

**FIELD HEARING IN QUEENS, NEW YORK: UNDER-  
SERVED SMALL BUSINESSES: PROVIDING  
ACCESS TO FEDERAL PROGRAMS**

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**HEARING**  
BEFORE THE  
SUBCOMMITTEE ON CONTRACTING AND  
WORKFORCE  
OF THE  
COMMITTEE ON SMALL BUSINESS  
UNITED STATES  
HOUSE OF REPRESENTATIVES  
ONE HUNDRED THIRTEENTH CONGRESS  
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## **UNDERSERVED SMALL BUSINESSES: PROVIDING ACCESS TO FEDERAL PROGRAMS**

**TUESDAY, MARCH 11, 2014**

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON SMALL BUSINESS,  
SUBCOMMITTEE ON CONTRACTING AND WORKFORCE,  
*Washington, DC.*

The Subcommittee met, pursuant to call, at 10:05 a.m., at Queens College, Rosenthal Library, Room 230, 65–30 Kissena Boulevard, Queens, New York, Hon. Richard Hanna [chairman of the Subcommittee] presiding.

Present: Representatives Hanna, Meng, Velázquez, and Clarke.

Chairman HANNA. I call this hearing to order. I am going to start by thanking Ranking Member Velázquez, the Ranking Member of the entire Committee, for being here today, and Ms. Meng, who is a great and thoughtful partner, always deliberate and always prepared. So it is a pleasure to work with Grace.

Thank you all for being with us today. I would like to thank each of our witnesses for taking time to provide testimony on ways we can all work together to increase access to Federal programs for underserved small businesses.

Small business growth is essential as the United States still struggles with high unemployment. We know that small businesses are the catalyst for job creation, creating more than half the net new jobs between 1993 and 2011. The Small Business Administration, or SBA, is tasked with aiding small businesses to promote full and free competition. This aid comes in a variety of forms, such as increasing access to capital; providing technical assistance, such as counseling; and promoting small firms' ability to promote compete for Federal contracts.

Today, we look forward to hearing from the SBA about how they are making sure these resources are accessible in underserved communities. As chairman of the Subcommittee on Contracting and Workforce, I understand the importance of ensuring that small firms do not face undue barriers in utilizing the SBA's programs.

Recently, our Committee approved legislation to ensure greater opportunities for small businesses in the Federal procurement marketplace. Notably, one of these bills, H.R. 776, which Ranking Member Meng was kind enough to cosponsor, increases the guarantee rate for the SBA Surety Bond Guarantee Program, which strengthens small businesses ability to compete for Federal contracts.

At the legislative level, Congress can effectively improve programs and give SBA better tools to assist small businesses. But

there is a disconnect when the SBA implements these tools and they do not reach the maximum possible number of small businesses.

If barriers exist to accessing these programs for firms in traditionally underserved areas, even the best designed programs are ineffective.

Currently, the SBA does not have an official definition of underserved communities, but I understand underserved communities come in a variety of shapes and sizes, whether it is in my district in upstate New York where rural firms face countless challenges, or here in Queens and urban areas, where small businesses face the same barriers to accessing the SBA's programs.

In light of that, today's hearing will look at what can be done to ensure small firms in underserved communities can access Federal programs meant to promote economic growth and foster job creation.

Again, I want to thank the witnesses for being here today. As you know, you have 5 minutes, but we will be lenient. We want to hear what you have to say.

And with that, I invite Ranking Member Meng to give her opening statement.

Ms. MENG. Thank you, Mr. Chairman, for your tremendous leadership and your willingness to hold this important hearing right here in Queens, New York City.

I also want to thank the ranking member of our entire Small Business Committee, and my good friend, Nydia Velázquez, and Congresswoman Yvette Clarke, who is on the way.

I also would like to extend a big thank you to Queens College and our new interim president, President Gizis, for hosting us today and for allowing us to hold this hearing here.

And thank you to each and every one of our witnesses for being here today.

There are a number of programs at the Small Business Administration and Department of Commerce that are able to help small businesses achieve success and grow. I have heard from business owners in Queens and business organizations that there is insufficient outreach from the Federal Government. These programs, including loans, government contracts, the Export-Import Bank, and guidance through Small Business Development Centers, and mentor protege programs, prove to be successful once they are accessed.

Today, I hope to learn more about how we can ensure better access to these programs, which will help our local economies grow and provide jobs to our communities.

Small-business ownership and entrepreneurship have a long track record of helping Americans achieve self-sufficiency. Entrepreneurs launch new ventures for a range of reasons—a change in career, to bring a new idea to market, to support their families, supplement their income, or simply to pursue a lifelong dream.

Here in New York, we have a particularly vibrant culture of entrepreneurship. This commitment to small business formation and growth makes our city great and diverse, with new ideas constantly being brought to fruition, whether it is a new food truck or a 3-D printing factory.

Entrepreneurship in New York is largely characterized by diversity. Here in New York, there are 607,000 businesses owned by minorities. Women own 595,000 enterprises throughout the State. More than 69,000, almost half, of New York City businesses are owned by immigrants.

Throughout the country, like in New York, women-, minority-, and immigrant-owned businesses are thriving. Yet even as these important populations become more involved in entrepreneurship, challenges remain.

Our Committee has done significant work looking at the challenges faced by these underserved entrepreneurs. While access to affordable capital is a perennial challenge for all small businesses, for underserved communities, this obstacle can be particularly daunting.

The Committee held four hearings in the last 2 years looking at capital access challenges and new opportunities for financing. This is an area where we know underserved firms face unique challenges.

Although women own 38 percent of businesses, just 2 percent of venture capital goes to female-owned firms. For ethnic minorities, securing capital is also a challenge.

Minority firms with assets of less than \$500,000 are three times more likely to be denied a loan than nonminority firms.

The Committee has also done significant work examining how businesses from these demographics interact with the procurement process. Our contracting Subcommittee held four hearings looking at how we might improve government procurement programs so that small businesses and women- and minority-owned firms can secure their fair share of Federal projects.

In particular, we heard from representatives from the women's business community, who discussed how challenging it can be to break into the Federal marketplace. These hearings led to a raft of legislation aimed at improving the situation, which the Committee finally approved just last week.

It is my hope that today's hearing will shed additional light on how we can help these types of firms win the Federal Government as a client.

Additional opportunities exist for these firms by breaking into new markets, both here and abroad. Our Committee has looked closely at how trade policy affects small businesses. And we have seen that, in many cases, underserved businesses could benefit greatly, if they had the tools, by marketing their products abroad.

In all of these areas, the Small Business Administration's programs can play a vital role in giving these firms a hand up. The agency's Capital Access Programs are critical to helping small businesses secure loans and equity investment. It has a series of contracting initiatives that can help these firms navigate the Byzantine Federal procurement process and land Federal projects.

The 8(a) program provided valuable mentoring services for disadvantaged companies, including assistance landing contracting work. The agency's Entrepreneurial Development Programs offer vital guidance and technical assistance for prospective entrepreneurs looking to start a new venture.

The same centers can be a useful resource for growing businesses looking to expand into new markets, both domestically and internationally.

It is important that these programs are providing maximum value and proactively reaching out to traditionally underserved demographics, like women and minorities.

A series of hearings in the Committee have examined duplication among entrepreneurial development services. It is important that different Federal agencies are coordinating their efforts effectively to underserved small businesses and entrepreneurs can maximize use of these programs.

Likewise, we previously examined how private sector entrepreneurial education services can complement the SBA's work. We have a number of such programs here in New York and I hope to hear more about them today.

While the SBA does many things well, there have been concerns about how well its programs are tailored to underserved communities. With the face of small business changing, it is vital that the agency keep pace, conducting meaningful outreach to those entrepreneurs who could most benefit from this type of assistance.

It is very fitting that we are holding this hearing here in New York City and Queens. As one of the most diverse areas in the Nation, we have small businesses that represent every strand of America's national tapestry. It is my hope that today's discussion will educate our Committee about how these programs can be improved while helping educate local entrepreneurs about the various services available to them.

I yield back.

Chairman HANNA. Do you want to introduce the witness?

Ms. MENG. It is my pleasure to introduce one of our witnesses, Mr. Bill Imada, the chairman and CEO of the IW Group, testifying on behalf of Asian/Pacific Islander American Chamber of Commerce & Entrepreneurship.

Mr. Imada has previously served as a human resources manager for a major national subleasing company and worked as an employment recruiter for a small startup placement agency. He has more than 20 years of experience in marketing and public relations and has represented some of the top global and domestic brands in the world and the United States.

Welcome, Mr. Imada.

**STATEMENTS OF BILL IMADA, CHAIRMAN AND CEO, IW GROUP, WEST HOLLYWOOD, CALIFORNIA; JOYCE MOY, EXECUTIVE DIRECTOR, ASIAN AMERICAN AND ASIAN RESEARCH INSTITUTE, QUEENS COLLEGE, NEW YORK, NEW YORK; WILLIAM S. WILKINS, DIRECTOR OF DEVELOPMENT, LOCAL DEVELOPMENT CORPORATION FOR EAST NEW YORK, BROOKLYN, NEW YORK; AND MICHELE CHANG, ACTING CHIEF OF STAFF, UNITED STATES SMALL BUSINESS ADMINISTRATION, WASHINGTON, D.C.**

#### **STATEMENT OF BILL IMADA**

Mr. IMADA. Thank you, and thank you, Mr. Chairman, and ranking members of Congress, Congresswoman Meng and Congress-

woman Velázquez. I appreciate you inviting me today for this meeting.

For the record, I am the chairman and founder of the IW Group. We have offices all over the country, including New York, and we have been in business for 23 years.

I am also the chairman of the Asian/Pacific Islander American Chamber of Commerce & Entrepreneurship, which is a mouthful, so I apologize. We call ourselves ACE, and ACE is the primary voice for the Asian-American and Pacific Islander communities focusing on business-related issues, and we are based in Washington, D.C.

ACE was established to be a visible and credible voice in the halls of government. Last October, we convened several Chambers from 16 different States and the District of Columbia to talk about some of the issues that impact our community.

The key areas that we focused on were access to capital, Federal contracting, and small businesses development assistance. We also agreed, all these different Chambers from around the country, after meeting with both Republican and Democratic leaders, that we need to develop a system for collecting, monitoring, and verifying data on federally supported programs addressing the needs of AAPI businesses.

We also want to reduce the language barriers and the cultural barriers that impede small businesses from seeking help from organizations like the SBA and the Minority Business Development Agency.

We also want to make sure that SBA and MBDA add business development centers specifically in places where there are large immigrant and minority communities, and one of those areas is specifically here in Queens.

And we want to also hold Federal agencies and prime contractors that work with these Federal contracts accountable for meeting all minority business development goals.

So I am going to start by addressing some of these areas separately.

Access to capital: Although the SBA encourages more AAPI business owners to apply for Government-guaranteed loans through their preferred lenders, we believe a large percentage of businesses do not. A full 33 percent of small businesses do not apply because they fear rejection from the organizations that are lending to them.

We believe other factors may also include the following: One, there is a distrust of what a preferred Government lender will do with their personal and financial information, which is what we discovered with the U.S. Census; a pervasive belief that SBA officials may not have the ability to assist them in languages other than English; three, an overwhelming fear that rejection will lead to a loss of face and the potential for the loss of good credit; four, a strong and pervasive feeling that lending institutions do not have the means or the resources to explain why a loan was not given, and actually counseling them so they can get a loan in the future; and a lack of understanding and knowledge that even a Government-backed loan still requires some personal guarantees in the form of collateral that may be difficult for a small business to obtain; six, a lack of SBA and Minority Business Development Cen-

ters in communities where small business enterprises are being established, and that specifically means places like Queens here in New York, as well as the San Gabriel Valley in California; and more must be done with ACE and regional Asian Chambers and business organizations to alleviate these sometimes opaque cultural barriers to capital.

