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COUNCIL OF THE CITY OF PHILADELPHIA

PUBLIC HEARING

COMMITTEE ON COMMERCE AND ECONOMIC DEVELOPMENT

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Room 696, City Hall
Philadelphia, Pennsylvania
Tuesday, November 12, 2002
10:25 a.m.

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BILL 020648 - RESOLUTIONS 000691 & 020522

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PRESENT:
COUNCILMAN MICHAEL NUTTER, Chair
COUNCILMAN FRANK DICICCO, Vice Chair
COUNCILWOMAN BLONDELL REYNOLDS BROWN
COUNCILMAN DARRELL CLARKE
COUNCILMAN W. WILSON GOODE
COUNCILMAN ANGEL ORTIZ

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I N D E X

11/12/02 - COMMERCE - BILL 020648

COUNCILMAN NUTTER: Good morning, ladies and gentlemen. This is the Council Committee on Commerce and Economic Development. We have a quorum. To my left is the Vice Chair, Councilman DiCicco. To his left is Councilman Ortiz. To my right is Councilman Goode, and somewhere I know hovering right behind me is Councilman Clarke, who is now over on the right. I'm Councilman Nutter, Chair of the Committee.

We have two resolutions that we're taking testimony on and a bill. All three of these matters before us today were introduced by Councilman Goode. We also have a witness list which we will be following to the best of our ability.

The first matter before us today actually is Bill No. 020648, title of which is an Ordinance amending Chapter 19-2600 of the Philadelphia Code entitled, "Business Privilege Taxes," by readopting and clarifying the pilot program under which a credit against Business Privilege Taxes will be given to certain businesses that contribute monies to community development corporations undertaking economic development activities within the City of Philadelphia, all under certain terms and conditions.

The committee has also been joined by Blondel Reynolds-Brown to my left.

Are there any opening remarks by any Members of the Committee?

We'll take testimony on Bill 020648. It's my understanding, I believe that Revenue Commissioner Nancy Kammerdeiner will be giving testimony on behalf of the Administration. Please identify yourself for the record.

MS. KAMMERDEINER: Good morning, Councilman Nutter and Members of the Committee on Commerce and Economic Development. I believe you have copies of my testimony. If not, I brought some with me in case you did not have that.

COUNCILMAN NUTTER: Thank you so much.

MS. KAMMERDEINER: My name is Nancy Kammerdeiner, and I'm the Revenue Commissioner for the City of Philadelphia. I'm pleased to be here today to support Bill No. 020648. This Bill will amend Chapter 19-2600 of the Philadelphia Code entitled, Philadelphia Business Privilege Taxes, to restore a pilot program for tax credits for businesses that make contributions to community development corporations.

This program was inadvertently rescinded last spring when the Code was amended. The program, as you know, was originally established by Bill No. 010541, approved November 14th, 2001. It became part of Section 19-2604, Subsection 6, of the Philadelphia Code. When a Bill was approved in April of 2002, it repealed and restated that section of the Code. That Bill had been intended simply to restate the Business Privilege Tax rates in tabular rather than narrative form and to enact the new Business Privilege Tax rates. Unfortunately, the provisions of Section 19-2604, Subsection 6, were also repealed and were not included in the replacement text. The error was not discovered until October when recent Ordinances were being reviewed for codification. The Bill before you today will restore this program to the Code and will insure continuation of the pilot program.

Just a quick description of the program. It provides an opportunity for 10 businesses to enter into contribution agreements with the Department of Revenue that will entitle them to credits against their Business Privilege Tax liabilities each year for 10 years in exchange for annual contributions of $100,000 to CDCs. These business CDC partnerships are to be identified on a first-come, first-serve basis until 10 such partnerships are identified. In the event that more than 10 businesses apply on the same date, the Revenue Commissioner is to provide for a random selection process with 10 businesses each receiving BPT credits of $100,000 or their maximum BPT liability, whichever is lower. This program is expected to cost a million dollars per year for 10 years in reduced tax revenue. The Department of Revenue and the Revenue Commissioner are charged with implementing this program.

Let me take this opportunity to give you an update on what's been happening in this regard. During this past summer, the Business Privilege Tax regulations were amended to incorporate the credit program and provide more specific information about the procedures for initial application and continuation of the program. These regulations were filed in records for public comment and a request was received for a public hearing. That hearing elicited testimony from a number of CDCs and potential business applicants. They expressed strong support for the program and made a number of useful recommendations that were used to amend and strengthen the regulations when they were resubmitted to records in final form.

A public meeting was then held on September 9, 2002, to answer questions about the regulations and to formally announce the opening of the application process. Thirteen applications were received on the due date of September 23, 2002. As a result, a lottery was held four days later to identify the 10 business CDC partnerships that would be processed for participation in the program. These 10 applicants have been screened to verify that they are not indebted to the City or the School District and that the CDCs meet the qualifying standards established in the regulations.

Contribution agreements have been sent to the business partner applicants for their review and signature. These agreements will commit them to make $100,000 contributions to their partner CDCs each year for 10 years. Although none of the agreements have been signed yet, I anticipate the opportunity of signing these as soon as possible after the Bill before you today, Bill No. 020648, has been approved to restore the CDC credit provisions to the Philadelphia Code.

I recommend that the Committee approve this Bill with the rules suspended so that this program can be fully implemented without further delay.

I'll be happy to answer any questions that you might have.

COUNCILMAN NUTTER: Thank you, Commissioner.

Any questions for Commissioner Kammerdeiner?

(No response.)

COUNCILMAN NUTTER: Seeing none, we're now going to move into our -- we're going to temporarily recess the public hearing. We're going to move into a public meeting for the purpose of receiving amendments to Bill 020648.

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COUNCIL OF THE CITY OF PHILADELPHIA

PUBLIC MEETING

COMMITTEE ON COMMERCE AND ECONOMIC DEVELOPMENT

- - -

Tuesday, November 12, 2002

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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 020648.

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PRESENT:

COUNCILMAN MICHAEL NUTTER, Chair
COUNCILMAN FRANK DICICCO, Vice Chair
COUNCILWOMAN BLONDELL REYNOLDS BROWN
COUNCILMAN DARRELL CLARKE
COUNCILMAN W. WILSON GOODE
COUNCILMAN ANGEL ORTIZ

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COUNCILMAN NUTTER: The Chair recognizes Councilman Goode.

COUNCILMAN GOODE: Thank you, Mr. Chairman. I have a simple amendment which actually amends Subsection C and D of Section 6. It's a simple amendment that moves from 10 partnerships to 15 partnerships. When we originally introduced this Bill we didn't know what the response was going to be. Upon application process, there were 13 groups that applied on the same day, and 13 groups went to a lottery for 10 positions. Since then, another group has applied. We think since those corporate community partnerships do exist out there, that we should amend the legislation to open up for five more slots. Members of the Committee have copies of the amendment and a listing of the partnerships in front of them. So I move that the amendment to Bill 020648 be adopted.

(Duly seconded.)

COUNCILMAN NUTTER: The amendment has been properly moved and seconded.

All in favor signify by saying aye.

(Aye.)

COUNCILMAN NUTTER: Any opposed say nay.

11/12/02 - COMMERCE - PUBLIC MEETING

(No response.)

COUNCILMAN NUTTER: Bill 020648 has been amended. The Chair recognizes Councilman Goode for a motion on the amended Bill.

COUNCILMAN GOODE: Thank you, Mr. Chairman. I move that Bill 020648 as amended be reported out of Committee with a favorable recommendation and the Rules of Council be suspended to permit first reading of this Bill at our next Council Session.

(Duly seconded.)

COUNCILMAN NUTTER: It has been moved and properly seconded.

All in favor say aye.

(Aye.)

COUNCILMAN NUTTER: Any opposed say nay.

(No response.)

COUNCILMAN NUTTER: The Bill has been reported out of Committee.

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COUNCILMAN NUTTER: We will now reconvene the public hearing on the two Resolutions, Resolution No. 000691, a Resolution calling for hearings into microenterprise development and neighborhood self-employment as an economic development strategy in the City of Philadelphia.

And Resolution 020522, a Resolution authorizing the Committee on Commerce and Economic Development to hold hearings into the current state of community reinvestment by City depository banks within low-income and minority neighborhoods in the City of Philadelphia and authorizing the Committee to issue subpoenas to compel the attendance of witnesses and the production of documents and other evidence.

We have a witness list, as I indicated earlier, which we will seek to follow. The first testimony will be from the City Controller's office. It's my understanding that representatives of the Controller are here. Please come to the witness table. Identify yourselves for the record and present your testimony.

Do you have copies of your testimony?

MR. MANDEL: Good morning. My name is

Brett Mandel, and I am appearing on behalf of

Johnson Saidel, the City Controller, who apologizes, but he was called to a meeting earlier this morning.

I come before you today to offer testimony on small business lending in Philadelphia. As you know, historical lending patterns have long indicated disparity in loan availability between poorer and richer communities. Access to small business loans is essential for the success our neighborhoods, and I applaud Councilman Goode and all of City Council for focusing on this important issue. Parenthetically, the Controller also wants to pass on his thanks to Councilman Goode for putting into recommendation form the Job Creation Tax Credit recommendation of the City Controller's Tax Structure Analysis Report. We look forward to working with Councilman Goode and all of City Council and the Administration to implementing that program.

Although significant study has been completed on this topic by Councilman's Goode's staff and numerous other groups, I will limit my comments to an analysis of small business lending in Philadelphia released by my office earlier this

year, along with an update using more recent data.

This analysis considers only data for Philadelphia itself and does not compare our City with other cities or communities. I am, therefore, not in a position to comment on trends outside the City.

My office performed an analysis on data available from the Federal Financial Institutions Examinations Council. Along with other responsibilities, the Council monitors the efforts of financial institutions to comply with the Community Reinvestment Act of 1977. This Act seeks to encourage lending within the communities in which banks operate.

The analysis performed by my office tracks the number of loans to small businesses, which are loans to businesses with less than $1 million in revenue, as well as other lending statistics. Currently, the data are available for the years 1998 through 2001. Our analysis considers only loans taking place in Philadelphia, and it seeks to identify differences between communities of varying income levels. For the purpose of our analysis, low and moderate-income communities are those that are below 80 percent of the median income

level for the metropolitan area. Middle and upper-income communities are those with higher than

80 percent of the area's median income.

During the four-year period of our analysis, there are some interesting trends in lending within Philadelphia. The number of loans to small businesses increased dramatically, rising from 2,816 in 1998 to 7,193 in 2001. During this time, the inflation adjusted total amount loaned to small businesses increased from $163 million to $270 million. Although the loan amount did increase significantly, the average amount of each loan fell from approximately $53,000 to $37,000. The data demonstrates significant trends in overall lending during this four-year period, but the data does not indicate major changes in the distribution of lending between communities of different income levels.

During the four-year period, 39 percent to 42 percent of loans to small businesses were in low and moderate-income communities. When considering the amount of the loans, low and moderate-income communities received between 34 and 39 percent of the loan funds. The percentage of

loan funds received by these communities fell to their lowest level of 34 percent in 2001 from the high of 39 percent in 2000.

In today's trying business climate, access to funding is particularly critical for many small businesses. While the total amount of money loaned has increased, the average loan amount has decreased significantly in recent years. Without access to capital, fewer and fewer small business owners will be able to pursue the dream of owning their own business. It is my hope that this data will enhance this Council's ability to consider what the City can do to ensure that the hard-working people of Philadelphia have access to resources that they need to pursue and achieve their dreams.

Thank you very much. Along with this testimony, I'll refer this Council to the report that the Controller's Office put out in February of this year.

COUNCILMAN NUTTER: I'm sorry. What was the last thing you said again?

MR. MANDEL: The Controller's Office submitted a report on this data to the Council in February of this year, and I refer everybody to that

analysis.

COUNCILMAN NUTTER: Okay. Thank you.

The Chair recognizes Councilman Goode.

COUNCILMAN GOODE: Thank you, Mr. Chairman. I just wanted to thank the Controller's Office for their work and for their testimony this morning. But one request, I ask that, because data is so important, that we actually have an annual review and a set point for the time of the year that we actually review small business lending. The two reports, the first written report and the update today was great, but the actual annual collection of this data is very important. I thank you again for your testimony.

MR. MANDEL: We'll update this annually.

COUNCILMAN NUTTER: Mr. Mandel, let me ask you one question based on your testimony. To what would you attribute the decrease in the average amount of loan from $53,000 to $37,000? Is there anything in your analysis that --

MR. MANDEL: I'm afraid that our analysis didn't get into any larger trends in the banking community or any significant reasons behind this. We just looked at the facts themselves, and I

will let the other experts here talk to that matter.

COUNCILMAN NUTTER: Okay. Thank you.

Any other questions?

AUDIENCE MEMBER: Are you asking about questions from the audience also?

COUNCILMAN NUTTER: No, ma'am. I appreciate it. Generally when I say that, I'm actually talking to the Members of the Committee who are allowed to ask questions of the witnesses. We don't allow questions to come from the audience to the people at the table. If you have something that you want to say, you're certainly able. We're in a public hearing. You're certainly, at the right opportunity, able to come to the table and put on testimony that you want. But it's not a kind of an audience participation kind of activity, so I'm asking for questions from Members of the Committee. Thank you.

Any members have any questions?

(No response.)

COUNCILMAN NUTTER: Gentlemen, thank you very much.

MR. MANDEL: Thank you.

COUNCILMAN NUTTER: Let me also

acknowledge for the record the presence of Councilwoman Donna Reed Miller who is here with us this morning as well.

The City Treasurer, Mr. Kemp.

Good morning, Mr. Kemp. Please identify yourself for the record and anyone who will be testifying with you.

MR. KEMP: Good morning, Chairman Nutter, Councilman Goode, and members of the Commerce and Economic Development Committee. I am Corey Kemp, City Treasurer. With me is Joe Feraldo, Deputy City Treasurer.

COUNCILMAN NUTTER: Do me a favor, Mr. Kemp. Could you bring that mike a little closer to you?

MR. KEMP: We are here to testify in support of Resolution 020522, which authorizes the Committee on Commerce and Economic Development to hold hearings into the current state of community reinvestment by City depository banks within low-income and minority neighborhoods.

Having reviewed this Resolution, it is our understanding that the Resolution complements Bill No. 020047, which requires all City

depositories to provide information on their respective community reinvestment goals. We believe that this information will strengthen our efforts to evaluate whether the banks that we use are committed to investing in our neighborhoods and in our City. Such an effort is important and meaningful and complements the Administration's commitment to support Philadelphia neighborhoods.

On October 25th, in accordance with this innovative and necessary legislation, my office sent letters requesting that authorized City depositories forward community reinvestment statements to my office by December 31st of this year. The Treasurer's Office does not expect that the annual collection of these community reinvestment statements will add any significant administrative burden to our regular duties, and we look forward to receiving them.

Thank you for the opportunity to appear before this Committee today. And we will be happy to answer any questions that the Committee has at this time.

COUNCILMAN NUTTER: Are there any questions by Members of the Committee?

Mr. Kemp, just let me ask you one question based on your testimony. You expect to receive the reports and for the moment we're going to -- I don't mean to say "we." Assuming that the institutions comply with the provisions of the legislation and you receive the required reports by December 31st, as to a follow-up to a question or a statement that Councilman Goode made earlier, when would you expect then the Treasurer's Office would issue a report?

MR. KEMP: What we will do is, once we receive all of the reports, we will send a copy of it over to the Committee. And within 15 days to 30 days, we'll have an analysis and a report to the Committee at that time.

COUNCILMAN NUTTER: Okay. So you think sometime, end of January, beginning of February?

MR. KEMP: Correct.

COUNCILMAN NUTTER: Okay. Great. Thank you very much.

MR. KEMP: Thank you.

COUNCILMAN NUTTER: Mr. John Taylor from the National Community Reinvestment Coalition.

Gentlemen, please identify yourselves

for the record and proceed with your testimony.

MR. TAYLOR: Good morning, Councilman Nutter. My name is John Taylor, and I'd like to thank you for inviting me here and thank Councilmember Goode for -- can you hear me okay?

Great. Terrific. I just want to identify with the microenterprise folks, because I couldn't agree more that support from microenterprise supports the local economy. Let me again say, I'm John Taylor from the National Community Reinvestment Coalition. We're a trade association of some 700 community organizations. Our mission is to build wealth in underserved neighborhoods, and I appreciate the opportunity to come here and testify.

Let me just start off by saying I'm not here to knock financial institutions for the sake of knocking financial institutions. The truth is, banks are our neighborhood's best hope. If we don't get them to pay attention to the needs of entrepreneurs, small businesses, woman-owned, minority-owned, we simply won't be able to have the kind of prosperous neighborhoods that we all dream of for this and other cities.

As you hear people testify today, I want

to get you to distinguish between those who are going to come up and give you real-life good examples of some good things that banks are doing with some people in some instances. Distinguish that from the mosaic of what is really happening overall in the community in terms of the actual lending that's occurring, the difference between a small business loan and perhaps a credit card loan.

For example, if you look at the data -- and by the way, have all Councilmembers been supplied a copy of my testimony?

COUNCILMAN NUTTER: Yes.

MR. TAYLOR: Terrific. Well, if you look at the data, you'll notice that the five largest lenders in Philadelphia for small business purposes are credit card banks, with the average size loans of $3,000, $7,000 and so on. And if you don't have that, I'll supply that to you, but that's just data that you can pull off line from the reports we get out of the Federal Reserve. The point there is --

COUNCILMAN NUTTER: Mr. Taylor, what page is that in your report, do you recall?

MR. TAYLOR: It's not in the testimony,

but I'll see to it that all Council members get a copy of that, Councilman Nutter.

COUNCILMAN NUTTER: Okay. Thank you. No problem.

MR. TAYLOR: But let me just tell you the top -- the number one lender for small business purposes in the City of Philadelphia -- are you ready for this -- Associates. Does Associates ring a bell for anybody? They were the poster child for predatory lending. They're now owned by Citibank. Now, Citibank is cleaning up some of their practices, but they've got a way to go. But that's the number one lender, the number one institution that people can rely upon in Philadelphia to get loans from; Number two, GE Capital Financial; Number three, MBNA America; Number four, American Express; and number five, Capital One. All credit card banks. So if you want a loan in the City of Philadelphia, the odds are that you're going to end up with a credit card loan, not a small business loan with competitive rates and that sort of thing. And I'm not knocking that there isn't a role for credit card lending -- yes, sir?

COUNCILMAN NUTTER: I'm sorry,

Councilman. The Chair recognizes Councilman Ortiz.

COUNCILMAN ORTIZ: As you know, I think we won the vanguard of predatory lending across the nation in this Council. What are the rates -- you say that Associates and the other ones are the main sources of loans. What are the rates of their loans and how are you characterizing those loans in terms of facilitating the growth of these small businesses?

