and Homeowners

3a.) **Appropriate $100 billion to immediately stabilize the rental market and prevent evictions.** NALCAB supports a block grant program that allows states, localities, tribes and other native communities to provide short- and medium-term rental assistance as well as eviction prevention and relocation assistance. Provisions must be included to ensure that eligible recipients of the USDA 521 rural rental assistance program are also served by these resources and that States and localities on the US-Mexico Border address the housing needs in *colonia* communities.

3b.) **Extend mortgage forbearance protections on all federally backed mortgages**. Forbearance protections established in the CARES Act for multifamily properties with federally backed mortgages should be extended to 60-days after the end of the federally declared emergency and no earlier than December 31, 2020.

3c.) **Appropriate $1 billion to preserve affordable housing in rural America**. USDA's Section 502 direct loan program and the various USDA rental financing programs (including 515 loans and the multifamily preservation demonstration) all require emergency capital infusions to prevent an irreparable loss of affordable housing in rural America.

3d.) **Appropriate $700 million to dramatically expand housing counseling services for renters and homeowners**, including foreclosure mitigation and eviction prevention services.

4. Support Neighborhood Stabilization During the Economic Recovery

Authorize and appropriate $15 billion for a Strong Neighborhoods Program, building on learnings from the Neighborhood Stabilization Program Round II (NSP II) authorized in the 2008 federal stimulus, for the purpose of supporting local communities to strengthen neighborhoods with diverse local market challenges (ranging from significant disinvestment to gentrification) in which residents experience a high level of housing vulnerability in the wake of the economic crisis.

Federal neighborhood investment programs have typically focused on revitalization in neighborhoods where market conditions prevented the private market from functioning effectively, including blight, crime, outdated public housing and/or environmental problems. There is an ongoing need for federal funding focused on neighborhood revitalization; however, a far wider range of neighborhoods are being adversely impacted by the economic crisis. The next generation federal neighborhood investment program must provide local grantees, in urban, suburban and rural markets, with the flexibility to respond to diverse local market challenges, ranging from a need for revitalization to addressing the needs of vulnerable residents facing the threat of displacement due to post-crisis investor activity and/or appreciation in real estate values. Eligible uses should include the production and preservation of affordable housing through new development and acquisition/rehabilitation strategies, financing mechanisms for affordable housing development and purchase, limited land banking as well as targeted housing counseling and eviction prevention strategies.

The Neighborhood Stabilization Program Round II (NSP II), authorized by Congress in the American Recovery and Reinvestment Act (ARRA) stimulus and administered by US HUD, produced important learnings for how a scaled federal grant program can be used by local communities to strengthen neighborhoods experiencing diverse local market conditions. Some of the biggest differences between

the NSP II program and other block grant programs were: (+) NSP II was competitively bid and funding was only provided to well-prepared applicants that could demonstrate their capacity and readiness; (+) NSP II did not limit the list of eligible applicants to municipal agencies and public housing authorities, but also allowed consortia of non-profit housing developers and CDFIs to apply (many of the top performing grantees were non-profit consortia); (+) NSP II required applicants to define specific target areas, to document their understanding of those specific local market conditions, and to explain clearly how their proposed investments would strengthen neighborhoods.

5. Protect Consumers and Immigrants During the Economic Recovery

5a.) **Prohibit all overdraft fees until December 31, 2020.**

5b.) **Prohibit aggressive debt collection activity, including by local governments, for six months,** including referrals to debt collectors, sales to debt buyers, garnishments and repossessions.

5c.) **Conduct Congressional hearings on how the credit bureaus will treat negative credit information during the crisis.**

5d.) **Stop deregulation of payday and other predatory lending practices,** including the CFPB's roll back of the 2017 Payday and Auto Title Lending Rule as well as the OCC's proposed interest rate rules which would preempt state interest rate laws.

5e.) **Ensure multilingual communication** of all federal emergency financial assistance resources and consumer protections during the crisis.

5f.) **Extend permanent protection to DACA recipients**. DACA recipients strengthen our economy and support our health care system. More than 40,000 DACA recipients are health care workers or support the health care industry.

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About NALCAB

NALCAB - the National Association for Latino Community Asset Builders - is the hub of a national network of more than 120 mission-driven organizations in 40 states, DC and Puerto Rico that that serve ethnically diverse Latino communities across the US. Members of the NALCAB Network invest in their communities by building affordable housing, addressing gentrification, supporting small business growth, and providing financial counseling on issues such as credit building and home ownership. Our mission is to strengthen the economy by advancing economic mobility in Latino communities.