I will move on to Federal contracting. There needs to be stronger and more visible oversight on Federal contracting processes. While Executive Order 11625 requires Federal agencies to report their minority business development activities, a more comprehensive data collection process must be employed to ensure that more AAPI small businesses have opportunities to participate in the Federal contracting process.

Over the past year, several AAPI business owners have recounted how they have been invited to serve as subcontractors on Federal contracting opportunities and through the procurement process. The prime contractors, often nonminority-owned firms, have a long history of Federal contracting deals, and they enlist diverse businesses to bolster their team's credentials.

However, a number of business owners, including my own firm, have served on winning teams only to be told that there isn't enough funding in the budget to utilize all the diverse team members. In other words, the prime contractors were ultimately unwilling to allocate even a penny of funding from their budget to utilize diverse talent suppliers on their team.

It is essential that once a Government contract is awarded, budget allocations are reviewed and monitored to ensure that contracting opportunities are available to all willing and able.

Also, in order to increase the success rate of AAPI-owned small businesses in the Federal contracting process, and for other minority businesses, it is critically important to identify members for the 8(a) and other business development programs early and to work with the regional Asian Chambers to match them with qualified AAPI suppliers.

Small business development assistance: In the past few months, ACE has worked with the SBA and the MBDA and made great strides with both of them. In high-level meetings that were held in Washington and later on in San Francisco, ACE signed a memorandum of understanding with the SBA and continues to have ongoing dialogue with their representatives. Our MOU established a framework for ACE to partner with SBA on monitoring programs, services, and initiatives designed to address the needs of AAPI and other minority-owned businesses.

Furthermore, after several conversations with the Minority Business Development Agency, two of their representatives were actually designated to work closely with ACE and the regional Chambers to advance AAPI businesses nominated by the leaders of several Chambers around the country.

We also hold regular conversations with MBDA and SBA leaders to advance and promote business centers to address cultural needs as well as cultural barriers.

To build on these successes, we continue to advocate for more small business development centers. We also encourage SBA and the MBDA to recruit, hire, and advance more AAPIs and other mi-

minorities with specific language and cultural skills, so that they could address the needs that are often important to the small business community.

Since the majority of AAPI business owners are recent immigrants to this country, language and cross-cultural skills are needed to instill trust to provide culturally relevant consultations with AAPI business owners and other minorities.

In some cities where there are MBDA and SBA offices, there are few if any officials or specialists of AAPI heritage. It's often case, there is only one.

In conclusion, in order to ensure that AAPI small businesses continue to have access to capital, Federal contracting opportunities, and small business development assistance, we must verify data that serves as a benchmark for their progress and the progress of the Federal Government—more outreach specialists with language and cross-cultural experience, more SBA and MBDA business development centers in growing immigrant communities, and greater accountability for meeting and achieving stated goals for minority business development.

I also wanted to introduce some people in the audience, our new president, Sach Takayasu, is with us as well as a brand-new Asian Chamber here in New York that is being started by June Jee, Kevin Zhang, and Patricia Shibata, so they will be able to help support that.

I also want to mention, since I have a few more minutes, that when there is in-language assistance at the SBA and MBDA centers, San Francisco implemented a program with Chinese language brochures and flyers to talk to Chinese business owners about the needs that they might have, and it was standing room only.

And earlier in a conversation with one of the SBA offices, they said that the reason why they didn't have Korean, Chinese, and Spanish speaking people at some of their offices is because there wasn't a demand. So I just think it is very important to point out that even if it doesn't appear that there is a demand, if you provide in-language support or in-culture support, you are going to get people to participate, because in San Francisco, it was standing room only, and they had to turn people away just by doing things in the Chinese language.

I also wanted to accent again that there has to be very strong oversight, because if there isn't strong oversight by the Federal Government when people get these contracts, they are not always given those awards.

So thank you very much for your time.

Ms. MENG. Thank you, Mr. Imada.

It is my pleasure to introduce Ms. Joyce Moy, the executive director of the Asian American and Asian Research Institute and professor of small business management and entrepreneurship at the City University of New York.

Ms. Moy was the first Asian-American director of the New York State Small Business Development Center at LaGuardia Community College, where she helped to secure \$25 million in funding for small businesses. She is an expert on the local economy and the challenges facing our small businesses.

Welcome, Ms. Moy.

**STATEMENT OF JOYCE MOY**

Ms. MOY. Thank you, Chairman Hanna, Ranking Members Ms. Velázquez, Ms. Meng, and Representative Clarke. Thank you for the opportunity to testify before you today regarding opportunities, needs, the outreach efforts, and technical assistance to small business communities.

I am executive director of the Asian and Asian American Research Institute at the City University of New York. I am speaking today in my personal and individual capacity.

As was stated, I was the first Asian-American director of the New York State Small Business Development Center, and when I founded the center right after 9/11 at LaGuardia Community College, I immediately saw the lack of resources for the underserved communities.

I created a team that spoke English, Spanish, Korean, and three dialects of Chinese, in order to address the issues of these particular communities.

Later, when I became director of economic development at LaGuardia, I also oversaw the Procurement Technical Assistance Center, which provides help to small businesses to secure contracts with the Federal, State, and city governments.

I would like to focus on three issues: number one, outreach to underserved communities, particularly immigrant communities; number two, what it really means to provide meaningful and effective technical assistance to these communities; and then to make some recommendations about how we can ensure that we build the capacity for this meaningful and effective business assistance to these small communities.

First in New York City, as was said earlier, we have a tremendously diverse business base. Asian businesses in New York City number in the 150,000s. In Queens alone, over 68,000 of the businesses are Asian businesses.

In the black community, over 154,000 businesses are owned by black business owners. And in Brooklyn, there are over 52,000 of them.

In the Hispanic community, the numbers are over 140,000 in New York City with Bronx having over 37 percent of its businesses owned by Hispanics.

But when we look at the national picture with respect to immigrant businesses, we find that immigrant businesses make up 17 percent of the small businesses in the United States. They account for \$776 billion in revenue. They employ over 4.5 million people in the workforce.

In New York City, as was said earlier, nearly 50 percent of small-business owners are immigrants. In the decade between 2000 and 2011, the neighborhoods with highest concentrations of immigrants saw the largest growth in business, 23 percent compared to the rest of New York City at 7 percent.

In addition, the growth of employment in these areas was 11 percent versus 4 percent for the rest of New York City. And the payrolls increased by 56 percent compared to 40 percent of the rest of the city, showing you just how critical these communities are.

And in New York City, as many of you know, the population is 37 percent foreign-born. But if you look at the underserved commu-

nities, 73 percent of the Asian-American community is foreign-born. Over 31 percent of the black community is foreign-born. And over 41 percent of the Hispanic community is foreign-born.

Looking at these statistics show you just how imperative it is to provide services in-language and with cultural understanding. But it is not enough to do outreach in these various languages.

When these folks show up at the door of technical assistance providers, there must be culturally competent advisers available. Otherwise, it is nothing more than a false promise.

In addition to this, because I am running out of time, I would like to also mention that the SBA has done a great job, along with other agencies, in reaching out to community partners to try to add these cultural and linguistic competencies. However, that alone is not sufficient.

We need to make sure that these community-based organizations get the financial and other resources necessary to support the work that they do. Without technical education of the staff of these organizations, et cetera, again, it is nothing more than a false promise.

Let me give you an example of what happens when these community centers are asked to partner with SBA, but are not given proper training or proper support. Right after 9/11, I read a story in a Chinese newspaper about a restaurant owner in Chinatown. There were 11 employees in that restaurant.

One of the owners of the restaurant, Mr. Ho, had gone down to a Chinatown site for help from the SBA. He went numerous times in the rain and in the snow, stood out in the cold, and he was turned away so many times that when the reporter spoke to him, he said that he had nothing but dry tears to cry. He was so upset and frustrated. He was about to lose his ability to support his entire family.

When we looked into it, because we contacted him through the reporter, we found out that the problem was that the community translators, who had no business training, told him that they could not help him unless a majority shareholder signed the documents. This business had seven shareholders. There was no majority shareholder.

The translation should have been "a majority of the shareholders." But because the translator translated literally, and did not understand the significance of what SBA required, this man was turned away for weeks.

And had we not see that article, we would not have been able to help him. And we helped him to secure \$75,000 in assistance. So those are the kinds of things we are talking about.

We have not just a duty to do things well, but I believe it is an ethical duty. I think it is important to provide standardized and professional training to all of our technical assistance providers. I think there need to be national standards set for technical assistance providers. If they are to get the dollars of the SBA, if they are to get the dollars of the Department of Commerce, let's make sure that we know that all of our technical assistance providers reach a basic benchmark of knowledge and then proceed from there.

Without competence in culture and language and technical assistance, all of this outreach, again, is nothing but a false promise. Thank you.

Ms. MENG. I yield to Ms. Clarke to introduce her witness.

Ms. CLARKE. Thank you very much, Ranking Member Meng, Mr. Chairman, and Ranking Member Velázquez.

I would like to, Mr. Chairman, ask that my opening statement, as unanimous consent—

Chairman HANNA. Without objection, so ordered.

[The statement of Ms. Clarke follows:]

Ms. CLARKE. Thank you so much, Mr. Chairman.

Mr. Chairman, it is my pleasure to introduce Bill Wilkins. Bill Wilkins is the director of economic development for the Local Development Corporation of East New York in Brooklyn. His responsibilities include but are not limited to managing several city and State economic development districts that are set aside specifically to bring investment, tax incentives, and employment opportunities to East Brooklyn.

He is an active member of the board of directors of the Trey Whitfield School, former board member of the Minority Education Sports and Arts Organization, and a member of Berean Missionary Baptist Church, as well as Kappa Alpha Psi.

A graduate of Syracuse University, he also has certifications from Harvard University, the American Banking Institute, and the New York City Department of Consumer Affairs.

Without further ado, I would like to thank Mr. Wilkins for appearing today. We look forward to your testimony.

#### **STATEMENT OF WILLIAM S. WILKINS**

Mr. WILKINS. Thank you very much. Thank you to all of the members, and I am very pleased and honored to be here.

As stated, I am the director of economic development for the Local Development Corporation of East New York. Since 1979, our principal mission has been to foster economic and business development in East Brooklyn and surrounding communities.

Economic development is achieved when you have capital investment mixed with job creation or job retention. As a byproduct of capital investment and job growth in distressed areas, tax incentives and other programs like the SBA 504 and 7(a) are incorporated into the equation to induce or incent the required result.

Being in harmony and in accord with our business development team, the LDC engages in the seamless integration of a myriad of activities and programs that foster both short- and long-term economic business development benefits to Brownsville and surrounding communities.

We are funded by the SBA administration through the Women's Business Center, and I give credit to Congressman Velázquez for having the insight and belief in our ability to administer programs that actually are helpful to communities in the forefront of creation of Women's Business Centers. We are one of the first designated in New York City.

The SBA and the Women's Business Center actually provide us with the economic development tools in our toolbox to assist entrepreneurs and businesses.

We promote and use both loan types in instances when clients are short on equity or undercapitalized. Both loan products are necessary and needed in the marketplace by virtue of creating addi-

tional flexibility to underwriting requirements. In other words, many deals that are essential to the marketplace would not get done unless both programs were in existence.

Post-Superstorm Sandy, the turnaround time in processing loan applications has been taking longer than normal. But recently, we are starting to see an improvement.

Secondly, I encourage the SBA to continue to explore ways to streamline their loan application and support documentation requirements.

Thirdly, the SBA should continue to work with community-based organizations that have boots on the ground to assist the marketing of SBA loan products.

I would just like to speak to a couple of I think key factors that would have significant benefits to organizations that are actually working with, as Professor Moy stated, we have over a half billion minority entities that are functioning businesses. One thing that is paramount is to really provide capacity strengthening for community-based organizations. Organizations that have the required skill set and the benchmark, if we had a pool of money, whether it be \$50,000 or \$100,000, we could execute some of the deliverables that our city, State, and Federal contracts have and really start to assist and see some exponential benefits to those entrepreneurs.

