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# FIELD HEARING IN JACKSONVILLE, FL: DISPARITIES IN ACCESS TO CAPITAL: WHAT THE FEDERAL GOVERNMENT IS DOING TO INCREASE SUPPORT FOR MINORITY OWNED FIRMS

## HEARING

BEFORE THE

## COMMITTEE ON SMALL BUSINESS
## UNITED STATES
## HOUSE OF REPRESENTATIVES

ONE HUNDRED FIFTEENTH CONGRESS

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Questions for the Record:
None.
Answers for the Record:
None.
Additional Material for the Record:
None.

# DISPARITIES IN ACCESS TO CAPITAL: WHAT THE FEDERAL GOVERNMENT IS DOING TO INCREASE SUPPORT FOR MINORITY OWNED FIRMS

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**MONDAY, MARCH 12, 2018**

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
*Jacksonville, FL.*

The Committee met, pursuant to call, at 10:02 a.m., in the Hadlow Board Room, Jacksonville Chamber of Commerce, 3 Independent Drive, Jacksonville, FL, Hon. James Comer presiding.

Present: Representatives Comer and Lawson.

Mr. COMER. Good morning. I call this hearing to order.

Before we begin, I want to thank the ranking member, Mr. Lawson, for inviting me to be here with him in his district today. While we may be from different political parties, we are both fighting hard on behalf of America's small businesses here in Jacksonville and in my district in Kentucky, and all across the country.

Access to capital has been a top priority for this Committee. It gives small businesses the resources they need to keep the doors open, the lights on, to purchase inventory, pay employees, and expand their businesses.

However, since the financial crisis almost a decade ago, small business owners across a variety of industries and demographics report that it is still difficult to acquire capital. Since the crisis, the number of community banks in the United States has decreased, the amount of paperwork for banks and businesses has increased, and it has become more difficult for small businesses just to meet payroll.

This morning we will hear from a distinguished panel on how the small business access to capital landscape has changed and how the Federal Government can help create an environment where all small businesses have access to the resources they need to succeed.

Again, I appreciate the ranking member for his hospitality and the witnesses for taking time away from their businesses to be here today. I look forward to your testimony.

I now yield to Mr. Lawson for his opening remarks.

Mr. LAWSON. Thank you very much, Mr. Chair. I am delighted, and good morning to everyone.

Our nation's economy is growing largely due to women- and minority-owned businesses. The economy relies on nearly 8 million minority businesses and generates over $1 trillion in revenue and

employs over 7 million workers. Despite these numbers, minority-owned business, small firms, including women, still face hurdles.

We also hear that access to capital is the biggest challenge. This is problematic because capital is the lifeblood of any business. It helps companies buy inventory and equipment, pay their employees, and expand operations.

Unfortunately, minority-owned firms, including women, are more likely than other businesses to be denied traditional financing compared to other businesses. In fact, the average African American owner raises about $500 in equity in the first year, compared to $18,000 for the average white business start-up. And in D.C., which is a venture capital funding market, they are 18 percent less likely than white start-up owners to receive such investment.

Much of this disparity can be laid to the lack of representation within the lending industry. This is very important because research has shown that investors are predisposed to exhibit a preference for people who are similar to them. So it really doesn't matter who is at the table when the minority business owner is asking for capital.

In order for these firms to play their traditional job-creating role, we must take steps to address these challenges. Within this context, it is important to remember that lending through the Small Business Administration is significant for women and minority business owners, yet improvements are needed to ensure SBA loans are reaching these entrepreneurs.

Today's hearing will take the pulse of the small business lending environment for minority business owners, along with women entrepreneurs, and gain insight about how to expand their financial options. As we do this, it is important to remember that what makes sense for one entrepreneur might not for another, and that is a broad spectrum of the capital options for small firms. Some businesses' needs can be met with conventional loans. For others, a debt-based solution may not make sense at all. Equity in investment might be the best fit.

The reality is we need to support the next generation of minority entrepreneurs to be empowered to take on the challenges of starting a business and becoming an economic powerhouse. On that note I would like to thank our witnesses for taking the time to be here.

Thank you, and I yield back, Mr. Chairman.

Mr. COMER. If any other Committee members have an opening statement prepared, I ask that they be submitted for the record.

I would like to take a moment to explain the timing and the lights for you. You will each have 5 minutes to deliver your testimony. The light will start out as green. When you have 1 minute remaining, the light will turn yellow. Finally, at the end of your 5 minutes, it will turn red. I ask that you try to adhere to that time limit, but if you need a few more seconds or minutes to wrap up, that is fine.

I will yield back to Mr. Lawson to introduce the panel.

Mr. LAWSON. Thank you, Mr. Chairman.

First we have Mr. Jimmy Van Horn, who is the Lead Lender Relations Specialist for the Small Business Administration.

Welcome, Mr. Van Horn.

His experience includes economic policy with regard to financial markets and compliance with state and Federal securities laws and regulations. As a lending relations specialist with the SBA, he is responsible for working with small business and educating those firms about small business lending programs. Again, I would like to welcome Mr. Van Horn to this Committee.

