COUNCIL OF THE CITY OF PHILADELPHIA

PUBLIC HEARING

COMMITTEE ON COMMERCE AND ECONOMIC DEVELOPMENT

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Room 696, City Hall
Philadelphia, Pennsylvania
Thursday, May 16, 2002
2:15 p.m.

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BILL 020256 - an ordinance amending Chapter 21-800 of the Philadelphia Code, entitled "Advancement of Economic Opportunities," by amending Section 21-802 by adding subsection on targeted investments in Women's Business Development Finance.

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PRESENT:
COUNCILMAN MICHAEL NUTTER, CHAIR
COUNCILMAN DARRELL CLARKE
COUNCILMAN FRANK DICICCO
COUNCILMAN WILSON GOODE
COUNCILMAN ANGEL ORTIZ
COUNCILWOMAN REYNOLDS-BROWN

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I N D E X

COUNCILMAN NUTTER: This is the City Council Committee on Commerce and Economic Development. This is the public hearing regarding Bill No. 020256, an ordinance amending Chapter 21-800 of the Philadelphia Code, entitled "Advancement of Economic Opportunities," by amending Section 21-802 by adding subsection on targeted investments in Women's Business Development Finance.

Councilman Goode, do you have an opening statement?

COUNCILMAN GOODE: Good afternoon to everyone who came out to testify. I want to thank you for testifying. My office actually spent the last almost two and a half years dealing with capital access and reinvestment issues, mostly examining by neighborhood, race, and income. After reading an article by Iola Carter who is here to testify today, I realized that we had actually overlooked the gender issue and there is discrimination not only in terms of race and sex in terms of bank lending, but also gender. So I'm glad to be able to offer this bill along with co-sponsors. And thank you again for coming to testify.

COUNCILMAN NUTTER: Thank you, Councilman. The first witness for today's hearing is Leslie Benoliel and Angela Gracie.

Good afternoon. Please identify yourselves for the record and proceed.

MS. BENOLIEL: Good afternoon, Mr. Chairman and esteemed members of the Committee for Commerce and Economic Development. My name is Leslie Benoliel. I'm the Executive Director of the Philadelphia Development Partnership. I'm here today to encourage your approval of the amendment of Section 21-800 of the Philadelphia Code that adds a subsection on targeting investments in Women'S Business Development Finance. This bill represents an important legislative effort to level the playing field for women entrepreneurs who have historically had difficulty gaining access to capital.

Small businesses and in particular women-owned businesses, play an increasingly important role in our economy. According to the Bureau of Labor Statistics, the Small Business Administration and the US Census Bureau, small businesses account for 58 percent of private non-farm work force, contribute 43 percent of all sales in the country, generate 51 percent of the gross domestic product and provide about 7 out of 10 new jobs created. According to these same sources, 4.6 million women were self-employed in 1999 and represented 39 percent of the total number of self-employed people in the country. The rate of growth of number of women-owned businesses has outpaced the total overall business growth rate by over twofold; 16 percent compared to 6 1/2 percent during the period 1992 to 1997. Yet despite their growth, women-owned businesses continue to face challenges in accessing capital. This is especially true for the women at the lower income levels.

The Philadelphia Development Partnership or PDP is a micro-enterprise development agency that provides training, business counseling, peer support, and access to markets and capital to small and micro-businesses. As a micro-enterprise development agency, PDP supports public and private activities that expand neighborhood economies through micro-enterprises. Last year PDP's loans and business development services benefited over 200 Philadelphia entrepreneurs, more than 60 percent of whom were women.

PDP's clients typically employ one to two people, generate less than $50,000 in annual sales and require less than $10,000 in capital to start up or expand their businesses. These very small businesses are often shunned by the formal and business development service providers and are too small and inexperienced to qualify for investment and services offered by the City quasi-City agencies and the small business development centers.

