

TESTIMONY BY
DEPUTY COMMISSIONER GREGG BISHOP
NEW YORK CITY
DEPARTMENT OF SMALL BUSINESS SERVICES
BEFORE
THE COMMITTEE ON SMALL BUSINESS
OF THE NEW YORK CITY COUNCIL
APRIL 23, 2014

credit unions, and crowdfunding platforms. Through its NYC Business Solutions Centers, SBS has developed knowledge on each lender or loan program that includes lending terms, interest rates, loan sizes and target customers. This information allows SBS to provide borrowers with easy access to various lending products and saves them time when one product isn't an ideal fit.

Alternative lenders in our network account for more than 70% of loans approved through our centers. These lenders usually look beyond traditional lending criteria in determining whether or not a client is creditworthy. They want to hear the business' story and assess the owner's character. Alternative lenders will go beyond the numbers to take into account the human element when analyzing the viability of a business and work creatively to look for non-traditional strengths.

Credit Readiness

An entrepreneur's ability to access capital is significantly impacted by the owner's credit readiness. A core element of financing assistance at NYC Business Solutions Centers is a thorough assessment followed by business education to present the strongest credit application. NYC Business Solutions offers a portfolio of more than 10 financial or accounting-related courses to prepare a business to access capital. One of the most popular courses is **Understanding & Improving Your Credit**. In this 2-hour course, business owners learn how to get and obtain a credit report, how to dispute discrepancies on their credit report, and how to improve their credit.

SBS also collaborates with Department of Consumer Affairs (DCA) Office of Financial Empowerment to support entrepreneurs who are not yet ready to apply for a loan. Through this interagency effort, an entrepreneur can be referred to a Financial Empowerment Center to receive one-on-one counseling, learn ways to manage their debt, improve their credit, create a budget, open a bank account, and begin a savings plan. All of which helps to better position the business owner to access capital.

Innovation

In 2011, SBS formed the NYC Bank Advisory Council with 10 major banks that work to increase capital access to small business. Our staff works with businesses to help with the loan application, connect businesses to loan programs and refer businesses that do not qualify for traditional bank products to alternative lenders for a second look. This partnership has bridged the gap and created a seamless pathway for businesses unsuccessful at obtaining a bank loan to viable lending alternatives.

Thank you Chairman Cornegy and to all of the members of the Small Business Committee. We appreciate what you do for this City, and we are dedicated to working with you to advance capital access for businesses across the five boroughs.

Access to Capital Hearing

April 23, 2014

Testimony submitted by:

Bernell K. Grier

Community Investment Advisory Board ("CIAB") Member appointed August 2012

360 Clinton Avenue, Apt 1A

Brooklyn, New York 11238

On June 28, 2012 the New York City Council enacted local law 2012/038 to amend the NYC charter in relation to the evaluation of depository banks. The intent of the law is to establish a classification system that would rank City depository banks based on their community involvement. The classification system would be at the discretion of the Commissioner of Finance, and the goal is to require the Commissioner to establish criteria to evaluate whether banks are addressing the credit and financial needs of the City and its communities.

Local Law 38 established the Community Investment Advisory Board ("CIAB"), the purpose of which will be to conduct an assessment of banking needs throughout the City and to evaluate the performance of the City's depository banks in meeting those needs through a broad-based, collaborative process. The CIAB is an advisory board, and its findings may be considered by the Banking Commission when reviewing a bank's application for designation or re-designation. As an advisory board, the CIAB's findings and recommendations will not be binding on the Banking Commission, which has the sole authority to decide which banks are designated as city depositories.

I am attending today's "Access to Capital" Hearing in my capacity as a member of the CIAB and to gain insight into the issues and needs in regards to small business. My

background is in economic, community and housing development as well as commercial banking. I currently am the CEO of Neighborhood Housing Services of New York City, Inc. a not for profit organization that provides resources to stabilize neighborhoods and assists New Yorkers to buy, maintain and keep their homes. We work through a network of offices comprised of: NHS of Bedford Stuyvesant, NHS of East Flatbush, NHS of Northern Queens, NHS of the North Bronx and NHS of the South Bronx and the NHSNYC NeighborWorks Homeownership Center in Manhattan. NHSNYC is also a Community Development Financial Institution (CDFI) that provides capital for the purchase and renovation of one to twenty unit residential buildings throughout New York City.

The intersection of homeownership and small business is not usually readily apparent; however, throughout the years many small businesses were launched by borrowing against the equity in their homes. In addition, mixed used property owners, small landlords, and cooperatives and condominium associations are technically small businesses that also need to understand finance and have the ability to amass capital needed to operate. Local builders and contractors also are small businesses that require access to capital and intersect with the housing industry.

Having served in the past as a community development officer for a major financial institution, I know that there are many programs that have long been in place to support small businesses; such as the BOC Network and the SBA Small Business Development Centers. Many of these programs provide technical assistance and have limited funds

to assist business owners. The commercial and investment banking community have supported many of these entities throughout the years. Nevertheless the banking community has established criteria, policies and procedures that comply with safe and sound lending practices as required under the Community Reinvestment Act. Unfortunately, these policies and procedures do not result in the ability for many small businesses to gain access to much needed financial resources.

