

CITY COUNCIL
CITY OF NEW YORK

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TRANSCRIPT OF THE MINUTES

Of the

COMMITTEE ON SMALL BUSINESS

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Chairperson

COUNCIL MEMBERS:

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ERIC A. ULRICH
PAUL A. VALLONE
RUBEN WILLS

A P P E A R A N C E S (CONTINUED)

[gavel]

CHAIRPERSON CORNEGY: Good morning

everyone. My name is Robert Cornegy Jr. and I'm the Chair of the New York Small Business. At today's oversight hearing we'll ask the question is the city doing enough to increase access to capital and credit readiness for small businesses. This hearing will review the ability of New York City's small businesses to access capital as well as the city's efforts to assist small businesses which struggle to qualify for loans from traditional lenders. Representatives of the Department of Small Business Services the economic development corporation traditional banks and micro lenders and advocacy groups and small businesses have been invited to testify. According to the National Small Business Association's 2012 Small Business Access to Capital Survey 43 percent of our small businesses have needed additional funding and been unable to find a willing lender at some point during the prior four years. In order to qualify for loans many business owners are forced to use personal savings and property as assets. These barriers to capital access hurt the economy at large. According to the New

York State, according to the New York Federal Reserve Bank of the businesses denied credit in the tri-state area in the fourth quarter of fiscal year 2013 42 percent were forced to limit business expansion and 16 percent were prevented from hiring new employees. Only three percent of these businesses sought alternative sources of funding. However alternative sources do exist and they can be powerful resources for small businesses with minimal assets. One such source is microfinance which can be broadly defined as small loans, credit, and other financial services geared specifically toward the needs of low income individuals, families, and businesses which normally would be unwilling or unable to qualify for more traditional financial services. The microfinance information exchange defines micro financing products as no greater than 250 percent of an average person's income. Modern microfinance can be traced to the 1970s. When Mahammad Yunus founded Grameen Bank an institution aimed at extending credit to extremely low income communities in Bangladesh. Today in the United States entities such as Accion, Grameed America,

1 Project Enterprise, and others offer microloans to
2 businesses which struggle to qualify for
3 traditional bank loans. Today's hearing will
4 examine what steps the city is taking and should be
5 taking to make sure that in the world's finance,
6 financial capital our financial institutions are
7 providing our small businesses with the access they
8 need to survive and flourish. Finally I would like
9 to thank my legislative director Donna Shellgrose
10 [sp?] and my Committee Council Jeff Campania [sp?].
11 So we'll begin by... Oh, I want to say that I'm
12 extremely pleased to be joined today by our partner
13 on the federal level congresswoman Nydia Velazquez
14 who's here to bring us some information on what's
15 going on in a federal level as it relates to access
16 to capital. Congresswoman. Oh, while the
17 congresswoman is joining us to testify, do want to
18 mention that we are joined today by Ms. Koslowitz,
19 Peter Koo, and also my good friend from Queens... oh,
20 oh actually yeah it is, it is Ruben, Ruben Wills.
21 Congresswoman?

22 CONGRESSWOMAN VELAZQUEZ: Thank you
23 Chairman Cornegy and members of this committee for
24 inviting me to testify today on small business
25

1 financing issues. And I always say that access to
2 capital is access to opportunity. So this hearing
3 is quite timing in the sense that our economy is
4 doing much better. But still it's struggling and
5 small businesses general speaking are not being
6 served by the traditional financial institutions.
7 And so we have to make everything within our power
8 to make sure that there is financing available for
9 small businesses to continue to grow. When they do
10 they create jobs. And when we create jobs the
11 economy continues to grow. Regardless of whether
12 the economy is expanding or contracting access to
13 capitals is always a top concern for small firms.
14 During periods of growth firms need financing to
15 expand and meet demand. When the economy slows many
16 individuals look to entrepreneurship for new
17 opportunities and they often need capital to start
18 off. As the lead democrat on the use, U.S. House of
19 Representatives Committee on Small Business for the
20 last 15 years I have grappled with this very issues
21 and look forward to sharing my insights with this
22 committee today. In New York City there are several
23 important trends to keep in mind when it comes to
24 small business finance. By far managing uneven cash
25

1 flow is the top priority for small firms.
2 Particularly when it comes to meeting day to day
3 operating costs. In terms of size most city
4 businesses are looking for smaller amount of
5 capital typically under 100 thousand dollars. And
6 when it comes to the credit market firms are more
7 optimistic and are facing less challenging
8 conditions standing three years prior. It is
9 important to keep these developments in mind when,
10 when considering the city's own small business
11 program. Mr. Chairman you may referend [phonetic]
12 to micro financing. The problem that I, with micro
13 financing is, is doing quite well especially the
14 federal, the federal program of micro lending. But
15 it serves a special population unconventional
16 banks, they are not served by banks. They mostly
17 are women and their needs is between the 500, 500
18 dollars to 50 thousand. Beyond that we have a big
19 gap of businesses whose financing needs ranging
20 from 50 to 100 thousand. Those loans are not served
21 by micro lending but either by traditional
22 financing, the banks do not want or do not like to
23 make those loans because they are not profitable.
24 So I, I challenge this committee to think about
25

that gap of individual small businesses that are not being served by micro lending nor have they been served by traditional lending institution. Each of New York City's approximately 200 thousand 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 dollars in capital to see these small businesses each year through a wide range of financing initiatives including term loans, revolving credit lines, and micro loans. The export import banks provides financing to internationally active companies and supports more than 400 million dollars annually in export sales. And that is just for New York City. In addition to this agency operative, operative initiatives the Department of Housing and Urban Development's Community Development Block Grant channels funds to stay in 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 a community reinvestment act encourage banks to provide loans to small businesses. In many regards New York City's small business program fits well with the federal governments offering. 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 disperse 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. Assistant business locate the best man there 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 first spent 26 hours searching and applying for credit contacting three financial institution and submitted three credit application. More needs to be done on this front and the city small business services our best position to make further

inroads [sic] 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 it is more effective community outreach. Perhaps most importantly we have to do more to reach businesses affected by hurricane Sandy. The New York fit, found that a third of small businesses in Sandy disaster areas reported financial losses the year after the storm. Of those sustaining economic losses 22 percent has losses of more than 100 thousand dollars. The reality is that the combination of property damage and weak consumer demands 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 of 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 the vibrancy of New York City it is important that this government initiatives are evolving to meet the ever-changing needs of the business community. Across the city at small firms, small firms are at the center of our neighborhood providing a foundation for local economic growth ensuring that they have the tools and resources whether provided by the federal or state or local government or the private sector is critical not just for them but for all, also for everyone who call this city home. Again thank you for inviting me here and I will answer any questions that you may have.

CHAIRPERSON CORNEGY: So I want to say first and foremost thank you for taking time out of your busy schedule. This office, this committee and myself view you as our partner on the federal level as it relates to small business obviously. And I think you being here today and meeting with us and bringing information on access to capital from a federal level is a testament to your commitment to do that so I want to, I want to thank you for that. I believe that my colleagues may have some

questions. Please pose for a photo by Council Member Wills. Does anyone have any questions?

[background comments]

CHAIRPERSON CORNEGY: And I, I think that you know it's, it can't be understate how important it is for us to begin to look at city, state, and federal partnership on an issue as grand as access to capital for our small businesses. So again I, I thank you for being here. Yes please.

COUNCIL MEMBER MENCHACA: Buenos Tardes.

CONGRESSWOMAN VELAZQUEZ: Buenos.

COUNCIL MEMBER MENCHACA: Thank you so much again for, for coming for us. And like our Chairman said the commitment that we have both on the local level and the federal level has to be strong. And, and your testimony talked a little bit about the funding coming through the federal government to our small businesses. What I'm, what I'm hoping we can get a better sense of in the conversations around Sandy is what we can do together on the, on the local level. As we move through the budget process and if any, if you have any recommendations on how we can, we can do that?

CONGRESSWOMAN VELAZQUEZ: Well I think

that we provided this... the, the, the federal government provided 20 million dollars through CDBG because we believe that it is the program that provides the greatest flexibility for the city to be able to use it in the fastest quickest way so that we could help small businesses to make them whole. However I'm still concerned that many small businesses from those impacted area has not been able to secure the financing to help them get back on track. And it is the responsibility of the city council to do due diligence in the sense of oversight and if things are not working because of the regulations from the federal government that governs CDBG or any other federal resources that come through the city. We need to know so that we make the adjustment. I'm going to be holding a round table with HUD Small Business Services and the state to, and small business centers and the Chamber of Commerce. And those small businesses we will provide for them to be able to talk to us and to let us know, and ask the question. And so we have everyone at the table to see how can we best tackle the issues that prevent money from getting

1
2 into the hand of small businesses. I did a report
3 right after Sandy and it showed that the declined
4 rate of small, disaster loan was as high as 74
5 percent. That cannot happen. Because when they do
6 not get the money that they need those businesses
7 will, will shut the door. They will not be able to
8 open the businesses. They will not be able to grow
9 the economy. And so it's not in our best interest
10 that we hear complaints that they did not get the
11 help that they needed and that we look, we do not
12 look for answers. And if the answers requires for
13 us to go back and make adjustments to the
14 regulations then we will do so.

15 COUNCIL MEMBER MENCHACA: Great. And I
16 have a follow-up to this. Not just in the Sandy
17 impacted areas but really on the immigrant
18 businesses and, and thinking about how the federal
19 government is, is in a lot of ways tied due to a
20 lot of the reform we're still waiting for. But any
21 ideas you have on how we can, how we can increase
22 credit accessibility to our immigrant businesses?

23 CONGRESSWOMAN VELAZQUEZ: Well you need
24 to do more oversight with financial institutions,
25 with... you know there is an important tool and that

1 is CRA, Community Reinvestment Act. The government,
2 the federal government you know when we, right
3 after the capital markets collapsing we pass ERA
4 right, the Economic Recovery Act. In that
5 legislation we, we put provisions that guarantee
6 banks 90 percent of the loans that they were making
7 through the... you know with the loan guarantee. And
8 it, it just not right that financial institution
9 only are making those loans that are guaranteed by
10 the federal government. They should do better than
11 that. They should be in the business of making
12 loans even without the guarantee of the federal
13 government. Because I'm sure that those businesses
14 who needs loan needing a hundred to a hundred 50
15 thousand, they have a good credit history, their
16 credit worth it, but yes they are not profitable
17 and therefore the banks are not making those loans.

18
19 COUNCIL MEMBER MENCHACA: We stand
20 strong with you on that, on that front. Thank you
21 so much for being here today.

22 CONGRESSWOMAN VELAZQUEZ: Thank you.

23 CHAIRPERSON CORNEGY: I, I just want to
24 say that we have been joined by Carlos Menchaca and
25

Dr. Mathieu Eugene. Any more questions. I'm sorry.
Council Member Wills.

COUNCIL MEMBER WILLS: Buenos tardes... is that correct? Okay, good. The Council Member showed off when he came in so I wanted to just... [laughs] We had to bring ours up a level. Congresswoman we are really really happy that you came by. And as the chair said we do look at you as a partner in this. So some of the questions I had to ask you were... There is a difference in funding. There is a, a huge gap in funding when we're talking about minority businesses and entrepreneurs and others. So some of the federal stats say that minorities are on a sliding scale of gross receipts from 50 thousand dollars to 250 thousand dollars. So it would seem that the micro lenders should be able to or we should have more minority lending from micro providers than we do. Do you know what the, why there is such a disparity in that number compared to minorities in other, other groups that are minorities getting funding?

