



Delivering Credit to Entrepreneurs of Color Impacted by COVID-19: Why Community Financial Institutions Are Essential

Hosted by the Aspen Institute Economic Opportunities Program

August 4, 2020, 2:00 – 3:00 p.m. ET

Description

Prior to the global pandemic, the relatively high small business start and ownership rates among entrepreneurs of color were a bright spot in a period of declining US entrepreneurship. But small businesses have endured some of the hardest stresses of the pandemic, as forced closures and physical distancing have decimated earnings for restaurants, salons, childcare centers, and other services we all rely on. Businesses owned by entrepreneurs of color have been particularly impacted by declining revenues, and despite government efforts to get money into people's hands, many small businesses have not received the support they need. This is partly a problem with the delivery systems used: programs that flow through banks miss those that have historically been underserved. Fortunately, there are lenders who serve these businesses and communities: Community Development Financial Institutions. CDFIs are mission-driven lenders that serve the parts of America that too often get left behind, including people of color, returning veterans, new citizens, and more. What role can CDFIs play in supporting entrepreneurs and advancing equity during this uncertain time? And how can policymakers, investors, philanthropy, and others support the work of CDFIs?

Learn more about this event: aspen.org/cdfi

Speakers

Bill Bynum

Chief Executive Officer, HOPE; Trustee, The Aspen Institute

For more than three decades, Bill Bynum has worked to advance economic opportunity for disenfranchised populations. He began his career in North Carolina by establishing nationally recognized programs at Self-Help and at the NC Rural Economic Development Center. In 1994, Bynum moved to Mississippi to become the founding CEO of the Enterprise Corporation of the Delta, and in 1995 organized Hope Community Credit Union.

Today, HOPE (Hope Enterprise Corporation, Hope Credit Union and Hope Policy Institute), is a family of organizations that provides financial services; leverages resources; and engages in policy analysis to

strengthen communities, build assets, and improve lives in Alabama, Arkansas, Louisiana, Mississippi and Tennessee. Since 1994, HOPE has generated more than \$2.5 billion in financing that has benefitted more than one million people in one of the nation's most impoverished regions.

Bynum serves on the boards of the Aspen Institute, NAACP Legal Defense Fund, Prosperity Now, and William Winter Institute for Racial Reconciliation. Bynum previously chaired the Consumer Financial Protection Bureau Consumer Advisory Board and the Treasury Department's Community Development Advisory Board, and served as a member of the US Partnership on Mobility from Poverty. A recipient of the University of North Carolina Distinguished Alumnus Award, Bynum and HOPE have been honored with the John P. McNulty Prize (Aspen Global Leadership Network), Ned Gramlich Award for Responsible Finance (Opportunity Finance Network), Annie Vamper Award (National Federation of Community Development Credit Unions), Herb Wegner Award (National Credit Union Foundation), National Entrepreneur of the Year (Ernst & Young/Kauffman Foundation), Rural Hero Award (National Rural Assembly), Pete Crear Lifetime Achievement Award (African American Credit Union Coalition) and The Wall St. Journal/Met Life Foundation Financial Inclusion Challenge.

Bynum is a member of the Advisory Council of the Aspen Institute Economic Opportunities Program. Learn more at as.pn/eopadvisorycouncil.

Michael Barr

Joan and Sanford Weill Dean of Public Policy, Frank Murphy Collegiate Professor of Public Policy, Roy F. and Jean Humphrey Proffitt Professor of Law, Gerald R. Ford School of Public Policy, University of Michigan

Michael S. Barr is the Joan and Sanford Weill Dean of Public Policy at the Gerald R. Ford School, the Frank Murphy Collegiate Professor of Public Policy, the Roy F. and Jean Humphrey Proffitt Professor of Law, and Faculty Director of the Center on Finance, Law, and Policy at the University of Michigan. He is also a senior fellow at the Center for American Progress and, previously, at the Brookings Institution. He served from 2009-2010 as the U.S. Department of the Treasury's Assistant Secretary for Financial Institutions, and was a key architect of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. He received his J.D. from Yale Law School; an M. Phil in International Relations from Magdalen College, Oxford University, as a Rhodes Scholar; and his B.A., summa cum laude, with Honors in History, from Yale University.

Nicole Jordan-Reed

Owner and Founder, Nicole Jordan Catering, LLC

Nicole Jordan-Reed comes with a wealth of corporate and consulting experience, spending nearly 20 years providing end-to-end business solutions for Fortune 500 companies. Working for organizations like Towers Watson, PriceWaterhouse Coopers, and JPMorgan Chase, Nicole gained years of experience in consulting, customer success management, project management, benefits administration, and software process implementation. However, her passion for the culinary arts inspired her to eventually pivot into the entrepreneurial realm.

Nicole's journey started in 2005, enrolling in the Culinary Management Program at the Illinois Institute of Art. The entrepreneurial bug struck and from 2006 to 2008, Nicole owned and operated her first catering company, Intimate Affair, while working full-time. Not to be deterred, Nicole remained active in the culinary community. Having realized the need for educating her people on making healthier food choices, she began working with organizations and youth on eating lifestyles beyond fast food and

convenience, discovering the benefits of proper nutrition, common-sense eating, and being active. This philosophy developed into what would become Nicole Jordan Catering's initial mantra, "Changing the way people eat."

In 2016, with confidence, Nicole left the corporate world for good and founded Nicole Jordan Catering, LLC. She began offering services for small and large events. NJC's mission focuses on "curating the best parts of life with food." Over the last four years, NJC has grown rapidly, developing an extensive and loyal customer base, which includes clients like the Chicago Urban League, Chicago State University, City of Chicago, Chicago Teachers Union, Facebook, University of Chicago, Chicago Community Trust and The Greater Chicago Food Depository, Sam's Club, Feeding America, and Bank of Tokyo. This success speaks to Nicole's belief in the power of quality service. She is a strong proponent of the customer experience and believes that a company's cultural mindset based on service first is one of the keys to longevity for a small business, especially in catering.

Nicole is a recent graduate and alum of the Ascend 2020 Kellogg Business Growth Program, Accion Neighborhood Entrepreneurial Lab (2020), and Goldman Sachs 10,000 Small Businesses Program (2018). She holds a Bachelor of Arts in Economics from the University of Chicago. A native of Chicago, Nicole enjoys live concerts, performance art, Pilates, and spending time with her husband, Erik.