The Responsible Banking Act, was passed by the City Council in 2012 but was never implemented under the former administration. The assessments have not begun, however, with the appointment of the Department of Finance Commissioner Jacques Jiha I anticipate the law will soon be implemented. I look forward to working in my capacity as a CIAB member to further review and report on the products and services offered by the banking community and how they meet the needs of NYC communities.

Attachment: Local Law 38

**LOCAL LAWS
OF
THE CITY OF NEW YORK
FOR THE YEAR 2012**

No. 38

Introduced by Council Members Vann, Recchia, Mark-Viverito, Lander, Arroyo, Comrie, Dickens, Ferreras, Fidler, Foster, Gonzalez, Jackson, Koppell, Koslowitz, Mendez, Reyna, Rivera, Rose, Sanders Jr., Seabrook, Van Bramer, Williams, Wills, Dromm, Brewer, Eugene, Cabrera, Gentile, Rodriguez, Barron, Palma, James, Levin, Garodnick, Chin, Koo, Mealy, Greenfield and Gennaro.

A LOCAL LAW

To amend the New York City charter, in relation to the evaluation of depository banks.

Be it enacted by the Council as follows:

Section 1. Chapter 58 of the New York City charter is amended by adding a new section 1524-A to read as follows:

§ 1524-A. Community investment advisory board. 1. There is hereby established within the department an advisory board known as the community investment advisory board, which shall perform the following functions:

a. Conduct a needs assessment every two years, the first of which shall be published on the department's website on or before March 1, 2014. In conducting such needs assessment the board shall (1) assess the credit, financial and banking services needs throughout the City with a particular emphasis on low and moderate income individuals and communities, by means including but not limited to (i) convening at least one public hearing in each borough of the city; (ii) accepting, reviewing and considering public comments which describe the nature and extent of such needs; and (iii) considering the data and information collected by the board pursuant to subdivision 3 of this section; and (2) establish benchmarks, best practices, and recommendations

for meeting the needs identified in such needs assessment, by, among other things, considering the data and information collected by the board pursuant to subdivision 3 of this section; and

b. Issue an annual report in plain language, the first of which shall be published on the department's website and transmitted to the banking commission on or before March 1, 2015 and each March first thereafter, which may be considered by the banking commission in reviewing a bank's application for designation or redesignation as a deposit bank, covering the preceding fiscal year, which (i) addresses how each bank that is designated as a deposit bank pursuant to section 1524 of the charter is meeting the needs identified pursuant to paragraph a of this subdivision and subdivision 3 of this section, including an evaluation of how each bank performed relative to the benchmarks and best practices applicable to such bank as established by the board pursuant to the needs assessment required pursuant to paragraph a of this subdivision, (ii) identifies areas of improvement from past evaluations, where applicable, and areas where improvement is necessary, taking into account the information collected by the board pursuant to subdivision 3 of this section, (iii) specifically identifies any deposit bank's failure to provide information requested in writing by the board pursuant to subdivision 3 of this section that is applicable to such deposit bank, (iv) summarizes written comments submitted to the board pursuant to subdivision 4 of this section and the role played by such comments; and (v) summarizes, in tabular format, the data collected by the board pursuant to paragraphs a through g of subdivision 3 of this section, and to the extent not deemed confidential or proprietary by the bank, paragraph h, at the community district, borough, and citywide levels of aggregation. For purposes of this section, "fiscal year" shall mean the period from July first to June thirtieth.

2. The board shall consist of eight members who shall be: the mayor or his or her designee, the comptroller or his or her designee, the speaker of the council or his or her designee, the

commissioner of the department of housing preservation and development, the commissioner of the department of finance, a member of a community-based organization whose principal purpose is community and/or economic development, or consumer protection who shall be designated by the speaker, a representative of an organization or association that represents small business owners who shall be designated by the speaker and a representative of the city banking industry who shall be designated by the mayor. The mayor, comptroller, speaker and commissioners shall serve for the duration of their tenure. The three nongovernmental members shall serve four years from the date of their appointment, or through the issuance of two needs assessments pursuant to paragraph a of subdivision 1 of this section, whichever is longer, and be eligible for reappointment; provided, however, that each member shall serve until his or her qualified successor is appointed. Any vacancy occurring other than by expiration of term shall be filled in the same manner as the original position was filled for the unexpired portion of the term. Members shall serve without compensation. The members of the board shall be appointed within sixty days of the effective date of the local law that added this section.

