December \_\_, 2021

Isabella Casillas Guzman

Administrator

U.S. Small Business Administration

409 3rd Street, S.W.

Washington, DC 20416

RE: Concern for the 35% decline in lending to African American Small Businesses

Dear Administrator Guzman:

As leading national organizations, the African American Alliance of CDFI CEOs(‘Alliance’), the National Association for the Advancement of Colored People (NAACP), the National Urban League (NUL), the U.S. Black Chambers, Inc., and the Black Economic Alliance have a distinguished history of advocating for the African American community. We are uniting to express concern over the significant decline in lending to Black owned small businesses through the U.S Small Business Administration’s (SBA) 7(a) loan program. Our collective goal as organizations is to build bridges towards economic stability, well-being, and wealth for African American individuals, families, and communities; and build power in our communities by challenging and inﬂuencing ﬁnancial sectors to operate more equitably. Additionally, as advocates for public policy and support for underserved communities, we are uniquely positioned to understand and engage the communities we serve. While we appreciate the work that SBA does, we believe that our communities are being systematically left behind by this prominent federal lending institution.

Our organizations and in particular the Alliance have a proven track record of serving Black businesses by providing access to capital in otherwise underserved and underbanked areas. Positioned on the front lines, we understand the unique needs and challenges of black small businesses. While we value the partnership with the SBA, we must express deep concern over the 35% decline in lending to Black owned small businesses through the 7(a) program in 2020. According to the Portland Business Journal, since 2007 the SBA’s 7(a) program has a cumulative decline in lending to African American businesses of 90%, the largest out of any other group tracked by the SBA. [[1]](#footnote-1)

The original intent of the SBA’s 7(a) loan program is to help small businesses thrive and grow.

However, the strict requirements for the program have inhibited African American owned businesses from receiving a loan. In particular, the credit score requirements for the 7(a) loan provide barriers to access for Black businesses who might otherwise be eligible for this important funding mechanism. If these abysmal lending practices continue, they will threaten the resilience of Black businesses at a moment of ongoing economic shocks and challenges ranging from the global COVID-19 pandemic, to rising inflation and the global supply chain disruptions.

Our organizations work every day to help build a more inclusive society. Achieving this requires a more inclusive economy with a vibrant and growing small business sector capable of creating jobs and generating wealth. Yet for African American entrepreneurs and small business owners obtaining access to capital is a major structural limitation to the full development of their economic potential. As the recent experience with the Paycheck Protection Program (PPP) demonstrated, Black businesses remain [overlooked and underserved](https://www.bloomberg.com/graphics/2020-ppp-racial-disparity/?terminal=true) by traditional financial institutions and capital markets. We believe African American businesses are indispensable to America’s economic resilience because of their presence in and standing relationships with our communities.

As our organizations continue to work to advance America toward becoming a more inclusive society with a more inclusive economy, we must support the expansion of access to capital for Black owned businesses as a vehicle for racial equity. For America to succeed we need to make sure that African American’s have equal opportunities to contribute to the economy as workers, consumers, and as business owners who create jobs and build wealth. We support the efforts of the SBA, and we hope to bring 7(a) lending more robustly to our communities.

Sincerely,

Lenwood V. Long, Sr. Marc H. Morial

President/CEO President/CEO

African American Alliance of CDFI CEOs National Urban League

Derrick Johnson Ron Busby, Sr.

President/CEO President/CEO

National Association for the U.S. Black Chambers, Inc.

Advancement of Colored People

David G. Clunie

President/CEO

Black Economic Alliance

1. https://www.bizjournals.com/portland/news/2021/08/11/sba-loans-to-african-american-businesses-decrease.html#:~:text=The%20number%20of%20loans%20to,tracked%20by%20the%20federal%20agency. [↑](#footnote-ref-1)