Moderator

Helaine Olen

Opinion Writer, The Washington Post

Helaine Olen is an opinion writer for the Washington Post's opinion section and the senior managing editor for Public Seminar at The New School. An expert on money and society with a deep understanding of public policy, she writes, speaks, and consults on issues including politics, Social Security, retirement, healthcare, student loans, small business, and women's financial issues. She's the author of "Pound Foolish: Exposing The Dark Side of the Personal Finance Industry" and co-author of "The Index Card: Why Personal Finance Doesn't Have to be So Complicated." Helaine has appeared on The Daily Show, Frontline, C-Span, the BBC, MSNBC, All Things Considered, Marketplace, and more to share her commentary on political and economic issues.

About

The Economic Opportunities Program's Opportunity in America discussion series has moved to an all-virtual format as we all do what we can to slow the spread of COVID-19. But the conversations about the changing landscape of economic opportunity in the US and implications for individuals, families, and communities across the country remain vitally important. We hope you will participate as we bring our discussions to you in virtual formats, and we look forward to your feedback. We are grateful to the Ford Foundation, Prudential Financial, Walmart.org, the Mastercard Center for Inclusive Growth, and the Surdna Foundation for their support of this series. Learn more: as.pn/opportunityinamerica

The Economic Opportunities Program advances strategies, policies, and ideas to help low- and moderate-income people thrive in a changing economy. Follow us on social media and join our mailing list to stay up-to-date on events, publications, blog posts, and more. Learn more: as.pn/eop

Transcript

Joyce Klein (00:00:00)

Good afternoon. I'm Joyce Klein. I'm the director of the Aspen Institute's Business Ownership Initiative within our Economic Opportunities Program. It's my pleasure to welcome you to today's event, delivering credit to entrepreneurs of color impacted by COVID-19, why community financial institutions are essential. This conversation is part of the Economic Opportunity Program's ongoing, opportunity America discussion series.

That series explores the changing landscape of economic opportunity in the U.S. and its implications for individuals, families and communities across the country. I want to note our deep appreciation to the Ford Foundation, Prudential Financial, the Walmart Foundation, the Surdna Foundation and the MasterCard Center for Inclusive Growth for their support, for the opportunity America discussion series. At the Economic Opportunities Program, we focus on advancing strategies, policies and ideas to help working people and small businesses to thrive.

I think as we all know all too well, small businesses and working people are facing extraordinary challenges today. With millions of small businesses struggling with declining revenues and concerns about needing to close for good with workers experiencing job losses, now made more difficult by the expiration of expanded UI benefits or if workers are still working, balancing caregiving and work, which has made more difficult as day cares are close and students are expected to learn from home.

At the Economic Opportunities Program, we recognize that for too long race, gender, ethnicity and place have played an outsize role in who is included in economic opportunity in the U.S. and who's shut out. The topic we're going to be discussing today is deeply connected to the work that my program, the Business Ownership Initiative, has been doing for several years to explore the particular challenges that are faced by entrepreneurs of color in the United States and the role of community development, financial institutions or CDFIs in getting them access to resources, particularly, to capital and credit.

Since the pandemic hit, our team at the Business Ownership Initiative has been really doubling down even more on our work with CDFI as we call them funders and policymakers and including some of the panelists who've joined us for today's discussion to identify the policies and investments that are needed to really reach entrepreneurs of color. We think this is an essential topic to be tackling when we're really at the confluence of both an unprecedented economic downturn and a renewed and much needed call for racial equity and justice in our country.

If you look at the quarterly GDP figures that were released last week, you see what's happening to our economy at a more macro level. At the firm level, I just want to call out, there's been a lot of research and writing about this. But the Federal Reserve Bank of New York just today released a brief that shares some of the key reasons why this pandemic has struck so deeply, in particular, at black owned firms and communities. I'm going to get us into our conversation. But first, I want to quickly review our technology.

We're thrilled with the participation in today's event. We had more than a thousand folks registered to join us. We are in webinar format which means that all attendees are muted. But we do welcome your questions. Please, use the Q&A box on the bottom of the Zoom window to share any questions or comments you have. Thank you to the many of you who submitted questions in advance when you registered. We're going to try to get to as many questions as we can. Probably not all, given how many people have signed up but as many as we can.

We encourage you to tweet about the conversation. Our hashtag is #talkopportunity. If you have any technical issues during the conversation today, you can chat with Tony Mastria on our team using the chat feature or you can email us @eop.program@aspeninstitute.org. I will note, the webinar is being recorded and it will be shared via email and it will be posted on our website. And we'll push that information out to you after the event today. Just briefly in terms of what the agenda looks like. We'll have a moderated discussion with our panelists led by Helaine Olen, who is an opinion writer with the Washington Post.

Then Helaine is going to post some of the questions to our panelists, drawing on the questions that many of you submitted when you registered. Thanks again for sharing those. We'll also draw on questions you can submit during the course of the conversation through the Q&A feature on Zoom. Please know, you can upload a question, if you see one that's already been asked that you'd particularly like our panelists to address. With that, I'm going to go ahead. I'm going to cue our panelists to turn on their cameras.

I'm going to turn it over to our moderator, Helaine Olen. As I mentioned, Helaine's an opinion writer with the Washington Post. She's also the Senior Managing Editor for a public seminar at the New School. Helaine, thanks again for joining us to moderate today. I know you're doing this during your vacation, so we deeply appreciate it.

Helaine Olen (00:04:56)

Well, I consider this an insanely important topic, so I was thrilled when you asked me.

Joyce Klein (00:05:01)

Great.

Helaine Olen (00:05:01)

Anyway, good afternoon everyone or good morning, as we say on the West coast here. I'm Helaine Olen as Joyce just from the Washington Post, [inaudible 00:05:11] New School. I am thrilled to join Aspen [inaudible 00:05:15]. Have released a letter begging [inaudible 00:05:25] businesses, calling what's now on offer that [inaudible 00:05:30] it's platform that temporarily closed. (Silence).

Michael Barr (00:05:48)

I think that we might have-

Joyce Klein (00:05:50)

Yeah.

Michael Barr (00:05:50)

Something really [inaudible 00:05:51] in Helaine.

