Panel 2

Todd Greene: Well, good afternoon.

Audience: Good afternoon.

[Laughter]

Todd Greene: I'm from Atlanta and we mind our manors.

[Laughter] But, it is my pleasure and, I guess, you'll tell from my southern accent that I am really an Atlantan. But, it's my pleasure to be here in the, in our nation's capital. But, most importantly, it's my pleasure to introduce a great panel to further the discussion that we had this morning. So, I'm going to get right into it. And, of course, the detailed biographies are located within your material. So, I'll just be very brief I my introductions. Our first person to my left is Lesia Bates Moss. She's the President of Seedco Financial. Seedco is a national nonprofit community development financial institution. And, it provides financing and business assistance to small business, among other activities. To her left is Jim Hammersley. He's the Deputy Assistant Administrator at the Office of Policy and Strategic Planning in the U. S. Small Business Administration. He's responsible for evaluating the policy framework in the agency and also looking at developing some new programs. To his left is Don Graves. Don is the Deputy Assistant Secretary for Small Business, Housing, and Community Development at the U. S. Department of Treasury. And, he addresses a host of issues including small business to underserved and minority communities. Last but, certainly, not least is Javier Palomarez. He's the President and CEO of the U. S. Hispanic Chamber of Commerce. Now, this Chamber of Commerce represents, well over, three million Hispanic owned businesses. So, we'll, with our panel, I think we'll get a really great flavor of some of the challenges and opportunities that we have. So, as the chairman mentioned, and Sandy, the intent of this discussion is to really, to better understand the impediments of small business finance but, from the nonprofit and government sector. So, I'd like to just frame it by discussing a little bit about what we've learned so far, just to kind of kick things off. And, these are some comments that you'll find reflected in the Capstone draft document that we have. But, just to frame the discussion, I'd like to just pull out a few of the issues that came about. Obviously, they we're experiencing a higher demand for capital and credit. And the stress is on availability, whether or not that's real or perceived, certainly, has created a challenge for the profile of traditional borrowers. Programs including FBA and others may or may not be adequately addressing the needs of low and moderate income communities as well as rural communities, which we have not yet talked about, as well as minority communities. There is more demand for small dollar loans, especially for entrepreneurs. And, I think, it'll be interesting for the panel, for us to discuss what a small dollar loan is. I think that definition is changed somewhat. Some business types and industries have been completely shut out of small business credit. At least that's what we that was among some of the findings that was shared with us. The network of technical assistance providers needs to be better linked to a broader range of lenders. And lastly, Administrator Mills just spoke about this, there's a bigger demand for small business to do business with government whether or not it's local, state, or federal. So, we definitely want to explore some of those. So, the process will be very similar to what the previous panel was. I'll ask a question, and, I'll have the panelist respond, and then I'll open it up to the audience, and then, we'll move onto the next question. We want to do this in pretty rapid fire so that we can make sure to capture many comments. So, but, and, this comment is for both the panelists and for the audience. And that is, in addition to getting a better understanding of the challenges, we also want to focus on potential solutions so that, so that we have some information to move forward with. I'm assisted today by Ruth Clevenger who's my colleague from Cleveland. Now, Miami is in my district and Ruth is from Cleveland. So we won't go there, despite what you heard on ESPN. We're working together.

[Laughter] So, I'll ask my panelists to be brief and as well as the audience members. So, the first question I want to dive right into, and I'm going to ask Lesia if you can really respond to this. And, this has to do with coordination between traditional financial institutions and specialized small business credit and support service providers. I think you're well positioned to answer this. And this is, at the regional meetings, we heard a lot of comments that there is a need for stronger corroboration between traditional financial institutions and community development lenders and support service providers. For example, in some of the meeting, participants observed that better coordination between CDFI's and traditional lenders could help increase the number of qualified referrals to CDFIs. And, I think, the last discussion actually brought that out. Similarly, some meeting participants suggested that CDFI's and banks should do more to graduate qualified borrowers from one to the other. How would you characterize that level of coordination between traditional financial institutions and community development lenders and support service providers? And then secondly, really, in your view, what more can be done and, not only what more can be done, but also, by whom to facilitate coordination between traditional financial institutions and small business lenders and community development lenders and technical assistance providers? So, that's a mouthful.

Lesia Bates Moss: That's a mouthful. So, let me take a stab at, sort of, how I view the industry and how it operates today. And, I can speak about this from my lens because I actually have, I'm relatively new to the CDFI industry. Most of my background has been in the private sector. I've done a stint in government mostly around financial services. So, that is the linkage for me. And, I would describe the current construct as being uneven at best. I think that some CDFI's have done a phenomenal job of creating those kind of deep relationships with a few of the lenders. I think, where there is a gap is really not understanding, fully, what either side desires in the way of a productive relationship. And, I think, while we spend a lot of time having those conversations, they're best worked out, I have found, sitting in a room with a few people and actually going very deep into the discussion. So, for example, one of the things that we do at Seeco financial, in working with our bank partners, is that, we really understand what are the issues they're facing, not only from a CRA perspective, but is there real commitment to small businesses? And, we want there to be a two way dialogue and relationship in the sense that A, we want to understand the profile that they are seeking with respect to the businesses that they lend to. And, we heard a lot this morning about the lending criteria. Well, I was a former lender. So, for me, having those conversations are very, very critical because it helps to shape and inform our strategy in working and partnering with the business, with the banks that fund us, quite frankly. And so, I am very much in favor and encouraging those kinds of ongoing communications. Secondly, we spend a lot of time with our business owners. So, we know business, we know what the businesses need. And, we are in a unique position to communicate that back to our banks in a way that, perhaps, they may not fully appreciate and understand. So, when we talk about working with a borrower, you know, it's really beyond, well beyond, putting together financial statements and projections. And, we understand that. And, I also understand the dilemma that our banks face because they are in the business of generating volume. We are in the business of generating volume plus. And, that plus, around real technical assistance, is critically important to the success and viability of those businesses. And so, by that I mean there are a lot of resources, both government and otherwise, that are available for pre-loan financing. Where we have found the biggest gap is on the post-financing side. And, in order for businesses to grow and to be successful, you have, we, the businesses we work with, we know, need a very hands on high level set of tools to help them grow. And, it's not about inviting them in. It's about deploying resources out. Because, if you're a business owner and you're working 15, 18 hour days, you don't have time to show up at a forum or workshop. And so, we are committed to going out, deploying resources, and working very closely with those businesses. So, I would say it has to be ongoing consistent two way communication to better understand the needs and the desired outcomes on all fronts. And secondly, there has to be a willingness to partner and to develop those relationships in a manner that there is a value proposition for all parties because it has to be win, win. If it's not, it's just not going to work.

