



April 9, 2020

The Honorable Jovita Carranza
Administrator
United States Small Business Administration
409 3rd Street SW, Washington, DC 20416

Re: A National Strategy for Deploying CARES Act Resources to Underserved Businesses

Dear Administrator Carranza:

It is clear that the economic crisis resulting from the coronavirus pandemic is having an immediate and devastating impact on Latino small business owners, who disproportionately operate in hard hit sectors such as hospitality, transportation and services and who, on average, have less financial wherewithal to weather such a dramatic downturn. NALCAB is prepared to lead a national network of non-profit organizations to support the Small Business Administration in deploying emergency financial relief and business development services to small businesses, at scale, across the United States. In order to save millions of people and businesses in the United States from financial emergencies that could quickly devolve into a humanitarian crisis, there is an urgent need to rapidly deploy resources made available through the CARES Act. Mechanisms for delivering resources to the most financially vulnerable are perhaps the most critical. The CARES Act states:

It is the sense of the Senate that the Administrator should issue guidance to lenders and agents to ensure that the processing and disbursement of covered loans prioritizes small business concerns and entities in underserved and rural markets, including veterans and members of the military community, small business concerns owned and controlled by socially and economically disadvantaged individuals, women, and businesses in operation for less than two years.

NALCAB's mission is to strengthen the economy by advancing economic mobility in Latino communities. As an experienced grantmaker, US Treasury certified CDFI lender and an established SBA partner (a multi-year intermediary grantee under Track 2 of the PRIME Program), NALCAB has a proven track record of coordinating the capacity of its Network members to deploy grant, debt and equity capital from governmental, philanthropic and private sources, including the management of hundreds of millions of dollars in federal stimulus funding from various agencies during and after the Great Recession. NALCAB is the hub of a national network of more than 120 mission-driven organizations that are anchor institutions in geographically and ethnically diverse Latino communities in 40 states, Washington DC and Puerto Rico. Members of the NALCAB Network invest in their communities by supporting small business growth, building affordable housing and providing financial counseling. They include CDFIs, community development corporations and multi-service agencies that serve hundreds of thousands of low- and moderate-income people and tens of thousands of small businesses with less an \$1 million in revenue. Approximately 70% of those served by the NALCAB Network are Latino. There are few if any networks that are as well prepared to rapidly and responsibly deploy the resources made available through the CARES Act at scale in Latino communities. In fact, NALCAB is currently working with national foundations and other philanthropic partners to channel millions of dollars in emergency relief into Latino communities through our national member Network.

Situation Analysis and Proposed Approach

Deploying Payroll Grants to Eligible Small Businesses

The US Small Business Administration has been charged with implementing one of the single largest and fastest deployments of federal resources in the history of our nation. As a comparatively small agency, SBA will need to leverage many and diverse external partners to achieve this feat. To rapidly and responsibly achieve this scale of this deployment, the SBA will not only have to rely on individual banks, credit unions, and CDFIs that are already approved lenders under the 7a program, but also rapidly approve additional institutions to deploy the emergency payroll grants.

NALCAB is prepared to coordinate with the numerous experienced lenders in the NALCAB Network with “Delegated Authority” to assist up to 75 other Network members to either directly offer payroll grants, if allowed by legislation and approved by the SBA, or to serve as a referral pipeline for eligible small business and non-profits to SBA approved providers. NALCAB has a proven track record of coordinating its Network members in this manner, as described later in this document. The ability to implement such a scaled network approach would rely on the SBA promulgating regulations that anticipate this structure and method.

Providing Small Business Counseling/ Entrepreneurial Assistance

The NALCAB Network includes more than 60 organizations that provide small business counseling, which collectively provide targeted and culturally relevant support to more Latino-owned small businesses than any other national Network. While the CARES Act makes funding available for entrepreneurial assistance to small businesses impacted by the COVID-19 economic crisis, the large majority of the resources for entrepreneurial assistance were earmarked for universities and colleges that operate Small Business Development Centers. These institutions are not the only critical elements of our nation’s infrastructure for providing entrepreneurial assistance and are not the most effective Network with respect to targeting entrepreneurial assistance to business owners of color. 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. A small number of the members of the NALCAB Network operate Small Business Development Centers and Women’s Business Centers, however the vast majority do not and, as a result, the legislation makes it more difficult for the SBA to engage partners and networks that can provide targeted and culturally relevant support to Latino-owned small businesses, at scale.