Six out of ten of PDP's clients are women and over half of the loans we've disbursed have been invested in women-owned businesses. These women are primarily low to moderate income people who either by choice or by necessity are pursuing self-generating, income producing activities to sustain themselves and their families. Included among our female clients are caterers, day care providers, massage therapists, seamstresses, and many others who provide essential goods and services to our City's residents.

Many of our female entrepreneurs are head of their households, responsible for the care of children, grandchildren, or elderly or disabled relatives. More than three-quarters of them operate their businesses in addition to holding a full or part-time job and rely heavily on these revenues generated from their businesses to supplement their household incomes. This supplemental income is essential for taking care of their families and for helping make ends meet.

PDP's own studies and experiences have confirmed the acute need for capital and business development services among low and moderate income entrepreneurs. A 1998 survey sponsored by PDP revealed that 91 percent of the respondents lack of capital or resources as presenting one of the greatest barriers to their micro-enterprise success. Ninety percent reported needing technical assistance and business support services. Most of our entrepreneurs do not qualify for bank financing due to poor credit histories, lack of collateral, a limited business track record. Others are reluctant to seek financing from banks for fear of being turned down. Many work in isolation without benefit of professional technical assistance and business-to-business networks.

PDP through its unique peer lending program and its federally certified CDFI, Community

Capital Works, Inc., offers micro-entrepreneurs tiny loans starting at low as $500. Clients are able to apply for and receive loans without reviewing credit histories, taking collateral or guarantees. PDP is often the only place these micro-entrepreneurs can turn for start-up capital outside of friends and family. Without programs such as PDP and a handful of others such as the Women's Opportunity Resource Center, Equal Dollars, and the African-American Female Entrepreneurs Alliance, low income female micro-entrepreneurs and small business owners would have no place else to turn for financing, business assistance, and business-to-business networking support.

After three years of providing high quality, intensive and comprehensive services, we know firsthand how critical our products and services are to ensuring the success of the entrepreneurs we serve. Our services increase the likelihood of the businesses surviving and have enabled many of the businesses to move on into the mainstream economy. In the past year we've witnessed some of our clients move their businesses from their homes to commercial and retail space, hire new employees, and increase their revenue substantially. These are significant outcomes and they make a positive impact on our City's economy.

We applaud the City and City Councilmembers for recognizing the importance of small businesses to our region's economy. The creation of the Philadelphia Community Reinvestment Commission and the Philadelphia Community Development Financial Institution Fund open the door to channel critically needed capital into credit starved communities. Furthermore, the Commerce Department has provided much needed support for neighborhood economic development projects, projects such as PDP, that stimulate business growth, job creation, and retention in the neighborhoods where economic opportunities have eluded too many for too long.

The bill proposed to you today is especially significant because it enhances the capital pool available for women entrepreneurs and enables CDFI such as ours to further assist our women clients to fully realize their economic potential. We recognize that a large part of our work is to advance the empowerment of women through economic development. This bill in conjunction with other City Council initiatives enables this by ensuring the capital, whether through institutions such as PDP or others, finds its way into the hands of women entrepreneurs in Philadelphia.

I strongly urge City Council to consider this legislative amendment that would ensure that small businesses and especially women-owned enterprises have access to capital that is so vital to their survivability and success.

Thank you for your time and your attention.

COUNCILMAN NUTTER: You're welcome. Thank you. Why don't we take your testimony and then if we have any questions. Please identify yourself for the record.

MS. GRACIE: Honorable Councilman Nutter and the esteemed members of the Economic and Commerce Committee. My name is Angela Gracie, and I am the founder and CEO of Writing Concepts and author of Starting a Business on a Shoestring Budget.

As a female minority business owner, I am here to reinforce the importance of your approval of the amendment of Section 21-802 of the Philadelphia Code that targets investments and Women's Business Development Finance.