3. In performing its functions as set forth in subdivision 1 of this section, the board shall seek to collect and consider information at the census tract level, relating to the credit, financial and banking services needs throughout the City and the extent to which such needs are being met, including but not limited to, information, to the extent applicable, regarding each deposit bank's efforts to:

- a. address the key credit and financial services needs of small businesses;*
- b. develop and offer financial services and products that are most needed by low and moderate income individuals and communities throughout the city and provide physical branches;*
- c. provide funding, including construction and permanent loans and investments, for*

affordable housing and economic development projects in low and moderate income communities;

d. In the case of properties acquired by foreclosure and owned by the bank, reasonably address serious material and health and safety deficiencies in the maintenance and condition of the property;

e. conduct consumer outreach, settlement conferences, and similar actions relating to mortgage assistance and foreclosure prevention, and provide information, at the community district level to the board, relating to mortgage and foreclosure actions, including, but not limited to, total number of loans serviced and/or owned by the bank, total number of loans that are at least sixty days delinquent, total number of foreclosures commenced, total number of foreclosures prevented through loan modification, short sales, deeds in lieu of foreclosure or other mechanisms, total number of loan modifications applications, total number of loan modifications made and denied, and bank owned properties donated or sold at a discount;

f. partner in the community development efforts of the city;

g. positively impact on the city and its communities through activities including, but not limited to, philanthropic work and charitable giving; and

h. plan for and articulate how the bank will respond to the credit, financial and banking services needs of the city identified by the needs assessment pursuant to paragraph a of subdivision 1 of this section, as applicable to the bank's type and size.

In performing the needs assessment pursuant to paragraph a of subdivision 1 of this section, the board shall also consider, to the extent practicable, the information listed in paragraphs a through g of this subdivision relating to the efforts of the city's banking industry as a whole.

4. In preparation for each annual report pursuant to paragraph b of subdivision 1 of this

section, the board shall publish all information collected pursuant to paragraphs a through g of subdivision 3 of this section, and to the extent not deemed confidential or proprietary by the bank, paragraph h, summarized at the community district, borough, and citywide levels of aggregation, for each deposit bank on the department's website no later than November first of the year preceding the issuance of the report. At least thirty days after such publication, but no later than December fifteenth, the board shall hold a public hearing at which the public may testify concerning the efforts and extent to which the deposit banks are meaningfully addressing the credit and financial needs throughout the city. The board shall also take written comments for at least thirty days preceding such public hearing.

5. On or before March 1, 2013 and on or before March 1, 2014, the board shall publish on the department's website, for each deposit bank, the information collected pursuant to paragraphs a through g of subdivision 3 of this section, and to the extent not deemed confidential or proprietary by the bank, paragraph h, summarized at the community district, borough, and citywide levels of aggregation. Each such publication of information shall specifically identify any deposit bank's failure to provide information requested in writing by the board pursuant to subdivision 3 of this section that is applicable to such deposit bank.

§2. Subdivision 1 of section 1524 of the New York City charter is amended to read as follows:

1. The banking commission which consists of the mayor, the commissioner and the comptroller shall, by majority vote, by written notice to the commissioner, designate the banks or trust companies in which all moneys of the city shall be deposited, and may by like notice in writing from time to time change the banks and trust companies thus designated. *The banking commission shall notify the council within thirty days of receiving an application for designation*

or redesignation, and shall also notify the council within thirty days of approving or denying such application and, if designation or redesignation was denied, the basis for denial.

§3. Paragraph (b) of subdivision 2 of section 1524 of the New York City charter is amended to read as follows:

b. If the banking commission by a majority vote shall decide that a requirement or condition contained in paragraph a of this subdivision has been violated after giving the bank or trust company an opportunity to be heard, then upon thirty days' notice to the bank or trust company such designation may be revoked. *The banking commission shall post notice of such revocation and the reason for such revocation on the department's website.*

§4. This local law shall take effect immediately upon its enactment.

THE CITY OF NEW YORK, OFFICE OF THE CITY CLERK, s.s:

I hereby certify that the foregoing is a true copy of a local law of The City of New York, passed by the Council on.....May 15, 2012..... disapproved by the Mayor on ...May 30, 2012.....and repassed by the Council onJune 28, 2012.....and said law is adopted notwithstanding the objection of the Mayor.

MICHAEL M. McSWEENEY, City Clerk of the Council.

CERTIFICATION PURSUANT TO MUNICIPAL HOME RULE LAW § 27

Pursuant to the provisions of Municipal Home Rule Law §27, I hereby certify that the enclosed local law (Local Law No. 38 of 2012, Council Int. No. 485-A) contains the correct text and that all proper proceedings have been had or taken for the enactment of such local law.

JEFFREY D. FRIEDLANDER, Acting Corporation Counsel.

Statement
of the
Honorable Nydia Velázquez
U.S. House of Representatives
Member of Congress, New York's 7th District
Ranking Member, Committee on Small Business
before
New York City Council Hearing titled:
“Is the City Doing Enough to Increase Access to Capital
and Credit Readiness for Small Businesses?”
April 23, 2014

Thank you Chairman Cornegy and members of this Committee for inviting me to testify today on small business financing issues.