MR. TAYLOR: Well, this is one of the problems, Councilman Ortiz. Because right now lenders are protected by this vast veil of secrecy You asked a question that no one can answer, what are the rates?

COUNCILMAN ORTIZ: No one can answer that?

MR. TAYLOR: No. I mean, you can go to the institution and get the rates, but you can't get the rates at what they're loaning to women or people of color or low income versus moderate versus middle income. That simply is not reported. It's not even reported by race or by gender. It's not even reported by census tracts, specific census tract. All that's reported -- and that's the problem you'll

hear today.

You're going to hear people from the Fed take the same data we're taking and give it a spin that makes it seem pretty positive. But the truth is, if you really look and listen to what this data is saying, it's saying that people in Philadelphia, if you're a person of color and if you're a woman, or if you're just an entrepreneur or a small business owner who doesn't have great wealth, but just simply has a small business, you're hard pressed to get a lot of the financial institutions to give you a competitive small loan.

And what I'm here today to tell you about -- and I'll discuss a little bit of data -- but I'm here to really encourage you on the track you're on. The Bill that passed recently that I think was sponsored by Councilman Goode that's going to ask for -- and approved by this Council -- that's going to ask for up front reports from banks on how they're going to serve underserved populations, minorities is a fantastic step.

I don't want to get ahead of myself, but in order to answer the kind of question you and fellow members of the Council are undoubtedly going

to have we are going to need -- and you can request the kind of data that's going to make a difference and I -- this is the conversation that's being had. And I have to tell you, in America you talk about being ahead on predatory lending. You know, you can really take a look at what's happening in the mortgage market. Because mortgages, they have to report race, gender, income, census tract. On two

CD ROMs from the Federal Reserve you can tell where every single loan, and the loan amount, who it's going to in terms of the person's gender, their color, their income. So you can really paint the mosaic of what's happening in mortgage lending in your City. You can't do that for small business. You can only get sort of generalized summaries of what's going on. And the summaries suggest that there's smoke and there's a fire somewhere, but you can't get at that because, right now, people are protecting the banks from having to reveal that information.

You can do two things on this, Councilman -- I'm very much getting ahead of myself, but if this -- I don't know how much time I have, but I'll tell you --

COUNCILMAN ORTIZ: Well, we want to get to the crux of the problem.

COUNCILMAN NUTTER: This happens all the time. Don't feel bad.

MR. TAYLOR: I'm sorry, sir?

COUNCILMAN NUTTER: We get ahead of ourselves all the time. Don't feel bad.

MR. TAYLOR: The crux of the problem is

this: Banks and their bank trade associations in Washington and around the country are fighting this kind of conversation. They're going to get up here and they're going to tell you, oh, we're doing this nice thing with this coalition of groups and we've done those loans -- and those loans are true. But don't be misled by the sort of few good examples compared to what's really going on in the community.

What needs to happen is -- and what this City can do and where it can lead the nation, is it can demand that banks collect small business data by census tract. Right now, you get it by sort of all the census tracts lumped together and then all the loans lumped together, so you don't know by specific census tract where a particular loan is going. It's not against the law to collect that data. You have

the power in this City to demand that from financial institutions. That's number one.

What's number two? Income. You can demand that the lenders provide you as they do in the HUMDA records, just like the first point, the census tract, HUMDA records. Home mortgage lending, they supply that information. Well, for small businesses, supply information on income. Who's getting the loans? For example, you'll hear data talk about, oh, we've increased loans to low-income census tracts. It doesn't necessarily mean it went to a low-income person. And I'm not saying it's a bad thing to invest in someone to go into a low-income neighborhood. I think it's a good thing. But what you really want to get a handle on is our entrepreneurs, our people fighting their way up the economic ladder having equal and fair access to credit and capital. That's something you can do.

Now, what you can't do because the Federal Reserve -- and the Federal Reserve is the gatekeeper on this -- and I've spoken to Chairman Greenspan several times about this -- and last Friday or the Friday before they were about to release a change on this, but you can't -- you're

prohibited from collecting this data by race and by gender. All right. And that's a nice little veil that protects the banks from being able to tell you what they're doing in terms of loans to women and what they're doing in terms of loans to minorities. So you can't do that until we change. And we've asked this Council and the Mayor to go on record of supporting that change.

Unfortunately, you have a State Senator

who does not. Senator Santorum has gone on record of asking the Federal Reserve to not make changes to regulation B, and we're very, very disappointed to see that.

In any event, let me move on, you know, because data is a funny thing.

COUNCILMAN NUTTER: Excuse me, Mr. Taylor. We have a question from Councilman Clarke. The Chair recognizes Councilman Clarke.

COUNCILMAN CLARKE: Thank you, Mr. Chairman. I just had one brief question with respect to your testimony and the collection of data. In your testimony, you indicated that some lawmakers continually oppose this collection. Is it Santorum or is it lawmakers across the board? I'm

trying to get a sense of who --

MR. TAYLOR: Thank you for that question. It's a funny thing. And we're actually very disappointed in Senator Santorum because, in the past, he has shown the willingness to sort of stand up to where sometimes the majority of his party was going. We're just flabbergasted that he took -- Federal Reserve, as I said, Friday before last, was about to release a statement -- and mind you we can only theorize what it was going to be --

but our theories are -- and I think it's pretty consistent with others -- is that they were going to ask for voluntary collection of small business data by race and by gender.

Now, not what we would have liked to have seen but, on the other hand, it's an opening of the door. It's a start. It would have made a difference. Some of the institutions, I think, would step forward. Some of the institutions who are doing a good job, who know that they're loaning to women, know they're loaning to minorities, would be glad to supply that information and that would put pressure on others to supply that information.

Well, the Fed was about to literally --

we had staff at the hearing waiting for the announcement. And the first thing at this hearing at the Fed was, we've changed our minds. We've got some new information and we're going to reconsider what we were going to do. And there was a letter -- the only thing that we could tell is that the American Bankers' Association representing the banking interests sent a letter saying, please don't do this. It's going to be terrible.

And then Senator Santorum, along with

Senator Enzy (ph) from Wyoming and Senator Krepo (ph) from Idaho -- Pennsylvania, Idaho and Wyoming senators, only three, sent a letter to the Federal Reserve saying, this isn't in your power. This is Congress' power. Well, we've been trying to get Congress to fix this for years, but they've been telling us it's a regulation. It's in the Fed's purview, so --

COUNCILMAN CLARKE: So in your view we will be required to get an amendment of the regulations on a Federal level in order for us to collect the data?

MR. TAYLOR: To get race and gender reporting, yes.

COUNCILMAN CLARKE: But with respect to census tracts, do you think we can do that locally?

MR. TAYLOR: Absolutely. You can -- in fact, Josh Silver, who is sitting beside me, who is a Director of Policy and Research -- and I apologize for not introducing him earlier. Josh called over to the FDIC to confirm that, in fact, if a City wished to collect that data, it's not prohibited. And we looked at the laws, the Equal Credit Opportunity Act, The Community Reinvestment Act, there's nothing in that legislation that would prohibit you from collecting that kind of data.

And I guarantee you, ladies and gentlemen, you collect that data and, all of a sudden, you can tell by income and by census tracts where people are lending. You will begin to fine hone this discussion from the sort of general what the data says and what the data doesn't say, to being more and more specific until you get to the point where you really know which lenders are really loaning fairly to all Philadelphians, across income tracts, across racial lines. You'll be able to superimpose census data in terms of racial lines. You'll be able to tell in more specificity what's

going on. It will make a tremendous difference in the banks opening up their programs to lending to all incomes and all genders and races.

COUNCILMAN CLARKE: Thank you. Thank you, Mr. Chairman.

COUNCILMAN NUTTER: Sure. Mr. Taylor, let me ask two quick questions. One, I thought you indicated earlier that the banks that lend in the home mortgage market already collect this information; is that correct?

MR. TAYLOR: Correct. Already reported,

yes, sir.

COUNCILMAN NUTTER: So why is there, from your perspective, a sense of opposition to collecting similar data or information on the business side?

MR. TAYLOR: Well, I've had this very conversation, as I said, with Chairman Greenspan many times. And out of his mouth, he has said every time I've been there, including with my board and some of my staff, is he wants a color blind society. And he doesn't think that lenders -- and you might even hear this from one of the lenders -- that lenders shouldn't be considering those factors, what

the gender, what the race is in making loans. And as I've said to Chairman Greenspan, we agree. The problem is we don't have a color blind society. In fact, we don't really have a handle on what's going on in the small business lending arena because there is very little data that you can really draw any solid conclusions from, other than general conclusions.

And so here's the rub. If you are a lender and you're making a small business loan -- I'm not talking about a credit card loan -- but if you're making a loan of a $100,000 or a micro loan to an entrepreneur, there's a 99 percent certainty that you know whether you're talking to a man or a woman. And there's a 99 percent certainty of whether you're talking to an African American, a Latino, an Asian or a white Caucasian male. So they already know this stuff.

COUNCILMAN NUTTER: Just so the record is clear, do you wish to identify yourself under any of those various categories?

MR. TAYLOR: I am a white Caucasian male, Irish American. Proud of it. But also proud of a just society.

COUNCILMAN NUTTER: I want to make sure that anybody reading the notes of testimony knew who was addressing this today.

MR. TAYLOR: Yes, sir.

COUNCILMAN NUTTER: Let me ask my other question.

MR. TAYLOR: I just want to make sure, Councilman Nutter, the point was made, is that the banks already have the information about whether they're loaning to a woman or whether they're loaning to an Italian American or an African American or a Latino American. This is not information that's going to become like --

COUNCILMAN NUTTER: So what's the real issue?

MR. TAYLOR: The real issue is the banks do not want you and the general public to see who it is that they're loaning to for small businesses purposes. And that is the single and the only reason that we do not have the kind of disclosure on small business lending that we currently have on home mortgage lending.

COUNCILMAN NUTTER: Okay. My second question is -- which I believe I know the answer to,

but I'd like you to lay it out for the record. You've made, on a number of occasions here this morning, the distinction between, for businesses, the credit card loan versus a micro loan or a standard business loan. Could you briefly lay out what the distinctions or the differences between those types of loans and why one is better than the other?

MR. TAYLOR: Sure. With a credit card loan you're dependent upon the interest rate of the credit card. Unfortunately, we know anecdotally that --

COUNCILMAN NUTTER: So we're talking

about a business that gets a loan that is tied to a credit card, or might be considered a line of credit that's tied to, say, a prime equity loan to that particular business; is that what we're talking about?

MR. TAYLOR: Right. Which can range from an interest rate of 9 percent to 21 percent. And more often than not falls on the higher end. That compared to a small business loan, which is offered by a loan officer in a bank based upon the business plan, the equity in the business, the

soundness of the staff and the whole business idea. And it's offered depending who you are as a business. For example, if you're a big business like an IBM or someone like that, they get prime, sometimes even better than prime, loans. Prime is currently at -- where's prime at now? 5, 6 percent. So, you know, for a small business owner to get a competitive rate, maybe it's 7 or 8 or 9 percent, would be a pretty decent thing.

COUNCILMAN NUTTER: I assume repayment terms are different between that standard type of loan and a credit card loan?

MR. TAYLOR: That would be correct.

COUNCILMAN NUTTER: Okay. All right. Thank you. That takes care of my questions.

Councilwoman Miller has a question. Councilwoman?

COUNCILWOMAN MILLER: Thank you, Councilman Nutter. I have a question about the reporting -- it's just as hard for you to hear me as it is for me to hear you.

MR. TAYLOR: Okay. I'll try.

COUNCILWOMAN MILLER: So this room is really difficult. When you collect the data, and if

they report the data by census tract, wouldn't we need to break out who the borrower is, because that doesn't necessarily mean that they're a resident of that particular census tract or minority borrower?

MR. TAYLOR: That would be nice. The problem you have is that the Feds -- the Federal Reserve, for the reasons I've given you -- I mean, they are the gatekeeper, and there's no one in between them and us. They have decided that they do not -- they prohibit banks from collecting data about the race and about the gender. What they don't prohibit is collecting data about income and about the census tract where the loan is made. So you're right. This could be, you know, someone from

Bryn Mawr who has a business in North Philly and -- am I picking the right neighborhood?

COUNCILWOMAN MILLER: You're close.

MR. TAYLOR: Am I close? I'm a Bostonian, you know, give me a break. But what you'd find out is what the income of that borrower is. So that would give you an indication whether that person lives there because his annual income is about $300,000 a year. He may not live there would be a sound conclusion depending on the census tract.

But at least you would be able to get that much closer to who's actually accessing small business credit and getting them to distinguish. As far as I know, there's no prohibition against getting them to distinguish what's a credit card loan versus what's a straight small business bank loan. Yes. So that would be an additional thing you did.

COUNCILWOMAN MILLER: So somewhere in your testimony you have a checklist of items that -- or we just need to go by the mortgage reporting?

MR. TAYLOR: Well, I actually -- in consultation, working closely with Councilman Goode and some of the community groups from the City, we make several recommendations. I can get to those.

There's two things I need to clean up here.

One is, I wanted to sort of go through the data and what the data suggests. You can read that now -- or you can listen to the Federal Reserve tell you what it suggests. And it will be a very different interpretation. Let me do a couple of very quick data things.

COUNCILMAN NUTTER: Mr. Taylor, why don't you try to get through your testimony, notwithstanding the fact that we're going to

probably interrupt you a few more times, but try to get through your testimony on the data and we'll try to hold our questions.

MR. TAYLOR: Okay. Nearly 50 percent of all the small business in Philly is in low and moderate-income census tracts. 50 percent of all the small business owners, all those entrepreneurs and small business owners, are in low and moderate-income census tract. Lenders made about 40 percent of the loans to them. So a 10 percent differential to what businesses exist versus what they got.

Now, substantially minority tracts, that is, tracts that have 80 percent minority and above, that constitutes 26 percent of the small business tracts. Yet if you look at those minority tracts -- so there's 26 percent of the minority tracts with small businesses. 18 percent of them receive loans. So a difference between -- it's this graph over here. So if you look on the left, the purple stuff or whatever that color is, the percentage of businesses that exist in minority tracts. So 26 percent of all the businesses are in minority tracts or tracts that are 80 percent or more minority.

But, you see, they receive less than 18 percent of the loans.

Now, you flip over to tracts that are substantially moderate income and have less than 10 percent minorities, which constitutes 29 percent of the businesses, you see that they receive more than what they constitute -- more than their share, 33 percent. And you can do the math. The difference between 26 percent and 29 percent is only 3 percent. Yet the difference in treatment for majority white versus majority minority, you're looking at the difference between 18 and 33, so it's a 15 percent difference. 3 percent population or 3 percent number of business difference, but an 18 percent difference in the way they're treated by lenders.

The point of this is that the more you look at minority census tracts and the more it becomes a minority census tract with minority-run small businesses, there's an inverse ratio to what the banks are investing. In other words, they do less investing the higher the percentage -- even controlling for income level in the tract. So, you know, one thing I kept meaning to say is, the truth is, if lenders have nothing to hide, they have

nothing to fear. If they have nothing to hide, they have nothing to fear.

Let me just jump real quickly to some of the recommendations that we would like to make. I want to compliment the City for the annual CRA report. This is something that no other city in America, to my knowledge, has done, and it's something that we hope to be able to bring to other cities across America and encourage similar City Council and Mayors' Offices to take a look at to pass. I've already spoken to the single most important thing beyond what you've done, that I believe you could do that would make a big difference, and that's getting the data by specific census tract and by income. No law against it. You can do it. Go for it. It will make a big difference for your City.

I'd also encourage you to revitalize -- I think you once had a link deposit program. Does the link deposit program exist in this City any longer? Okay. What that's about is, you know, why would you want to put City -- for that matter, other institutional deposits, in a financial institution that doesn't invest in Philadelphia and

Philadelphia's people. I mean, it doesn't make any sense. What you want to do is reward those lenders who are investing in all people in all neighborhoods and being fair in their lending. What you do to encourage that is to take your City deposits, which are very substantial, the tax revenues and other revenues, and deposit them in the good institutions that are, in fact, reinvesting in your neighborhood. It's called the link deposit program, something that a few cities have done, and I think it would work very well in the City.

Secondly, there's this thing called CRA agreements. When banks merge -- you're going to hear, I think, from one of the groups, a mention of First Union and what they've been doing in the way of lending. They've done some good things. Well, to remind people, there was a CRA challenge. There was a fight with this institution to do good things in Philadelphia and there were people who stepped forward and said very specifically, you need to do X and you need to do Y in the way of reinvesting in this City. The result of that is some of the stuff you're going to hear about today. Well, the City can get very involved in that process and work with

the community leaders to help push financial institutions to do more and make more forward commitments in investments, whether it's to micro lending or grants to CDCs or investments in minority and woman-owned entrepreneur businesses. You can get involved in that process.

I'll give you the model is the city of Cleveland. There's no city better than the City of Cleveland in getting engaged when it comes time for CRA agreements and bank merges.

You can comment on a bank's performance. It always appalls me that the Federal Reserve, who you're going to hear from today, if you talk to those examiners, they will tell you they rarely hear from people complaining about banks and almost never from cities. Well, if you're a City leader, whether you're City Council or the Mayor or anybody else, why wouldn't you want to comment about a bank that's either doing a good job, because you can look at the data and it shows that, or is doing a horrific job? They're taking in the deposits from the community and they're not reinvesting in the neighborhoods. Why wouldn't you want to comment to a bank examiner that you're not pleased with that scenario? I would

encourage each Council member, individually or severally and collectively, to comment on CRA exams because it makes a big difference. You hear from these examiners, they don't hear from a community person from one end of the day to the next.

Finally -- well, almost finally, we need a stronger federal law. This business I mentioned earlier about Senator Santorum helping to stop the Fed from requiring the collection of Regulation B or race and gender data for small business purposes. Well, there's a law in Congress right now that is actually -- was bipartisan. There was a Congresswoman, Connie Morella (ph), a Republican from Maryland, was the cosponsor with Representative McGovern from Massachusetts. And here we had a Democratic and Republican cosponsoring a Bill called The Access and Openness in Small Business Lending

Act. It would get at what Councilman Clarke and Councilman Goode and others have been pushing for, and that is a clearer mosaic, a clearer picture of whether or not women and minorities and based on income were actually accessing small business data. Perhaps the fine people in the State of Pennsylvania can convince Senator Santorum to get behind that

Bill and to sponsor a similar Bill in the Senate.

Let me just also say that there is a sign-on letter being circulated nationwide to get the Federal Reserve to go and do what it was about to do that Friday ago and release a request for voluntary collection of this data. We ask the City of Philadelphia to identify itself and say, we share that position. We think it's a good thing for this data to be collected. So, there's that letter that's circulating.

