



December 19, 2022

The Honorable Janet Yellen
United States Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

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Ramiro A. Cavazos
President & CEO

**Re: Opportunities and Challenges in Federal Community Investment Programs
(TREAS-DO-2022-0020)**

Dear Secretary Yellen,

The United States Hispanic Chamber of Commerce (USHCC) is the nation's largest Latino business advocacy organization and works to actively promote the economic growth, development, and interests of more than five million Hispanic-owned businesses. The USHCC exists to support these businesses that contribute over \$800 billion to the American economy each year. We operate through a network of more than 260 local chambers and business associations throughout the nation and have partnerships with more than 200 major global corporations.

We are grateful for the opportunity to submit these comments to the U.S. Department of the Treasury as it considers the existing opportunities and challenges in federal community investment programs. We applaud this Administration's efforts to understand the most effective approaches for supporting access to capital and financial services in historically underserved communities. The USHCC's ongoing advocacy since the COVID-19 global pandemic has been focused on three driving pillars: increasing public and private sector procurement opportunities for Hispanic Business Enterprises (HBEs), advocating for issues affecting Hispanic business and the more than 63.5 million Hispanics living in America, and creating synergies of strategic collaboration with our network of more than 260 local Hispanic chambers across our country.

We need to expand lending for minority and community banks, debt, and equity capital for minority asset managers to address the capital needs and lending abilities of Minority Depository Institutions (MDIs), Small Business Investment Companies (SBICs), community banks, and Community Development Financial Institutions (CDFIs) that serve minority and low-income communities. These entities represent some of the most vulnerable businesses as it pertains to cash flow and liquidity, by expanding their lending ability they will be able to save struggling businesses. According to the SBA, the \$30 billion that were earmarked for lenders that hold less than \$1 billion in assets and "non-banks" which include CDFI funds and other micro-lenders have nearly been exhausted. Legislative action is needed to expand the \$30 billion of funding that were allocated so that these financial institutions can continue to serve their customers, including businesses who may not have existing relationships with traditional lenders.

The U.S. Department of the Treasury and the U.S. Small Business Administration (SBA) should immediately support a study in order to understand the racial disparities found among existing programs, such as the SSBCI, 7(a) loans, 504 loans, and the Small Business Investment Company (SBIC) program, and make recommendations on how to bring them to parity.

Connecting small business owners to resources through last-mile solutions such as trusted intermediaries is key, particularly among underserved and minority entrepreneurs. Entrepreneurs have limited time to research and understand funding

opportunities and, as a result, will turn to sources they have confidence in. Underserved entrepreneurs frequently turn to organizations they trust and are familiar with like national minority chambers of commerce, small business development centers, and other business organizations to learn about these opportunities. While capital itself is essential to small businesses and their growth, so too is education about these funding opportunities. Several government agencies have recognized this and enlisted trusted intermediaries that represent these underserved communities in their efforts to educate small business owners. These intermediaries have the ability to meet these businesses where they are and provide the necessary technical assistance to start, grow, and scale their business.

Minority-owned firms are less likely to receive loans than non-minority firms and, in fact, are more likely not to apply for loans due to rejection fears, according to findings from the Minority Business Development Agency (MBDA). If they do get approved for loans, minority-owned firms are more likely to receive lower loan amounts than non-minority firms and pay higher interest rates on business loans. Increasing access to capital, at reasonable interest rates, is necessary for the launch and expansion of businesses in minority communities. Debt and equity capital are needed throughout the size and life cycle spectrum of businesses. Diverse mechanisms of capital such as seed, venture, and growth capital, both debt and equity, satisfy a variety of capital needs, and have historically been absent for our businesses. Hispanic Capital Providers (HCPs) are uniquely qualified to address the needs of HBEs. Despite their unique ability to serve HBEs and minority-owned businesses growing capital needs, these firms and Hispanic Financial Institutions (HFIs) continue to face disproportionate challenges when raising capital.

A way to invest in our Hispanic business community is establishing partnerships by utilizing diverse investment talent firms, including regional and community banks, minority asset managers, Environmental, Social, and Governance (ESG) and other impact funds, Community Development Financial Institutions (CDFIs), credit unions, Minority Depository Institutions (MDIs), and Financial Technology firms (FinTechs). These must include new bold technical assistance programs, public-private partnerships, federal multi-agency initiatives, special purpose financial vehicles with innovative capital models, and other solutions to close the \$1.5 trillion parity of capital gap. We know that newer businesses often lack general knowledge about commercial financing, including the differences between debt and equity financing, what kind of financing model their business may be best suited for, or what steps they need to best apply for and receive capital. When it comes to the needs and challenges of our small and minority-owned businesses across the country, there is no one-size-fits-all solution. That is why we must make sure that there are different types of financing available across the board.

It is essential that we accompany all capital opportunities with the technical assistance needed to be deliberate and efficient. This technical assistance component is vital given the nature of the challenges that these underserved businesses face. In order to maximize the impact of these technical assistance dollars, we must rely on the trusted channels and actors who have already developed strong networks with local leaders and who understand the regional nuances. Due to the COVID-19 global pandemic, Minority Business Development Agency Centers, Chambers of Commerce, Small Business Administration Community Navigator Hubs, and other community organizations became emergency rooms for small businesses who required the orientation and technical assistance needed to stay afloat and rebuild. These local stakeholders have worked on bridging the communities' necessities and meeting them with resources and opportunities. Using this existing network infrastructure will be key when it comes to reaching our communities around the country with an equity lens.

Thank you for your service and partnership in supporting our Hispanic and minority-owned businesses across the country. If you have any questions, please do not hesitate to reach out to C. LeRoy Cavazos-Reyna, Vice President of Government and International Affairs of the USHCC at LCavazos@ushcc.com. We commend you for your leadership and look forward to a positive outcome on this important matter.

Respectfully,

A handwritten signature in blue ink that reads "Ramiro Cavazos". The signature is written in a cursive, flowing style.

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