Next we have Ms. Hillary Almond. Ms. Almond is President of Almond Engineering. It is a civic engineering consulting firm in Florida and Georgia. She is a graduate of the University of Alabama and received her Master's degree at the University of Florida, where she studied environmental engineering.

One thing, Ms. Almond, is that my wife graduated from the University of Alabama, and also from the University of Florida.

I want to thank Ms. Almond. Thank you for being here and working with the panel.

Next is Ms. Roslyn Phillips. Ms. Phillips is the Vice President of The Hester Group, an 8(a) woman-owned small business that provides professional services to Federal agencies. She currently manages The Hester Group 8(a) SBA status and their portfolio, which includes government agencies as well as private corporations.

Ms. Phillips' career as an executive spans over 25 years, including consulting in the public and private sector. She previously served as Policy Advisor for the City of Jacksonville. She led the team administering for the Northwest Economic Development Fund, the Empire Zone and Empowerment Zone, and designed and implemented the SWJEDF, a better Jacksonville plan that had resulted in $134 million in private investment and over 2,500 jobs.

Ms. Phillips, thank you very much for being here.

Mr. Dane Grey is President of Elite Parking Services of America, a company that specializes in parking and transportation management services that employs nearly 400 employees. As a small business owner, Mr. Grey has led Elite Parking Services to develop new services that have revolutionized parking services and management, including the development of the first human capital management system that used automated services to manage his operation.

Mr. Grey has amassed numerous awards, including Business Journal's Top 40, Under 40, and was a nominee for the Ernst and Young Entrepreneur of the Year Award. He is a graduate of the JU University and received his MBA from Delta State University.

Mr. Grey, welcome.

I want to thank them and welcome them to the Committee.

Mr. Chairman, I yield back.

Mr. COMER. Thank you.

We will begin with the testimony.

**STATEMENTS OF JIMMY VAN HORN, LEAD LENDER RELATIONS SPECIALIST, UNITED STATES SMALL BUSINESS ADMINISTRATION, JACKSONVILLE, FL; HILLARY ALMOND, OWNER, ALMOND ENGINEERING, JACKSONVILLE, FL; ROSLYN PHILLIPS, VICE PRESIDENT, THE HESTER GROUP, JACKSONVILLE, FL; DANE GREY, PRESIDENT, ELITE PARKING SERVICES OF AMERICA, JACKSONVILLE, FL**

**STATEMENT OF JIMMY VAN HORN**

Mr. VAN HORN. Good morning. Mr. Chairman, thank you and the entire House Small Business Committee for inviting me to testify here before you for the Small Business Administration. My name is James Van Horn, as you said earlier. I am the Lead Lender Relations Specialist in North Florida here in the Jacksonville area. The North Florida District Office is responsible for the delivery of SBA's programs and services throughout our 43 counties here in North Florida. Today's hearing topic of access to capital supporting minority firms is one of the core missions of the SBA.

SBA has a number of programs that provide access to capital. The most common and widely known is the 7(a) loan program. Our agency aims to help small businesses obtain credit which is otherwise unavailable through conventional terms. As many of you know, oftentimes entrepreneurs have the will and drive to succeed, but access to capital unfortunately proves to be an insurmountable hurdle. That is where the SBA comes in. Our programs have been helping small businesses get on their feet and grow for decades, particularly in the North Florida area.

The 7(a) loan program is the Small Business Administration's primary lending program. It provides assistance to small businesses. This loan program offers guaranteed loans to small businesses up to $5 million, and can be used for small business purposes, including acquiring land, purchasing or constructing buildings, purchasing equipment, and working capital. The SBA works with lenders to provide loans to small businesses. The agency doesn't lend directly to the small businesses. They use lending institutions throughout the area to actually get our capital out to the businesses.

The SBA has established credit terms and conditions for these loans. Community development organizations and micro-lending institutions are all offering. The SBA reduces risk for these lenders by making it easier to get access to capital for these loans.

Administrator McMahon and our Office of Capital Access in headquarters have been stressing to our lending partners that we want to see more small-dollar loans being made to minority entrepreneurs. Our focus is to help those who need capital most. This includes minority-owned businesses, women-owned businesses, our veterans, and our emerging markets.

For those businesses who need longer-term loans for real estate, fixed assets, or large equipment, we have the 504 Certified Development Company loans. The SBA 504 Loan Program is a powerful economic tool that offers smal1 businesses another avenue for business financing while promoting business growth and job creation. The 504 loan is made through our Certified Development Compa-

nies in North Florida, and SBA's community-based lenders can also provide the 504.

The 504 loan also is typically structured through 40 percent SBA funding of the total project costs. Participating lenders come in with 50 percent of the total project costs, and then borrowers are typically required to contribute anywhere from 10 to 20 percent to the project.