Again, I think you're going to hear a lot of examples -- again, I try to get you to distinguish, because there's some good things that banks are doing. Some of them came kicking and screaming. Some of them are doing it because they think it's a good thing to do. Banks are not the enemy. But I also can tell you that it's going to be impossible to revitalize poor neighborhoods and underserved neighborhoods unless we have a more serious commitment from financial institutions, and that is, in particular, in the small business entrepreneurship and other kinds of lending.

That, I believe, concludes my remarks.

COUNCILMAN NUTTER: Thank you very much.

I'm hearing something on the left side. Councilwoman Reynolds-Brown.

COUNCILWOMAN REYNOLDS-BROWN: Good afternoon.

MR. TAYLOR: Good afternoon.

COUNCILWOMAN REYNOLDS-BROWN: I want you to please, if we could, go back to recommendation number two. And you stated a number of times that Federal law prohibits collection of the data that speaks to race and gender. And then you ended your comments by saying, we'll make a big difference for the City. State again how.

MR. TAYLOR: Okay. Can't get race and gender, right, because that, the Feds prohibit. And they have that in a regulation, so the bank would be penalized if they tried to report that. Obviously, they know when they're looking at you when you're trying to borrow from them whether you're an African

American woman as the owner of the business, but they can't tell the Feds that. It's silly. It's really silly. But what you can collect is specific census tract. Where is the loan going? Is it going in North Philadelphia, Central City, East Philly? Is it going to, you know, a high-income census

tract, a low-income census tract? That's one thing.

The other thing is, on the borrower, while you can't collect the gender or the race, you can collect their income. What is their income, the income of the borrower? So now you know if somebody is getting a small business loan and their income is like $40 or $45,000, you know this is a person working their way up the economic rung. It's not some wealthy person, you know, opening a McDonald's franchise. I mean, it's somebody, you know, that, I think this Committee is interested in seeing to it, gets better served by financial institutions. It's not everything. It's not what we want. What we really need is a complete lifting of the veil of secrecy. And that means getting the Fed to lift Regulation B. And that day will come. And it will come through organizing. It will come from people saying, we're not afraid. It will come from bankers. You know, there was a time when Citibank and Bank America and all them, they all stood up saying, we're not afraid of it. Go ahead. But the bank trade associations opposed it, and that day passed. But there was a time when banks were willing. They're not afraid. Nothing to hide,

nothing to fear. They weren't afraid to come forward and say, here. Here's our record of lending to women and minorities. We'll stack that against others.

Right now, what you can tell by looking at this chart here -- I don't know if you can see. Josh, hold that up a little. But you can see on the bottom, we named banks here. And this is the percentage, this is the kind of data that's available, the percentage of loans in low and moderate-income tracts. Now, you don't know which tracts because they're all lumped together. But you do know that Beneficial Savings in the City of Philadelphia is doing a better job than any other financial institution in this City in loaning to low and moderate-income people. And Fleet is number two. And God knows we kicked the cahooties out of these two banks for many years. And it is good to be able to sit here and say, look, they're doing better. And you look down this end, and the worst, one of the worst, is Hudson United Bank. Now, Hudson in the paper said this morning, well, that's because -- oh, Commerce Bank this morning said, well, we're not doing very good because we don't

have a lot of branches in those neighborhoods. Well, open some branches. Let's do some business. You see a whole group here telling you from some community, I don't know what neighborhood they're from, but somebody needs money and somebody needs those branches open.

What you'll notice in looking at the data, too, and I think the Fed will confirm this, they confirm it in their data, is that where there are branches and where financial intuitions have branches, there is increased lending to low and moderate-income people and, vicariously, to minorities.

COUNCILWOMAN REYNOLDS-BROWN: So back to Councilman Clarke's follow-up question. Though the local initiative would be an incremental step in the direction where we ultimately want the Feds to be, correct?

MR. TAYLOR: Yes. But a big incremental step.

COUNCILWOMAN REYNOLDS-BROWN: Okay.
MR. TAYLOR: I mean, you'd really be able to tell whether they're loaning to low and moderate-income people, which you can't tell now.

You just can tell that they're loaning in some of those low-income tracts. And they're all lumped together, so you don't know which ones. And remember -- do you know how they define small business loan? A loan that goes to somebody who has a million dollars or less in revenue. So, you know, a million in revenue. I guarantee you that very few of these people are looking for a million in revenue. They're looking for $10, $20, $30, even less, thousand. So, you know, it's -- you'll be able to now tell specifically what neighborhood --
COUNCILWOMAN REYNOLDS-BROWN: What communities are --
MR. TAYLOR: -- by census tract is getting the loan and what the income of the borrower is. And that's something you currently don't have. You have the power to do that tomorrow.
COUNCILWOMAN BROWN: Very well. Thank you for your testimony.
MR. TAYLOR: Thank you.

COUNCILWOMAN BROWN: Thank you, Mr. Chairman.

COUNCILMAN NUTTER: You're welcome.

The Chair recognizes Councilman Goode.

COUNCILMAN GOODE: Thank you, Mr. Chairman.

First let me thank you, Mr. Taylor, for coming here, for your analysis, for your recommendations and for your testimony. I was also interested in some of the responses to your analysis in the newspaper today. I found that critique of your technical review ended up being anecdotal. So I want to ask you a few questions. You can respond to them in technical fashion or anecdotally, however you prefer.

Based upon your research in Philadelphia, based upon your research in other cities, based upon your work in this area for several years on a national basis, first question is, as a black man, does where I live or where I conduct my business affect me in the credit market?

MR. TAYLOR: Yes, it does.

COUNCILMAN GOODE: Second question is, is there any substitution --

MR. TAYLOR: And if you're a black woman

it might be even more difficult.

COUNCILMAN GOODE: Is there any substitution by lenders, do you think, in your view,

of neighborhood characteristics for the credit worthiness of individual borrowers?

MR. TAYLOR: One more time, sir.

COUNCILMAN GOODE: Is there any substitution of neighborhood characteristics for the individual credit worthiness of individual borrowers?

MR. TAYLOR: I think it's a function of, you know, how committed a particular lender is to a given neighborhood. And what we have found controlling for incomes is that there continues to be a disparity. That if you're in a low and moderate-income census tract, just by the mere presence of being there, you've got an added hurdle that you're going to have to overcome, because the odds are against that census tract getting the same treatment as a majority or white, predominately white moderate and upper-income census tract.

COUNCILMAN GOODE: Last question, which is kind of an interesting question and really pertinent to Philadelphia. We were actually embarking upon a $300 million -- or $295 million blight removal plan. Do you believe that blight matters in terms of available credit opportunities?

MR. TAYLOR: I think it does matter. But on the other hand, I think it also -- it creates opportunities. Businesses can crop up in blighted areas that are desperately needed and desperately need financing. But I think to the extent that it's sort of like empowerment zones, when you focus on an area and you begin to sort of put a pipeline of credit and capital available, and then that supplemented -- there's government capital and then there's private capital.

COUNCILMAN GOODE: The question is really geared toward traditional lending institutions. Do you believe that blight matters in terms of their offering credit opportunities?

MR. TAYLOR: Well, it's against the law to discriminate by race, by gender, by even neighborhood. That's why CRA was created. Does it really matter in the minds and the hearts of lenders, I'd have to say -- and, you know, this is the kind of data that's particularly for small business lending. It's very difficult to get a hold and to get a handle around, but I'd have to say it does matter, just because of just people's prejudices and bias and their assumptions about

neighborhoods.

COUNCILMAN GOODE: So, do you think we can have a successful blight removal and neighborhood transformation program in Philadelphia at the same time we have redlining of low and moderate-income neighborhoods and blighted neighborhoods?

MR. TAYLOR: I think it's impossible to turn the economics of any neighborhood around without private capital. And I think that's been proven over and over and over again. The government has just so much capacity, and they can lead the way. The CDCs, the CDFI, the microenterprises, they're all vehicles and intermediaries to lead the way. But the truth is, unless and until financial institutions reach the point where, you know, when a woman or a person of color who walks in from a low-income neighborhood, who is an entrepreneur, has a good business idea, good business sense, has some equity built up, is treated the same as any white male who walks into that institution and its suburban branch, until that occurs, you'll never revitalize these neighborhoods.

COUNCILMAN GOODE: Let me thank you

again for your analysis and for your recommendations. I look forward to a long-term relationship.

MR. TAYLOR: Thank you, Councilman.

COUNCILMAN NUTTER: Mr. Taylor, let me just ask you one question. This comes from the testimony and the charts, page three into page four. I just wanted to inquire -- and I understand the statistics and the variance in the statistics and what they would seem to show and indicate. Let me ask you for specifically bullet point number two, number three -- probably, actually, points one through four. Do you have any data or information that indicates for -- in the substantially minority tracts, those are 80 percent or more minority, the data indicates that 26.1 percent of all small businesses located are in those neighborhoods, but received only 17.9 percent of the loans. Now, do we have -- naturally, the flip side of that whole discussion is how many people actually applied and how many were rejected in both the substantially minority tracts as well as the substantially -- for this discussion, non-minority tracts. Do you have any information on that kind of data?

MR. TAYLOR: Not on applications. And that's a good example. I'm glad you raised that, Councilman Nutter. Because, you know, in home mortgage data, you do.

COUNCILMAN NUTTER: Right.

MR. TAYLOR: And there's two sort of conclusions, at least two, that you can reach when you see the amount of applications that a lender is getting. One is, what percent of those applications are approved for African Americans, for Latinos, for women, for whites.

COUNCILMAN NUTTER: Or for anyone.

MR. TAYLOR: For anyone. And you can do it by income. So you can make comparisons. And in general, if you're African American, you're twice as likely to be turned down for a home mortgage loan as a white person. So if you're in a city or you find a lender that's turning down -- like Navy Federal Credit Union. Don't get me started on the big credit unions. But Navy Federal Credit Union, which turned down 10 blacks in the City of D.C., and seven blacks in the City of Baltimore for every one white, you know, all of a sudden you're going to ask, what's going on here. And that's the smoke that you

look for the fire. But in small business lending this is an example. Why wouldn't we collect data on who's applying? I mean, this is just who's applying. Because it would not show a good story for a lot of lenders. And so that veil of secrecy is going to be kept, and it's going to protect the lenders who are going along their merry way denying disproportionate amounts of minorities and women for small business loans.

COUNCILMAN NUTTER: So with that lack of data, I mean, one, obviously, the debate goes on and to some extent is ultimately inconclusive. And for the 17.9 percent of the loans received by small businesses in these high minority tracts, in this particular example, we don't know whether that represents 100 percent of the people who applied or literally 17.9 percent --

MR. TAYLOR: Correct. Correct.

COUNCILMAN NUTTER: -- of the people who are just approved out of some larger pool of people who actually applied and then the others were rejected.

MR. TAYLOR: And worse, you know, you don't know of that 17 percent, are we talking about somebody who has a credit card with a 20 percent interest in the bank said, okay, you can borrow $5,000 from us.

COUNCILMAN NUTTER: Right.

MR. TAYLOR: That's not what I call a small business loan. That's what I call --

COUNCILMAN NUTTER: I understand. Well, it goes back to the whole issue of data collection and the ability to give a true analysis and examination of what's going on. I mean, you're just dealing with raw numbers and you have to figure out whether A and B are actually connected, or whether they're stand-alone, separate pieces of information.

MR. TAYLOR: And here's another complexity, that in most central cities -- it's changed here in Philadelphia in the last either one to two years. But most central cities, the downtown area is classified as a low and moderate-income area because all the folks go home to the suburbs and the people that live there are LMI. Well, that's changed Philly because of all the condo and other kinds of development. You brought in the higher incomes and so on. But up until very recently, all those loans -- like, if you made a loan to a downtown law firm, a half-million dollar loan to renovate their offices, because they're in a low and moderate-income census tract, it gets reported here as a low and moderate-income loan.

COUNCILMAN NUTTER: I understand.

MR. TAYLOR: So the system is so flawed that it's -- we know, and I think you can see just from the people who have showed up, not to mention from your own work in the community, of all the people that you talk to that have a difficult time getting access to credit and capital. The data suggests that this is a bigger problem. And the data suggests and screams out for more information to allow intelligent, reasonable, fair people to be able to make decisions about what lenders are doing and not doing and what they could be doing and should be doing.

COUNCILMAN NUTTER: Any other questions?

(No response.)

COUNCILMAN NUTTER: Mr. Taylor, thank you very much.

MR. TAYLOR: Thank you, sir.

COUNCILMAN NUTTER: Thank you.

(Applause.)

COUNCILMAN NUTTER: Margo Davidson from the African American -- I'm sorry. I'm having a little reading problem here. Leslie Benoliel from Community Capital Works. Sorry.

Hi. Please identify yourself for the record and proceed.

Before you do that, there are -- it's my understanding there are some other folks who are out in the hallway trying to get in. As people come in, if you could identify open seats, that would certainly be appreciated. We'll be just kind of up close and personal here today trying to have as many people participate in the hearing as possible.

Ms. Benoliel, please proceed.

MS. BENOLIEL: Good morning, Councilman Nutter and honored Committees of the Commerce and Economic Development Committee of City Council.

COUNCILMAN NUTTER: Pull that microphone a little closer to you. Sorry.

MS. BENOLIEL: Sorry. My name is Leslie Benoliel, and I'm the Executive Director of the Philadelphia Development Partnership, PDP. PDP is a microenterprise development agency that provides training, technical assistance, business counseling, peer support and networking opportunities to small and micro businesses and the self employed in the greater Philadelphia region. I'm also Vice President of Community Capital Works, Inc. That's PDP's US Treasury certified CDFI, Community Development Financial Institution, that provides micro loans and micro equity investments to these small businesses. I'm here today to testify on microenterprise development and neighborhood self-employment as an economic development strategy for the City of Philadelphia.

Now, as we look around in many of our City's neighborhoods, we see the obvious signs of economic disinvestment and urban decay. We see vacant buildings, trash-strewn lots, blocks void of commercial activity. However, by taking a closer look, we notice people engaged in business activities. People baking and selling cookies, fixing cars, sewing clothes, braiding hair, making flower arrangements and watching after children. These hard-working people are the self employed in microenterprises. And I'm here today to tell you that they play a very significant and important role in our neighborhood economy.

What is a microenterprise? A microenterprise is defined as a very small business that employs fewer than five people, requires less than $35,000 in capital to help their businesses start up or expand. Most of these businesses tend to be smaller than that. They usually only have one employee and generate less than $50,000 in annual revenues. According to our estimates, there are thousands of self-employed people in microenterprises operating in the City of Philadelphia today. They exist in each and every single Council District, providing much needed goods and services to our community. We see them every day. And we see them here today. They take care of our children. They clean our homes and offices. They cater our special events, paint and repair our houses. And what you see here today is only the tip of the iceberg. These microenterprises and self-employed people are the life blood of our neighborhood economies, especially our low-income communities.

Besides providing goods and services, they circulate dollars in our community. They employ local residents and family members, and many are very actively involved in their communities through their houses of worship and neighborhood associations. They have the drive and determination to make their businesses successful and, in doing so, increase their household income, build assets, improve the quality of life for themselves, their families and their communities. However, with limited resources and support systems in place, these hard-working entrepreneurs struggle to get their businesses up and running and to keep them operating. It is absolutely essential that we find ways to build a more solid infrastructure to support this vibrant and vital segment of our City's economy.

What these entrepreneurs need to start up and stabilize and expand their businesses is reliable, predictable access to capital, access to markets and intensive business development services that are specifically tailored to their needs. And let me repeat that. They need services that are very specific to their needs. Unlike small and mid-size businesses, microenterprises are typically shunned by the formal banking and traditional business development service providers. Why?

They're too small and inexperienced to qualify for or even afford loans and investments and services offered by the City, quasi City agencies and small business development centers.

Several years ago, PDP conducted research into the needs of microenterprises here in Philadelphia. That research is cited in the Resolution. And we learned that their needs were indeed not being met by the market. This is still true today. There are serious inequities in their being able to access the resources required to advance their entrepreneurial endeavors. The small amounts of capital they need, often less than $5,000, are considered too small and costly for most banks and even the small development programs.

Furthermore, many of the entrepreneurs face barriers that disqualify them from accessing loans. Barriers such as lack of collateral, insufficient savings, limited business experience and, most often, poor credit histories. And because most of our entrepreneurs work at jobs in addition to operating their businesses, it is very difficult for them to access business services from the business -- the service programs due to scheduling and transportation constraints. PDP's products and services are designed for the specific needs of the low-income entrepreneur. We meet the micro entrepreneur where they are in terms of their phase of business, whether it's at idea stage, start up or they're expanding. And we take them to the next level. Our services are also delivered at times and at locations that are convenient for our clients. We hold our trainings and our group meetings in the evenings and on weekends. We hold them in community centers, at churches, in their places of business.

Through our unique peer lending program called Community Capital Works, we offer micro entrepreneurs tiny loans starting at $500, sometimes even less. Clients are able to apply for and receive loans without revealing their credit histories, taking collateral or guarantees. And PDP is often the only place these micro entrepreneurs can turn for start-up capital outside of their circle of family and friends.

Our business development, service training, technical assistance, networking and our marketing assistance are practical, comprehensive and intensive. Our integrated array of services

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wrap around the needs of our clients and nurture them from idea to start up, from start up to growth. No other provider in this region offers this range and intensity of services for the low-income entrepreneur.

Studies have shown, and our own experiences validated that microenterprises that receive these types of services enjoy higher rates of business survival. We know we are effective at penetrating and serving the needs of this market since launching our programs four years ago. We have reached more than 2,000 existing and potential entrepreneurs who have come to our open houses. We've provided business development services to more than a thousand. We've dispersed 102 loans channeling more than $82,000 into the hands of these neighborhood businesses. 99 percent -- and we do collect this data -- 99 percent of PDP's clients are minorities. Two-thirds are women. Six out of 10 live in low-income households. Many are head of their households, responsible for the care of children, grandchildren, elderly or disabled relatives. More than three-quarters operate their businesses in addition to holding a full or a part-time job and rely heavily on these revenues generated from their businesses to supplement their household incomes. This extra income is essential for them to take care of their families and make ends meet. It also helps them weather the storm in case of a job loss or an unexpected illness, circumstances that can seriously disrupt these vulnerable households.

In the four years that we've been providing these services, we've learned firsthand how critical our products and services are to ensuring the success of these entrepreneurs. Our services help increase the likelihood of their surviving, and have enabled many of these businesses to move into the mainstream economy. In the past year, we've witnessed several of our clients move their businesses from their homes to retail and commercial sites, obtain business licenses, hire employees and increase their revenue substantially. These are significant outcomes and they make a positive impact on our City's economy.

