



Office of Capital Access

Manny Hidalgo, Director of the Office of
Economic Opportunity

Building Success in Underserved Markets

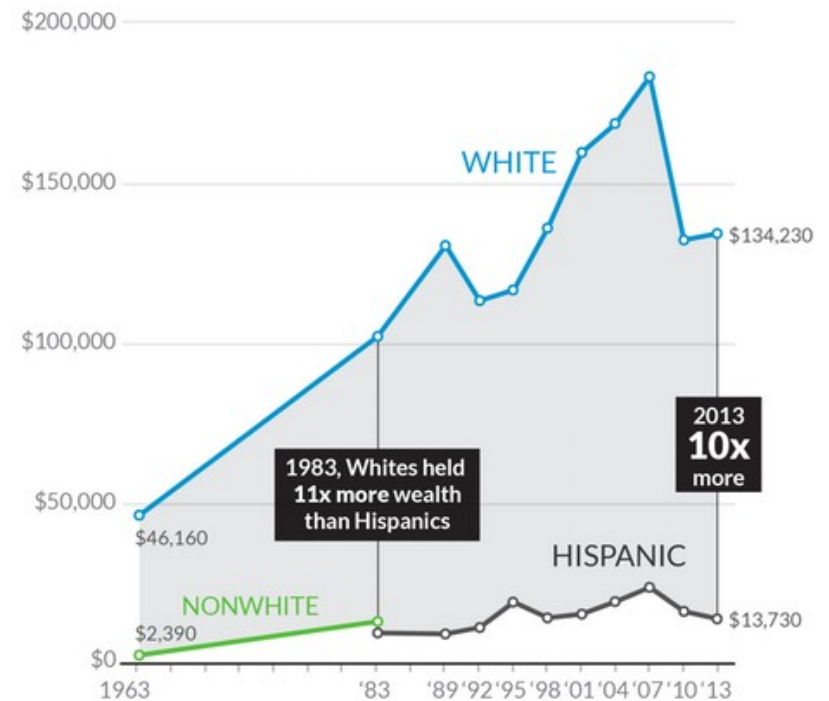
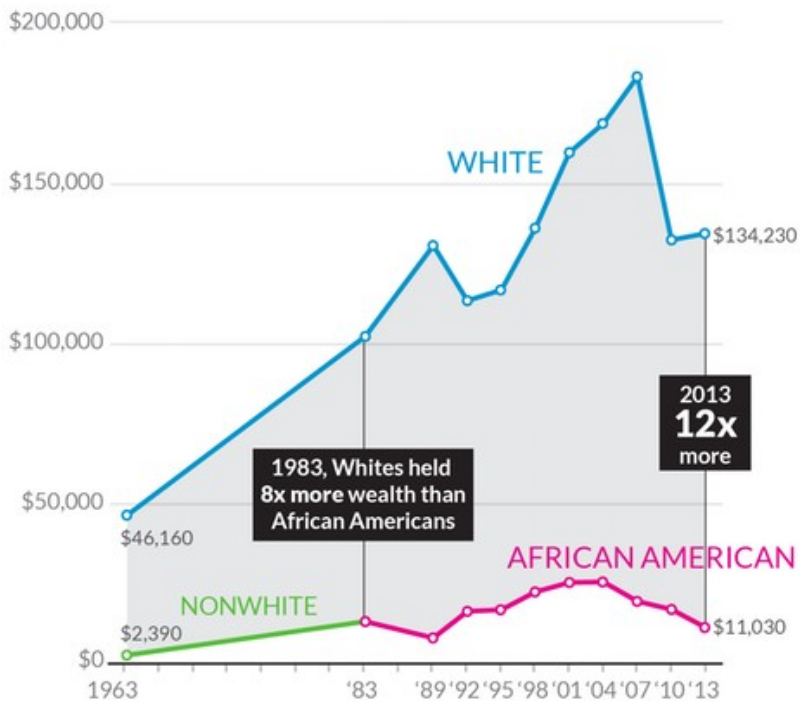
Capital Access