Historically, women entrepreneurs, especially those at the low to moderate income levels, have found it quite difficult to gain access to capital to start or expand a business. According to the center for women's business research, the number of women-owned businesses is expected to reach 6.2 million in 2002. However, their statistics also show that access to capital is more problematic for women of color. As of 1998, fully 60 percent of Caucasian women business owners had bank credit compared to 50 percent of Hispanic women, 45 percent of Asian women, 42 percent of Native American women, and only 38 percent of African-American women owners.

I started my business in 1998 and it has been supported by the Women's Opportunities Resource Center, the business center at New Covenant Campus, the Philadelphia Development Partnership, Equal Dollars, and the African-American Female Entrepreneur Alliance. These organizations have provided business services, technical assistance, micro loans, and networking opportunities for my company. And without the support and services that they provide, my company wouldn't be where it is today. However, I continue to struggle with insufficient funds needed to expand my business. In fact, I wrote a book for the purpose of helping other entrepreneurs find creative ways to stretch their start-up dollars.

There are many barriers that can hinder a start-up process, however, lack of capital is the number one barrier across the board. And it is extremely difficult to work on eliminating those barriers while at the same time trying to start and run a business.

We need City Council to get behind this extremely large and growing constituency. That despite their financial challenges, they make a major contribution to our nation's economy and the production of goods and services and in job creation.

The approval of this bill will funnel much needed capital to women entrepreneurs who represent a large population for potential business investments that will economically stimulate our neighborhoods, business growth, and will continue to create jobs. The organizations I mentioned earlier have made major contributions in launching many successful enterprises, but we need your support. We need positive reinforcement in the form of capital investment for long-term success. Our economy is driven by the principle of supply and demand. As the number of women-owned businesses continues to grow, the demand for financing necessitates a supply.

Thank you for your time and attention.

COUNCILMAN NUTTER: Thank you very much.

Any questions?

Thank you very much for your testimony. Thank you.

Renee Jones.

MS. JONES: Good afternoon. Thank you for having me. My name is Renee Jones and I am President of the National Association of Women Business Owners, the Greater Philadelphia Chapter. I'm also the President of Stratus Communication, a full service public relations and advertising firm in Old City Philadelphia. I've been in business for 13 years, and like the ladies before me, it's been very difficult to get capital. In fact, I can honestly say that my credit cards are up to the hilt and if my husband knew the house is used for collateral against loans. So that's the situation we are here as women business owners.

First of all, on behalf of the National Association of Women Business Owners, and we call ourselves NAWBO because that's a mouth full, let me thank Councilmembers who are spearheading this important piece of legislation. Thanks to Councilmembers Goode, Reynolds-Brown, Miller, Krajewski, Blackwell, Tasco and Council President Mrs. Verna. Thank you. If I missed anybody, I'm sorry.

Just a little bit of background on NAWBO. We were founded in 1975. We now have chapters throughout the United States. We have 75 chapters. We are the only Jews based national organization representing the interest of all women business owners without regard to race or anything else that could be on the map. The Philadelphia Chapter is one of the largest and the most active, as many of you will know. We do not discriminate or restrict membership like some sister organizations in this City to specific types of businesses. We represent truckers, day care owners, janitors, janitorial company owners, advertising and public relations people like myself, retail, crafts manufacturing, and then of course we have to remember the lawyers and accountants.

Some up-to-date figures. 6.1 million women own businesses as of this moment in the United States. We generate 1.15 trillion in sales. That is trillion. And we employ 9.2 million workers. In Pennsylvania we have 217,000 women-owned businesses and in the Greater Philadelphia area, 87,000. That is an awful lot of businesses. And as the young lady said, this represents a 14 percent growth in five years compared to only 7 percent growth for businesses generally. There was also a 40 percent increase in sales during the same period, which makes women-owned businesses key players when it comes to economic and political clout.