And in order to ensure that these entrepreneurs avail themselves of the full range of resources and networking opportunities that are

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available, we work in close partnership with other local organizations serving these businesses. The African American Female Entrepreneurs' Alliance, the National Association of Marketing Developers, PCDC Small Business Support Center, Ben Franklin Technology Partners and the Enterprise Center. Thanks to the support we receive from both the private and public sectors, the foundations, the banks, the Commonwealth of Pennsylvania and the City of Philadelphia through the Commerce Department, we've been able to launch and grow our programs to the level they are today, serving more than 300 entrepreneurs annually in Philadelphia. The microenterprises that are enrolled in our programs are located in all of your City Council Districts, and many of them are here today. And without this support many of these folks you see here today might not still be operating their businesses.

Demand for our services is increasing. Enrollment in our programs has more than doubled in the past two years. More and more people are coming to us in this uncertain economy saying that starting a business and generating an income for themselves is a financial imperative, and it's viewed as their best option as an alternative to a low paying job.

But we're limited in the number of folks that we can serve because of the limited amount of resources that we have. And we've only scratched the surfaces of what we can do. So I'm urging you, Councilman Nutter and honored members of our Committee, to put into place, or help us put into place, a solid infrastructure that can support these fledgling businesses. And to do this is going to require substantial investment of resources from both the private and public sectors. And although loan capital is very important, also it's equally, if not more important, our resources to support the training, the intensive training and hand holding that these folks need to help their businesses grow.

We can no longer afford to overlook this vital segment of our economy. And by making an investment in these microenterprises is at the very heart of community reinvestment. It is an investment in our greatest resource, our citizens.

Thank you very much.

COUNCILMAN NUTTER: Thank you very much for your testimony.

(Applause.)

COUNCILMAN NUTTER: The Chair recognizes

Councilman Clarke for a question. And if we could also have the Sergeant-at-Arms pick up Ms. Benoliel's testimony to distribute to the members, I would greatly appreciate it.

Councilman Clarke.

COUNCILMAN CLARKE: Thank you, Mr. Chairman. Good afternoon.

MS. BENOLIEL: Good afternoon.

COUNCILMAN CLARKE: I'd like to thank you for the wonderful work that you've done. I'd just like to ask you a couple of questions.

Representing a District that, you know, has some problems with respect to employment opportunities, I, in fact, know about this informal economy that we have in parts of my District in North Philadelphia. Sometimes, you know, when you look at the statistics indicating the number of people that are employed, you really don't get a sense of how that particular community can survive. But, in fact, we do have all types of self-employed individuals, cutting hair in basements, selling the dinners, three, four, five days a week. And that's been a situation that we've had in our area for

quite some time. But there are a couple of things that I'm having some problems with achieving, because we've been interested in this for a while for obvious reasons.

In some instances, we have individuals who may have problems that sometimes prohibit them, obviously, from getting assistance through the traditional lending institutions and probably, to some degree, through the non-traditional lending institutions, such as yourself. Certain problems with respect to criminal backgrounds, certain problems with respect to the Internal Revenue Service, as an example. What I'd like to know is, what level of debt can we hope to get in terms of support from your organization and other organizations, or can you recommend types of organizations that we can get, as an example?

We have a company, and I call it a company in the non-traditional sense, an individual who provides a service to the local community through cutting hair. And this person wants to get formalized. They want to get legalized. And they decide to open up a business. And they've been doing this informal business for maybe 5, 10 years

and, all of a sudden, the Internal Revenue Service decides, when they want to get a tax ID number, how have you been surviving for the last 10 years? You know, what have you been doing? You know, how do have this capital? How do you have this equipment?

We run -- on occasion, run into those types of problems. Or the individual may have a pending record, outstanding criminal problem with respect to some activities that they may or may not have been involved with. Does it decrease the ability of that individual to receive a loan through this informal process? I mean, these are just very difficult problems that we have in a lot of parts of our Districts and they're ones that I have to deal with on a daily basis. And I just need to know. I guess I'm grasping at straws in terms of getting some solutions to some of these very, very difficult problems.

MS. BENOLIEL: Let me answer this way. When an entrepreneur comes to us for assistance, we work with them wherever they are in terms of their businesses. And their problems vary from individual to individual and we design our assistance around that. Most of our entrepreneurs probably have

issues related to their credit histories. They may have a bad credit history or they may have no credit history. And that's often a huge barrier for them to access credit from traditional sources. We don't ask for their credit histories when they first come to us, but we work with them to try to advance them. On some of these other matters, there have been a few, but only a handful. Usually they're not at that level. They're working part-time, as you mentioned. Baking, cooking dinners in their basements. And their capital needs tend to be very, very modest. We start at $500 to buy the computer, maybe a $1,000 to buy some pots and pans for their kitchen. But they're usually not even at that stage, and they've been operating informally.

But we do -- where there are issues, where there are some other challenges, we work with them to resolve them. We had one instance with a woman who acquired some property and there were some back taxes, and it wasn't her fault, but we had to help clean some of that up. And I think she was in your Council District where she's running a very fine school now. So we do try to connect them with other resources to help them resolve some of these

other entanglements that may deter them from moving their businesses forward.

COUNCILMAN CLARKE: So I guess I'm not

hearing you being able to respond to what I'm asking. In the sense that I may have situations where I have constituents who have done some things in the past where it is their fault. An individual who has been arrested. All right. Court case doesn't come up for nine months. This individual needs to be able to survive. This individual is selling tapes, right, or whatever on the streets, selling sweaters. But this individual needs to get formalized. What I need -- I'm trying to get some assistance for that individual. I mean, I got a lot of people in my District who provide a service, but it's just informal service. And they have some issues with respect to some things that have happened in their past. And I've been unable to get anybody to help in terms of turning that person in the right direction.

MS. BENOLIEL: We will work with them. We will work with them to try and help them resolve these other things to enable them to advance their businesses.

COUNCILMAN CLARKE: Councilman Goode said the answer is yes.

MS. BENOLIEL: Yes.

COUNCILMAN CLARKE: And I guess as a follow-up to that question, because I understand any entity has limited resources, I would like to know what type of resources that your agency would need to assist these individuals in getting the type of support, you know, be it legal, be it with respect to any pending IRS issues, anything of that sort?

MS. BENOLIEL: We will need additional resources for that type of activity.

COUNCILMAN CLARKE: You'll need more money from Commerce, Councilman Goode told me. All right. Guess you say be careful what you ask for. One other question -- this is kind of an actual situation I'm in the midst of. We have a drug problem in the City of Philadelphia. We have a lot of individuals who are very good entrepreneurs. The only thing is that they're selling the wrong product. All right.

MS. BENOLIEL: Absolutely.

COUNCILMAN CLARKE: They have a distribution network that, frankly speaking, would

put General Motors to shame. Individual gets off the assembly line, gets relocated. We all know where that person goes. But the reality is that that individual is replaced in a heartbeat before the ink gets dried up on the complaint form. And I'm actually working with a gentlemen who has a business in my District, relatively successful business and we're embarking on -- trying to embark on a program where we can give individuals alternative opportunities to make a living utilizing their very, very capable distribution skills. We're actually talking about selling clothes because we believe that, you know, selling clothes is to some degree, quote/unquote, cool. We think that we can encourage individuals to be involved in that type of opportunity. Can I come to your organization for some assistance in --

MS. BENOLIEL: Absolutely.

COUNCILMAN CLARKE: We have the appropriate people to do the recruiting, but we just need someone to sit down with us and work our way through this formal process to get these young men and sometimes, unfortunately, young ladies --

MS. BENOLIEL: I have a very capable,

experienced staff. A lot of our folks have been in business themselves. And we would love to work with you on that.

COUNCILMAN CLARKE: Okay. Great. Thank

you.

Thank you, Mr. Chairman.

COUNCILMAN NUTTER: Thank you very much for your testimony.

Ms. Angela Gracey. Please identify yourself for the record and proceed with your testimony.

MS. GRACEY: Good morning --

COUNCILMAN NUTTER: Good morning.

MS. GRACEY: -- Councilman Michael Nutter and Councilman Goode and other esteemed members of the Commerce Committee, Councilwoman Blondel Reynolds-Brown. Thank you so much. I was looking around for a minute because I thought I went out of order. I thought someone was going to go before me, but that's okay.

I just want to speak to you a bit from my heart this morning. I'm not going to follow too much with actually reading my testimony. My name is Angela Gracey, and I'm the founder and CEO of Rhema

Writing Concepts. I provide business communications and consulting services for small businesses and organizations. I'm also an enterprise consultant with the Philadelphia Development Partnership. And after starting my company, which I started in

February of 1998, approximately a year and a half later, I became involved with the Community Capital Works program, which is the signature program for the Philadelphia Development Partnership. Myself and five other Christian businesswoman formed a Christian business loan group, and our group is called the Christian Business Legacy group. And shortly after that I was so high on the program because of the services that they offer -- and I won't repeat them again because I think Leslie did a very good job of telling you exactly what the Philadelphia Development Partnership offers. But they offer, just in a nutshell, business skills, training, technical assistance, business loans and networking opportunities, and not the least of which, the unique opportunity to be here today and to actually be an advocate on behalf of small businesses. And I just think it's a tremendous opportunity and a privilege to do it and I don't

take it lightly.

I have been able -- as a business owner, I have been able to take advantage of all four of those service areas of the Philadelphia Development Partnership. I received three small business loans since I've been involved in the program since 1999. And those loans have helped me tremendously. I mean, without them my business would not have been able to progress as far as it has. This February I will have been in business for five years, and I owe that tremendously to the help and the support of the Philadelphia Development Partnership.

One of the things that I really wanted to tell you about -- I did do some research and so on, and according to the SBA and the NFIB Education Foundation, small businesses represent about 99 percent of all employers in America. They create 80 percent of all new jobs in America and they are almost the sole source of job growth during national recessions of economy. So obviously if we're 99 percent the creators of new jobs and so on, we're obviously creating tax revenues and that kind of thing to the local and state government for the jobs that are created in the City and in our communities.

But beyond the numbers, beyond the actual dollars and revenues that the City and our state benefit from, small business owners also bring a whole lot more to the table. Some other intangible things that may not necessarily be represented in the numbers and in all the reports and so on that we see. As a presenter of the Community Capital Works program, every other week we do have an open house presentation, and that's how most of our clients find out about our services, is through our open house presentations. And as a presenter of those presentations, I get to hear a lot about the dreams and the visions of the entrepreneurs or the prospective entrepreneurs who come there. I ask them things like, you know, what do you want to do, or how do you want to serve your community, and I hear what it is that they're passionate about. Many of them want to address many of our social needs. They want to help teenage mothers. They want to help the disenfranchised. They want to create shelters for the homeless. They want to develop mentoring and tutoring programs to enhance our educational process. They want to help recovering addicts. They want to provide services

for parents who are overwhelmed, single parents that are overwhelmed with trying to care for their families and trying to make ends meet and trying to work a job every day. As Leslie said, they're working every day, but they have something else that they want to contribute to society and they're very passionate about these things. So small business owners offer people a unique chance or a unique opportunity to become a part of the mainstream or to become a part of the mainstream of society and to give them -- offer them a second chance to those who may not ordinarily receive it from the larger corporations or, quote, unquote, corporate America.

We have a unique opportunity to offer some of these individuals, the disenfranchised, a chance to become productive members of society. And not only to become a productive member of society, but to add economic stability to their communities and also to offer them a sense of purpose and a sense of pride and what it is that they want to do or what it is that they want to contribute. So in addition to revenues and those kind of things, small business owners are creating jobs, but they're creating a sense of purpose, they're creating

stability in their neighborhoods. They're offering people a chance to move forward.

I had mentioned earlier that I received three small business loans myself through the Philadelphia Development Partnership. And now I'm at a place where I can actually try for a larger loan amount. And I'm seeking to get an operating loan for operating capital for my business that a few years ago I wasn't in the position to be able to do that. And so, the resources -- without having a consistent access to those kind of resources, the Philadelphia Development Partnership and other organizations like them would not be able to create the services, the technical assistance, the unique training programs that the small business owners need.

Earlier, Councilman Clarke had said that he was asking about how -- what kind of services that PDP will offer that would help people who were maybe on drugs or they have some kind of criminal background or something, and how to be able to move them forward. Well, we need access to capital so that we can offer that kind of technical assistance on a consistent basis, so that people who come to us

are able to meet those needs and sit down with them and work through it. But it takes resources to be able to offer that kind of technical assistance.

Right now, business skills, training and those kind of things are also available. Micro loans are also available. But to move them from a place of obscurity to a place of mainstream productivity takes more technical assistance, more one on one, than just a small business loan. And I'm not knocking the whole idea of the small business loan because we sure need resources, but we need other things besides small business loans. We need other things to support us. Other kinds of assistance to move the micro entrepreneurs forward.

The approval of this Bill is much needed, obviously. I don't think that that needs to be repeated and repeated. The need is great. And I think that you can see that from our representation here day. But you know, our state and our federal government, they have spent millions of dollars, you know, bailing out failed companies and failed industries. I mean, they've -- as a result of 9/11, there were millions of dollars were re-targeted to help industries that were failing as a result of it.

At one time Chrysler was in trouble and they were bailed out, you know, millions of dollars to help them pull the company back around. SEPTA even has been -- many times they have been given millions of dollars to help revitalize and change over and revamp our transportation system. Then most recently Amtrak almost had to shut down because they needed a quarter of a million -- $200 million rather, to put their trains back and keep them running on track. So if our federal government can help give those kind of funds to some of our failing industries, how much more does small business industry.

Right now we're the backbone of the economy in this nation and we are worthy of the support because we give so much more to our communities than just revenue and tax dollars. But we bring a quality of life and stability to our communities. And it may be obscured now, but prayerfully with your support it won't be for long. Thank you.

(Applause.)

COUNCILMAN NUTTER: Thank you. See what happens when you get taken out of order?

Ms. Margo Davidson, African American Female Entrepreneur's Alliance. Please identify yourself for the record and proceed with your testimony.

MS. DAVIDSON: My name is Margo Davidson and I'm the president and founder of the African American Female Entrepreneur's Alliance.

First of all, we want to thank the

authors of this Resolution for having the insight, wisdom and determination of spirit to examine this important issue and hold these hearings. It is refreshing whenever leaders act on their convictions and take bold steps based on those convictions. Thank you for recognizing the demonstrative economic impact that Philadelphia CDCs and business development organizations have had in revitalizing and stabilizing our community. Community reinvestment legislation can further the already substantial work done by CDCs and economic development organizations of our area.

I'm sure you've heard or read in the Philadelphia Association of Community Development Corporation's published reports that, during the 1990s alone, Philadelphia CDCs and business

development organizations developed 3,650 housing units, created more than one million square feet of commercial space, converted more than 750 vacate lots into community parks and gardens and provided job training to more than 7,000 neighborhood residents.

Further, we agree with the PA CDC's assertion that the City should partner with CDCs and economic development organizations in the eight areas including neighborhood planning, demolition and encapsulation, vacant lot management, housing preservation, housing development, commercial corridor revitalization, business development and work force development.

However, for the purpose of our testimony, allow us to focus on the area of business development and microenterprise development, particularly as it relates to people of color and women. After all, micro entrepreneurship and self employment is how the members of AAFEA and people in this room today, the African American Female Entrepreneur's Alliance and PDP, CCW members, they own and maintain their houses, some of them built by CDCs. They open commercial shops. They run

home-based businesses and they contribute to revitalizing neighborhood business corridors. They hire from within the neighborhood, increasing jobs and neighborhood vitality. 95 percent of them also find their suppliers and buyers right in the community where they live.

There are an estimated 365,110 African American women-owned businesses nationally, employing 200,000 people and generating almost $14.5

billion in sales, according to the US Census Bureau. In fact, the Center for Woman's Business Research reports that, as of 2002, there are an estimated 1.2 million firms owned by women of color, amounting to one in five women-owned firms, 20 percent in the USA. Overall, the number of minority women-owned firms increased by 32 percent between 1997 and 2000, four times faster than all US firms and over twice the rate of all women-owned firms.

I ask, is this a movement that we should ignore or support?

In the Milken Institute Policy Brief, Mainstreaming Minority Business, they determined that systematic changes were necessary to support historically disadvantaged businesses. The report

asserted that the movement should be supported because entrepreneurial business growth has proved to be the most successful avenue for wealth accumulation for lower and middle-income groups. Small business in the United States employs about 56 percent of the private work force, contributes to 47 percent of all sales, creates the most new jobs and products, 55 percent, in fact, of innovations. Smaller establishments with fewer than 500 employees created virtually all the new net jobs from 1992 to 1996.

Systemic changes are needed because, despite the substantial results produced by these businesses and the micro entrepreneurs in this business, discrimination in the small business credit market continues to exist. A study concluded by Blachflower, Levin and Zimmerman entitled, Discrimination in the Small Business Credit Market, reported that the gap between rates of denied loans for blacks and whites is 3.5 times greater for blacks in the small business credit market compared with the mortgage market. The authors attribute this difference to the existence of special programs and regulatory incentives that encourage banks to

increase mortgage lending in the minority community and to the well-developed secondary market for mortgage loans. In other words, pooling loans and then reselling them in a secondary market appears to reduce the likelihood of racial discrimination in credit lending, and some of those same techniques and methods needs to be applied to the business credit market.

As the Resolution 020522 examines community reinvestment by City depository banks, the

1998 study is revealing that a significant portion of community reinvestment dollars could be used to reduce the current inequities in the business credit market. Reducing those inequities is paramount because people of color were four times more likely to be turned down for credit, even when factors like education, experience, and other creditworthiness indicators were controlled. Access to bank credit was more critical to this population because minorities have significant lower net worth and liquid financial assets. Thus, minority-owned firms are overly dependent on commercial bank credit, but receive fewer and smaller loans according to the MI report.

Indeed, among AAFEA members, a recent survey of 212 local member businesses revealed that 98 percent identified access to credit capital as their greatest need, followed by increased client contracts and business development services ranking third. Interviews with members revealed more. The reason that access to capital ranked number one is because of an expressed fear that under-capitalization does not allow them to meet the demand of larger contracts or increased customer demand.

For example, one AAFEA member business owner, a caterer, has not been successful in acquiring business credit this year. She continues to turn away business because she does not have the financing to pay additional staff, buy needed new equipment and lease a facility to store inventory and work in progress to meet the increasing demand that her business faces. The business, while maintaining itself, its owner and one part-time employee could increase sales, create additional jobs and pay more taxes with a loan of just $10,000.

Philadelphia Regional SBA director confirms that Philadelphia banks are reluctant to do

small business loans or micro loans under $25,000, even with the SBA guarantee. Other business owners report that they cannot get credit locally on 70 percent or sometimes 50 percent of their accounts receivable. In addition, for other business owners, including myself, 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, not customers, is the difference between survival and death.

