Entrepreneurship and the Hispanic Community

Javier Palomarez
President & CEO
U.S. Hispanic Chamber of Commerce

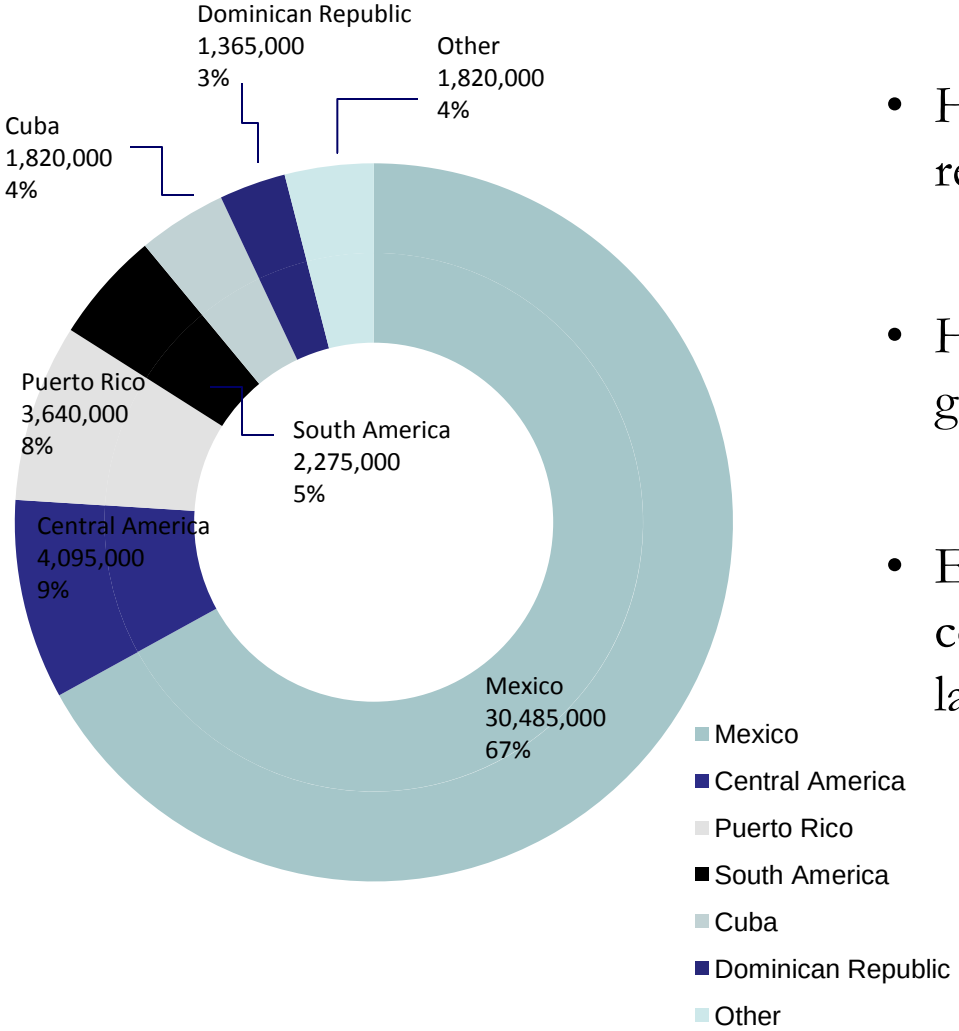
Entrepreneurship and the Hispanic Community: Challenges

- Access to capital is the greatest challenge our entrepreneurs face

- Tighter bank underwriting standards and resource constraints on lending are top reasons why the supply of credit to our businesses has been stifled

- Both issues were highlighted by the results of the Federal Reserve System Series regarding small business financing