Now, here's an interesting piece of information. It's rather sad. PA is ranked number 7 in the nation in the number of women-owned businesses employment and sales. We're behind LA, Chicago, Detroit, the usual cast of characters, New

York. However, we are only ranked 46 in the growth of women-owned businesses from 1997 to 2002. And it is our belief that one of the reasons for that -- 46, ladies and gentlemen, out of 52 -- the reason for that is lack of access to capital.

Sadly, however, PA ranks nowhere in the growth of minority-owned women-owned firms. We rate nowhere. We are not ranked. Nor are we ranked anywhere in the number of minority women-owned firms. It's rather a sad state of affairs for Philadelphia.

We are surpassed in these rankings by our neighbors in New York, New Jersey, and Maryland and several southern states including Virginia, Georgia, and North Carolina. I think we can do a lot better.

Minority-owned women-owned businesses grew at an amazing 31 percent nationwide, more than twice as fast as all women-owned firms, and that obviously represents an enormous growth potential economically for the minority women in this City.

It is NAWBO's goal to represent the needs of all women-owned business areas in economic growth, public policy, and access to capital.

The Greater Philadelphia Chapter of NAWBO has identified several key issues that need to be addressed to level the playing field in regards to economic growth of women-owned businesses. As was said before me, the number one issue is access to capital. Despite enormous strides in other areas, this remains the main stumbling block for many of our businesses and we're still funding start-up businesses or existing business growth with our own funds either through credit card borrowing, home equity loans or borrowing from friends and families.

Banks and government agencies are still not open to lending money to women-owned businesses without collateral. I was even with Tom Tolin with the SBA the other day and that is the same for the SBA as well. If you've got collateral, they will take it. If you don't have collateral, good luck.

Most of our statistics, by the way, are from the National Foundation OF Women Business Owners which is now called the Center for Women's Business Research which is a sister organization to NAWBO.

I just got this piece of information on

investments from the web site just before coming down and I'm just going to read it.

Although the number and dollar value of venture capital and other economic investments grew rapidly in the late '90s, women business owners continue to get a very small share of those dollars. According to Venture One and the Center for Women Business Research, only 5 percent of the 89 billion invested went to firms that were run or owned by women. That is 5 percent. And it's a serious impediment to us all.

Thank you for having me today. And we urge City Council to adopt this bill which will help women-owned businesses in their quest for financing. It will also contribute to the economic growth of the Greater Philadelphia area. I thank you very much.

COUNCILMAN NUTTER: You're welcome. Thank you.

Any questions?

Thank you very much.

Iola Carter. Hi, Ms. Carter, please identify yourself for the record.

But there's one other matter I need to

take care of and I apologize. At the table today on the committee is Councilman Clarke, Councilman Ortiz, Councilman DiCicco, Councilman Goode and Councilwoman Reynolds-Brown and myself Councilman Nutter. We established a quorum a while ago, and I just needed to put that on the record.

Please identify yourself. Thank you.

MS. CARTER: Good afternoon. I am thrilled to have the opportunity to support amending Chapter 21-800 of the Philadelphia Code entitled Advancement of Economic Opportunities.

My name is Iola Carter, and I've spent the last decade working hands-on in the field of micro and small business development, specifically with minority and women-owned micro and small businesses. I have been employed at senior levels and/or consulted with many organizations locally and nationally who serve this population. I've created and implemented small business training and technical assistance programs for many of the major agencies servicing micro and small business owners in the City of Philadelphia. I come here in that capacity. I also come to you as an entrepreneur who is personally and intimately familiar with the challenges that small business start-up female-owned companies face.

My combined personal experiences support the statistics which you've heard several times already cited by the Center for Women's Business Research. The research revealed that between 1997 and 2000 the number of women-owned firms in Pennsylvania increased by 23 percent, nearly 4 times the rate of all employer firms in the state. My classes are overwhelming female. My client base is overwhelmingly female. Leadership and City agencies, institutions and organizations serving small businesses are also overwhelmingly female. There are great players out there, warmed and ready to be tomorrow's superstars. The coachers are in place and the crowds are cheering, but for a number of reasons only a few make it off the bench. The overall stats are looking good, great actually. But the task of securing sustainable access to finance continues to be a real challenge. Such a challenge that most female and/or minority entrepreneurs never have the opportunity to truly participate in the game.