For businesses that need smaller amounts of dollars, SBA has the direct micro-lending program, the SBA micro-lending program, providing entrepreneurs loans of up to $50,000, and the program has an average loan amount of about $13,800. Year-over-year, the SBA has seen a 5 percent increase in these loans which have supported 17,500 American jobs. Another interesting fact is that over 8 percent of these micro-loan recipients have gone on to receive larger loans from the SBA to support their continued growth.

All of SBA's loan programs have unique eligibility requirements. In general, eligibility is based on what a business does, how they receive their income, the character of the business, and where the business operates. Also, businesses must meet size requirements and be able to repay loans from within the cash flow of the business, and must have sound purposes.

In addition to the financing programs noted earlier, I would like to take a moment to highlight some of SBA's other services, in particular our counseling assistance programs that are set up in North Florida. If a small business seeks additional funding but perhaps needs some technical assistance to polish their business plan, we can absolutely help with that. Our office can connect a small business with a vast network of counseling services through the Small Business Development Centers and other resource partners that we have here. We have found that these services are invaluable in preparing a small business to seek additional funding.

I am proud to work for the SBA, and I am proud to serve this community here in Jacksonville. Thank you again for inviting me today, and I look forward to speaking with you further.

Mr. COMER. Thank you, Mr. Van Horn.

Ms. Almond?

**STATEMENT OF HILLARY ALMOND**

Ms. ALMOND. Thank you for allowing me to testify today.

Just to give you a little background, I am Hillary Almond. I am President and Founder and majority owner of Almond Engineering. About 14 years ago we started. We have actually been in business for 12 years now, but our journey started about 14 years ago when I resigned from JEA, the local utility company here. I was an engineer for JEA and got promoted to a manger, and I actually handled all of the operations and maintenance for the department. So I had all the maintenance personnel. I sat on negotiation committees. I had a lot of experience dealing with a lot of different stuff.

I resigned after our first child was born. I was going to stay home. After a year of doing that I told my husband if I do one more load of laundry in front of Oprah, I think I am going to go stir crazy. So he encouraged me to reach out and talk to old clients, and I started doing an engineering project here and there. I called it

my naptime job. While my son napped, I would do a little work, and one job grew to two, to many.

My husband is also a civil engineer. We realized it was time. I had too much work. We had another child by that time, and we wanted to go out on our own. So three weeks later we had a little office in San Marco, no clients except for the ones that I had brought on. He did not walk away with any of his clients. We had almost no savings because when I quit I took a 60 percent pay cut, and it was just a leap of faith. We started Almond Engineering.

Now we are eight strong, eight employees, and in our first year we are projected to make a million dollars this year. A lot of people say, wow, that is a lot of money. Well, over $850,000 of that goes back into the business with employees, taxes, and insurance. So you might be grossing a million dollars, but you are not making a lot. And every dime that we made goes back into the business. You are buying computers and you want to hire people, but you don't have the money to do it. It is a hamster wheel that you can't get off of. It is very difficult to grow your business. We have been trying for years now. We just don't have the funds to hire another PE, which are very expensive positions, to do the work.

So, Jacksonville is a unique market for engineering firms. As a woman in business, we have gotten our Jacksonville Small Emerging Business certification, our JSEB, our DBE, and unfortunately shortly after the recession we went for our 8(a). I went through 80 percent of the application process, and my ambassador actually had me stop because she said because I was white, I would not be considered for 8(a).

That was unfortunate, and I have been very shy to go back after 8(a). It is unfortunate. I should probably go after it again because it is an amazing opportunity.

So getting loans, getting capital, it is very difficult as a small business. My husband and I are the only owners. We are the only shareholders in the company. So when you go to do an SBA loan, the banks shy away. Maybe that is something the SBA can work on. But when you go to a bank and you want to do an SBA, they constantly tell you no, no, let's go to provisional. They really do not help with the SBA process. So we have not been successful in that.

We have never had government assistance. The only time we have ever gotten a loan was during the recession, and I don't know how we got through those years, but we did. We never had to fire a single employee. We paid them before we paid ourselves, and I refuse to go back and look at the books because I don't know how the bills were paid, but they were. It is very tough. Now, I wouldn't change it for the world, a lot of sleepless nights. There are a lot of rewards in owning your own business. But, yes, having government assistance would be wonderful.

I mean, right now I need all new computers. I need to hire about three more employees. It is a wonderful problem to have, but unfortunately I just don't have the capital to bring those employees in, because you have to float their salaries for about six months in order to wait for the jobs to get done and the money start coming in.

That is a very difficult problem for small firms. We hit the ceiling where we just can't break a little higher. We are working on

it, but maybe something like AA would help or working with SBA to get something that would float us for a year for that business, because we definitely have the clientele and the book work.

Thank you very much.

Mr. COMER. Thank you.

Ms. Phillips?

**STATEMENT OF ROSLYN PHILLIPS**

Ms. PHILLIPS. Good morning. I am Roslyn Phillips. I am the Vice President of the Hester Group, a small, woman-owned, minority business that is certified as an 8(a) as well as a HubZone by the SBA.