Joyce Klein (00:05:52)

Thanks, Michael. I'm going to go... Yeah, this is Joyce. I'm going to come back on again. Helaine, we're losing you. I'm going to ask you if you can dial in by phone and speak up when you hear from us or when you're back with us and I'll turn it back over to you. Let me just do a brief intro of our panelists, if that's okay. Just so folks know, you had bios in the announcement but let me just tell you who's with us. We have Bill Bynum. Bill, if you want to give a wave? Who is CEO with HOPE based in Jackson, Mississippi, a large CDFI credit union. We're also thrilled that Bill's a member of the board of trustees with Aspen Institute and a longtime partner of ours.

Also, Michael Barr. Michael can wave. Michael has a lot of titles at the University of Michigan. I'm going to share one. The Joan and Sanford Weil Dean of Public Policy at the Ford's School of Public Policy at the University of Michigan. Also, our final panelist is Nicole Jordan-Reed. Nicole is the owner and founder of Nicole Jordan Catering. A catering company based in Chicago, Illinois. Nicole, as she'll share later, was connected to us by Accion in Chicago, which is a community development financial institution that does small and micro business lending in Chicago and is a close partner of ours. It doesn't seem like I see Helaine back.

I'm just going to roll and let Helaine jumped in when she gets there. The first thing we wanted to do was just get to know you all as panelists a little bit and how you connect to this topic. Nicole, we'll start with you. Tell us about your business, why and when you started it and just briefly because I know there's a lot to share here. But what has the impact of COVID been on your business?

Nicole Jordan-Reed (00:07:51)

I own, as it's been stated, Nicole Jordan Catering here in Chicago. We're a full-service catering company in Chicago [inaudible 00:07:59] area. We've been in business about four and a half years. Prior to that, I had a 20-year career in corporate America and consulting by doing a myriad of things. But made the transition from that to catering and being an entrepreneur, which was really my passion and doing that in the food service space. With the pandemic that is upon us and the start of COVID, it definitely stopped us in our tracks. We had a complete drying up of our business. I mean, literally, over a period of a week and a half leading up to mid-March, events were canceled from that point until summer.

Because people are gathering. A lot of our business was large events or conferences, working with a lot of nonprofits. So we are delivering food to people. With that, it pretty much blindsided us in that way. We had to really regroup and start to think about, how we approach a business. Because it wasn't an option to not be here. But how we can regroup.

Joyce Klein (00:09:24)

Great. Well, thank you. We'll dig more into what that experience has been and how you've been really thinking about your business going forward. But next, I'm going to turn it to Bill. Bill, as I mentioned, you lead Hope Enterprises, a community development credit union, which is one kind of a community development financial institution. Tell us a little bit about Hope and its work and maybe a little bit about your journey, how you landed at HOPE.

Bill Bynum (00:09:49)

Thanks, Joyce. Thanks for organizing this conversation, it's really important. I don't think we can talk enough about the communities that are disproportionately being affected and left behind during this, what I've heard referred to, probably as a triple crisis. First there was a health crisis, an economic crisis and now you've got the racial crisis that, I think are very much tied together. You mentioned, I work at Hope. We are in a region of the country that is democracy synonymous, unfortunately, with the deep entrenched poverty. Counties in the country that have had over 20% poverty for half a century, are in Louisiana, Mississippi and Alabama which are three of the states we work in, along with Arkansas and Tennessee.

It's not a coincidence that poverty is also in a region where we have some of the highest percentage of black populations in the country. I stopped talking about organization so much as a financial institution, as community development financial institution, which we are, and we're proud to be one. But that's a tool to address these disparities that have limited people's ability to climb the economic ladder. Whether it's health outcomes, education outcomes, access to healthy produce, jobs, affordable quality housing. Everything that people need to climb the economic ladder, they're lacking in this part of the region.

At some point, you need capital, you need financial tools to address those issues. That's the piece of the puzzle we try to bring to the party. We have a loan fund that started back in the mid-90s with a million and a half dollars. We found out quickly that was not enough to transform the economy of the Delta. We started banking system. Eventually, we created... We worked with a credit union and started Hope Credit Union which leverages financial federation deposits and uses that as our primary source of liquidity and also a means to get people into the financial system. We cobble together tools, what we have and we can and use every tool and alphabets of federal and state programs, philanthropy and try to bring that into our region and get it into the hands of people where wealth has been extracted for generations.

Joyce Klein (00:12:37)

Great. Thank you, Bill. Thanks for joining us today.

Bill Bynum (00:12:40)

Thank you.

Joyce Klein (00:12:41)

Finally, I'm going to let Michael introduce himself. Michael, I mentioned you're currently the Dean of the Ford School at University of Michigan. You've been involved there and work with entrepreneurs of color in Detroit. But your work with CDFIs and with issues of finance and law and policy go back to the Clinton administration at least. That's where we met. Can you tell us about how your work has touched this issue that we're talking about today?

Michael Barr (00:13:04)

Sure. Thanks very much Joyce for having me here today. It's just great to be on a panel with you and Bill and Nicole. As you mentioned, I got started in this sector working on these issues about 25 years ago. I

was in the Clinton administration working on building the Treasury Department's, Community Development Financial Institution Fund, CDFI Fund and other access to capital initiatives, anti-predatory lending initiatives, initiatives to strengthen the Community Reinvestment Act and then to build what became the New Markets Initiative and the New Markets Tax Credit for investing in low income communities.

I had a chance to visit with Bill, in Clarksdale, Mississippi at a furniture factory there as President Clinton and I and others were running around the country trying to get the New Markets Tax Credit enacted. Then, I continued that work at the University of Michigan where I've been doing research on access to finance, access to capital for low income communities. Then I went back into the Treasury Department under President Obama. One of the issues that I worked on it was access to capital and committee development and housing finance issues as well as the Dodd-Frank act and the Consumer Financial Protection Bureau.

We were also involved, at that time, in launching an emergency program for CDFIs hit by the financial crisis in 2008. That experience certainly has come back now. Then while I'm on at the university of Michigan, I've been doing a lot of work in Detroit for many, many years. Most recently, I worked with a former student at the Kellogg Foundation James Walls and with Ray Waters at the Detroit Development Fund to set up entrepreneurs of color fund, that Ray runs in Detroit that serves minority businesses in Detroit.

