



August 3, 2020

The Honorable Marco Rubio
Chairman
Senate Committee on Small Business
and Entrepreneurship
284 Russell Senate Office Building
Washington, D.C. 20510

The Honorable Ben Cardin
Ranking Member
Senate Committee on Small Business
and Entrepreneurship
RM 509 Hart Senate Building
Washington, D.C. 20510

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Ramiro A. Cavazos
President and CEO

RE: Policy recommendations related to Title 2 Section 121 Small Business Investment Company Program (SBIC) of the continuing Small Business Recovery and Paycheck Protection Program Act.

Dear Chairman Rubio and Ranking Member Cardin:

Thank you for the opportunity to address you on important policy matters facing our Minority business community. On behalf of the United States Hispanic Chamber of Commerce (USHCC) and our Board of Directors, we want to request the following considerations to Title 2 Section 121 regarding the Small Business Investment Company Program (SBIC) facility improvement which is part of the "*Continuing Small Business Recovery and Paycheck Protection Program Act*".

The USHCC actively promotes the economic growth, development and interests of more than 4.7 million Hispanic-owned businesses that, combined, contribute over \$800 billion to the American economy every year. We also serve as a platform for our nationwide network of over 250 local Hispanic chambers of commerce. With the growing diversity in communities across the nation, the face of business in America is changing, with minorities driving the growth in new business formation.

When we fail to invest in Minority Business Enterprises (MBEs) our economy suffers. MBEs face structural challenges that underscore the broader underlying economic fragility experienced by the Black and Latino communities. For example, the lack of personal wealth created by decades of housing, financial, and educational discrimination play a huge part of this structural disparity. Minority firms start with half the capital of White firms, driven by lower wealth and less access to well capitalized lending facilities or personal relationships. It is important to note, that of all CARES Act funding only 56,000 Latino-owned businesses received \$3.7 billion, which accounted for less than 1% of all Paycheck Protection Program (PPP) economic relief. If provided the necessary capital for Latino companies to scale up, we would add another \$1.47 trillion to U.S. economy through job creation, consumer spending, among other factors. Collectively, we have been actively advocating for polices that will create systemic change and positive economic outcomes for the 61 million Latinos living in the U.S. as they strive to seek their American dream.



The USHCC remains committed to advocating for the U.S. Congress to enact legislation that will create positive systemic impact for minorities in America. We will continue to propose necessary solutions for the equitable inclusion of minorities into future legislation that will enhance these necessary changes.

The “*Continuing Small Business Recovery and Paycheck Protection Program Act*” represents a great opportunity for Small and Minority Owned Businesses, that is why we bring forward the following recommendations to create a more equitable playing field for minority and women owned businesses as well as minority and women owned SBICs. These firms have been significantly and disproportionately hard hit by the pandemic, and historically show lower participation in the SBIC program.

We commend you for establishing a program that provides much needed capital, including equity capital, to diverse businesses that fall above the Community Development Financial Institution (CDFI) threshold and who can greatly benefit from working with a Small Business Investment Company (SBIC) fund. These businesses happen to be an important segment of the economy and the SBIC program has not historically reached them. A 2019 Congressional Research Service (CRS) report outlines that in FY2018, only 2.4% of the total amount of financings went to minority-owned small businesses, and 0.2% to Hispanic Owned businesses.

In order to help our nation’s most vulnerable minority businesses, we ask for your consideration of the following policy recommendations as the U.S. House and Senate come together in a bipartisan way to recover our collective economic vibrancy:

Administration of the SBIC Facility: The Administrator should be able to utilize external advisors with a financial and diversity track record to assist with the goals of the program. At least 20% of the program should be outsourced by expert asset managers who can provide best practices, knowledge sharing, and performance comparable to the internal team to maximize success. This solution is very much aligned with how large institutional investors manager their portfolios and would allow the U.S. Small Business Administration (SBA) to utilize valuable resources that currently exist in the market, ensuring the capital is deployed quickly and that diverse asset managers and diverse businesses are benefited.

Ensuring Diversity in SBIC Funds: Any existing or new SBIC funds controlled by minorities or women shall have the right to the same expedited license, priority, and appeals process as outlined in this facility. These considerations should not only be made with regard to licenses, but also to any operating, leverage, or any examination matter or process in which the SBIC fund manager believes it requires an appeal.

Creation of SBA Diversity in Investments Office: An office of diverse SBICs should be created. The function of this office is to ensure that minority and diverse SBICs as well as micro SBICs have an internal advocate and champion. Furthermore, this office should conduct annual reports on potential disparities that are encountered and propose specific solutions to address any process management issues or disproportionalities. This office would represent an invaluable and effective tool to ensure diverse asset managers and diverse businesses effectively participate in the program.



Reports to Congress: Reports to Congress should include all SBIC funds owned by socially or economically disadvantaged persons. The report should include a Parity Analysis which includes but is not limited to; operation modifications and restrictions, comparison of diverse and non-diverse firms specifically in leveraging delays, comparison of diverse and non-diverse firms examinations, comparison of diverse and non-diverse firms overall performance of their investments through this facility.

Collaboration with the Federal Reserve Bank: In an attached June 22 letter, we co-signed with the New America Alliance (NAA), the Latino Business Action Network (LBAN), and the National Association of Investment Companies (NAIC) (enclosed for easy reference), we expressed how we thought the Federal Reserve Bank should stand up a facility to address this dire need. We are still waiting for dialogues with the Federal Reserve Bank on this matter and would appreciate the support of your office so that the Federal Reserve Bank and U.S. Treasury design facilities to help this important segment of the economy. We believe your bill will complement any Federal Reserve Bank and U.S. Treasury efforts, and we believe both should happen, which would create a robust system of support for minority-owned businesses.

