



**SENATE COMMITTEE ON  
SMALL BUSINESS & ENTREPRENEURSHIP**  
**Senator Mary L. Landrieu**

Opening Statement for  
Hearing entitled: *“Assessing Access: Obstacles and Opportunities for  
Minority Small Business Owners in Today’s Capital Markets”*  
April 15, 2010 at 10:00 a.m.  
Room 562 of the Dirksen Senate Office Building

*(As prepared)*

Good morning and thank you all for joining us this morning to discuss the obstacles and opportunities facing minority-owned small businesses. Before I begin my opening statement, I would like take a point of personal privilege and mention that earlier this morning, I hosted a small reception in this Committee’s assigned hearing room in Senate Russell Building. The Rules Committee of the Senate had scheduled the renovation of that room for years, began the renovation last year and completed those renovations this week. To acknowledge the completion of those renovations, I assembled a small group of people to celebrate the room’s history and legacy. In addition to having served as the meeting place of the Small Business Committee for the past 50 years, the room also served as the hearing room of the Judiciary Committee some 60 years ago. Over the years, many important issues and pieces of legislation were debated in that room such as the nomination of Supreme Court Justices and legislation outlawing lynching in America.

During the gathering, I recognized a great American who, in my opinion, embodies the history of that room, Ms. Ida B. Wells. For those of you who might not know, during the late 19th Century and well into the 20th Century, Ms. Wells courageously documented the lynchings of African Americans in the United States. In addition, she was a small business owner – running her own newspaper. I was proud to acknowledge her legacy this morning and I am equally proud to welcome members of her family who are here today. Her great grandson, Mr. Dan Duster is in the audience and I would like to recognize him at this time. Please welcome Mr. Duster and his family to the Senate.

Now we would have loved to have shown off our renovated room for this hearing, however, we knew when we planned this important hearing on this important issue, we would need plenty of space. Therefore, we chose this larger hearing room and I thank everyone for being here this morning.

Since becoming Chair of this Committee over a year ago, I have made access to capital for ALL small businesses a top priority. I have my staff constantly updating me on how many banks are making loans to small businesses and this Committee always looks for new ways to open up the capital markets to small businesses. As a matter of fact, my staff director keeps the information on

how many banks are making SBA loans on the back of his Senate ID so he can have that information whenever I ask for it! I have also taken steps to remove the barriers affecting the success of minority-owned small businesses. On September 24, 2009, I convened a roundtable entitled "Minority Entrepreneurship: Evaluating Small Business Resources and Programs." I have also formally requested that the SBA Administrator fill the vacant position of Associate Administrator for Minority Small Business and Capital Ownership Development to ensure that the SBA has someone there who has specific oversight on this issue. (You wrote a letter to Karen Mills dated December 4, 2009 requesting the position be filled) I am hoping that Mr. Grady Hedgespeth, Director of the Office of Financial Assistance, who is representing Administrator Mills has some good news for me on this position this morning. The purpose of today's hearing is to continue this Committee's work in addressing the issues and obstacles surrounding the inability of minority-owned small businesses to gain greater access to capital and to and to find meaningful and real solutions to those obstacles.

What this committee has learned and what I have known throughout my entire political career as a state legislator, a State Treasurer and now as a U.S. Senator is that although it can sometimes be difficult for any small businesses to obtain capital to start or to grow, it is even more difficult for minority-owned small businesses to obtain capital, particularly in the private markets.

The current economic recession has seen credit tighten drastically and many banks have withdrawn from or reduced their lending activity to small businesses. Minority-owned small businesses, many of whom have difficulty accessing credit under optimal economic conditions, have been significantly affected by the current economic downturn.

Why is that important?

Because the success of all small businesses is key to moving us out of this recession and most importantly, making the American Dream possible for all Americans.

One of our nation's greatest assets is our diversity. We are literally the only nation that looks and speaks like every other nation on earth. That is a strength that allows us to be the most competitive nation in the growing global marketplace. The good news is that the number of businesses in our minority communities continues to grow, adding to our competitive advantage.

According to the most recent data available from the U.S. Small Business Administration's (SBA) Office of Advocacy, minority-owned small businesses are among the fastest growing segments of the small business community. From 1997-2002, firms owned by African-American's grew by almost 45%; Hispanics by 31%; Asians by 24%, and; Hawaiian and Pacific Islanders by 49%.

Minority-owned business enterprises accounted for more than 50 percent of the two million new businesses over the last 10 years. There are now more than four million minority-owned companies in the United States, with annual sales totaling nearly \$700 billion. These businesses cross the entire industrial base from financial services and health care to construction and transportation.

That's the good news. The not so good news is that despite the recent growth among minority-owned small businesses, many of these firms face significant barriers when attempting to start, grow or expand their operations. A recent study by the SBA Office of Advocacy found that race is a significant predictor of opening a business. The odds of a minority opening a business are found to be 55 percent lower than those for a non-minority. Don't get me wrong, wealth, experience and education also play a role and factor significantly into the ability of minority-owned firms to open, start and expand their businesses. However, the study shows that of all of these factors, the ability to access capital represents the most significant barrier to success for minority-owned small businesses.

One important, often overlooked result of a lack of capital access to minority-owned small business owners is the loss in economic efficiency to the American economy as a whole. Business formation has been associated with the creation of new industries, innovation, job creation, improvement in sector productivity and economic growth. If minority entrepreneurs face liquidity constraints, discrimination, or other barriers to creating new businesses or expanding current businesses, there is some loss of efficiency in the national economy.

Today, we have assembled two very strong panels. Our first panel will consist of Mr. Grady Hedgespeth from the Small Business Administration and Director David Hinson, National Director of the Minority Business Development Agency (MBDA) of the U.S. Department of Commerce. These gentlemen will discuss many of the barriers I have just referenced and the studies done by both the SBA and the Commerce Department detailing the barriers. The second panel will consist of a dynamic array of small business owners, consultants, bankers and academia, including Mr. Robert Johnson, who is a perfect example of entrepreneurship in this nation of ours, Ms. Natalie Cofield, who I am proud to say has a father who is a Louisiana native and is President of NMC Consulting Group, Mr. Warren Brown, Founder and Owner of Cake Love here in Washington DC, Ms. Margaret Henningsen, Founder and President of Legacy Bank, Mr. Paul Hudson, Chairman and CEO of Broadway Federal Bank, and Dr. Robert Fairlee from the University of California and the author of a recent report sponsored by the Minority Business Development Agency (MBDA).

At this time, I would like to recognize Senator Snowe, my Ranking Member for her opening statement.