DENIED

- ▶ According to a 2010 report by U.S. Commerce, minority-owned businesses are about 3 times more likely to be denied for a loan than non-minority firms, and receive half the amount of available loans
- ▶ A 2016 Study published in Economic Development Quarterly states that SSBF data from 2011 indicates that based on an examination of loan applications, only 9% of Whites were denied compared to 56% for Blacks and 63% for Latinos
- ▶ “Business owners best positioned to attract bank loans are high-net-worth individuals. Abundant personal wealth serves as collateral, alleviating banker moral-hazard concerns, encouraging loan approval, and larger loans at lower interest rates.”
- ▶ According to the US Census Bureau - In 2014, median household income for white families was about \$71,300 while median Latino household income was about \$43,300

Racial & Ethnic Wealth Gap in the United States

Median Family Wealth by Race/Ethnicity, 1963–2013



Sources: Urban Institute calculations from Survey of Financial Characteristics of Consumers 1962 (December 31), Survey of Changes in Family Finances 1963, and Survey of Consumer Finances 1983–2013.

Notes: 2013 dollars. No comparable data are available between 1963 and 1983. African American/Hispanic distinction within nonwhite population available only in 1983 and later.

URBAN INSTITUTE

Lending to Latino Entrepreneurs

- ▶ The median net worth of business owners is nearly 2.5x higher than non-business owners
- ▶ SBA loans are 3-5 times more likely to go to minority or women-owned businesses than conventional small business loans made by banks
- ▶ In 2016 through SBA's 7(a) flagship lending program, we approved 5,517 loans totaling over \$1.3 billion to Latinos - 7.8 % increase in the number of loans from 2015 and a 168% increase since 2009
- ▶ In 2016 through SBA's Community Advantage Pilot Loan Program we approved 133 loans totaling \$11,373,300 to Latinos – 13.46% of all loans and a 18% increase from 2015
- ▶ In 2016 through SBA's Micro Loan Program we approved 731 loans totaling \$9,379,589 to Latinos – 16.15% of loans and 15.23% of dollars lent
- ▶ In 2016 SBA made a total of 6,381 loans to Latino entrepreneurs totaling over \$1,320,752,000

Office of Economic Opportunity (OEO)

Microloan Program

- Direct Loans – up to \$50K – Non-profit Lenders
- Technical Assistance Grants

Community Advantage (CA)

- Mission-oriented Lenders (primarily non-profits) focused on community-based economic development
- 7(a) loan guarantee agreement