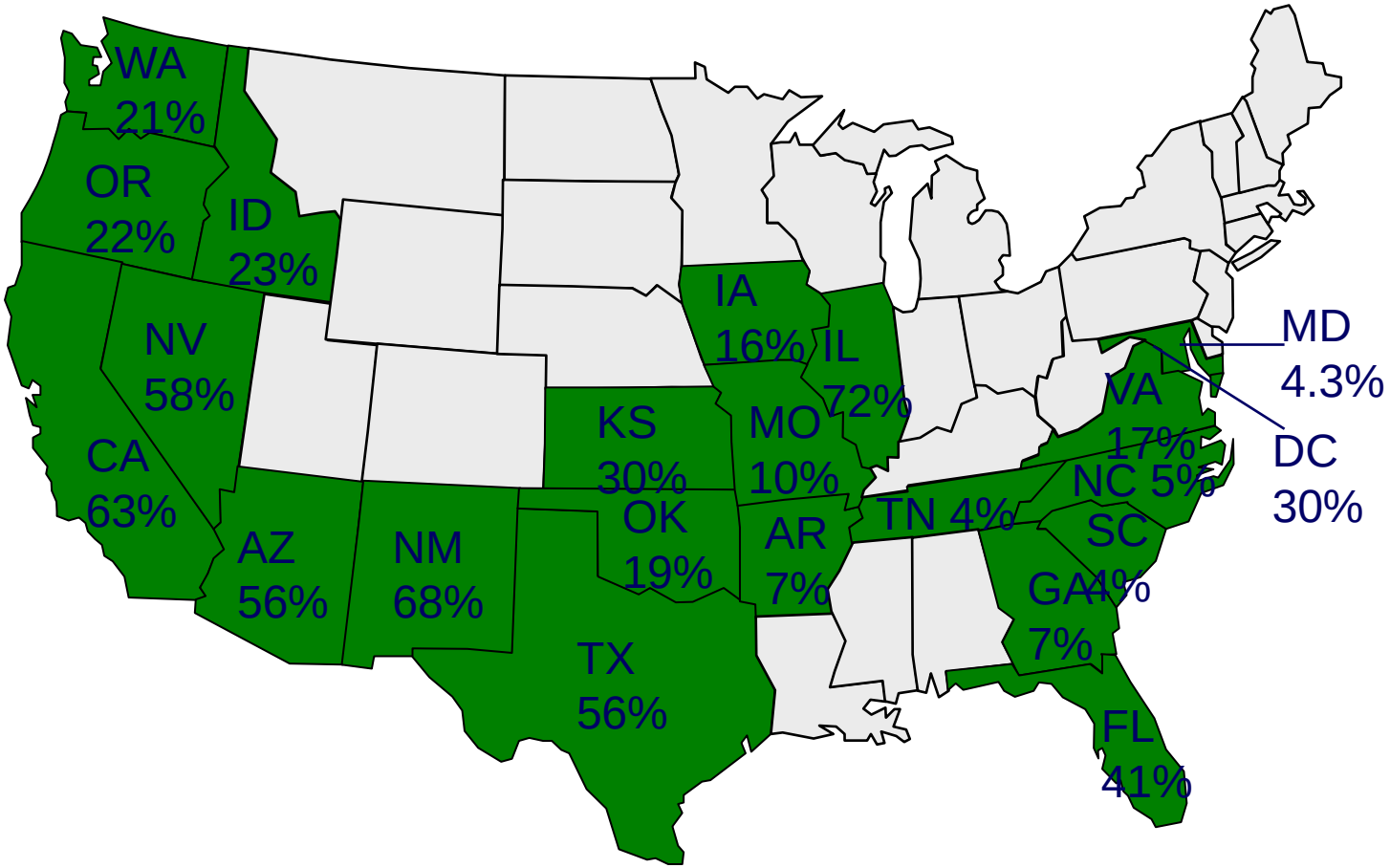
Overview of the Hispanic Community



- Hispanics now largest ethnic group, representing 15% of total population
- Hispanic population growth outpacing general market at rate of 3 to 1
- Easily targeted due to geographic concentration, common religion and language

Source: 2000 US Census Bureau

Population Growth Coming From Hispanics



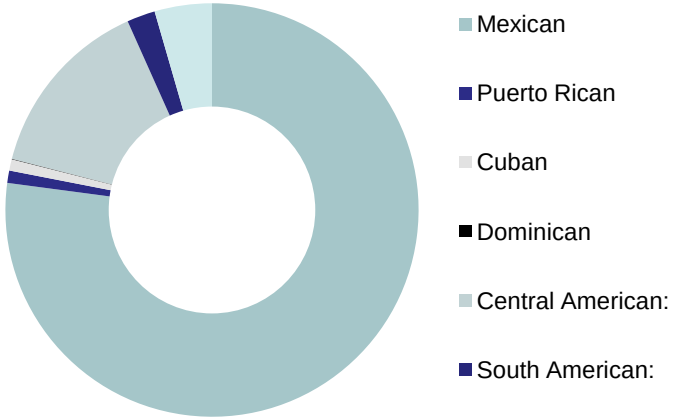
60% of the growth in key states over the next 10 years will come from Hispanics