Thank you for the opportunity to speak with you this morning on the subject of small business disparities in access to capital.

The inability to access much needed capital, as was just stated, already is quite a daunting task or an obstacle to many small and minority businesses, and it continues to make it difficult for them not only to survive but for them to thrive, not stifling the opportunity to grow as the banking industry continues to, it appears, tighten its lending policies for small business investment.

Business owners who have not adequately positioned themselves to meet the credit standards find themselves utilizing credit cards or lenders of last resort with extremely high interest rates. That further erodes the ability of the small business to retain their equity to reinvest into the business or to improve their financial standing that would position them or allow them to get a traditional loan. Small business owners, when in crisis, often resort to taking second mortgages on their homes or even exhausting their savings in order to continue to survive.

Hester Group, as I said, is a woman-owned, minority firm. Hester Taylor Clark, the owner and founder and president of The Hester Group, having received a computer for Christmas in 1998 from her family, she really had had the desire to start her own business and be an entrepreneur and to have work/life balance with her two small children that they were raising at the time. And harboring that dream of owning her own business, she worked at warp speed, and by year end of 1998 Hester Group was a reality. Ms. Clark used her savings to capitalize her micro business in the early years, and as her business development efforts began to result in contracts, she was able to self-fund the initial growth of her business and hire a couple of people to work with her on the contracts that she had received.

Entrepreneurs in many instances are excellent at performing the work of the business and providing the services, but oftentimes they don't have the skills or the ability to handle the business of the business, if you will. They either lack the time or lack the business acumen to manage the business, or they fail to realize the importance of the business side in ensuring the continuation and the longevity of their business, and that includes things like strategic management, financial planning, marketing, and the overall operations of the business. They are often too busy seeking new opportunities and, in many cases, as I said, performing the work and providing the services.

Once, when asked how she knew her business was successful, Ms. Clark responded that she had money in the bank. It was successful. Well, that might have been true, but what she did not have was corporate infrastructure to make informed decisions to support the growth that she envisioned for her company.

In 2011, having been in business for nearly 13 years and growing from a micro business to a thriving small business with about eight employees, Hester Group was ready to move to the next level. It was at that time that the recession hit, and it was in full force, and dollars that might have been available for marketing and communications, PR, which was the business that Hester Group was in, were tightening, and the need to diversify business revenue was apparent if the company was to grow.

Having been successfully awarded local and state government contracts, Ms. Clark began to explore Federal contracting, and at that point it led her to the SBA. Ms. Clark spent months researching best practices for managing and growing her business, and available resources for training and business development. SBA became an invaluable partner to Ms. Clark as she sought to grow her business. In particular, she utilized the 7J Training Program and established a line of credit through the Loan Guarantee Program with the SBA.

She identified mentors that helped her recognize what she needed to grow. As a result of that, she sought me out. We had known each other in the past, and she was looking to bring on someone with accounting and management background, the financial experience that I brought to the company at that time.

Mentors were very important to her in helping her identify and make those decisions. Fortunately, the owner was always a step ahead of what was needed to grow the company to the next level, making sure that she positioned herself by adding me to the team to put in financial infrastructure that led to her ability to access capital when needed.

From my more than 30 years of experience working with small businesses, it is my observation that the more things change, the more they stay the same for small businesses. The infrastructure is not in place when needed most of the time that allows them to get the capital that they need. The obstacles that have been identified over the years are lack of a solid business plan to make a case for loan or venture capital investment; lack of equity to invest; insufficient financial documentation that demonstrates past performance and profitability to support a loan; lack of knowledge of available resources such as the SBA, SCORE, MBDA, SBDC, Jacksonville Chambers Women's Center, Athena Link and others, all that were utilized by Ms. Clark in making her case and getting the information, the education that she needed. Understanding the importance of establishing a business relationship with a bank before you go in to get a loan is very, very critical in ensuring your ability to access capital.

I know my time is up, so I am going to wrap this up.

Continuing investment in education and outreach for small businesses is an investment in a thriving economy. The work of the SBA and its partners is just invaluable. Hester Group has been in operation now for 20 years. We are ready to move to our next level

of growth. We are looking at the changes at SBA with the Protégé Program, how we might be able to formalize some of the mentorship that we have had in the past in order to help us do that. We are an example of when things go right and you take advantage of the resources, and you are aware of them—a lot of times companies are not aware of the resources that are available to you and put those support systems in place.

Hester Group now has nearly 30 employees and over $3 million in annual revenue, and we appreciate the opportunity to present this morning.

[The statement of Ms. Phillips follows:]

Mr. COMER. Thank you very much.

Mr. Grey?

**STATEMENT OF DANE GREY**

Mr. GREY. Thank you, Congressman Al Lawson, Congressman James Comer, and the U.S House of Representatives Committee on Small Business for coordinating this hearing and for inviting me here to speak today. I would also like to thank the Jacksonville Chamber of Commerce for hosting this hearing and for its continued leadership in supporting the business community here in Northeast Florida.