CONGRESSWOMAN VELAZQUEZ: Well you know that it is a violation of federal law not to make credit available to those barrowers who are credit

worth it. But yet we see the disparity that exists in terms of minority businesses being able to access financing. And we have to do a better job at providing the kind of information also matching institution, financial, financial institutions with the type of, of businesses that we, that, that are out there. Sometimes there is in each. Some of the banks like to lend to restaurants or like to lend to manufacturing. So the small business services they do a, they do a good job at assisting businesses, identifying who are those financial institutions that are more willing to support the kind of business that they are in. And, and so it will take more energy and more resources in providing the type of information that is... saw that minority businesses take... the steps that they need in order to access capital. You know you might have a great financial idea, you might have a great ideas to the kind of business that you want to open but if you don't have a good sound balanced financial plan no one is going to lend to you. This is why it is important that we provide technical assistance through the small business services and also the small business development centers. There

1 is a national network, of national, of small
2 business centers in our community. And they are
3 constantly doing workshop to help businesses know
4 what, what are the step that they need to take,
5 what are the type of business plan that they need
6 to have in place so that when they go and apply for
7 a loan they have all their elements that are needed
8 in order for a financial institution to, to value
9 the kind of idea or the kind of small business
10 startup that you want to open.

12 COUNCIL MEMBER WILLS: So I only have
13 two follow up questions. Well one is a comment.
14 They chair was actually discussing with me his
15 interest in doing a policy paper or addressing just
16 that, the engagement of these small businesses with
17 more of a robust way of dealing with them to make
18 sure that they understood how to not just access
19 capital but how do do the beginning steps to access
20 capital. The insurance is bookkeeping, accounting,
21 different provisions of a law that they would have
22 to, the tax code that they would have to follow.
23 And what I wanted to know was would you be
24 interested in, being that you are the lead democrat
25 on the Small Business Committee for the House of

Representatives would you be interested in partnering with him and creating such a policy people that we may be able to look at the missteps we've been having in the city and the state in trying to engage these small businesses?

CONGRESSWOMAN VELAZQUEZ: Well we, we could of course partner with, with the Chairman to see how can we best through policy and legislation come up with ideas and, and programs that will help us narrow the gap that exists for some specific populations.

COUNCIL MEMBER WILLIS: Okay. My last question is you mentioned that the CRA... and I was interested in finding out what your opinion was on actually forming, I don't know if there has been, I know there's not one in, in my area or in Queens, but forming a credit union that actually provided capital for small businesses. Because as you know credit unions have their field of memberships and they can design from that how they start their, and if they can get low interest rates from not only the state but the federal credit unions then that would also be another mechanism to provide this

capital. What do you, do you have any opinions on that?

CONGRESSWOMAN VELAZQUEZ: Credit unions can provide small business loans and that was legislation that I helped get through my committee. So there is nothing that prevents small businesses to provide small business loans. But it has to work with a capitalization of the credit union.

COUNCIL MEMBER WILLS: Thank you very much. I yield the rest of my time. Thank you Congresswoman.

CHAIRPERSON CORNEGY: So I... The housekeeping would love to have you come back so I'm not going to keep you too much longer.

CONGRESSWOMAN VELAZQUEZ: Sure.

CHAIRPERSON CORNEGY: But what I would like to ask is that as we go forward in this committee with holding the banks to task especially as it relates to the community reinvestment act and meeting the mandate put forward by that act would you be willing to come back and sit with us with the banks to as we go through with a fine tooth comb the act itself and whether or not banks... like in, in underserved communities like mine and

Council Member Wills' and probably Council Member Menchaca and some other areas, really go through with us what... You know so... Because we're looking for a regulatory processes but you know the community reinvestment act is pretty solid and, and robust in what it asks for lending institutions to do.

CONGRESSWOMAN VELAZQUEZ: Well I, I would suggest look, the, the law is clear. And, and the banks will get credit when they do small business lending and especially for minority businesses and for mortgage loans. I, I, I believe that if we have community based organizations like we do in Cypres Hill in my district who has been so proactively working with financial institutions and every year doing forums with those financial institution you're going to see a more willingness of banks to do the right thing in those communities.

CHAIRPERSON CORNEGY: You, so, so part of it is needing, needing your weight on the fact of the, the idea of oversight over the banks which we don't have. So, so lending, our relationship to that ask for them to turn out becomes a little bit

greater if we can you know get your commitment
that...

CONGRESSWOMAN VELAZQUEZ: Sure.

CHAIRPERSON CORNEGY: ...you're going to
work with us on that. So we just, we would just
like that. You know but I would like to mention
what goes on in your district in Cypress Hills. I've
attended at least two of those for the last two
years. Those banking kind of forums, they're not
really forums because you call the bank saying and
call on the task. So I, I wouldn't want to call it
a forum. And we've looked to replicate that. You,
you got, your district has done a tremendous job
and like I said two years and a row I've attended
and watched the way that the banks come in and are
actually... you know it's not a free breakfast. They
come in and they get, some of those banks have
their heads handed to them in those forums...

CONGRESSWOMAN VELAZQUEZ: Well it's
great to see how they present a map with the number
of loans that had been made in those different
communities. So when you have that visual I think
that is an incredible, it offers an incredible
encouragement for the banks to do better and so

that next year when they come back they can show that the numbers are increasing.

CHAIRPERSON CORNEGY: I think that's a great model. Before you go though I do have one last question, oh, two last questions. Council Member Eugene and then Council Member Koo.

COUNCIL MEMBER EUGENE: Yes. I'm going to be very brief. Congress member thank you very much for being here. And I want to take the opportunity to commend you and also the members of the Brooklyn litigation for the advocacy and therefore Brooklyn and the wonderful job that you're doing in Washington and RBF [sp?]. With respect to the small businesses that, we know that the smart businesses in our district, in our community, they don't have... they don't...

CONGRESSWOMAN VELAZQUEZ: They don't have... I'm sorry?

COUNCIL MEMBER EUGENE: They don't have really what they were supposed to receive what they're entitled to because those banks and big institution I don't think that's you know that comply with the laws. As you said the laws are there. And you know you are congress members. You

1
2 have been making effort to ensure that the small
3 businesses you know get access to small grant and
4 all the benefit that they're entitled to. But do
5 you have any suggestion in your, you know what
6 should be done, what can be done to force the banks
7 and the big institution to comply because we have
8 been seeing so much in our communities about the
9 small businesses, they don't receive what they
10 deserve. Is there any way we can, we enforce the
11 laws, enforce the big institution to do what
12 they're supposed to do, to do the right thing.

13 CONGRESSWOMAN VELAZQUEZ: Well we cannot
14 force the bank to lend. They are in the business of
15 lending but we, what we can do is to provide an
16 environment that will prepare small businesses to
17 be ready when they go before a bank with a loan
18 application and not to provide any excuses for
19 those financial institutions not to approve those
20 loans. But we have in our community, especially
21 minority and, with women business owners to provide
22 the kind of technical assistant that will enable
23 them to really be ready when they go before those
24 banks to apply for those loans. But we need to also
25 encourage the banks in our community to do better

because when our communities do better those financial institution will do better.

COUNCIL MEMBER EUGENE: Thank you and I thank you Mr. Chair. I thank you Congress Member.

CHAIRPERSON CORNEGY: Before, before Council Member Koo I just want to say to you that I am somewhat encouraged. CUNY and the School Construction Authority have a, a very thorough education program for small businesses at Baruch where I got to, I got to go and see the, the graduates of that which were construction, obviously construction firms. So we are preparing MWBEs and small businesses to, to be able to be in line to access capital, have their books in order and have their business in order. So these rigorous programs set forward by some of the agencies in the city are, are actually preparing small businesses and particularly MWBE so you should know on a federal level we're, we're trying to do our due diligence here to have businesses prepared to receive, to have access to capital without all of the barriers in the past that have, that have been there. So Council Member Koo.

COUNCIL MEMBER KOO: Thank you representative, representative Velazquez for coming to our committee. Thank you for your strong advocacy for small business owners and entrepreneurship. And we all know small business really important in the country you know. When you're a small business today some of them will become big business a few years later; Microsoft and all those small... they're all computers, they all start very small. Even Wal-Mart start with only one store in Arkansas. So on the federal level I want to congratulate you on the SPA for doing a very good job and overtuned [phonetic] to Asian Americans in all, in my district, these you know. They always come and do seminars on how to get business loans and to do an awful lot of things. So I hope this will continue not only in our area but also in other minority areas in Brooklyn in other boroughs. So I just want to say thank you very much to you...

CONGRESSWOMAN VELAZQUEZ: Thank you.

COUNCIL MEMBER KOO: ...for your advocacy.
Thank you.

CONGRESSWOMAN VELAZQUEZ: Thank you.

CHAIRPERSON CORNEGY: Congresswoman, although we recognize you as the lead democrat in the U.S. House of Representatives in the Committee on Small Business but you'll always be the chair in my heart.

[laughter]

CONGRESSWOMAN VELAZQUEZ: Thank, thank you. We're working hard for that to happen.

CHAIRPERSON CORNEGY: Yes, ma'am.

CONGRESSWOMAN VELAZQUEZ: Thank you.

[pause]

CHAIRPERSON CORNEGY: So we are blessed to be joined by the administration here. We have from New York City... Well actually I'll, I'll allow you to introduce yourselves. We also have been joined by Eric Ulrich and Ydanis Rodriguez. If I can get you to start from my left, your right to just your name and affiliation.

LYDON SLEEPER: Good afternoon. Alright, the other left right.

JOE COLETTI: Joe Coletti Senior Vice President, EDC.

JOHNOTHAN GOUVEIA: Johnothan Gouveia, Senior Vice President, EDC.

GREG BISHOP, Deputy Commissioner, Small Business Services.

LYDON SLEEPER: Lydon Sleeper, Senior Advisor for Strategic Initiatives at Small Business Services.

CHAIRPERSON CORNEGY: I want to thank you all gentleman for joining me. And I thank you for your patience and indulgence in having the Congresswoman speak first. You, you can begin.