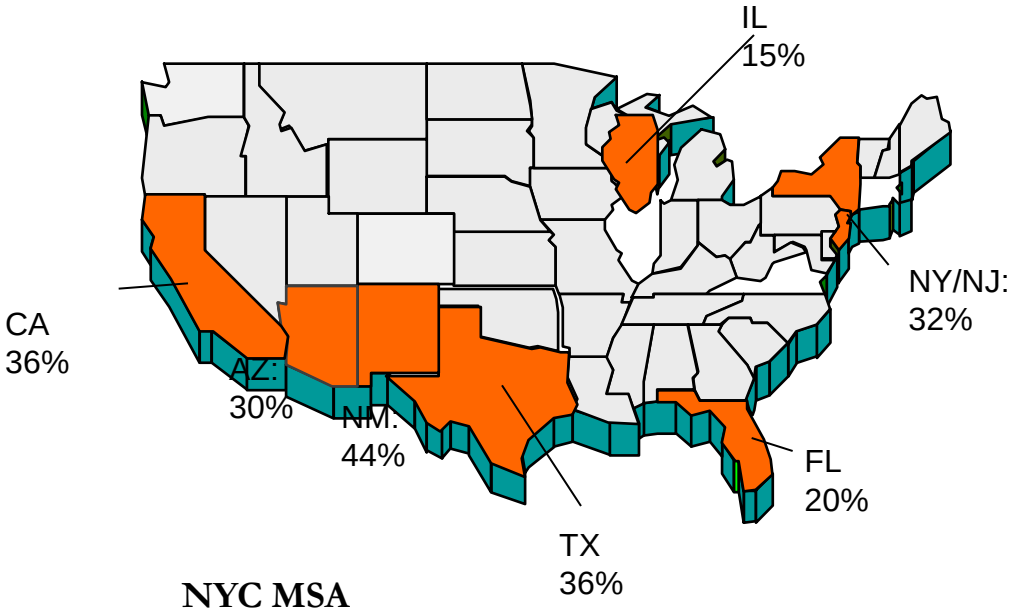
Half of U.S. foreign-born residents are Hispanic

Hispanics Concentrated in Key Regions

Los Angeles MSA

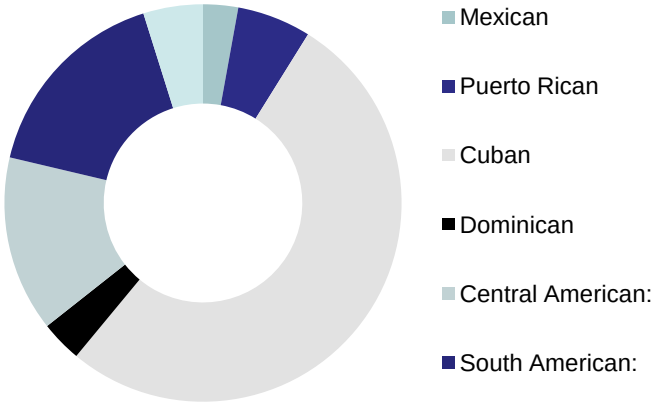
Hispanics = 48.1% of population





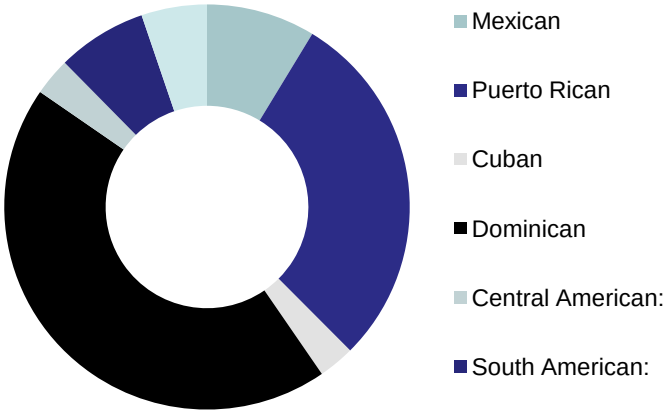
Miami DMA

Hispanics = 49.2% of population



NYC MSA

Hispanics = 21.1% of population



Source: 2000 Census.