Regardless of whether the economy is expanding or contracting, access to capital is always a top concern for small firms. During periods of growth, firms need financing to expand and meet demand. When the economy slows, many individuals look to entrepreneurship for new opportunities – and they often need capital to start-up. As the lead Democrat on the U.S. House of Representatives' Committee on Small Business for the last 15 years, I have grappled with these very issues and look forward to sharing my insights with this Committee today.

In New York City today, there are several important trends to keep in mind when it comes to small business finance. By far, managing uneven cash flow is the top priority for small firms, particularly when it comes to meeting day-to-day operating costs. In terms of size, most City businesses are looking for smaller amounts of capital, typically under \$100,000. And, when it comes to the credit markets, firms are more optimistic and are facing less challenging conditions than in years prior. It is important to keep these developments in mind when considering the City's own small business programs.

Each of New York City's approximately 200,000 small firms has their own unique capital needs. A portion of them will turn to the federal government for assistance, including the Small Business Administration and the U.S. Export-Import Bank. The SBA facilitates nearly \$600 million in capital to City small businesses each year through a wide-range of financing initiatives, including term loans, revolving credit lines, and microloans.

The Export-Import Bank provides financing to internationally-active companies and supports more than \$400 million annually in export sales.

In addition to these agency-operated initiatives, the Department of Housing and Urban Development's Community Development Block Grant (CDBG) program channels funds to states and cities who can in turn establish small business loan funds. In fact, CDBG funds are being used to provide loans and grants to small businesses affected by Hurricane Sandy. Finally, it is also important to note that federal laws, such as the Community Reinvestment Act, encourage banks to provide loans to small businesses.

In many regards, New York City's small business programs fits well with the federal government's offerings. The City's Small Business Services focuses mainly on connecting businesses with lenders, rather than providing capital directly. In the context of Hurricane Sandy, they are working to help advertise and disburse federal funds.

This is an appropriate role for the City to play, as the cost of the loans themselves, as well as associated administrative support, can be significant. Assisting businesses locate the best lender is an efficient use of the City's small business budget.

While there is little overlap among the City and federal small business access to capital programs, it does not mean that there is not room for improvement. According to the New York Federal Reserve, searching for credit is extremely time consuming and on average, firms spent 26 hours searching and applying for credit, contacted 3 financial institutions, and submitted 3 credit applications. More needs to be done on this front and the City's small business services are best positioned to make further inroads in this area.

It is also important to further educate small business owners on financing options. This is particularly challenging for certain minority communities, where many entrepreneurs may not want to use an "outside" lender even though they may offer better terms and conditions.

Technology is part of the solution here, as is more effective community outreach.

Perhaps most importantly, we have to do more to reach businesses affected by Hurricane Sandy. The New York Fed found that a third of small businesses in Sandy disaster areas reported financial losses a year after the storm. Of those sustaining economic losses, 22 percent had losses of more than \$100,000. The reality is that the combination of property damage and weak consumer demand has created severe challenges for many. We have to make assisting these businesses our highest priority.

Collectively, federal and local small business programs provide a wide range of services for our local companies. In many circumstances, we can learn from each other about what works and what does not and, if we work together, about how we can increase efficiencies and decrease overlap.

Given the diversity and vibrancy of New York City, it is important that these government initiatives are evolving to meet the ever-changing needs of the business community.

Across this City, small firms are at the center of our neighborhoods, providing a foundation for local economic growth. Ensuring that they have the tools and resources – whether provided by the federal, state, or local government or the private sector – is critical not just for them, but also for everyone who calls this City home. Again, thank you for inviting me here today.

**Testimony of Jonathan Gouveia
Senior Vice President, Strategic Investments Group
New York City Economic Development Corporation
City Council Committee on Small Business**

Good afternoon Chairman Cornegy and members of the Committee on Small Business. I am Jonathan Gouveia, Senior Vice President of the Strategic Investments Group at the New York City Economic Development Corporation (NYCEDC), and thank you for inviting us here today to speak about access to capital for New York City's entrepreneur and small business community. NYCEDC seeks to provide access to capital for small businesses when a gap is identified in the market, and we approach this in two ways. First, we help increase access to capital by focusing on the unique financial needs of businesses in specific sectors such as food manufacturing and the life sciences. Second, we also seek to assist a broader range of small businesses seeking more affordable capital through programs like our NYC Capital Access Loan Guaranty Program.

In addition to our existing programs, NYCEDC is working with the Administration to identify unmet need among small business owners and entrepreneurs in low-income neighborhoods. In the Mayor's State of the City Address, he announced that work was underway to develop a program targeted to assisting these constituencies, and NYCEDC is working with City Hall to help create this new program to support entrepreneurs in low-income neighborhoods and communities by providing financial and technical assistance. The program is currently in formation; however we look forward to engaging with the City Council in greater detail about the program in the near future, as well as finding new ways to work together to increase awareness for these types of programs out in the community.