GREG BISHOP: Alright thank you. So good afternoon Chairman Cornegy and members of the Small Business Committee. As I stated my name is Greg Bishop and I'm the Deputy Commissioner of Business Development at the New York City Department of Small Business Services. I'm joined here with my colleague Johnathan Gouveia of EDC and today we'll talk about our efforts on what the city is doing to connect more businesses to capital. SBS has developed a network of 15 NYC Business Solution Centers and I'm happy to hear the congresswoman talk about the work that we've been doing in the field. The centers are locate, located across the five boroughs. And these centers provide business customers with easy access to nine key services;

financial assistance, business courses, employee training and recruitment, government navigation, access to incentives, sell into government, certification of local minority and women owned businesses, and connections to a network of pro bono lawyers. Access to capital is one of the greatest needs as we all know for small businesses and as such is a critical area of focus for SBS. And in 2007 we began an aggressive and sustained push to develop a deeper understanding of the credit market and capital needs of small businesses across the city. Through our network of 15 service centers our financing assistance helps entrepreneurs access the capital they need to start operate and expand. In calendar year 2013 our center served over 8,000 businesses with 18 hundred of these businesses receiving financial, financing assistance. At each center SBS provides every business owner with one on one assistance to access the financing need and determine the business owners credit readiness. SBS provides education on the financing products available and appropriate for the customer's needs, almost like a one stop shop for customers. Then helps a customer prepare

credit or loan application by creating, collecting, and or preparing the financial documents then helps the customer actually complete the loan application. We also provide the business owner with lender information. And finally we facilitate the referral to the lender. Over the years SBS has built up a solid network of financial institutions including community development financial, financial institutions alternative lenders, commercial banks, credit unions, and crowd funding platforms. Through our NYC business solution centers SBS has developed knowledge on each lender or loan program that includes lending terms, interest rates, loan sizes, and their target customers. This information allows us to provide barrowers with easy access to various lending products and saves them time when one product isn't an ideal fit. And as you heard the congresswoman talk about the 26 hours that it takes to search for credit we have actually done that homework. So when a customer comes to our center we can provide them with the product that best meet their need. Alternative lenders in our network account for more than 70 percent of loans approved through our

centers. These lenders usually look beyond the traditional lending criteria in determining whether or not a client is credit worthy. They want to hear the business story and access the owners character. Alternative lenders will go beyond the numbers and the numbers include credit score and taking into account the human element when analyzing the viability of a business and work creatively to look for nontraditional strengths. An entrepreneur's ability to access capital is significantly impacted by the owner's credit readiness. A court element of financing assistance at NYC business solution centers is a thorough assessment followed by business education to properly, 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 our most popular courses understanding and improving your credit. In this two 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 the Department of Consumer Affairs Office of

Financial Empowerment to support entrepreneur who are not 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 counselling, 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 that business owner to access capital. In 2011 we form the NYC Bank Advisor Council with 10 major banks that work to increase capital access to small businesses. Our staff works with businesses to help with their 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. And that's very important because when these banks, when someone goes to a traditional bank one of the things that's making this program a success is that the banks understand the support that we can give an applicant and they refer that declamation to us and then we try to find another alternative lender. This partnership has bridged the gap and created a seamless pathway for businesses unsuccessful at obtaining a bank

loan to viable lending alternatives. Since the lunch, the launch of the advisory council SBS has provided more than 660 services to 471 customers referred from bank advisory council members. The bank advisor council has also trained NYC Business Solution staff on credit analysis and their own bank products so we can do a better job to assist our customers. In addition SBS started to support business efforts to access funding through crowd funding. It's a new form of funding that was encouraged by the passing of the jumpstart our business startups act in 2012. This approach allows a group of people to take a small stake and a business idea by contributing to a online funding target. For example crowd funding allowed business to raise money for startup and expansion from customers and members of the communities. SBS through its NYC Business Solution Centers has integrated courses on this topic into its business education curriculum. SBS has learned about the barriers and challenges contracts, contractors face in accessing capital to successfully fulfill the requirement of a contract. In response earlier this year SBS Goldman Sachs 10,000 small businesses BOC

Capital Corp. and Sertna [sic] Foundation teamed up to announce a 3.5 million dollar fund for small business that have secured work on public or private construction projects. These small business owners will have access to capital to finance construction contract expenses and grow their businesses. And I know, and I see Karen again from BOC is here so hopefully she'll talk more about that program. The results on connecting businesses to capital has paid off. Since 2007 our business, our centers have connected more than 3,200 businesses so almost 243 million dollars in capital. In 2013 more than 900 businesses accessed over 1,000 financing awards totaling more than 45 million in business capital with an average loan size of more than 42 thousand dollars. In the last calendar year...

CHAIRPERSON CORNEGY: I'm sorry Deputy Commissioner. Do you have a written portion, a written copies of your testimony?

GREG BISHOP: Yes.

CHAIRPERSON CORNEGY: Because you're saying some exciting things and I want to... can't even make... [crosstalk]

GREG BISHOP: I can astrix [sp?] what
I've...

CHAIRPERSON CORNEGY: Thank you.

GREG BISHOP: No problem. Excuse me. I'm
actually at the last page.

[pause]

GREG BISHOP: Great. In the last
calendar year the top five lenders were New York
Business Development Corporation, NYBDC, Accion USA
and I know Paula's in the room as well, Business
Center for New Americans, Sovereign Bank, and BOC
Capital. Historically alternative lenders and
credit unions are our strongest partners. The most
common form of financing accessed through our
centers are term loans, lines of credit... while the
most common use of funds were working capital,
equipment purchases and inventory purchases. Thank
you Chairman Cornegy and to all the members of the
small business committee. We appreciate what you do
for the city and we're dedicated to working with
you to advance capital access for businesses across
the five boroughs. I'll now turn it over to my
colleague Jonathan Gouveia.

JONATHAN GOUVEIA: Good afternoon
Chairman Cornegy and members of the committee on
small business.

CHAIRPERSON CORNEGY: I'm sorry. Same
question; do you have written testimony to submit?

JONATHAN GOUVEIA: I believe it was
submitted.

[pause]

CHAIRPERSON CORNEGY: Thank you. I'm
sorry.

JONATHAN GOUVEIA: As mentioned earlier
my name is Jonathan Gouveia. I'm the Senior Vice
President of the Strategic Investments Group at New
York City Economic Development Corporation. Thank
you again for inviting us here today to speak about
access to capital for New York City's entrepreneur
and small business community. EDC speak, 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 and specific sectors such as the food
manufacturing and life sciences adventures. Second,
we also seek to assist a broader range of small,

small businesses seeking more affordable capital through programs like our NYC capital access loan guarantee program. In addition to our existing programs EDC 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 EDC is working with City Hall to 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 in the community. With respect to the capital access loan program it is a public private partnership that was 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 finance institutions with strong connections to the small business community. EDC provides a partial guarantee 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 perspective barrowers. The capital access program allows lenders to provide businesses with loans and lines of credit of up to 250 thousand dollars for working capital at least to hold improvements and equipment purchases. The loan guarantee varies by lender. It can be up to 40 percent 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 counselling and training programs. Financing is available for retailers, manufacturers, wholesalers, nonprofit organizations, contractors and distributors, and applicants must conduct their business in New York City. EDC's in regular contact with the lenders to

1 discuss progress and lending trends in the small
2 business market. However all applications are
3 submitted directly to the lender who's responsible
4 for the review and the determination of
5 eligibility. As of the end of 2013 lenders in the
6 Cap Access program had made more than 360 loans
7 providing financial support to businesses employing
8 a workforce of more than 16 hundred employees. The
9 program has leant more than 11 million to date. It
10 is the late, in the latest round of the program the
11 average loan size was 32 thousand dollars. Loans
12 are made in every borough with more than 60 percent
13 of the loans made in the outer boroughs. Loan
14 clients range from food companies to retail
15 professional services, sorry to retail to
16 professional services. Business, business with 10
17 employees or fewer comprise more than 90 percent of
18 the loans made through the capital access program.
19 And less than one percent of the loans have been
20 made to businesses with more than 50 employees. New
21 York City business solution center, business
22 solutions has partnered with EDC to provide free
23 capital access advisory services to small
24 businesses interested in applying for capital
25

1 access loans. Business solutions can help business
2 owners determine which capital access lender best
3 fits their needs and business profile. EDC
4 recommends using NYC business solutions as a first
5 stop in applying for the Cap Access loan program to
6 ensure if the program is the best available
7 financing option and to determine if there are
8 additional technical assistance support services
9 that could help applicant businesses. Each of the
10 lenders we work with has their own approach to
11 outreach in the communities that they work in. In
12 addition to working with business solutions these
13 lenders connect with their communities through word
14 of mouth referrals, on the ground events, business
15 workshops, and social media. Happy to take any
16 questions.

17
18 Chairperson Cornegy: Thank you. I have
19 a, a question for, for both entities. And well
20 actually I'll start with SBS. What, what is the
21 profile of your, of the customer base that you
22 mentioned that's in the 18 thousand? [crosstalk]
23 And, and, and, and does that 18 thousand mean 18
24 thousand people who receive 18 thousand businesses
25 who, was it 15 or 18 thousand did you say? And does

that, does that include receiving financial assistance or technical assistance in that number?

GREG BISHOP: We try to... It's 18 hundred.

CHAIRPERSON CORNEGY: Oh, 18 hundred.

GREG BISHOP: And of the... so over the course and, and that number was in 2013. We helped over 8,300 businesses over the set of services that I described so it could be the navigating government financing assistance etcetera. And of the 83 hundred, 18 hundred were direct financing assistance. And usually to answer your question most of the businesses that we connect with are very small business. They usually 10 employees or less. And typically they're in business between three to five years.

CHAIRPERSON CORNEGY: So there's somehow a gap between who you're serving and who I'm talking to clearly because some of the businesses that I'm speaking to don't, don't know the array of, the vast array of services that, that you offer so somehow we've got to do a better job educating those businesses...

GREG BISHOP: Agreed.

CHAIRPERSON CORNEGY: ...of, of the, the services so as I, I've you know I've, I've done in a little over the first hundred days my best to get around the city and to speak to stakeholders as it relates to small business. And, and everyone seems to have a very similar complaint about access to capital and access to information, more importantly about their array of services that you have. So I really, we really have to somehow close this gap between what's available, those businesses that need it and how they actually, actually get it. So I'm looking forward to continuing to partner with you to make that a reality, that we can you know kind of, kind of... [crosstalk]

GREG BISHOP: And we're, we're looking forward to working with you. We've done a lot of, and we try to use our, our relationship with council and council members to get into the districts to make presentations about our services. We certainly can do more in getting the word out and looking forward for any idea, you know any ideas that you have on how we can do that better and, and, and smarter. And looking forward to working with you. Thank you.

CHAIRPERSON CORNEGY: Council Member

Wills has a question.

COUNCIL MEMBER WILLS: This is for

Deputy Commissioner Bishop. This is not a question, it's actually a statement and I believe it addresses the chairman's concerns. The

Commissioner, the Deputy Commissioner is actually what the previous commissioner come out, came out to the district and we did things that engaged the small businesses. We actually had awards for small business partners that were good corporate citizens that did things in the community. And this is unrelated to Sandy, these everyday things that they did. We had beauticians or beauty shops that actually did like 50 old ladies' makeovers and things like that. And in doing so it raised the awareness that SBS wasn't an agency that was like consumer, the consumer for the agency to come out and find you but to help you. And they have agreed to come out to the district if we found space or we're looking at August Martin High School to have a, like a maybe a weekend or a couple of days of workshops that we just was speaking to Congress Member Velazquez about. So I think that it might be

1
2 beneficial if you work with the Chairman to
3 spearhead that maybe in, in the districts where the
4 council members are willing to put the work into it
5 also [crosstalk] to help you do that so that your
6 staff is not spread that thin. But it addresses
7 what the chairman also said. So maybe having
8 ruling, I think that we discuss a ruling thing of
9 town halls or those types of panels so that we can
10 bring the, the minorities in so they don't have to
11 worry about going to the city. But they're met with
12 that...

