



October 20, 2022

Via Electronic Submission

Mr. Jeffrey Stout
Director, Office of Federal Program Finance
United States Department of the Treasury
1500 Pennsylvania Avenue
Washington, DC 20220

RE: State Small Business Credit Initiative (SSBCI) – Request for Information; Federal Register Vol. 87, No. 181, September 20, 2022

Dear Mr. Stout:

On behalf of the members of the Community Development Bankers Association (CDBA), we respectfully submit the enclosed comments in response to the Request for Information (RFI) published September 20, 2022 regarding effective approaches for the delivery of Technical Assistance (TA) through the State Small Business Credit Initiative (SSBCI).

CDBA is the national trade association for banks and thrifts that are US Treasury-designated Community Development Financial Institutions (CDFIs) and Minority Depository Institutions (MDIs). Our members have a primary mission of promoting community development and target at least 60% of their total lending and activities to Low- and Moderate-Income (LMI) communities and customers that are underserved by traditional financial service providers.

Together, CDFI and MDI banks are an important part of the network helping Treasury and participating jurisdictions ensure that SSBCI's programs reach target populations, especially those served by very small businesses (VSBs) and business enterprises owned and controlled by socially and economically disadvantaged individuals (SEDI-owned businesses). CDFI and MDI banks excel at providing SEDI-owned businesses and VSBs with both access to credit and one-on-one technical assistance (TA). These banks often provide TA in conjunction with one of their financial products or other services.

General Comments

We note that the RFI states Treasury may “Contract with legal, accounting, and financial advisory firms with priority given to SEDI-owned businesses to provide TA to SEDI businesses.” We strongly urge Treasury to ensure that all participating jurisdictions explicitly include CDFIs, MDIs and the nonprofits and trade associations that serve them, in the category of institution eligible to receive direct or pass-through funding for the provision of TA.

When CDFI or MDI lenders provide TA, the combination of expertise increases the effectiveness of both the financing and the assistance. The SSBCI definition of what entities are eligible for grants to provide it should acknowledge this to ensure TA is responsive to local needs. Inflexible parameters for TA provision would particularly limit the benefits to SEDI-owned businesses and VSBs that require access to a wide range of financial products and services.

Responses to Specific Questions

Gaps in TA to small businesses - What gaps exist in the types and availability of TA to small businesses that seek small business financing?

Regarding the Capital Continuum:

We urge Treasury to recognize that the capital continuum for SEDI-owned businesses and VSBs can begin well before a loan application is submitted to a CDFI bank, MDI or other small business lender. Unfortunately, a gap exists in providing technical assistance at the earliest stages when TA would be especially effective. For example, the capital continuum for SEDI and VSB owners is likely to resemble some version of the following: 1) Investing personal savings, 2) Seeking loans/investments from friends and family, 3) Accessing credit cards, 4) Borrowing against home equity (if available), and 5) Applying for institutional loans.

We suggest that Treasury work with SSBCI jurisdictions to ensure TA solutions reach small businesses early in the continuum. This will be especially important for many SEDI and VSB owners in the first two stages. Importantly, these stages encompass enormous hurdles, which have roots in the well-documented causes of the racial wealth gap. SSBCI TA grants should aim to reach and engage with SEDI and VSB owners in the very earliest stages of business formation, *especially* when those business owners are still in the conceptual stage, so that they can effectively identify and address questions related to capital. Connecting business owners in those early stages with SSBCI capital will be particularly effective. TA providers must be able to demonstrate that they have the tools to help businesses advance along the continuum.

Regarding Different Geographies and Regions:

We urge Treasury to work with SSBCI jurisdictions to ensure SEDI and VSB owners have practical access to TA in a variety of operating environments. For example, many SEDI and VSB owners (i.e. those in transit deserts¹, both urban and rural, those who are disabled, and those who are self-employed) may lack access to in-person TA, delivered in physical locations. At the same time, many communities face the related challenge of limited access to reliable broadband, or they lack the tools to access online programming. In some SSBCI jurisdictions, this will mean that online options are both important and practical. In others, it will mean that SSBCI jurisdictions must seek out a geographically diverse and equitably dispersed range of providers. Options should be available for TA providers to travel to, and provide service in person in, communities that lack a permanent programming locations *or* where digital programming is inaccessible or unreliable.