Then, at the University of Michigan, we launched a program called the Detroit Neighborhood Entrepreneurs Project. That project brings together students and faculty from the business school and the law school, the policy school and our school of art and design, to help minority owned businesses in Detroit neighborhoods with access to the kinds of skills and networks they need to be successful. Under the current crisis, that program, DNEP, Detroit Neighborhood Entrepreneurs Project has been working with businesses, first, to help them shut down properly during the shutdown and then to move online and now eventually to reopen in a safe way. It's been a hard road for a lot of the businesses we work with.

Joyce Klein (00:15:52)

Great. Lots of perspectives folks can here. Fortunately, Helaine's back with us. I'm going to go quiet again. Helaine, we just went through the introductions of the members, got to know them a little bit and now I'll turn it back to you.

Michael Barr (00:16:10)

Helaine, you may be on mute.

Joyce Klein (00:16:11)

Yeah, you are.

Helaine Olen (00:16:15)

Okay. Can everybody hear me now?

Joyce Klein (00:16:18)

Nope. You're a little bit feedbacky.

Helaine Olen (00:16:22)

Okay. Is that better? Okay. Is that better?

Joyce Klein (00:16:29)

Yes.

Michael Barr (00:16:29)

Yes.

Helaine Olen (00:16:30)

Is that better? Okay. All right, finally. Okay. Anyway, I'm glad to be back. Nicole, I want to give my first question over to you. You applied for PPP loan or grant and didn't receive one. Can you talk to us a bit about the process and who you ultimately did receive funding from? Because I know you received funding from other sources.

Nicole Jordan-Reed (00:16:55)

Yes, correct. Yes, I did apply for the PPP twice and did not get it. The process, initially, I was applying or planning to apply through my current bank where I do all of my commercial banking. That was a little bit of a challenge and there was a lag there. From the time of the initial notification that we could start applying to actually getting contacted to move forward with the application, there was a little bit of a lag on the part of the bank. I opted to not go with my financial institution and leveraged another path due to being in... I participated in the Goldman Sachs 10,000 Small Business Program in 2018. They made an offer to alumni to work with a lender that they had partnered with and during this time with the PPP. I did that and comes to find out I was not eligible and was rejected based on a couple of things. As a business, I am an LRT-

Helaine Olen (00:18:15)

I don't want to interrupt. But what did they say were the reason for you not being eligible? You are an entrepreneur, you should be eligible, right?

Nicole Jordan-Reed (00:18:22)

Yes. That's correct. At the time, when the application went in, I use my 2018 Incfile filings, which I had not submitted. I had not filed my 2019 taxes for the business at that point in March and mid-March or late March. Because of that, in that year, I actually took a loss in the business. Because of the numbers that

they're looking for on your Schedule C and all of that with your filings, the calculation is 2.5. Because it was 2.5 on a negative, they were, no. The answer was no. It was long story short.

I contract workers. It's just me in terms of the filing on the PPP as it relates to an employee. But because of that Schedule C and the taking the loss, it pretty much stopped it right in its tracks. That pretty much ended the PPP which was a little disheartening. However, I was able to apply for the EDL with the SBA and I received the advance as well as a loan there. Then was successful, locally, with the City of Chicago and a Chicago Small Business Resiliency Fund that was presented for small businesses. I had success there and then received a couple of grants from a private donor and a family foundation under a philanthropic foundation here in the city. So it actually worked.

Helaine Olen (00:20:08)

Okay. How did you find out about all those opportunities? Because one of the things we hear repeatedly from small business owners like yourself is they don't even know where to turn, right? They get rejected from PPP and then they throw up their hands because they don't even know there are other resources out there. Can you just talk about that for one moment before I turn to the other panelists?

Nicole Jordan-Reed (00:20:27)

Yes. Well, I'm a heavy networker. But I have relationships and participate in things with the City of Chicago through our business office that... BACP, Business Affairs and Consumer Protection here in Chicago that administers licenses and they do a lot of programming. I keep abreast of all the things that are going on there. Like this Chicago Small Business Resiliency Fund, information is disseminated, I'm seeing that. But also, I do a lot of work or I connect a lot with some of our organizations here like Accion in Chicago.

I've received coaching, I've participated in a program, an entrepreneurial program with them. I've leveraged heavily, my personal and professional networks and got connections to organizations. And I'm a researcher. I look up everything and I'm always looking for something as it relates to my business growth, professional development. I'm actively keeping my ear and eyes open as well as talking to people. I talk to other entrepreneurs who are also in a similar situation and we share with each other.

Helaine Olen (00:21:52)

Okay. I'll ask my next question next time. Bill, you lead HOPE, a community development credit union. Can you tell us a bit about the work and your journey to get there?

Bill Bynum (00:22:10)

Yeah. I'd shared a little bit about what we do earlier. But I think it's really important and a lot of what I think, I like to share piggybacks on Nicole's story. It's just really amazing how so many other entrepreneurs found themselves in a very similar position which is why CDFIs like HOPE and so many other Community Development Financial Institutions, the minority lending institutions across the country are so important. Because we are wired to fill the gaps that exist in the traditional financial system.

We were created CDFIs because there are so many gaps where traditional banks serve. Whether it's because of realigning. Because of their business model just doesn't align. Because their profit's maximizing. But for whatever reason, that leaves many entrepreneurs of color, rural entrepreneurs, low

income people, women, people who don't fit the box on the outside, looking in. Nicole, the private doesn't help even if they say misery loves company, there's still misery.

You have a whole lot of entrepreneurs that found themselves in the very same position that you did whether they had a banking relationship and applied for PPP loan and found that they were at the end of the line or the back of the bus or not even on the bus. While the larger, more profitable, well, better relationships had strong relationships with the lender and the bank, were able to get in, particularly, in that first round of the PPP program. We were very glad to see that the policymakers ultimately listen to a wide range of advocates from across the country. CDFI and small businesses policymakers in local communities who said, "Look, our businesses are getting left behind."

Ultimately, the Treasury Department, SBA and Congress opened up the program and allowed CDFIs to participate, which is so important. Because a program that is designed to help small businesses should take advantage of those frontline institutions, those first responders in the most distressed communities, which are more often than not, are going to be CDFIs, are going to be minority led or owned financial institutions. When you look at minority institutions, for example, six of the 10 people, the communities that we have [inaudible 00:25:09] are going to be black or people of color compared to six out of 100 in a non-Black owned or black led financial institutions.