I have seen tremendous strides made from a macro level. Regulatory policies are becoming more favorable, policy makers are developing wonderful strategies that nurture entrepreneurial growth as a whole. However, serious focus needs to be placed on the needs of the entrepreneur at the start-up stage. This task is not an easy one. Loan guarantee and loan participation programs are outstanding resources, but additional resources in the form of direct and/or indirect equity investments are needed to get even more players off of the bench and into the game of providing jobs, feeding families, and re-inventing what is possible.

Many times entrepreneurs in the start-up phase and particularly those in low to moderate income groups come to the table with multiple challenges. Credit issues and lack of equity seem to be widespread, lack and education and training, access to networks and markets, and the perception and fear about the process of applying for and acquiring needed capital are also very real challenges.

It is for these reasons that I support investment in community based financial intermediaries as a viable means of distribution of capital for women-owned businesses. CDFIs have the remarkable ability and capacity to work through the issues and get down to the business of granting loans to individuals who most traditional sources may consider too risky. To date, they have proven to be remarkably potent resources for community building.

My direct involvement with these populations has provided me with some additional insight. In most cases, CDFIs are considered user friendly with support of staffing, policies and procedures and underwriting criteria that allow the new entrepreneur to leverage some sweat equity and some expertise. These institutions use a broad range of flexible strategies that open the door for community development in its purest and most tangible sense.

The Center for Women Business Research presented 2002 statistics stating that there are 217,822 minority-owned, privately-held women-owned firms in Pennsylvania that employ 289,000 people and generate nearly $41.4 billion in sales. The trickle-down effect of this is phenomenal. The same center noted that women-owned firms are more likely to offer flex time and tuition reimbursement and that they are more likely to employ a gender balanced work force. They are philanthropic with 31 percent donating 5,000 or more to charity annually. Now, if that's not community building, I don't know what is.

I urge you to look at this as an opportunity to do more than simply appreciate the role of the female entrepreneur. Institution building of this sort supports the strengthening of the woman, the family, the community, and ultimately the economy.

In closing, I thank you for recognizing that there are very viable entrepreneurial populations, women being among them, that for a number of reasons are not fully serviceable by the mainstream. There are teams of entrepreneurs empowered with vision and talent but who lack access. I thank you for understanding that supporting the female entrepreneur is also contributing to the process of community building and I thank you in advance for supporting this new and exiting economic opportunity which promises to be a real slam dunk for women like me with a vision.

Thank you.

COUNCILMAN NUTTER: You're welcome. Thank you.

Any questions?

Thank you very much.

Margo Davidson.

MS. DAVIDSON: Good afternoon and thank you. We are here in support of this bill. I am Margo Davidson, the President and founder of the African-American Female Entrepreneur Alliance.

You may have already heard that there are an estimated 6.2 million women-owned firms in the US employing 9.2 million people and generating 1.15 trillion dollars in sales according to the US office of women business ownership. Of that number, the center for women business research reports that as of 2002 there are an estimated 1.2 million firms owned by women of color, amounting to 1 in 5 women-owned firms, 20 percent in the US. Over all, the number of minority women-owned firms increase by 32 percent between 1997 and 2002. That's four times faster than all US firms and over twice the rate of all women-owned firms.

However, as you have already heard by

Angela Gracie, while access to capital conditions for women business owners improved for white women yet still lagging behind men, access to capital is more problematic for women of color. In fact, African-American women business owners rank last in access to bank credit. 60 percent of Caucasian women business owners had bank credit compared to 50 percent of Hispanic, 45 percent Asian, 42 percent Native American, but just 38 percent went to African-American women according to the Center for Women's Business Research.

