Effectively Reaching Businesses Owned by People of Color

Inez Long, President/CEO
BBIF Florida

Agenda

- BBIF Background and Overview
- Perceptions & Impacts
- Strategies, Tools and Solutions
- Impact of support
BACKGROUND+
OVERVIEW

About BBIF Florida
BBIF Florida, a CDFI is a mission-driven lender that helps communities throughout Florida thrive by providing loan capital and business development services to African American, other minorities and underserved businesses and by investing in real estate projects that create opportunities for minorities in low-income communities.

Target Market
– Primary Target Market – Black Businesses
– Secondary Target Market– Minority and Underserved Businesses
– Clients are typically existing businesses

PERCEPTIONS OF BUSINESSES OF COLOR

– Are Higher Risk
– Greater Loan Defaults
– Generate Lower Margins
– Cost More to Generate and Manage
– Are Smaller Sized Loans
IMPACTS OF PERCEPTIONS ON BUSINESSES OF COLOR

- Limited access to capital:
  - Less likely to be approved for bank loans
  - Tend to start their companies with less money
  - Rely more heavily on their personal wealth/savings, 77%
  - Tend to pay higher interest rates
  - Nearly half (47 percent) of Black-owned businesses operate in the South
  - Highest rejection rate – 38 percent for Blacks
  - Black borrowers received 1.7% of the $23.09 billion in total SBA loans
  - Creates a greater need for financial training

  - *Washington Post, June 2, 2014*
  - *Gallup study, commissioned by Wells Fargo, Aug. 6, 2015*
  - *The Wall Street Journal, March 14, 2014*

IMPACTS OF PERCEPTIONS ON COMMUNITIES OF COLOR

- Lack of investment causes communities to lack resources to help solve its own issues

  Communities are plagued with:
  - Weak economies
  - Blight
  - Poverty
  - High Unemployment
  - Lack of generational wealth
  - An environment of predatory lending
IMPACTS OF PERCEPTIONS ON CDFIS OF COLOR

- Very difficult to raise Capital
- Lack of substantial grant dollars to support operational sustainability and client training
- Such CDFIs remain outside the bubble of preferred partners
- Equity/total assets remain limited

STRATEGIES FOR LENDING TO BUSINESSES OF COLOR

- Analyze the Minority business data in your Community Business Type, Industry, Size, Concentration, etc.
- Utilize data collected by government certifying agencies
- Determine the industry, business size, type, age etc. of business clients that fit your CDFI
- Invite M/WBE professionals to join CDFI Committees and/or attend CDFI outreach events
- Hire and support a diverse staff
- Be willing to work in the Minority Community
- Partner in Community Outreach events with Minority business associations
- Understand that “Word of Mouth” is very strong in the Minority community
- Advertise your CDFI services in Minority publications
STRATEGIES FOR INVESTING IN CDFIS OF COLOR

- Research and learn of the most impactful CDFIs of Color in your service territories
- Reach out, dialogue and understand their challenges and needs
- Develop relationships with these CDFIs
- Create within your bank/foundation a division that will focus on helping to develop sustainable CDFIs of Color
- Utilize your relationships to encourage other funders to do the same
- Hire diverse staff and encourage their input and involvement

BBIF FLORIDA IMPACT OF SUPPORT

11,976 JOBS CREATED/RETAINED
$43.9MM TOTAL LOAN DOLLARS
$49MM COMMUNITY LEVERAGE (MATCH)
365+ TOTAL LOANS
< 3% HISTORICAL LOAN LOSS RATE
HISTORICAL IMPACT THROUGH FYE 9/30/2015