We need capacity-strengthening money. That is what we need. We know what we are doing. We have the capacity. We have the ability. But if we had more flexibility, I think that we would start to see immeasurable results.

Secondly, I think that it is incumbent upon us to really take a step back and understand the entities and businesses that we are helping. Most businesses are family businesses, whether they are Fortune 100 or 500. You have the Heinzses, you have the DuPonts, you have the Rockefellers. It is the same thing.

Our businesses, the money that is created in inception, is from friends, family, and acquaintances. That is the seed money, coupled with credit, that creates your seed money to engage in business.

We on our side of the table provide the technical assistance to help these businesses to succeed. What we need to do, what we need to think about, is that we have a significant amount of home-based businesses that have reached the capacity of production in their homes. They don't have the capital to move into brick-and-mortar or to a commercial storefront. What we need to do is start to look at public land to create incubators for these individuals. The public land is sitting there. It is not generating any revenue.

Right now, we are working on a project to create a retail incubator using cargo containers. Cargo containers are in Williamsburg, they are in Dumbo, they are in Manhattan in our more tony neighborhoods. We can also use this same concept in our at-risk communities because you are not going to have the startup costs.

A cargo container is \$2,500. You can retrofit it for another \$2,500 or \$5,000. If it is food related, then it is about maybe \$15,000. So you can actually have a business start operating with the startup capital of only \$15,000 or \$20,000.

And it starts to create economic synergy within the community, because then you have businesses who employ locally and people

start shopping locally. That creates a microeconomic stimulus plan, because now the money is circulating within our distressed communities. That doesn't take hundreds of millions of dollars.

We are starting this project actually with about \$500,000 from EDC and some foundation money, and we are going to have eight to 12 entrepreneurs and also about eight artisans and create studio gallery space where people start to take more pride in their community.

This is happening in our more tony neighborhoods. It can also happen in our more distressed neighborhoods.

In addition to that, I think that there is a need for more money for marketing, for our Women's Business Centers, and SBDCs.

As Professor Moy said, we have over a half billion entities. A lot of individuals don't know we exist. We need money to really get the word out from a grassroots level that we are there, that we are competent, and there should be standards. There should be benchmark standards for the delivery of service, because we need some sort of accreditation.

In addition to that, right now, we are working and using a model from the hub zone to have a designation "Made in Brooklyn." Brooklyn is hot. We are experiencing a Manhattanization of Brooklyn, and we are also at looking at some of the standards from the hub zone as it relates to the address of the business, and also the address of the employees, to use that as part of one of the requirements to have this distinction as "Made in Brooklyn."

Lastly, I would just like to end with procurement, because in coming to meetings that are held, and there are always, on the city, State, and Federal level, you need to do business. It is extremely daunting to do business with government. We rolled up our sleeves and we tried.

As a matter of fact, it was at my encouragement that I had a business actually secure a very small contract with the Federal Government. We made the widget. We are fine with it. To send our finished product to the Government, the book is about 3 inches thick as to how this Federal agency would accept this end product. We then had to use a subcontractor to even ship our finished product. And we said, you know what? It really just isn't worth it.

Thank you very much.

Ms. MENG. It is my pleasure to introduce Ms. Michele Chang, the acting chief of staff at the U.S. Small Business Administration. Ms. Chang works alongside the SBA administrator and deputy administrator. She oversees the day-to-day operations, personnel, and decision-making processes at the agency.

Previously, Ms. Chang was an engagement manager with McKinsey & Company, a global management consulting firm. I had the pleasure of hosting her at the Business and Leadership Summit in D.C. where 60 constituents and small-business owners listened to her valuable advice.

Thank you and welcome, Ms. Chang.

#### **STATEMENT OF MICHELE CHANG**

Ms. CHANG. Thank you, Chairman Hanna, Ranking Member Velázquez, Ranking Member Meng, and Congresswoman Clarke. Thank you for inviting me to testify today.

It is an honor to be here in New York to discuss SBA's ongoing efforts to increase access to capital, counseling, and contracting opportunities in underserved communities.

We commend the Subcommittee for highlighting this important topic and are grateful for your continued leadership and support.

America's 28 million small businesses are the engine of our economy and one of our country's greatest assets. They employ half of the private sector workforce and create two out of every three net new private sector jobs.

At the SBA, we are committed to ensuring that all entrepreneurs, including those in underserved communities, such as minorities, women, veterans, people with disabilities, and those in urban and rural areas, have the tools they need to grow their companies and create jobs.

According to the Urban Institute, SBA-guaranteed loans are 3 to 5 times more likely than conventional loans to go to minority- and women-owned businesses. We are working to fill existing market gaps for underserved communities across the board, with both microloans and smaller dollar loans.

While we have already expanded and simplified our Community Advantage program and streamlined our signature Small Loan Advantage program, we are constantly looking for more ways to make it easier and cheaper for entrepreneurs to reinvest in their businesses. That is why this past October, we reduced fees to zero for borrowers and lenders for all 7(a) loans \$150 and less.

Due to these efforts, SBA has supported over \$126 billion in lending to more than 260,000 small businesses and entrepreneurs since 2009.

However, a loan can only take an entrepreneur so far. Our data shows that small-business owners who have long-term counselors are more likely to hire, grow, and increase revenue.

To help make that happen, we have an extensive nationwide network of 900 Small Business Development Centers, over 100 Women's Business Centers, and 12,000 SCORE volunteers. Last year alone, these resource partners counseled and trained more than 1 million small-business owners across the country.

Building on our current efforts, President Obama's fiscal year 2015 budget invests \$7 million to support our successful Boots to Business initiative, which offers transitioning servicemembers intensive entrepreneur training through the TAP program. Boots to Business is expected to reach an estimated 25,000 veterans across all military branches.

In addition to our capital and counseling programs, SBA works to level the playing field for small businesses to access Federal contracting opportunities. Each year, the U.S. Government spends about \$400 billion in contracts. And it is SBA's job to ensure that 23 percent of those dollars go to small businesses.

We are continually working to make sure that our minority, women, and veteran contracting programs are effective. In fact, we launched a pre-8(a) business development training series to help potential 8(a) firms prepare for success in the program. And we established the government contracting classroom, which is an online tool geared toward underserved communities.

As a result of these efforts, during the first term of the Obama administration, small businesses accessed more than \$376 billion in Federal contracts. That is \$48 billion more than the previous 4 years combined, even as overall contracting spending decreased during those years.

These programs and initiatives enable us to continue supporting underserved entrepreneurs like Tony Baird, the recipient of SBA's 2013 Veteran-Owned Business Achievement Award.

With the help of our local resource partners in Syracuse and an SBA-guaranteed loan, Tony was able to leverage his experience in the U.S. Army to launch a successful electronics startup. Tony Baird Electronics has since been able to pursue higher value contracts with the Federal Government.

This is a perfect example of how SBA's capital, counseling, and contracting programs enable underserved entrepreneurs to pursue their dreams of small business ownership.

Under this administration, SBA has become more accessible and created more opportunities for underserved entrepreneurs than ever before. We have been able to achieve this by connecting need with opportunity, forging new relationships with lenders and community organizations that can help us better serve the small businesses.

We have formed partnerships with organizations such as ACE, which is represented today by Bill Imada, as well as the U.S. Black Chamber, the U.S. Hispanic Chamber, Women Impacting Public Policy, the National Minority Supplier Development Council, and the National 8(a) Association.

These strategic alliances enable us to leverage our partners' nationwide networks and connect us directly with the communities they support.

While we are proud of all that SBA has accomplished alongside this Committee, we must continue to be diligent in our work to support underserved entrepreneurs. We know that with the right tools, small businesses in these communities can have significant impact in driving economic growth and creating jobs where they are needed most.

Thank you again for having me today, and I am happy to answer your questions.

Chairman HANNA. Thank you all. Thank you very much. You are great advocates.

I am going to turn over the first questions to Ranking Member Meng.

Ms. MENG. Again, thank you to all of our witnesses for your important testimonies.

My question is for Ms. Chang. What is SBA doing to make sure its programs and services are cost-effective? And, alternatively, if our other three witnesses could talk about what you think the SBA could do to make sure its programs and services are more cost-effective?

Ms. CHANG. Thank you. Every day, we are trying to figure out how we can make sure we are using taxpayer money most effectively.

The primary focus over the last 4 years is to make sure we are streamlining our programs and our processes as much as possible.

For example, one of our main focuses over the last 4 years was looking at our loan programs. In the past, our 7(a) and 504 applications were quite extensive, quite long, and it was quite burdensome, not only for small businesses, but also for banks. Over the last few years, we have taken a very fine toothcomb, going through all the different paperwork and really making sure we are really distilling it just down to the paperwork that really needs to be done.

So we have taken a number of efforts to streamline various numbers and processes not only in our capital programs, but also in our SBIC, our SBI programs, and also our Federal contracting side.

We are always working with community leaders, also, to understand what more we can do. So we are excited and we went to learn more about what people are hearing on the ground and what more we can do to help.

Ms. MENG. Anyone can start or chime in.

Ms. MOY. In looking at finances, I would advocate for greater investment. It is important to make things more efficient. It is important to look at metrics and so on. But without the all important initial investment, we, in fact, wind up losing.

For example, if we are not paying our small business development counselors sufficient salaries, so that they are able to be retained over time, we lose them. And I think many of us have seen the statistics. It costs almost 60 percent of a person's salary to replace them when you look at starting from scratch with benefits and contributions and things like unemployment insurance, when you look at the ramp-up time, et cetera, and the loss of time, in terms of counseling clients.

So I think we have to look at how we are funding these centers and making sure that the investment is adequate. And then I think you will see a return on investment.

And then, with regard to metrics, the way that we measure things is somewhat interesting. It is important to count the number of clients that come in the door. It is also important to count the number of clients who have left and not come back. Retention is extremely important.

Again, the investment makes the difference in whether we retain and ultimately graduate, if you want to use that term, successful entrepreneurs.

Mr. IMADA. I would have to agree with Ms. Moy that you get what you pay for. So it is very important that when you are hiring professionals at the SBA, that you hire professionals that are going to stay. So I do think retention is an issue, because when the community gets used to one or two people, and those people leave, then the SBA has to start all over again from scratch.

I also recommend very strongly, and we have been partnering with the SBA, who has been very open about this, is to work with some of the alumni and get the mentors, for instance, from the 8(a) program early, and get them to help counsel some of the new businesses that are coming in. And I think that that should be a little bit of a requirement of anybody that qualifies for some of these loans or gets in the 8(a) program, that they are mentoring the next generation of small businesses. And that would help immensely,

because I think most people would trust another small business person that has gone through this process.

But I do have to applaud the SBA for the 7(a) program, because that is one area that we think is critically important, to provide lending at microloans as opposed to some of these bigger loans, which are a lot more attractive to the SBA lenders, but to give more of these microloans to these startups, because this is, typically, what they want.

Ms. MENG. Mr. Imada talked about the need for more SBDCs throughout the country in certain communities, and many of you talked about the importance of culturally competent staff at the centers.

In Queens, we have two SBDCs. Do you believe that they are currently sufficiently equipped? And how could they be improved?

Ms. MOY. I do know the SBDC system in Queens quite well. There is one at LaGuardia Community College, and then there is one in York College in the southern part of Queens. Both of the centers, I believe, are heavily utilized.

But I also believe that both centers could use augmentation in terms of their budget and staffing. It may not be necessarily a path to set up a brand-new SBDC, but, certainly, there should be extensions of the current SBDCs, again with additional staffing and additional funding, that could service communities.

When you have heavy concentrations of small business owners, such as you do here in the Flushing area, for example, and a particularly close with community, it may warrant a specific SBDC with language capacity or a specific satellite of an SBDC with language and cultural capacity.

Mr. IMADA. I would say it is important to have a new center, provided that the hours are different. Part of the complaint the small business community has is that these centers run regular hours. But when you are a business, a Dominican business or a Korean business or a Chinese business or a Haitian business or a Russian business, you work 80 hours a week. And so coming to the center at 10 o'clock or 1 o'clock isn't always possible.