Todd Greene: Jim.

Jim Hammersley: Yeah, I just jump in there and say that I think that you are seeing a great deal more collaboration and coordination between CDFI's and traditional financial institutions just because of the nature of the economy. I think that you, we found that, as a result of problems with banks being able to lend to certain types of borrowers, that there's automatically this move to CDFI's. I think the CDFI fund, in particular, would welcome CDFI applicants who are applying for financial assistance and technical assistant awards that, as part of their application, they identified new mechanisms and ways to work together more closely with the financial institutions. But, I think, it's just the nature of the way things are going with the economy and in the marketplace that you will find a great deal more collaboration between the two.

Okay, you both referenced this higher level of collaboration. And, I know that there are a number of CDFI's in the room even from my district who, I know, are actually having to experience the same challenge. So, are there some practical ways that you feel like a relationship that, ships that you know have worked that might serve as models for us or for some of those CDFI's that may be looking to further enhance their relationships with their bankers?

Lesia Bates Moss: Sure. I think, you know, one relationship that we developed late last year with a large financial institution, there were, I think, it's gotten off to a great start in terms of really building a partnership. And, there's a mutual respect. One is that, while they play a role of funding partner, they have tremendous resources to bring to bear to assist us leveraging their own expertise. And, I think, that's critically important. You know, everyone sort of, once you know your lane and you know what your strengths are and being able to bring those resources, whether it's in the area of mentoring or whether it's in the area of providing sort of the train the trainer model. Because there are a lot, there's a lot of expertise resident in the financial institutions that I, I would love to see the CDFI's also take more advantage of. So, we have established, you know, regular communication meetings with the various staff but also meeting around issues of the businesses that we are serving, we've now been able to develop some customized either whether it's workshops or whether it's seminars that are very topically timely right now. Particularly around, not only accessing credit but also having to do more with, you know, cash flow management, marketing, all of those kinds of services and actually being able to do those things onsite. Because, we work with banks that have branch locations and those that don't. So, those that have branch locations have found it extraordinarily helpful that when we come into their branches we can meet their customers, that they have, in fact, have declined loans. And now, they can introduce us as a partner. So, those kinds of activities are going on a very frequent basis. The other thing that we have found that works is, again, we feel a niche. And so, we're always looking at, if a bank doesn't lend to a particular industry, is this something that is important to the bank? We want to develop a solution to that because that's created a gap in the marketplace. So, we think that their, again, I can't stress enough, sometimes it's just going back to basics. If you don't really understand, you know, the old principle of know your customer, we view our bank partners as our customers. We view our government partners as our customers and that we have a responsibility to know our customers as well as we know our businesses.

Okay, I actually have a quick follow up to that. And Lesia, or someone else, may be able to address that. And, you speak about knowing your customers. One of the findings that came out in a number of the meetings was that the customer is changing. So, the traditional bank customer may be a CDFI customer or CDC or whatever. We had a discussion just recently in our bank with a micro enterprise fund. And now, they're seeing a new set of customers that they would have not formerly seen. So, is that, are you experiencing that or is that pretty pervasive? And then, what happens with that relationship? So, that's kind of, in today's environment, but how does that change? And, does that create tension between a CDFI fund and a bank around a customer?

Lesia Bates Moss: Increasingly we are definitely seeing more demand from customers that, quite frankly, we otherwise would not have been lending to. And it is, it is a trickledown effect. It is causing us to also think very hard about our traditional base. Because, at the end of the day, we do think it's important to maximize the payment recovery on our loans. We want to make good loans. At the same time, we have a mission. And, our mission is to foster local economic development in the communities that have, traditionally, been, not have been served. And so, it is a tension, there's no question about it. But, I think, it raises a bigger issue. Because, in this economic crisis, and, I think, we all have experienced it, this is every business has suffered over the last two years. And, what we have found is that, while our primary focus is on low income and underserved markets, there is such a growing demand for other services, for other types of borrows that is not being filled by any source right now. And so, we are trying to balance that. More than 80% of the lending that we do focuses on low income and underserved communities. But, we also are cognitive of the fact that a lot of small businesses hire from low income and underserved communities. And, we think that it's important to also provide financing and lending services to them to the extent that we can.

Okay, thank you.

Todd Greene: Well before I move on to the next questions, I'd like to ask the audience if they have any comments regarding any of the, what the panelists have said. Well, I know there are some CDFI's in the room that I hear from all of the time. So, here's your opportunity.

Todd, if I could just add just a bit on that. I know that there are that there are a number of folks in the room and the CDFI industry that are very focused on these issues. And, in fact, I think there are a number of examples of wonderful collaborations between industry and banks. You know, I could, I could point out my friend Frank Altman at the Community Reinvestment Fund who has long time expertise and experience in working very closely with banks. But, you know, I think there are industry groups like Opportunity Finance Network and the Community

Development Bankers Association that have engaged in these direct types of discussions trying to figure out ways that they can better serve their own mission of responding to the needs to low income communities but also working closely with financial institutions. And, I think that, you'll find, if I can steal from what Administrator Mills said earlier, that, stay tuned because the Treasury and the CDFI fund are also going to be working very closely with both banks and traditional CDFI's to try and find new ways that we can strengthen those relationships.

Todd Greene: Thank you. Here and then here and then back there maybe won't forget about this side.

Ron Frasier: My name is Ron Frasier. I'm the chairman of BAC Fund Incorporation which is a CDFI multi bank, multi bank CDC out of Miami, Florida. I'm also a practicing architect for 40 years. So, I've been a small business and run the gamut of everything that's been talked about in this conference. But I, my question, or comment is twofold. One is characterization. We often hear about Wall Street and Main Street. But, you know, there are a lot of supporting businesses that are on side streets and back streets. And, I'm afraid, in our conversation, these businesses are falling through the cracks because they're very small and they don't reach the limiting thresholds or the profiles that a lot of banks look for. They don't come on the radar screen. But, my big question is this. My understanding is that CDFI's came into being because they could mitigate circumstances and issues that banks could not in making loans. But, when it turns around for the refunding, those very same banks and financial institutions put on their banking eyes and they don't take into consideration those mitigation factors when they're review those portfolios. Therefore, you have a catch 22 on that. They say well, look at these loans that you did. Yeah well, look at the mitigating factors and the underwriting criteria that you institutions helped put together for us because you couldn't do it. And, I think, these are some things that are hindering CDFI's from getting refunded. So, I'd like to see how they can respond to that second one. The first one is [inaudible].

