

Field Hearing: **Committee on Small Business- Subcommittee on Investigations, Oversight, and Regulations**  
Date: **Friday November 8, 2019 10:00am**  
Location: **Rosemead City Council 8838 East Valley Blvd. Rosemead, CA 91770**

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Good morning Committee on Small Business- Subcommittee on Investigations, Oversight, and Regulations. My name is Rachelle Arizmendi, Vice President and Chief Operating Officer at PACE (Pacific Asian Consortium in Employment). I am also a City Council Member in the City of Sierra Madre here in Los Angeles County.

PACE is a non-profit Community Development Corporation that has worked with low-income and under represented communities in Los Angeles County for over 43 years.

PACE was first conceived to meet the needs of employment and job training in the Asian Pacific Islander and minority communities - but has since extended our services to include early education, affordable housing, energy & environmental services, and small business development for the community-at-large. For today's remarks, I want to focus on our business development and loan programs. We have worked with a variety of foundations, private, and government agencies-- federal, state, and local-- to provide technical assistance, counseling and access to capital for entrepreneurs and small business owners.

PACE works with small businesses whose owners may be low-income, immigrants, refugees, asylees, or ethnic minorities. Many of our clients are new to the US and as a result, have limited English ability, and unfortunately, also have little to no knowledge of the US banking system, little to no credit history, and no access to capital.

Since 1993, PACE has assisted more than 40,000 businesses and has packaged/placed/funded \$480M in loans. As an organization, we strive to promote the triple-bottom line: profit, social responsibility, and environmental sustainability. Furthermore, because of our diverse and multilingual staff, we are able to provide culturally responsive and in-language training and technical assistance.

As a Micro-lender and CDFI (Community Development Financial Institution) - two of the primary products we use are the Small Business Administration (SBA) Microloan and the SBA Community Advantage loan.

Mr. Kin Cheong Fung, who I expect to be in the audience today, is an ideal example of how one business can benefit from the different SBA tools to grow, expand, create jobs, and provide sales tax revenue back to the region.

Mr. Fung and his family migrated to the US in 2012 from Hong Kong. With over 25 years of experience from his home county, Mr. Fung had a dream of what he wanted to accomplish in America: develop a franchised ramen restaurant. With his life savings, he opened Tamashii Ramen House in Sherman Oaks in September 2012.

Soon thereafter, Mr. Fung did some research and found his way to PACE. After receiving some technical assistance from our Business Counselors, he applied for a \$15,000 SBA micro-loan to use as working capital. With that capital injection he purchased new equipment and furniture for the restaurant. And within a year, he was able to pay off the entire loan.

In 2016, Mr. Fung returned to PACE and requested a second working capital loan of \$60,000 to open up a second ramen house in Studio City. This \$60,000 loan was a Community Advantage loan. Unfortunately, he faced major delays in tenant improvement when the contractor abandoned the project. But Mr. Fung did not let this sway his determination or passion for success and in August 2017, the Studio City location was finally opened for business. To help him maintain his cash flow while growing this location, PACE was able to grant him a third working capital loan of \$30,000.

Tamashii Ramen House has since created over 40 full-time and part-time jobs. Mr. Fung's vision, resilience and passion make him a successful businessman. So much so, that in 2015, Mr. Fung was recognized as an SBA Small Business Awardee!

At PACE we hope to outreach to, connect with, and fund small businesses that need to close a deficit finance gap or to inject capital into their businesses for improvements. When businesses first interface with PACE- they are typically not "loan-ready" nor can they walk into a traditional bank prepared to apply for a loan. What micro-loans, community advantage loans, and similar products offer is an opportunity for small businesses to take that next transformative step and eventually transition into a conventional loan clients.

Anecdotally, we know these programs work - and I am confident that statistically, you will find the same results. Take default rates for example. In our micro-loan program, we experience approximately a 10% default rate. Similarly, in the Community Advantage program we experience a significantly lower default rate of 4-5%.

We know first-hand the possibilities and opportunities that SBA products offer small business owners. Yet, there are improvements to these products that can be made.

For 7a Community Advantage (CA) Loan programs, I urge you to consider the following:

- Establish the 7a Community Advantage (CA) Loan Program at SBA as a permanent program;
- Increase the loan cap to \$350,000;
- Eligible CA Lenders : CDFIs, CDCs (Community Development Corporations), SBA Micro-lenders, SBA ILPP (Intermediary Lending Pilot Program)Lenders;
- Expand CA Communities to include women-owned businesses, minority- owned businesses, and expanded language to include businesses owned by reservists, spouses of veterans, or members of the armed forces;
- Eliminate the 10% cap of CA loans.

For reauthorization, key Microloan improvements we encourage you to support include:

- Elimination of the 50/50 restrictions on Technical Assistance (TA). As intermediaries, we have a stake in ensuring the funds are repaid to SBA, and the historically low loss rate to the SBA demonstrates we have the expertise and experience in small business lending to know where and when technical assistance is needed for each borrower;

- Increasing the Micro-loan Intermediary limit from \$6 million to \$7 million will allow state-wide lenders and especially high-demand states, like California, to better meet the demand for this important source of capital.

Our approach at PACE has proven to be successful with the outreach to immigrant and under-represented business owners. Leveraging the credibility of community-based organizations and utilizing intermediaries /CDFIs that have built trust with communities will be imperative to the future success of SBA's Community Advantage and Microloan programs for traditional and immigrant businesses.

Thank you for inviting me to testify on this matter and for prioritizing this within your subcommittee.