The Capital Access Loan Guaranty program is a public-private partnership established in 2009 to help micro and small businesses that have difficulty accessing conventional bank loans. Through this program, EDC works with a range of lenders, including Credit Unions and Community Development Financial Institutions, with strong connections to the small business

community. EDC provides a partial guaranty of the loan principal to these lenders, sharing the risk with lenders and incentivizing greater underwriting flexibility. In exchange for the guarantee, lenders make loan products more attractive to prospective borrowers. The Capital Access program allows lenders to provide businesses with loans and lines of credit of up to \$250,000 for working capital, leasehold improvements, and equipment purchases. The loan guarantee varies by lender, but can be up to 40% and the program targets New York City micro and small businesses with fewer than 100 employees.

Participating business owners receive better access to competitively priced loans, credit enhancement through qualified loans, access to a network of business lenders and connection to small business counseling and training programs. Financing is available for retailers, manufacturers, wholesalers, non-profit organizations, contractors and distributors; and applicants must conduct their business in New York City. NYCEDC is in regular contact with lenders to discuss progress and lending trends in the small business market, however all applications are submitted directly to the lender who is responsible for review and determination of eligibility.

As of the end of 2013, lenders in the Cap Access program had made more than 360 loans, providing financial support to businesses employing a workforce of more than 1,600 employees. The program has lent more than \$5.8 million to date. In the latest round of the program, the average loan size was \$32,000. Loans are made in every borough, with more than 60% of loans made in the outer boroughs. Loan clients ranged from food companies to retail to professional services. Business with 10 employees or fewer comprise more than 90% of loans made through the Capital Access Program; less than 1% of loans have been made to businesses with more than 50 employees.

NYC Business Solutions has partnered with NYCEDC to provide free Capital Access advisory services to small businesses interested in applying for Capital Access loans. NYC Business Solutions can help business owners determine which Capital Access lender best fits

their needs and business profile. NYCEDC recommends using NYC Business Solutions as a first stop in applying for a Capital Access loan to ensure if the program is the best available financing option and determine if there are additional technical assistance support services that could help applicant businesses. Each of the lenders we work with has their own approach to outreach in the communities they work in. In addition to working with Business Solutions, these lenders connect with their communities through word-of-mouth, referrals, on-the-ground events, business workshops, and social media.



STATEMENT PREPARED FOR THE NEW YORK CITY COUNCIL
COMMITTEE ON SMALL BUSINESS HEARING, April 23, 2014

Robert Cornegy, Chair

Members: Inez Dickens, Mathieu Eugene, Peter Koo, Karen Koslowitz, Carlos Menchaca, Eric Ulrich, Paul Vallone, Ruben Wills

OVERSIGHT - IS THE CITY DOING ENOUGH TO INCREASE ACCESS TO CAPITAL AND CREDIT READINESS FOR SMALL BUSINESSES?

Spoken: Good afternoon. My name is Simone Jhingoer and I am the Director of External Communications at WHEDco. Thank you for the opportunity to speak today. I am here to tell you a little about what we're seeing in our work with businesses on the ground.

WHEDco works with families in New York City who struggle with the multiple challenges presented by poverty, and who, like all of us, aspire to a healthy, financially stable future. We offer interconnected, innovative, and high quality solutions to create more beautiful, more equitable, and more economically vibrant places to live and raise a family. Each year, WHEDco serves over 35,000 people through energy-efficient, healthy and affordable homes; early childhood education and youth development; family support services; arts programming; and support to home-based childcare microenterprise and food business incubation.

Through our expansive **Home-Based Child Care Microenterprise Network**, we provide training, licensing and business assistance to help women launch micro-enterprises caring for over 2,000 children annually in safe, affordable and educational facilities. In 2013, network members collectively generated over \$14.8 million in annual gross revenue with each earning about \$40,000 per year on average – higher than 50% of Bronx workers.

WHEDco creates opportunities for emerging food companies in our fully licensed state-of-the-art, 4,000 square foot **Urban Horizons Commercial Kitchen Incubator**.

We have helped community members start **Green Cart mobile food vending businesses**, increasing access to fresh fruits and vegetables in high-need areas of the Bronx.

With support from the NYC Department of Small Business Services, we work with merchants and property owners to **revitalize the Southern Boulevard commercial corridor** by organizing merchants, marketing the district and attracting new businesses.