Lesia Bates Moss: So, let me take a stab. So, a couple of things, one, I think we all realize that the CDFI's probably, in my opinion, play the most catalytic role in economic development. We are the bridge. We are the link. And, you're absolutely right that the pressures are flowing down in many ways. And, I would say to you, in response to sort of where we're lending, that is why we, our board for Seeco Financial, remains very, very focused on making sure that those small businesses don't fall through the cracks. But, there is a continuum of credit even in the CDFI industry. So, when we talk about CDFI, we have CDFI's that provide 500 dollars up to 3,000 dollars. We have CDFI's that provide financing from 5,000 dollars to 50,000 and then there's the 50,000 to 250, which is where Seeco Financial operates. We think one way to sort of help ameliorate the situation is to invest alongside CDFI's who have a business model to make smaller investments so that we can spread the wealth, one. Two, we continue to support the efforts and activities of treasure in the CDFI fund by meeting with our elected officials and others to drive the point home of how important a funding source the CDFI fund is to help us carryout the work that we do. But, we all know that we don't have enough resources to meet all the demands that are being placed upon us. And so, we have to, I think, become more creative and innovative, and bring these issues to the forefront. I've been very pleased to see the level of attention that we, as an industry, are getting because people, I think, are recognizing that we have filled a very important role during this economic crisis. And that we really do not only know the communities in which we're serving, but that, we have been adding to your point 25 years or more. And so, we get it. And those dialogue, that dialogue has to continue and the advocacy around it has to continue. From the lending perspective, in terms of banks re-upping, just in the short time that I have been in my role, I can tell you that CDFI lending sits in different places depending on what bank you are raising your money from. And, for many of them, you really now have, the industry has become, much more of a commodity. And so, yes, they're underwriting criteria that have to be met, if you're being funding out of the commercial division within a bank. Some banks will keep it in community development and where there's a greater appreciation. And, that's why, when I would go back to the point that I made earlier that, unfortunately, I think we do have to really understand, sort of, from the bank's perspective how do we, how do we stack up relative to the other CDFI's or the portfolio because they are out there making decisions every day. And so, the way we respond to that is execute, execute, execute. Because, we know, at the end of the day, the more we can deploy that capital and work with the businesses that we know are contributing to the viability of our economy both locally and nationally, that performance matters. And so, I think that that's vitally important.

Todd Greene: Okay, just one more quick comment if you could keep things quickly moving please, right here, this gentleman. And we'll have our next question and we'll make sure to capture everyone's questions as we go along.

[Inaudible] I'll try to be quick, Leisa thank you very much. I'm with the [inaudible] VDC in Los Angeles. And, as it, you speak well to what our challenges have been. And, at VDC in Los Angeles, and you can see from the earlier map that was said, it showed California at the center of this crisis. One of the things we have been actually, besides incredible partnership that we have in the Small Business Administration, and frankly I think, SBA's bore the brunt of the small business issue for the past two years. And, I hope congress does, in fact, pass continuation on the fees because we are both the CDC and SBA 7A lender to our credit union. But on the continuing challenge, but beyond the SBA there has been, I think, insufficient recognition by the Federal Government to small business lending by CDFI's. The fact is, is that, most CDFI's across this country have been involved in many other things but small business lending from affordable housing to multifamily housing community. And, those are all important things. But, they don't address the current credit crisis. And the fact is, is it's been very, insufficient CDFI support and treasury support to small business lending activities among CDFI's. And so, you know, the fact is, is that, I think it speaks very clearly that, we are a catalyst. We're not going to replace lost bank dollars. We're not going to replace that. When a bank moves away from small business lending, we can't even begin to take their place. But, the fact is, is that, we can be a catalyst in communities. We can fill the gap. We can be that link. And, we can cause there to be additional resources in those communities. And so, again, I would encourage, I would encourage to see that we recognize the small business lending by itself is not be all end all CDFI's. It needs to be focused on singled early.

Todd Greene: Okay thank you for your comment. I'm going to move onto the next question. And, we noted, in our discussion, from panel one, and this, we heard comments from lots of meeting participants from all over really about some of the challenges specific to some of the SBA programs. And, we also heard lots of great things. So, when they work well, they really work well. And sometimes, when they don't, I know that that can be the source of frustration. And, there's been differences around geography, around utilization and etcetera. But, Jim, I wanted to ask you, in your view, what are some of the key barriers that have reduced the effectiveness of the SBA Guarantee Program? And then, what are the top two to three things that can be done and by whom to improve their effectiveness? That's really the first part of my question. And then, the second part is, and this has to do with one of the suggestions that we heard in the meetings, is to give these CDFI loan funds greater access to making guaranteed loans under the SBA program, guarantee programs. And, what is your view on this idea? And, what steps are needed in order to effectuate this and who needs to take those steps?

Jim Hammersley: Okay, well thank you. I want to thank the FED for the invitation to participate today, Todd. And thank you for also saying we do good things.

