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April 9, 2020

**The Honorable Nancy Pelosi**

Speaker of the House  
US House of Representatives  
Room 1236 Longworth Housing Office Building  
Washington, DC 20515

**The Honorable Mitch McConnell**

Senate Majority Leader  
US Senate  
Room 317 Russell Senate Office Building  
Washington, DC 20510

**The Honorable Charles Schumer**

Senate Minority Leader  
US Senate  
Room 322 Hart Senate Office Building  
Washington, DC 20510

**The Honorable Kevin McCarthy**

House Minority Leader  
US House of Representatives  
Room 2468 Rayburn House Office Building  
Washington, DC 20515

Dear Speaker of the House Pelosi, Senate Majority Leader McConnell, Senate Minority Leader Schumer, and House Minority Leader McCarthy:

It is clear that the COVID-19 virus is having a devastating and disproportionate impact on the Black community. It is also clear that nothing else in our lifetimes has demonstrated like this pandemic that we as human beings are intertwined in a mutual and interdependent network. As Martin Luther King Jr. once noted, what happens to one of us, happens to all of us. He reminded us that we exist in "an inescapable network of mutuality, tied in a single garment of destiny. Whatever affects one directly affects all indirectly." We are all impacted by this deadly plague. However, we are not all similarly situated in relationship to the impact and long-term effects of the coronavirus.

Right now, businesses across the country are shuttering their doors and over 16.6 million people have filed for unemployment. Historically, the unemployment rate for African Americans is twice that of whites. In addition, prior to the coronavirus crisis, African American households had lost half their wealth in 30 years and were projected to have zero wealth by 2053. Physically and economically, African Americans are bearing the brunt of this crisis which threatens to exacerbate these stark inequalities.

It is therefore critical to look beyond the immediate and to bolster proven economic remedies now so they can succeed into the future. One such remedy is the creation and growth of Black-owned businesses. A significant infusion of resources in CDFIs focused on serving these businesses will be critical in moving African Americans out of the current economic crisis.

In a joint statement released on April 8<sup>th</sup>, Congressional Democrats called for a \$250 billion investment in small businesses, with \$125 billion channeled through community-based financial institutions to support women and minority businesses. **The Expanding Black Business Credit Initiative (EBBC) and the Alliance of African American CDFI CEOs (AAA) strongly support this call and ask Congress to specifically designate resources to Black-led/focused CDFIs.**

## The Case for Black Business Investment

The cornerstone of economic vitality is the creation and viability of small businesses. Small businesses in America have historically and reliably helped create prosperity. According to the Federal Reserve, “small businesses are an important component of the economic success and strong community. They are responsible for 48% of private sector employees nationwide and an important driver of local, regional economic growth, and an important source of household wealth.” It is a universally accepted fact of economics that small businesses drive economic growth and job creation.

In a report published by the Association for Enterprise Opportunity (AEO) entitled *Tapestry of Black Business Ownership in America*, researchers found that “Black business owners are wealthier than their peers who do not own businesses, and business ownership creates new wealth faster compared to wage employment. In fact, Black business owners have 12 times more wealth and have higher level of wealth mobility. Families and communities benefit when parents are entrepreneurs who can build a family’s net worth in order to send children to college. The next generation of these families will be more likely to also become successful entrepreneurs who will further strengthen the community’s fabric. Communities benefit when residents can obtain goods and services locally and work locally since Black business owners hire Black employees more often than white firms.

However, on every metric of economic vitality, such as profits, revenues and sales, Black businesses significantly trail white-owned businesses. If we are to address the coming economic chasm created by the coronavirus, we need to implement a Marshall Plan of investments and approaches to build wealth in the African American community through business investment.

The lifeblood of business development is access to capital, access to markets, access to business networks and trusted guidance. Today, there are 2.58 million Black-owned businesses, generating \$150 billion in revenue and supporting 3.56 million jobs. They are the fastest growing segment of the nation’s small business owners. In spite of these significant achievements, a wide gap remains between Black and white business ownership.

## The Case for Investment in Black-led CDFIs

Community Development Financial Institutions (CDFIs) can play a significant and profound role in mitigating the detrimental economic impact threatening the African American community and supporting Black-owned businesses. They exist for the primary purpose of serving low income communities and have a demonstrated track record of providing financial services, such as affordable and long-term credit, counseling to new and distressed borrowers, and banking services to communities and households that mainstream financial institutions do not serve. Because of their local focus, they understand the economic and social conditions and market opportunities in their communities. Moreover, CDFIs operate in all 50 states and have played a vital role in helping underserved communities during other national emergencies, including during the 2008 recession and in the aftermath of Hurricanes Katrina and Sandy.

While it is important to support CDFIs overall, the nation must develop targeted strategies for CDFIs that specifically support African American-owned businesses. Now more than ever, these CDFIs need adequate resources to address the needs of their communities. The EBBC and AAA have agreed to work jointly on efforts to ensure the success and growth of Black-owned businesses in light of the COVID-19 crisis.

AAA is focused on increasing capital and financial services available to African American owned businesses and citizens in underserved communities. The Alliance spans 35 states across the country, most focusing mainly on serving African American communities. Through its work, AAA loan funds for business and housing have built \$1.5 billion in total assets.

The Expanding Black Business Credit network was organized by Black-led/focused CDFIs to address the critical lending and wealth gaps faced by Black entrepreneurs and families in the U.S. Combined total assets of the EBBC’s CDFI are \$795 million. The two regulated depositories and five unregulated loan funds operate with losses well within the norms of their industry peers. Together, the two entities manage \$2.5 billion in economic activity but if capital constraints were removed, they have the pipelines and markets to do more.

## What Black Businesses Need

In order to escape the economic calamity caused by the coronavirus, we will need to implement innovative approaches, which includes tapping into the unique capabilities of African American-led CDFIs. The call by Congress for small business assistance across the board is a start to rebuilding our economy, but it isn't sufficient. A significant infusion of resources specifically to Black-led CDFIs would allow Black-owned businesses to secure desperately needed capital and begin rebuilding their wealth.

If we remain on the current trajectory with no significant change in targeting capital and liquidity to African American-owned businesses, African Americans will certainly pay a significant economic price, as they historically have. Now is the time to change the trajectory for African American people. We recognize that national, regional and local efforts are being taken up to address the issue of racial economic inclusion. However, also we know that the investments in African American communities continue to shrink, even in the best of times.

Martin Luther King Jr. got it right when he embraced what he called "the fierce urgency of now." Yes, now is the time for Congress to live up to the full measure of the goals envisioned by our founding fathers and mothers. Now is the time to invest. Now is the time to ensure that resources are targeted to the African American community to change the paradigm of social and economic inequalities that have continued to plague our country.

Sincerely,



**Gary L. Cunningham**  
President and CEO  
Prosperity Now



**William J. Bynum**  
Chair of EBBC Steering Committee  
CEO HOPE Enterprises



**Donna Gambrell**  
President and CEO  
Appalachian Community Capital  
Chair of AAA

*The Expanding Black Business Credit Initiative (EBBC) is comprised of seven Black-led or focused CDFIs. Member CDFIs operate in markets across the U.S., primarily in the Midwest, South, and Mid-Atlantic. They touch over 74% of the nation's Black businesses.*

*The African American Alliance of CDFI CEOs is a group of 35 CDFIs focused on increasing capital and financial services available to African American owned businesses and citizens in underserved communities.*

*Since 1979, Prosperity Now (formerly CFED) has offered a combination of scalable practical solutions, in-depth research and proven policy solutions all aimed at building wealth for those who need it most.*