By virtue of proximity, we're going to be more likely to serve those communities who are more likely to be undercapitalized and to not have the relationship with the mainstream financial institutions that allow them to get access to the PPP program. Quite honestly, just banking and financing, on a normal basis, the disparities in terms of access to capital are dramatic. When you have a bank in your community, you're more likely to get a mortgage zone or a business loan or to be bank, it's just logical. But since the financial crisis, banks have closed in record numbers in those low-income communities which at this point you're going to be black and brown communities.

Helaine Olen (00:26:09)

Okay. Michael, quick question for you. As someone with a national policy perspective, how surprised were you by what happened with the ability of entrepreneurs of color to access PPP or not access the PPP as the case may be and other federal relief programs? How does this relate to the challenges of entrepreneurs of color historically face in getting access to credit?

Michael Barr (00:26:32)

Well, I agree with what Bill and Nicole have said about the difficulties that African American businesses face and other minority businesses face in this environment. It was predictable. I mean, I think that the administration made a mistake in the structure of the program. They should have had, first in their minds, right from the start, serving really the hardest hit businesses. The really small businesses, businesses in neighborhoods, minority owned businesses. They could have and should have structured the program to make sure the dollars went out the door first to the institutions, the small businesses, the entrepreneurs who needed it the most.

Minority entrepreneurs are often not able to access this full range of resources. Nicole, I think is an exception to the rule of many minority businesses. You don't have the kind of networks that Nicole described. They don't have the full set of background and skills that Nicole described, and they don't have the banking relationships. That being cut off in so many ways from banks and from these networks, it makes it really hard for minority on firms. That's why CDFI and minority owned banks play such a critical role for minority on businesses and distressed neighborhoods in particular but really all over the country.

CDFIs have a track record of serving minority entrepreneurs. They are in the communities they're serving and they're able to do a much better job often. But even for the institutions that... For the banks that had access to this lending, if the program had been set up so that they were needed to prioritize minority owned businesses and we wouldn't have seen a much different program. I think it's just a tragic mistake. Now, there are all kinds of basic problems with the program too we can talk about in the details that make it hard for small businesses to use that PPP program in particular. But that basic choice about, who to serve first, I think is fundamental.

Helaine Olen (00:28:52)

I would agree with that. Nicole, question for you. You've been working with a local CDFI, Accion in Chicago. What is the experience of working with them? How is it different from a bank or other lending organization? Have you ever received loans from more traditional lending organizations in the past? If you can compare the experience for us.

Nicole Jordan-Reed (00:29:23)

Well, with my business, I self-funded my business and starting out-

Helaine Olen (00:29:28)

Which is what most entrepreneurs do.

Nicole Jordan-Reed (00:29:30)

Yes, everything. The path that I took to get funding outside of my own pool of funds, I did do some crowdfunding through Kiva in 2017. Did that as we were expanding. Which was a really great experience, not your traditional, but it was an interest free loan you solicited donor support. It was very helpful at that time. I had not-

Helaine Olen (00:30:13)

I'm sorry. I mean, have you ever gone through a bank though? I mean, have you ever gotten loan-

Nicole Jordan-Reed (00:30:19)

No banks-

Helaine Olen (00:30:20)

Right. Have you tried? Had you tried prior to this? The pre-COVID days, I mean.

Nicole Jordan-Reed (00:30:29)

Yes. Which was a challenge. Because I was looking at getting a line of credit. Specifically-

Helaine Olen (00:30:38)

Can you talk about that a bit?

Nicole Jordan-Reed (00:30:40)

It was the bank that I bank with. It was a pretty much, no. I'm going through submitting... They had all my information and I totally got rejected-

Helaine Olen (00:30:57)

Did they give you a reason? What was their reason?

Nicole Jordan-Reed (00:31:02)

I've leveraged a lot of credit. So that was probably a negative for me. But my credit, overall is good relatively speaking for a young business. I mean, they have their criteria, but it felt a little more stringent than the help that I needed. Even having decent credit but still having some debt, those kinds of things. But I have steady income and we had with the business. There was definitely historical information to that in terms of revenue-

Helaine Olen (00:31:47)

You had to pay... I'm sorry, I'm doing the New York thing where I talk over people and I'm so sorry.

Nicole Jordan-Reed (00:31:53)

Okay.

Helaine Olen (00:31:54)

Did you have to pay higher interest rates to get loans because you weren't going through traditional bank?

Nicole Jordan-Reed (00:32:02)

Yeah, I did. I did leverage some other alternatives in terms of like, the cabbages of the world. Yeah. Their rates are astronomical. But you have to be very, very intentional and strategic about how you utilize those types of funds. Because the return on pay, the payback is a lot different, it's structured differently. The interest is very high and if you are not getting... As a business, if you have loopholes or anything, any hiccups, it could definitely adversely affect you. It's not the best route but it's fast. When I did need additional funds, it was passed. But going forward, I had looked at and actually I've been preparing myself to work with a CDFI, Accion, to submit for a loan. But then the pandemic happened.

Helaine Olen (00:33:01)

Okay.

Nicole Jordan-Reed (00:33:01)

I had been getting some things in order for that. I had been preparing financials for that.

Helaine Olen (00:33:08)

Okay. One last question before I go to the next panelist. I should say to everybody, I used to, for years be the small, the personal finance writer for Inc. I'd give Nicole five hours of my time right now. But one last question which is, how has the experience of working with a CDFI different than the banks and these other alternative lenders?

Nicole Jordan-Reed (00:33:30)

Well, working with the CDFI gives you a couple of other advantages. You get to develop the personal relationship, number one, a lot differently than with your bank. Two, there are the rapport services that help support you so that you can be positioned to successfully get through the loan process. So that, it's not just, I'm applying to the loan to the CDFI. But there are also workshops and programs and resources that can help you look at, okay, am I able to get this? What do I need to do? Where are my gaps? How do I need to plan for this? And to start to think about those things and then act on them.

Helaine Olen (00:34:13)

Right.

Nicole Jordan-Reed (00:34:13)

So that you can get through the process, which is much different than just the bank, right? It's either you have it or you don't and pretty much in the long or short of things. The CDFI because of the services and support that is available, gives you a different position.