[Laughter] But, let me give a short and long term answer to your question. And the short term answer, and sort of not to flog an issue. But, if you look at a graph of our production lately, it looks like the tooth of the saw. When we have money to pay the fee waivers and so on, line goes up, stops, it goes down. It goes up down up down. And, one of the bankers mentioned earlier that that's difficult to manage in the banking side. And, believe me we understand that. It's also a bit of a challenge on the government side. And so, resolving that issue, I think, would be a good first step in improving how the program's doing today compared to, say, three to six weeks ago. But, just to put a little more perspective around that, you know, our volume this year in dollars, because of the money for the fee waivers and the guarantee which, Mrs. Mills mentioned, is not a lot of money relative to the volume of lending it's generated. It's up 74% this time over last, over this time last year. So, you can see a very distinct cause and effect relationship. It's really very easy to graph and it matches right up any sort of statistical test you want to run, it's going to be there. But, the other thing that, I think, really hasn't been focused on is the volume this year with the help of the stimulus money, is about ten percent over the 2008 volume. So, it's not just what we've compared it to a very poor performing year and we look great this year. It's to the last year where things were the way whatever the old normal was, we're ten percent ahead of that. So, I think that, in the short term, getting adequate funding for that is a key step. Looking a little bit longer term, there are a couple of things. The issue of complexity has been raised. And, I would be the first to admit that we've got some complexities in our programs that are not going to be part of conventional bank lending. For example, we require a name check, a character check. It's in our statute. And, I think, as tax payers, none of us want the government supporting loans to people that are not of good character. I'm not sitting here saying that your customers are not of good character. I'm just saying we have a little bit extra step to go through that a conventional lender might not do. The other things, you know, silly as it might sound, but you have to determine that a business is, in fact, small to be eligible for small business lending. And, most bankers, when a customer walks in, they don't ask themselves that question, is this customer big or small. Maybe it depends on how much money they're looking for, whether they talk to this unit within the bank or that unit within the bank. But, nobody has to pull out 13 CFR 121 and look at any number of NAICS codes and start figuring out whether a borrower's big or small. There's other issues too, whether the loan proceeds meet our criteria. We recognize that complexity is out there. And so, what we need to do is make an effort to determine whether technology can step in or whether some of these issues can be simplified in other means. And, one of the other issues we've been dealing with, quite frankly, is the reputation on our guarantee. A couple of years ago, we made a change to the process. And, as occasionally happens when there's a change, the change did not go as well as we had hoped. And, it was taking up to 270 days for us to pay on a guarantee. Well, if you're a banker, you don't want to hear that you're going to have to wait nine months to get paid. Now, we have solved that problem. And, most of the payments are made under 30 days. The bulk of claims are handled very quickly, very professionally, very expeditiously. But, anyone that's dealt with reputational issues in the room knows that it's easy to lose a good reputation and very hard to get it back. And so, we're still kind of in the getting it back category. The other issue that we deal with on a regular basis is just the information issue. And, a classic case was today's Sam's Club announcement, yesterday's Sam's Club announcement. I'm not going to ask for a show of hands. But, I know, more than one person thought the SBA and Sam's Club were partnering for something. Well, in fact, one of our lenders and Sam's Club are partnering. And, I think that's a great thing. But, the point of that is, is the information gets out there and it's easily misunderstood. And so, you know, we need to deal with that and get our story out to lenders. Now, to the next part of your question, what are the action item that we can do to start moving forward on that? I think some of them kind of jump out at you from the question. But Administrator Mills, one of the first things she did that, when she came on board was that she created something aptly titled the Simplicity Task Force, or Simplification Task Force, I'm sorry. And, you know, she's a very straightforward manager. You have a problem, you attack the problem head on. And so, what we did was, our Office of Field Operations pulled our staff to look for suggestions. And, these are folks that, in many cases, made SBA loans either in [inaudible] with a bank when we process loans in the field. But, we talk to our customer base every day, not only the borrowers but also the lenders. They had lots of good suggestions on how to make the process simpler. So, we've split the suggestions into kind of a short medium and long term goal. And, Mrs. Mills has said listen we're in this for the long term. So, give me a plan for each of those. I want to see the long term as well as the short term goals addressed. So, we're moving forward on that. We're also, like a lot of folks, striving to provide a more consistent direction. I mean, more than one of the bankers earlier said, sort of, just, these are my words, tell me what you want me to do. So, we have, a couple of years ago, we rewrote our loan guidance on processing and we made a commitment with the industry to, within reason, only update it once a year rather than changing it on a random basis. I've occasionally mentioned, in speeches that, under our old system, you had to wake up every morning and ask yourself the question did SBA change anything yesterday. I'm betting that's not the first thing you think about every morning. And so, borrowing some sort of major issue, we've made a commitment to our industry to just update the guidance once a year, you know, unless something comes up. We're working on the guidance on liquidation and servicing to be set in the same mode. So again, to get to the consistency issue, ease of use and learning an issue. We need to continue with our outreach efforts. And, we have, actually, stepped them up in the last several months. We did a presentation with the folks here at the Federal Reserve aimed at their field examiners. And, their mission, their interest in this was to get information to their examiners about the SBA program so that, when they see SBA loans on the books of the banks, they can get a better understanding of what they're looking at. Our interest was, and we were very straightforward about this to the field examination staff, is that, if you see a bank that you can see where they're dropping some of their customers because the customer's credit has become a little bit of challenge, whatever issue there is, think about using the SBA program to keep that customer going forward. Again, we don't typically think a field examiner's an outreach, outreach group, but they're right there in the bank and a good source of information. We've also been working with the Office of Comptroller of the Currency. Some of you probably met Berry [inaudible] here earlier. Berry's staff has been very helpful in putting out information to the national banks which has been picked up all over the place on both of our 7A and 504 programs. Again, they're trying to get the word out because, even though banks are fairly stable, you know, people know banks have been around a hundred years, the workforce in any industry changes regularly. So, we may bet someone trained and they do a good job in the SBA program and they get promoted. And then, we start over training another person. There's a couple of other issues that Administrator Mills mentioned that I'll just touch on ever so briefly is raising the loan size. Large companies are big job generators. If any of you saw the articles in Business Week last week about that, there were some interesting articles about manufacturing and creating manufacturing jobs and that the higher ceiling would be good for that. The Administrator also mentioned the ability to temporarily refinance real estate loans that are out there. Every banker in this room has real estate loans in their portfolio that were made three years ago, four years ago, five years ago and have a reset coming up. And the collateral isn't worth what it was before. And so, that puts you in a, puts you in a dilemma. And then finally, on this particular issue, we are looking at how to use technology as efficiently as possible. In a perfect world, and we don't live in this world, but, in a perfect world, I, as a commercial loan officer in a bank, would be able to go on a web application and just work my way through it. And, at the end of the application, you know, the credit skills would be the banks. But, coming out of this would be an SBA loan authorization that met the criteria. We have looked at that. There's work going on it. There's some outside work being done on it. we would never be able to do something that we get 100% just because, in the gray area of the five percent of borrowers that are always a little bit on the line, the number of questions you'd have in the web app would put anyone to sleep. But, that said, we should be able to get 50, 60, 70% of small businesses taken care of. So that's kind of the summary on that issue. To get to the CDFI issue, that is something that we have a very great interest in. I mean, clearly, the CDFI's reach a constituent base that melds tremendously with our mission. And so, we've had some initial conversations with that. We've done, actually on that issue, we've done internal research on the issue. And, to echo Don's comment a minute ago, stay tuned on this one. Because we see a lot of, to use the old phrase, a lot of synergy here between the goals of a lot of us on this platform and others in terms of getting financial services to those folks that haven't necessarily traditionally been able to access the private banking community.

Okay, I want to dig a little deeper on this whole issue around gaps and credit gaps. I know you mentioned that you guys have this jagged edge based upon your funding. And Don, this really is a question I'd like you to take a stab at. And, at the regional meetings, we heard from meeting participants that demand for credit worthy small business borrowers still exceeds available lending capital for certain types of loans. Where credit gaps exist such as working capital lines of credit and loans of less than 200,000 dollars and that was a really big issue. Startup capital and patient capital to assist with financing equipment and other large purchases, still, we heard pretty consistently that there are major gaps in that area. But, what do you believe are the key credit gaps for credit worthy small businesses and what steps can be taken and by whom to make additional capital available to help close some of these gaps? I know that's a big question. And then, the second part of that would be, in particular, what additional steps should be taken to help the demand for small business capital on the part of nonprofits and non-regulated CDFI's and others who are attempting to play in this space?