Separately, we urge Treasury to work with jurisdictions to ensure that TA providers tailor the content of their materials to address the needs of local SEDI-owned businesses and VSBs. The needs of businesses vary widely based on the characteristics of their markets. For example, the needs of businesses in rural areas will vary from the needs of those in urban or suburban communities. A business in an urban area

¹ A transit desert is an area with unmet demand for accessible public transit

may have more competitors numerically speaking, but will have access to a high concentration of prospective clients. An equivalent business in a rural area may benefit from less competition, but will have to account for a smaller pool of potential customers. Technical assistance supported by SSBCI grants should help business owners recognize and respond to these and other considerations related to their operating environment.

Most effective method to deploy TA funding - How can the deployment of TA funding under 12 U.S.C. 5708(e)(1) and (3) most effectively impact very small businesses (VSBs) and socially and economically disadvantaged individuals (SEDI) -owned businesses in communities throughout the United States?

The amount of effort devoted to raising awareness about TA grant opportunities will help determine the program's success. We urge Treasury to work with jurisdictions and include funding for grantees to mount and participate in a widespread, sustained public outreach campaign. Outreach to SEDI-owned businesses and VSBs should be conducted via mass media as well as high-touch and targeted channels. Outreach should be configured in such a way that it reaches SEDI and VSB owners where they are – both in their professional and their personal lives, as these often overlap. For example, it is insufficient to direct outreach at clients of small business development centers. Examples of mass media outreach should include radio, television, online video, internet ad placements, social media, newspapers, newsletters, leaflets, and poster campaigns. High touch channels should focus on business-based decision points, such as tax season. And, as noted above, outreach must be configured and targeted in such a way that it reaches and is useful to SEDI and VSB owners at all stages in the capital continuum.

Importantly, the nature, frequency, and amount of TA provided must be responsive to the needs of SEDI and VSB owners. Every small business is different, and TA providers are experts in recognizing and responding constructively to each business individuality. For example, some businesses require and respond to structured, repeated classroom TA — but others do not. TA provided “in the moment” by a CDFI or MDI should be considered as valid as that provided by independent entities at recurring intervals.

Considerations for a competitive TA grant program - If Treasury conducted a program to provide competitive grants to jurisdictions, in addition to the existing pre-allocated SSBCI TA Grant Program, what criteria should Treasury consider in selecting recipients and sizing awards?

In a competitive program, Treasury should give priority consideration to entities that demonstrate cultural and linguistic competency working with SEDI and other marginalized business owners; grantees should also be able to articulate plans for working with “ideas stage” companies. Grantees should also demonstrate their historical performance, based on performance metrics that are correlated with small business success.² Providers should be explicit about how they measure success, how those measures of success are relevant to SEDI borrowers, and be able to articulate strategies to reach SEDI business owners. Whenever practical, providers should advance a plan to track client progress over a period of time, ideally at least 2-3 years.

Treasury should work with jurisdictions to understand how well potential providers are prepared to deliver programming that is appropriate to the owners of SEDI-owned businesses. TA that is designed and delivered from a demographically narrow, historically privileged perspective is less likely to be

² See Massachusetts Growth Capital Corporation, “Examples of Outcome Measurement Indicators for Small Business Assistance Providers,” www.empoweringsmallbusiness.org/what-we-offer/small-business-technical-assistance-grant-program/examples-outcome-measurement

successful. For example, elements of the five “Cs” of credit – such as capital and collateral – present historic barriers to SEDI business owners, due to the effects of previously mentioned racial wealth gap. TA that is *narrowly* focused on the “Five Cs” (though important) is unlikely to be sufficient for SEDI business owners. TA must help clients identify opportunities, rather than direct attention disproportionately at obstacles. Coupling TA for SEDI-owned businesses and VSBs with access to grants for seed capital will be especially helpful.

