



NATIONAL
ASSOCIATION FOR
LATINO
COMMUNITY
ASSET
BUILDERS

July 19, 2023

The Honorable Ben Cardin
Chair
U.S. Senate Committee on Small Business
428A Russell Senate Office Building
Washington, D.C., 20510

Dear Chair Cardin,

I write, on behalf of NALCAB, the National Association for Latino Community Asset Builders in support of, *The Community Advantage Loan Program Act of 2023*, legislation that will strengthen and provide permanency to the U.S. Small Business Administration's (SBA) Community Advantage (CA) Pilot Program which helps to meet the credit, management, and technical assistance needs of small businesses in underserved markets.

NALCAB is a U.S. Treasury-certified Community Development Financial Institution (CDFI) that represents and serves over 200 diverse nonprofit community development and asset-building organizations across the country. Over half of our members are lenders, many of which are certified CDFIs. These organizations uplift Latino communities by strengthening access to quality affordable housing, safe financial products and services and the ability to start and grow successful businesses. Many of the people served by the NALCAB Network are low- to moderate-income individuals who are first- or second-generation immigrants.

The CA Pilot Program was created for the purpose of increasing lending to underbanked businesses and communities by partnering with experienced mission driven nonprofit lenders including several NALCAB members - LIFTfund, CDC Small Business Finance, Latino Economic Development Center (LEDC) and others. Established in 2011, the CA Pilot Program has been a success and in large part because of the participation of CA lenders there has been an increase in SBA lending to underserved communities, to minority-owned businesses, and specifically to Latino-owned businesses. According to SBA data, between FY 2016 and FY 2021 CA lenders lent an average of 2.5 times more dollars to Hispanic-owned businesses as compared to traditional 7(a) lenders. And over that period of time, CA lenders approved 1.7 times as many loans to Hispanic-owned businesses than 7(a) lenders. This not only benefits Hispanic-owned businesses but promotes a strong economy.

Latinos are driving demographic growth in the United States and are key to our nation's economic strength. The number of Latino-owned firms has grown by 35% in the last 10 years compared to a 4.5% growth among White-owned businesses.¹ The number of jobs created by Latino-owned businesses has grown to 2.9 million in 2019, a 53.6% growth rate since 2007.² Today, Latino-owned businesses employ over 3 million

¹ Orozco, M., Furszyfer, J., Oyer, P., & Porras, J. I. (2022). 2021 State of Latino Entrepreneurship. Stanford Graduate School of Business. <https://www.gsb.stanford.edu/sites/default/files/publication/pdfs/report-2021-state-of-latino-entrepreneurship.pdf>.

² Ibid.

workers.³ Hispanic-owned businesses contribute over \$800 billion to the U.S. economy annually.⁴ The data is clear – by supporting public policies that promote the success of Latinos we will fuel our nation’s economic growth and global competitiveness.

However, despite being a key segment of the small business sector, Latino entrepreneurs continue to struggle to secure capital from traditional lenders and commercial banks resulting in a barrier to reaching their full economic potential.⁵ Minority business owners experience discrimination in encouragement to apply, products offered, and information provided by banks, with 21% of Latino-owned businesses indicating that they do not apply for credit due to discouragement.⁶ Latino business owners are reliant on high-interest, high-risk sources, considering that their loan approval rate from traditional banks is 60% lower than that of White-owned businesses.⁷ The data is clear, the CA Program meets a key capital need in our financial marketplace.

Mission based lenders were chosen for the Community Advantage Program because they have experience and expertise in serving underserved markets. We do more than lend, we provide counseling and technical assistance and act as a bridge to a bank or traditional financial institution. As the Committee works to support this nation’s small businesses, including over 400,000 Latino-owned employer businesses, we encourage continued efforts to increase access for underserved communities and the organizations that serve them in SBA programs.⁸ We look forward to continuing to work with the Committee in ensuring the CA program reaches the small businesses that need it most.

As a CDFI that focuses on serving underinvested communities and that represents close to 20 CA lenders, we appreciate your work to strengthen the CA program and expand capital opportunities for underserved businesses. By codifying The CA Pilot Program, the bill will strengthen access to capital for minority small businesses and enable them to do what they do best, innovate and create jobs.

Sincerely,



Marla Bilonick
President and CEO

³ Joint Economic Committee Democrats (2021, November 4). Hispanic Entrepreneurs and Businesses are Helping to Drive the Economy's Entrepreneurial Growth and Job Creation. <https://www.jec.senate.gov/public/index.cfm/democrats/2021/11/hispanic-entrepreneurs-and-businesses-are-helping-to-drive-the-economy-s-entrepreneurial-growth-and-job-creation>.

⁴ Ibid.

⁵ “NALCAB Applauds Announcement of \$1.25 Billion Awarded to CDFIs to Support Economic Relief for Latino & Underserved Communities,” *National Association for Latino Community Asset Builders*, June 16, 2021.

⁶ Lederer, Annelise, et al. “Lending Discrimination Within the Paycheck Protection Program,” *National Community Reinvestment Coalition*, July 2020, <https://www.ncrc.org/lending-discrimination-within-the-paycheck-protection-program/>.

⁷ Orozco, M., Furszyfer, J., Oyer, P., & Porras, J. I. (2022). 2021 State of Latino Entrepreneurship. Stanford Graduate School of Business. <https://www.gsb.stanford.edu/sites/default/files/publication/pdfs/report-2021-state-of-latino-entrepreneurship.pdf>.

⁸ Hare, Neil, and Arturo Cazares. "New State Of Latino Entrepreneurship Report Shows Strong Growth In Tech Sector." *Forbes*. April 14, 2023. <https://www.forbes.com/sites/allbusiness/2022/04/14/new-state-of-latino-entrepreneurship-report-shows-strong-growth-in-tech-sector/?sh=b4127c9a5552>.