

Madam Chairman – My name is Jose Ponce an Entrepreneur from the St. Louis region. I am honored to be before you and this committee today to speak about the challenges and opportunities in the Hispanic Entrepreneur community.

I have invested and owned various businesses in the last 20 years. I am proud to be an Hispanic Entrepreneur. Hispanic Entrepreneurs business ownership has surged in the past decade, outpacing any other ethnic group. (According to the new study of the Stanford Latino Entrepreneur Initiative, 2020) This study shows that, in the past 10 years Latino business owners has grown 34%, compared 1% for all other business owners in the United States.

There is good news and bad news in these numbers. As a culture, Hispanics gravitate toward starting businesses and being their own boss, creating a legacy for their families. But there are strong barriers for growth. One extreme barrier is discrimination when it comes to banks and lending. The recent Stanford Study (2020) found that 20% of Latino-owned businesses that applied to national banks for loans over \$100,000 received funding, compared with 50% of White-owned businesses. The discrepancy was even larger when looking at firms with annual revenues over \$1 million who were requesting similar-size loans: 29% of Latino-owned businesses got the loans vs. 76% of White-owned businesses. Even after controlling for business performance measures, the odds of loan approval from national banks were 60% lower for Latino-owned businesses. I have personally experienced this when I have sought funding from banks. For example, when I was purchasing my real estate company, I had to personally fund \$350,000 of the \$500,000 purchase price. Even with my 20 years of experience, there has been times that I was not been able to acquire bigger opportunities because of the barriers of bank funding. I believe one problem may be the continued decline of independent banks who many feel better understand the needs of the local communities. The independent banks simply have a better pulse on what is happening in their local community. Loans from the bigger banks tend to be more concentrated on high technology rather than traditional businesses (Bates and Bradford, 2007).

The Stanford Study makes an especially important point. The study states that, “Latino’s are going to be one third of the population in the future, and their success will have an enormous impact on the future economic success of the United States. If the Latino portion of the economy isn’t more developed economically, the whole economy will suffer.”

So how do we harness the power of the immigrant? Maybe it is a better awareness of how the government can assist this community, such as, the Small Business Administration. Possibly the Hispanic community could be educated on how to leverage the existing Federal Opportunity Zones. Additionally, I believe the large banks need to be better educated on the benefits of investing with Hispanic Entrepreneurs and their businesses. Relationships between my fellow Hispanic Entrepreneurs and traditional banks needs to be strengthened. The old saying goes, “people do business with people they know and like.”

We have proven we are a community of hardworking entrepreneurs. There are about 400,000 Latino-owned employer businesses in the U.S. Before the pandemic, they generated nearly \$500 billion in annual revenue and employed 3.4 million people. We want the same equal opportunity to grow our businesses and have access to capital when we have shown we have experience to take on bigger opportunities that will fuel the U.S economic engine. We have the “can do” American spirit that historically built this country.

Madam Chairman it has been an honor to speak to this committee today.