Community reinvestment programs could be designed to better serve this market, pooling funds to be administered through CDFIs and CDCs and business development organizations that are reaching this market. In order to truly stimulate the economy we must invest in small micro businesses and the self-employed. The same strategic effort that was utilized to improve home ownership, including education, loan packaging assistance and credit repair, to name a few of those strategies, must also be adopted in the business credit market. It was the Philadelphia Partnership's former chairman and former executive banker who was quoted as saying

that we are putting people in houses, but we have not done anything to improve their ability to afford or maintain those houses. In other words, the need for people to generate income is a critical precursor to the need for housing and removing blight. While it may seem like a statement of the obvious, there are examples all over Philadelphia of low to moderate-income housing development projects where abandoned houses were beautifully renovated only to see those same houses become run down or abandoned again because low-income people, who are the last hired and the first fired, were left without any other viable income-producing strategy to counteract this tragedy. The traditional resources have been inaccessible.

Community reinvestment dollars can be earmarked to move greater percentages of those resources to the front line. Among the CDCs and business development organizations who sit at the kitchen table or the conference table, which is the kitchen table, strengthening businesses.

(Applause.)

MS. DAVIDSON: These organizations develop and strengthen these entrepreneurs in a

number of ways, including helping entrepreneurs develop their business plan, assisting them in the crafting of loan packages, helping them to fine tune a marketing strategy to yield greater results, helping new businesses expand their work force and the human resource issues that they face, providing incubator space and assisting businesses wade through commercial property management mazes. Providing credit repair strategies and reviewing financial and investment options are some of the services that we provide.

Further, as I begin to close, AAFEA's

slogan is that we strengthen businesses through education, mentoring and networking. I bring that to your attention because of the work of education that we provide to, not only the adults, but to young girls, teaching them the principles of entrepreneurship while demonstrating that it is possible and a reality in their own community. Creating a new generation of entrepreneurs is not only the commitment of AAFEA, but other entrepreneurship-focused organizations in Philadelphia.

This is the kind of work that community

reinvestment legislation can support; education, mentoring, support services and credit to micro entrepreneurs, small businesses and the self-employed that are represented here today who are out there in the trenches day in and day out helping to make it happen in neighborhoods across this City.

The CDCs and business development organizations know where to drill for oil in the wells of people who are making an economic difference in their community, living the dream of business ownership.

In closing, we urge you to move forward

with this bundle of progressive economic development strategy initiatives that includes community reinvestment and utilizes the strength and community connectedness of Philadelphia CDCs, business development and microenterprise development organizations.

We thank you for your time and your fortitude in this matter.

(Applause.)

COUNCILMAN NUTTER: Thank you, Ms. Davidson.

MS. DAVIDSON: Thank you.

COUNCILMAN NUTTER: Thank you very much.

Any questions?

Ms. Davidson, there was a request for a copy -- we have it. Thank you.

Sharmaine Matlock-Turner and Dede Myers and Ray Desiderio.

MS. MATLOCK-TURNER: Mr. Chairman, I'm also asking that a member of my team also come up with me, Don Kelly. Is that okay?

COUNCILMAN NUTTER: That would be fine. However you wish to manage things is fine with me.

Please identify yourselves for the

record. I'm going to assume you've decided amongst yourselves who will go first. Please proceed with your testimony.

MS. MYERS: Good morning.

COUNCILMAN NUTTER: Good morning.

MS. MYERS: I am Dede Myers, Vice President for Community Affairs at the Federal Reserve Bank of Philadelphia. I'm pleased to provide you with information on small business lending patterns in the City of Philadelphia and to compare them to national trends.

Each year the Community and Consumer Affairs Department, which I lead, prepares a report on selected lending patterns in the third District's communities, including the Philadelphia metropolitan area. This report looks at home mortgage, small business and small farm lending, with a particular interest in low and moderate-income neighborhoods. The report is developed for publicly available data submitted each year by financial institutions on their Home Mortgage Disclosure Act statements and Community Reinvestment Act Disclosure statements. The latter includes small business, small farm, and community development loans. These are the same data that bank examiners use to evaluate a financial institution's community reinvestment record. Because of the City Council's interest in small business lending, my department has prepared a similar report for this City versus the Philadelphia MSA. All of the data presented are available to the public on the web site of the Federal Financial Institutions Examinations Council, or www.ffiec.gov. This is the same information that Jonathan Saidel's staff and John Taylor looked at.

First piece of information. Who

reports? CRA disclosure statements are required annually from all independent financial institutions with assets of 250 million or greater on December 31 of the prior two years, or from a financial institution of any size if owned by a bank holding company with assets of one billion or greater on December 31 of the last two years. Nationally, the FFIEC estimates that the small loans to businesses reported on the CRA disclosure statements account for 84 percent of all loans to small loans to businesses, the difference being those not required to publicly report. In Philadelphia, only 26 of 47 financial institutions with deposit facilities in the City are large enough to meet this threshold for public disclosure. The data, however, show lenders who may not have branches in the City, but are lending here.

What is reported? The small business loans reported on CRA disclosure statements include all loans with a business purpose that are a million dollars or smaller and not secured by residential property. The data also identify loans extended to businesses with annual revenues of a million dollars or less and the census tract where the loan was

originated. The CRA disclosure statements provide no information about application, that is, who requested credit versus who was approved, or the demographics of the borrowing businesses, or their owners or, by extension, the applicants who wouldn't have been approved. The information reported on community development loans provides the total number and dollar, but nothing about the purpose or the location of the loan. So, for example, we can see that the biggest banks might report upwards of 200 community development loans for many millions of dollars, but we can't tell what's in Philadelphia and what's someplace else.

What do the data show? The tables and graphs that I have included, and they are attached to my narrative, show the trend in small business lending in the City as a whole and by income category of census tracts. While I will speak mostly to the trend in the past year, the summary tables on attachment one and the graphs on attachments two to five depict data from the past six years, 1996 to 2001. Additional tables in attachments six to eight also show the top 25 lenders in the City as a whole in low and

moderate-income census tracts, and to small businesses, which are those defined as businesses with less than one million in annual revenues.

So, let me go through this. Small loans to business. In 2001 there were more than 19,000 small loans totaling $802 million approved in the City of Philadelphia. That's a 34 percent increase over the 14,000-some made in 2000 and a 59 percent increase in the dollar volume of loans made in 2000. Nationally, during the same period, the number of small loans to business increased 19 percent and the dollar volume increased 23 percent. So Philadelphia saw improvement almost twice that of national numbers.

Before the big dollar increase in 2001,

the dollars originating in the City ranged from $585 million in '96 down to $415 million in '98 during the previous five years.

COUNCILMAN NUTTER: Ms. Myers. I'm sorry. I apologize for interrupting you. I just want to make sure I understand something that you laid out earlier. In this section of your testimony, small loans to businesses, can I understand from your previous statements, that when

you talk about the 34 percent increase over the 14,288 small loans made in 2000, did I understand you to say that you don't know where they were made, other than the fact that they were made in Philadelphia or to whom they were made?

MS. MYERS: Actually, because the data does not indicate who applied versus who was approved, we don't know the demographics of the borrower or what businesses applied. We do know that the loans were grouped in certain categories in census tracts, and later in my testimony I'll talk about that. But your question earlier to John Taylor is true of this information as in mine.

COUNCILMAN NUTTER: Okay. Because I think human nature tells us that generally with more things -- with most things, more is better than less, and increasing numbers, at least in this particular case, are better than decreasing numbers overall. And so when you say that nationally, the number of small loans to business increased 19 percent and the dollar volume was 23 percent. And then, of course, you would say that Philadelphia is doing much better, giving a 34 percent increase here in the City versus a 19 percent increase nationwide,

59 percent increase in dollar volume versus a 23 percent increase nationwide. We are still left wondering, unless there's further information, who ultimately benefited; is that correct?

MS. MYERS: Yes.

COUNCILMAN NUTTER: Okay. And there's no ability to collect this data, or the Fed can't require the collection of this data?

MS. MYERS: Presently, the Equal Credit Opportunity Act prevents financial institutions from collecting this information. The Board of Governors has taken comment on whether or not that information should be collected for small business loans, and it has not made a decision, at least the second time it collected that -- go ahead.

COUNCILMAN NUTTER: I mean, obviously,

given what I do -- or maybe it's not so obvious. But the fact of the matter is, I've never applied for a small business loan. I've applied for others. Are you saying that when people come in for a small business loan, other than the somewhat obvious attributes of the person in front of them, there's nothing on the form that says, black, white, green, yellow, red? There's nothing on the form that says

male, female? There's nothing on the form that asks for an address or where the business is?

MS. MYERS: I am saying that it is only permitted to be on a form for certain types of residential mortgage credit. So even if you came and asked for a car loan --

COUNCILMAN NUTTER: Well, I understand that. We're not talking about residential mortgage credit. We're talking about businesses, I think, right?

MS. MYERS: Right. So it is not permitted to be on an application.

COUNCILMAN NUTTER: Not permitted to be on an application.

Councilman Goode.

COUNCILMAN GOODE: Thank you, Ms. Myers. It is not permitted under the Equal Credit

Opportunity Act, is your testimony?

MS. MYERS: Yes.

COUNCILMAN GOODE: The Fed can allow financial institutions to volunteer that information and borrowers to volunteer that information.

MS. MYERS: Well, borrowers would certainly provide that information if they thought

it was important --

COUNCILMAN GOODE: It's my understanding from NCRC's testimony that they're lobbying the Federal Reserve to allow borrowers to volunteer that information and, therefore, allow financial institutions to volunteer that information without violating the Equal Credit Opportunity Act.

MS. MYERS: It would take a decision by the Federal Reserve Board, not the Federal Reserve Bank of Philadelphia.

COUNCILMAN GOODE: I understand that. But you work with the Federal Reserve Bank, do you not?

MS. MYERS: Yes.

COUNCILMAN GOODE: You work within the system, do you not?

MS. MYERS: Yes.

COUNCILMAN GOODE: Do you think that that's information that should be volunteered by the borrower? Do you think that's information that should be volunteered by the financial institution? Or are you going to, as Mr. Taylor testified earlier, hide behind the veil of information?

MS. MYERS: I'm sorry. I didn't hear

that last phrase.

COUNCILMAN GOODE: I said, you work for the Federal Reserve. Would it be your recommendation that that information be voluntarily offered by the borrower, be voluntarily offered by the financial institution, therefore able to be tracked, rather than, as Mr. Taylor from NCRC testified earlier, you hide behind the veil of the lack of information?

MS. MYERS: I think as a researcher any information --

COUNCILMAN GOODE: Do you want more information?

MS. MYERS: -- is helpful information.

COUNCILMAN GOODE: Do you want more information?

MS. MYERS: I said, as Dede Myers, I think that any information that you can use to understand how credit is provided is helpful information. The Federal Reserve Board will decide for the system.

COUNCILMAN GOODE: And so, will you lobby the Federal Reserve Board on behalf of this region?

MS. MYERS: My opinions to them are still private. I think it is helpful information.

COUNCILMAN GOODE: So you are in favor of more information?

MS. MYERS: I think it's helpful information.

COUNCILMAN GOODE: Thank you. Continue with your testimony.

MS. MYERS: Did you say continue? I'm sorry, I'm having a hard time hearing.

COUNCILMAN NUTTER: That's okay. Please continue with your testimony. I interrupted you.

MS. MYERS: All right. I think I was at the point, before the big dollar increase in 2001, the dollars originating in the City ranged from $585 million in '96 to $450 million in '98 during the previous five years.

Now, I'd like to talk about loans to

small businesses. And they would be loans where the small business had annual revenues at or under a million dollars. In 2001 this category of loan represented 38 percent of all reported small loans to businesses in the City. This was down from a high of 50 percent in 1999. Nationally the figure

was 44 percent in 2001, down from a high of 60 percent in 1999.

The total number of loans to businesses with annual revenues at or under a million dollars increased in 2001, although not quite so steeply as the total number of all small loans to businesses. Between 2000 and 2001 there was an increase of 1,983 loans, 38 percent higher than the previous year's total.

The dollar volume of loans to businesses with annual revenues at or under one million increased 31 percent in Philadelphia from $206 million to $269 million, and it represented 34 percent of all small loans to businesses in 2001.

Now, I'd like to talk about where the lending is occurring. To understand lending patterns in different income communities, we graphed the same data over the last six years for all reported loans to businesses in Philadelphia and for loans to small businesses, those with annual revenues. And I'm going to ask you to look at what I'm calling attachments two, three, four and five, for those of you who have the testimony. In 2001 approximately 15 percent of all small loans to

businesses were in low-income census tracts; 27 percent were in moderate-income census tracts; 39 percent in middle-income census tracts; 15 percent in upper-income tracts. About 4 percent of the loans could not be geo-coded to determine the appropriate geography. The distribution across these different income tracts has remained fairly consistent over the last six years. And you can see the detail on attachment one. But it has been fairly consistent over the last six years.

The distribution of loans to businesses with annual revenues at or under a million has a pattern similar to that seen for all small loans to businesses. The data show that small loans to businesses have increased, although not uniformly, in all income tracts over past year. As shown in table one, between 2000 and 2001, the percentage increase in the number of loans in low-income tracts was higher than the percentage increase in all tracts, and that would actually be on page -- it would be page eight for me, probably page four for you -- where we show the difference in the change. So between 2000 and 2001, the number of loans increased in low-income tracts 43 percent. The

dollars increased 59 percent. That is more than or the same as the total of all income tracts in the City. And in only one instance is it less than, and that would be upper income, the change in dollars.

For the smaller loans, meaning the loans to businesses with annual revenues at or under a million, the percent increase in number of loans was higher in low-income census tracts compared to all census tracts. The dollars originated in low-income census tracts was the same for all census tracts. And that is on table two.

Who is lending in Philadelphia? The previous data indicate aggregate figures for small business loans and loans to businesses with annual revenues at or under a million dollars. The following attachments show the market share of the top 25 lenders. Number one, in the City as a whole; number two, in low and moderate-income tracts; and three, to businesses with annual revenues of a million or less. The charts are sorted by dollar volume rather than the number of loans because, nationally and in Philadelphia, banks with credit card operations originated the largest number of loans, but the average balances are considerably

smaller than those made by the financial institutions with branches in this City.

In all instances the top 25 lenders in 2000 represented 82 percent of the originated dollars and more than 95 percent or more of the number of loans. Yes?

COUNCILMAN ORTIZ: Excuse me. I have a question.

MS. MYERS: Sure.

COUNCILMAN NUTTER: Councilman Ortiz.

COUNCILMAN ORTIZ: Mr. Taylor made a statement that the top five, six, and the top lender in terms of minorities and poor neighborhoods was Associates, which is well known for its egregious lending practices. Do you agree with that?

MS. MYERS: Actually, in terms of number of loans I do agree with that. Actually, that was in the whole City -- for low-mod census tracts, did you ask?

COUNCILMAN ORTIZ: Well, Mr. Taylor said

that, in terms of minority neighborhoods and low-income neighborhoods, that Associates still remains the number one lender. And that, to me, doesn't really bode very well for the development of

minority businesses in those areas.

MS. MYERS: The particular Associates affiliate that was doing that lending is an industrial bank organized in the State of Utah. It does mostly credit card loans. It's average balance -- average loan balance in low-income census tracts, 2,000, versus the average loan balance of the banks at 132.

COUNCILMAN ORTIZ: All right. All right. No questions.

MS. MYERS: Okay. The trend that you see in terms of the top five or six lenders is, in fact, something that happens nationally.

COUNCILMAN ORTIZ: What are we doing about it?

MS. MYERS: About credit card lenders?

COUNCILMAN ORTIZ: About these institutions that are the main lending institutions within those areas. Are we keeping -- we, in terms of us here in the City, are we keeping a database? Are we keeping tabs on their exploitative types of loans that they give and so on down the line? Do we have any information as to that, other than the data that their own corporations produce? I mean, that

doesn't really give us very much.

MS. MYERS: It is my --

COUNCILMAN ORTIZ: Because a corporation is always going to put a good face on any data they give out.

MS. MYERS: As a City group --

COUNCILMAN GOODE: The Councilman's first question is, can you explain why the majority of the loans, the small business loans in low and moderate-income neighborhoods, are coming from credit card companies?

MS. MYERS: Actually, it's true in any income neighborhood. And the reason is that these particular financial institutions have been able to argue that the purpose of these particular credit cards are commercial in nature and, therefore, should be reported on this report.

COUNCILMAN GOODE: And you believe that it's for the same purpose in every neighborhood income type?

MS. MYERS: If you take out the credit

card lenders from this analysis, you see the biggest drop in middle-income census tracts in terms of the number of loans.

COUNCILMAN GOODE: And it does not create an economic disadvantage for low-income neighborhoods?

MS. MYERS: Well, the data doesn't tell us the interest rate on those loans. If it is high, as we have heard might be the case on predatory loans or subprime loans, then it would be a problem. But it may be access to credit that is a starter.

COUNCILMAN GOODE: But with all due respect to what you would like to have presented to us, in terms of the number of small business loans or small business loan dollars increasing over the last few years, you know from the data you submitted here today that basically the share of loan dollars in terms of loans of small businesses has increased in middle and upper-income neighborhoods. It has decreased in low and moderate-income neighborhoods. You know that from 2000, 2001 that a share decreased from 39 percent to 32 percent. It increased to 63 percent in middle and upper-income neighborhoods.

MS. MYERS: I don't recognize those numbers.

COUNCILMAN GOODE: Well, you can pull out your own chart.

MS. MYERS: Which one would that be?

COUNCILMAN GOODE: You can pull out your own chart. I'm looking at Attachment 1.

MS. MYERS: Attachment 1. Okay.

COUNCILMAN GOODE: I'm looking at Attachment 1, 2000 data and the 2001 data. Loans to small businesses, meaning business generating less than one million dollars in revenue.

MS. MYERS: Okay.

COUNCILMAN GOODE: That would be the right columns?

MS. MYERS: Yes.

COUNCILMAN GOODE: If you look at the amount of loan dollars in 2000 for low and moderate-income neighborhoods combined, what was it?

MS. MYERS: I don't know what combined, but I know it increased in low-income communities. It stayed almost the same for moderate.

COUNCILMAN GOODE: Do you need a calculator, because the answer is 42 percent? Now, if you look at that number --

MS. MYERS: I'm seeing the numbers

increase. I'm sorry. I don't see where you're seeing a decrease without a calculator. I see 25

plus 55, and 34 plus --

COUNCILMAN GOODE: The final column here in the year 2000.

MS. MYERS: Oh, the percentage increase.

COUNCILMAN GOODE: Yes.

MS. MYERS: Excuse me. I thought you said dollars.