PRIME Grant Program

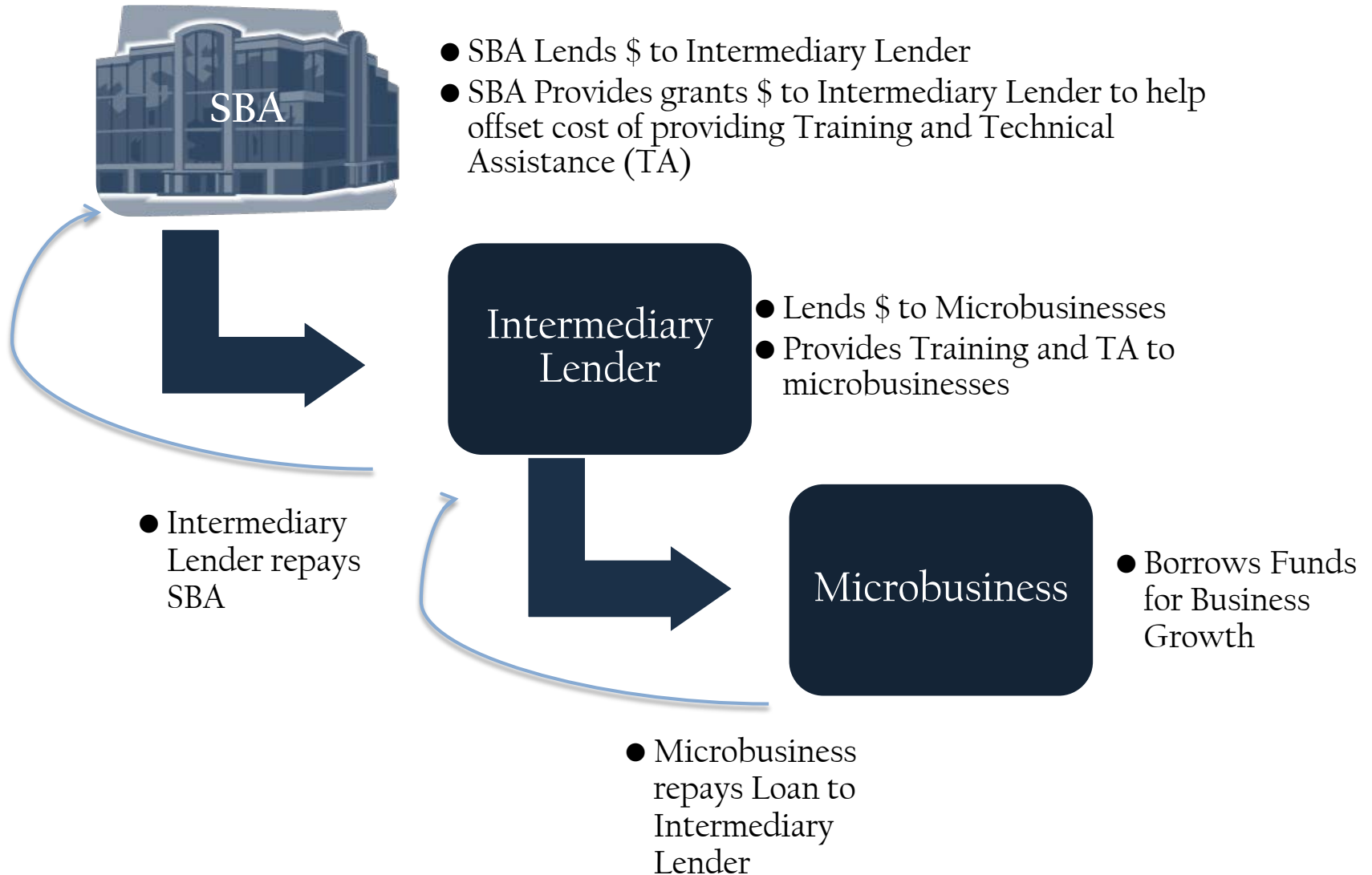
- Grants up to \$250K
 - Technical Assistance
 - Capacity Building
 - Research and Development



Microloan Program

Helping Micro-Entrepreneurs Build Wealth since 1991

How the Microloan Program Works



Loans from Intermediary to Microbusiness

Loan Amount

- Up to \$50,000

Maturity

- Up to 6 years (72 months)

Interest Rate

- Fixed rate, up to:
 - Cost of Funds + 8.50% (if microloan is \$10,000 or less)
 - Cost of Funds + 7.75% (if microloan is above \$10,000)

Use of Proceeds

- To make loans for supplies, furniture, fixtures, materials, equipment, or working capital

Collateral

- Required at Intermediary's discretion – flexibility in structuring loan

Underwriting/Service

- Decisions made by Intermediary - not SBA
- According to Intermediary's policies and procedures

Microloan Program Highlights

Active Intermediary
Lenders
(Current)

- 150 (Approx.)