Helaine Olen (00:34:35)

Okay. That's terrific. Bill, can you talk about what HOPE does? What allows you as an organization, as a CDFI, to make loans to entrepreneurs of color like Nicole, that the banks don't want to help and are otherwise left to the mercy of alternative lenders, charging much higher interest rates?

Bill Bynum (00:35:01)

Banking used to be a very hands-on personal process where you actually sit down with Nicole and you have a conversation with her and other entrepreneurs like her. You realized how brilliant they are to be able to cobble together resources and to get to a point where they can actually start to generate revenue and find a market niche despite all the obstacles that have been [crosstalk 00:35:33] them.

That is someone you want to bet on and put them in a position to actually stabilize and grow and to nurture more Nicoles and be a role model for more Nicoles in the communities where they live. But-

Helaine Olen (00:35:51)

What lets you do that? What allows you to do that as an organization that the banks and your alternative lenders don't have? I mean, is there something in your structure?

Bill Bynum (00:35:59)

First and foremost, we don't treat people like... It's not a formula. We don't put people into a computer and turn them out, you're in yes or no. It is understanding their financial position, what they're trying to do. We are personal bankers. We are private bankers for underserved people and places. Folks, like many of us... I didn't even know what a personal private banker was at one point. But they actually will sit down with wealthy people and help them solve their financial problems.

Helaine Olen (00:36:33)

Right.

Bill Bynum (00:36:34)

No one needs that more than people of color with low wealth people. We step in to fill that gap and we honestly have a conversation about, "Well, what your financial position is what you can afford." We don't put them in a financial relationship that is predatory and actually puts them into a debt trap. That's certainly our approach and how we engage the entrepreneur, is one thing. So many people of color, even people of means will often go to a petty lender. Because they are more likely to get a, yes.

Helaine Olen (00:37:14)

Right.

Bill Bynum (00:37:14)

No one wants to be rejected. It's just a matter of being treated with dignity and respect. You go to where you feel like you'll be treated like the person and value-

Helaine Olen (00:37:26)

I don't mean to interrupt. Is there something in the way you're evaluating people that it's somehow more culturally sensitive? And does that translate into lower default rates or higher default rates or the same default rates? How does that translate?

Bill Bynum (00:37:41)

We go toe to toe with any financial institution culture in terms of our performance. Our delinquencies may be hard. Because quite honestly, the people we serve have left them a safety net. The wealth disparities 10 to one and the 12 to one, black white wealth gap, one to 100 black families with children compared to white families who have children. So you don't have those kinds of wealthiest disparities and not get blown further when the winds get high. You're going to have some ups and downs and volatility that more people who are more affluent don't have. But we've worked with them. We were more flexible.

A third of our portfolio, we've given some deferment or forbearance and flexibility during this crisis because we know that they have been hit harder and they have lifted a safety net. We want to give them a lifeline to be able to get back on their feet. But we are also located in these communities. 80% of our offices are in majority, minority census tracts or neighborhoods or low income, low wealth census tracts. 60 to 70% of our personnel in our management are people of color. We live in these communities.

We have to go to church, go to restaurants. Where you could go to a restaurant and interact with these people on a regular basis and there's an accountability there. I think one of the most important things about our structure, as you mentioned, where we talked about, we are credit union. We are owned by the people who are members of our credit union-

Helaine Olen (00:39:27)

Okay. That's-

Bill Bynum (00:39:29)

We don't exist to maximize profit for few shareholders. Our profits are recycled in order to provide lower rates, more access to capital.

Helaine Olen (00:39:40)

Okay. That's-

Bill Bynum (00:39:40)

For the people who need it most.

Helaine Olen (00:39:42)

Thank you for that. Okay. Michael, that brings me to you. You were very involved very early in from the federal government when they first created the CDFI Fund which provides important capital to these organizations. Why are they needed? Can you elaborate a little bit more on this? Why do the traditional banks not want to help communities of color as much as they could or probably should?

Michael Barr (00:40:09)

I think Bill's example is an important one. The operations that Bill runs in the Mississippi Delta and surrounding region are really phenomenal at taking that local knowledge and applying really high-quality financial analytics with that local knowledge to figure out how to make profitable loans. It's often the case that CDFIs can serve communities or choose to serve communities that banks or sometimes the online sector doesn't choose to serve, certainly, at rates that are much more affordable. Because they're driven by their mission.

But sometimes when things are working really right, the CDFIs can show the path, show how to do this in a profitable way, show how to do this in a way that respects the borrowers that the CDFIs are serving and then others can come along and also join. When things are working right, CDFIs can lay the groundwork for more active involvement often as partners with banks and sometimes with online lenders-

Helaine Olen (00:41:28)

Okay. Quick question here, to interrupt you again. What percentage of loan capital going to entrepreneurs of color comes from traditional banks versus CDFIs? Do you know?

Michael Barr (00:41:41)

I don't have that figure in my head. Bill might know. But predominantly, for entrepreneurs of color, as Nicole was describing before, the primary method of financing is from their own funds, which are lower levels for minorities than for whites by a lot. You're tapping into a resource that is already lowered. Then, friends and family and then personal credit card. It takes actually quite a while before you get on that list to getting a bank loan. It's very hard for minority entrepreneurs, particularly, just starting out in the first few years of operation but even long-term. If they're operating a business like Nicole's business, it is extremely hard to get access to a bank loan even after you've been in business for quite a while.

That's why organizations like CDFIs can step in. There's a wonderful partnership I was going to say between Opportunity Fund which is a CDFI and Lending Club which is an online lender. They actually work together to do small business lending. They take the expertise of Lending Club's back office operations and the front-end mission and local knowledge of Opportunity Fund to do small business lending. It's possible for CDFIs to make a ton of progress here. But also possible for CDFIs to partner with banks and with other lenders to expand the pool of capital available in minority communities.

Helaine Olen (00:43:16)

Right. Bill, I've got a question, how can you-

Bill Bynum (00:43:18)

Let me jump in Michael's-

Helaine Olen (00:43:21)

That's great.

Bill Bynum (00:43:21)

1% of SBA lending in the State of Arkansas went to black entrepreneurs, 1%-

Helaine Olen (00:43:31)

It's incredible.