Don Graves: Sure, I think what the Federal Reserve is hearing is the same thing that we've been hearing and that folks all around this room and around the country are hearing; that, there are real, there's significant credit gaps for small businesses, for underserved communities, for mainstream communities. You know, we've just gone through the, taking the largest economic hit this country has seen in more than 60 years. So, we're seeing the problems, the gaps in working capital, the lines of credit, small business loans, the start up in patient capital and so on. In addition, one thing that you didn't mention, and, I think, people around the country are beginning to see are the problems with commercial real estate loans. There are some balloon notes coming due, you know, pretty soon at the same time that real estate values and business revenues are coming down. So, that's another issue that we've been paying attention to. The administration and Treasury in particular have been very focused on trying to find ways to one stabilize the financial markets and insure that our system is able to meet the credit needs of the country going forward. And, I think that with the Capital Purchase Program as part of the TARP and the other recovery act programs, we actually have gotten to the point where we've stabilized the economy and we're beginning to see the signs of growth. That said, as Administrator Mills mentioned, we have several proposals that we believe will help to drive the, will help to get at those credit gaps that we've been seeing around the country. And, Treasury's been looking at this through a, sort of, a multifaceted approach. One is the president's, the president's proposals for small business lending. First would be the Small Business Lending Fund, which Administrator Mills mentioned is a 30 billion dollar proposal to provide capital to small and community banks around the country. These banks are, if you look at the average community bank, 70% of their lending portfolio goes to these types of businesses. They're small loans under a million dollars. So, these are the right banks to stabilize. And, we expect that, with the incentives that are part of that program, we'll see a great deal of lending to small businesses as a result. The proposal's been supported by the Independent Community Bankers Association, the National Bankers Association, the Conference of State Banking Supervisors and so on and so forth. So, we believe that that proposal, in itself, will be, will go a long way to meeting the needs of communities. And, in fact, not only is it separate from TARP, but over the long term, well over the relatively short term, I guess, over ten years, It'll save the American tax payer over a billion dollars. So, it'll increase lending and save money for the American tax payer. A second proposal that's part of the small business legislation that the administrator did not mention but the administration is very focused on passage is a two billion dollar state option. The State Small Business Credit Initiative will provide two billion dollars in direct grants for state innovative credit programs. There are a great deal of innovative programs around the country that have been very successful. But, because of the fiscal problems that a lot of the states have been facing over the past year or so, they're not able to continue to fund those innovative successful programs. What the president has proposed is providing direct grants to those states so that they can continue to strengthen and support those very successful programs. As part of that program, we are requiring a match or we're requiring that each of those programs leverage ten dollars for every, ten dollars in private lending for every one dollar of federal contributions. So, with two billion dollars, you would expect that at minimum those programs would provide 20 billion dollars worth of lending to small businesses. Just to take an example of what those types of programs can support, capital access programs, which nearly 30 states in the country are operating right now, are able to, we've seen historically, have been very successful in getting at those parts of the marketplace that a lot of the traditional conventional institutions have not been able to get at. And, in fact, they've been very successful in leveraging those small amounts of state funds into increase lending somewhere between 20 and 30 to one depending on the state. So, we expected that those programs will go a long way to getting at the credit needs of communities. One other part of the Small Business Lending Fund that gets at the issue raised by the gentleman from California just a moment ago is that the, I think, that both the House and Senate versions of the bill have a provision providing for about 300 million dollars in support for CDFI loan funds. And, we expect that that will also go a long way in helping CDFI's meet the needs of these underserved communities. While I'm on that, I also want to say that, the administration and Treasury are very supportive of the work that CDFI's do in getting at the needs of those underserved communities. In fact, the president's budget for FY10 and FY11 have an increase of about 130% over what we saw in the previous administration. So, that's about a 250 million dollar budget for the CDFI fund. And, in fact, in 2009, 2010 there were about 275 million dollars in financial and technical assistance awards which was more than the six years combined in the previous administration. So, we believe that there are a number of ways that we can support meeting the credit needs of many of these communities. And, the last thing that I'll touch on is something that, it was a question that was asked of the Administrator during her speech was around new market tax credit program. Treasury is working very closely with the IRS and other friends both in the administration and in communities to try and find ways to revamp regulations so that the New Market Tax Credit Program will actually meet the needs of small businesses. We know that it's been a problem in the past to utilize New Market Tax Credit the way that the investments work, the lifecycle of those investments don't necessarily meet up with the seven year term of the New Markets Tax Credit. So, we are working very closely with IRS to try and change those rules that they work for communities.

Okay, I actually want to flip the coin just a moment on what you've just discussed to ask you a little bit about another issue that we heard in our meetings. And, that has to do with CDFI capacity, that, even if these programs were initiated tomorrow, for example, because of economic conditions and layoffs of staff and then basic capacity that exists that may have existed anyway, what are your perceptions around CDFI capacity because, we are hearing mixed stories? In some communities they're saying that we have plenty of capacity, we just need more money. And then, others are saying that we lack the technical capacity in order to get this money out on the street. And particularly and the most vulnerable communities is that, are we hearing that. So, I wanted to get your perceptions on that.

Javier Palomarez: Can I, can I make a comment? My name's Javier Palomarez. And, I represent the United States Hispanic Chamber of Commerce. And, I'm sure, most of you know the three agencies that are here with us. But, in case you don't know about our organization, we represent about three million Hispanic home businesses in the United States and Puerto Rico. And, they run the gamut from virtual startups to multibillion dollars in revenue every year. We advocate on behalf of these businesses and we do so through a network of about 210 chambers throughout the United States. First of all, I'd like to acknowledge the Federal Reserve and thank you for the effort. I'd like to acknowledge and thank the SBA not only for the effort but for the results, the innovative approach the SBA has taken and what you've done to help America's small businesses is very much appreciated. And, specifically Administrator Mills and her no nonsense way of attacking the issue or the issues. And her commitment to stay focused on the communities of need is heartfelt and we very much appreciate. I would say that we've talked quite a bit about CDFI's. And while I think that, certainly, I agree with Miss Bates Moss that CDFI's are very much the fabric of the communities they serve. And, perhaps, no other institution out there understands the needs of small businesses because they're part of that community, they understand the issues, the challenges. And, often times, they're not only the administrator of the loan, but become the business consultant on an ongoing basis. And, if the business makes it, often times, it's because the CDFI held their hand. And, I commend that. That said, I would say that, of about the 800 CDFI's in this country, there's only three that are Hispanic based or