SBA Loans Disbursed to
Micro-Lenders
(Historical)

- \$537,294,00 Million (as of 12/31/16)

Microloans Closed
(Historical)

- 64,857 Loans Closed
- \$797 Million Funded to Micro Businesses
- \$12,290 (Avg. Microloan Size)

Jobs Created/Retained
(Historical)

- Created – 94,593
- Retained – 138,841

Program Highlights

Current Year / Past 5 FY Comparison

Microloans Closed

	<u>FY2016</u>	<u>FY2011 – 2016 Average</u>
●Number Closed	4,512	4,272
●Dollars Closed	\$61,426,440	\$53,964,330

Underserved Market Indicators

	<u>FY2016</u>	<u>FY2011 – 2016 Average</u>
●Start Ups	40.63%	45.46%
●Women-Owned	45.21%	43.94%
●Hispanic	16.16%	25.07%
●African American	32.06%	27.95%

Jobs Data

	<u>FY2016</u>	<u>FY2011 – 2016 Average</u>
●Jobs Created	6,768	6,307
●Jobs Retained	11,091	9,677

Microloan Data

	<u>FY2016</u>	<u>FY2011– 2016 Average</u>
●Average Size	\$13,614.02	\$12,630
●Average Interest Rate	7.51%	7.73%
●Months Average Term	40.3 Months	37.6 months



Community Advantage Pilot Loan Program

Scheduled to Operate through March 30, 2020

Community Advantage Loans

Loan Amount

- Up to \$250,000

Maturity

- 10 years or the useful life of equipment
- Maximum 10 years for working capital
- Maximum 25 years for real estate

Interest Rate/

- Prime + 6%

Market

- At least 60% of loans to underserved market:
- LMI communities
- Businesses where over 50% of FTE's are LI or reside in LI census tract
- Empowerment Zones and Enterprise Communities
- HUB Zones and/or Promise Zones
- Firms in business less than 2 years
- Businesses eligible for Veterans Advantage

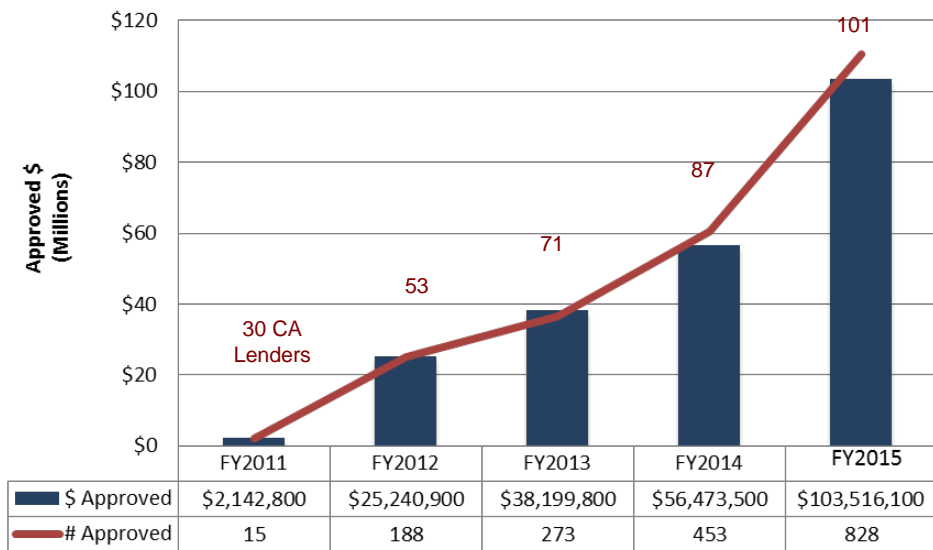
Guarantee Fees

- Up to \$150K – 0%
- Above \$150K – .25% if matures under 12 months and 3% if matures over 12 months
- On-going fee paid by lender - .47%

Community Advantage (CA) Pilot Program

Created in FY11 in response to declining SBA activity in underserved markets

Community Advantage Loan Approvals



In FY2015, Community Advantage achieved:

- ✓ 83% increase in loan approvals from prior year
- ✓ \$200+ million in total loan approvals
- ✓ 101 CA Lenders approved for participation:
 - ❖ 41 SBA CDCs
 - ❖ 53 SBA Microlenders
 - ❖ 68 CDFIs