The small business owners we work with come from different backgrounds and have different needs. Our Home-Based Childcare providers are mostly low-income women of color; our commercial kitchen tenants are relatively well-educated and often arrive with their own resources; and Southern Boulevard commercial tenants are mainly immigrants and sole proprietors. We do our best to provide flexible, tailored resources to these business owners, but we do not supply financing of any kind. **We have witnessed the myriad challenges that our small business partners face in obtaining capital and credit.**

For our Home-Based Childcare providers, startup costs are typically low, and as a result we typically do not promote using credit to cover these expenses. However, providers sometimes do need assistance. Micro-loans are an appropriate option for these very small businesses, but the cost of these loans is relatively high. We fear that once providers – often low-income, high-risk borrowers – get access to credit, they might get in over their heads in debt, all the more reason to avoid traditional lines of credit to begin with. **These providers need additional financial education in debt management and building good credit to obtain favorable rates.**



We have also noticed that Home-Based Childcare providers sometimes have difficulty obtaining a mortgage. Self-employed providers often deduct many business expenses on their tax returns, thus reducing their net income. A lower net income saves providers money in taxes due, but also lowers the amount of a mortgage loan for which they might qualify. This seems counterintuitive – by taking advantage of deductions that save them money, providers are hurting their chances of owning a home. **We need assistance in educating banks and lending institutions about this type of business and how to interpret tax documents more favorably, so that Home-Based Childcare providers can support their businesses and the homes in which their businesses and families flourish.**

WHEDco's Urban Horizons Commercial Kitchen tenants are highly motivated. While we offer business planning and support services, most of our clients come to us with a product, a plan and their own startup capital. These tenants often do not know about services offered by the Department of Small Business Services (SBS), but we often find that the services are not particularly helpful for these entrepreneurs. From our experience, SBS programs are well-suited to individuals seeking to start a business from scratch. **What our tenants really need is cash to grow their business.** Very few of our tenants have successfully obtained a traditional bank loan, which have significant documentation requirements that very small businesses cannot meet. Most start their businesses with an initial investment of personal funds, and grow based on their sales. Several of our tenants are interested in working with private investors, a highly competitive quest in the highly saturated food market in New York City.

Small business owners on Southern Boulevard also struggle to obtain loans. However, in this community where nearly 60% of retailers are immigrants, the challenge appears to be cultural. Many of these entrepreneurs come from cultures or countries where they do not borrow money from institutions or expect to get assistance – let alone free assistance – from government or non-profit organizations. Many of these people simply do not have a credit history, and are not connected to networks of resource providers. Connecting these business owners to resources requires building trust, something that WHEDco and other community-based organizations have already worked hard to establish. **The City could better serve these small business owners by supporting the organizations that already hold these relationships. To support our work, we need a centralized source of information and materials – both online and hard copy, and in multiple languages – to share with our clients.**

WHEDco greatly values the relationships we have with the New York City Council, the Department of Small Business Services, and other agencies that help us with our work. We believe the City could still do more to help small businesses access capital and credit by:

- Supporting financial education programs to build credit and manage debt
- Educating banks and lenders about self-employed childcare providers and the challenges they face in obtaining a mortgage
- Creating new capital resources for small food businesses
- Targeting marketing about city services towards food businesses and sole proprietors – including visiting shopkeepers in their stores
- Creating and maintaining a central source for small business resources – online and on paper – in multiple languages
- Encouraging banks and financial institutions to invest more in the local businesses they serve

Spoken: Thank you. I am available to answer any questions you may have.



April 23, 2014

Subject : Testimony of Robert J. Piechota, Director-Brooklyn Small Business Development Center in reference to: - Oversight - Is the City doing enough to increase access to capital and credit readiness for small businesses?

Good morning,

My name is Rob Piechota, and I am the Director of the Brooklyn, Small Business Development Center, ("SBDC") located in Brooklyn. There are eight NY City Small Business Development Centers throughout all the NY City Boroughs. I have worked on the Brooklyn SBDC team since 2011 both as a US Military Veteran Small Business Advisor, and currently as the Director of Brooklyn's own SBDC. My intent here today is to offer you my *observations, interpretations* and perhaps to provide some *recommendations* regarding the topic at hand. I believe the most understated element of our topic today is what we are doing in the area of "...credit readiness for small businesses". Access to capital is clearly a huge challenge also, but in the spirit of addressing things that are immediately within our influence, I will give you some data for your consideration.

At the Brooklyn SBDC during fiscal year 2013 our center counseled almost 1,000 clients. I have selected this year primarily because it was one of the biggest years of economic impact for the entire "Sandy Impacted area". More loans (\$\$\$) were transacted in our center in FY 2013 than in any other given year. Of the 1,000 clients that we serviced, only about 30 qualified for and received a small business loan of some sort. (Banks, Credit Unions, Micro-Lenders, Alternative Lenders, etc). While a large number of our clients come to us seeking assistance as a "start-up", over half of our clients are already in business and are seeking help in matters relating to growth, or in some cases "survival", ("Sandy"). Virtually all of our clients that require capital, ("start-ups" or established businesses) have already exhausted other means in securing a loan. Insufficient cash-flow projections, poor business plans and less than optimal credit ("bad" credit or no credit history) lead the list of reasons contributing to our clients having difficulties getting capital from their own banks or other lending institutions. Anecdotally over 50% of our clients require less than \$100,000 in working capital for their start-up or growth projects. At least 25% of our start-up clients require only \$25,000 or less. Yet the overwhelming obstacle to these clients, even with our assistance is a poor credit profile.