So it would be great, if we open another center in the Queens area or in Bronx or in Brooklyn, that it has staggered hours, because some of the business owners would like to arrive and get the counseling later in the evening, as opposed to during regular business hours.

So I would encourage that, if you do that, to not only put some resources behind it, but to look at staggering the hours so that more people could take advantage of these development centers.

Ms. CHANG. Just one point of clarification, the Small Business Development Centers are SBA resource partners, so technically, their employers are not SBA staff.

However, we work very closely with them to make sure that they are representing the communities that they serve.

One point I would like to also address, Mr. Imada's point about making sure we are being responsive to small business owners. We understand, a small business owner, it is a hard job. You work all hours of the day. It is your lifeblood. Any hour is fair game.

So one of the things that we are doing at the SBA to try to be more cost-effective is to provide more training and webinars online

that are accessible at any hour of the day. We understand that it is not the same as an in-person touch, but it is something that we have been trying to do to make it a free, easy way for folks to get access to free counseling.

We have what we call the Online Learning Center, which has a number of different webinars and training tools that help small businesses learn about not only the services SBA provides, but also basic questions about how do I build a business plan, how do I find financing. So we encourage folks to check that out at SBA.gov

Ms. MENG. Thank you.

Before I yield to Congresswoman Velázquez, I would just like to echo the sentiments of Mr. Imada and would welcome, I believe, with many of our constituents and small businesses, a center within the Sixth Congressional District.

Thank you. I yield back.

Ms. VELÁZQUEZ. Thank you, Mr. Chairman Hanna, and Congresswoman Grace Meng, for the incredible job that you are doing as ranking on this important Subcommittee, and Congresswoman Clarke, a very active member of our Committee.

This Small Business Committee is one of the few that really work in a bipartisan way. Just last week, we reported out seven bipartisan bills, and I am proud of the work that we do, because we really understand that there is no Republican or Democratic approach to deal with issues that are important to small businesses.

And the work that small businesses do is very important for our economy, particularly at a time when our economy continues to struggle. We know that small businesses are the job creators. So if we want the economy to grow, we have to create jobs. But in order for small businesses to create jobs, there has to be a climate that is conducive for businesses to do what you do best.

The face of small businesses in America is changing. There are more women. There are more brown faces. There are more Asians. There are more immigrants.

And so we need to bring the Small Business Administration to its core mission, and that is to help small businesses either access credit or capital, at a time when financial lending since 2007 has been ineffectively providing capital to small businesses, because credit standards are being tightened. And yet even those who partner with SBA, because SBA doesn't make loans, SBA partners with those financial institution.

One thing that SBA needs to get into its mentality is ... what are the types of capital that we need to focus on? Are those the big loans, the \$5 million loans, the \$7 million loans? Or microlending?

For immigrants and for those startups, the portfolios show that it is between \$50,000 to \$250,000. When we do not demand that banks make those smaller loans because they are not profitable, that is a disservice. And so we expect for SBA and the new administrator to focus more on those types of loans.

In terms of procurement and accessing the federal marketplace, for years, as ranking member of the Small Business Committee, and as chair of the Small Business Committee, I took it upon myself to put together a scorecard grading all the federal agencies on whether or not they fulfill the contracting goals set up by Congress.

When some in the administration said that yes, they achieved the 23 percent, we discovered through investigations conducted by GAO that those contracts they said were given to small businesses were miscoded and given to big businesses.

I am really excited about the fact that under President Barack Obama and the previous administrator, she instituted, she adopted my scorecard. And for the first time this year, we are seeing that it might achieve the contracting goal of 23 percent for small businesses.

Look, it is the largest purchaser of goods and services in the world, the federal government. So it is a market for small businesses, and we have to make sure that there is a level playing field and that the federal government's message to small businesses is that we are open for business, and we want small businesses to participate in the federal marketplace. Because when you do, we all win.

Competition is good, even for the government and for taxpayers, because no one produces and provides better services than small businesses. Even the private sector, corporate America, turns to small businesses to be able to provide the work that they need.

So I am happy and expect the new SBA administrator to continue to focus on making sure that all the federal agencies, starting with SBA, because it will be quite embarrassing if we produce a report that shows that even the SBA—that used to happen before—didn't comply with the statutory goal of 23 percent.

In terms of SBDC, I agree with you.

Ms. Moy, you have experience. You know what works, what doesn't work, with the Small Business Development Center. I believe that is one of the most important investments that we make in the federal government.

For every dollar that we spend in services that we provide through SBDCs, the government gets \$2.62 in tax revenues. So it is a great investment.

You are right, we need to have more staff. We need to pay better. Otherwise, we are going to train them and they are going to leave. What we need to do is not cut like we did, that the administration proposed cutting—I don't even remember the amounts—but proposed cutting the funding for SBDC. My reaction to the administration is don't cut the funding to those institutions and those partners that have a proven record, that have been tested, just because we want to create pilot programs that have not been authorized by us, that are untested, and that do not have a track record.

Just last week we passed legislation, my legislation, that will prohibit the creation of any pilot project that has not been authorized by Congress. And use that money to fund SBDCs that have a proven record in their communities.

So my question, based on my comments, to Ms. Moy and Mr. Imada, do you believe that, in terms of the needs for businesses, immigrant businesses, is it the big loans or the smaller loans that SBA needs to focus on?

Ms. MOY. I would agree with you, Congresswoman Velázquez, that it is the smaller loans between \$50,000 and \$250,000 that will really seed the capital that is needed by these smaller businesses and will allow them to grow to the next level.

There are a lot of services for the startups, not enough service and concentration on these growing businesses for whom the \$50,000 and \$250,000 would be particularly important.

I also want to take the opportunity to just clarify something about my comments. I do agree that a Small Business Development Center right here in a location such as Flushing is extremely important. But my comments about the possibility of a satellite office was based partly on my fear that funding would be taken away somehow from the two existing centers, which are extremely needed.

But a third center in Queens, particularly with Asian and Hispanic language capacity, is urgently needed as well.

Mr. IMADA. I would have to say that we need to have both loans, and I will tell you why we also have to have the larger loans. It is that it is very important for us to create jobs. And so some of the successful businesses, they are making \$10 million, \$20 million, \$30 million per year, but then they hit a wall.

So a lot of these women-owned businesses, in particular, they are very successful, they have done extremely well over the years, but they ultimately get to this place where they don't know how to scale up their business, and that is where they need a loan. So I do think that once those minority businesses do well, particularly women minority businesses, then we need to have some system in place where they can get those loans.

But I am also concerned about the smaller organizations, because we have a lot of organizations that come here, a lot of minorities coming from all over the world, and they just need a break. And most of the lending institutions, even if they are preferred lenders and are supported by the SBA, they still have to come up with a certain level of personal collateral. And many of these small businesses don't know how to do that.

And as Ms. Moy said, when they are going to these centers, if there is no one who can speak Espanola, or Korean, or Chinese, or even some of the language out of the Caribbean and Eastern Europe, then they can't get access to that information, because most of these lending institutions do not provide that support.

And even worse, when they are turned down for loans, there is no one there to explain why they didn't get the loan and what they need to do in order to get it. So I think it is both.

Ms. VELÁZQUEZ. Thank you.

I yield back.

Chairman HANNA. Thank you.

Ms. Clarke?

Ms. CLARKE. Thank you very much, Mr. Chairman. Let me add my voice in thanking you and Ranking Member Meng, as well as the ranking member for the full Committee, Ms. Velázquez, for holding this field hearing in here in New York City.

We have a very unique business climate here in New York City, and I think it can serve as a model for other regions that have the diversity that we have here in the city of New York, in terms of our entrepreneurs.

One of the things that I would like to raise with you, Ms. Chang, and just get feedback from our panelists about, is the whole idea of cultural competencies. I think that it is a scenario where we are

actually losing money, losing opportunity, because we are not able to create the nuances within programs, agency policies and procedures, that capture the full breadth and depth of entrepreneurial spirit that exists within our communities.

And I was taken by Ms. Moy's testimony about cultural competencies in the agency itself among its executives and its professionals, and how we address that in a way in which it doesn't take us beyond the mission of the agency, but enhances the mission of the agency in the regions in which SBA operates.

I think if we break it down to sort of the microlevel and look at how our partnerships with our community-based organizations, and our collaborations, are just that, collaborations. It is one thing to offer the Local Development Corporation of East New York a contract to do some services, but as Bill has stated, it is another thing to truly partner and look at the resource allocation and how those connections are made to be effective on the ground in the communities that we operate in.

So I would like to ask the panelists, in your experience, without any major law or regulation having to be changed, what are some of the nuts and bolts, or nuanced ways in which you would like to work with the SBA?

Bill, do you want to start?

Mr. WILKINS. Yes, I can weigh in on that. I think it touches on a previous question that the member raised as far as cost-effectiveness. One of the difficulties that we encounter is the human hours spent with reporting with the documentation. We just went through, actually, an audit and there is a constant interaction with our office, with SBA, and it is positive. But on the reporting side, because, as you know, the director of the Women's Business Centers, they have to be vetted. Our director spends a considerable amount of time on the reporting of interface with SBA. This is a very bright woman, an MBA who is extremely proficient as far as her technical assistance and being a counselor. We find it extremely effective when she can teach.

When she is able to teach and we are not doing the one-offs anymore, we do trainings for a multiple of people, whether it be QuickBooks, whether it be marketing, whether it be using social media. So now an hour or two that she spends on reporting, that hour or two can actually help 20 or 30 individuals in the classroom.

So to come back to the point of cost-effectiveness, I think that is very important.

To Congresswoman Velázquez, we have to have SBA play in the micromarket. As you know, banks, it is just not profitable. We have to figure out ways in which we can go back to something of the '60s or '70s and go to character lending. Direct lending, character lending with the support, and I am trained by Professor Moy as far as credit, and we know the ins and outs. Actually going through one of her trainings, we were taken aback by the skill set, inherently the skill sets of the people who were taking her curriculum, and sending these people out into the marketplace as professionals. They really didn't have that type of background. The curriculum was great. It was a great manuscript. But they didn't really have the skill set to really advise someone on something as important as credit.

I mean, credit is essential for all of us. It is a beginning framework to really manipulate yourself through the marketplace so you not paying more than what you have.

What I find is that our ethnic communities have come up with their own solutions. Whether it be a Caribbean with the susu, whether peer lending. Also hard-money lending, I recently had one of our businesses on Jamaica Avenue, an apparel manufacturer, borrowed about \$18,000 from a hard-money lender. He was paying about \$250 interest a month. So I was thinking, well, you borrowed \$18,000; you're paying back \$22,000, we then invoked City National Bank into the equation, which actually gave him a line credit and also a credit card. And now he is able to sustain himself during his down period.

So I think that we have to look at the nuances. We have to look from not the top down but from entrepreneur, and also from the vantage point—it was stated that an entrepreneur spends about 80 hours a week in their business. It is very difficult to pull these people into our centers for training. It is an interesting dichotomy, because you have ownership and you have rank-and-file. There is no middle management.

When you leave the shop, you are not talking to your vendors, you are not talking to your suppliers, you are not producing for your customers. Their time is invaluable. So we have to make sure that our approach is insightful, and it is extremely valuable that we are able to penetrate.

What we do is a before-business breakfast so that way everybody can be at their desk by 9 o'clock, or open the store at 9, so we look at that 7 to 9 o'clock in the morning to really provide the training that the business community needs.

Ms. CLARKE. So the question is, is this a 21st century model? We are sort of hardwired on the 9 to 5 as employees, oftentimes, but the entrepreneur is the element that we are trying to focus on. So how does our agency respond to the world of the entrepreneur that doesn't transpose an employee's template on top of them. Because if our workforce is working 9 to 5 and the assistance that is needed is needed either before 9 or after 5, then it almost becomes a daunting task for those individuals. And those individuals that don't get help when they need it, it is too late after the fact. They are out of business.

Would you say, Ms. Chang, that there is a desire within the agency to embrace some nuances, and to work with community based, with our organizations that are focused on business, to create the space for these nuances?