Hispanic backed or managed by Hispanics. And yet, when you look at the growth of small business in America, Hispanic small business outpaces all others at a rate of about four to one. And, when you look at women owned Hispanic businesses, they outpace the rate of growth and startup at a rate of about six to one. So, there's a huge gap in the Hispanic community as it relates to the needs for Hispanic owned, managed, and focused CDFI's. And, I hope that somebody can help the United States Hispanic Chamber of Commerce to ease that need. I would say that the SBA programs have been unbelievably effective. And, we thank the SBA for their efforts. By way of example, just one very concrete example, in El Paso Texas, of all places, there is a women's border business center that is run there by our local chamber. That business center, that women's business center has been the highest performing women's business center in the country for the last ten years. And, when I called their leader, Cindy Ramos Davidson, who has been running that chamber for some time, and ask her of all places why El Paso. I mean, New York certainly has women in businesses so does San Francisco and LA and so many other metropolitan areas. And she boiled it down to a few things. She said it was the communication, the coordination, and the consultation she gets from the CDFI's there and from the SBA. And she said that, in the last 12 months, it's gotten even better. So, as it relates to what's going on in the marketplace, we are practitioners. We're not in administration. We're not a group that theorizes in this stuff. We see it every day. In fact, I'll be on the phone today with about 14 other chambers to talk about the challenges we're facing. All of that to tell you that we very much appreciate the opportunity to participate, but, we hope that this group will take a keen interest in the needs of the American Hispanic owned businesses throughout the United States.

Todd Greene: Okay, thank you. Well, I know, a number of you came up to me over the break. And I try to get in your questions as best as we could. But, I'd like to hear from the audience with respect to questions or comments with the panelists. So, why don't we start with you?

[Silence]

Selma Taylor: Good afternoon. Thank you for your comments. Selma Taylor I'm Executive Director of CARAT, California Resources and training. My question has to do with technical assistance. And, I think that, in this era, there's a new, a role for technical assistance. The profiles of the businesses are different and the profile of lending is different. And so, I'm trying to find out who is funding technical assistance. I know that there are lenders who fund loan pools but they don't fund the technical assistance. So, can anyone respond to that?

I'll Take brief briefly answer some of it. That's a big question.

[Laughter]

Lesia Bates Moss: Well, this is like finding a needle in the haystack in this market environment. Let me just put it like that. When you think about our funding model, which is loan capital, loan loss reserve and operating support. And very little attention is being focused on the technical assistance viewpoint. And, I think, what has resulted is that most of the focus has been on the small business development centers which have been, obviously, a tremendous asset. And, a lot of municipalities have their own. So, a lot of them are government funded. And so, what has been happening is that, I think, the CDFI's have primarily just been sort of, either participating in those directly or just partnering and collaborating with those institutions. We were very fortunate, in 2009, to launch a very important partnership with Goldman Sachs. And, in that regard, they have been very supportive of post-loan financing assistance being provided to businesses. We also are seeing more interest by some foundations in this area. But, I think, to your point about really thinking about this differently than the way we have in the past is really important. Businesses, I can't tell you some of the heartfelt stories that I get from businesses. They want the help. They need the help. But, what they're also saying to us is that, okay, you've shown me how to package and get a loan. But now, I'm running into problems. How do I, how do I manage my business in this kind of economic environment? And, quite frankly, some of the borrowers have even gone as far as saying, to us, we will fund it because they really need it that badly. And so, we are constantly out making, driving the point home that post-financing assistance, that hands on, that's, you know, when I run into problems, we, what we didn't hear about is sort of how do you help the business. So, for example, yes we know that these, a lot of our businesses have not had cash flows in the last two years, right. Well, we've never really looked at historical cash flows from where we sit. It's always been on projected. While we implement those kinds of lending criteria, we are also cognizant of the fact that there is potential for that business. And so, what we will do is, we will structure those loans in a way that will help that borrower while, at the same time, minimize our exposure. First time borrow with us, you know, got a great business model, you've got that contract in hand or purchase order. So, I can't put all of the money out the door to you upfront. But, what I will do is, you know, if you meet the criteria, we can finance you, make the commitment for 100,000 for example. But, maybe, what we do is we disperse on a quarterly basis to see what your track record is and work with you in terms of repayment. The minute that we find that there's a problem, then we're on the phone with you trying to figure out what's going on. And, if we have to restructure, it gives us both ample time to do that. So, who's funding it? On the post-financing side there's very, we have seen very little way in funding. What we are hoping is that some of our government resources can be shifted to real, to do more post-loan financing support. But, we are also looking to our foundation partners. We're looking to our bank funders. And, we also want the borrowers to participate in this. Because, at the end of the day, you know, and my staff knows I always make this comment, if you feed a man a fish, he'll eat for a day. If you teach him, heal eat for a lifetime. So, we are very much about giving our businesses a hand up and want them to participate in this process. Because, at the end of the day, we can do all of this. But, if they don't, if they don't take this and then move it to the next level, then, we have failed. And so, we're looking at models where everybody has to have some skin in the game. And, by the way, there are a lot of vendors and consultants and professional service providers out there who are graciously contributing some of their time pro bono. So, that's why I said having a model where everyone is participating, I think, is the best model long term.

[Inaudible].

Todd, if I could piggyback on that. Again, Miss Moss Greene, I couldn't agree more, Bates Moss, I couldn't agree more.

Lesia Bates Moss: That's okay.

[Laughter]

I don't know what happened there.

[Laughter]

But, and it's funny you mentioned Goldman Sachs, because I said on the advisory panel for the 10,000 small businesses initiative, along with Chairman and CEO Lloyd Blankfein and Warren Buffett. The 10,000 small businesses initiative, I would encourage you to look into it, is an initiative where Goldman Sachs is dedicating 500 million dollars that they are investing directly into America's small businesses and communities of need. And, to the extent that it makes the funding available in and of itself at a time like this where the cutting through the red tape is phenomenal. But, above and beyond that, to your point, they focus as well on the post-funding and the technical assistance that's needed by these small businesses. And they're working through local community colleges to administer that training. And, it runs the gamut from marketing to managing your financials to building a business plan to, you know, governments and business management. Those are critical needs of America's small businesses today. And, nobody is, I think, addressing that at a level at which this organization, Goldman Sachs, appears to be wanting to do so. It's a real model for innovative thinking and how you get at the heart of the issue at a time when it's needed the most. I'd encourage you to look into it.

Todd Greene: Okay, thank you and I know that we.

Todd, if I could just add one thing. I apologize for this. But this is just too good of a setup for SCORE. For those of you not familiar with SCORE, it goes by the acronym SCORE. It originally came about Service Core of Retired Executives. But, it is specifically designed, in effect, for this type of consulting. After someone has a loan anytime in the lifecycle of the business, the SCORE volunteers, typically, have experienced, in the line of work, a florist, a drycleaner, and in many cases can provide hands on experience based on their experience.