I am the President and CEO of Elite Parking and Elite Transportation Services. We specialize in transportation and parking management services for municipalities, downtown urban markets, airports and hospitals across the United States.

Our company, which I founded in 2007, is known for its focus on innovation in parking and transportation. It started as a part-time project from my dormitory room at JU. We are now a national company with over 400 employees.

We recently announced the expansion into the autonomous vehicle industry by becoming the exclusive provider of operational and management support for an autonomous self-driving shuttle known as Olli, which is manufactured by the only U.S.-based manufacturer of autonomous vehicles, Local Motors of Arizona. Local Motors developed Olli in 2016 as a self-driving shuttle designed for sites using low-mass transit, such as airports, campuses, hospitals and municipalities. The shuttles, which will be operated by Elite Transportation, have a maximum speed of 25 miles an hour and include speech recognition capabilities that allow the vehicles to talk to passengers.

From airports to university campuses, the future of autonomous vehicles will transform the way we think about mass transportation. Our company is preparing to offer expertise in transportation support and technology, making it easier for organizations and local communities to own and operate their own fleet of autonomous vehicles.

We obviously look forward to continuing to develop our technology and transportation offerings such as autonomous vehicles throughout Florida, including here in Jacksonville, as well as Miami, Tampa and Orlando. We are also looking to expand into other areas around the country that are embracing this technology. Cities such as Jacksonville, San Jose, Ann Arbor, Boston, Pittsburgh, and Austin have been identified as areas that are embrac-

ing new transportation technologies in the field of transportation such as autonomous vehicles. In addition to those cities, we as a company are looking at expanding into additional places such as Kansas City, Akron, Cleveland, Atlanta, Savannah, Montgomery, Nashville, and Southern Kentucky.

We have been blessed that our company continues to grow. We have great capital partners such as Signet Enterprise, a global private investment firm that provides us with capital investment to grow as an organization. As a small business which is growing, without the access to capital, our economic footprint in this sector would not be where it is today. While our company has seen success in accessing the much-needed capital investment, there are many stories of companies that have stalled or closed due to a lack of investment. While government at times can focus on assisting large businesses, which is important, ensuring that foundations are laid so smaller businesses can succeed is equally as important.

Thank you again to the Jacksonville Chamber of Commerce for being such a great regional partner to businesses in Northeast Florida, and thank you again, Congressman Lawson and Congressman Comer, for allowing me this opportunity today. I look forward to answering any questions you may have.

Mr. COMER. Excellent opening statements. Mr. Lawson, you assembled a very impressive panel for discussion here today. Since I am a Tennessee Titans season ticket holder, I was advised I should yield to you, since you are from Jacksonville, to begin the questioning.

Mr. LAWSON. Thank you very much, Mr. Chairman.

One thing I wanted to say before we start the questioning is you see us as politicians, but besides coaching basketball for eight years, I have also been in the insurance business for 36 years. The Chairman here has also been in business. Serving on the Small Business Committee, we know the importance of accessing capital and the importance of how small business has contributed to the economy and employment here in America. So we are not only politicians but business owners too, and it gives us the opportunity to try to remove some of the obstacles in the way of small businesses to see how we can get more people in business.

Mr. Van Horn, the micro-loan program has long been used by minorities and women entrepreneurs, yet the program only provides about $50 to $70 million per year in financing, much lower than the $23 billion in the 7(a) loan. Is this program meeting demand? And if not, what recommendation do you have to make it more effective?

Mr. VAN HORN. I thank you for the question. I think the micro-loan program is doing a tremendous job. As a matter of fact, this is my first year in Florida. I spent the last 10 years in Denver, Colorado, where I saw the micro-loan program exclusively produce a tremendous amount of small business loans to start-up capital for businesses that are just getting going.

This also gives the ability for those small business owners to work with a technical assistance program through the micro-loan program to actually build the business. They don't just give them the loan, pat them on the back and say good luck. They actually work with them on a number of different things—their marketing,

Quick Books, whatever it is they need assistance with to grow, and then ultimately getting them to the point where they are able to go to the larger lending institutions.

I view the small business micro-loan program as a fundamental step toward small businesses that are just getting going and for those businesses that are just needing a small amount of capital.

Something that we have also done through the SBA is give these intermediary lending institutions the ability to lend on the 7(a) platform as well. The Community Advantage Loan Program is a loan program that is our micro-loan program. Institutions are able to access it as well, and those loans are just like the 7(a) lending program that you would find in a bank. The purpose of this is to try to get more programs out to communities that don't necessarily have the lending institutions in place to offer these 7(a) loans.

Mr. LAWSON. Ms. Almond, your testimony is very interesting. The problem is you don't have access to capital. Do you want to comment on the question I asked of Mr. Van Horn in terms of the capital resources that are available?