Ms. CHANG. I would say absolutely. This is something that we strive and work to do every day.

And I think what you all are highlighting is the same thing we are struggling with every day. How do we, as a Federal agency, continue to stay nimble and innovative, and keep up with the changing population that we are serving, which are small businesses?

And as you rightly highlighted, they are an evolving population, which is often changing. So we are always trying to make sure that we are keeping a pulse of what is on their minds, how do we make sure that we are serving them appropriately.

So conversations like this are extremely helpful. What has also been helpful for us is that some of our partnerships that we have done with very community-based focus groups. I mentioned the Chambers that we have partnered with, and through those partnerships, we have partnered with their local chapters within all the different communities. And we really do rely on those partnerships to help us make sure that we are not losing sight of what people are really experiencing on the ground. I think it is very easy for folks to think in D.C. that you are not thinking what is happening on the ground. But that is what why it is so important for us to utilize our field network, our resource partners, as well as these partnerships, so we can continually make sure that our services are providing the need that people need.

Ms. CLARKE. And is there a place in the agency where you can actually do an analysis of practices, and whether, in fact, these practices have yielded far more in terms of business assistance than perhaps a previous practice has?

Ms. CHANG. That is a great question. And we are very fact-based, data-driven agency. We try to make sure that, whenever possible, we are making policy and programmatic decisions based on facts.

There actually is the SBA's Office of Advocacy, which is an independent office of the SBA, which is mandated with doing research and analysis of what are the changing trends within the small business community. So that seems like a natural fit for that office.

And I am happy to bring this back to those folks and say this is a pressing issue.

Ms. CLARKE. We actually have a representative sitting here with us. Ms. Teri Coaxum is here from the Office of Advocacy.

And it is great that that independent office exists. What becomes even greater is if their findings find their way into policy.

Ms. CHANG. Absolutely.

Ms. CLARKE. Because at the end of the day, we should not come here again next year for a field hearing after receiving this information without there being some steps taken to verify the facts that have been presented here today, and then make the necessary adjustments to address these very concerns. Because if they are concerns here, they are concerns in other parts of the country as well. And perhaps there are environments similar to ours, in terms of entrepreneurship, the markets, that can benefit from what we have learned here today.

So I wanted to share that with you.

And just one final question, Mr. Chairman, if you will just indulge me, because I want to talk about the credit markets. That has been something that has just been so devastating for so many entrepreneurs, so many families, because, quite frankly, we are all counting on the market and entrepreneur to be the breadwinners for our families.

As the credit market begins to loosen, are you noticing any difference in those who come to you seeking assistance, or have you begun to see a return to normal credit markets? I am just going to put that out to the entire panel.

And I yield back after their answers, Mr. Chairman.

Ms. MOY. First, I want to commend the SBA for its partnership outreach in working with the Hispanic Chamber and the other eth-

nic Chambers, for example. But that is not a substitute for providing substantive day-to-day technical assistance, because, again, many of these Chambers do wonderful work. They are great in terms of convening conferences and seminars, and so on. But they are not in a position to handhold.

Many of these Chambers are made up of volunteers, or they are made up of very small staff. So that again is not a substitute for funding and total and complete support for organizations like the LDC of East New York who do the day-to-day hard, grappling work.

And then secondly, in terms of the credit markets, I think that over the past several years, entrepreneurs have taken a tremendous beating. They have, more than ever, relied on credit cards and other things to fund their businesses, to keep the cash flow going, to try to hold on until the economy turns.

And so the course that Mr. Wilkins mentioned is a class that I have done for over 300 counselors who are embedded with community-based organizations throughout New York City. And the kind of credit reports that we are seeing show people whose credit has been battered.

And I am wondering whether or not there is a way to help underwriters begin to look at shorter credit histories, going back 3 years instead of 7. That could actually help to turn the tide, because I think if you look at a business, and you see a positive trajectory, a constant increase in credit—in other words, their credit scores are getting better over a 3-year period of time—that might in fact enable these people to access credit where they can't, because the credit reporting agencies bury these people in 7 years of bad history.

Mr. IMADA. I would have to agree 1,000 percent with Ms. Moy, because when I started my own company, it took me 7 years to convince a lender that I was worthy. And most businesses do fail, a lot of businesses do fail within the first 2 to 3 years. But once you pass that 3-year threshold and you have a positive cash flow, even if you have a little bit of a negative credit rating, there should be a little bit more access to credit from the banks, particularly from the preferred lenders that support the SBA program.

One thing I wanted to mention about what Bill had to say, and what Ms. Chang had to say, is that it would be great if we could get more people in the SCORE program. The SCORE program is excellent, but we need to get more people that graduate from the 8(a) program, more corporate executives who are people of color.

And one area where that might happen is a lot of these lenders actually have employee resource groups. And to get those employee resource groups, the African-American, the Latino, the Asian, the disabled, the veteran resource groups, to serve as mentors for these small businesses, I think that is a really good place to get the corporations involved, get businesses involved, to help support these businesses in the community.

Mr. WILKINS. Just to weigh in, I think, as far as your question as it relates to the credit markets, it is an interesting dynamic, because I think our first-tier lending institutions have sort of ignored the market unless you are really a middle-market client. We have the secondary lenders, whether it be Project Enterprise, Accion,

and other community-based credit unions, they sort of fill the void and also the SBA.

But the paradigm is that businesses fail because they are under-capitalized. They don't have enough money. And the first thing that suffers is your credit.

And then you go to lending institutions that are looking at your credit. And they are going to feel that they can't help you.

Prior to that, the businesses, the principals had a 700 credit score, and they were flush with cash. The issue is that that money was not married with institutional money being bank money. That is the problem, because there are always mitigants to getting started.

And you think that your cash register will start to jingle after 3 months, and it takes you then 7 months to get your permits from the Department of Buildings. You don't have enough of a buffer to sustain that extra 4 months of paying a lease and paying employees and utilities because you don't have the cash flow.

And because now you don't have the cash flow, you don't have the ability to market and be successful.

So I think what is needed is that, institutionally, we have to start looking at more creative credit opportunities, because if you have an individual working 80 hours a week doing something, I think they are going to be successful. We need to have money to support these individuals and look at it differently, especially when we are working in distressed communities.

Chairman HANNA. Thank you.

Ms. Meng, do you have a question?

Ms. MENG. Just a final question for all of our panelists. If you could come up with a wish list for SBA, what are some of your biggest challenges, and how could Congress be helpful in the imminent future?

And to our other panelists, what are some ways that Federal agencies can immediately advertise or better market their services, in your opinion? How can they do even better?

Ms. CHANG. We probably want a lot of things on a wish list, but I think some of the things that you highlighted today are really what we are trying to figure out. How do we make sure that we are continuing to evolve and be able to stay up with the changing needs of small businesses?

So some of the different things that we at the SBA have looked at are different ways to make sure that we are tailoring, particularly our entrepreneurship training program, to different segments of the group.

So as you will see in President Obama's fiscal year 2015 budget, in there are a number of requests for very specialized entrepreneurship training. I mention the Boots to Business program that we have highlighted. We also have training around entrepreneurship education, which traditionally has been known as our emerging leaders program, which is an intensive mini-MBA type course for existing small businesses.

We would love to make sure that we are able to continue to provide these services to small businesses across the Nation, and we have always enjoyed the support of this Committee and look forward to that going forward.

Ms. MOY. Since access to capital is so critical for small businesses, I would like to look at whether or not a fund could be created specifically in the \$50,000 to \$250,000 range, where the underwriting criteria could be loosened a bit, providing that people in this program are paired with technical assistance. So that when they apply for the money, they work through very carefully as to how that money will be applied, because a lot of the problems, for example, that Mr. Wilkins cited were really cash flow problems. They didn't have sufficient reserves in the beginning, and so forth. And we have seen programs where people working with technical assistance providers learn to apply the funds in the right way, so that they don't blow through it, putting it all into marketing when there are other things to balance in the business as well.

So again, a small fund that could provide these amounts, helping them to build credit. There are things in New York City, for example, called credit builder loans where somebody could borrow—well, actually, the amounts are quite small, \$300. The amount of money is actually put into a bank account and each and every month, the payment is drawn from that, so that these folks have a track record of perfect payments for a period of time, like 1 year, and it helps to rebuild their credit.

So something of that nature that can help a business owner quickly ratchet up and better his credit will then allow him to go and connect back into the traditional banking world.

Ms. VELÁZQUEZ. Will the gentlelady please yield?

Ms. MENG. Yes.

Ms. VELÁZQUEZ. Ms. Moy, why is it that you don't believe that the microlending program fits the bill? It is a combination of capacity building, plus money from \$500 to \$50,000, and in some instances to \$100,000.

And it is a very effective program. In fact, it has the lowest default rate of only 2 percent, and 62 percent of those microborrowers are women, where we fill an incredible vacuum, because when you talk about access to capital, women are really shut out of the financial institutions.

Ms. MOY. So I do believe that the microfunding programs have been very effective. And programs like Accion that look at non-traditional criteria for making loans, such as paying rent on time and so forth, the kinds of things that the traditional banks may not look at, have been extremely effective.

But I think that the rapport and the technical assistance have to be paired, and that this relationship is an ongoing relationship, so it is not the kind of relationship where you go to the technical assistance provider to get through the crisis, and then you don't come back.

The point is to have the relationship established at that point, and then for it to continue, so that we can make sure that these businesses get to the next level, because to fund them, and allow them to stabilize and then to watch them fail a year or two later, is not what we are looking for. We are looking for that sustained growth.

Ms. VELÁZQUEZ. But in the order for them to go to the next level and get a larger amount, they have to continue to go through technical assistance.

Ms. MOY. I think that would be key to success, because, again, they have to be able to develop the skills necessary to move on to the next level. These classes like the mini-MBA training is exactly the kind of thing they need, but we have to stabilize the business to the point where they can step away from the business in order to acquire those skills.

Mr. IMADA. My wish list is very simple. I think that what would be great is to have more of the successful businesses come back and mentor the community. I do think that the access to the micro-lending is critically important.

But I also think that some of these Dominicans and Nicaraguans and all these people that are starting businesses, Koreans and Chinese and Russians, they don't necessarily want the Government to help them, but they want to know that the Government is behind them if they need support.

So the microlending is important. Give them the tools and the apparatus to be able to manage that. Give them the tools and apparatus that is within those communities where they can have mentors. And the SBA should be looked at as a convener, a convener of talent, a convener of information, a convener of access to different types of lending programs and technical assistance, if they want. And that requires a lot of patience, some partnerships, and some people who are culturally interested in these communities and are aware of what their needs are.

Mr. WILKINS. As far as my wish list, I will just highlight the fact of the capacity-strengthening grants maybe can be proportionate to what the Women's Business Centers or SBDCs receive. I think that we would start to actually experience a significant growth in being able to help entrepreneurs.

Secondly, as we look to streamline applications for the 504 or the 7(a), also to streamline the reporting requirements for these centers. It really takes a considerable amount of human hours to be able to address some of the deliverables that we have, which are important. But we need to be able to streamline it.

Thirdly, the underwriting criteria and personal guarantees for SBA have to be looked at. We recently went through an experience with a very successful business in Coney Island, actually. I am not going to say their name. But basically, they had the capacity to do all of the rehabilitation for their business post-Superstorm Sandy, about \$2 million. On the back end then, they were trying to receive a loan from SBA.

There were seven equity owners. Four of them, their assets were about \$17 million. SBA was dogged for the fact that they wanted all seven to sign. The three minority equity holders really were not involved in the business, and they didn't want to pledge personal guarantees.

That particular loan was overcollateralized. They only needed \$2 million. The four people with assets were about \$17 million. It took us about 2 to 3 months to go through this. And this is after you have a victim of Sandy.

So we need to look at some of the underwriting criteria, because it creates a disdain for the SBA that is not deserved.

Ms. MENG. Thank you. I yield back.

Chairman HANNA. Thank you.