Todd Greene: Right it is a great program. And, I do want to get to as many questions as possible. So, I'm going to encourage both the audience member as well as the panelists to be brief so we can get to as many comments. And, I know, you've been waiting patiently.

Jean Horstman: Jean Horstman with Interise, can I also make a plug to the Immerging 200 Initiative which the SBA funds.

Absolutely.

Jean Horstman: And is, was, as ourselves at Interise, an inspiration for the Goldman Sachs initiative. My question is more a very quick fact. We charge. We believe it's skin in the game. And, we charge 3,000 dollars a year. People pay it, they finish, and they tell us it's too little. The problem is, what we actually cost for our program, and the SBA program costs the same, if it was fully charged, is about 8,000 dollars. And, there has to be some way in which that gap is made up. The entrepreneur can put skin in the game. But, we really do need some major corporations to step up and not create their own initiative and fund their own people to duplicate, but to really invest in the existing network of technical assistance providers specifically focused on the businesses creating the most jobs.

Todd Greene: I think [inaudible] with a question or comment over here.

Betsy Zeidman: I have.

Todd Greene: Okay, please.

[Silence]

Betsy Zeidman: Betsy Zeidman from the Milken Institute. And that, again, thank you these have been great discussions. It's interesting, you know, the first panel was about the private sector. The second panel was about the public sector. And, clearly, there's not enough money in the public sector to solve this problem. There's, definitely, not enough money in the nonprofit sector to solve this problem. And, there isn't enough, sort of, market mechanism in the private sector to do it because they'd be in there doing it and we wouldn't have to be spending our time here talking about it. so, well, the Milken Institute along with the Calvert Foundation, and colleague Gwen Sylvia's here and a number of groups have been working on an idea of a public private partnership that would marry a couple of the forces and enable the government to do what the government can do well which is provide some downside risk mitigation. Be an enabler to then enable the private sector to do what it does well which is make markets do markets. And so, if the government can help make markets works this is called the Entrepreneurial Impact Facility. And the idea is, it would be a type of a public private partnership that would direct money to funds that invest in high growth small businesses that are job creators that are particularly in sectors that where we have seen that there are market gaps. Environmental technologies and services, minority owned businesses, low income communities, healthy food, areas that are sustainable, high growth, contribute to the quality of the jobs and the quality of lifestyle, but also, have real market potential to have market growth. So, thinking about these types of things, I think, would be very helpful in thinking about this, as we start to think about solutions.

Todd Greene: Thank you. And, why don't we go over to that lady right there?

Toni Symonds: Hi, I'm Toni Symonds and I work for the California Legislature. I'm the policy consultant that does the access to capital and small business issues. It sounds like what we're talking about is moving from a case study best practice to really looking at a debt equity model, a modern debt equity model that reflects, really, a range of financial needs of businesses. So, what I'm wondering is a couple of things. I'm wondering is, how do we use the different resources that are in the room to not just meet the needs of small businesses as we get there, but, actually, start to categorize, collect the information to put this broader model in place? Because, part of the challenge is, of the woman that just spoke, that the fee may be 3,000 but her real costs are 8,000. Coming from a legislature who hates to pay administrative costs, even when we tell them, if you don't pay those costs you can't get your output. It seems that, if we had a broader model that kind of included all those things that we might be able to go after more of the public money because they would be able to talk about how many jobs did you create by providing this, you know, the supplemental between 3,000 and eight. So, the question again is how do we move forward to a more modern debt equity model in the same time we're actually trying to meet small business needs today?

male speaker: Part of the issue, I think, that you raise, it's a good point, is that, as Administrator Mills mentioned, specifically related to SBA, is the lack of information more broadly. And, I think that one of the things that the administration is in discussions right now on is doing a better job of mapping resources in communities, collecting the appropriate data to understand just the sorts of things that you're raising. That, you know, part of what we may be doing with one program is meeting the needs in a certain niche. But, there's another broader set of needs that, if we were able to fill that niche we'd actually be able to get to, you know, to leverage those resources, you know, by a number of multiples. So, I think it's, part of it is that and part of it is the types of things, you know, we've been having discussions with folks like Betsy and Wayne at Milken and Calvert and others to talk about ways to leverage the resources, leverage the Federal Governments resources, commitments, [inaudible] what have you to get investors from the private marketplace invested in those areas where there are real problems. And, we might be able to really jumpstart some things. So, I think that's a great point. And, I think it just highlights the need for better data collection and a better understanding of what's working and what's not working.

Todd Greene: Okay, I think there was a gentleman over there, two people over.

[Silence]

Victor Galloway: Good afternoon Victor Galloway with the North Carolina Institute of Minority Economic Development. I want to applaud the efforts by all the regulatory agencies as well of the CDFI's for the work. But, I'm very cautious about celebrating based on the data that we know. There has already been a credit gap, particularly in the underserved underutilized community before the crisis. And there is even a more credit gap now as well as access to capital. And in an issue that were talked about, I have a concern and I want to know what are the strategies to bring those community up to par whether it's the African American community or Hispanic community as well as with the funding that we're going to fund lenders who already had an issue with providing access to capital and credit to those communities in the first place. So, what strategies do we have in the current strategies that were talked about that will ensure transparency to make sure that the money's actually reaching the community equally and accessibly?

So, is this more of an equity question?

Victor Galloway: It's more of a access equally to credit and capital, not so much equity. We talked about it in the strategies as far as the small businesses lending fund to [inaudible] to small businesses as well as creating a program to reduce the credit gap. But there was a gap in unrealized and underserved communities before.

Sure.

Victor Galloway: And so, what I'm saying now is that, going forward with these new programs, what transparents are being put in place within the strategies to make sure that those gaps don't continue to widen?

Male speaker: I'll take, I'll take the first crack and maybe someone else will jump I as well. I think that you're exactly right. These gaps have existed for a lot longer than the folks on the panel have been working in our respective roles. And, I think, part of the answer, again, is understanding the reasons for those gaps. It's a little bit of an information issue when and where things have worked and where things have not worked. But, it's also, at least from the government perspective, it's a matter of using what we have in place already better. And not to put him, not to, not to put him in the wrong place at the wrong time, but, my colleague Dr. Ed

Montgomery with the White House Council on Auto Communities, that's a type of approach that the president and the administration are very focused on. Finding new ways to leverage existing programs around government and new programs to focus on the issues of specific communities that have been hard hit or hard, or even more hard hit as a result of the economic downturn. So, I think, it's a matter of us figuring out ways to better leverage our existing resources and not have. For instance, I'll just pick one thing that we are working on. CDFI's do not fully utilize the SBA's 504 and 7 8 programs. And that's something that, I think, will go a long way to getting at the needs of those hard hit underserved communities. And, it's not something that we've spent a lot of time on previously. But, it's something that this administration is very focused on doing. So, that's the type of approach that, I think, will be important. But, there's too much to do to just, as you said, to rest on our laurels and celebrate what we've already done. And, I think, having you and your colleagues from around the country and here in this room to continue to raise the issues of the problems facing underserved communities is vitally important.