Funding for entrepreneurial development services should be made available to nonprofit organizations that have previously been awarded funding by the Small Business Administration under the PRIME Program and focus on providing culturally and linguistically relevant services to underserved and minority businesses. This may include providing funding to an intermediary for rapid distribution to a network of non-profits and, as a multiyear intermediary grantee under the SBA PRIME Program, NALCAB is well positioned to play this role. Even without a change in the legislation, SBA has the option creating a funding allocation formula for the appropriated dollars to ensure entrepreneurial assistance reaches cultural and linguistic minority populations.

Organizational Summary

NALCAB's vision is to dramatically scale the flow of public and private sector capital that responsibly meets the asset building needs and opportunities in the communities and families we serve. NALCAB strengthens and coordinates the capacity of the NALCAB Network to deploy capital. NALCAB also influences investors and policy makers with research, advocacy and technical advice. NALCAB implements its strategy through the following three areas of work.

- *Organizational Capacity Building for Non-profits and Government Agencies* – NALCAB supports non-profits and government agencies in implementing programs and projects that ultimately advance economic mobility in low- and moderate-income communities. NALCAB accomplishes this work through privately funded grant-making, technical assistance, training, and the Pete Garcia Community Economic Development Fellowship Program for next generation leaders. NALCAB has competitively selected by US HUD to provide technical assistance under the Community Compass Technical Assistance Program as well as the Rural Capacity Building for Affordable Housing and Community Development Program. NALCAB also partners with US SBA as an intermediary under Track 2 of the PRIME Program.
- *Policy Advocacy and Field Building* – NALCAB undertakes policy advocacy, research and strategic communications efforts aimed at influencing private, philanthropic and government investors. NALCAB has published a wide-ranging policy platform entitled *Latino Economic Agenda: A Latino Perspective on Domestic Economic Policy*.
- *Impact Investing: Lending and Asset Management* – As a US Treasury certified CDFI, NALCAB lends to non-profit member organizations. Through a wholly owned asset management company, *Escalera* Community Investments, NALCAB manages two social investment funds: The NALCAB Catalyst Fund, a real estate focused impact fund that produces and preserves affordable housing near employment, quality education and health care resources; and the *Acceso* Loan Fund, a national small business loan fund established in collaboration with eleven CDFI small business lenders in the NALCAB Network.

The NALCAB Network's Relevant Track Record

Since 2007, NALCAB has provided its Network members with over \$20 million in grants and a wide range of technical assistance and has trained more than 1,000 practitioners. With NALCAB's support, member organizations have secured more than \$400 million for affordable housing, small business and financial capability programs that has leveraged more than a billion dollars in economic impact. NALCAB has also influenced how local and federal government agencies are deploying hundreds of millions of dollars for community development and disaster recovery. The following are brief descriptions of initiatives that NALCAB has structured and implemented since the Great Recession.

- [ARRA Neighborhood Stabilization Program Round II](#) – In February 2010, Chicanos Por La Causa, Inc. (CPLC), in partnership with NALCAB and a consortium of high- capacity, nonprofit affordable housing developers in the NALCAB Network, was awarded \$137 million in funding from US HUD under the Neighborhood Stabilization Program Round 2 to revitalize neighborhoods in eight (8) states and DC that were impacted by foreclosures and abandoned properties. NALCAB organized the consortium, wrote the application for funding and supported CPLC in program implementation. This award remains one of the largest single federal investments ever made that targets predominately Latino communities through a nonprofit

network. [President Obama](#) and [Secretary Donovan](#) recognized the important role of the CPLC/ NALCAB NSP Consortium in responding to the reality that Latinos were disproportionately affected by the foreclosure crisis. The CPLC/ NALCAB NSP Consortium acquired more than 2500 single and multifamily rental units and sold or leased 900 single family homes to eligible participants. With over \$100 million in total program income, the consortium was the nation's top performing grantee with respect to reinvestment of program income.

