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Good morning, my name is Marla Bilonick and I am the Executive Director of the **Latino Economic Development Center,** best known as ***LEDC.*** Thank you very much for the opportunity to discuss the SBA's *Community Advantage* Program with you today.

LEDC is a 27-year old organization with the mission to drive the economic and social advancement of low-to moderate-income Latinos and other underserved communities in the D.C. and Baltimore Metropolitan Areas by equipping them with the skills and tools to achieve financial independence and become leaders in their communities. We operate out of 5 offices in the region, with over 40 professional and bilingual staff providing top-notch services to our clients. On an annual basis we serve well over 4,000 low- to moderate-income residents. Scanning all of our programs, the majority of our clients are Latino (60%) and a sizeable portion are African-American/Black (30%). The remaining portions are White/Caucasian and Asian (10%). Our core asset-building programs are: Housing Counseling, Affordable Housing Preservation; Small Business Capacity Building; and Small Business Lending. We are a SBA-Microlending Intermediary and certified Community Development Financial Institution. LEDC receives support for our lending services from partners including the SBA, CDFI Fund (Treasury), private corporations, and philanthropic foundations.

Since we began lending in 1997, we have rolled out more than $15 million in capital in the form of over 1,200 small business loans. We've provided small business technical assistance services to thousands of aspiring and existing small business owners in the region. Last year, LEDC distributed close to 200 loans in the communities we serve.

Until recently, our loan products ranged from $500-$2,000 on the consumer side and up to $50,000 for small businesses. So, for 20 years, we were limited to the $50,000 threshold, despite significantly rising costs of doing business in the neighborhoods where we operate. In 2015, we were awarded a Community Economic Development grant through the Department of Health & Human Services that allowed us to pilot lending to restaurants at the up to $100,000 level. This program has been wildly successful as we have disbursed $300,000 to four businesses that have created over one hundred jobs. These loans are performing, despite representing the highest-risk industry that we lend to.

Just two days ago, we were informed that we have been approved as a SBA Community Advantage Lender. We are extremely pleased and eager to provide larger loans to our clients. The demand is there. While we do not have plans to abandon our core microlending business; we know there is a market of clients with growing businesses that have graduated out of our microlending program and/or whose capital needs exceed our prior $50,000 threshold.

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For example, Mobtown Fermentation, a Baltimore-based kombucha company on a growth trajectory that could further their market expansion through an additional capital injection. Between 2015 and 2016 they grew by 253% and continue to show remarkable growth of over 100% year over year. They were capped at our $50,000 maximum loan amount when they received a loan from LEDC in January. However, they could use additional funding to expand outside of the Maryland, D.C., and Virginia markets where they currently have their products in 250 stores. They have their sights set on Pennsylvania, New Jersey, and New York. But they won't get there by patch working together microloans and the occasional pitch competition prize money they may win. Traditional bank financing has eluded them as a young start-up.

We currently have a pipeline of a dozen businesses like Mobtown that we will be putting on track for Community Advantage loans, now that we have the capacity to serve them. The Community Advantage (CA) program is of utmost importance to scaling and supporting our small business communities.

While there is a pervasive belief that CDFIs and other community lenders are less-equipped to underwrite and service larger loans, I'd respectfully beg to differ. At LEDC, we have a team of 20 staff dedicated to underwriting, risk management, portfolio servicing and providing advisory services available to our borrowers. We have a centralized underwriting function and staff designated to the sole task of monitoring our portfolio and managing risk. Each loan is underwritten to an internal algorithm that assesses factors including loan to value, cash flow, available collateral, business and personal credit profile, among other factors. Using this algorithm, we asses each transaction with a "grade" reflecting its level of risk. Our current portfolio at risk, measured as loans late 30+ days, is at 5.1%, with an annual write off rate that oscillates between 2.0-2.5%. We achieve these metrics by having an in-house loan servicing team working closely with clients and tracking closely the financial performance of their ventures –including providing business advisory support where needed.

We are doing deals that commercial banks would run from. However, our intensive underwriting process, coupled with constant attention to each deal and each client keeps our loans performing and our portfolio sound.

The Community Advantage program is a critical product for a specific set of our clients. The communities we serve deserve access to a full range of financial products that can be tailored to their needs…rather than having to tailor and compromise their needs to fit a limited set of offerings.

I appreciate the opportunity to testify and be with you today, as well as your consideration of my perspective from the frontline.

-Marla Bilonick, *Executive Director*