Ms. ALMOND. I don't see that. Maybe we just are going after the wrong channels. The only capital we have been able to access is a line of credit based on our own personally. As I said, we go to the banks, and I have actually tried to go through several banks, and the bankers, the people who do the loans there don't even want to talk about SBA. It is uncanny. They don't even want to discuss it. I hit a brick wall every time, because I would love to get an SBA loan. That would help me, and I don't know if they can do it based on hiring people, but I do need new equipment. We just trickle in a computer here, trickle in a computer there. We just have the same $15,000 on the server. I had to front all that, because I have not found anybody who is willing to help us.

We are a healthy company. We are not struggling in the sense of—yes, I do worry about the payroll, but I have not seen that available to us. I will be talking to you after.

Mr. VAN HORN. Yes, absolutely.

I work in the field for the SBA. Again, like I said, I cover 43 counties all throughout the Panhandle, all the way down to Orlando. There are two lending specialists in my district office, two to cover 43 counties. So what you just described is something I deal with on a daily basis, and I tell business owners that the best advocate I can be for you is to sit down with you one-on-one, find out what industry you are in, how much money you are looking for, and what you are going to be using those things for within the business. Something that the actual government has complete access to our number of systems that I can go back and draw upon for financial history to see what lending institutions are lending to industries such as yours.

Too often, a business will walk into a bank that may just not be lending in the industry that they actually are in. And despite being a viable business and the cash is flowing well, it just may not be something that the institution is looking to finance. So finding the right banking lender at the right time is crucial to small business, and that is one of the biggest services that I can provide, working with small businesses one-on-one.

Mr. LAWSON. Ms. Phillips, you seem to have a great deal of success in cutting through all the problems. Would you really talk about how you were able to access capital in your group and what you all have done to gain access to SBA?

Ms. PHILLIPS. Thank you, Representative Lawson. The Hester Group early on established a line of credit with the bank that we have a banking relationship with, but it was based on a personal line of credit and not from the business. We were ready to move into the next level once we had received our designation as SBA. The types of contracts that we were looking at required that we had a much greater need for access to capital than the $50,000 allowed for. Although we had a long-term relationship with that bank, for the business, instead of using that bank, we went to a community bank, and it was through the community bank working with SBA that we were able to get a loan guarantee that allowed us to access money as needed for the contracts that we were receiving. Having those contracts in place obviously was a great benefit to us because it helped to show our ability to repay those loans. But I think the first thing is that Mr. Van Horn is correct. Sometimes you are not going to be able to go to your established bank because they may not be making loans of the type that you are looking at for the industry that you are looking at.

Our first contract, our first major contract, we needed to have the ability to pay 20 employees. That is a hefty contract, and these were licensed employees that might have been engineers or what have you, so they demanded a high rate of pay. Hester Group at that time found that support through the community banking industry.

Now, what has happened with some of the changes that happened during the recession is many of those banks have been bought up. The one that we went to is no longer in existence. It was bought by someone else. So making sure that you have all that information and that you don't just stop at that one door. If one door closes, you just go to the next one and knock on it until you get what you need. Again, the SBA has lots of programs, lots of support, and one of the challenges I think is that people really don't know what is available to them as far as counseling and support and training through the SBA, and making sure that there are avenues to get that word out is very important.

Mr. LAWSON. Mr. Grey, starting your business from a dorm room at JU, how have you been able to access capital and move all across the country?

Mr. GREY. What we did initially, going back to Ms. Phillips' statement, was we put together a business plan. Back then I knew that it was just something we were doing as a side project. I was working a full-time job and at the same time growing my company. Once I went and jumped out to do it full time, I knew I needed to do a few things.

One is to create something different, something that would change the world. And two, have a viable product that our customers can actually use. And three, put together a business plan that can actually help us with a group that understood our business. So it was a combination of different things.

After we went and presented for our capital, then we decided it was important that we put together a board so that—I still have my controlling interest, but a board that made me accountable as a CEO for the things that I did and decisions that I made. That helped us tremendously as we began to grow, because capital then came because we had something we could use to go to market and say here, look at what we do, and this is how we do it, this is why we are different. That was tremendous for us to grow and has been tremendous for us to keep growing.

Like every company, growth is great, but it also comes with significant complications and problems. I can tell you from running a payroll and thinking I love off payroll weeks and love the regular weeks. You go through your mind, and as the company is growing it constantly becomes more and more important to have access to capital, and our partners have provided that for us. So it has been something great to be part of programs where the SBA has funded, such as the DB programs. You know that the program has helped more companies grow and expand.

Mr. LAWSON. I can't tell you how many Committee meetings we have had in the past year. One of the questions that we always ask so that we can work on issues that are really important, what are some of the problems? What do you see that we could do in Congress to help SBA, especially in the application process, undo regulations that you all see that we have on small business that we might be able to change?

Mr. VAN HORN. I think something you have heard from the panel here is the lack of communication, something that oftentimes is, quite frankly, one of the biggest obstacles that we face as the SBA. Getting our name and our programs out there so that people know within the communities that we serve what is available to you, what can you get access to, that is a huge obstacle for a lot of small businesses. I think just the fact of knowing what an SBA loan is or how it works or how to get one, where do you go as far as where the banks are.