Ironically following Super Storm "Sandy", in areas such as Coney Island, Brighton Beach, and Red Hook our clients who had applied for loans from the SBA were declined largely because of their lack of sufficient business documentation. "Cash" businesses, while having been in business for years, did not qualify, as their methodology in bookkeeping did not satisfy standard underwriting criteria, (even following a natural disaster). So while credit issues loom large impeding access to capital, financial literacy/philosophy in general can be upgraded across the small business landscape. In our outreach centers of Brooklyn, this is a major offering we attempt to deliver to our clients: sound business principles that support growth and in preparing for any future disruptions of business, ("911", "Irene", "Sandy").

A unified approach to delivering "quality" education by a consortium of resource partners in NYC, specifically in the areas of credit health and basic accounting principles for the entrepreneur could help change the awareness of the budding entrepreneur in our neighborhoods- ("What must I do to qualify for a start- up loan"?). Additionally our established business owners can be better prepared for growth too, ("What should my cash flow look like in order to qualify for a line of credit?"). The Brooklyn Borough President's office recently initiated an effort to coordinate such offerings in a planned manner looking at District maps of the borough. The Borough President and his Deputy are attempting to coordinate all resource providers in what they offer and where they are offering their financial literacy interventions.

Regarding access to capital, the typical needs of entrepreneurs are meager in starting out or in order to fund incremental growth. It is unclear what the City can mandate in order to improve access to funds. Attached to my written testimony is a "blog" that cites a program that is underway in Albany, NY. The "Seed" program is a prototypical program that is a very attractive model that educates, funds and tracks entrepreneurs. With the wealth of lenders within the confines of NYC it is difficult to imagine how we could not adopt and even refine such a program to suit the needs of one of the most progressive cities in the world. Even a pilot such as the "Seed" program encouraged by the City Council could produce far reaching results in any designated selected designated area of the City.

I cannot speak for all NY City Small Business Development Centers, but I do offer the Brooklyn SBDC's commitment in piloting any such programs that have a reasonable chance of improving access to capital for our small business community AND upgrade credit readiness.

Sincerely,



Robert J. Pięchota-Director

Small Business Development Center-Brooklyn

"If not you, then who? If not now, then when?"

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- [Book of Lists](#)
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BIZBLOG

TBR's Biz Blog

Jun 20, 2013, 2:12pm EDT

Microloan program passes \$1 million in character-based lending



Barbara Pinckney

Reporter- Albany Business Review

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The Small Enterprise Economic Development (SEED) program, which makes character-based microloans to entrepreneurs in the Albany, NY area, has passed the \$1 million mark.

"It is going really well," said Bill Brigham, director of the Small Business Development Center at the state University at Albany, a partner in the program.

SBDC and SEFCU, the area's largest credit union, started SEED in June 2011. SEFCU funds the \$2.5 million revolving loan fund, and the SBDC provides an "entrepreneurial assessment" and eight weeks of training and counseling to ensure borrowers are prepared to put the money to work.

Business owners may borrow up to \$35,000 each, meaning the program has made more than 28 character-based loans in the past two years. Recipients included For Your Convenience, a recycling center in Latham.

Last year, SEED was honored with a Tribeca award, alongside pop singer Justin Bieber and the founder of Twitter.

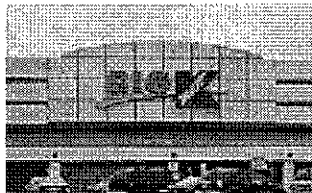
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Walmart makes it official: new store coming to

Scaling Access to Capital in NYC

Using technology to serve more, faster and cheaper

Paul Quintero, CEO
Accion East, Inc.

April 23, 2014

ACCION

Who is Accion East?

- Top-3 national, nonprofit lender with local impact
- Headquartered in New York City
- Serve businesses with limited access to bank financing
- Provide one-on-one support before and after loan
- Over twenty years lending experience
- Online loan application takes <8 minutes to prequalify borrower
- Online chat and toll-free number for daytime support
- Support diverse communities and industries
- See www.accioneast.org for more information

Since inception, over 22,000 loans providing \$132MM nationwide

Accion East's Impact?

Active SBA 7(a) Lenders Three Months Ended December 31, 2013

Rank	Lender	Number of Loans	Average Loan Size	Gross Approval Amount
1	Wells Fargo	859	\$310,791	\$266,969,635
2	Huntington National Bank	719	\$101,343	\$72,865,850
3	U.S. Bank	708	\$146,171	\$103,489,345
4	JP Morgan Chase	661	\$61,540	\$40,677,625
5	Compass Bank	267	\$124,463	\$33,231,700
6	M&T Bank	266	\$94,206	\$25,058,720
7	Accion East ⁽ⁱ⁾	248	\$6,891	\$1,708,997
8	Celtic Bank	130	\$282,836	\$36,768,725
9	Live Oak Banking Company	121	\$746,515	\$90,328,375
10	TD Bank	115	\$220,915	\$25,405,250

(i) = Accion East is not an SBA 7(a) lender; we take even greater risk without any guarantee protection

Accion serves as many clients as Top-10 SBA 7(a) lenders

Who is Biz2Credit?