Todd Greene: Okay, one more brief question or comment, Al.

[Silence]

Al: Thank you. My question is, it's a question of, I'd like to preface it by saying that my question is not race based. But, it's purely 100% economic based. And, the case in point, I'm from [inaudible] out of Florida based in Tampa. And, in Florida, in our urban centers, minorities account for only 42% of the population but only contribute less than five percent of the GDP, which obviously impacts our entire economy both regionally and nationally. Though, my questions are more geared toward shifting policy that would increase the GDP contribution of these immerging markets and market segments that would obviously allow them to consume at a greater rate, and IE, buy more cars, more homes, you know, go to restaurants etcetera, etcetera. The first one that actually has to do with the gentleman over there was eluding with regard to transparency. I would ask one of the panelists to talk about whether there are favor and think that overturning REG B that would require race and gender data to be reported by financial institutions would actually increase the accountability of these institutions by, obviously, increased transparency. In other words, we know who they're lending to. And two, which has indirectly to do with that, are you in favor of overturning or overhauling the CRA so that it is more job based and more small business lending based. In other words, you know, an old boss of mine used to tell me the best affordable housing project he ever seen was a good paying job. So, are you in favor of creating a little more capability in CRA where the banks get more credit for small business lending?

Todd Greene: Okay, great questions, brief answers.

I'll start with that since I have a little experience with that. SBA has collected race data for as long as I've been there which is quite a while. And, it's collected on a voluntary basis. But, the sample is large enough that, I think, that the data's very good. We use this data for marketing focusing and reaching out to specific communities, if we see an issue within a particular community. So, as far as running a government loan program, that's my area to speak to today here, is we've collected this information for a number of years and have found it very useful in targeting our marketing and other outreach efforts.

Todd Greene: Okay thanks.

I'll just follow up on the second part of that question. I think that, as most folks I this room probably know, the federal banking regulators are in the process of holding a series of hearings around the country on the Community Reinvestment Act and whether or not there is a need for reform or change in the program. So, I, yeah, I would, I don't mean to put you off on this. But, I think that we'd like to wait and hear what happens at these hearings hear from folks around the country. I think you're overall point is well taken that we need to find ways at getting at underlying economic growth first and foremost. And that's part of the reason that we've, not to harp on this, part of the reason that we've been, the president has proposed his Small Business Lending Fund and the State Small Business Credit Initiative and the other SBA programs. Because, I think, if we're able to get the economy going again, get small businesses moving, and employing people that in the end, all of our communities will expect, will see some growth.

Lesia Bates Moss: Just a couple of quick things because I want to make sure I just, sort of both of you, your points. You asked about, sort of, how do we ensure that there are efforts or steps being made to sort of close gaps going forward. A couple things, one, even with, and while I certainly am supportive of the Small Business Loan Fund and I think it's vitally important, I think a real piece that is missing from that is around supporting technical business assistance. I think the same exists within, you know, it's easy, relatively easy, quite frankly, to go raise bank, loan capital. It's very difficult to raise the operating money to support the work to improve the quality and the performance of the loans. So, what I would love to see, whether it's in CRA or some other mechanism, is that there will be more formal linkages where there is funding available for that. Because, but, I think, what gets to that is data. When I first came in, the first thing that I asked was how much does it cost to originate a loan. And while I don't have as fully fleshed out data as I'd like, I can tell you that when we did the analysis on our own portfolio, it's anywhere between 2,500 and 10,000 dollars a loan, and for a small loan. Now, we, when you heard all the conversation today earlier about automated credit scoring, well, you take out a huge part of that cost when you move to that model. But, we all know that we are manually underwriting these loans. So, that's probably on the low end. So, I think, data to even, is a starting point to even demonstrate what it costs, what those gaps are that we're talking about, and that this is where, I think, government, as the enabler, can be very instrumental in helping to close that gap with the resources that it has available as almost a backstop. And, I think, quite frankly, and we all would agree thank goodness for the CDFI fund because those, that financial and technical assistance war really serves as a backstop to what we do. Without it, this model would not work.

Todd Greene: Yeah, and I think that's a really good point. And we're going to get to the data. Sandy, go ahead please.

Sandy: Yeah, I'm sorry, I just wanted to answer the first part of Al's question about the REG B piece of it. the current legislation that's making its way through Congress includes provisions that would do exactly what you're talking about, would mandate the collection of small business data, race, gender data for small businesses. That is in the current regulatory reform legislation.

Todd Greene: Thanks Sandy for clarifying that. We're going to go into our speed round. And that is, I know this has been really hard with this panel but we're going to make it work.

[Laughter] And that is, based on your work with small business lending, what do you believe is the most promising one change that could be made? So, if you had a magic wand, what one change would you make? And, if you could just say what that change is and we can capture or imagine how that might work out. But, just, if you can share with us what that would be and who needs to make that change. And so, why don't we start with you Javier?

Javier Palomarez: Well, I would say that I would encourage the SBA and CDFI Fund to work together and allow CDFI's to make loans under the SBA guarantee program if I had to say one thing quickly.

Todd Greene: Okay, thank you.

Javier Palomarez: How'd I do?

Todd Greene: Great, perfect.

[Laughter]

Male speaker: Being a native Clevelander, I won't say that changing the Lebrons decision would make a difference in small business lending even though I would be for it.

Lesia Bates Moss: It's actually a huge difference in liability.

It might, that's true.

[Laughter] That's exactly right. I would, I would focus on the improvement of data collection and information because I think it'll have a profound impact on our ability to show that there's a value in investing in certain ways in communities.

Todd Greene: Thank you.

Robin [inaudible] mentioned a pendulum. I've never seen a pendulum swing too far and then just go right back to the middle. So, anything that encourages banks to lend to small businesses which would include the SBLF funding the fee waivers and so on, anything like that, I think we need to jumpstart lending.

Todd Greene: Thank you.

[Laughter] I know I'm over the balance of my time.

[Laughter]

Lesia Bates Moss: I would certainly expand capital, available capital in the three areas that we talked about, not only affordable and flexible funding, financing terms for us as an industry, but really having the associated financial support to deliver high quality technical assistance so that we can actually become self-sustaining as an industry.

Todd Greene: Okay, thank you panel. Please join me in thanking our great panel.

[Applause]