Unfortunately, SBA can't make a banking institution make a loan. These loans have to actually go through their committees, their boards, and ultimately our service is through that banking institution. So depending on what type of lender it is, they can make a credit decision right there in-house without SBA even giving final approval prior to them actually disbursing funds.

There are a number of different programs. We have 11 different lending programs. Currently, right now, we are making term loans through lines of credit, cyclical financing types of loan programs.

Things that primarily get in the way, you could have credit problems. Credit is an issue. There are a number of collateral that one must pledge to get an actual loan, something that we can work on as far as the programs and how they work. We are providing a Federal guarantee for these loan programs so that we can shore up a little bit of the risk for the banking institutions taking these loans on. But maybe we should get them to look at that a little bit differently.

Mr. LAWSON. That's fine. I am going to yield back to the Chairman and maybe come back for some other questions. But I want

the Chairman to be able to ask some of the questions that are critically important.

Mr. COMER. Thank you, Mr. Lawson.

Touching on what you said, Mr. Van Horn and Ms. Almond's testimony, I will just give you a brief summary of my background. My business is agriculture. I am a farmer by trade. I have been in Congress 16 months. Before I came to Congress I was commissioner of agriculture in Kentucky, which is what Adam Putner is here in Florida. We worked together on some issues.

But I also was a director of a community bank for 11 years, and being from a very rural, poor community in Appalachia in Kentucky, we had two community banks. Unfortunately, the bank that I served as director of did not do very many SBA loans, very few. The other bank did. I am not a director of the bank anymore. I resigned when I became commissioner of agriculture.

But how can we get some of these community banks that, for whatever reason aren't doing many, if any, SBA loans—and there are several in Kentucky, throughout Kentucky. There are banks that really love this game. There are some that do not. What can be done to get the banks to utilize the SBA more?

Mr. VAN HORN. SBA lending in itself is somewhat of a specialty in the banking industry. The larger banks have entire divisions that are dedicated to doing only SBA loans. They may have 30 to 40 loan officers that understand how to originate service from start to finish, whereas a community bank in a hub in a rural area may only have one individual who hasn't even ever done an SBA loan.

Something the SBA has done here within the last five years to make credit easily accessible to those rural communities is brought all of our systems online and utilize a system called SBA-1 which takes a loan from origination all the way to the back end. This is a system that ultimately can be easily used at a bank, and it takes just a little bit of training from the district office to those institutions to be able to get on the platform with SBA.

And then really helping the bank understand and recognize an SBA loan when it walks in the door. That is something else we can train our banking institutions on. Unfortunately, like I said, I am one of two individuals in the district that covers 43 counties. Getting out to all these banks is something that is very daunting. I spent the last week in Pensacola and visited a number of smaller institutions that may only have one or two individuals.

The biggest thing I can do for them is be a resource to them when they think they have an actual SBA loan in front of them, someone they can call, someone they can get in touch with. I have also offered a number of different avenues to get eligibility questions and credit analysis questions answered to these financial institutions. We have a website called 7(a)Questions.com, 504Questions.com, where they can send in an eligibility piece describing what kind of loan they are looking at and seeing if it is eligible for SBA and then taking it further beyond that.

So we are working very hard to get into these communities and really spread the word about SBA. Again, I go back to that community advantage program. That was something that was brought on by the Small Business Jobs Act, and it was developed to reach more rural communities and communities in which we are trying

to gain more access to capital out there because of the lack of lending institutions they may have to choose from. We are getting the opportunity for these 7(a) loan programs to actually be done through micro-loan institutions, all the CDFIs that we can qualify out there to offer these for more access to capital.

Mr. COMER. Great.

Switching gears a little bit, Mr. Grey and Ms. Phillips, what could be done to get more minority entrepreneurs? I know access to capital has to be a huge impediment. That is a huge impediment to a lot of small businesses. But you all are absolutely huge success stories. What can be done to get more minority-owned businesses started? Is the SBA in your opinion doing enough to help with educating young minority entrepreneurs about services that are provided? Is there more that the government can do?

In Kentucky—I don't know about Florida, but in Kentucky, there are few minority-owned businesses that we have, and that is something that, when I was campaigning for Congress, I wanted to try to work with. We have Murray State University in my district, which remember them when you are filling out your brackets against West Virginia.

[Laughter.]

It has a tremendous program there to try to get more minority entrepreneurs.

What advice do you have to try to expand minority entrepreneurship in America?

Mr. GREY. Well, if I had to give my opinion, I think first, as far as the community, we as a community have to reach out to those schools and let people know what it means to be an entrepreneur and how they can get started.

The second thing is that the Federal Government should fund micro-loan programs to help small businesses that are starting out. I mean, I know the Chamber has a great one here locally that they try to use to get these smaller companies, whether it be innovations or payroll, because when you think about it, if you are looking in a segment to start a new company, you have to make payroll. Are you going to put it on your credit cards? You are going to max them all out, which is going to run your credit score down. Or you are going to use every dollar you have in your savings. To do that, to go to a traditional bank to get an SBA loan is going to be fraught.

