



House Committee on Economic Development

February 5, 2020

Re: HB 4033

Chair Lively, Vice-Chair Fahey, Vice-Chair Wilson, and Members of the Committee:

On behalf of the Asian Pacific American Network of Oregon (APANO), I am writing to express our strong support for House Bill 4033, which would provide support, technical assistance, and make investments in Oregon's small businesses. This legislation would establish a collective loan fund where the state can "co-sign" loans for entrepreneurs, increasing access to capital; make investments that prioritize underserved entrepreneurs, including entrepreneurs of color; and provide much-needed research into what these small businesses need.

APANO works to unite Asian Americans and Pacific Islanders across Oregon for social change and racial justice. Economic justice is a key pillar of this work. As part of our community development program, we provide support to small businesses and entrepreneurs to elevate our community through economic empowerment. We also host classes and events with API business owners to engage community members so they can hear directly from successful entrepreneurs from their community. We do this work because we know that emerging entrepreneurs and business owners, including those who are immigrants, need targeted assistance that will help them achieve their dreams.

While we are dedicated to our programs advising and supporting small businesses, they still face systemic issues that can be barriers to starting up, growing, and remaining successful. Community-based organizations can't address all of these barriers without new solutions. Among these barriers, lack of access to capital is one of the most significant. Many of the business owners in our community lack collateral or assets and therefore can't secure a loan. API businesses are often based on the sale of services, food, and other products that do not require or establish collateral assets.

For example, a couple started their first doughnut shop location by pulling together seed money from family and friends. They've now grown to multiple locations, but each time they decide to expand, they must use their savings and income from the business to open a new location, creating a liability. If they want to grow, they must reinvest everything they earn.

Without access to capital, these businesses must turn to other financing practices such as credit cards or asset-based lending which create risk and insecurity for business owners. In the worst case, these promising businesses are forced to close. Another entrepreneur we have worked with launched her own line of Asian-style snacks. To make the business viable, she needed to



scale up, but she couldn't access any capital to do so. Since she couldn't grow, she ultimately had to close her business.

Even prosperous minority-owned businesses have trouble funding loans through traditional credit systems. Katsu has operated a successful streetwear clothing company for over 18 years. He decided to move his storefront from Old Town to Downtown Portland. To make this move, Katsu needed funding to finance his business to account for the sales he would lose in closing one location and opening another, as well as costs for the labor to move, store of inventory, and purchase new fixtures. He has owned his business for almost two decades and grown it to over \$1 million in revenue, with a loyal clientele and steady sales all year. He applied for business loans with several CDCs and banks in Portland, but despite his business's longtime record of success, all of them rejected his application based on his lack of collateral. If he had not been able to get a loan through Craft3, he would not have been able to move his business to the new location. When even a prosperous business like Katsu's cannot access loans, it demonstrates the urgency of increasing access to capital is for small businesses, especially to support the success of business owners of color.

In addition, we believe that the bill's provisions for technical assistance, research, and initiatives to support small business will bolster opportunities for underserved small business owners. Through our own advising and programming, we know that expert support is often needed to build a path to success.

We hope that you will recognize and invest in policies that will truly build a "business friendly" climate in Oregon that benefits the small businesses who contribute so much to our communities and workforce. Our small businesses not only create jobs and build our statewide economy, but they make our neighborhoods vibrant and create wealth among underserved communities.

Thank you for your consideration of HB 4033 and we respectfully urge your vote in support.

Sincerely,

Jenny Lee
Advocacy Director, APANO