



February 23, 2021

House Committee on Economic Recovery and Prosperity
900 Court Street NE
Salem, Oregon 97301

Re: In support of HB2161 – access to capital for small businesses

Chair Lively, Vice-Chairs Cate and Kropf, and Members of the Committee:

Please accept this letter of support for HB2161, with the anticipated amendments that will create two pathways for better access to capital for entrepreneurs who have been historically excluded from traditional sources: a loan loss reserve program for community lenders and a revolving loans fund for COBID-certified businesses (minority-owned, women-owned, service-disabled veteran-owned businesses, and emerging small businesses). Together, these tools will help ensure that *all* entrepreneurs with a solid business plan (not just those with high personal net worth) can get the capital they need to help in Oregon's economic recovery.

Since its founding 10 years ago, Community LendingWorks has provided micro and small business loans to entrepreneurs across western Oregon who are un- or under-served by banks. As a Community Development Financial Institution (CDFI), we can be flexible about many of the traditional barriers to small business lending: we work with start-ups, entrepreneurs who have rocky personal financial history, micro-businesses that need a smaller loan than banks are willing to consider, seasonal businesses that need a seasonal repayment plan, etc. We have worked with hundreds of small businesses, and have maintained a default rate of less than 1%.

But there is one barrier that we haven't been able to break through: the requirement that business loans be fully secured – either through collateral value, personal assets, and/or the guarantee of a high net worth individual. CLW gets much of its lending capital from traditional investors like banks and credit unions. While they support us taking on some level of risk with their investment, they will not reduce the requirement for fully secured loans. In practice, this means that most entrepreneurs (unless they are using the loan to buy high value equipment that provides full collateral value) need personal assets or high net worth family/investors in order to get a business loan. Requiring 100% security excludes many highly skilled and well-prepared entrepreneurs from starting or expanding their business by excluding people who don't have access to personal assets or family wealth, including BIPOC, low income, and rural entrepreneurs.

HB2161, with amendments, will create a grant-funded loan loss reserve program, so that mission-driven lenders like Community LendingWorks can create (and attract the capital to fund) lower-barrier, lower-collateral loan programs that will finally reach this un-served set of entrepreneurs. We will be able to fund businesses with a solid business plan and entrepreneurs with deep industry experience, even if (especially if!) they are from low income families and communities; it is precisely these businesses that we need to fund in order to create an equitable recovery across Oregon.



Thank you for your consideration of HB2161 and your support of Oregon entrepreneurs.

Sincerely,

Emily Reiman, CEO