13 GREG BISHOP: Sure. And we, we, I've
14 tried different strategies to get the word out in
15 Brooklyn, Brooklyn Centers working with Community
16 Board 17. We sort of, we actually created a whole
17 curriculum. Like Community Board 17 has brought
18 members out. It's a, a, actually it, I think it's a
19 six month initiative and basically it's to help
20 prepare entrepreneur to be financially ready to
21 actually launch their business. And we work to, and
22 that was a great program and we're looking forward
23 to any other ideas that any other council member
24 would have. Certainly it's you know, there's, we
25 can do a lot more to get the word out so...

COUNCIL MEMBER WILLS: I think, I think that now it would help you not just do it but it'll be more stream lined or affective because of the chair was actually the point...

GREG BISHOP: Sure.

COUNCIL MEMBER WILLS: ...of contact for the council. He can like maybe help you schedule for each individual member and try to rotate a more robust... [crosstalk]

GREG BISHOP: That'd be great.

CHAIRPERSON CORNEGY: I, so I, I, I have to agree to some degree with, with Council Member Wills because I don't want to throw you under the bus. You've been in my district and, and have worked hard on some initiative.

[laughter]

[background comments]

CHAIRPERSON CORNEGY: Not at all. But, but I am going to put... I'm, I'm going to throw him under the bus but I am going to put him on the spot.

[laughter]

CHAIRPERSON CORNEGY: So we have... If I have my drudgers what we'll have is a mobile way of

going through the city. And I'm looking for partnership from both EDC and SBS to do that. Because what I find is that even when we identify that programs are available and offered through either one of your offices the businesses that I deal with don't have the capacity to send a staff member out to some degree to sit in on some of these access to education forums. So we really feel like being able to kind of tour the city in some kind of mobile way, not in a crisis way but in an informational way. So we're looking to partner with some other, other organizations from a city council perspective to get that done. And you know we're very close to making it happen. And then certainly if we could get buy in from your agencies to do that as well we can move to, you know we can move the ball forward on that. So to me one of the suggestions would be is I meet with small businesses their kind of detailing to me the fact that they don't have the capacity even when it's offered and even when they find it which is two other difficulties. But when they found it they identify it to actually designate a staff member or an ona [sic] to go and sit in on, on some of the

these. So we feel like if we could go out more often in a, in a, in an organized fashion to deal with it, it, it probably would be an asset to, to those small businesses.

GREG BISHOP: Sure and we'll... willing to work with the office on, on the program.

CHAIRPERSON CORNEGY: I do want to ask though about EDC's capital access loan guarantee program. And just some basic questions. So the, the, the loan guarantee program does it, does it mean that's a, the borough has to guarantee the, the assets have to match the loan, the, the assets in the buildings have to actually match, match... [crosstalk] ...I'm sorry the collateral.

JONATHAN GOUVEIA: No it's, it's our money provide... this EDC money provides the guarantee up to, and it varies by lender, but it's up to 40 percent of the loan. So in other words if a barrower defaults and cannot repay the loan then EDC will pay back 40 percent of what was leant.

CHAIRPERSON CORNEGY: Right. So I guess the question then is it's, it's a collateral issue. There's... is then the barrower responsible for having 60 percent of the collateral because you

1
2 guarantee 40 percent of the loan? So if this is...
3 traditional lending institution and, and they want
4 to know that there's collateral. 40 percent of
5 collateral is max obviously by your guarantee.

6 JONATHAN GOUVEIA: Actually they, the
7 participants in the program are, are alternative
8 lenders. We're talking about CDFIs and credit
9 unions. Just to be clear on that point. But sorry..
10 [off mic comments] It's not an issue... the
11 collateral base, it's not required.

12 CHAIRPERSON CORNEGY: Do any my
13 colleagues... Council Member Ulrich, Council Member
14 Menchaca.

15 COUNCIL MEMBER ULRICH: Thanks gentleman
16 for coming and testifying. I, my questions are, are
17 on two different topics. And one of them is, is our
18 immigrant community in, in really trying to
19 integrate their very entrepreneurial spirit that
20 they bring to our, our streets, specifically our,
21 our commercial strips and really trying to
22 understand if you've collected any data on both EDC
23 SBS on small businesses that are coming to you with
24 language barriers? Maybe small business owners that
25 don't speak English and if you're capturing any of

that data specifically on the credit piece but really across the board.

JONATHAN GOUVEIA: So I'd have to get back to you on, on the data that we have on our customer... [crosstalk]

COUNCIL MEMBER ULRICH: You are capturing data?

JONATHAN GOUVEIA: ...if, if we are capturing the actual language. However we know that in certain immigrant communities in order for us to be successful we have to be able to speak the language. And in certain immigrant communities us, and when I say us meaning SBS we are seen as government and in some cases we're not trusted so we have a two prong approach. One is to use the committee partners that are in that committee that is trusted to sell our services. And we are also moving forward to translate a lot of our popular courses and using our partners to deliver those courses in the language of the communities. So we've identified about five languages where we are focused a lot on Spanish, Mandarin, Korean, Russian, Haitian, Creole, Urdu, Bangladeshi, and Arabic. So that's a start. It's not necessarily the

1
2 most comprehensive list but it's a start in terms
3 of using organizations that have individuals that
4 speak those languages to then deliver some of the
5 credit readiness courses that we have in those
6 languages and also to provide the loan packaging
7 services.

8 COUNCIL MEMBER ULRICH: It'd be great to
9 get, to get the data that you are collecting. If
10 you're not collecting the data how we can get to a
11 point where we can, we can start understanding the
12 full picture of what the barrios are to the
13 immigrant community. And we don't have to
14 necessarily go through how the immigrant
15 communities will find their own access to, to, to
16 capital to start their small businesses...

17 JONATHAN GOUVEIA: Sure.

18 COUNCIL MEMBER ULRICH: ...but if their
19 services are already being provided by the city
20 there should be no barrier to those, to those
21 services. Now break, break down for me a little bit
22 because this is where I'm still trying, trying to
23 put my head around what's happened in Sandy and the
24 federal dollars coming through the city and SBA and
25 SBS loans that I've had horrible rates in our

1 communities were, and I think forget the 70
2 something, 72 percent as quoted by our
3 congresswoman when she did a survey of loans that
4 have yet to go out or rejection, rejected loan
5 rates for, for those impacted areas. Do you have
6 your own rates, or rejection rates for those loans,
7 specifically those standard loans?
8

9 GREG BISHOP: Are you quoting SBA loans
10 or... So... [crosstalk]

11 COUNCIL MEMBER ULRICH: SBS because you,
12 SBS had their own loans...

13 GREG BISHOP: Right, so...

14 COUNCIL MEMBER ULRICH: SBS, SBA had
15 their...

16 GREG BISHOP: So the city in terms of
17 our response for Sandy we partnered with the
18 private sector EDC Goldman Sachs and the New York
19 Bankers association. And we came out with a product
20 immediately after the storm to provide loans of up
21 to 25 thousand dollars and 10 thousand dollar
22 grant. We assisted about 600 and some odd business
23 and the approval rate was around 48 percent. That
24 was seen as a bridged loan towards while the
25 federal government was sort of putting their

1 packages together. The SBA then came out with their
2 product which I don't have the, the data for. And
3 then the remain, the last product is the CDBG
4 disaster recovery. This loan, this program is seen
5 as the money of last resort. So after a company
6 actually exhaust their insurance and SBA offerings
7 of, and they still have an unmet need then they
8 would actually apply for this program. So we have
9 done a number of attempts to get out to the, the
10 business recovery zones that was identified by the
11 impacted areas including having individuals that
12 are located in those areas so individuals did not
13 have to go to one of our centers. And we currently
14 have about 337 active applications in the pipeline.
15 This program obviously because it's the money of
16 last resort we have to do a lot more due diligence
17 than the sandy one program. Sandy One was a very
18 simple criteria was a credit score and whether you
19 were damaged by the storm. And that was it. This
20 one is a little bit more involved. But right now we
21 have an approval rate of about 42 percent. And
22 nationwide in terms of disasters a 40 something
23 percent approval rate is about average. So the, I
24 don't know the 70 percent declamation rate that
25

1
2 you're quoting. I don't know what program that's
3 for but that's...

4 COUNCIL MEMBER ULRICH: Well and, and I
5 think it'd be good for us to, to compare notes on,
6 on...

7 GREG BISHOP: Sure.

8 COUNCIL MEMBER ULRICH: ...Congresswoman's
9 survey and specifically looking at the small
10 businesses that she was looking at. But I think the
11 sentiment on the ground and this was just through
12 Red Hook and maybe the, some of the districts that
13 are on, or districts represented by the members in
14 the committee can, can kind of lend voice to some
15 of the small businesses that never worry about or
16 qualify for any of the loan programs be it the
17 sandy loan programs or the federal government
18 loans. And one of the things that were presented as
19 an issue and this is a question to you all... if you
20 see this, is it the cash flow necessary for these
21 loans was at zero because they would reinvest all
22 of their profits into, into the business and never
23 really give a cash, some cash flow for, for
24 eligibility for these loans. And if that's the case
25 how, how are, how are you going to be meeting the

needs of some of our small businesses, small, small businesses like the ones on Van Brunt [sp?] and Red Hook with, with these credit loan programs.

GREG BISHOP: Right. And I'm familiar with some of the businesses on, actually in Red Hook. And one of the requirements that the federal government has said is that the businesses should when we do a review should have the ability to repay the loan. So that's why we do a cash flow analysis. However I think you're touching on a point that I've seen after the storm where a lot of businesses because of creative accounting they're trying to reduce their tax liability. And I think one of the things we need to do a better job of as NYC business solutions to teach business owners sort of their ramifications of actually doing that credit, that creative accounting for future disasters. Because unfortunately we have to look at the balance sheet and we know that looking at some of the applications that we've seen there are businesses that on paper do not look like they are profitable. However we know for sure they're profitable because we know they have lines stretching out the doors. So certainly there's,

1 there's a, there's a, a, a gap that we have to
2 close in terms of teaching business owners the
3 proper way to do accounting for businesses that
4 appear to be cash flow negative we all working and
5 we have worked with our federal partners HUD to
6 provide a way that if they do get declined from a
7 CDBG program that they can appeal that decision and
8 present a pathway to how they will become cash flow
9 positive and we will reexamine that application.

10 And we've done that with a recent, actually in the,
11 in the congressman's district with a business that
12 was cash flow negative appeal presented on paper
13 how they were going to get to cash, cash flow
14 positive position and they were actually awarded a,
15 a loan and grant based on their appeal. So there is
16 a process to help cash flow negative businesses.

17 They just need to actually apply and go through the
18 initial application process. And then we will try
19 to do everything possible to help them.

20 COUNCIL MEMBER ULRICH: Well that's a
21 lot. Okay. Well I'm hoping we could, we could
22 really kind of come back and, and reexamine that.
23 Because I think what you've just uncovered is, is
24 pretty major a task for SBS and moving forward with
25

some of these small businesses. And, and if this is our kind of big prevalent creative accounting issue then that's, that's something I think we're going to have to focus on at the...

GREG BISHOP: Sure.