Small Businesses in the United States

Large Business

- 92% of Top 50 require suppliers to report diversity metrics in their RFPs

Small Business

- 64% of all jobs in America generated by small businesses
- 10.4 Million WM owned companies
- 1.5 Million LGBT owned companies
- **2.8 Million Hispanic owned companies**

→ **$2.2 Trillion Revenue**

Challenge: Tighter Bank Underwriting Standards

- Additional collateral requirements by banks and more frequent re-evaluation of assets (personal and business) by banks of the small businesses

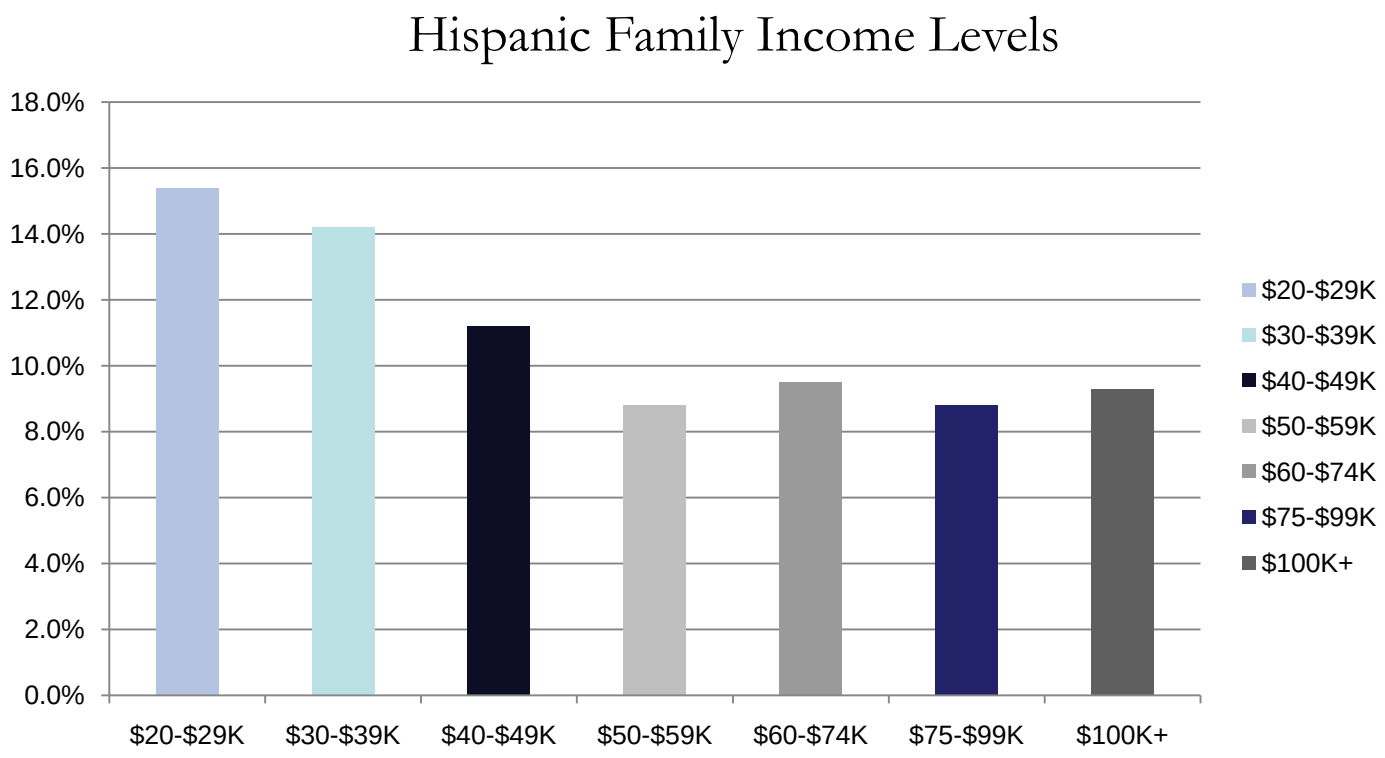
- Greater focus on the cash flow of the small business (new post-recession focus)
    - Hispanic businesses not suffering from bad credit, as much as no credit

Challenge: Tighter Bank Underwriting Standards

- Higher personal credit thresholds, including credit scores
  - Particularly challenging for those recently arrived in the U.S.