Mr. Wilkins, Mr. Imada, you mentioned the lack of personal collateral is a problem to start up a business.

Mr. Wilkins, you spoke of character loans. You also talked about additional flexibility.

Ms. Chang has a responsibility to see to it that this money is paid back, that the Government's risk is at a minimum. So knowing that there is a large default rate with small businesses, startup businesses, and Ranking Member Velázquez mentioned the 2 percent loss rate for the microloans, how do you reconcile Ms. Chang's responsibility to see to it that she does her job and the public trust is respected, and Mr. Wilkins' notion, and I am not faulting it, that somehow we have character loans?

And we have people with no equity, and yet we all want to grow businesses, that all sounds wonderful, right? But how do we do that in a world that protects Ms. Chang from not writing a bunch of bad loans, and Mr. Wilkins who would like to see people with very little equity, but good character, hardworking people, get a business, and you who have people with no equity?

I was in business for 30 years. That is a tough recipe for Ms. Chang. So what do we do? Do we increase the loss ratio to 5 and accept it?

I am just interested, especially from Mr. Wilkins, because I sympathize with you. However, I don't see how we can just hand money out to people based on character. Character is important, but character is also a function of paying your bills over time, and accepting responsibility and proving that you have a product that people want, and you know how to manage things.

So I am just curious, how do we accomplish what we all want to do here and grow small businesses, particularly with minorities? That is what we are talking about today. How do we get there from here?

Mr. WILKINS. I think you just have to take common sense to a high place as it relates to character lending. It could be as simple as you have SBDCs and WBCs, allow them the flexibility within their client base to choose two or four entities to engage in these character loans, because the centers have worked with individuals.

Someone that is coming into my center every week to receive counseling, those are the people that repay loans. The individuals, when you say, "Well, you know what? I need to see 2 years of your personal tax returns and 2 years of your business tax returns and your certificate of incorporation." The individuals that give you that information back timely, those are the people who repay loans.

I am a prior loan officer for a community development credit union, and I had a portfolio of over \$1.5 million. When you have individuals who are experienced in lending, there are certain steps and mandates that you can create in the lending process where you have a higher rate of success.

On the backside, it is a very difficult space, as far as lending to individuals on a character basis. But then, on the other side, we will have \$100 million loans to very successful entities also fail.

So there also has to be a tolerance. And if we look at that every dollar that we lend, the Federal Government is getting \$2.62 back, then I think we have a little flexibility to underwrite some bad loans.

Mr. IMADA. Well-said. That is all I have to say.

Ranking Member Velázquez gave a very important statistic, and it is 2 percent. We are talking 2 percent of that large group of people who are getting these microloans who are not paying them back. This is actually a very small amount of lending.

If we look at some of the bigger loans that are going out and those failed, we are talking about significant amounts of money. This is a very small and insignificant amount of money.

But one thing that I think it is important to know about immigrant businesspeople, and I work with day in and day out, regardless of where they are from, is that they do not want to lose face in the community. Not repaying even the smallest loan loses face in the community.

And I think that that is something that is not necessarily discussed in halls like this, but these small businesses take their businesses very seriously. That is why we have such a low rate of default, because they want to make sure that if they are borrowing from institutions that are backed by the Government, that they are going to return every single dime of that money, because the Government has provided them an opportunity to live in this country and thrive.

So I think we do need to give a little bit of leeway to those immigrants.

But I also agree with Bill, because you empowered some of these organization and entrusted these organizations to work with women- and minority-owned businesses. Give them a little bit more leeway to make those decisions, because they work with these people day in and day out. They know their record of returning calls, paying bills, meeting their deadlines.

So, I would say, if you are going to entrust them with support, with Federal dollars, then entrust them with the support in being able to pick and choose some of the people who need those funds.

Chairman HANNA. Thank you.

So just to paraphrase what you have both said, because to me, it is very interesting, you are asking to give the SBA latitude to make loans that don't fit the traditional notion of those things required to make a loan. So Ms. Chang would say I have an allowance, a portion, if you will, as an opportunity, without retribution from her bosses, to make loans to people who don't fit the bill.

Is that what you are saying, too, Mr. Wilkins?

Ms. VELÁZQUEZ. Mr. Chairman, I just would like to call attention to the fact that SBA doesn't make loans. SBA guarantees loans.

Chairman HANNA. Correct.

Ms. VELÁZQUEZ. So it is the bank, ultimately, that will make that final decision whether or not they have the requirements—

Chairman HANNA. But the bank's loan is based on the guarantee, so it is all interconnected. And, certainly, the backup for the bank being the SBA matters a lot.

I find it interesting, and I don't disagree with you. If you look at projects around the world, and things like that, places around the world that don't have the kind of protection of property rights that this country has, they managed to go through those in different ways.

Mr. IMADA. Chairman Hanna, I do have to say I agree with Representative Clarke. We have to look at different ways to look at lending. We can't do the same thing that we have been doing day in and day out. We have to look at small business as an opportunity for growth, as you have all stated, as everybody here has stated on this panel.

Small-business people take risks each and every single day. Many of these small businesses, frankly, would be dependent on the Government if they didn't have an opportunity to start a small business. And most of them do not want to. They want to make a living for their friends and their family. They want to contribute to their communities. They want to do things that are going to benefit society as a whole.

So I believe that we have to look at how we lend differently with keeping in mind how the demographics have changed in this country.

Chairman HANNA. Thank you.

Ms. MOY. Pardon me, Chairman Hanna, if I may, character loans have been in existence in these communities for generations. The susu that was mentioned by Mr. Wilkins, in my own community, family associations, people from the same village, have pooled money together, and members who have the same surname draw a lottery and they are allowed to borrow from this fund to start their businesses. That is how my family started its businesses three or four generations ago.

And those are character loans, because if you don't pay them back, everybody, not only here in the United States in your community hears about it, but your great-grandmother in the village hears about it. So you pay it back.

Organizations like Project Enterprise, for example, you are put forth as a candidate to borrow money based on the group that you formed and the community support that you have from other business owners. This model works.

And whether it is face or business reputation, et cetera, there are things that we can adopt from this. Indications of character do come from things like paying your rent on time, paying your phone bill on time. These are not traditional measures that have been captured by the credit bureaus. Accion USA has used this very successfully.

Chairman HANNA. That is Mr. Wilkins point, that they need to be, correct?

Mr. WILKINS. Yes.

Ms. MOY. Thank you, Mr. Chairman.

Chairman HANNA. Thank you.

If there are no further questions, I want to thank Queens College for hosting us, and thank you all for participating today. I appreciate your insights into the challenges facing the underserved small businesses and in ways to reduce barriers to accessing Federal programs.

I ask unanimous consent that members have 5 legislative days to submit statements and supporting material for the record. Without objection, so ordered.

Chairman HANNA. This hearing is now adjourned. Thank you very much.

[Whereupon, at 12:39 p.m., the Subcommittee was adjourned.]

**APPENDIX**

Asian Americans Native Hawaiians  
Pacific Islanders Small Business En-  
trepreneurs Access To Capital Fede-  
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Marshallese Singaporean Chinese  
Vietnamese Japanese Korean Afgha

**Testimony**  
House Subcommittee on  
Contracting and Workforce  
U.S. Small Business Field Hearing  
March 11, 2014  
Bill Imada  
Asian/Pacific Islander American Chamber of Commerce and  
Entrepreneurship

Distinguished Members of the U.S. House of Representatives Committee on Small Business and Subcommittee on Contracting and Workforce:

Thank you for extending me the opportunity to offer my testimony today. It is truly a great honor and privilege to be with you today.

For the record, my name is Bill Imada and I am one of the co-founders of the Asian/Pacific Islander American Chamber of Commerce & Entrepreneurship, which is also known by its acronym, "ACE." ACE was established in January 2013 and is based in Washington, D.C. Our mission is to address the needs, interests and aspirations of business owners, entrepreneurs and corporate leaders of Asian American, Native Hawaiian and Pacific Islander American heritage. I am also the founder, chairman and chief collaboration officer of a certified minority-owned and operated small business that focuses on marketing and communications to the greater Asian-American and Pacific-Islander (AAPI) communities.

ACE was established as a business advancement organization and strives to be a visible and credible voice for the AAPI business sector in the halls of government in our nation's capital. For the past year, our 22-member board of directors met with and listened to the leaders of dozens of AAPI business organizations from more than 25 states to learn from their experiences as small-business advocates. What we heard reinforced our resolve to be a representative voice for AAPI small-business owners and entrepreneurs with elected and officials and federal agencies such as the U.S. Department of Commerce, U.S. Department of Labor, U.S. Department of Education, U.S. Small Business Administration and others.

The AAPI community represents some of the most recent immigrants in the United States all the way to some of the oldest communities that were instrumental in the development of this country. As entrepreneurs, AAPI-owned businesses represent the gamut of large companies that manufacture products and distribute across the nation or around the globe, to the smallest businesses around the block from your own neighborhood. Yet too often, it seems as though many AAPI entrepreneurs must start from square one and are often overlooked as key stakeholders in the business community and are rarely acknowledged by policy makers as contributing more than \$500 billion in annual economic output and nearly three million jobs.

It is critical to state that we can only be successful in advancing economic development, business growth and new job creation if the federal government and federal agencies work in tandem with community-based AAPI chambers, business organizations and professional associations. Last October, ACE convened a meeting with more than 200 AAPI chamber leaders, business owners, entrepreneurs and corporate officials representing 16 different states and the District of Columbia. This was the first time these business leaders had ever met in person to address the needs of the AAPI-business community. During this and subsequent meetings, we were able to review and discuss several topics of mutual inter-

est and concern. As a direct result of these meetings, we identified three specific areas to address:

1. Access to Capital
2. Federal Contracting
3. Small Business Development Assistance

We also agree that we can only make progress in these areas by:

1. Developing a system for collecting, monitoring and verifying data on federally supported programs addressing the needs of AAPI and other minority small businesses;
2. Reducing language and cultural barriers for small businesses and entrepreneurs that impede them from seeking assistance;
3. Adding SBA and MBDA business development centers in growing immigrant and minority communities; and by
4. Holding federal agencies and prime contractors accountable for meeting all minority business development goals.

I would like to start by addressing each area separately.

### **Access to Capital**

According to the U.S. Census, more than two-thirds of the AAPI populations immigrated to this country and now consider America their home. Due to language and cultural issues—which set many of these immigrants and their families apart from the American mainstream—starting a business is often viewed as the best (and only) way to earn an income and to make ends meet. Today there are over 1.54 million AAPI-owned businesses in the country, with more than 80 percent of them small, family-run operations with no paid employees. These businesses, according to U.S. Census Bureau's 2007 Survey of Business Owners (SBO) conducted as part of the 2007 Economic Census, generated \$514.1 billion in annual economic output and support more than 2.84 million jobs. Seven years later, we can only assume these figures are higher today.

However, as a result of the chaos and confusion caused by subprime mortgage lending to individuals and families who could not qualify for prime-rate loans, and the ultimate crash of the real estate and mortgage markets, the banking industry began lending money only to individuals who posed the least financial risk, leaving many small-business owners and entrepreneurs without the capital needed to expand their operations, hire new talent, open new offices, advance sales and marketing, or invest in new equipment that would allow them to compete successfully in an increasingly competitive marketplace. This lack of capital has also constrained the ability of small businesses to increase production, introduce new products or develop new services that would allow them to accommodate larger corporations or compete for federal contracts.

There are signs of progress. The U.S. Small Business Administration (SBA) has made historic gains with AAPI-owned and operated small businesses, as well as with other minority groups and women. From January 2009 to March 2013, more than \$19 billion

or 27,485 SBA loans were granted and distributed to AAPI small businesses. The San Francisco SBA District Office held seminars in Chinese, attracting a capacity crowd of Chinese-American business owners eager to learn more about fiscal management, loans, mentorship programs, and business development training. We believe these gains can be improved significantly in the months and years ahead through stronger, more-targeted outreach and through education and partnerships with AAPI chambers and business organizations.