COUNCIL MEMBER ULRICH: ...district level.

GREG BISHOP: And obviously we look forward to working with you on not only that but also if there are businesses in anyone's district that still are not clear on the CDBG program and how we can work together to get the word out so that way they know there's money still available and they can still apply.

COUNCIL MEMBER ULRICH: So on, on a, on that last note on the funding that was selected for this loan program that, is that to be used and, and just kind of house somewhere? Are there any talks about shifting that into a grant program and increasing the grant program along with the, the capital, or the, the credit loan piece. I think the, the, the dollar amount was at five or 10 thousand dollars for the grant piece. If you could just clarify that piece. And, and if there's any move to increase the grant component...

GREG BISHOP: So I think the, the grant amount that you're referring to is actually from the first emergency loan and grant program that we issued. So in terms of the CDBG loan and grant programs that amounts are actually already higher..

COUNCIL MEMBER ULRICH: What are those?

GREG BISHOP: Pardon me?

COUNCIL MEMBER ULRICH: What, what are those?

GREG BISHOP: So currently businesses can get as much as a million dollars in loans and up to 150 thousand dollars in grants over the last several months since we launched the, almost a year I guess, since we launched the first action plan. We've got a lot of feedback from businesses. And so we actually are in the process of getting what's known as amendment five approved through HUD. And we're look, we're building in some mechanisms to increase those caps.

COUNCIL MEMBER ULRICH: Okay. So you're looking at... [crosstalk]

GREG BISHOP: Yes... [crosstalk].

COUNCIL MEMBER ULRICH: Okay. And, and these small businesses are going to ask for a

million dollar loan for, to get the 150 thousand dollar... So is, is that the proportion?

GREG BISHOP: We've also... it used to be that you had to get a loan in order to get the grant. And we are severing to some extent that link. If you've got other sandy related debt either from the first Sandy loan and grant program or other forms of institutional financing then you will qualify for a grant. So you don't have to get additional debt from us to get our grant.

COUNCIL MEMBER ULRICH: Great. Okay, looking forward to follow up on that too. Thank you.

CHAIRPERSON CORNEGY: So this for EDC. Who, in your capital access loan program who determines the credit worthiness? Is it, is it you or the initial...

JONATHAN GOUVEIA: It's the, the lenders, the partners that we have.

CHAIRPERSON CORNEGY: Okay. And, and what is the, what is a basic profile of a business that you would engage in that particular program?

JONATHAN GOUVEIA: So generally a business... again the, some of the businesses that

1
2 have come through or most of the businesses that
3 have come through are small businesses. You know
4 it's about 90 percent of the businesses are under
5 10 employees, many of them are in the outer
6 boroughs. They range from retailers to manufactures
7 to professional services. So we're really hitting
8 the gamut. But they don't actually come through EDC
9 or necessarily apply or don't at all apply for that
10 matter through EDC. The applications go directly to
11 the lenders. And all of the review and underwriting
12 occurs with, with the underwriters.

13 CHAIRPERSON CORNEGY: And for SBS so
14 you, do you offer the upfront capital loan program
15 to assist venders with bridge loans? Could you
16 please discuss basically who qualifies for those
17 type of bridge loans in that program.

18 GREG BISHOP: So we start, we started a
19 program actually two years ago with NYBDC and BOC
20 [sp?] and the idea is that we started with just
21 city agencies. So if a, a, and we focus a lot of
22 our market efforts around minority and women owned
23 businesses because we did a study in terms of what
24 barriers were preventing minority and women owned
25 businesses to preventing them from being successful

1 in city contracting. We heard bonding and access to
2 capital. So similar to the program that you saw at
3 CUNY where, with teaching construction businesses
4 we actually have a set of services to help
5 businesses, help their operations to make them
6 better banking customers. And we wrap that around a
7 brand called compete to win. So inside Compete to
8 Win was upfront capital and it was only if you had,
9 if you were a construction firm and you had a
10 contract, a prime contract with either a city
11 agency or, or a prime contractor of that agency.
12 Then you would actually be eligible for the program
13 because it's an assignment. So basically either BOC
14 or NYBDC the payment of, as you, as you are working
15 on that contract goes to the lender and the lender
16 removes the payments and then send the remaining to
17 the actual barrower. So it's a very safe product.
18 And we've seen a lot of success since the program
19 was launched. We've had about 1.1 million dollars
20 in loans, two businesses. Recently with, with BOC
21 and Goldman Sachs, 10,000 small businesses in the
22 Sertna [sp?] Foundation Goldman Sachs was able to
23 infuse more money into the program which allows BOC
24 to actually do larger loans. So we have expanded
25

1 the program so now if there's any small business
2 minority women owned businesses that have a
3 contract with either the city or the private sector
4 and they can then apply to this program. And as
5 long as the contract holder agrees to the
6 assignment then BOC will be able to work something
7 out with the actual applicant. And Nancy's here so
8 I'm, I'm assuming she's going to also talk about
9 that program as well.

11 CHAIRPERSON CORNEGY: Is, is there a, is
12 there a cap on the amount of loans that you'll do?

13 GREG BISHOP: It's up to 150 thousand
14 dollars.

15 CHAIRPERSON CORNEGY: Oh no I meant the
16 amount of loans that you'll do, not the amount of
17 the awards.

18 GREG BISHOP: So for, so the, the pool
19 is 3.2 million so depending on the size of the
20 loans that sort of determines the cap. However you
21 know NYB... if it's a city agency NYBDC's also in
22 that portfolio and NYBDC's using their own funds.
23 So there isn't a cap there. However NYBDC their
24 turnaround time because they're leveraging an SBA
25 guarantee their, their turnaround time takes a

1
2 little bit longer than BOC because they are able to
3 move about much faster.

4 CHAIRPERSON CORNEGY: So both of you to
5 some extent have very sophisticated products and I,
6 I...

7 GREG BISHOP: So we leverage other
8 sophisticated products. So our, our, our focus is
9 really to be that one stop shop. So our staff and,
10 and the entire apparatus is really to learn about
11 all the other funds that's out there and make that
12 right connection to business owners. So the hope is
13 that the business owner and, and this is all in
14 terms of saving a business owner time... If a
15 business owner just come to us at the NYC business
16 solution centers we've already done the homework.
17 So whether it's cap access at EDC or whether it's
18 the upfront capital loan program or whether it's a
19 product that Accion has or whether it's a product
20 that Graming [sp?] has, like we know sort of like
21 what the criteria is in terms of credit, in terms
22 of character, etcetera. So when a customer comes to
23 us we do an assessment and, and that's part of why
24 we, we try to get the word out because we've
25 already done this, this, the leg work.

CHAIRPERSON CORNEGY: So do you have just a regular informational pieces to give to a, a potential customer the same way? You know because it's a vast array of services so do you have, if I had them as a council member in my office and other council members had them in their offices that...

GREG BISHOP: Yes, yes we do have marketing materials that we'll be more than happy to distribute to you.

CHAIRPERSON CORNEGY: Okay. So do you have any plans to expand the upfront capital program to make it available to similarly situated small businesses throughout the city? Like do you plan on expanding it?

GREG BISHOP: Expanding it... So we recently expanded it... [interpose]

CHAIRPERSON CORNEGY: ...W, MWBs...

GREG BISHOP: Yep. So it's open to all small businesses but we do a lot of our marketing to MWBs because we've heard that MWBs, that's one of the barriers is access to, to capital.

CHAIRPERSON CORNEGY: And I guess lastly and on that point what can be done to change the payment terms for contracts with small businesses

1
2 so that smaller businesses with less cash on hand
3 can work with the city? Right, I guess you've heard
4 that a thousand times already but I really would
5 like to know if there's any movement towards kind
6 of doing something different with them.

7 GREG BISHOP: So that, that's, so I'm...
8 because it's, it's more of the contracts committee
9 I guess. There are certain things that we are doing
10 to help businesses become properly prepared to
11 actually sell to government. One of the things I
12 hear a lot from contractors is that the city takes
13 a while to pay. However the city's...

14 CHAIRPERSON CORNEGY: I, I believe that
15 a while is an understatement.

16 GREG BISHOP: A, a lot of what I tell
17 contractors is that city's very specific. So if we
18 want to square desk we want the, the invoice to say
19 a square desk. So we teach contractors to eliminate
20 any of the back and forth which usually adds to the
21 repayment, to the payment of a contract. We teach
22 them how to make sure that they're submitting
23 invoices correctly. And then we certainly as a
24 agency and the division of economic and financial
25 opportunity if there are contractors that are

process was I think it was that immigrants in the city make up about 53 percent of self, are self-employed workers in the city which is obviously much higher than the state which is about 35 percent and in the country which is only about 21 percent. We also found through the process that immigrant businesses close at a much higher rate than sort of their native born peers. And so for these reasons we created suite of initiatives you know one of them is called competition thrive and the idea was to work with non-profits, CBOs, hopefully in the future of the private sector and run a competition to have them come up with other programs that might be able to help immigrant entrepreneurs get past some of the challenges they have. We're now in the third year of the program. It seems to be growing in popularity and I think we're also at a point where we're interested in maybe doing other things in that realm. I know that our colleagues at SBS are also interested in doing other things there. And I wanted to take the opportunity to offer to sit down with both of you and others and actually talk a little bit about what we currently do and see if there are other

1 ideas out there because you know we're at point I
2 think where we know we recognize that there's,
3 there's more that can be done out there and we've
4 done some things that we think have been
5 successful. Maybe not at as large a scale as we
6 want yet but as we look kind of forward I think
7 there's a real opportunity to work with, with both
8 of you and the committee to see what else you know
9 we might be able to do together. So that's my plug.

11 CHAIRPERSON CORNEGY: I thank you for
12 that. I, I think that we realize and certainly
13 Council Member Menchaca and others realize that
14 doing, bringing our immigrant businesses and
15 minority businesses up to speed is good business
16 for the city. So having them prepared and ready to,
17 to work and to meet the needs of specific
18 communities and the city at large really is good
19 business. So it's good to hear that you recognize
20 that as well.

21 GREG BISHOP: Thank you.

22 CHAIRPERSON CORNEGY: So the next, we're
23 go, we're going to ask for Paul Quintero from
24 Accion and Nancy Carin from BOC Network.

25 [pause]

CHAIRPERSON CORNEGY: So I, I would like to say that here at the council chivalry is not dead so we'll ask for Nancy to go first please. Did you hear my plug for chivalry?

NANCY CORRIN: Thank you. I appreciate that. Very nice to see you today and it's an honor to be here and I didn't bring written testimony. BOC Capital is...

CHAIRPERSON CORNEGY: I'm sorry they're asking me to ask you to please introduce yourself for those of us who are not familiar with...

