

Monday, June 22, 2020

**The Honorable Jerome Powell
Chairman**

Board of Governors of the Federal Reserve System
20th Street and Constitution Ave., NW
Washington, DC 20551

**The Honorable Steven Mnuchin
Secretary**

U.S. Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, DC 20220

Re: Request that the Federal Reserve utilizes its full powers to support, with a debt and equity facility, a vital sector of the economy that represents \$1.4 trillion in gross receipts and 7.2 million in jobs.

Dear Chairman Powell and Secretary Mnuchin:

All the organizations that sign this letter lead the Industry Associations and Investment Management Associations that unite Minority business owners across the country. According to the Minority Business Development Agency ([MBDA](#)), minority businesses generate \$1.4 trillion in aggregate gross receipts and create 7.2 million jobs. During this economic crisis we must make every effort to preserve their productivity and job creation.

We request the opportunity to meet alongside our investment management experts so we can provide our perspective and proposed solutions. **We request that you provide serious consideration to the facilities and Main Street Lending program modifications we propose below, and that you provide through your toolset at least \$10 billion for the funding our businesses require so that our pre-COVID profitable businesses can fight the COVID war, and thrive, protecting millions of jobs. This will largely benefit our communities and provide much hope and resources during very difficult economic and social times.**

Unemployment is massive and rapidly crippling our communities. We work every day with these business owners; therefore, we can share first-hand the deeply troubling situation that many of our profitable and thriving pre-COVID 19 companies are now facing, resulting in productivity loss and massive job losses. Robert W. Fairlie, PhD in economics, in his recently published paper by NBER, *“The Impact of COVID-19 on Small Business Owners: Evidence of early-stage losses from the April 2020 current population survey”* provides the first analysis of impacts of the pandemic on the number of active small businesses in the United States using nationally representative data from the April 2020 CPS (current population survey) – the first month fully capturing early effects from the pandemic. According to the author: *This paper is the first to use CPS data covering the early effects of COVID-19 mandates and demand shifts on small businesses, and the first to explore differential effects for female, minority and immigrant business owners, which is potentially important for targeting government aid to preserve small businesses and the jobs they create.”*

Further, the paper also provides disturbing statistics: *“the number of African-American business owners plummeted from 1.1 million in February 2020 to 640,000 in April. The loss of 440,000 black business owners representing 41 percent of the previous level is disconcerting. Latinx business owners also suffered major*

losses. The number of Latinx business owners dropped from 2.1 million to 1.4 million (32 percent) from February to March...The Stanford Latino Entrepreneurship Initiative (2020) surveyed 224 high-revenue Latinx-owned businesses and found that 86% of respondents reported immediate negative effects such as delayed projects and closure from the pandemic.”

We request that you provide an opportunity for skilled and minority managers to add value and help salvage productivity and job creation. The capital crisis our businesses are experiencing has been largely compounded by the fact **that many of our business owners are not closely working with a bank**, reason why PPP had significant challenges and low minority participation rates. If the Main Street Lending program is distributed only through banks, this will continue to largely occur. The program excludes other valuable financial entities, such as debt and equity asset managers, especially those that are diverse owned and have experience and knowledge in our market and managing recession programs.

The need for equity is dire. We also believe it is imperative that the program, or a parallel facility, includes equity, a capital type that was included under the PPIP program during the last recession. In our estimation salvaging productive businesses and job creators is of imperative importance for our country and our economy.

Going back to full employment requires capital for productivity. We were pleased to hear on your Thursday June 11, 2020 press remarks about the commitment of the Federal Reserve to utilize its full toolset to allow for economic recovery. However, we want to express our deep concern because we know that job creation doesn't happen alone, and that **for our communities to be put back to work, our businesses must be supported with the right capital and technical assistance instruments.** Beyond PPP, EIDL, and now the Main Street Lending program, it is imperative that we stand up facilities of at least \$10 billion to utilize our skilled diverse asset management firms, who have the expertise to provide flexible **debt and equity**, short, medium and long term **value added** capital solutions. This can happen in close collaboration with chambers and industry associations who can provide **vital support, alongside capital**, to our business owners. Ultimately, this will largely maintain and improve productivity and job preservation, and will become a vital lifeline for these businesses to survive COVID-19 disaster and thrive beyond, continuing to provide all sorts of products and services to the economy including many essential goods and services. Many of these business owners have provided essential goods and services, are **innovators and inventors, are productive actors of our economy, and merit every reason to be supported financially** during this crisis.