- Leading national, for profit, online credit resource for businesses
- Headquartered in New York City
- 2011 “Entrepreneurs of the Year” - Crains New York Business
- Matches borrowers to over 1,200 financial institutions online
- Customized borrower profile completed in 4 minutes
- Online chat function and toll-free number for 24/7 service
- Accion East is a participating lender on platform
- See www.biz2credit.com for more information

Over \$1.2 billion in financing provided since inception in 2007

What should be City's wish list of goals?

- Increase number of financing awards to NYC businesses
- Increase responsiveness by reducing turnaround time
- Create 24/7 access for busy entrepreneurs
- Save/repurpose precious dollars from City budget
- Support growth of non-profit lending industry in NYC
- Create a self-sustaining program that does not require funding
- Implement quickly; within a year

Proven technology-based solution exists that can achieve goals

Situation Today: Too little, too slow, too costly

Convenience

Entity	Time
Biz2Credit	4 Minutes
Accion East	<8 Minutes
NYC SBS ⁽¹⁾	14 Days

(1) SBS customer service goal for responding to emails

Total Turnaround Time

Entity	Days
Biz2Credit ⁽¹⁾	N/A
Accion East ⁽²⁾	15 Days
NYC SBS ⁽³⁾	75-120 Days

(1) Varies by lender, can range from a few days to a few months; (2) Measures time from application to close and only 5 days if client has required application information; (3) Reflects time from application to being matched to a lender (estimated at 60 days) plus additional time for lender (estimated at additional 60 days).

Financings (Units)

Entity	Number
Biz2Credit ⁽¹⁾	2,200
Accion East ⁽²⁾	1,200
NYC SBS ⁽³⁾	690

(1) Calendar 2013 results; (2) Target for Calendar Year 2014; (3) FY2014 target; lower than 1,200 achieved in FY2013 because of focus on Sandy grant program; only a portion are loan financings but breakout not available.

Total Budget

Entity	Time
Biz2Credit	NA
Accion East ⁽¹⁾	\$5.5MM
NYC SBS ⁽²⁾	\$515MM

(1) Calendar year 2014 budget; (2) Total SBS budget for FY2014 'Updated Plan'; FY2013 was \$150MM. Breakout of resources expended for financing match-making not disclosed.

Recommendation

- Outsource SBS's financing match-making role to Biz2Credit
 - Save millions by eliminating role; or
 - Repurpose dollars for investment in other services
- White-label their platform as new SBS solution
 - Create mobile-ready, 24/7 service for NYC businesses
 - Ensure ongoing technology improvements at no cost
- Provide multi-year exclusivity to Biz2Credit in exchange for:
 - 0% transaction fee to NYC non-profit lenders
 - Small share of transaction fee paid by for-profit lenders using NYC leads generated through City to create new revenue stream for SBS

Does Recommendation Achieve Goals? YES!!!!

- Increases number of financing awards to NYC businesses ✓
- Increases responsiveness by reducing turnaround time ✓
- Creates 24/7 access for busy entrepreneurs ✓
- Saves/repurposes precious dollars from City budget ✓
- Supports growth of non-profit lending industry in NYC ✓
- Creates self-sustaining program with possible revenue stream ✓
- Can be implemented quickly; within a year ✓

Proven solution exists to increase access to capital
for NYC entrepreneurs

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

☐ in favor ☐ in opposition

Date: _____

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Name: BERNELL GRIER

Address: _____

I represent: Community Reinvestment Act

Address: ADVISORY BOARD

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Name: GREGG BISHOP

Address: 110 William ST 7TH Floor

I represent: SBS

Address: 110 William ST 7th Fl

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Name: Robert Piechocki

Address: 25 Chapel ST Brooklyn, NY

I represent: Small Business Dev. Center

Address: 25 Chapel ST - Brooklyn

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Name: Congresswoman Nydia Velázquez

Address: _____

I represent: _____

Address: _____

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Name: Simone Thungoor

Address: 50 East 168th Street Bronx, NY 10452

I represent: WHEDco (Women's Housing and Economic

Address: Development Corporation)

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Name: Jonathan Gouveia, Senior VP

Address: _____

I represent: NYCEDC

Address: 110 William St

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Name: Joe Colletti, Senior VP

Address: _____

I represent: NYCEDC

Address: 110 William St.

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Name: PAUL QUINTERO

Address: _____

I represent: ACCION East, Inc.

Address: 80 Maiden Lane, Suite 903, NYC, NY 10038

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Name: DR. CARLY GOODMAN

Address: 900 GRAND CONCOURSE BX

I represent: 161st Street BID

Address: _____

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THE CITY OF NEW YORK**

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☐ in favor ☐ in opposition

Date: _____

(PLEASE PRINT)

Name: NANCY CARIN

Address: BOC Network 85 S. Oxford St

I represent: _____

Address: Brooklyn NY

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