- [ARRA Broadband Technology Opportunities Program](#) - Led by member Mission Economic Development Agency of San Francisco, NALCAB organized a consortium of 12 nonprofit organizations that received \$3.7 from a US Department of Commerce BTOP grant. This project created the Latino TechNet, a network of 17 public computer centers in 10 states with over 300 workstations, which provided computer access, bilingual computer training and small business development services to a low broadband adoption, high unemployment target population, in both urban and rural communities. From July 2010 to December 2014, these centers collectively served 6,600 low-income individuals.
- [Sam's Club Small Business Investment Partnership](#) - Through an eight-year partnership with Sam's Club Giving Program, NALCAB opened access to responsible, high-quality small business development and lending services for thousands of small business owners and aspiring entrepreneurs in predominately Latino communities. With close to \$4 million in grants from Sam's Club, NALCAB deeply engaged with 31 non-profits in 20 states and DC to build their capacity and increase their impact. These organizations served more than 5,000 small business owners and aspiring entrepreneurs, resulting in the creation or expansion of more than 2,100 business and the creation or retention of more than 2,800 jobs. Further, NALCAB and its member network leveraged Sam's Club Giving Program funding and secured more than \$36 million in new grants and investments focused on small business development and lending services in Latino communities. This surge of support for small business owners and aspiring entrepreneurs in Latino communities was undertaken in the immediate aftermath of the Great Recession – an economic period that had an unprecedented negative economic impact on Latinos. The Sam's Club Giving Program/ NALCAB Latino Small Business Investment Partnership has been the most significant private sector effort to provide targeted and culturally relevant support to mainstreet Latino-owned small businesses through this period of economic crisis.
- [JPMorgan Chase PRO Neighborhoods CDFI Collaboration](#) - In December 2013, NALCAB and three CDFI member organizations, received a \$6 million grant from the JP Morgan Chase Foundation to demonstrate innovative approaches to scaling CDFI investment in low- and moderate-income communities over a three year grant period. The NALCAB PRO Neighborhoods CDFI Consortium utilized the grant to leverage more than \$102 million in additional capital for financing small business lending, affordable housing development and mortgage lending - a leverage ratio of more than 15:1. By the end of 2016, the direct investments made using the \$6 million provided by the JPMC Foundation resulted in 81 mortgages for LMI homebuyers, the creation or preservation of 269 units of affordable housing and investments in 16 businesses resulting in 505 jobs. The PRO Neighborhoods grant also allowed the NALCAB partners to launch an innovative social investment fund designed to advance economic mobility for low- and moderate-income families by creating and preserving affordable housing in appreciating markets while producing competitive risk-adjusted financial returns for investors.

- [Well Fargo Latino Small Business Partnership: The *Acceso* Loan Fund](#) - The Wells Fargo Foundation made a historic \$10 million grant to NALCAB to support growth-oriented lending to minority-owned businesses nationwide through a network of Latino-led nonprofit business lenders. The *Acceso* Loan Fund is designed to help diverse entrepreneurs scale - expanding their impact on the economy and ability to provide jobs. By sharing the grant funds equally, NALCAB, and each of the eleven CDFI partners are co-owners of the fund. The *Acceso* Loan Fund will provide small business loans in the range of \$50,000–\$500,000. The CDFI sector offers few, if any, truly national strategies for deploying capital to the large, fast-growing Latino small business market. No single NALCAB Network lender could have presented this powerful value proposition alone, but collectively, this is the most credible and scalable national investment opportunity available to grant makers and capital providers seeking to invest in Latino small business growth. NALCAB developed the concept for the *Acceso* Loan Fund based on [experience structuring and managing collaborative business models](#) among its Network members, much of which was accomplished with critical support from the Surdna Foundation.

We are looking forward to working with you to strengthen Latino small businesses and communities. If you or a member of your staff have any questions or would like to discuss this further, please contact me at npoyo@nalcab.org or 210.399.4531.

Thank you for your service to our nation in this difficult time.

Respectfully submitted,

A handwritten signature in black ink that reads "Noel A. Poyo". The signature is written in a cursive, flowing style.

Noel Poyo