Although the SBA encourages more AAPI-owned small businesses and entrepreneurs to apply for government-guaranteed loans through their preferred lenders, we believe that a large percentage of businesses do not. A full 33 percent of small businesses do not apply because they fear rejection by the same lending institutions that are there to assist them. But ACE and many of the regional AAPI chambers believe there are other critical factors that may dissuade an AAPI small-business owner from applying for an SBA loan. These factors include:

- A distrust of what a preferred government lender will do with their personal and financial information;
- A pervasive belief that SBA officials may not have the ability to assist them in languages and dialects other than English;
- An overwhelming fear that rejection will lead to “loss of face” in the community or adversely impact their credit scores;
- A strong and pervasive feeling that lending institutions do not have the means or the resources to explain why a loan was denied;
- A lack of understanding and knowledge that even a government-backed loan still requires some personal guarantees in the form of collateral that may be difficult for many smaller businesses to provide; and,
- A lack of SBA and MBDA development centers in communities where many of these small business enterprises are established—especially in areas such as Queens, New York.

A large number of AAPI businesses encounter these issues and more must be done with ACE and regional AAPI chambers and business associations to alleviate these sometimes opaque cultural barriers to capital.

### **Federal Contracting**

Although tools (such as websites and webinars) are available to help AAPI small business owners secure information about federal contracting opportunities, there continues to be a lack of knowledge and awareness about them and about how to utilize these options. Nearly all of the AAPI chamber and business association leaders who met with us in Washington said they were unaware of these tools that were available to them, which meant that many of their members lacked the knowledge and understanding of federal contracting opportunities. Unfortunately, many ACE and AAPI-cham-

ber leaders only learned about federal contracting opportunities after they were officially awarded.

One program that could be helpful to many AAPI small businesses interested in pursuing federal contracts is the 8a program. I can speak from personal experience that the 8a program has the ability to advance AAPI businesses in the federal contracting arena. After applying for 8a status at a local SBA office, my own firm achieved this designation several years ago. But once my firm became a bona fide 8a company, my partners and I did not know what to do next. Fortunately, I recognized quickly that we needed to actively and assertively market ourselves and our company to be viewed as a credible supplier to the federal agencies. This was no easy task when the field of potential suppliers (large and small) is filled with legacy firms with decades of relevant experience pursuing and securing federal contracts, and a wide cadre of 8a firms competing to attract attention to their products and services. Within a very short period of time, my firm was able to secure a major federal contract and quickly found ourselves among the ranks of 8a graduates. While I was successful, I believe I was the exception, not the rule.

There needs to be stronger and more visible oversight on the federal contracting process. While Executive Order 11625 requires federal agencies to report their minority business development activities, a more comprehensive data collection process must be employed to ensure that more AAPI small businesses have opportunities to participate in federal contracting opportunities. Over the past year, several AAPI business owners have recounted how they have been invited to serve as subcontractors in the federal contracting and procurement process. The prime contractors—often non-minority-owned firms with a long history of federal contracting deals—enlist diverse businesses to bolster their teams' capabilities and to demonstrate their commitment to supplier diversity. However, a number of business owners, including my own firm, have served on winning teams only to be told that there is not enough funding in the budget to utilize all of the diverse team members. In other words, the prime contractors were ultimately unwilling to allocate any funding from the budget to utilize the talent diverse suppliers bring to the team.

Small, diverse businesses that are not given any paid contractual work often do not lodge a protest because they run the risk of being ostracized by the prime contractors and other team members that win many of the large federal contracts. Congressional representatives and federal agencies could mitigate this challenge by simply asking prime contractors to report their budget allocations before a contract is awarded, during the contract period, and once a contract is completed and fully executed. It is essential that once a federal contract is awarded, that includes AAPI subcontractors and other diverse suppliers, budget allocations are reviewed and monitored to ensure that contracting opportunities are available to all willing and able.

Current U.S. government procurement policy needs to reinforce what is known as "maximum practicable" contracting and subcon-

tracting opportunities for small businesses. This reinforcement and strong encouragement is critical since federal agencies missed two percent of their contracting goals (23 percent), resulting in a loss of \$10 billion for small businesses.

Mentorships and training also increase the chances that AAPI small businesses can secure more federal contracting opportunities. While the SBA does have a mentorship program in place for 8a firms and other diverse suppliers, very little is known about this program or its success rate. In order to increase the success rate of AAPI-owned small businesses in the federal contracting process, it is critically important to identify mentors early and to work with the regional AAPI chambers and business organizations to match them with qualified AAPI suppliers.

### **Small Business Development Assistance**

The U.S. Department of Commerce, through the SBA and the Minority Business Development Agency (MBDA), offer assistance to small businesses and entrepreneurs who have specific financing and business development needs. While many of their programs benefit AAPI businesses, it is clear from ACE's discussion with the regional AAPI chambers and business organizations that many more AAPI small businesses could benefit from the business loans, 8a program, technical assistance, business counseling and business development programs that are offered by SBA and MBDA.

In the past few months, ACE has made great strides with the SBA and the MBDA. In high level meetings that were held in Washington, D.C. and later in San Francisco, ACE signed a Memorandum of Understanding (MOU) with the SBA and continues to have ongoing dialogue with their representatives. Our MOU established a framework for ACE to partner with the SBA on promoting programs, services and initiatives designed to address the needs of AAPI-owned small businesses throughout the country.

ACE also received an invitations to meet with former SBA Acting Administrator Jeanne Hult and also met with other business associations to discuss how the SBA could enhance their outreach to diverse small businesses nationwide. As a result of our meetings with the SBA, we have received a myriad of information about programs and services that will benefit regional and local AAPI chambers and business association.

After several conversations with the MBDA, two of their representatives have been designated to work closely with ACE to advance 15 AAPI firms nominated by the leaders of several regional AAPI chambers of commerce. We also hold regular conversations with MBDA leaders to advance and promote more MBDA Business Centers to address the cross-cultural needs of AAPIs, and were delighted to learn that five of these centers are located in communities with large and growing AAPI populations. To build on these successes, we continue to advocate more of these small business development centers, especially in areas such as the Queens borough of New York and the San Gabriel Valley in the Greater Los Angeles area. We also encourage the SBA and MBDA to recruit, hire and advance more AAPIs with language and cross-cultural skills to

navigate the cultural barriers that arise with diverse AAPI-owned businesses and business organizations. Since a majority of AAPI-business owners are recent immigrants to this country, language and cross-cultural skills are needed to instill trust and to provide culturally relevant consultations with AAPI business owners. In some cities where there are MBDA offices, there are few, if any, officials or specialists of AAPI heritage.

In conclusion, in order to ensure that AAPI small businesses continue to have access to capital, federal contracting opportunities and small business development assistance, we must verify data that serves as a benchmark for their progress and the progress of the federal government; more outreach specialists with language and cross-cultural experience; more SBA and MBDA centers in growing immigrant and minority communities; and, greater accountability in meeting and achieving stated goals for minority business development.

ACE and the regional AAPI chambers and business organizations recognize that the federal government cannot be held fully responsible for the success of AAPI small businesses in the country. The AAPI small business community, in partnership with government and corporations, must work more collaboratively together to ensure that all AAPI and other minority companies have their opportunity to grow, develop and thrive. We also recognize that ACE and the AAPI business community must act assertively, but responsibly to ensure that information about government programs and services are made available to the greater Asian American, Native Hawaiian and Pacific Islander business communities.

Once again, we can only be successful in advancing economic development, business growth and new job creation if the federal government and federal agencies develop a system for collecting, monitoring and verifying data on mentor-mentee programs, reducing language and cultural barriers for small businesses and entrepreneurs that impede them from seeking assistance, adding SBA and MBDA business development centers in growing immigrant and minority communities, and by holding federal agencies and prime contractors accountable for meeting all minority business development goals.

Thank you for advancing the interests of AAPI-owned businesses and entrepreneurs. We look forward to our continued partnership with each of you and with the federal agencies dedicated to addressing the needs, interests and aspirations of all people living and working in our country.

**Written Testimony of Joyce Moy**  
**Executive Director**  
**Asian and Asian American Research Institute**  
**City University of New York**

**March 11, 2014**

Thank you to Chairman Graves, Ranking Member Nydia Velázquez, Congresswoman Meng and Members of the Subcommittee for the opportunity to provide testimony on the needs, outreach and technical assistance to underserved small business communities.

I am Joyce Moy, Executive Director of the Asian and Asian American Research Institute at the City University of New York. I am speaking in my individual capacity, and the views that are expressed are my own. My area of focus is entrepreneurship and economic development. I have started and run businesses, and have been and continue to be a practitioner in entrepreneurship technical assistance and training, in addition to my teaching in the academy. I was the first and to date I believe am the only Asian American appointed as Director in the New York State Small Business Development Center (SBDC) system which is funded by the United State Small Business Administration and New York State. This was located at LaGuardia Community College, City University of New York. Later, in my capacity as the Director of Economic Development at the College, I oversaw not only the SBDC, but the federally funded Procurement Technical Assistance Center which works to help businesses secure federal, state and local contracts as well as corporate supplier diversity opportunities.

I will focus on several issues: 1) outreach to under-served business communities, in particular immigrant communities; 2) providing meaningful and effective technical assistance to these communities and 3) recommendations to ensure that we build capacity and meaningful and effective assistance to help these business communities thrive and grow.

Nationally, immigrant businesses make up 17% of small businesses, account for \$776 billion in revenues, and employ over 4.5 million workers or 14% of all small business employees.<sup>1</sup>

In New York City, 48% of all small business owners are immigrants.<sup>2</sup> In the period 2000 to 2011, the neighborhoods with the highest concentrations of immigrants, according to the Census, showed growth of nearly 23% compared with the rest of New York City. In addition, the growth of employment of these small busi-

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<sup>1</sup>Fiscal Policy Institute, *Immigrant Small Business Owners: A Significant and Growing Part of the Economy*, June 2012.

<sup>2</sup>Fiscal Policy Institute, *FPI's Immigration Research Initiative*, October 2010.

nesses increased by 11% vs. 4% for the rest of New York City, and payrolls increased by 56% vs. 40%.<sup>3</sup>

As is reflected in the businesses in New York City, 37% of New York City's population is foreign born, and in counties such as Queens, it is nearly half. Over 73% of the Asian population is foreign born, and 31% of New York City's Black population is foreign born, while 41.2% of the Hispanic population is foreign born. This highlights the need for culturally, linguistically and technically competent services to these businesses if they are to grow.

Increasingly, there has been outreach to the immigrant communities in various languages. Many agencies provide workshops on the services they provide in language. However, if there is not a culturally and linguistically appropriate service provider when the business owner arrives at a technical assistance center or other organization for assistance, all the outreach would be for naught.

To be fair, SBA and other federal agencies have tried to partner with community based organizations that may have the cultural and linguistic capacity they see as needed. However, these organizations are often not given adequate support, financial and otherwise, so they lack resources and the training needed to assist the immigrant business owner in a meaningful and effective way. Many rely on volunteers who do not have adequate training. This may not only lead to assistance which is not sufficiently effective, but can in fact be detrimental.

Let me cite one of many examples. When the SBDC at LaGuardia Community College was founded in response to 9/11 so as to get more resources in New York City, I immediately discovered that immigrant business owners were facing difficulties and not able to get the assistance they needed. I built a team that not only had the business skills and training needed, but spoke, English, Spanish, Korean and three dialects of Chinese.

In reading the Chinese newspaper, I learned of a restaurant that employed 11 people, in Chinatown. One of the owners had gone for assistance at a SBA site established in Chinatown to assist business owners, partnering with a community organization. He waited in the rain, snow and cold numerous times, and was so frustrated after being turned away over and over again for improper documents that he said he cried so much that he only had dry tears to cry. When we located him with the assistance of the reporter we learned that he was turned away because he was told by volunteer English/Chinese translator at the SBA site that he had to have "a majority owner" rather "the majority of owners" sign the documents. The owner and the translators did not understand the difference between "a majority owner," meaning an owner with more than 50% ownership, as opposed to "the majority owner." This company had 7 equal owners, so they needed the signatures and information of 4 owners out of the 7. Without an understanding of the business context, the volunteers could not possibly have understood this, and it is clear they did not have the training, although they

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<sup>3</sup>Office of the New York State Comptroller, The Role of Immigrants in the New York City Economy, November 2013.

did have the cultural and language skills. Fortunately with our intervention, he was able to obtain \$75,000 in assistance.