COUNCILMAN GOODE: The percentage of loan dollars. If you add low-income tracts and moderate-income tracts in 2000, it's about 39 percent; is that correct?

MS. MYERS: That looks like 34. I see it stayed the same --

COUNCILMAN GOODE: It's 12.25 percent --

MS. MYERS: -- or declined in moderate-income tracts, not low-income tracts.

COUNCILMAN GOODE: Excuse me. Excuse me, Ms. Myers. The numbers are in front of us. Someone can add them for you, if you'd like. The percentage in terms of the amount of loan dollars --

MS. MYERS: Oh, excuse me. You were looking at 2000.

COUNCILMAN GOODE: -- for loans to

businesses with less than a million dollars in gross

annual revenue in 2000, low and moderate-income figures, 12.25 percent and 26.86 percent is 39 percent. If you look at the same numbers in 2001, you see 12.94 percent and 21.12 percent, which is about 32 percent. The share dropped from 39 percent to 32 percent. Yet if you look at the same numbers in 2001 in middle-income and upper-income tracts, you see 37.3 percent and 25.84 percent, which is 63 percent. So essentially, 63 percent of the share of loan dollars in terms of loans to small businesses, businesses that generate less than a million dollars, went to middle and upper-income neighborhoods. And only 32 percent, about half, went to low and moderate-income neighborhoods. How do you explain that?

MS. MYERS: That's because the dollars that increased for all income tracts increased --

COUNCILMAN GOODE: You're not going to answer my question? You're not going to answer any disparity questions, are you?

MS. MYERS: I think that the data --

COUNCILMAN NUTTER: Councilman Goode.

COUNCILMAN GOODE: You're not going to

answer any disparity questions because --

COUNCILMAN NUTTER: Hold on.

COUNCILMAN GOODE: Councilman Ortiz's original question was about whether these credit card companies are exploiting low-income people. You said it doesn't make a difference because the credit card companies are basically doing business in every income neighborhood, every income tract within Philadelphia. My question was, is it an economic disadvantage for credit card companies to be doing small business lending in low-income neighborhoods? You said you don't know whether it makes a difference. But you can track from 2000, 2001 and see the share of loan dollars is going up to 63 percent for middle and upper-income neighborhoods, but it's going down to 32 percent for low and moderate-income neighborhoods. You know it makes a difference.

COUNCILMAN ORTIZ: And, Councilman -- Councilman, it also depends on --

COUNCILMAN NUTTER: Councilman Ortiz.

COUNCILMAN ORTIZ: -- what are the interest rates between those areas? And I'd be interested to see whether the interest rates in low-income and poor neighborhoods is higher than in other areas. So if you get a $40,000 loan and somebody else gets a $40,000 loan in an upper-income neighborhood, your $40,000 are worth much less than those $40,000.

MS. MYERS: Unfortunately -- I think your questions are valid, but this data does not tell us the answer.

COUNCILMAN ORTIZ: Well, you know, the thing is that I think we understand -- and anyone who's read the book on the Federal Reserve that was written a few years back, about the cathedral that it is. It is protective. It is protective of those interests, economic interests, that are the bigger ones in the country. But I think this hearing is based on how do we begin opening up the doors to low and poor people.

(Applause.)

COUNCILMAN ORTIZ: To gain a share of the capitalist world. You know, it's very simple. We need to be able to become, as those individuals that were here before, entrepreneurs. And depending on the interest rates, that will prevent us from going up or down. And if you have no data on that, don't you believe that that is essential data in order for us to be able to make a public policy that makes any sense?

COUNCILMAN GOODE: Ms. Myers, can I ask a quick question? Can I ask one question for a minute? Why are you testifying as part of a GPUAC panel?

MS. MYERS: Because I am a member of the Community and Economic Development Committee of the GPUAC and the Chair of the Financial Literacy.

COUNCILMAN GOODE: You don't find this a conflict of interest, that you shouldn't be testifying here as an independent entity?

MS. MYERS: I think that the information of lending that has gone on is very positive, and that you can look at the negative parts of this information. You could ignore --

COUNCILMAN GOODE: There are other members of the GPUAC Committee that are testifying separately and were invited to testify separately. And you were invited to testify separately.

MS. MYERS: I don't see a problem.

COUNCILMAN GOODE: There is a problem in your presentation of the data where you do not discuss the disparity that exists, as opposed to just all the numbers going up. All the numbers went up. Disparity still exists. In fact, the disparity has been greater from the year 2000 to the year 2001.

MS. MYERS: Well, I would like to end with what I think are the positives here, and that is that the financial institutions in this City that have branches and have strong small business records are the ones who are doing most of the lending in this City. If you look at Associates doing three million dollars versus the bigger banks doing $69 or $70 million. I think the attention is in the wrong place, and that the banks who have provided credit in this City are doing a good job. I cannot tell you how much they have not done because we don't have that information.

COUNCILMAN GOODE: You will not speak to disparity between low and moderate-income neighborhoods, and middle and upper-income neighborhoods, and you will not speak to disparity in terms of minority -- black and minority people, period, will you?

MS. MYERS: As Dede Myers, with 25 years of experience --

COUNCILMAN GOODE: And you will not speak -- you will not speak to disparity in terms of lending to women.

MS. MYERS: -- in the community development business I am certain that there are instances of disparity. I think --

COUNCILMAN GOODE: Thank you for your testimony.

MS. MYERS: -- based on certain public data you cannot decide that it is or is not in one place.

COUNCILMAN GOODE: Thank you for your testimony.

(Applause.)

COUNCILMAN NUTTER: Ms. Myers, let me ask you a couple questions. One is in the area where Councilman Goode was. And during some of the exchange, I was able to do some relatively quick calculations and -- I mean, if you don't have an answer at the moment, that's fine, but I would like to leave this question with you.

MS. MYERS: I'd be happy to answer any questions that you leave me with and come back with that information.

COUNCILMAN NUTTER: I understand, and I appreciate that. Where the Councilman was, when you look at -- and as I said, I was doing the math while you were discussing this issue. The low and moderate-income tracts, the two tracts -- this is back on attachment one -- for the businesses that we were discussing, the less than a million dollars in gross annual revenues. The second column, or the column to the right that has the numbers 12.25 and 26.86, basically add up to about 39 percent in 2000. The next two categories, middle income and upper income, 35.35 and 22.73, add up to about 58 percent. That's for the year 2000.

When you go to 2001, the low and moderate-income tracts add up to about 34 percent. And the middle and upper-income tracts add up to about 63 percent. The question now is, in the comparison between 2000 and 2001 for the low and moderate income, the numbers went from 39 percent to 34 percent. That's a 5 percent drop. And for upper and middle income, it went from 58 percent to 63 percent. That's a 5 percent increase. I don't know if those two are connected, but as you do the analysis, there is a 5 percent decrease in one category and a 5 percent in the other category. Can you tell me the significance of those changes in the data?

MS. MYERS: Well, on a percentage basis, you're correct. When you combine two and two, low and mod, middle and upper, there is an increase between 2000 the 2001. The dollars still increased. So that low-income tracts went from 25 million to 34 million in credit --

COUNCILMAN NUTTER: I understand that.

MS. MYERS: -- and 55 to 56 in moderate income.

COUNCILMAN NUTTER: Right. But you also see that there is a significant increase in the middle and upper in terms of what their dollar amounts were. I mean, you have upper income in 2000 going from 46 to 69, which is about a 50 percent increase, and the middle going from 72 to 100, which is probably about a 40 or so plus, close to 50 percent increase. And you're not seeing the same dollar percentage increase in the lower-income categories. So, yes, the tide is rising and lifting many of the boats, but clearly the tide is rising a little higher for some boats than others; is that correct?

MS. MYERS: Yes. And what I did not bring with me, but I would be happy to send you is, I looked at the impact of the credit cards on that debt. 41 million was in what I -- what my staff and I identified as credit card debt. 38 million came out of middle-income census tracts, three out of low. I will send you those numbers when I leave, but I think the biggest difference is credit card debt between those two categories.

COUNCILMAN NUTTER: Well, let's talk a little bit about that. And I would appreciate receiving that information, and certainly I will circulate it to all members of the Committee.

Let's talk now about Attachment 6. Again, this issue of Associates. Did I hear you say earlier that Associates Capital Bank is either situated or headquartered in Utah? Did I understand you to say that?

MS. MYERS: It was chartered there, yes.

COUNCILMAN NUTTER: Chartered in Utah. So, I mean, at a certain level, it is -- and I understand that you probably want to stay a little more focused on total amount length for Associates versus some of the other banks as opposed to actual number of loans. But I think there is some significance in this. I mean, how is it possible that a bank in Utah -- and I was fairly decent in geography in fourth grade, but that was a few years ago. I think what I know about Utah is it's fairly far away and somewhere in the middle to close to the west coast of the country. It's at least west of the Mississippi. How could they possibly make three times as many loans in Philadelphia as compared to First Union Bank, which is two blocks down the street? I mean, how would they even be in touch with people here in Philadelphia to have that kind of loan volume? And you're absolutely right. The number of loans is very high as compared to First Union. The dollar volume is very low. Now, I'm assuming there's a reason for that.

MS. MYERS: The bank is chartered in Utah because of the laws in that state, just as Delaware is a very attractive place for banks to be chartered. MNB is based in Delaware, rather than here in Philadelphia.

COUNCILMAN NUTTER: And you said this is primarily credit card lending to businesses?

MS. MYERS: This happens nationally. This is something we see repeated in every single one of the 3rd District communities. And as I understand it, it's national.

COUNCILMAN NUTTER: But they're lending to businesses, are you saying? I mean, this is what this report is coming from?

MS. MYERS: Yes.

COUNCILMAN NUTTER: And the average loan is $3,000, to a business?

MS. MYERS: It probably represents a corporate credit card.

COUNCILMAN NUTTER: A corporate credit card.

MS. MYERS: A business credit card.

COUNCILMAN NUTTER: Which the person is ostensibly using to run their business?

MS. MYERS: Yes.

COUNCILMAN NUTTER: And do you have any information that would indicate -- I mean, why would that person go or have dealings with Associates as compared to First Union, PNC, Mellon, Commerce, Sovereign, Fleet, I mean, on down the line of very well known, very active players in this particular market? I mean, why would you go to Associates? I don't have anything against them. I don't know them. Fortunately, they haven't been in touch with me. I mean, why would you do that?

MS. MYERS: I can't speak for the borrowers.

COUNCILMAN NUTTER: I mean, we're not some kind of small place in the middle of nowhere. I mean, this is still the fifth largest city in America. We've got a bunch of banks here. Why would I be dealing with Associates?

MS. MYERS: That would be the borrower's decision. Now, the banks that are here --

COUNCILMAN NUTTER: Well, hold on one second. Is that a borrower's decision or is that what the borrower is left to deal with?

MS. MYERS: I can't make that judgement call.

COUNCILMAN NUTTER: I mean, people make a whole lot of decisions for a whole lot of reasons.

MS. MYERS: I can't make that decision.

COUNCILMAN NUTTER: I'm sorry?

COUNCILMAN ORTIZ: I believe it's -- Councilman.

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COUNCILMAN NUTTER: Let me finish getting the answer. I'm sorry?

MS. MYERS: I don't know the reason why the borrower would prefer something from Associates versus one of the financial institutions.

COUNCILMAN NUTTER: Okay. Well, let me ask you this last question. I mean, is this -- when you look at this, is this of any concern to the Fed or the general banking community, that this kind of activity is going on? And does it raise any red flags with anyone?

MS. MYERS: It is of concern to me as head of the Community and Consumer Affairs Department of the Philadelphia bank. We've been watching it for a couple years. We started producing this report because we were seeing names show up not only here in Philadelphia, but in other parts of the 3rd District that were alleged to be high cost and/or predatory lenders. So we've been tracking who's lending and to whom, to the best these reports enable us.

COUNCILMAN NUTTER: Councilman Ortiz.

COUNCILMAN ORTIZ: What concerns me, and I think it's right down the line that you're talking about, is when you have Associates and GE Capital at 16 and 15 percent of the market, then you look down this chart here and you see that First Union is at 5 percent, Mellon is at 2.1. And to me, why aren't these banks that I think would have to divulge to us the interest rate that they're charging and everything else that they're charging for a loan playing a bigger role in here? And is it accessibility, availability? And the Federal Reserve should be able to provide us with some of those answers. And, obviously, you can't. If you go into the loan fund, and you can go into the loan fund of these corporations, you could get the data that we're asking for right here and make that public. Because I believe in terms of making reasonable public policy for developing of inner City neighborhoods, we need that data.

MS. MYERS: The Federal Reserve is very concerned that people are borrowing with terms they don't understand or are too high and we've taken a position of trying to do our best to support financial education of all types throughout this City and the 3rd District and nationally.

COUNCILMAN ORTIZ: The best indication

is to provide the data so that people can have it at their hands and they might be able then to go -- instead of Associates, they might be able to go to Mellon or First Union. I have no further questions.

COUNCILMAN NUTTER: Well, that was interesting. Ms. Myers, were you able to finish your testimony?

MS. MYERS: I did finish, yes.

COUNCILMAN NUTTER: And even if you weren't, you'd like to be done, right?

MS. MYERS: I'd be happy to stay all day.

COUNCILMAN NUTTER: I understand. And we'd be pleased to have you. Who's next on the panel?

I'm sorry. Go ahead.

MS. MYERS: Excuse me. There was one piece of information you asked me to send back to you -- oh, it was on the credit cards and the income spread of where the credit cards were. Anything else?

COUNCILMAN NUTTER: No.

MS. MYERS: Okay.

COUNCILMAN NUTTER: If anything else

comes up, we'll get a letter to you. Thank you so much.

Please identify yourself for the record.

MR. DESIDERIO: Good afternoon. I'm Ray Desiderio. I'm the Senior Vice President of PNC Bank in Philadelphia. I'm also Chairman of the Community and Economic Development Committee of the Greater Philadelphia Urban Affairs Coalition. If I may take the liberty, Councilman Goode, I would just like to make one comment regarding the participation of the Philadelphia Federal Reserve Bank with the Greater Philadelphia Urban Affairs Coalition. As many people may know, the Community and Economic Development Committee of the GPUAC is constituted by a number of members in the community, some 40 members. Those members come from a variety of community development corporations, nonprofit intermediaries, quasi -- public and quasi-public agencies, and to some extent, some representatives of City government. And from time to time, we've invited in City Council members to participate with the Committee to take on a number of issues that relate to community and economic development and the availability of credit in the City of Philadelphia.

COUNCILMAN GOODE: Mr. Desiderio, in response to that, at your invitation, I spoke to a median in GPUAC's Committee on Community and Economic Development in September 2000 on the issue of small business capital access, discussing the findings of the Greater Philadelphia Capital Access report. That committee not only did not dispute those findings of September 2000, but the committee also said they embraced the recommendations of that report. We agreed upon a solution in terms of trying to address that disparity. The solution was that the banking members of the GPUAC Committee were going to put together a small pool, small business loan pool, for low and moderate-income neighborhoods. That was going to be an effort that was going to be led by you.

MR. DESIDERIO: That's correct.

COUNCILMAN GOODE: Are you prepared to do that today?

MR. DESIDERIO: I am absolutely prepared to do that today.

COUNCILMAN GOODE: Thank you. Continue with your testimony.

MR. DESIDERIO: I will tell you that

this committee, the Community and Economic Development Committee, had taken on for most of last year the issue of predatory lending, working with Councilwoman Tasco's office. I'm happy to report to you today that the seven banks that are members of that committee have put together a proprietary loan product to deal with victims of predatory lending.

Our task now is to take on the small business lending. Certainly we do not dispute your numbers, Councilman Goode. Numbers are numbers and they're there. The issue is, how do we deal with the numbers and how do we put together programs that will improve capital access to low and moderate-income individuals and minority and women-owned businesses in the City of Philadelphia? That is a task, a primary task, of the CED Committee. We've incorporated that task in our bylaws. We're dealing with that task. And we look forward to working with you, your office and the offices of other City Council members.

In addition, we'll continue to work very closely with our regulator, who has seen fit to support these issues. And, on the issue of predatory lending, has taken the lead on financial

literacy dealing with victims of predatory lending. I feel compelled to say that because the Federal Reserve Bank in Philadelphia has always been a leader in community development. It's been the leader throughout the whole banking system. It continues to deal with issues that relate to unfair practices and disparity and lending practices. I feel compelled to do that because I've worked with them in my 30 years in community development in Philadelphia, and I welcome them around the table when we discuss these issues.

You received the numbers from the Federal Reserve Bank, the Philadelphia, today. I feel that these numbers only tell part of the story of what Philadelphia banks do to advance economic and small business development in the City of Philadelphia. Certainly, many of the reported loans are comprised of conventional small business and commercial lending products and are made through normal bank lending channels.

However, what isn't obvious is that a substantial portion of the loans reported are the result of special lending programs that are usually characterized by labor intensity, flexibility and

affordability in granting credit in the City of Philadelphia.

These loans may be proprietary, whereby

each bank customizes its own responses to the community's needs. Or they may be a product of a government program, non-profit intermediary or multi-bank collaboratives. Some examples include loans through the Small Business Administration, Collaborative Lending Initiative, Philadelphia Micro Loan Fund and the Pennsylvania Community Development Bank. In some cases, the City of Philadelphia itself is the bank's partner in lending initiatives, such as in the empowerment zones and with the financial institution in those empowerment zones.

Another part of the story that is behind the numbers is that significant portion of loans are to non-profits, for social and community development purposes, such as for Charter schools or day care centers.

However, much of what the Philadelphia banks do are not even incorporated in small business lending numbers that are submitted each year to the Federal regulators. These form the basis of the Federal Reserve Bank's report.

For instance, banks make operating grants to and serve on the boards of loan committees, of non-profit lending intermediaries, such as the Reinvestment Fund in Philadelphia, the

Philadelphia Development Partnership, which you heard from today, and the Local Initiative Support Corporation. Banks are helping agencies make loans to CDCs and to small businesses that would not normally qualify for conventional bank loans through these cooperatives. Banks also make capital investments in funds that invest in inner City or minority-owned businesses, such as the TRF Ventures Fund of Philadelphia, an offshoot of the Reinvestment Fund, and municipal and industrial revenue bonds and development tax credits. While qualified community development investments are not part of the bank's lending records, they are part of the bank's public record, as reported in public CRA performance evaluations of the banks.

To conclude, a small effort on the part of interested parties will reveal an extensive public record of individual and group performance through the data collected and reported by the regulatory agencies. But beyond that, anyone who

has been actively involved with neighborhood economic development in Philadelphia knows that the banks are and will continue to be the day in and day out partners of government, community groups and intermediaries in an ongoing effort. Thank you very much.

COUNCILMAN NUTTER: Councilman Goode.