NANCY CARIN: My name is Nancy Carin. I am the Executive Director of the Business Outreach Center Network and BOC Capital Corp CDFI. Business Outreach Center Network has local business outreach centers in six local neighborhoods predominately immigrant and minority communities in New York City and their affiliate micro loan program by capital corp. runs through those centers and has developed some innovative products to serve small contractors who are minority, women, and others with contracts with government and the private sector. It, it's very exciting that a couple of years ago both EDC and SBS partnered with us to market our product

1 through their cobranded initiatives, upfront
2 capital, and kick start loans. And now we've
3 expanded our product... really it's the same product
4 we had before but it's now been supported by the
5 Goldman Sachs initiative that you've been hearing
6 about and we underwrite the loans, we issue the
7 loans, we take the assignment of payment and we
8 work with contractors hand in hand throughout that
9 whole process. Thanks to the industrial business
10 solutions program which provides, which is part of
11 SBS's business solutions network it's the only part
12 of their network that actually has a variety of
13 industrial business support organizations,
14 community based organizations including BOC for
15 part of Queens, part of Brooklyn and Manhattan.
16 The, the staff of those business solutions centers
17 and the community based organizations... industrial
18 business solutions do help package the loans for
19 the kick start loans because contractors are under
20 the umbrella of industrial. The difference between
21 the new program with Goldman Sachs and what we've
22 been doing before is that it actually focuses 100
23 percent on construction trades and not on just
24 contract based businesses which might be a fashion
25

1 industry businesses with purchase orders or any
2 other type of businesses with long lead types of
3 contracts. So we provide the same contract based
4 loan across the board but we are focusing on the
5 construction industry. And, and that's a very very
6 difficult industry to support. So at the assignment
7 of payment and all of the support services that
8 surround each business are very vital because it's
9 a high risk. When, when a, when a small contractor
10 takes that contract they're really putting their
11 business at risk unless they understand how to
12 manage their cash and how to, because of those long
13 payment issues. And we, we try to protect them and,
14 and help them manage that risk while we're lending
15 to them. We've actually loan, we are a micro lender
16 to begin with and we expanded into contract, we
17 expanded our loan limits for contractors and for
18 green businesses. We've loaned almost 10 million
19 dollars. We're going to have a big event once we
20 reach the 10 million mark in a couple of months
21 from now. Hope you'll be there. And, and we've made
22 about 100 loans in the zip codes that you serve
23 city councilman. We just checked while we were
24 sitting in the back. The typical loan size is 10 to
25

20 thousand dollars but for contractors we'd lend up to 150 thousand dollars. We participate in the city's capital access guarantee program and really what that program enables us to do are... is to make an initial loan to a first time barrower who may not have any collateral, forget the idea of they have some collateral, may not have any collateral and that we really are motivated to lend to them. And so we sign them up with capital access. One of the barriers to us continuing to work with that barrower for a second loan because they still don't have any collateral is the fact that that program will only guarantee the first loan to that barrower. So we would love to some adjustment in the, in the system there. The fact that community based business outreach centers in neighborhoods we speak about 13 different languages and the, we, we serve a lot of immigrant entrepreneurs. The majority of our entrepreneurs are either black, Hispanic, or other immigrants. Over 70 percent. And, and as a result we're a very mission driven lender. We're not a self-sufficient organization. And in order to expand what we're doing I think that the banks you know because of CRA are very

1 willing to lend us money. However without the
2 manpower to do the work with the client base we're
3 unable to dramatically scale up even though we did
4 in fact pretty much reach at the two million dollar
5 mark for one year last year and, and we have
6 increased our lending over 30 percent a year. But
7 we are running into that barrier of manpower to
8 provide this, the services that lead to the loans.
9 And that, I think that's enough for right now. I ,
10 I know a lot about the initiatives that you're
11 asking about because we're the on the ground user
12 of those services. So any questions you may have
13 I'm at your service.

14
15 CHAIRPERSON CORNEGY: Thank you.

16 PAUL QUINTERO: Good afternoon. My name
17 is Paul Quintero. I'm the CEO of Accion East and
18 I'm going to do something a little different. I'm
19 not going to testify. I'm actually going to make a
20 proposal recommendation for the committee. I put a,
21 a deck together because the question that I was
22 asked to come and speak about is, is the city doing
23 enough to provide access to capital. I kind of
24 smiled when I saw the question. I think we, we, we
25 all want to do more. But wanting to do more and

what to do are two different questions. So but I want to quickly go through what I think we can do to scale capital in the city. First for those that don't know about Accion we're a nonprofit lender. We're based here in New York City. We've been here for about 24 years started back in 1991 but we actually lend across 35 states because of technology. And that's going to be one of the key things I want to share here. One of the differences between Accion and other nonprofit lenders is we're not geography based or place based, we're need based. And because the need can be next door, Anchorage, Alaska after hurricane Sandy all across different parts of the city you have to have a model that can adapt to where the need is and that's what we do. The other thing that we've done is because of technology we've been able to make speed a priority. So today you can go online and be prequalified within eight minutes and know a, if you're eligible, b, for how much and at what rate. And what we found with entrepreneurs is good news or bad news tell people fast. Because when, one thing that you cannot make up for is lost time. So business owners need to make decisions, they want

1 to have a real concrete yes or no and that's one
2 thing that we've been working on. Since our
3 inception we've done over 22 thousand loans and 132
4 million but consistent to what Nancy's saying the
5 average has always hovered somewhere between a low
6 of five and a high of 10. We've been doing that for
7 many many years. We believe small is beautiful. On
8 the next slide I put together something because we
9 do small numbers and you say well you know how can
10 that really have a big impact. So I say well let me
11 take a look at what the banks do. And we have a lot
12 of bank partners so I don't mean this in the
13 negative way but these are the facts. So the SBA
14 has a list of their top 100 lenders in the country
15 to do seven day loans. And seven day loans are the
16 closest thing to what we do as micro lenders
17 because this is for working capital equipment, the
18 type of things that we see and that Nancy was
19 describing outside of the contracting. And I took a
20 look and I said so for the first quarter which is
21 the data that we have if you were to look at just
22 the loans that our little nonprofit does we would
23 rank seventh in the country, seventh in the country
24 in terms of number of people touched. Now obviously
25

you can look at our loan average, we're just under 7,000. It's not about the dollar amounts but it's about the number of people that you touch. And so we don't have brick and mortar, we don't have market budgets as, as Nancy was saying. We're all nonprofits here but yet we punch way above our weight. And when you talk about trying to access capital and these are programs that are guaranteed. We get no guarantee, this is all on our own dime with our own skin exposed and basically because of how we know what, what to do which is how to manage risk but it's just to give you a little sense of the numbers may look small but it, it's even more embarrassing when you at it on a national basis. One of the things I wanted to suggest here and recommend is partnering with a group called base to credit. Also you know I guess all good things come in New York so headquarters here in New York in 2011 was nominated by Cranes Business as entrepreneur of the year. But what they do is essentially a part of the one of the nine functions that SBS was ascribing which is they match borrowers to lenders. I don't have the exact numbers but last time I spoke to SBS we have, they

1 have about maybe 44 different partners that they
2 work with. Of course nonprofits like ourselves BOC
3 and others are part of that. Vista Credit has over
4 12 hundred and they do everything from credit
5 unions to alternative lenders to personal article
6 lenders to traditional banks. But what they do
7 that's interesting is you only complete in four
8 minutes so they adjust out by about four minutes, a
9 very very short mobile based way for you to put in
10 some information and then which I think is a trend
11 today give people choice about who they want to go
12 to and why. Last December the stats show that more
13 people purchased online instead of going to a
14 store. And I'm sure a decade ago when people talked
15 about Amazon, no one's going to go and buy online,
16 well today actually people do. And the reason is
17 people want answers quick. They want to be able to
18 choose and... you talked about information, better
19 information. They want a choice and they want
20 options. That's one of the things that Vista Credit
21 does in a very automated way. They've done 1.2
22 billion dollars on their platform since 2007. They
23 are a go to source for not only the federal reserve
24 but the SBA in terms of what's going on with small

business. But they're matchmaker. Essentially
barrowers come to their platform, you take four
minutes and they match you across the 12 hundred
different lenders that are on their platform. So
let me get to the important part. Slide five what
should the city's wish list of goals be? And I just
wrote down some things that, that would make sense.
I think we all want to increase the number of
financing awards I think is the term that's used.
We want an increased response to this and I'm going
to talk about turnaround time. We want to create
access. One of the questions and comments that was
made earlier is the city has such great resources
but nobody knows about them. That's not new news so
how do you bridge it. We also have I mean I don't
know what the coughers are like but I think we all
need to save a penny here. And so money is valuable
and we want, we want to use precious dollars either
for this program or for other needs. I'd like to
see and I think we're on the same page here a
support of the nonprofit sector. You heard that the
top five providers of capital to the SBS for the
nonprofit micro lenders. That should say something
about our role again in terms of helping create the

1 financial inclusion that we need in the city. We
2 also need to create programs that don't require
3 ongoing commitments and money. We just don't have
4 those kind of funds. We have to create things that
5 are sustainable. And importantly we need to get
6 things done. So we don't have five years, three
7 years, we need to do something that we can start
8 today and implement within a year. I believe that
9 we have a technology based solution that can
10 address all these things and in the next few
11 minutes I'll explain why. If you go to the next
12 slide... Now my numbers because I don't get public
13 reports and you have departmental information, my
14 information is coming from a summary in Department
15 of Small Business Services, I don't have the date.
16 But it comes from the mayor's... let me see here, the
17 preliminary mayor's management report and it shows
18 the goals and the matrix. So all the matrix I have
19 here for SBS come from this source. If there's
20 better data please share it but this is what I
21 know. My conclusion we do too little too slow and
22 at too high a cost. Let me explain why I believe
23 that. In terms of convenience I mentioned Vista
24 Credit it takes four minutes for you to put a few

pieces of information on your phone or on your iPad and you can be matched to someone. With us it takes a, with New York City small business solution centers and I'm just reading the goal here the, the customer service goal is to respond to emails within 14 days. Now I actually applied to see during Sandy if I ever heard back. I never did. I went to the site, I put my information, I didn't hear back. That's not to say that a lot of good work isn't being done but it is to say that when you can't respond to peoples' needs quickly you might as well not even be there. So responsiveness is a very very key factor if we're going to be a 21st century city. Second in terms of the number of financings Vista Credit last year did about 22 hundred on their, on their platform. We're looking to do, so as I look backwards I don't have the numbers for this year, we're looking to do 12 hundred this year. According to this report... again these numbers vary, but the target for 2014 for financings with 690 what it excludes is all the Sandy work that you're talking about. So it's a little difficult to compare apples and, apples to apples. But I think I heard 18 hundred from the

1 Deputy Commissioner for last year. I don't know
2 what the number is for 2014. Either way the little
3 nonprofit is doing as much as the entire city. That
4 should say something. In terms of turnaround time
5 we measure this from the time that you apply to the
6 time you get your money. On average in the month of
7 December January we've been averaging about 15
8 days. If you have your information ready like your
9 bank statements you can get it done in five. We can
10 prequalify you quickly but because we are a mission
11 based lender we need to know that you can repay. It
12 does us no good to lend you quickly if you don't
13 repay because we report to the bureaus and for the
14 rest of your life we'll be reporting that you
15 didn't pay us on time. that's not our mission. We
16 don't, we don't factor in failure. We want to
17 create success. Now the solution centers do a
18 fantastic job of match making but it takes time.
19 It's at least two months and we know this because
20 we were one of the sandy lenders and we didn't get
21 referrals from the city after the hurricane hit
22 which was the end of October until almost January
23 of the following year. And then on top of that once
24 you're matched you still have to go through the
25

process with that lender. So I've kind of estimated here and again this is a stat that no one really is sharing but what is the turnaround time. My estimate is it takes you somewhere between 75 to 120 days. If you go to the solution center you will get matched but you know what in a New York minute a lot of things happen. Imagine what could happen in 120 days. Finally when I looked at the budget and again I'm looking at this report here for our year 2014 what about five and a half million total. What I saw here was an agency budget of half a billion dollars. Now that's been expanded I'm assuming because of Sandy because last year was 150. But let's just look at the numbers. If I'm a five, six million dollar organization and this is 150 million you should see 20 times the productivity and we don't. So too little, too slow, too costly. What's my recommendation, slide seven. My recommendation is there are nine different services that the solution centers are doing which are fantastic. But one of them which is the matchmaking is something I think that can be outsourced. I think you can outsource that piece to Vista Credit and save millions of dollars. Or