FY2015 – Community Advantage vs. 7(a) Loans to Underserved Markets					
		# Loans	% of Loans	\$ Approvals (millions)	% of \$ Approvals
Loans to USM incl minorities/women	CA	726	87.7%	\$88.6	85.6%
Loans to CA-defined USM	CA	628	75.9%	\$75.7	73.1%
Special Zone	CA	388	46.9%	\$51.1	49.3%
New Businesses	CA	424	51.2%	\$47.8	46.2%
Veterans	CA	65	7.9%	\$7.4	7.1%
	7(a)	3,091	4.9%	\$1,217.1	5.2%
African Americans	CA	110	13.3%	\$12.7	12.3%
	7(a)	2,070	3.3%	\$489	2.1%
Hispanics	CA	113	13.7%	\$11.4	11.0%
	7(a)	5,116	8.1%	\$1,366.7	5.8%
Woman owned > 50%	CA	257	31.0%	\$29.9	28.9%
	7(a)	11,307	17.8%	\$3,101.4	13.2%

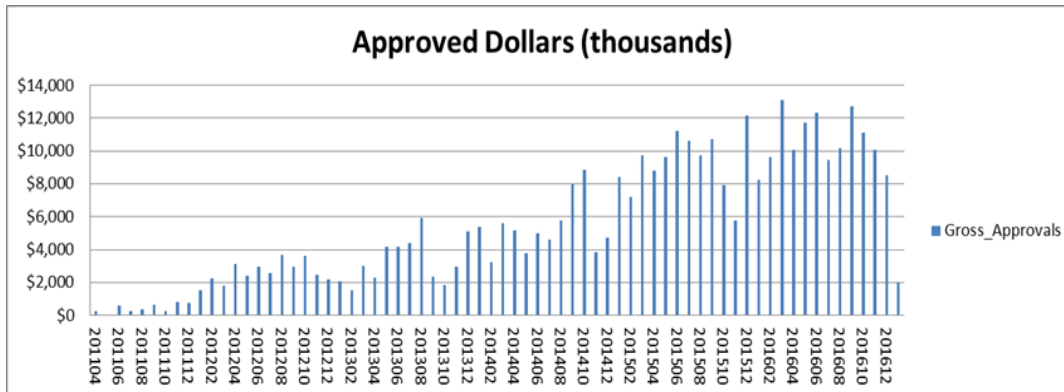
87% of CA loans go to underserved markets, including LMI communities, women, and/or minorities

Community Advantage

Regional Comparison

January 6, 2017

Region	Lender Applications	Lenders Approved	Active Lenders	# Loans Approved	Gross \$ Loans Approved	# Loans Disbursed	Gross \$ Loans Disbursed
1(CT,MA,ME,NH,RI,VT)	18	16	10	141	\$19,527,300	112	\$15,624,100
2(NJ,NY,PR)	10	8	7	421	\$58,020,500	323	\$45,062,500
3(DC,DE,MD,PA,VA,WV)	17	14	10	94	\$13,605,800	65	\$8,872,100
4(AL,FL,GA,KY,MS,NC,SC,TN)	20	19	17	254	\$33,356,500	204	\$27,116,100
5(IL,IN,MI,MN,OH,WI)	24	20	15	524	\$63,528,300	389	\$48,884,100
6(AR,LA,NM,OK,TX)	6	6	6	385	\$40,669,200	296	\$30,331,300
7(IA,KS,MO,NE)	1	1	1	4	\$285,800	2	\$110,600
8(CO,MT,ND,SD,UT,WY)	6	6	6	137	\$19,354,000	116	\$16,352,100
9(AZ,CA,GU,HI,NV)	18	17	11	971	\$122,580,500	802	\$101,614,500
10(AK,ID,OR,WA)	6	6	3	62	\$9,577,200	50	\$7,824,600
All Regions	126	113	86	2,993	\$380,505,100	2,359	\$301,792,000



Portfolio Characteristics	
Gross Loans Approved	2,993
# of Loans Disbursed	2,359
Average \$ Loan Size	\$127,132
Average SBPS	175
Gross Active Balance*	\$216,151,252
Current Balance*	\$209,715,043
Noncurrent Balance*	\$6,436,209
* 15-30 day lag between EIS & LNRPT data	

- 113 Community Advantage lenders approved
- \$380,505,100 Community Advantage loans approved.