COUNCILMAN GOODE: Thank you, Mr. Chairman.

Mr. Desiderio, one other question. Will the bank members of the GPUAC Committee also comply with the fair lending law that now requires them to submit an annual statement of reinvestment goals with regard to small business lending in low and moderate-income neighborhoods?

MR. DESIDERIO: Councilman Goode, I've been distracted. I'm going to ask you one more time. I'm sorry.

COUNCILMAN GOODE: Will the bank members of GPUAC's Committee comply with the fair lending law that requires them to submit annual reinvestment goals of small business lending in low and moderate-income communities?

MR. DESIDERIO: Well, you know, a number

of the banks have ways to look at this and they do have statistical data around this. I think the question is that many of us are -- well, all of us are prohibited from collecting certain data because of fair lending regulations. And while the HUMDA data does provide for a lot of good information for the banks, the data collection on small business really prohibits us from doing that. This is an issue that's before the legislation --

COUNCILMAN GOODE: The legislation asks you to submit goals on an annual basis. You are not prohibited from doing that. And the question is, will the group of banks that you work with at GPUAC submit annual goals and comply with that fair lending law?

MR. DESIDERIO: Those that see fit to comply with that regulation and do business with the City will submit. Each bank has to make their own individual decisions on whether they want to share that information or not, and I can't speak on those banks' behalf.

COUNCILMAN GOODE: Each bank has to make a decision of whether they want to do business with the City?

MR. DESIDERIO: If they want to do business with the City they will need to comply.

COUNCILMAN GOODE: Yes.

MR. DESIDERIO: And they will have to make those individual decisions on their behalf. I can't speak for them on that issue.

COUNCILMAN GOODE: Can you speak for PNC, whether PNC will comply with the fair lending law?

MR. DESIDERIO: The ordinance that you have proposed and the ordinance that was passed --

COUNCILMAN GOODE: That was passed and signed into law.

MR. DESIDERIO: -- was for community reinvestment goals. It was not for fair lending goals.

COUNCILMAN GOODE: It was for community reinvestment goals as it relates to small business lending, home mortgages, home improvement loans and community development investments in low and moderate-income neighborhoods. As part of that, you would have to submit your goals for small business lending in low and moderate-income neighborhoods. Does PNC intend to comply with that fair lending

law?

MR. DESIDERIO: Yes, we do.

COUNCILMAN GOODE: Thank you.

MR. DESIDERIO: But I just want to avoid some confusion here. Fair lending laws are different from community reinvestment laws. It will be -- under the regulations we will and we do look at our market penetration in low-income, moderate-income and minority census tracts. We are not permitted to go into individual credit files to seek that information, nor are we permitted to collect that information under the current Federal regulation of the United States Government.

COUNCILMAN GOODE: I just happened to refer to that particular ordinance. It's the fair lending law.

COUNCILMAN NUTTER: Let me just ask one question of Mr. Desiderio possibly and also possibly, Ms. Myers. I'm not asking you to explain the Federal statute. I'm certainly not asking you to violate the Federal statute. I am trying to understand, if you know, either one, why was the distinction made between the data you can collect for home mortgages versus the business loans? And,

two, if you know, what was the rationale behind prohibiting the collection of certain data on the business loan side? I'm having some difficulty just understanding why.

MR. DESIDERIO: Quite frankly, it was felt that the information, that information could lead to disparate treatment of individuals.

COUNCILMAN NUTTER: Well, why doesn't the collecting of the information lead to disparate treatment on the home mortgage side? I mean, it's not making any sense.

MR. DESIDERIO: I can't answer that.

COUNCILMAN NUTTER: I mean, this requires a virtual out-of-mind, out-of-body experience. That somehow having more data could potentially lead to discriminatory impact, as opposed to having no data from which you can deduce nothing, make no analysis and never determine whether there's discrimination or not. I mean, it is beyond the armed forces' notion of don't ask, don't tell.

MR. DESIDERIO: I agree.

COUNCILMAN NUTTER: If we never have the information, you can never accuse us of anything

because the answer is, we don't know.

MR. DESIDERIO: I agree with you wholeheartedly. There were people outside of the banking industry, outside of the regulatory agencies that felt it wasn't the banks. It was others that felt that this information could lead to discrimination, that if it was part --

COUNCILMAN NUTTER: I cannot understand that. I mean, I'd like to think I'm a relatively intelligent person. It's, like, beyond my comprehension to understand why the mere collecting of data would negatively impact what you do. I mean, it's not like -- maybe with the exception of Associates. It's not like people walk into PNC or First Union or any of these places with a bag over their head or a burlap sack and sit down and say, I'd like to borrow some money for my business. I might tell you my name. I cannot tell you my gender, where I live, what I look like, what ethnic group or anything. They're sitting right there in front of you.

MR. DESIDERIO: I don't disagree.

COUNCILMAN NUTTER: Okay. Thank you.

MR. DESIDERIO: It's the law.

COUNCILMAN NUTTER: I understand that. I got that part. I'm not disputing the law. It's like a higher body. I'm just trying to understand the rationale, if there is one, behind why you would want less data and then say having more might lead to discriminatory practices. It is so backwards, as to be unexplainable.

MR. DESIDERIO: I don't disagree. I don't disagree. But the only way we can determine now on a minority or ethnic basis is to look at the census data in a census tract and determine whether that census tract has a high number of minority or ethnic populations. That's the only way. And we use that data to figure out our penetration in those census tracts. We use that data. If we had more data, I'm certain we would use that data.

COUNCILMAN NUTTER: Gotcha.

Who's next? Please identify yourself for the record.

MS. MATLOCK-TURNER: Good afternoon, Mr. Chairman. Good afternoon, other members of Council, and thanks for giving me an opportunity to be here today. I want to thank Dede Myers for coming to share with us the information and the numbers as

they exist; to Ray Desiderio, who co-chairs the CED Committee and works on many of these issues day in and day out. On behalf of the banking community and the community at large, and also, for those of you who may have not had the opportunity to meet Don Kelly, Don Kelly is the new director of the CED Committee and works with me on the day-to-day programs and moving programs forward that the

Committee sees that they want to have an effect on.

I'm here as the President of the Greater Philadelphia Urban Affairs Coalition. Most of you know who we are. We've been around for more than 33 years. We act as an agent for change. We serve as an intermediary and we also operate programs in Philadelphia. The GPUAC and its predecessor organization, the Philadelphia Urban Coalition, was formed by the corporate and community -- was formed by corporate community and community activist leaders in response to urban unrest in the '60s. The programmatic experience of GPUAC that is most relevant to the concerns of this Committee involves the work of GPUAC's Community and Economic Development Committee, which I said before is co-Chaired by Ray Desiderio of PNC Bank and also

co-Chaired by Rick Saur of the Philadelphia Association of Community Development Corporation.

For more than a decade, this group coordinated the renowned Philadelphia Mortgage Plan, which dates back to 1975, through which over 65,000 low and moderate-income households obtained homes of their own through a partnership among progressive banks and housing counseling agencies. Those banks and their successors continue to be active members of the CED Committee. The tradition of working partnerships to collaborate in addressing current credit needs in lower-income communities continues with the Committee's current initiative to devise alternative loan products for predatory lenders, which Ray has already referred to.

I know that our member banks are accessible at the highest levels and ready to respond to important community credit needs. They are flexible, resourceful and skillful in working in partnership in the public sector. The banks that are members of the GPUAC Committee are also actively engaged in Committee initiatives. The bank members include Beneficial Savings Bank, Citizens Bank, Commerce Bank, First Union National Bank, Fleet

Bank, MNT, PNC and Sovereign.

In his testimony, Ray Desiderio described the great range and variety of bank activities in support of small business lending and economic development. I would like to take the remaining time to give you some examples. And I know that this was referred to in previous testimony as anecdotal. But I think it is important to have real life experiences and real life understanding of specific programs that the various bank members have undertaken in the small business area.

In 2001, Beneficial Savings Bank made a $2.4 million commercial loan to Harambee Institute of Science and Technology in West Philadelphia. The loan enabled this afrocentric charter school to purchase a site and construct an education facility for 220 students in low-income census tracts. This project, which contributes to the revitalization of 51st and Media, has defined its mission as one to create a Charter school of science and technology and to establish itself as a community-based center.

In recent years, First Union Bank has made $13.6 million in investments in the reinvestment fund and $1,325,000 in grants to fund

small business activity in Philadelphia. This included $150,000 to the Campus Boulevard Corporation in Northwest Philadelphia to fund a feasibility study for small business development. $200,000 to the Philadelphia Development Partnership, from which you've heard from before, which is a part of the GPUAC family, to fund services for neighborhood micro business and enterprise, including assistance in obtaining financing, technical assistance, business plan preparation and resource development. $525,000 to PIDC Regional Development Corporation to fund services to retain small businesses and jobs in neighborhoods. And $450,000 to the Sustainable Jobs Funds to fund start up, small businesses and job creation.

In 2002, Sovereign Bank invested one million in the Pennsylvania Community Development Bank, and PNC Bank provided a five million dollar line of credit. The Pennsylvania Community Development Bank is a certified community development finance institution serving low and moderate-income areas of Pennsylvania. PNC Bank also invested two million in GS Capital, which is a

$50 million SBA-regulated small business investment corporation, which focuses on minority-owned and women-owned enterprise.

Commerce Bank of Pennsylvania has committed $750,000 over five years to Universal Capital Investment Fund, Inc., a CDFI which will finance small businesses that receive entrepreneurship training and support services from the Universal Companies Small Business Development Center. The center serves low income and minority communities with a focus on South Philadelphia.

As part of a $28 million commitment to West Philadelphia over five years, Citizens Banks has earmarked $10 million for economic development, investment and partnership with local development organizations. Citizens Bank will provide financing to qualified small businesses and owner-occupied stores operating along commercial corridors, including Lancaster and Baltimore Avenues.

This is a sampling of what our member banks are doing. I hope you will agree that they certainly are making an impact in our community. We certainly want to work with Council as you continue to identify activities for the CED Committee, and we

look forward to being a vehicle for that partnership. Thank you.

COUNCILMAN NUTTER: Thank you very much. Do we have copies of your testimony?

MS. MATLOCK-TURNER: Yes. You should have. I sent it over, I think, on Thursday.

COUNCILMAN NUTTER: Okay. No problem. I just wanted to make sure.

Any questions?

(No response.)

MS. MATLOCK-TURNER: Thank you very much.

COUNCILMAN NUTTER: Thank you.

Please identify yourself for the record and proceed with your testimony.

MS. SCHWINGEL: Sure. My name is Laura Schwingel, and I'm the Director of Policy at National Community Capital Association, which is a Philadelphia-based national network of more than 125 leading community development financial institutions working in all 50 states. I just want to say good afternoon and thank you for the opportunity to testify here today.

I'm going to actually speak to CDFIs as

community reinvestment vehicles. We've heard some really great, inspiring stories about some of the great work that CDFIs are doing in here, such as Community Capital Works, the Reinvestment Fund and Sustainable Jobs Fund, so I'm going to focus my efforts sort of on CDFIs as a field, my remarks.

CDFIs are one key component in bank reinvestment strategies in Philadelphia, and the Philadelphia CDFI fund can bolster that effort. The ultimate goal must be to connect underserved communities to the financial mainstream, and vice versa. With expert knowledge of local markets, the provision of critical technical assistance and the ability to manage risk well, CDFIs are an ideal vehicle to channel the flow of capital and credit to people in communities that lack financial resources. CDFIs are private financial institutions with the mission of community development that operate just outside the margins of conventional financial services.

In Philadelphia, there are 20 CDFIs that invest and lend capital to create opportunities and benefits for economically disadvantaged people in communities. The CDFI industry finances business

from start ups to expansion. They fund -- finance affordable housing and community institutions ranging from Charter schools to arts facilities, which you've heard about in the previous testimony. Business finance ranges from the microenterprise to mid-side companies. Some CDFIs also provide consumer finance and venture capital. CDFIs serve and cultivate markets that banks and other conventional financial institutions usually do not reach. And that is what prompted them to come into being. Banks do invest in CDFIs, and it's been a growing opportunity. Since 1995, bank financing of CDFIs has more than quadrupled, making banks one of the fastest growing sources of CDFI capital, according to National Community Capital's most recent annual survey. In addition, the average size of bank loans to CDFIs has more than doubled to over $270,000.

Several factors have been critical to this growth. The 1995 Community Reinvestment Act revisions explicitly recognized loans to and investments in CDFI. Banks know that regulators will recognize their work with CDFIs, and the Community Reinvestment Act has prompted significant

increases in direct lending and investing by banks and new partnerships with CDFIs.

CDFIs have also demonstrated an impressive record of making effective and prudent use of bank financing in serving and developing markets that banks have been unable to serve. The National Community Capital survey found that CDFIs on average have grown more than 38 percent over the past decade, fully deployed their capital, and yet experienced loss rates of less than 2 percent, which is comparable to that of the best banks. That financing has helped produce more than 140,000 jobs and 120,000 housing units nationwide.

CDFIs have helped banks reassess their initial perceptions of risk in unconventional markets, and many banks responded with innovative strategies for reaching markets they once ignored or missed. Banks have entered untapped markets often in partnership with CDFIs. To find a model for encouraging banks to increase their investments in underserved markets, City Council need do no more than look in its own backyard and in its own state.

The State of Pennsylvania has established the largest and most successful state

CDFI program, the Pennsylvania Community Development Bank. Established to strengthen the CDFI infrastructure across the state, PCD Bank makes capital available for community and economic development lending and provides capacity building and technical assistance grants to promote the creation and expansion of CDFIs within distressed communities. And PCD Bank has leveraged nearly $19 million in bank commitments for the program and had served as a national model for state support of CDFIs.

Philadelphia will also benefit greatly

from the proposed CDFI fund for Philadelphia. A CDFI fund at the City level would complement the federal and state CDFI funds and help build the capacity of CDFIs serving Philadelphia. This fund would supply performance-based financing to CDFIs, which would provide an incentive to enhance capacity. This kind of a fund would also leverage private sector support, a key way to spur bank investment into the City. These strategies will result in stronger CDFIs that better meet the needs of the City's economically disadvantaged people.

Banks have effectively partnered with

CDFIs to deliver mainstream and alternative financial products and services to underserved communities to cultivate future customers and enhance public and community relations. CDFIs, however, cannot be the whole answer. They possess neither the resources nor the financial capacity to meet all the credit and capital needs of poor communities. Ultimately, mainstream financial institutions must bring more resources to bear on this enormous challenge. CDFIs are one element of what needs to be a larger investment.

CDFIs are effective, market driven, private sector institutions that make excellent use of limited public resources and lead the way into underserved markets. They create jobs, help to provide affordable housing, improve access to child care and build individual and family savings. CDFIs have made great strides in bringing capital to underserved communities, acting as conduits between mainstream financial institutions and developing communities. CDFIs demonstrate that high risk lending is not only good for communities, they are good for business. Thank you.

COUNCILMAN NUTTER: Thank you.

Any questions?

Councilman Goode.

COUNCILMAN GOODE: Good afternoon. As you are probably aware, the City of Philadelphia is trying to establish a Philadelphia CDFI fund. There was an Appropriation Bill appropriating five million dollars to that fund. There was also a Women's Business Finance Bill that says that half of that money -- 51 percent of that money has to go toward small business capital investments, and 51 percent of that has to go toward women. If the banking community, organized by GPUAC and their Committee Community of Economic Development, were to leverage that City investment, and we looked at CDFIs as a vehicle for doing small business lending throughout Philadelphia, what capacity do you think the CDFI industry is in Philadelphia in terms of the amount of capital they could place in terms of small business lending?

MS. SCHWINGEL: I mean, I don't think I have a specific number. You know, the field has been growing a lot. The fund would make a definite difference in the capacity of CDFIs to meet that constituency's need. Some CDFIs have already been

working in small businesses -- small businesses lending, but I don't think we've seen where that can go, by any means. I think that more private sector investment is definitely needed.

COUNCILMAN GOODE: In terms of your own capacity, you would be in a position to turn around such a bank investment and City investment in terms placing capital in CDFIs for small business lending?

MS. SCHWINGEL: Yes.

COUNCILMAN GOODE: How long would that take? Would that be 30-60 day period, six-month period?

MS. SCHWINGEL: I think it would depend on the individual CDFI.

COUNCILMAN GOODE: Okay. I'm really asking about your capacity as NCCA in terms of placing capital. How much capital could you handle in terms of placing it in CDFIs?

MS. SCHWINGEL: Well, I think that the five million dollar appropriation would be very manageable by our organization. And we can turn around money pretty quickly, I mean, in as fast as 60 days. There's definitely been a history of us doing that because that's part of what we do, is we

take money and invest in CDFIs.

COUNCILMAN GOODE: So you could or could not manage a $20 million private investment on top of that?

MS. SCHWINGEL: We can manage that.

COUNCILMAN GOODE: Okay. Thank you for your testimony.

COUNCILMAN NUTTER: Thank you very much.

Mjenzi Traylor from the Department of Commerce.

MR. TRAYLOR: Good afternoon --

COUNCILMAN NUTTER: Good afternoon.

MR. TRAYLOR: -- Councilman Nutter and Members of the Committee on Commerce and Economic

Development. My name is Mjenzi Traylor, and I'm First Deputy Director of the Commerce Department, and I'm here today to present testimony on Resolution 000691. And I will simply at this point just go over some of the highlights of that testimony. I think you all have copies of it.

First, let me state that the Commerce Department supports and actively participates in initiatives programs and strategies that promote the economic well-being of businesses. We recognize

that by supporting the development of microenterprises, we increase their chances for success and we improve their ability to contribute to the economic prosperity of the communities they serve. We also recognize their potential for creating jobs for the unemployed and underemployed sections of the population. The Commerce Department and our economic development agencies, inclusive of Philadelphia Commercial Development Corporation and Philadelphia Industrial Development Corporation, continue to stand ready to implement and support strategies that aid in the development of microenterprises.

As a part of an economic development strategy, microenterprise financing has two types of benefits. First, there are the direct benefits that are associated with the entrepreneur receiving the financing and using it for business. Secondly, there are indirect benefits that spill over to other parts of the economy through the creation of jobs and increase in tax collections and spending.

Within the City, the Philadelphia Development Partnership is without equal. You have heard about the agency when they gave testimony

earlier today. The Commerce Department has assisted in the funding of PDP's micro finance program. This organization is crucial to the very survival of businesses at their most basic level. Loans go to borrowers who plan to start maintaining and expand very small businesses. Through small loans targeted to the small entrepreneur, this level one micro finance promises to create new livelihoods and enhance capacity for self employment and improvement, which can manifest itself in the form of improvement and upliftment to the neighborhoods.