This finding is consistent with the 1999 Milken Institute Report "Mainstreaming Minority Business." The report concluded that people of color were four times more likely to be turned down for credit even when factors like education, experience, and other credit worthiness indicators were controlled. Access to bank credit was more critical to this population because minorities have significantly lower net worth and liquid financial assets. Thus, minority-owned firms are overly dependent on commercial bank credit but receive smaller and fewer loans. Simply put, African-American women business owners do not really have access to bank credit or other types of financing like loans from relatives and friends. The median network of blacks is 24,750 compared to 115,000 of whites. So the money is not available for financing their business.

Meanwhile, there are an estimated 365,110 African-American women business owners naturally, employing 200,000 people and generating almost 14.5 billion in sales according to the US census report.

Closer to home, Pennsylvania has an estimated 8,164 African-American women business owners generating 114,275 in sales and employing 3,506 people according to the US Census data. Pennsylvania ranks 15th in the nation while some of our neighbors do a little better. New York ranks number 1 and Delaware ranks number 5 of states with the fastest growing population and the largest numbers of African-American women business owners.

A recent survey of African-American Female Entrepreneurs Alliance members, their 212 local member businesses revealed that 98 percent identified access to capital or credit as their greatest need followed by increased clients and contracts and business development services ranked third. Interviews with members revealed more. The reason access to credit rated number 1 is because as an expressed fear that under capitalization does not allow them to meet the demand of larger contracts or increased customer demand.

For instance, one business owner, a wholesaler manufacturer had an opportunity to place their products in 70 Rite Aid stores. The need to bar code everything and meet inventory standards was prohibitive. Fortunately, they were able to get capital through the intensive efforts of a number of business development organizations including Philadelphia Development Partnership and Ben Franklin Technologies, none of which were commercial banks, to get them $25,000 to meet the demand of a new larger market. This business is now meeting that demand, has hired additional employees, and is, in a word, thriving. The program that supplied that credit in 1999 no longer exist in 2002.

Another business owner, a caterer has not been as successful this year. She continues to turn away business because she does not have the financing to pay additional staff, by needed equipment and lease a facility to store inventory and work in progress to meet increasing demand. This business, while doing okay, could increase sales, create jobs and pay more taxes with a loan of just $10,000.

Philadelphia Regional SBA Director Tom Tolin confirms that Philadelphia banks are reluctant to do small business loans or micro loans under 25,000 even with an SBA guarantee. Other business owners report that they cannot get credit locally on sometimes 70 or 50 percent of their accounts receivables. In addition, for other business owners who do business with the City, the turnaround time for payment in the City of Philadelphia is often 60 days and sometimes up to 180 days. A line of credit for these companies is the difference between survival and death.

In closing, this is important legislation, especially with the number of women own businesses and the even faster growth of African-American women-owned businesses. Access to credit is the most critical factor facing these business owners. This legislation could boost not only these businesses, but as a direct result boost our economy, create new jobs, and expand Philadelphia's tax base.

On behalf of the members of the African-American Female Entrepreneur Alliance and women business owners of this region, I urge you to pass this legislation. Thank you very much.

COUNCILMAN NUTTER: Thank you very much.

Any questions?

Councilman Clarke.

COUNCILMAN CLARKE: Good afternoon, Ms. Davidson. I wanted to ask you a question so I can get a better sense of how this particular legislation or any other initiative will help African-American owned businesses. As I see, it is a wide disparity in African-American owned businesses and other female-owned businesses. And while I believe this will obviously increase the ability for female-owned business to access capital, can you give me a sense of how this will actually help African-American businesses close that disparity?

While I think this will obviously increase the ability to access capital, but I'm trying to get a sense how we can close that gap.