In my capacity as Director of the LaGuardia SBDC, I conducted a series of workshops on starting a business, legal structures and taxation, marketing and financing for business. When I presented this at an Asian American women's business organization, I found in the audience the entire staff of a community based organization that had just partnered with SBA in Chinatown. The staff was there so that they could get uniform training on the issues that were presented. Because we presented real nuts and bolts, this training was needed to get everyone on the same page. Today, it is still clear the community partners coming on line, do not have much needed and standardized training available to them. Quality control is imperative. Many of the SBA and other agencies have partners who have varying degrees of knowledge, training and capacity. Again, the cultural and linguistic competence alone is not sufficient without the business knowledge. If these services are to be offered, they should come with a degree of quality control, and the government agencies can not only play a role in ensuring this, but I believe it is ethically bound to do so.

So in conclusion: The outreach and services to the under-served immigrant business population must be both meaningful and effective.

1. Culturally and linguistically appropriate outreach alone is not sufficient. There must be culturally and linguistically appropriate service providers.

2. Community partners need better support and resources.

3. Uniform and standardized training is needed across the range of technical assistance providers. We must build the capacity of our partners, and ensure quality across the board for the organizations and their volunteers.

Thank you to the Subcommittee for this opportunity to present this testimony. I would be happy to take questions.

**Testimony of William S. Wilkins**  
**Director of Economic Development**  
**The Local Development Corporation of East New York**

My Name is William Scott Wilkins, and I am the Director of Economic Development for the Local Development Corporation of East New York (LDCENY). Since 1979 the LDCENY's principal mission is to foster economic and business development in East Brooklyn and surrounding communities. Economic development is achieved when capital investment is coupled with job creation or job retention. As a by product of capital investment and job growth in distressed areas, tax incentives and or programs like the SBA 504 or 7A are incorporated into the equation to induce or incent the required result.

Being in harmony and accord with our business development team the LDCENY engages in the seamless integration of a myriad of activities and programs that foster both short and long term economic and business development benefits to the Brownsville and surrounding East New York (ENY) community. We are funded by the Small Business Administration (SBA) through the Woman's Business Center and rely upon SBA programs like the 504 and 7A to add to our economic development tool box.

We promote and use both loan types in instances when clients are short on equity or are undercapitalized. Both loan products are necessary and needed in the market place by virtue of creating additional flexibility to traditional underwriting requirements. In other words, many deals that are essential to the market place would not get done unless both programs were not in existence.

Post Super Storm Sandy, the turnaround time in processing loan applications have been taking longer than normal but recently we are starting to see an improvement. Secondly, I encourage the SBA to continue to explore ways to stream line their loan application and support documentation requirements. Thirdly, SBA should continue to work with community based organizations (CBO's) who have "boots on the ground" to assist in the marketing of SBA loan products.

Lastly, I encourage SBA to introduce technical assistance providers to work with applicants and borrowers thus creating mentorship opportunities and increase the probability of repayment.



**U.S. Small Business Administration  
Washington, D.C. 20416**

**Testimony of Before the  
U.S. House Committee on Small Business  
Subcommittee on Contracting and Workforce**

***Underserved Small Businesses: Providing Access to Federal Programs***

**Michele Chang, Acting Chief of Staff  
U.S. Small Business Administration**

**March 11, 2014**

Chairman Hanna and Ranking Member Meng, thank you for inviting me to testify today. It is an honor to be in New York to discuss SBA's ongoing efforts to increase access to capital, counseling, and contracting opportunities in underserved communities. We commend the Subcommittee for highlighting this important topic and are grateful for your continued leadership and support.

America's 28 million small businesses are the engine of our economy and one of our country's greatest assets. They employ half of the private sector workforce and create two out of every three net new private sector jobs. And at SBA, we are committed to ensuring that all entrepreneurs, including those in underserved communities—such as minorities, women, veterans, people with disabilities, and those in urban and rural areas—have the tools they need to start and grow companies and create jobs.

According to the Urban Institute, SBA-guaranteed loans are three to five times more likely than conventional loans to go to minority- and women-owned businesses. And we are working to fill existing market gaps for underserved communities across the board, with both microloans and smaller dollar loans. While we have already expanded and simplified our Community Advantage program and streamlined our signature Small Loan Advantage program, we are constantly looking for more ways to make it easier and cheaper for entrepreneurs to reinvest in their business. That is why, this past October, we reduced fees to zero for borrowers and lenders for all 7(a) loans \$150,000 and less. Due to these efforts, SBA has supported over \$126 billion in lending to more than 260,000 small businesses and entrepreneurs since 2009.

However, a loan can only take an entrepreneur so far. Our data shows that small business owners who have long-term counselors are more likely to hire, grow, and increase revenue. To help make that happen, we have an extensive nationwide network of 900 Small Business Development Centers, over 100 Women's Business Centers, and 12,000 volunteer SCORE counselors. Last year alone, these resource partners counseled and trained more than 1 million small business owners across the country.

Building on our current efforts, President Obama's Fiscal Year 2015 budget invests \$7 million to support our successful Boots to Business initiative, which offers transitioning service members intensive entrepreneurial training through the Transition Assistance Program (TAP). Boots to Business is expected to reach an estimated 25,000 veterans across all military branches.

In addition to our capital and counseling programs, SBA works to level the playing field for small businesses to access federal contracting opportunities. Each year, the U.S. government spends about \$400 billion in contracts, and it is SBA's job to ensure that 23 percent of those dollars go to small businesses. We continually work to make our minority, women, and veterans contracting programs more effective. In fact, we launched a Pre-8(a) Business Development Training Series to help potential 8(a) firms prepare for success in the program and established an online tool, the Government Contracting Classroom, which is geared toward underserved communities.

As a result of these efforts, during the first term of the Obama Administration, small businesses accessed more than \$376 billion in federal contracts. That is \$48 billion more than the previous four years, even as overall contract spending decreased during those years.

These programs and initiatives enable us to continue supporting underserved entrepreneurs like Tony Baird, the recipient of SBA's 2013 Veteran-Owned Business Achievement Award. With the help of our local resource partners in Syracuse and an SBA guaranteed loan, Tony was able to leverage his experience in the U.S. Army to launch a successful electronics startup. Tony Baird Electronics, Inc. has since been able to pursue higher value contracts with the federal government. This is a perfect example of how SBA's capital, counseling, and contracting programs enable underserved entrepreneurs to pursue their dreams of small business ownership.

Under this Administration, SBA has become more accessible and created more opportunities for underserved entrepreneurs than ever before. We have been able to achieve this is by connecting need with opportunity—forging new relationships with lenders and community organizations that can help us better serve these small businesses. We have formed partnerships with organizations such as ACE, which is represented today by Bill Imada, as well as the US Black Chamber, US Hispanic Chamber, Women Impacting Public Policy (WIPP), the National Minority Supplier Development Council (NMSDC), and the National 8(a) Association. These strategic alliances enable us to leverage our partners' nationwide networks and connect directly with the communities they support.

While we are proud of all that SBA has accomplished alongside this Committee, we must continue to be diligent in our work to support underserved entrepreneurs. We know that with the right tools, small businesses in these communities can have a significant impact in driving economic growth and creating jobs where they are needed most.

Thank you again for having me here today, and I look forward to answering your questions.

**KENNETH H. RYESKY, ESQ., STATEMENT FOR SUBMISSION,  
UNITED STATES HOUSE OF REPRESENTATIVES COMMITTEE ON  
SMALL BUSINESS, SUBCOMMITTEE ON CONTRACTING &  
WORKFORCE, HEARING ON UNDERSERVED SMALL BUSINESSES:  
PROVIDING ACCESS TO FEDERAL PROGRAMS:**

**I. INTRODUCTION:**

The Contracting & Workforce Subcommittee of the House Committee on Small Business held a Hearing on 11 March 2014, at Queens College of the City of New York, regarding "Underserved Small Businesses: Providing Access to Federal Programs." The Commentator, who personally attended the Hearing, submits this Commentary.

**II. COMMENTATOR'S BACKGROUND & CONTACT INFORMATION:**

Background: The Commentator, Kenneth H. Ryesky, Esq., is a member of the Bars of New York, New Jersey and Pennsylvania, and is an Adjunct Assistant Professor, Department of Accounting and Information Systems, Queens College CUNY, where he teaches Business Law courses and Taxation courses. Prior to entering into the private practice of law, Mr. Ryesky served as an Attorney with the Internal Revenue Service ("IRS"), and, prior to that, progressively served the Department of Defense as a Branch Chief and Contracting Officer in the procurement of hardware, as a Competition Advocate's staff Procurement Analyst, and as Purchasing System Analyst conducting on-site reviews of major prime contractors' purchasing and subcontracting systems. In those positions, the Commentator had frequent occasions to interface with the Small Business Administration (SBA), and, in the former two, all the more frequent occasion to directly deal with small business enterprises.

Contact Information: Kenneth H. Ryesky, Esq., Department of Accounting & Information Systems, 215 Powdermaker Hall, Queens College CUNY, 65-30 Kissena Boulevard, Flushing, NY 11367. Telephone 718/997-5070; E-mail: kenneth.ryesky@qc.cuny.edu or khresq@sprintmail.com.

Disclaimer: This Commentary reflects the Commentator's personal views, is not written or submitted on behalf of any other person or entity, and does not necessarily represent the official position of any person, entity, organization or institution with which the Commentator is or has been associated, employed or retained.

**III. A PERSPECTIVE FROM THE GOVERNMENT CONTRACTING FUNCTION:**

The witnesses at the Hearing, individually and collectively, described many obstacles that impede the SBA in carrying out its mission to foster successful small businesses. One such obstacle, alluded to if not addressed directly by the various witnesses, is the "red tape" of the

numerous complex requisites for successful performance of a Government contract. This is most consistent with the Commentator's experience in the Government procurement function.

One of the functions of a Contracting Officer is to develop new viable sources from which the Government might obtain goods and services. A major if not the primary impediment to developing new sources is the daunting corpus of requirements for completing the paperwork in order to perform on a Government contract. That which, in private sector procurement, would often constitute little more than the perfunctory delivery on a purchase order (or even a direct cash buy at the merchant's place of business) can entail far, far more complexity in the performance of a governmental contract for the same goods or services. Potential vendors are often reluctant to devote their funds and energies towards addressing the requirements for profitable Government contracting.

The Commentator has had numerous personal occasions to develop alternate sources of supply for the Government, resulting in improved pricing, availability, quality, and/or delivery time. But the Commentator has often encountered hesitation and resistance from the vendor community on account of the special contractual requirements of Government contracts. This experience is shared by other Contracting Officers and Procurement Agents on the Government side, and, on the private sector side, by procurement personnel of prime contractors who seek to improve their subcontractor cadres, who must also comply with many Federal contract requirements in the subcontracting process.

The salutary effects of marketplace competition to Government and to society are well known, and have been amply demonstrated. Small business entrepreneurship has always been a direct cause of prosperity for socioethnic communities that have successfully established themselves in America, and has always benefitted society as a whole.

Within a short distance of Queens College can be found several districts that exude strong economic energy, economic energy brought about by small business entrepreneurship. This energy in Queens and elsewhere should be and can be harnessed to the benefit of the community and the Government by teaching entrepreneurs the ins and outs of Government contracting opportunities. But such outreach efforts would work best where the Government contracting personnel (and the subcontracting personnel of the large prime Government contractors) are likewise attuned to the habits, needs, and cultures of the private sector small businesses.

12 March 2014  
Respectfully submitted,



Kenneth H. Ryesky, Esq.