1 repurpose that money for which is actually very
2 unique and was mentioned which is not access to
3 financial capital but what I think they do that no
4 one else is doing which is access to human capital
5 development. You need both. Second you can white
6 label the 311, the solution center on the Vista
7 Credit platform for no cost and now have a ready
8 able 24/7 chat ready technology that they will
9 continue to invest for you because guess what
10 that's their business. Three if you provide
11 exclusivity then in exchange for that we pay for
12 being on the platform a fee. That's how Vista
13 Credit makes its money, they match you just like
14 eBay, just like everyone. They put buyer, seller,
15 and they make a commission. Well they do the same
16 thing. Well for nonprofits to support us because we
17 know that we're going to continue to be the
18 lender's first choice you could negotiate with
19 Vista Credit. No transaction fee for people like
20 Nancy, myself, and others who will be on the
21 platform who people will come to ultimately so that
22 it lowers our cost of doing business and we can
23 grow our mission. Second, the city for the for
24 profit lenders you could negotiate a small share of
25

that commission and now actually generate a revenue stream. How about that? Last theory. I talked about the goals. Does this recommendation achieve those goals? I believe the answer is yes. This can increase the number of financing significantly for the city. This can increase the responsiveness that we have in terms of serving our entrepreneurs whether they be immigrant or not. Here's the reality most people around the world use their phone much more than native born Americans. So having mobile access today is not a divide except for us. We need to be technologically savvy because that's where the marketplace is. You have 24/7 access in an environment where the New York minute matters. You have maybe savings of precious dollars of the budget or you can repurpose that money, you support us the nonprofit sector by creating the mechanism no cost but high volume, lowers our acquisition cost we need that for, for other things as well. You can create a self-sustaining program where the technology is handled by someone whose business it is to do technology and maybe negotiate a revenue stream. And finally this can get done fast. So with that I think there's a solution to

1
2 increase access. I think the question is an obvious
3 one. We all want to do more but I think wanting to
4 do and what to do are two things. So as I said I
5 thought I'd try something different and actually
6 share a proposal. Thank you.

7 CHAIRPERSON CORNEGY: I, I don't, I
8 don't know what to say. No, thank you. Council
9 Member Menchaca do you have any questions? Thank
10 you. Thank you. So we're going to call Dr. Gary
11 Goodman, Simone Jhingoor, Robert Piechota...

12 [pause]

13 CHAIRPERSON CORNEGY: Who am I missing?
14 I'm missing somebody. Ms. Bernell Grier would you
15 please join us? Ms., Ms. Simone Jhingoor... Has she
16 left the building? Are you sure? Oh, I'm sorry. Oh
17 no I'm so sorry. Yes please. Thank you. So we'll
18 start with Ms. Bernell Grier please.

19 BERNELL GRIER: [off mic] ...thank you for
20 inviting... [static] [on mic] being invited to this
21 forum. I'm here actually as a member of the
22 appointed, being appointed to the community
23 investment advisory board. So my testimony is that
24 on June 28th, 2012 the New York City Council
25 enacted local law 2012 oh 38 to amend the New York

City 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 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 the other banks who are addressing the credit and financial needs of the city and communities. Local law 38 established a community investment advisory board. 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 will be considered by the banking commission when reviewing a bank's application for designation or re-designation. As an advisory board the CA, 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'm attending today's access to

capital hearing in my capacity of 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 development and housing development as well as commercial banking. I'm currently the CEO of neighborhood housing services of New York City a not for profit organization that provides resources to stabilize neighborhoods and assist New Yorkers to buy, maintain, and keep their homes. We work through a network of offices comprised of NHS at Bedford-Stuyvesant, NHS of East Flatbush, NHS of Northern Queens, NHS of the North Bronx, NHS of the South Bronx, and NHSNYC's neighbor works home ownership center in Manhattan. We are a community development financial institution that provides capital for the purchase and renovation of one to 20 unit residential buildings throughout New York City. The intersection of home ownership and small business is not usually readily apparent. However throughout the years many small businesses were launched by barrowing against the equity in their homes. In addition mixed use property owners, small landlords, and co-opter-ers [sic] and, 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 are also 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, major financial institution I know there are many programs that have been long been in place to support small businesses. And hearing from many of them today such as the BOC Network and the Small Business Association Small Business Development Centers many of these, 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. Never the less the banking community has established criteria, policies, and procedures that comply with safe and sound lending practices as required under the community reinvestment, 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

1 responsible banking act that was passed by city
2 council in 2012 but was never implemented under the
3 former administration the assessments have not yet
4 begun. However with the appointment of the
5 Department of Finance Commissioner Jacques Jiha I
6 anticipate the law will soon be implemented. I look
7 forward to working in my capacity as a CIA, AB
8 member to further review and report on the products
9 and services offered by the banking community and
10 how they meet the needs of New York City
11 communities. And that's it. Any questions?

12 CHAIRPERSON CORNEGY: No but I just want
13 to mention that I have been advised that we're not
14 at liberty to discuss Local Law 38 because it is
15 still in litigation.

16 BERNELL GRIER: Okay. Thank you.

17 ROBERT PIECHOTA: Good afternoon. My
18 name's Rob Piechota. I'm the Director of the Small
19 Business Development Center in Brooklyn. I admire
20 your perseverance in your constitutions.

21 [laughter]

22 ROBERT PIECHOTA: Awesome. And thank you
23 for having these hearings. I mean this topic I
24 think is huge. If you, if you listen to a lot of
25

folks the last hour or so you think maybe the system's not broken but I think things can be improved upon. I'll just read this briefly. Looks like a lot but hopefully it'll cruise. There, as, as you may or may not know there are eight different New York City Small Business Development Centers throughout all of New York City, all the boroughs. I've worked in the Brooklyn SBDC team since 2011 both as a military veteran small business advisor and currently as the director of the Brooklyn's own SBDC. My intent here today is, is largely to offer you observations, interpretations, and maybe some recommendations based on what I've seen from the trenches as well as from a little more macro view as the director. The Brooklyn SBDC during the fiscal year 2013 our center cancelled almost a thousand clients. I have selected this year primarily because it was one of the biggest years of economic impact for the entire Sandy impacted area. All of New York City in essence. There are more loans or dollars of loans transacted in our center and FY 2013 than in any other given year in, in its existence of the 1,000 clients that we serviced only about 30 qualified

for and received a, a small business loan of some sort. Banks, credit unions, micro lenders, alternative lenders, you name it. While a large number of our clients come to us seeking assistance as a startup over half of our clients are already in business and are seeking help or manage related to growth or in some cases survival i.e. following Sandy or some other tragedy. Virtually all of our clients are required capital. Startups or established businesses have already exhausted other means in securing a loan. Insufficient cash flow projections, poor business plans, and less than optimal credit. And that includes bad credit or no credit. We see a lot of folks that just have no credit. New Americans, veterans, you name it they just don't have it. These leave the list of reasons contributing to our clients having difficulties getting capital from their own banks or other lending institutions. Anecdotal over 50 percent of our clients, and this was echoed by the, the congresswoman I believe require less than 100 thousand dollars in capital for their start up or growth products. At least 25 percent of our start up clients require only about 25 thousand dollars

1 or less and that's with us going through the
2 numbers with them. The cash flow... they don't need a
3 ton of money. Typically you have [sic] the
4 overwhelming obstacle [sic] to these clients even
5 with our assistance is a poor credit profile.

6 Ironically following Superstorm Sandy in areas such
7 as Coney Island, Brighton Beach, and Red Hook are
8 clients who had applied for loans from the SBA were
9 declined largely because of their lack of
10 sufficient documentation. And I believe that
11 congresswoman's quote of like almost 40 percent,
12 only 40 percent of loans were actually approved or
13 dispersed were SBA loans because of lack of
14 documentation or the businesses turned the loans
15 down. They just have found better terms elsewhere
16 maybe just too long, forthcoming, too many
17 problems, just you name it. Cash businesses while
18 having been, cash businesses while having been in
19 business for years did not qualify as their
20 methodology and bookkeeping did not satisfy
21 standard underwriting criteria. Even following a
22 natural disaster. So while credit issues loom large
23 impeding access to capital financial literacy and
24 philosophy in general can be upgraded across the
25

small business landscape on the city. And our outreach citizens of Brooklyn this is a major offering we try to attempt to deliver to our clients. Sound business principles that support growth in preparing for any future disruptions of business; 9/11, Irene, Sandy, etcetera. A unify... in my opinion a unified approach delivering quality education by a consorting of resource partners at NYC specifically in the areas of credit health and basing accounting principles for the entrepreneur could help change the awareness of the budding entrepreneur in our neighborhoods. In other words what must I do to qualify for a startup loan? That's the biggest reason why people in the... entrepreneur class is, I call them tire kickers. They're like you know what does it, what does this take. And after you get finished telling them and here are the steps, here's what's required quite often you see it in their eyes. They say you know what I don't think so my credit stinks. And I try taking the next level. Okay, if your credit stinks that's not a horrible thing. What stinks is if your credit remains bad and you know about it what can we do about it. We try taking by the hand and

getting them to the right agency to get them over that hump whether it be a green path, a credit, a credit forget it, some kind of... that can get them over the next hump or SBS. Regarding access to capital the typical needs of entrepreneurs are meager starting out. Or in order fun incremental growth. It is unclear what the city can mandate in order to approve access to funds. Attached to my written testimony is a blog that sites a program that is underway in Albany New York. The seed program is a prototypical program that is very attractive model. It educates, funds, and tracks entrepreneurs. With a wealth of lenders within the confines of New York City it's difficult to imagine how we cannot adopt it and even refine such a program to suit the needs of one of the most progressive cities in the world. Even a pilot searches the seed program encouraged by city council. Could produce far reaching results in any designated selected area of the city. I just attached this, it's a little blog, it's just... to give you some idea of what it... I'm not pushing this, I'm just saying this a program that could exist. What they're doing in Albany is they

1 actually have a number of resource partners. Let's
2 just say SBS, SBDC, and BOC had like a, a panel
3 where we actually reviewed submissions. And its
4 character based loans. It's not about credit.
5 Somebody could have a zero credit score, maybe
6 they've been away for a while somewhere but they've
7 demonstrated they have the character necessary to
8 get, to take care of business. They go through a
9 training program and this case I believe it's 12
10 weeks. They'll coast along the way and then if they
11 complete all requirements they then give it I think
12 up to 25 thousand dollar loan. Can you imagine all
13 the Sandy money that's sitting there in a... in a
14 bank someplace. If we take that, put them into the
15 form of grants for either resiliency efforts or to
16 start anew. You know a lot of opportunities in Red
17 Hook particularly and Bedford-Stuyvesant where
18 people, they got the idea and there's a place right
19 there but what it, what's missing they don't have
20 the qualifications to get the funding. And the seed
21 program is one idea. I'm sure other folks have
22 equal ideas. I mean micro lenders are great but
23 when I lived in the veteran program a ton of my
24 clients came in and they didn't even qualify for a
25

1 micro loan. I mean it's, it's unfortunate. But they
2 have the character yet to go serve their country.
3 And a lot of the community, you don't have to be a
4 veteran, there's a lot of folks, single parents you
5 name it. They're doing great things. They got a,
6 they got a lot invested on this project... Anyway
7 I'm, I'm kind of, sort of singing to the choir here
8 but the point is you have resource partners
9 available in the community. Us, a lot of folks
10 don't even think of the SBDC as part of the city
11 program. But there's eight of them at your
12 disposal. And I, I reached out to all of the city
13 council members to offer here's what we can do,
14 here's what we have done. We don't work with
15 anybody. I don't have any dogs in the race. I have
16 no agendas. I'm not looking for money. We have the
17 resources to help you as best as we can so... I'll
18 stop singing and...

