



How To Keep Championing Minority-Owned Businesses

📌 [lending](#) [deposits](#) [business customers](#)

Summary: Minority-owned businesses play an increasingly important role in the US economy, generating \$1.7T in revenue and providing more than 8.9MM jobs. Yet many are still finding it tough to access finance to grow and expand. Recently, the government increased its efforts to improve the situation. Here are five efforts that community financial institutions can do to help address this challenge.

Mount Everest may be the highest peak on Earth at 29,029 ft, but it is not the planet's tallest mountain. It's a little-known fact, but Mauna Kea in Hawaii is recognized as being the tallest at 33,480 ft. However, only 13,796 ft of it is visible — the rest is underwater.

For many minority-owned businesses, finding funding can seem a bit like trying to climb to the summit of Mount Everest. However, there have been some recent developments aimed at improving the situation. This includes the US Treasury Department's December announcement to release \$8.7B to help increase lending to small and minority-owned businesses. Around the same time, President Biden signed the law establishing the Minority Business Development Agency (MBDA) as a permanent US government agency, working to promote the growth and development of minority-owned businesses. We share some of the latest data on these businesses and considerations for CFIs to strengthen their support of them.

According to the [most recent data from the US Census Bureau](#), there are more than 11MM businesses owned by women, almost 4MM Hispanic-owned businesses, more than 3MM owned by African Americans, and close to 2MM Asian-owned businesses. Together, they generate [more than \\$1.7T in revenue and provide more than 8.9MM people with jobs](#).

Many community financial institutions (CFIs) have a long history of assisting businesses owned by minorities in their communities — and were instrumental in helping them access PPP during the pandemic — but there's always more that can be done.

Last August, we reported [four ways in which financial institutions are helping businesses owned by minorities](#). Here we build on that discussion, offering five more suggestions of how CFIs could promote equal opportunities and support their communities.

1. Offer opportunities for financial education

Figures show that 14% of Black households and 10% of Hispanics don't have a bank account. CFIs can play a key role in increasing awareness of the importance of participation in the banking system, offering financial education, and helping minority business owners with loan applications.

Of course, a language barrier can sometimes be part of the problem. One community institution in KS found that the majority of its customers identify as Hispanic or Latino. As a result, the bank hired more bilingual employees and now 44% of the institution's employees are bilingual in Spanish and English.

CFIs can also guide minority-owned businesses towards other sources of business and financial education, to help them develop skills like accounting and business planning, spark growth ideas, or build resilience to survive tougher times. One example is the US Small Business Administration's [online learning programs](#), which provide educational stepping stones for every stage of a business, from planning to launch to growth.

2. Work with and fund minority-focused initiatives

Last year, we reported that Bank of America had increased its target for equity investment in minority-focused funds from \$200MM to \$350MM. Although on a smaller scale, many CFIs are investing in funds that specifically focus on assisting minority entrepreneurs.

As an example, one Midwestern CFI is working with local organizations such as a regional African American chamber of commerce to engage with Black-owned businesses and make sure they have access to the required loans. This includes “patient” capital that provides Black entrepreneurs time to build their businesses successfully. To help achieve this aim, the institution has pumped \$1MM into a fund aimed at helping minority businesses to grow.

Meanwhile, a CFI headquartered in Chicago is offering women-owned businesses expanded access to affordable business credit. The loan product is part of a wider initiative aimed at women that includes business education and access to business networks.

3. Eliminate bias in the loan process

Of course, CFIs follow anti-discriminatory lending practices. Yet, it is important to continuously review and revise lending standards to remove potential and unintentional biases. For example, removing requirements for in-person transactions and providing more opportunities for borrowers online could help reduce any unintentional prejudice.

At the same time, educating employees to understand stereotyping – the foundation for bias – is important in raising awareness and keeping teams mindful of discriminatory behaviors and perceptions.

Artificial intelligence tools are increasingly deployed to make credit decisions in the loan process more impartial than solely relying on human judgment. However, AI uses historical credit decision data and could perpetuate biased loan outcomes. So, institutions need to be aware of this potential risk and make adjustments.

4. Partner with CDFIs

CFIs may also want to work through other intermediaries, like community development financial institutions (CDFIs), to help provide credit to minority communities. These federally designated private lenders channel capital to borrowers in low-income areas, while providing financial advice and other assistance.

Across the US, the CDFI industry manages over \$222B, with over 1,200 CDFIs providing loans with interest rates in the low single digits. [Eighty-four percent of CDFI customers are low income](#), 60% are people of color, 50% are women, and 27% live in rural areas.

5. Support community development activities

Finally, CFIs could support community development activities in minority communities in very creative ways. One CFI in MN has created a deposit impact fund to help it drive local development efforts in underserved

areas. Individuals or businesses can open a deposit account designated as an impact deposit fund, with the proceeds used to support community development efforts.

There are many ways to support minority-owned businesses. With your creative team, you can come up with the best ones for your communities.

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ECONOMY & RATES

Rates As Of: 04/14/2022 10:41AM (GMT-0700)

Treasury	Yields	MTD Chg	YTD Chg
3M	0.75	0.23	0.69
6M	1.20	0.14	1.01
1Y	1.78	0.14	1.38
2Y	2.47	0.08	1.68
5Y	2.79	0.24	1.44
10Y	2.83	0.40	1.23
30Y	2.92	0.40	0.95
FF Market	FF Disc	IORR	
0.33	0.50	0.40	
SOFR	Prime	QBFR	
0.29	3.50	0.32	

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