There is also level two micro loan program -- a level two micro loan program, which is the City's vehicle to support financial assistance at the next level of business development. This program aims to provide small businesses with greater and more reliable access to financial services.

The Philadelphia Small Business Micro Loan Fund was created as a result of the commitment of funds from over 13 banks to provide micro loans from $5,000 to $25,000. This would be one of the first to be approached by those businesses that outgrow PDP's program. PCDC also offers a number of

other loan programs, including the Small Business Revolving Loan Fund, the Housing Contractors' Program and the Comcast Loan Fund, catering especially to small businesses. For instance, HCP's primary mission is to increase the small business contractors' access to contract opportunities while simultaneously supporting the City's efforts to rehabilitate substandard housing in low-income neighborhoods.

As was mentioned earlier, business training is an important component of the business development process. Many microenterprises are not formally registered and do not pay taxes. As we work with microenterprises, they come into the formal system. While we support financing, we also see the need for training. The training recognizes that human capital constraints are just as great or sometimes even greater than financial constraints. And by the way, to answer a concern that I believe was raised by you, Mr. Chairman, earlier about how some of it these -- or maybe it was Councilman Clarke, I guess, who raised the issue of how some of these businesses that are not licensed are managing to come out of that. We have been able to sort of

nudge the efforts along for helping those kinds of enterprises. There's a credit repair program now that's underway over at PCDC, and I think that's going pretty well, and we have some successful cases to show that there's more support that's needed for that kind of activity.

Note that PDP's technical assistance programs even focus on personal development and social issues. These programs are designed not only to teach business skills, but also to develop new and viable organizational skills and personal growth while moving the entrepreneur from unemployment or underemployment into self employment.

Recognizing that there were additional needs of small businesses that were not being met, the Commerce Department created the child care program and we funded it and it's administered by the Women's Business Development Center. The child care program provides funding for a license and permit fees, up to $750 to child care providers. This program has two important benefits. First, it creates jobs and, secondly, it facilities someone working by providing a safe place to leave the children.

Microenterprises are the precursor for small and mid-size businesses. And these businesses employ over 50 percent of the nation's work force and are the greatest source for new jobs. While microenterprises may be small in terms of employment and sales, they are meaningful in the lives of the participants and their communities. They are also meaningful to the City. An analysis of the Business Privilege Taxes show that in calendar year 2000, businesses with sales less than or equal to $100,000 paid $47.3 million of Business Privilege Taxes out of a total of $281 million. This was 17 percent.

The microenterprise sector and thus the potential for microenterprise support services is significant. The Small Business Administration estimates that at least 7 percent of the population is self employed or thinking of opening a microenterprise. Self employment is a viable option for many. In fact, most of the self employed also work at least part time for wages. With current economic uncertainty, it makes sense for to us to support these ventures into full-time occupations.

During the '90s we were aware that something was missing in the then current model of

economic development. We were and still are at a critical point in the City's economic recovery where we are seeking to replace lost jobs, businesses and residents. We are also seeking to enhance the City's tax base and improve the City's revenue stream by way of business and economic development. We recognize the importance of small business development and the recovery process and we have tried to strengthen the support programs.

By supporting PDP, PCDC, WBDDC and other microenterprise programs, we are supporting a pipeline of potential small and mid-side businesses. For instance, had we done some of the microenterprise development that PDP is doing right now earlier, then the pipeline into our Philadelphia micro loan program would have been one that would have found people getting through it more successfully, because they would have had that earlier experience at the microenterprise level.

Through microenterprise development, individuals, regardless of their economic status, can improve their income through hard work and free enterprise. Microenterprise stimulates personal responsibility and may promote neighborhood

stability. Small entrepreneurs are less likely to move away from their neighborhoods.

We support this Resolution and we'll be pleased to answer any questions you may have.

COUNCILMAN NUTTER: I believe there are no questions. Thank you, Mr. Traylor.

Lynn Cutler from Women's Opportunity Resource Center.

MS. CUTLER: Good afternoon, and thank you for the opportunity to present. I'm Lynn Cutler, president of the Women's Opportunities Resource Center, and we work with low income, underemployed and dislocated workers to start their own enterprise business. We're the oldest microenterprise program in Philadelphia and one of the earliest in the nation. We got the Poverty Alleviation Award from the US Department of Treasury in 2001 for poverty alleviation. We've had over

1,600 people complete our training since 1984. Approximately 45 percent have started businesses and 50 percent of them have stayed in business over time. We also created a CDFI back in '99, the Economic Opportunities Fund through the Pennsylvania Community Development Bank initiative. And we have

been able to do 43 loans, $81,000 since that time, direct. And then we have a bank partnership program that we've been operating where we've done about $400,000 today.

I have two things I'd like to emphasize. One is the importance of microenterprise as a poverty alleviation strategy. There's a recent study from the Corporation for Enterprise Development that I'd be glad to share afterwards that talks about the importance of asset development, Policies and Asset Development Outcome. And they looked at all of the states and ranked Pennsylvania where we stood. And what you have is one out of five people, families, are asset poor. And they define that as not having enough assets to survive for more than three months. If they should lose a job, if something happens to them, they get sick.

Also, women's businesses in terms of formation in Pennsylvania is 44 out of 52 states. And you have to wonder, even with all the effort that we've done, why this isn't stronger in Pennsylvania. And I'm sure the numbers, if we looked at them, would be worse in Philadelphia. And

I'd like to suggest that we look at this study and look at if there's some comprehensive policies that could be done to support more asset development. I know you were talking about predatory loans and making things more transparent. But I think that there's something in the study used to take this one step further.

Second point I'd like to make is -- reinforces what was talked about in terms of the importance of comprehensive services for micro loans -- micro entrepreneurs. You need the training, the individual business assistance, the loans and access to contracts. And given the recent federal landscape, I think it's going to be even more important that the City invest in this comprehensive approach.

Thank you. And if you have any questions, I'll be glad to answer.

COUNCILMAN NUTTER: Thank you, Ms.

Cutler.

Any questions?

(No response.)

COUNCILMAN NUTTER: Great. Thank you very much for your testimony.

I have two last people on the list. Their names are George Butts and Jackie Hill. Is there anyone else who is anticipating testifying who has not put their name in?

Okay. After those two people, then you can come up.

Mr. Butts.

MR. BUTTS: Good afternoon. My name is George Butts. I'm here today as a member of ACORN. ACORN is a grass-roots community organization made of 5,500 low-income members here in Philadelphia coming together to fight for changes in our neighborhoods. I'm also here as national president of ACORN Housing Corporation, a progressive loan counseling organization making sure that low and moderate-income folks can get loans to buy homes and build wealth.

We at ACORN and ACORN Housing applaud Council's efforts to monitor bank lending in our communities, especially since major banks in our City are still not doing the job they should be doing in low-income neighborhoods.

Last month ACORN released a study documenting increased racial income disparities in

the mortgage lending market. The report analyzes data on a national scale and in 68 metropolitan areas, including Philadelphia. Nationally, the studies find that in 2001, African Americans were over twice -- 2.31 times as likely to be turned down for conventional mortgages as white applicants. And Latinos were rejected over one-and-a-half times more often than whites. This disparity is greater than it was in 2000, and an even bigger increase from what it was in 1996. In some of the cities, the disparity is even more alarming. Residents of all races in low-income neighborhoods are over three times more likely to be denied than residents of upper-income neighborhoods when applying for a conventional home purchase mortgage and increased disparity from 2000. In the Philadelphia metropolitan area, disparities are even more extreme. African Americans were 3.31 times as likely to be turned down as white applicants. And Latinos were rejected 2.5 times more often than whites. These disparities are greater than they were in 2000 or in 1996. Residents of all races in low-income Philadelphia neighborhoods were 5.4 times more likely to be denied than residents of

upper-income neighborhoods, an increase from 2000. Upper-income African Americans and Latinos in Philadelphia were more likely to be denied than moderate-income whites. This lack of access to traditional credit sources has resulted in the disaster of predatory lending in our low-income communities.

Despite an enormous amount of press the City attention focused on the issue of predatory lending, predatory lending is reaching epidemic proportions in Philadelphia. This month ACORN will be releasing a study on the increases in subprime lending and foreclosure rates. Preliminary data shows that the foreclosure rate in Philly is still on the rise. People are seeing their homes stripped away brick by brick. Until banks make a real commitment to low-income neighborhoods, predatory lending will continue to rise in Philadelphia.

That concludes the testimony, but I have a couple of comments I think I'd like to make. I think one of the things we -- we've been doing this a long time. We've been doing this since the '80s. And because we have such national reach and we can look at national patterns, some of the things that

happen, the conclusions that we're drawing, is that the mainstream banking community has abdicated their responsibilities to our neighborhoods. And because they did that, that left the vacuum that the predators were more than happy to fill. And, you know, in the '80s and in the early '90s, the problem was access. We couldn't get financial products in our communities. Now, the problem is what kind of access. And it seems like the only kind of access you can get is predatory loans in our communities. And even though a lot of the banks in Philadelphia are trying really hard to do some good things, when you look at them globally and you look at what they do as the whole bank, there are things that they could be doing that they aren't doing. That's all I have to say.

COUNCILMAN NUTTER: Councilman Goode.

COUNCILMAN GOODE: You recently conducted a formal study of disparity in home mortgages. Could you forward a copy of that to my office and to the Chair to be incorporated into testimony for this hearing?

MR. BUTTS: Yes, sir.

COUNCILMAN GOODE: Thank you.

MR. BUTTS: Thank you.

COUNCILMAN NUTTER: Thank you very much. Jackie Hill is no longer here.

Ma'am.

MS. BANKS: Good afternoon, Council.

COUNCILMAN NUTTER: Good afternoon. Please identify yourself for the record.

MS. BANKS: Okay. My name is Leslie Estelle Banks, and I appreciate your time. I was supposed to testify with the Philadelphia Development Partnership as an ex-board member, and something happened. We got a little messed up here with the list. But the purpose of my testimony is to come as a practitioner in the microenterprise field.

I've had 10 years as an instructor right at the front line, grass-roots level, as well as a director for the Ben Franklin Technology Partnerships Micro Loan Program. And we at that time became number one in the region. We did 88 loans. We were a partner, a strategic partner of

PDP's and, at that time when I took over, we had a 57 percent default rate and brought it down to 6 percent. And I wanted to talk about some of the

strategies, but I also want to talk about those strategies from a very personal perspective because I'm also an entrepreneur.

Back in 1991 I had become a sales executive and I was working in corporate. I came out of the University of Pennsylvania Wharton School and went right on the corporate track. I was not involved in microenterprise, per se. However, what happened was a life-altering event. My daughter was involved in a very bad day care center accident where she was burned down a significant portion of her body. 17 surgeries. I was no longer in corporate America. There was no safety net out there in the corporate environment, so entrepreneurship literally saved my life. What I had was a $100,000 worth of bills after very good insurance. There was no case money involved because the person involved in this mishap -- it was an accident -- had no commercial insurance and some of the safety nets available. So here I am, a divorcee, single parent now, with $100,000 worth of medical expenses, and I became an entrepreneur right then on the dime.

And there's an old Biblical saying

about, do not despise small beginnings. Well, this business got started with $2,500, okay. And it was a gift basket company. So it wasn't some lofty type of business that you would think, oh, a Wharton grad. No. Let me tell you, it was started at my kitchen table pulling my hair out trying to figure out how to pay bills. That experience actually -- and I'm a Philadelphia resident. Always have been. And I came back to Philadelphia and opened up my business at 4601 Market Street in an incubator. That is kind of the basis from which. And I found that, as I ran this business and I paid off those bills without going bankrupt, okay, the microenterprise situation that I was in gave me the flexibility to not have to leave my child at day care, because, needless to say, I had serious issues with that. It allowed me to take care of those obligations. And I watched A-1 credit from a very good six-figure income as a sales executive for a big computer company go to nothing. My credit went from A-1 status to hell in a hand basket, quite frankly. However, through microenterprise I was able to build it back.

I say all this to say, over that course

of time, a small business allowed me -- a gift basket business allowed me to employ eight other single mothers for that period of time. It allowed me to come back from the ashes. And I started teaching people entrepreneurship inadvertently because I had to be away from the office so much, with a 17 surgery -- reconstructive surgery schedule and then physical therapy for that child.

I then realized, oh, my goodness, I can teach entrepreneurship because I've learned it from grass roots, from the ground, up. And I wound up working with many organizations that have appeared in this room WORC, Ben Franklin, PDP, Lutheran Children and Family Services. I think I've talked for almost everybody in the City. So when I say that I've been out in the trenches, both as a practitioner and an entrepreneur, this is what I saw at that Ben Franklin program -- and this was as an SBA lender at that point -- and this is what I've come to know.

Number one, the -- Councilman Clarke spoke about predatory lenders and the reason why people are flying under radar and cannot become legit is because predatory lenders have gotten there

first. So their credit is jacked. Their credit is so bad. Let's just take credit as one issue. We're not even talking about other things like incarceration and tax issues. But their credit is so bad that there needs to be the credit repair, and it's not the standard credit repair. It's triage credit repair. Because people are not getting 21 percent. Try 29 percent, 24 percent. So when I started the micro loan program -- or restarted it at Ben Franklin because it was on hiatus. They had lost a director. The first thing we had to do was create an amnesty program so that people could come out of hiding, and give people a 6-month window where they didn't have to repay that loan. It's called patient capital. Because during that first -- during those start up and get back and restart your life, you cannot afford, especially if you're undercapitalized, to pay the loan at the same time you're trying to put money into the business. It just doesn't work like that. Patient capital was one issue.

The second thing -- now, I was lucky. I had patient capital. The $2,500 was my $2,500 so --

and I made credit card companies be patient. Now, I

had something else going for me even with all the trauma it was -- I had a good academic foundation, but also I had been out there for 10 years doing marketing and I knew how to do the analysis. And I also had a network of people I could pick up the phone and call. So I could call a lawyer that was my friend that did not charge me. I could pick up the phone and call an accountant that would do my books for free. You see, technical assistance services that all these microenterprise organizations are talking about, it costs money. So the second thing we did was, we layered onto the program free technical assistance from the best of the best. And we took the monies that came to the program and paid small minority-based, community-based businesses that were accountants -- that small law firm, that small accounting firm, to work with the small businesses in the area and partnership. And we paid their fees so that they could keep their lights on, but so that the small business itself that was struggling to come back from the ashes that had tax problems could work out a tax payoff situation with the IRS so that they could then get a loan and become bankable, so that they could work out their legal issues while still trying to live, to answer Councilman Clarke's question.

We did the educational piece to go back to what Councilman Ortiz was talking about, to make people aware -- 21 percent, 29 percent. Even though you really want to start that business, it's not the thing to do. Those were the kinds of things that had to come in.

And then the other component that I would want to stress that several people in the room have said before is access to contracts. See, there can be no real change if a small business, number one, can't get the money to start up and that start-up money that they get is tied to a home. And let's understand, too, that Philadelphia has high home ownership basis, and people are living in grandmom's house, mom's house. And if small businesses fail on the first couple of tries and a predatory lender has his claws in that home, what you're going to see is an erosion of home ownership. People's homes that are now home to several generations are going away from our community. So that gets into what Councilman Goode was talking about looking at neighborhood transformation. If you lose your home ownership base, your neighborhoods cannot transform. That cannot happen.

If people don't have access to the capital to buy the services and the goods that they need to run their business, and then they don't have access to technical assistance to keep them on track as they learn and grow, and then they do not have access to larger business contracts, all of this is moot. The business community has to step up. The corporations, we already understand they cannot absorb the number of jobs that are needed in just a job situation. That's a reality. But they certainly can extend the contracts for services out there.

And microenterprise, while it starts as a very small thing, microenterprise does not have to stay micro. The goal should be wealth creation. And the other piece to that whole wealth creation is this: If a microenterprise is only going to provide a $5.00 an hour job for that person and not cover their medical and dental expenses and is not going to truly grow to be a comprehensive business that can take care of all of the person's needs, then you might as well have, you know, a small job creation program. It's really critical that these businesses take form and take route in the community because they do more than just provide area jobs. The people who are entrepreneurs, those are the folks that are taking care of the little league programs. They are the people who are funding all kinds of things going on in our communities today.

And the last thing I would like to say on that is entrepreneurs need the flexibility. Because I myself am a serial entrepreneur. I went from gift baskets to being an author, and that's what I do now to stay afloat. Who knows who I may become. Who knows, gift baskets or romance author. But the point is, is that all along the projectory of an entrepreneur's life span we do have a kind of a patchwork quilt of agencies and organizations, but somehow at the micro level, people fall through the cracks. It's nothing -- no real comprehensive network that is funded like infrastructure. I'm saying it again, funded like infrastructure to get people from -- when the bottom has fallen out from under them and the safety net has gone, to get them to that first rung in that whole microenterprise environment. Because anything under $25,000, the banks don't want to really service because it costs just as much to service a $500,000 loan as it does to service a $50,000 loan. Guess where their interest lies right now?

So if we look at the entire landscape, the foundations are pulling out because what has happened with September 11th and the tragedy that hit our nation, a lot of monies got diverted toward that effort, and rightfully so. But in addition to which, the Wall Street situation has tanked their portfolios, so the William Penn Foundation and the Philadelphia Foundation and all of the ones here, they don't have the same amount available to give to the microenterprise organizations who were using those funds to hire staff to go do what Councilman Clarke said. You know, to get somebody who is incarcerated a loan is a real one-on-one labor intensive situation, so these agencies are not lying when they say, we need more dollars. All of them do. Because if you want true technical assistance, that's a one-on-one process and the foundations that heretofore used to finance that are not giving out the grants to that level.

The state whose monies went floating on Wall Street too does not have -- and the Department of Community and Economic Development is not giving out the same substantial sums, so we do need a comprehensive infrastructure put in place so that people don't fall through the cracks. Because if the corporations are not hiring and the self-employment market is starting to erode because the funds are not there for technical assistance, loan dollars, post business start-up dollars and the ability to grow with the entrepreneur as they grow, then we're in trouble.

So thank you very much.

(Applause.)

COUNCILMAN NUTTER: Thank you.

Any questions?

(No response.)

COUNCILMAN NUTTER: Thank you very much.

Is there anyone else here to testify on these two Resolutions?

(No response.)

COUNCILMAN NUTTER: Seeing none, the Committee has already taken action on Bill 020648. It was reported out with a favorable recommendation and suspension of the rules.

With regard to the two Resolutions, 020522 and 000691, this Committee will stand in recess to the call of the Chair. Thank you very much.

(Applause.)

(Council adjourned at 2:00 p.m.)

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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 November 12, 2002, were reported fully and accurately by me, and that this is a correct transcript of the same.

RE: COMMITTEE ON COMMERCE AND ECONOMIC DEVELOPMENT

Lisa C. Bradley, RPR
and Notary Public