

Congress of the United States
Washington, DC 20515

April 4, 2017

The Honorable John Culberson, Chair
Subcommittee on Commerce, Justice,
Science, and Related Agencies
House Committee on Appropriations
H-310, The Capitol
Washington, D.C. 20515

The Honorable José Serrano, Ranking Member
Subcommittee on Commerce, Justice,
Science, and Related Agencies
House Committee on Appropriations
1016 Longworth House Office Building
Washington, D.C. 20515

Dear Chairman Culberson and Ranking Member Serrano:

We write in support of the Minority Business Development Agency (MBDA) to produce annual policy recommendations to Congress. MBDA is the premier federal agency that helps minority businesses to reach their economic potential.

In 2010, MBDA released a report titled “Disparities in Capital Access.” Some of the key findings include:

- **Minority-Owned Firms Receive Lower Loan Amounts than Non-Minority-Owned Firms** – While the average loan amount for all high-sales minority-owned firms was \$149,000, non-minority-owned firms received an average of \$310,000, or more than twice the amount.
- **Minority-Owned Firms Are More Likely to Be Denied Loans** - Among firms with gross receipts under \$500,000, loan denial rates for minority-owned firms were about three times higher compared to those of non-minority-owned firms. For high sales firms, the rate of loan denial was almost twice as high for minority-owned firms as for non-minority-owned firms.
- **Minority-Owned Firms Receive Lower Loan and Equity Investment Amounts** – Minority-owned firms averaged \$29,879 in external debt compared with \$36,777 for non-minority-owned firms. Minority-owned firms had the most trouble obtaining external equity with \$2,984 on average compared with \$7,607 on average for non-minority-owned firms.
- **Lower Wealth Levels Are a Barrier to Entry for Minority Entrepreneurs** - Estimates from the U.S. Census Bureau indicate that half of all Hispanic families have less than \$7,950 in wealth, and half of all African American families less than \$5,446. Wealth levels among non-minorities are 11 to 16 times higher. Low levels of wealth and liquidity constraints in turn create a substantial barrier to entry for minority entrepreneurs because the owner’s wealth can be invested directly in the business, used as collateral to obtain business loans or used to acquire other businesses.

We urge the Committee to include the report language listed below.

Report Language: The Committee recognizes the disparities in capital access for minority-owned firms and businesses, including lower loan amounts, loan denials, and liquidity constraints. The Minority Business Development Agency (MBDA) specializes in assisting minority-owned businesses and is well-equipped to identify these and other issues related to barriers in economic growth. The Committee encourages MBDA to provide an annual report to Congress on the state of minority-owned businesses and policy recommendations to address gaps in equity between minority-owned businesses and non-minority-owned businesses.

 Sincerely,
Jerry McNerney
Member of Congress


G.K. Butterfield
Member of Congress

Signatories to the MBDA Report Language Letter Cont.

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