20 CHAIRPERSON CORNEGY: Well I, I
21 definitely personally thank you for that and we'll
22 be, we'll be sitting together for sure.

23 SIMONE JHINGOOR: Good afternoon. My
24 name is Simone Jhingoor and I'm with WHEDco. Sorry.
25 My name is Simone Jhingoor and I'm Director of

External Communications at WHEDco. We're based in the Bronx. And thank you for the opportunity to speak with you all today. I'm here to tell you a little bit 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 a more beautiful, more equitable, and more economically vibrant place to live and raise a family. Each year WHEDco serves over 35 thousand people through energy efficient healthy and affordable homes, early childhood education and youth development found the support services arts programing and support to home based childcare micro enterprise and food business incubation. Through our expansive home based childcare micro enterprise 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 thousand per year on average, higher than 50 percent of Bronx workers. WHEDco creates opportunities for emerging food companies and are fully licensed state of the art 4,000 square feet urban horizon's commercial kitchen incubator. We've helped, we've 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 New York City 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 child care providers are mostly low income women of color. Or 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

1 financing of any kind. We have witnessed a myriad
2 of challenges that our small business partners face
3 in obtaining capital and credit. For our home based
4 childcare providers startup costs are low. And as a
5 result we typically do not promote using credit to
6 cover these expenses. However providers sometimes
7 do need assistance. Micro loans are an appropriate
8 action for these very small businesses but the cost
9 of these loans are relatively high. We feel that
10 once providers often low income, high, high risk
11 barrowers get access to credit they might get in
12 over their heads in debt and all the more reason to
13 avoid traditional lines of credit to begin with.
14 These providers need additional financial education
15 and debt management and building good credit to
16 obtain favorable rates. We've also noticed that
17 home based childcare providers sometimes have
18 difficulty obtaining a mortgage. Self-employed
19 providers often deduct many business expenses on
20 their tax returns thus reducing their net income. A
21 lower net income saves providers money and taxes
22 due but also lowers the amount of the mortgage loan
23 for which they might qualify. This seems
24 counterintuitive. By taking advantage of deductions
25

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 Horizon's Commercial Kitchen tenants are highly motivate. While they 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 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 saturate food market in New York City. Small business owners in southern boulevard also struggle to obtain loans. However in this community where nearly 60 percent 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-government 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 resource 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 targeted marketing about city services toward food businesses and self-proprietors including visiting shopkeepers in their stores. Creating and maintaining a central source for small business resources online and on paper in multiple languages. And encouraging banks and financial institutions to invest more in the local businesses they serve. Thank you.

CARY GOODMAN: Saving the best for last right.

CHAIRPERSON CORNEGY: Absolutely.

CARY GOODMAN: Thank you. I'm Dr. Cary Goodman. I and the Executive Director of the 161st Street Business Improvement District. I believe I'm

the only business improvement district here today.

And there's a reason for that. There really are two different kinds of business improvement districts, community based BIDs, those of us that serve one and two and three employee stores like we do representing the pizza shops and souvenir stores and the bars around Yankee Stadium in that general vicinity, attorneys as well, bail bondsman, and the bigger BIDS Times Square, Grand Central, Lincoln Center. We have a very direct interest in seeing capital flow into our neighborhoods because our neighborhoods are residentially extremely poor. The South Bronx as you know leads the nation as a poverty center. And because the people in our neighborhood feel disenfranchised in terms of being able to access government resources whether they are municipal services like sanitation, police, parks, and so they, or whether they are capital.

And so for example in our neighborhood we have Chase, Bank of America, and Apple Bank and none of those three banks make loans to any of the 152 businesses that I represent. So on the one hand you've got a constituency of business owners who range from Greek, Korean, Chinese, African

American, Egyptian, Caribbean, Yamane who are sort of skeptical about the ability of the private sector to perform and provide for them. And on the other hand you have a municipal system that reinforces the fact that this is a neighborhood that's really not going to get its fair share, not going to get the kind of break that it deserves, whether it has to do with keeping the streets clean, improving the sidewalks, having parks that are well maintained, etcetera. So you know I don't really have. I'm sort of overwhelmed listening to all my colleagues from SBS, EDC, and some of the nonprofits here and all the various ramifications and issues that have to do with access to capital. Imagine what my one and two and three employee mom pop businesses are when they come to the idea of trying to get a loan, trying to access credit, trying to access capital. On many occasions I've walked my district and described the services provided by SBS because after all BIDs are sort of a partnered or we're managed by the SBS system. I've never been able to convince anyone to go to any of the forums that good Deputy Commissioner described, any of the workshops. Either they can't

1 because as Chairman indicated earlier they can't
2 take the time away from their own business or
3 because they just don't have the confidence level
4 in what's going to be coming from those, from those
5 visits or those forums or those workshops. So I
6 want to commend you Mr. Chairman for raising the
7 idea of taking those services out into the
8 neighborhoods, out into the communities where the
9 community BIDs are. They're not going to the
10 workforce centers. My, my, my business owners are
11 not going there. They're not going to Baruch for a
12 seminar on how to become credit worthy or any of
13 these other issues. And I, I want to encourage you
14 to explore taking these services and making them
15 onsite available to the people who most acutely
16 need them in the community BIDs like the one that I
17 represent. Thank you.

19 CHAIRPERSON CORNEGY: Thank you. I, I
20 don't have questions but I do want to say to you
21 that I don't know if you were here earlier when I
22 talked, kind of put the congresswoman on the spot
23 about a policy paper which would deal directly with
24 those businesses that you're talking about.
25 Primarily MWBEs in the city who fall, you know kind

1
2 of for some reason beyond the scope of the lending
3 institutions in the past. So she says she committed
4 to that. I meant it. And we're going to follow-up
5 to make sure that we can put on paper a way to deal
6 exactly with those businesses because we believe
7 that this economy will not be righted by big
8 business. It'll be righted by small business and by
9 building capacity within small business. So that's
10 what this committee has kind of begin by hanging
11 its hat on the idea that we need to build capacity
12 in our small businesses. And that's everything from
13 one to three to five to 100. You said you represent
14 152...

15 CARY GOODMAN: Correct.

16 CHAIRPERSON CORNEGY: ...businesses?

17 That's, that's a, that's a lot of employees and a
18 lot of employers who need to have this information
19 to be able to build capacity within... So lending
20 does a lot of different things. You know obviously
21 the main focus of it is, is the ability to build
22 capacity, to, to, to build business so that more
23 hires can take place... simple formula as we see it.

24 CARY GOODMAN: Mm-hmm. I was here. I was
25 the first one here in fact. I was smiling when she

1 was testifying. And I'll just give you a little
2 onsite example of small businesses and what
3 happened to them in my area. We have within out
4 zone a, a shopping mall. And the shopping mall is
5 undergoing redevelopment so they wanted to evict
6 about 20, 25 small businesses within their
7 confines. And they did. Ultimately they exercised
8 clauses in their leases that allowed them to you
9 know force these businesses out. The businesses
10 themselves had collected petitions of 17 thousand
11 community residents saying that they rely on those
12 services you know a Taco Bell for being able to
13 access fast food, a small Newspaper stand in order
14 to be able to keep up with what's going on in the
15 neighborhood. And so even though that shopping mall
16 was receiving millions of dollars in ICIP, tax
17 breaks, and abatements they somehow managed to be
18 able to exercise their strength and get rid of
19 those businesses. Well I guess it was two days ago
20 I was on channel 12 and Friday I'm going to be on
21 New York One because now that mall is redeveloping
22 and they are deciding who should come in and what
23 businesses should replace those that they evicted.
24 We've not been consulted at all about who should be
25

1
2 a part of that. Should those businesses that come
3 in offer a living wage? Should those businesses
4 that come in only serve the people who come into
5 the area because they're coming for the Yankee
6 games or they're coming for the court systems or
7 should they serve the people who live in those
8 districts? So I volunteer to sit with you and the
9 congresswoman on that committee and in fact love to
10 invite you to come up to our neighborhood. We could
11 take in a game afterwards but I'd love to walk you
12 around and introduce you to our business owners.
13 And you can see the level of cynicism that
14 permeates the area.

15 CHAIRPERSON CORNEGY: So fortunately I
16 know that area very well as the former Director of
17 Programs for the 163rd Street improvement council.
18 I spent a great deal of time on 161st street and in
19 that mall and the shops along that area as, as a
20 member of that committee. So I would love to sit
21 with you further.

22 CARY GOODMAN: Wonderful. Thank you...

23 [crosstalk]
24
25

CHAIRPERSON CORNEGY: It, it would be a travesty actually to see the mom and pops go in that community.

CARY GOODMAN: They're under tremendous amount of pressure. And as Walter could tell you I started my career here in 1977 working as an aid to city councilmen. I had, Gilberto, I had Gilberto Valentine [sp?]. So I've watched the arc of things change over a great period of time. And well on the one hand we're grateful for the fact that now some financing is coming into the neighborhood and of course with the Yankee Stadium development project and the park and the like... there's a lot of money that's come in through EDC it's come in but not to the small business community.

CHAIRPERSON CORNEGY: Thank you. I'd just like to say in closing that I'm, I'm pleased that everyone was able to come out, the advocates, the administration... I think that this is a topic that can't be really truly covered and addressed in one hearing. And I think that the way that we respond to it after today is going to really set the tone for, for lending both in traditional institutions and micro lending across the board and

the ancillary things that happen because of lending or lack thereof. So I look forward to working with all of you in the future and I thank you for coming today. And my favorite part I get to ring my gavel.

[laughter]

[gavel]

C E R T I F I C A T E

World Wide Dictation certifies that the foregoing transcript is a true and accurate record of the proceedings. We further certify that there is no relation to any of the parties to this action by blood or marriage, and that there is interest in the outcome of this matter.



Date May 08, 2014