Bill Bynum (00:43:32)

80 plus percent of our PPP loans went to entrepreneurs of color. That's just a small sample size. But it is unfortunately more indicative of the disparities and lending to entrepreneurs of color among CDFIs as compared to traditional sources of capital.

Michael Barr (00:43:51)

You saw that in the New York Fed Report that was released today as well. That overwhelmingly, the PPP loans are not going to minority entrepreneurs. One of the questions in the chat box is, is this related to loan size? It for sure is. I mean, really small businesses need smaller loans and the fixed costs of making loans don't go away. But it's not only that, I mean, there are mission and choices that that institutions make. It would have been possible as we were discussing before in the PPP example, for banks to be told, here's the priority lending. You need to lend really small businesses first and then we can talk about bigger businesses over time. It could have set up the program so small loans got funded first. Which is a really nice approximation for a small business. They didn't do that, and I think it would have made a big difference.

Helaine Olen (00:44:50)

Quick question for Nicole here. Because I know you were in the corporate setting for a long time, so you might've known CDFIs, I don't know the answer to this. But did you only discover them during the COVID crisis? Did you know about them before? You were thinking of going to them before but how did you find out about them? How did this all come about? How did you discover them basically?

Nicole Jordan-Reed (00:45:15)

Well, I already had a relationship with a CDFI before COVID for a while-

Helaine Olen (00:45:24)

Right. How did you find out about them though?

Nicole Jordan-Reed (00:45:29)

Through networking.

Helaine Olen (00:45:30)

Okay.

Nicole Jordan-Reed (00:45:31)

The first CDFI I found out about which is another one here in Chicago. I found out through literally in my network. Talking to him about me starting my business. Someone was like, oh, have you heard of XYZ? I'm like, "Oh, no, I haven't." "Oh, check into that. Oh, I know someone over there." I started to look that up and then started to look up CDFIs even further and found more information, learned about Accion and then subsequently, over time, got introduced there. It was a matter of speaking up and researching. But I actually wanted to make another point too [crosstalk 00:46:19]. Just one quick thing around challenges in terms of getting loans.

Coming from as a small business, even though with my background still having the challenge, small business sometimes... What also challenges us is our preparedness in certain areas. When this pandemic hit, from a financials, are your books in order? Is your accounting in order? How are you managing those things? Be able to show a bank or show a CDFI what you have in terms of viability as someone to receive a loan. That's something that is also critical to address. I think that there are some banks that are looking at the totality of the person and business. But I think, like I said, with the CDFI because there's other programming, you have an opportunity to pull all the things together in order to be a viable candidate, not just even in alone through a CDFI. But then now priming yourself to be a strong candidate in the traditional banking itself.

Helaine Olen (00:47:33)

Right. Bill, you had talked a bit before about, being in the communities and that's how people found out about you. I mean, have you found that it's hard to get the word out sometimes that people just go to other lenders first because they literally don't know you're there?

Bill Bynum (00:47:56)

Unfortunately, many of the communities where we serve, that we work, they are bank deserts. There's no traditional bank that is providing access to capital in many rural communities. Even in many cities and many black neighborhoods the banks have closed. The predatory financial service providers are more likely going to be in those neighborhoods are not. Quite honestly, CDFIs are relative to the need in these communities, demand are very small. We don't have the marketing budget. We do a lot of grassroots, we do a lot of networking with other nonprofits. Overtime, we've become a more clearly important part of the financial system. But we are more often than not... We're the R&D arm of the finances. We show what can be done and how to make loans in communities that are underserved.

We try to scale that. Nicole mentioned the 10,000 Small Business Program that was initiated by Goldman Sachs. We work with Goldman Sachs after the Hurricane Katrina to bring capital into the Gulf Coast and into New Orleans. Wells Fargo has started, and other banks have started, to put their PPP into CDFIs to invest in places where they are not. Netflix made a \$10 million deposit into our credit union to import capital into these well served communities. As more mainstream corporations and banks start to invest in CDFIs, people know more that we are a viable solution.

The word started to get out. But just in terms of marketing, it's a slog. Getting the word out and countering the existing barriers to financial services is significant and has to be overcome not just by

CDFIs but by public policy that really takes serious opening up access capital, making it more affordable and protecting consumers from these predators. Once we get capital into these communities, you can't be stripped away by the vultures that are preying on those most vulnerable in society.

Helaine Olen (00:50:25)

Great.

Michael Barr (00:50:28)

Let me just pick up on that point from Bill, if I might, just for a second. Because I think that last point is so critical. You think about consumer but the consumer protection world, we don't have a perfect set of laws in that area by any means. But at least we have the basic idea. We have a Consumer Financial Protection Bureau and a set of rules that are designed to protect consumers from predatory practices. There's a Truth in Lending Act for consumers, if you want to get a consumer loan or a mortgage loan. If you're a small business, we just let you go to the wolves. There's no Truth in Lending Act for small businesses. If you want to compare two different loans, banks and other lenders are not required to present those in comparable ways.

You have people taking advantage of all the time in the marketplace. I think it's a real strong issue. A Joyce client, our host today and many others, came together to start a responsible small business lending coalition to try and fight these bad practices. I think it's absolutely critical that we reform our federal laws in this area or more small businesses are going to get hurt. We need them to be able to grow. We need them to have a vibrant economy. We make it so much harder for small businesses by not having those kinds of protections.

Helaine Olen (00:51:45)

I absolutely agree. I'm going to switch you over. We have less than 10 minutes left. I'm going to switch over and ask a couple of real policy questions that have come in from people. One person wrote in to ask, from a new CDFI. They're looking to understand the ideal product that could help entrepreneurs, specifically, entrepreneurs of color. Is there anything that you find particularly works well? I think that's a question for all three of you. If you want to start, Nicole. What helped you most? Then I will turn to the 'experts.'

Nicole Jordan-Reed (00:52:25)

In terms of the ideal product, having a CDFI that is looking at the whole package, if you will, as a person, as a business rather. Looking at what their plan looks like, what their history looks like, what work have they done either with that CDFI or other programs and experience acute acquired, if you will, around their own business and running and managing that business. In addition to the other financial things that you have to look at but I'm not basing it solely on, it's a credit driven, it's heavy finance-driven.

How does that underwriting take into account the, I'm going to say, the softer aspects, if you will, versus the hard and fast numbers. And being able to tie those together to create a package that someone can then access as far as a loan and then use that to thrive. Then have money that is not just covering the current spread but allows you to plan and execute on a strategy that allows you to grow. Funding that is also enough to, not just get by but also to more realistically grow your business.