Quantifying needs and what our skilled asset managers can achieve. As highlighted recently by Monika Mantilla, who leads an SBIC impact fund and asset management firm that specializes in this segment and provided asset management services including public private programs during the last recession, at the recent New York Fed Reserve “To Important to Fail” Event, **the estimated needs for minority businesses stand at \$700 bill.** Asset management firms can and should operate as the next tier of capital solutions for a universe of approx. 8,000 diverse enterprises that sell north of \$5 mill in revenue and generate a large percentage of the 7.2 mill jobs that minority businesses create.

Our needs. The large majority of our businesses are small, and need Community Development Financial Institutions, CDFIs, to support them with capital, with size of checks up to \$500,0000. **But beyond those needs there is a next tier of solid businesses, across many industries, that need larger size of checks, both debt and equity, provided by value-add capital providers, many of which are minority owned. They need to be visible and valuable to the Federal Reserve and Treasury, and added as fiduciaries, service providers and advisors, in existing or future facilities and in the next legislative relief package. During the last recession the law included the following language:**

"Requires the Secretary, in any solicitation or contract containing such a waiver, to develop and implement standards and procedures to ensure the inclusion and utilization of minorities and women, and minority- and women-owned businesses, in that solicitation or contract, including contracts to asset managers, servicers, property managers, and other service providers or expert consultants.

<https://www.congress.gov/bill/110th-congress/house-bill/1424>

Becoming architects of our own solutions. We also would like to stress the importance of strengthening Minority Depository Institutions and minority owned CDFIs, so that our communities can continue to be architects of their own solutions. And we need an opportunity for our own asset managers to be fully utilized for the benefit of our economy and our country.

There are viable solutions and facilities adjustments as outlined in this letter that we must together contemplate and ask that you promptly implement for the benefit of our country and the strength of our economy.

We appreciate your consideration to our proposals to ensure our country minimizes the damage the pandemic has caused, and the current social unrest has uncovered. We trust the Federal Reserve and the US Treasury will see our segment of the economy and the importance it merits for the present and the future of our Nation.

Sincerely,



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



Mark Madrid
CEO
Latino Business Action Network (LBAN), Stanford
Latino Entrepreneurship Initiative



Solange Brooks
CEO
New America Alliance (NAA)



Robert Greene
CEO
National Association of Investment Companies
(NAIC)

CC: The Honorable Mitch McConnell, Majority Leader, U.S. Senate
The Honorable Nancy Pelosi, Speaker, U.S. House of Representatives
The Honorable Charles Schumer, Minority Leader, U.S. Senate
The Honorable Kevin McCarthy, Minority Leader, U.S. House of Representatives
The Honorable Marco Rubio, Chair, U.S. Senate Committee on Small Business and Entrepreneurship
The Honorable Ben Cardin, Ranking Member, U.S. Senate Committee on Small Business and Entrepreneurship
The Honorable Tim Scott, Member, U.S. Senate Committee and Small Business and Entrepreneurship

The Honorable Cory Brooker, Member, U.S. Senate Committee on Small Business and Entrepreneurship

The Honorable Maxine Waters, Chairwoman, U.S. House Committee on Financial Services

The Honorable Joyce Beatty, Chairwoman, U.S. House Subcommittee on Diversity and Inclusion

The Honorable Nydia M. Velázquez, Chairwoman, U.S. House Committee on Small Business

The Honorable Joaquin Castro, Chairman, Congressional Hispanic Caucus