MS. DAVIDSON: Well, if you look at the CRA and how that affect banks and the home industry and housing lending and how once that was enacted there began to be an increase in housing loans for women and also for minorities. So that legislation was very important. That act was very important in closing the gap between housing lending for minorities and women and the majority population. So too this legislation can also stimulate a close in that gap for women business owners because now the bank focus is now on housing lending and meeting those requirements of the act and the focus has shifted from a bank perspective from business loans to housing loans so we can kind of put the focus back on business loans which will actually stimulate more economic growth in the region.

COUNCILMAN CLARKE: So are you saying you believe that there will be a more equitable response to minority-owned businesses, particularly African-American owned businesses in terms of accessing capital as a result of this?

MS. DAVIDSON: Yes. If Council uses the intermediate agency approach, those agencies that are already involved with these communities who already have a track record of doing micro loans with these communities, you're more likely to see a sharp increase in loans to this community.

COUNCILMAN CLARKE: Thank you.

Thank you, Mr. Chair.

COUNCILMAN NUTTER: Anyone else?

Thank you.

MS. DAVIDSON: Thank you.

COUNCILMAN NUTTER: Lynne Cutler.

MS. CUTLER: Good afternoon. I'm Lynne Cutler, President of the Women's Opportunities Resource Center based in Philadelphia. Thank you for the opportunity to testify in support of Bill No. 020256 that was introduced and amended on April 25, 2002.

The Women's Opportunities Resource Center is a non-profit agency that promotes social and economic self-sufficiency for women, particularly low income, dislocated workers. We provide training, access to capital through our subsidiary company which is a certified CDFI, the Economic Opportunities Fund. And we are the oldest micro-enterprise program in the Philadelphia area and one of the earliest in the United States.

The need for financing is a critical and perennial concern for the owners of small businesses. It is even more difficult if you are a minority or a women. It has been our experience over the last 14 years of providing services to women in business that it is difficult for women to receive loans or capital necessary to start and grow a business from the mainstream financial institutions. Although we've worked closely with banks in terms of a loan guarantee product, it was the mergers and the difficulty, the time that it took to get a loan and the unwillingness to do really small loans that was the impetus to develop our subsidiary CDFI.

Women own 38 percent of all of the small businesses in the United States, roughly 9.1 million businesses, but receive only 12 percent of the all the credit provided to small firms, reports a new study conducted by the Milken Institute for the National Women Business Council. There were two reasons why women seem to lag behind their counter parts. One was lack of credit history and the other is the lack of access to credit and capital.

First let me speak to the lack of

established credit history. Personally, we've seen that both, either they do not have any credit history or if they do, that there's blemish on it often because of divorce or circumstances in their life. And this is supported by Lois, E. Haber, Chair and President and CEO of the Delaware Valley Financial Services. She states that women entrepreneurs have lower levels of bank credit than their Male counterparts and women business owners of color are less likely than Caucasian women business owners to have credit. And the way we've tried to address this in the Philadelphia area has been through agencies such as ours, the SBA pre-qual program and other CDFIs like PDP, Philadelphia Development Partnership, the Enterprise Growth Fund that's no longer targeting the broader population. And there's a need for more capital to make sure that we can provide access.

The second area is the general over all lack of access to credit and capital. And that seems to be even more of a barrier for women business owners of color. Today, about half of women business owners of color say that access to capital for current and long-term needs are very important compared with one-third of Caucasian women, according to a study conducted by the center women's business research in 2000. And I put compared, but it's important that it's for both. And that it's a perceived barrier. The same study conducted by the agency shows that less than one-third, approximately 29 percent of women business owners of color surveyed currently have bank credit and only 53 percent of Caucasian women owners have access to credit.

There's a recent article, April 2002 by the NFO World Group, worldwide leader in Internet-based research that shows that the reliance on personal credit is growing while the cost of credit is less of a concern for women. And I think it's interesting they're showing that women are turning to personal credit because there's different factors that are important to them. One is that -- I guess I'm skipping, but one of them is that the relationship is really important. So it means that they are willing to pay a little bit more. The survey also shows that 39 percent of female business owners perceive banks as less willing to lend them money over the last six months. This compares with

22 percent of male owners during the same time frame who perceive banks as less willing to lend them money. And that study was conducted between October 2001 and March 2002.