We also urge Treasury to work with SSBCI jurisdictions to identify TA providers with experience working with social entrepreneurs. Per the U.S. Chamber of Commerce, “Social entrepreneurship is the process by which individuals, startups and entrepreneurs develop and fund solutions that directly address social issues. A social entrepreneur, therefore, is a person who explores business opportunities that have a positive impact on their community, in society or the world.” Such businesses have an important role to play in addressing longstanding issues related to inequality in SEDI communities. However, existing TA is primarily geared toward traditional business models, making it a challenge for mission-driven small business owners to find assistance.

Considerations for contracting - If Treasury contracted with legal, accounting, and financial advisory firms to provide TA to qualifying SEDI-owned businesses under 12 U.S.C. 5708(e)(3), what types of entities are best positioned to provide TA to address gaps in TA availability? Please provide specific examples.

Any of the entities mentioned above, as well as local commercial realtors and HR support firms, are potentially effective, and their skills are needed. We support an expanded pool of eligible entities, both nonprofit and for-profit, and we urge Treasury and SSBCI jurisdictions to ensure that minority- and women-owned and managed firms and organizations in particular receive targeted outreach to ensure they are aware of the opportunities available to them. The greater the range of potential providers, the better.

Further, we strongly urge Treasury to ensure that CDFIs, MDIs and the nonprofits and trade associations that serve these entities are included in the category of institutions eligible to receive this funding. The provision of development services, including technical assistance, has been and continues to be an important consideration of the CDFI Fund in particular. CDFIs, both regulated and unregulated, and MDIs, have proven records of accomplishment that meet all of the criteria discussed within this letter.

Leveraging TA funding - How could the Federal TA funding crowd in and leverage private, nonprofit, and philanthropic funds for the same purposes? Are there existing private sector, nonprofit, and philanthropic funded TA services for VSBs and SEDI-owned businesses and how could Treasury’s efforts leverage that funding?

Treasury should partner with member organizations representing national networks of TA providers, as well as those that articulate and advocate for policy relevant to those providers. These include membership organizations such as the Community Development Bankers Association, Opportunity Finance Network, Inclusiv, the Community Development Venture Capital Alliance, the National Bankers Association, and the Asset Funders Network as well as think tanks such as the Center for American Entrepreneurship. These organizations are purpose built for such initiatives. Working with these organizations to align efforts nationally would help Treasury introduce funding directly into existing, active local networks. Funding should be available for these organizations to help increase the visibility and profile of the business they are serving. All TA providers and partners should be encouraged to build

partnerships with local corporations that serve as pillars of their communities. Large businesses and major local employers, especially institutions such as hospitals, schools and colleges, are increasingly participating in their local economies by proactively opening vendor relationships to SEDI-owned businesses and VSBs.

Excellent examples of locally provided TA services can be found in many markets. Two examples recommended for consideration by CDBA members are the Brooklyn Community Foundation³, (a good example of a bigger nonprofit that funnels corporate and philanthropic funds to smaller nonprofits) and the Business Outreach Center (BOC) Network,⁴ (a CDFI micro-lender with a strong reputation for businesses squarely in SSBCIs target communities along the capital continuum.)

Conclusion

We fully appreciate the efforts and thoughtful consideration of the Treasury and its staff to implement the reauthorized SSBCI. SSBCI has great potential to catalyze recovery for SEDI and VSB owners, and CDFIs and MDIs are poised to serve as partners to improve the lives of people working and living in the communities they serve. We are excited about the opportunity to work with Treasury to make SSBCI a success.

If you have any questions, please contact feel free to contact me at (202) 689-8935 ext 225 or blakeb@pcgloansfund.org.

Sincerely,



Brian A. Blake
Public Policy Director
Community Development Bankers Association

³ www.brooklyncommunityfoundation.org

⁴ www.bocnet.org