



March 17, 2020

Joint Special Committee on Corona Virus Response
Oregon State Legislature
900 Court Street NE
Salem, OR 97301

Dear Co-Chair Roblan, Co-Chair Holvey, Members of the Committee:

Community LendingWorks (CLW) and MESO are two Community Development Financial Institutions (CDFIs) that provides small business loans throughout western Oregon and the Portland metro area, to entrepreneurs who are traditionally underserved by banks. Our business clients are often women, minorities, and rural entrepreneurs, typically have fewer than 15 employees, and many are in the hospitality and service industries. They are restaurants, food carts, breweries, distilleries, yoga studios, and mechanics – the very industries now being devastated by the coronavirus.

Last week, when Oregon began implementing crucial public health policies, we immediately contacted our businesses to ask about the impact of these policies and offer our assistance. What we are hearing is this:

- Business was already down last week, even in cities without confirmed cases, and even before the most significant bans on public gatherings and restaurants were implemented;
- Many owners are already laying off staff...beginning almost immediately;
- Deferred assistance like future tax breaks won't be timely enough to help;
- The assistance measure that will help large industry aren't what is needed to help small businesses.
- The two most immediately helpful things would be:
 - **Temporary forbearance on small business loans** (which we can implement for our borrowers, but which is needed across the financial industry);
 - **Immediate operating capital** to keep the doors open, cover fixed expenses, and try to keep as many staff as possible employed.
 - Critically, this **can't be in the form of traditional loans**...most entrepreneurs aren't in a position to assume the burden of additional full-cost loans if the business ultimately fails because of the crisis, and it will make recovery harder down the road if they stay in business.
 - This is where the state is in a critical position to provide aid.

Oregon CDFIs like CLW have the capacity and infrastructure to get money in the hands of small businesses quickly. We don't face the same regulatory barriers that banks and credit



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unions do, but we are carefully vetted and monitored by the US Treasury. We are also trusted and respected by businesses throughout Oregon. What we lack is the low-cost / low-risk capital to fund this emergency loan pool. This is an unprecedented economic crisis – in both speed and severity – and we need capital at zero cost and maximum flexibility; we know that many businesses will fail during the next 6 months despite intervention, and we need to ensure that any emergency loan product doesn't increase the burden on those businesses or jeopardize our loan funds while we work to help as many businesses as possible weather this storm.

We recommend that the legislature immediately provide a combination of 0% non-recourse loans and grant funding, to create a product with the terms that small businesses need to survive this crisis and recover:

- Targeted to small businesses in sectors most impacted by current public health measures.
- Provides short term operating loans at very low interest (likely 0-1.5%)
- Defers all payments until at least 1 month after public health restrictions are lifted, then interest-only payments for 6-9 months while a business recovers, then full payments over 3-7 years.
- If a business fails within 6-12 months of the end of health restrictions, the balance of the loan would be forgiven.

If we don't act quickly and get assistance into the hands of business owners immediately, we will see massive business failures and an exponential increase in predatory lending and scams (making future failures worse). This will have a devastating and lasting impact on our small business community's ability – and our state's ability - to recover from this pandemic.

The good news is that we can act. We know what businesses need, and we have the infrastructure to deploy it. This emergency loan programs can provide immediate relief, and also bridge the gap in timing until federal aid can be deployed. It can also send a message to small businesses that there is hope for recovery, and that Oregon recognizes the economic value of these small community-based businesses. We urge this committee and the legislature to take immediate action on this and other small business assistance measures.

Sincerely,

Emily Reiman
CEO, DevNW and Community LendingWorks

Nita Shah
Executive Director, MESO