

August 17, 2010
Community Reinvestment Act Public Hearings
Los Angeles Branch of the Federal Reserve Bank of San Francisco
950 South Grand Avenue, Los Angeles, CA

TESTIMONY OFFERED BY CLARENCE WILLIAMS

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RE: Docket ID OCC-2010-0011, R-1386, RIN 3064-AD60

California Capital Financial Development Corporation is a non-profit CDFI organization located in Sacramento California. We have provided financing, business development training, financial literacy education and technical assistance for small and microenterprise businesses since 1983. With a 27-year history of aiding underserved communities we enjoy an exemplary reputation throughout Northern California and the Central Valley.

Historically, the Community Reinvestment Act has attempted to address discrimination in loans made to individuals and businesses from low and moderate-income communities. Today, I am here to advocate for the promulgation of regulations adopting the provision under the *Dodd-Frank Bill of 2010* that requires lenders to report race and gender of borrowers of small business loans, the census tract location of the business, action taken with respect to the application (approved or rejected), and revenue of the business.

“With a fast growing minority population that will approach 50 percent of the Nation’s population by 2050 and a highly competitive global market, America’s competitiveness will increasingly depend on the innovation and strength of minority business enterprises”¹, it is in the best interest of the health of our economy that regulators require financial institutions to collect data that will tell the story of lending activity to small, minority and women owned businesses. This will serve as a catalyst to mitigate disparate lending outcomes to those businesses.

We know that “entrepreneurs who use credit cards to start or acquire a business may be exposed to higher operating costs because credit cards tend to charge, on average, higher interest rates

¹ 2008 Minority Business Development Agency

compared to other sources of capital. Firms started by using credit cards for capital are usually at a cost disadvantage compared to firms that were started with other sources of capital.”²

According to a national study completed in 2007 by Insight Center for Community Economic Development, entrepreneurs of color are more likely to turn to credit card debt as a way to finance business start-up, an expensive and risky financing mechanism. Data shows, 19% of White males received business loans from banks, as opposed to 9% of Hispanic and African-American business owners.³

Furthermore, regulatory agencies need to collect the following data:

- Loans less than \$250,000 and between \$251,000 and \$500,000 to businesses with revenues of \$1 million or less annually;
- Loans that compare overall small business lending to the proportion of lending to small, women-owned and minority-owned businesses in low-income neighborhoods as well as the overall amount of lending;
- The annual percentage rate (APR) of loans made; and
- Identification of term loans and lines of credit, as well as interest rates.

It is important to emphasize that access to business advisory services, including technical assistance and financial literacy education for low and moderate-income individuals and business owners is severely lacking. It is evident that small and microenterprise businesses have a greater chance of realizing success and sustainability if there is greater access to these services. Close attention should be paid to the needs of the growing immigrant, refugee and limited/non-English proficient business market.

The recommendations that I have set forth today are an attempt to correct for past and present discrimination, and to prevent such from recurring in the future.

Thank you for your time and consideration.

² 2008 Minority Business Development Agency

³ Tim Lohrentz, Gabrielle Lessard, Hui Chang Li, and Ravinder Mangat. “State Policies and Programs for Minority and Women-Business Development.” Insight Center for Community Economic Development December 2007.