

MCTF Congressional Briefing Remarks

Connie Evans

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11:10 – 11:15

Good morning, everyone, and thank you for joining us today. A special thanks to Senator Cantwell and her staff. It is reassuring to know we have a partner in Senator Cantwell, who like us, is working to expand capital access for Main Street in Washington and across the country.

I am Connie Evans, president and ceo of Association for Enterprise Opportunity. AEO is a national trade association for U.S. microbusiness and microfinance. We, and our 450 member and partner network advocate for America's 25.5 million Main Street microbusinesses. We see microbusiness as a very viable path to financial security and wealth creation. Each time an entrepreneur starts a business, she or he creates a job.

However, each business day 8,000 business loan requests are declined. In a meeting with Treasury Secretary Jacob Lew last summer, Secretary Lew challenged us to find a solution to those 8,000 daily declines because that number is indicative of a massive market failure.

And so AEO organized the Micro Capital Task Force in response to Secretary Lew's challenge. I have the pleasure of serving with Mitch Jacobs as co-chair of the Task Force. Mitch isn't here, but trust me that he's been a vital voice in the work leading up to today.

The Task Force is a private, multi-stakeholder group that represents the largest cross-sector collaboration to date to solve for this problem. It is comprised of working groups supported by world-class experts; their analysis shows that the 8,000 daily business loan declines represent an estimated \$44 to \$52 billion capital gap to Main Street.

The Secretary challenged us to find an answer, and we did. For the last year, the MCTF has worked to identify solutions that can move money in amounts less than \$250,000 to Main Street. We now have what we believe

to be a powerful framework for private actors, for public-private partnerships and for government to work toward implementation.

Entrepreneurs, underserved Main Street entrepreneurs in particular, need access to affordable capital and business-support services—both are critical components to start, grow or hire. Prior AEO research found that if one in three Main Street microbusinesses hired just one additional employee, the nation would reach full employment. Think about that. That is huge--- just one additional employee.

So it's hugely important that their path to capital needs to be lined with opportunities to access capital and other resources that position them for success. We've found that this is not the case, sadly. More often than not, Main Street business owners routinely encounter significant challenges along the path to capital, along their journey to hang an open sign, hire an additional employee or even buy more materials or expand their services.

Recently, we learned about an entrepreneur, Lasenta Lewis-Ellis, who in one week, was turned down by two banks for working capital loans less than \$25,000. Two declines in one week despite her construction company grossing \$1.3 million in 2013. Lasenta needed a loan to hire additional staff for the summer, her company's busiest season.

Lasenta's story is not unique. She started a business after being laid off from a near \$100K job. She created a job for herself, and then created another job when she hired her son for the business. (She's even working on a succession plan because she intends to leave the business to her son). But after three years in business, and after an increase in profits of 263 percent since starting, she is unable to secure the capital she needs to create more jobs.

This is certainly not reflective of the American Dream, no matter what your definition of the "Dream" is. It's actually nightmarish to think that a business owner can gross \$1.3 million and yet be unable to secure working capital.

And again, this is a common experience for Main Street entrepreneurs throughout the country. But thankfully, it doesn't have to be this way.

We have a vision for a more accessible, less painful path to capital and services. And you'll hear our vision throughout the recommendations today: making Main Streets and cross streets more investible, a securities crowdfunding and crowdfunding platforms, automated referral lender networks. Each of our recommendations, our solutions to 8,000 daily declines, we think, will widen the path to capital for entrepreneurs so that stories such as Lasenta's are more rare.

Now, I have used the word "collaboration" several times, and that's because **cross-sector collaboration** is the key to solving for the 8,000 daily decline problem that Secretary Lew identified.

Over the last year, the Micro Capital Task Force engaged a broad and diverse group of leaders across nonprofit, for-profit, emerging and established organization. We were very intentional about reaching out and across to get the best answers, because frankly, no one entity can solve for this problem unto itself.

Friends, that's what cross-sector collaboration looks like. Cross-sector collaboration is **how** we arrived at the MCTF framework and recommendations. It is also **what** holds the key to moving money to Main Street, which is our ultimate goal.

With that, let's move into our presentation. Jim will introduce our discussion participants.

CONCLUSION OF OPENING REMARKS

CONCLUDING REMARKS

There simply is no other path forward than bringing together the critical and unique resources and capabilities of community based nonprofits, emerging credit technology companies and established financial institutions and other companies.

Our work does not end here today. We will continue to solve for issues that clog the flow of capital to Main Street. For example, we will study pricing to ensure entrepreneurs can access affordable capital, not just any capital. Concurrently, we'll look at fresh ways to deliver technical assistance because our research tells us that receiving support services are critical for entrepreneurs to build capacity.

We hope that our collaborative approach in assembling the Task Force will prompt Congress to work collaboratively to act on the Task Force's recommendations.