

WRITTEN TESTIMONY SUBMITTED BY YUSA CHANG

FOR THE CONGRESSIONAL SUBCOMMITTEE ON CONTRACTING AND WORKFORCE

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Chairman Mulvaney and Ranking Member Chu,

Thank you for this opportunity to testify in front of this very distinguished subcommittee. My name is Yusa Chang. I am the Chief Operating Officer of a non-profit community development corporation called PACE, an acronym for Pacific Asian Consortium in Employment. PACE was established 35 years ago to improve the economic conditions of the emerging Asian and other immigrant communities. I am testifying today on behalf of PACE and the Asian and other immigrant business communities that we work with.

In today's testimony, I will first share with you the story of PACE and our work. I will tell you how we have put our SBA contracts to work in the community and their impact. I will share with you stories of our small business clients, their successes, their struggles and their hopes. And I will conclude my testimony by asking for you to continue supporting these programs that are so deeply needed during this unprecedented time of economic hardship.

So let me begin by briefly summarizing what PACE does. PACE receives both federal grants and private grants and operates 6 major lines of services. They are workforce development, energy conservation, early childhood education, housing services, financial education, and small business assistance which include making loans in sizes ranging from \$5,000 to \$40,000. Our services are concentrated in Los Angeles County, especially the San Gabriel Valley which has one of the largest populations of Asian immigrants in the nation. PACE has over 450 full-time employees. Last year, we assisted over 62,000 Los Angeles County residents. And just this past week PACE had its annual diversity job fair and entrepreneur resources pavilion where we brought together close to 50 employers, bankers, government agencies with over 1,000 job seekers and aspiring entrepreneurs.

But let me talk a little more about our Business Development Center (BDC). PACE BDC was established 18 years ago right after the 1992 Los Angeles Riots with the goal of assisting small businesses in our neighborhood with recovering. PACE Business Development Center has since then assisted close to 24,000 entrepreneurs to create their own jobs, jobs for others, and other small businesses to sustain, thrive, and/or grow. Nearly all of our clients are from the ethnic minority and immigrant communities. They include recent immigrants from Asia, Latin America, Africa, and Eastern Europe—as well as refugees and political asylees. Our business counselors

are all bi-lingual in English and either Spanish or one of five major Asian languages. Our Business Development Center is supported with funds from government agencies, local banks, and even foundations . We also have received support from the Small Business Administration to help our communities. Our current SBA grants support the operation of a Woman Business Center, a business technical assistance center serving the San Gabriel Valley, and PRIME that serves low-income microenterprises. Last year, we became an SBA micro-lender and with the support of local banks that provided loan loss reserve, we have started making loans to small businesses. We are also in the process of being certified as a CDFI entity so that we can bring even more capital to the communities that we serve.

In the 18 years history of our Business Development Center, we helped to create and sustained over 10,000 businesses and created 14,000 jobs. We have also helped these businesses in accessing \$43 million in capital for their small businesses. I can tell you from experience that these programs are a very good investment for our community.

PACE has numerous stories of client successes and how these grants, especially SBA grants, have impacted our community. But let me just share with you just a few of them.

- A political asylee from China operating a Dollar Store created several jobs after receiving a \$10,000 loan and technical assistance from PACE.
- The daughter of a Vietnamese refugee started a food truck business selling Vietnamese eggrolls and noodles.
- A son of an immigrant from China created his own line of high fashion for men.
- An artist from China opened his own art gallery, after working for many years in labor work, he never gave up his artist dream.
- An immigrant from Mexico opened her second hair salon after borrowing \$5,000 from PACE and put a few of her family members to work.

Similar stories of these can be repeated hundreds of time.

But with every success story, there are many others that are still struggling. For example:

Mr. Wong (not his real name) once operated a successful trucking business. In 2009, his business slowed down along with the economy. He had used his home equity line of credit (or HELOC) to finance his working capital, but suddenly he found that he no longer had this equity because of the severe devaluation in home prices. Unable to modify his mortgage, he ended up losing his home, his trucking business, and his ability to support his family.

Mr. Chung, we call him a “mad scientist”. He is an inventor in the clean energy field. He has many patents under his belt. He recently developed a prototype machine that can convert solid waste into fertilizer in one hour instead of over several months. This small prototype can

reduce 8 tons of solid waste a day. He has received a tremendous amount of interest from companies across the nation as well as overseas. But he too lost the equity of his home and facing bad credit, he was in no position to finance the production of this machine. This mad scientist needs help. He can potentially create many jobs.

And there are thousands of people like Mr. Wong and Mr. Chung out there in the same predicament.

So here are my two recommendations.

- NUMBER ONE – Not only should we keep the current SBA programs alive but we should further invest in them—actually double, triple or even quadruple their budget. Small business start-ups and small business expansion IS the job creation engine, particularly in this economic climate where millions of Americans are out of work. Our government and large corporations cannot create enough jobs at the rate that we need them. But there are thousands of aspiring entrepreneurs who have the will and can create their jobs. So let's help them. These programs are not a handout. These program foster a unique collaboration between the government and the entrepreneurial driven American citizens.

We ask that you strongly support and augment these following SBA programs: SBA Women Business Center, SBA Microloan program, make permanent the Community Advantage initiative, and initiate a credit building/credit counseling program for small businesses. We also strongly support the expansion of the Small Business Investment Program (or SBIC) that makes financial assistance available to the ethnic minority communities.

- NUMBER TWO – We need to be flexible in collateral requirement in small business lending. Before the 2008 home mortgage crisis, the home equity line of credit (HELOC) and home equity loan provided easy access to capitals for small business owners. But since equity disappeared from our homes, so is the borrowing ability of small business owners. It is estimated that more than half of the wealth which accumulated over decades has been wiped out through the loss of home equity and businesses. But the majority of these business operators are still good, decent people and still have viable business models. So I recommend that we expand SBA loan guarantee programs to keep the credit flowing. We should also work with banks as our partners to see how we can be more flexible with the collateral requirement to make more business lending possible.

I know this may sound risky. But we are in an unusual time – at least in our lifetime. To really make a “Game Change” we need our elected officials to stand up for small business. We need you to increase the size and flexibility of these programs in order to ensure that all Americans with the hardworking entrepreneurial spirit have access to the American Dream..

Thank you very much for this opportunity to testify.