Helaine Olen (00:54:08)

Okay. Bill, do you have thoughts on that?

Bill Bynum (00:54:12)

No. I think it builds on what Nicole said. You really have to meet the entrepreneur where they are. 60% of the members of our credit union either didn't have a bank account or were relying on petty lenders before they joined our credit union. They were outside the banking system looking in. When that's the case, they're not going to be your 'traditional' in credit. You got to sit down and understand how they manage the resources they had and tens of millions of Americans are credit invisible. They don't have a formal credit score. You've got used nontraditional sources to underwrite their credit and understand how they made it. Is it a utility bill? Isn't the mobile phone payment out? And build a way to understand how they manage their resources and go from there.

Quite honestly, there are just too many... You cannot approach them in a traditional way. I think that's what CDFIs do so well. They develop a relationship with an entrepreneur and particularly with small mom and pop entrepreneurs. You cannot disconnect the personal balance sheet from the business balance sheet. They are one and the same. You've got to understand that and hopefully as they grow and become more stronger, they'll start to be able to provide traditional financial statements. You can help them grow and become stronger in how they manage their business. But it is, you've got to meet the entrepreneur where they are. Unfortunately, in many communities of color, you're not going to find as many, a, if you will, credit.

Helaine Olen (00:56:06)

Okay. Michael, do you have any thoughts on this?

Michael Barr (00:56:09)

Just a quick point to add that in the current crisis, in the COVID-19 crisis, there's a totally new additional level of all these businesses being required really to shut down because of the global health crisis. For that particular moment in time, we really need grants. Only the government can step in and do that.

Helaine Olen (00:56:33)

Do you feel there's any movement for that to happen? What are you seeing out there on the ground right now?

Michael Barr (00:56:38)

I think there's opportunity. I mean, right now, the government, the Congress and the administration are trying to negotiate a fourth relief bill. I think it's really critical for there to be relief focused on minority businesses and CDFIs in that bill. There needs to be a program that the Treasury Department and the fed can run to provide liquidity to CDFIs. There needs to be emergency capital put into CDFIs. There needs to be massive expansion of the CDFI Fund Grant Program, for example. All these things can happen in this next bill if we have the political will. We know that CDFIs can execute on it and get the distribution

mechanism going. We really need to see action on this in this next measure or we're going to see a collapse of small businesses around the country.

Helaine Olen (00:57:31)

Is there anyone in the Senate or the house that you feel is really focused in on this issue? Is there any potential legislation out there?

Michael Barr (00:57:37)

Yeah, there are quite a number of them. Just to focus on the Senate side for a moment. Senator Warner, Senator Booker, Senator Coons are all very active in trying to make progress in this area. There are many others-

Helaine Olen (00:57:52)

What are they trying to do? In one minute or less, if you could give a little bit about the legislation that is out there, specifics?

Michael Barr (00:58:00)

Well, the senators are trying to get CDFI focused money into this legislation to support minority owned and other small businesses in economically distressed communities around the country through the three mechanisms I said. A Federal Reserve Treasury Program for liquidity for CDFIs, emergency funding for CDFIs for their capital base and grants to the CDFI Fund to help them bolster CDFIs in this critical time.

Helaine Olen (00:58:31)

Okay. Really one last question. Go ahead.

Bill Bynum (00:58:34)

Yeah. The Jobs and Neighborhood Investment Act, that's the Warner Booker bill. It's got bipartisan support. Several Republicans have signed on to that which is amazing. These days, that there's anti-bipartisan support for some of the largest investment in the history of the CDFI sector. Importantly, it targeted investment in places that needed it most. You said, minority communities, there's priority on minority led CDFIs that are uncapitalized relative to their peers. There's some encouraging movement. Congress leads it back and get behind the Jobs and Neighborhood Investment Act.

Helaine Olen (00:59:11)

Okay.

Michael Barr (00:59:11)

I agree.

Helaine Olen (00:59:13)

You just checked my question. I was going to ask you, what specific legislation do you like the most out there? Okay. It is 3:01. I think I need to wrap this up. I want to-

Joyce Klein (00:59:25)

Helaine, this is Joyce. I'm actually going to jump in if that's okay. Because I have a few logistical things. But thank you. You're absolutely right. It's time to wrap up. Thank you. Thanks to everyone on our panel for taking the time to be with us today and to share your perspectives. This was a great conversation. I know we can go on much longer. We have a lot of food for thought right now. I do want to share there. I can just highlight a few things that I think I would note.

One is that, I think all of our panelists really made the case. That if you start a relief program that runs through the banks on the SBA, which has always struggled or not served entrepreneurs of color, that relief program is not going to reach the folks we're talking about today. So we really need a delivery system, which is, CDFIs that can reach them. We have done some writing about this. When you close out of this webinar, you'll get directed to a blog post that Bill and I wrote together along with Tim Ogden of the Financial Access Initiative that talks about some of these concepts. Funding the CDFI fund, what the Federal Reserve could do to provide liquidity.

That's all important and direct you to that. We'll just in terms of wrapping up, I want to thank my Aspen Institute colleagues. We do such a fabulous job of organizing and supporting these events. I want to thank all of you in our audience for joining us and sharing your questions and comments. Please keep an eye out for our next opportunity American event which is going to be later this month. Please take a moment to respond to our quick feedback survey at the close of the webinar or send us an email @eop.aspeninstitute.org and let us know what you think. We'd love to hear from you and get your feedback. Keep an eye out, we will be sending out the recording to the event, hopefully a little bit later today but if not, tomorrow. Thanks again everyone. Thanks to our panelists. Have a great day.

Helaine Olen (01:01:12)

Okay. Thank you.

Nicole Jordan-Reed (01:01:14)

Thank you so much.

Michael Barr (01:01:15)

Thank you.

Helaine Olen (01:01:16)

Especially thank you to Nicole who took time from trying to save her business to spend an hour with us. You are the most important. I just want you to know that.

Bill Bynum (01:01:27)

Thank you.

Nicole Jordan-Reed (01:01:28)

I think it was a worthwhile discussion.

Helaine Olen (01:01:29)

Okay.

Michael Barr (01:01:30)

Take care.