



TESTIMONY IN SUPPORT OF HB 2161
House Economic Recovery and Prosperity Committee
February 23, 2021

Submitted by Oregon Small Business United

Oregon Small Business United (OSBU) was formed in mid-2020 to unite and amplify the voices of small businesses and the organizations that serve them, with a particular focus on Black, Indigenous, and people of color (BIPOC) and rural entrepreneurship. We are working together to ensure the needs of these businesses are met as our state leaders address the economic crisis caused by the COVID-19 pandemic and beyond.

OSBU applauds Governor Brown's commitment to racial justice, especially in economic development. Many of our coalition partners have been involved with the Governor's Racial Justice Council to address the lack of access to capital that impacts small businesses. We look forward to seeing the by-product of the council's work in an amendment language to HB 2161. OSBU is also very appreciative of Business Oregon's efforts to listen to diverse perspectives and to understand the complex technical aspects of this work.

The lack of access to capital for business -- ranging from start-ups to more mature companies -- is an inhibiting factor in economic growth for our state. This especially applies to companies in both rural and racially diverse communities. These obstacles to accessing capital have perpetuated economic inequality for decades, e.g. historic discrimination such as redlining practices in homeownership loans, rent-to-own and payday loan industries that have taken the place of traditional lenders who've chosen not to serve low-income communities.

HB 2161 is an important first step to addressing institutional and social barriers that have made access to capital nearly impossible for small business owners, especially those in rural, veteran and BIPOC communities. The lack of personal wealth or savings and collateral/asset requirements for traditional loans have led to small business owners to rely heavily on personal credit cards. Compounding this challenge has been the lack of technical assistance that recognizes specific needs and challenges of underserved communities. We appreciate the E-Board allocation of \$3 million to small business technical assistance as another first step in ensuring the success of small business owners.

Even the State of Oregon's agencies and respected institutions have recognized these challenges. For example, in the recently released 2020 Oregon Capital Scan, the data from US Small Business

Administration loans clearly show trends that paint a dire picture: In 2019, only 17% of Oregon's SBA loans went to BIPOC businesses and only 15% went to majority-women owned businesses.¹

We appreciate Governor Brown and the Racial Justice Council for recommending a loan loss reserve fund as one small step to addressing these very real challenges to economic growth.

Leveraged appropriately, a loan loss reserve provides community-based lenders such as Community Development Financial Institutions(CDFIs) and Economic Development Districts (EDDs) with the means to further develop and expand loan products which bridge the gap for underserved businesses who do not have the necessary collateral requirements for traditional loans at affordable rates. Community based lenders are essential in providing technical assistance and credit building tools which give businesses a strong base from which to grow their business and credit profile. The loan loss reserve is a key success factor for lenders to deepen their reservoir of options while spreading the risk in the overall loan portfolio to ensure a durable program long-term.

Small businesses require accessibility to both term loans and lines of credit based on their business needs and structure -- and an access to capital program backed by a loan loss reserve ensures flexibility in product offerings which are inclusive of all small business structures, wherever their point of maturity, and with a community based lender they know and trust.

CDFIs have long demonstrated effective strategies for helping businesses and community members thrive. With an already-full palette of culturally-responsive technical assistance, products and services, a partnership with the State of Oregon via a loan loss reserve ensures effective strategies are responsibly scaled, thereby turning the tide of economic inequality.

A new loan loss reserve program will bring much needed data and monitoring. As community lenders have learned, working in concert with Business Oregon and various non-profits statewide to provide business assistance in response to the COVID-19 pandemic, data underscored the need to continue offering products and services which are specifically responsive to small and micro-business owners. The ability to track race, ethnicity, gender, persons with disabilities, veterans and other marginalized community groups such as immigrants, gives intention to our focus to do better by *all* of the communities within our Oregon.

We wholeheartedly support the important work undertaken by the Governor's Racial Justice Council and urge your support of increased access to capital as outlined in the vision for HB 2161.

SUBMITTED ON BEHALF OF OREGON SMALL BUSINESS UNITED:

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¹ The Lundquist College of Business, Oregon Capital Scan 2020, February 2021, <https://business.uoregon.edu/files/media/oregon-capital-scan-2020.pdf>