- Local chambers report seeing many new entrepreneurs struggling to start up businesses because they cannot secure enough collateral for a loan

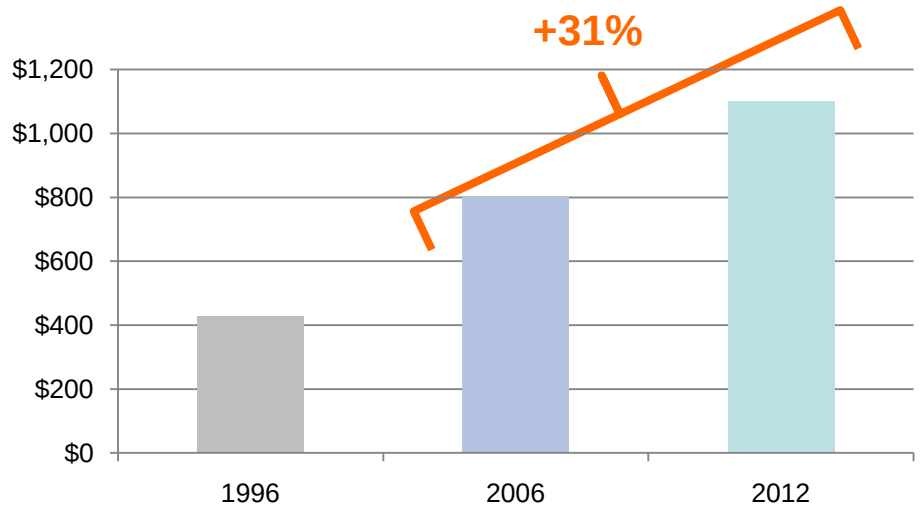
Wealth Breakdown of Hispanics



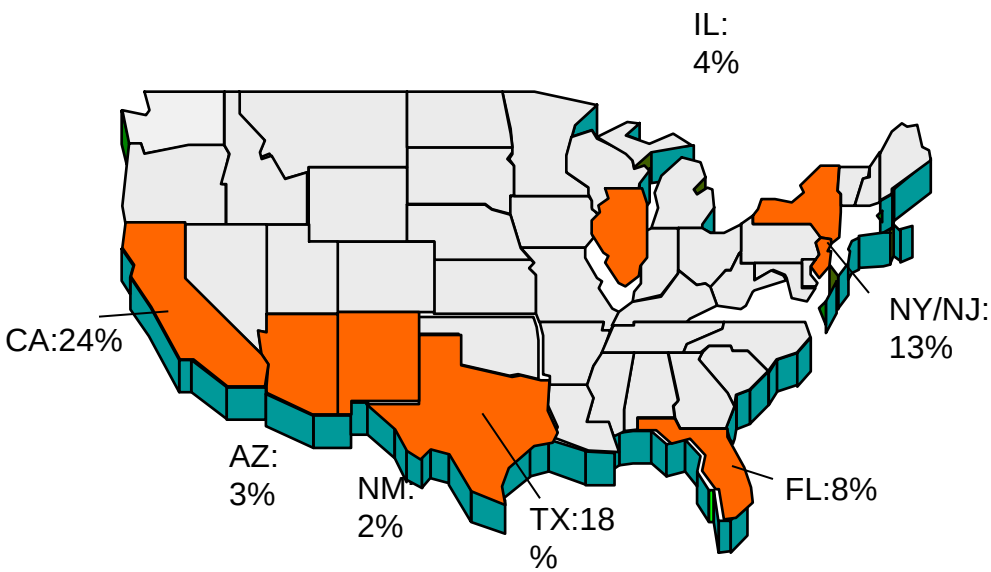
- 36.4% of Hispanic families make more than $50k
- 18.1% of Hispanic families have income of $75K+
- 9.3% of Hispanics make more than $100k

Source: U.S. Census Bureau

Purchasing Power of Hispanics



- Projected Hispanic Purchasing Power ($ Billions)



- 47% of Hispanic purchase power and 50% of Hispanic population is concentrated in Texas and California

- Top 8 states account for more than 70% of total wealth

Source: 2006 Census / Selig Center for Economic Growth 1999-2009

Challenge: Tighter Bank Underwriting Standards

- Without a streamlined process, our businesses are struggling to stay current with regulatory changes & new programs
    - Example: 7(a) loan guarantee program – great program for our businesses, but in part, due to uncertainty in duration, banks have been reluctant to invest in our new businesses
- Not enough lending options – Only a handful of CDFIs available to service the Hispanic community

Suggestions & Solutions: Alternative Methods of Access to Capital

- Additional CDFIs needed to serve the Hispanic business community

- Passage of the Small Business Lending Fund Act (pending in Small Business Jobs Bill) should expand availability of credit to small and community banks to facilitate lending to new businesses

- Expand availability of microfinance loans by smaller and community banks. Local chambers report seeing an increase in these types of loans to start-up businesses