Under Served Minority Comparison

FY 2016 - Community Advantage vs. Similarly-sized 7(a) Loans (<= \$250,000) vs. Microloans					
		# Loans	% of Loans	\$ Approvals	% of \$ Approvals
Total	7(a)	43,179		\$3,351,166,443	
	CA	988		\$123,175,000	
	Micro	4,525		\$61,591,418	
Veterans	7(a)	2,186	5.06%	\$172,463,200	5.15%
	CA	66	6.68%	\$8,146,600	6.61%
	Micro	198	4.38%	\$3,211,068	5.21%
African Americans	7(a)	1,852	4.29%	\$120,260,600	3.59%
	CA	131	13.26%	\$15,473,000	12.56%
	Micro	1,571	34.72%	\$13,156,152	21.36%
Hispanics	7(a)	4,304	9.97%	\$268,477,400	8.01%
	CA	133	13.46%	\$16,495,800	13.39%
	Micro	731	16.15%	\$9,379,589	15.23%
Woman owned > 50%	7(a)	8,787	20.35%	\$634,009,043	18.92%
	CA	325	32.89%	\$38,264,200	31.06%
	Micro	2,047	45.24%	\$23,240,878	37.73%
New Businesses	7(a)	17,057	39.50%	\$1,111,601,700	33.17%
	CA	487	49.29%	\$57,579,300	46.75%
	Micro	1,842	40.71%	\$23,492,474	38.14%



OFFICE OF ENTREPRENEURIAL DEVELOPMENT

Supporting the Nation's Entrepreneurial Ecosystem



Lori Gillen,
Acting Associate Administrator, OED

Our Impact



OED supports virtual resources and a nationwide network of 200 partners with 15,000 advisors in 1,400 locations reaching more than **1.2 million** entrepreneurs annually with help to start & grow their business.

Annually we help entrepreneurs:

- Create almost 130,000 jobs
- Raise over \$8 billion in capital
- Generate \$13 billion in revenue
- Start almost 80,000 businesses

In Person Services to Latinos

- 95% of SBA's **Women's Business Centers** offer services in Spanish. There are two WBCs in Puerto Rico as well
- **SBDCs**: Many SBDCs have in person (and online) services and resources available in Spanish
- **SCORE**
 - You can find an online Spanish speaking counselor by going to [SCORE en Español](#)
- Two of the 14 **ScaleUp America** communities deliver intensive, cohort-based training solely in Spanish
 - **ScaleUp Dallas Fort Worth**
 - **ScaleUp Rio Grande Valley**

Online Resources for Latinos

- SBA Learning Center: Jóvenes Emprendedores online course
 - Los fundamentos de la creación y financiación de un negocio exitoso
 - Aprenderán a evaluar sus ideas, elegir las mejores opciones de financiamiento y registrar legalmente su negocio
- Conjunto de “Business Smart” para empresas
 - Creado por la Asociación Nacional para los Prestamistas Garantizados por el Gobierno y la SBA.
 - El taller sienta las bases para ayudar a los nuevos emprendedores aspirantes a lanzar una idea empresarial y a comprender los pasos para construir una empresa que posea crédito disponible
- DreamBuilder
 - ▶ Online business plan building resource,
 - ▶ Available in English and Spanish

New SBA Administrator, Linda McMahon



25th Administrator of SBA sworn in on February 14, 2017