Furthermore, under Section 321 referring to the small business and domestic production recovery investment facility, we recommend the addition of “diverse-owned business” to Page 72: Definition of Small Business concern. We also suggest changes to Pages 77-78: Selection Criteria, we recommend adding;

E): Probability that Capital will be deployed in Low Minority Income (LMI) communities, minority-owned, or women-owned businesses, and

F): How diverse is the SBIC’s ownership.

Finally, we caution against the shorter (45 days) application approval, as it provides them with an unfair competitive advantage with other non-bank funds. Instead, these exceptions should be granted for diverse or minority asset managers with proven success in the SBIC program.

As the USHCC continues to work with your committee and all Congressional leaders in a bipartisan manner attached to this letter please find attached an example of how the SBIC program has impacted minority-owned businesses in the past. Cidrines was established in 1978 by two brothers pursuing the American dream with a recipe and passion for their culture. To date, Cidrines has become a household name in Puerto Rico and the Caribbean. In 2015, Cidrines partnered with Small Business Community Capital (SBCC) to expand operations to a whole new level and become the Hispanic bakery solution way beyond their founding market of Puerto Rico, because of the SBIC program and collaboration with SBCC they are now part of larger corporate structures such as Walmart and Kroger.



If you have any questions or require additional information, please do not hesitate to contact C. LeRoy Cavazos-Reyna, Vice President of Government and International Affairs via email at LCavazos@ushcc.com. Thank you in advance for your consideration in this matter, we look forward to your positive response and collaboration on these important policy priorities.

Respectfully,

Carmen Castillo
Chairwoman, Board of Directors
U.S. Hispanic Chamber of Commerce

Ramiro A. Cavazos
President & CEO
U.S. Hispanic Chamber of Commerce

Enclosures: June 22nd joint letter to U.S. Federal Reserve Chairman Jerome Powell and U.S. Treasury Secretary Steve Mnuchin 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.

Example of SBIC success story, Cidrines

CC: The Honorable Mitch McConnell, Senate Majority Leader, U.S. Senate
The Honorable Charles Schumer, Senate Minority Leader, U.S. Senate
The Honorable Nancy Pelosi, Speaker of the House, U.S. House of Representatives
The Honorable Kevin McCarthy, House Minority Leader, U.S. House of Representatives
The Honorable Chuck Grassley, Chairman, U.S. Senate Committee on Finance
The Honorable Sherrod Brown, Ranking Minority Member, U.S. Senate Committee on Finance
The Honorable Maxine Waters, Chairwoman, U.S. House Committee on Financial Services
The Honorable Patrick McHenry, Ranking Minority Member, U.S. House Committee on Financial Services
The Honorable Nydia M. Velázquez, Chairwoman, U.S. House Committee on Small Business
The Honorable Steve Chabot, Ranking Minority Member, U.S. House Committee on Small Business
The Honorable Joaquin Castro, Chairman, Congressional Hispanic Caucus
The Honorable Steve Mnuchin, Secretary, U.S. Department of the Treasury
The Honorable Jovita Carranza, Administrator, U.S. Small Business Administration

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



History

Established in 1978 by two brothers pursuing the American Dream with a recipe and lots of passion for their culture. The brothers began an empire that has made Cidrines a household name in Puerto Rico and the Caribbean. With a solid foundation and a promise of strong community involvement, quality ingredients, and great tasting products Cidrines has been able to transcend cultures by offering products that appeal to everyone. Furthermore, Cidrines partnered with Small Business Community Capital (SBCC) in the fall of 2015 to take Cidrines to whole new levels and become the Hispanic Bakery Solution way beyond “La Isla del Encanto.”

Business Case

The Puerto Rican population is one of the largest distinct ethnic groups in the United States, and the second largest subgroup of the Hispanic population (after Mexican Americans). The 4.2 million Puerto Ricans living in the mainland U.S. have come to surpass those on the island. Puerto Ricans stay very emotionally attached to the island. Cidrines provides, a piece of their island, “un pedacito de Puerto Rico” with every purchase as they grew up with our brand. Our products also appeal to what we call the “Ethnic Explorer” who is eager and willing to taste the tropical flavors from the island.

Products

Puff pastries and frozen bread with a variety of fillings and sizes. Items can be customized to meet your customers’ needs. All products are frozen to preserve quality and finished on site to offer a fresh baked taste to the guests.



Manufacturing

Cidrines is a \$25M revenue commercial wholesale bakery capable of serving the U.S. and surrounding territories. Cidrines has manufacturing operations in Puerto Rico and sales, warehousing, and distribution out of Florida, Texas, and Pennsylvania to cover 44 states in the mainland. We produce high-quality bread and puff pastries in a fully automated production line with a capacity of 40,000 pounds per hour in bread and 20,000 units per hour in pastries.



Clients

Walmart, Kroger, Sam’s Club, Tops, ShopRite, Amazon, Brands of Puerto Rico, McDonald’s, Fresco Y Mas, Winn-Dixie, Sedanos, Wendy’s, Costco, and many more!

Certifications & Awards

- 2011 Supplier of the Year – Sam’s Club
- 2014 Regional Supplier of the Year – McDonald’s
- 2019 Bakery Sales Driver – Walmart U.S.
- McDonald’s Supplier Quality Management System Certification
- SQF Level 2
- USDA Certified
- Walmart Quality System Certification
- Minority Business Enterprise (NMSDC)