Twice as many women than men have reported difficulty in obtaining credit in the past six months states Maria Erickson, Executive Vice President for the NFO Financial Services. And as a result, an alarming one-third of these women are turning to credit cards or personal loans as a solution for meeting their credit needs more easily, and in some cases less expensively. But the downfall is that the business doesn't establish credit. And so when they grow, they still don't have a track record to be able to get larger amounts of loans. So the results of the overall study indicate that successful women business owners do not feel confident that the banking industry is interested in supporting their needs.

In conclusion, women need financial services, including small loans and funds for training and technical assistance, in addition to inspiration and practical information. Current criteria for gaining access to credit and capital does not fit the lives many women lead or the kinds of businesses millions of women start and own. Women tend to start smaller service-related businesses, do not have traditional forms of collateral, have limited or sometimes messy credit histories due to divorce or other life circumstances and want smaller amounts of money to start a business. That doesn't mean that we shouldn't have larger loans as they move up the economic ladder. I think it's really important. Based on our experience, lending to women in business, many who are in the start-up phase, we are aware that women seek CDFIs as a more user friendly access to the capital that they need to fund their business venture. Although many banks in our area have focused attempts to be more inclusive in their lending practice, the barriers that I've already mentioned, limited credit history, limited equity, the size of the loan and perceived lack of experience continue to be a barrier to capital access for women. So I'd like you to support this legislation, and we're pleased that you see the need.

COUNCILMAN NUTTER: Thank you for your

testimony.

Any questions?

You have wowed us.

Is there anyone whose name was not called who wishes to testify on this bill?

Seeing none, we will move from the public hearing to the public meeting.

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COUNCIL OF THE CITY OF PHILADELPHIA

PUBLIC MEETING

COMMITTEE ON COMMERCE AND ECONOMIC DEVELOPMENT

- - -

Thursday, May 16, 2002

- - -

Public Meeting conducted by the Committee on Commerce and Economic Development, held in Room 696, City Hall, Philadelphia, Pennsylvania, on the above date, to consider action on the following:

BILL 020256

- - -

PRESENT:

COUNCILMAN MICHAEL NUTTER, CHAIR
COUNCILMAN DARRELL CLARKE
COUNCILMAN FRANK DICICCO
COUNCILMAN WILSON GOODE
COUNCILMAN ANGEL ORTIZ
COUNCILWOMAN REYNOLDS-BROWN

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COUNCILMAN NUTTER: The Chair recognizes Councilman Goode for a motion on Bill 020256.

COUNCILMAN GOODE: Thank you, Mr. Chair. I move that Bill No. 020256 be reported out of committee with favorable recommendation and the Rules of Council be suspended to allow First Reading at our next Council Session.

(Duly seconded.)

COUNCILMAN NUTTER: It has been moved and properly seconded that Bill 020256 be reported out of committee with a favorable recommendation and a recommendation to suspend the Rules of Council.

All in favor say aye.

(Aye.)

COUNCILMAN NUTTER: Any opposed, say nay.

(No response.)

COUNCILMAN NUTTER: The ayes have it. The bill will be reported out of committee with a favorable recommendation and a recommendation to suspend the Rules of Council.

This hearing is adjourned. Thank you very much.

(Council adjourned at 3:00 p.m.)

C E R T I F I C A T I O N

I HEREBY CERTIFY that the foregoing proceedings of the Council of the City of Philadelphia of May 16, 2002, were reported fully and accurately by me, and that this is a correct transcript of the same.

RE: COMMITTEE OF COMMERCE AND ECONOMIC DEVELOPMENT

Lisa C. Bradley, RPR
and Notary Public