So there are more roadblocks set up to stop you from being able to grow your company than there is roadblocks that are avenues to help you grow your company. So micro-loan programs represent a great opportunity to do so, and they can also give the companies what they need to continue to grow.

Ms. PHILLIPS. If I could add, one of the points that I was going to make earlier before I ran out of time was the impact of the educational system on even the belief or the preparedness of individuals to want to be entrepreneurs. The lack of educational achievement, what is going on in many of our cities and our urban communities, and the disproportionate involvement with the criminal justice system I think negatively impacts small businesses and entrepreneurs going in.

I think it starts back with even the public school educational system, the need for having more technical education programs where people get skills and learn a trade that would influence their ability or their desire to become an entrepreneur would be a part of it.

Many of the businesses that we do see being developed are developed by default, if you will, out of a necessity because of that lack of education or skill or having had some kind of involvement in the criminal justice system, people can't access the jobs that are available. So by default, they decide to start a small business of some sort based on something that they feel that they can do. But because of that lack of education or involvement in the criminal justice system, they cannot access any capital in any arena.

So looking at ways in which we can assist those micro-businesses and providing some funding to them as they grow and as they are able to do something, because if you start a small yard maintenance business and your lawnmower breaks and you have nowhere to go in order to replace that lawnmower, then you are out of business and you may not have other options or those kinds of things.

So micro-loan programs, small business programs I think will help many smaller businesses and those businesses that are by default or out of necessity, because they want to make a legitimate earning to provide for themselves and their families I think is important. But as you grow into the larger businesses too, ensuring that there is an avenue to success by having available education and counseling support, as well as we used a lot of mentors. They were informal mentors. So having people that are successful that are willing to give of their experience and knowledge to young people or smaller businesses is important as well.

Mr. COMER. Great.

Mr. Grey, you mentioned in your expansion you were looking into Southern Kentucky. Give me a call if you ever end up in Southern Kentucky, we will see if we can be helpful.

One last question, and then I will yield back to Mr. Lawson, and I am switching gears again.

With respect to the potential of having community bank Dodd-Frank reform, would that have any impact on the SBA? Because I think that has been—I was on a bank board before Dodd-Frank and after Dodd-Frank, and I understand why Congress passed Dodd-Frank, because you had a lot of bad actors, like Lehman Brothers and some of the big Wall Street banks, Bear Stearns. But in my opinion, and this is my opinion, it had an adverse effect on community banks because community banks are very different than the big banks, and the community banks didn't violate any laws, they didn't have hardly any bad loans on the books.

If Congress is able—and the Senate, I believe, has a legitimate chance at passing some type of reform, at least to reduce the regulatory burden and the compliance requirements for community banks, just community banks, not Wells Fargo or Citibank or any of those but community banks—would that, in your opinion, Mr. Van Horn, have any impact on the SBA especially or community banks' ability to provide access to capital?

Mr. VAN HORN. With regard to Dodd-Frank and community bank lending, actually SBA provides quite a bit of liquidity to the

bank if properly utilized. They can sell our loans on the secondary market. Our loan programs actually offer quite a bit to the community banking industry. I have seen community bank lending utilizing our programs because of what has happened with Dodd-Frank and what-not.

Working for the Federal Government, I would love to give you an opinion on what I think. Unfortunately, I don't think that would be prudent. If you would like to speak later, I would love to talk. Fortunately, sir, like you have heard on the panel here, there are a number of things we can do.

Just the programs and services I have gone over today, that just touches on a small amount of the actual resources that we provide. We have a robust resource network partnership here in the local area. Our counselors and women businesses are unmatched throughout the country. I have been a part of a number of them across the country.

I think educating entrepreneurs and individuals that want to become entrepreneurs, even in an earlier setting, high school settings, those types of settings would be crucial for providing the resources and just the knowledge of what is available out there.

But to get back to Dodd-Frank and the banks, I take things as they come, and I react to markets. I hopefully can get our programs out to more entrepreneurs here in the future.

Mr. COMER. Great. Thank you.

I will yield back to Mr. Lawson.

Mr. LAWSON. Thank you, Mr. Chairman.

One of the things, the gentleman stated that when you are a politician and you are running for office, one of the first things you say is I am going to bring jobs into the community. But when you get to Congress, even coming from the state legislature, you get into Congress and all of a sudden it hits you in the face, what jobs are you going to bring to the community? Are you going out to recruit corporations?

For example, Amazon, we participated in the application process to try to bring Amazon to the Jacksonville area, which probably could attract 5,000 more jobs. But there was other competition throughout Florida and other places for Amazon to be located, and we subsequently found that they went someplace else. We didn't learn right away that the success of job growth is related to small minority businesses, and they are growing at a very fast rate.

So the first thing you want to do is try to see what can you do with SBA and other obstacles, just as the Chairman talked about, Dodd-Frank, to make access to capital one of the biggest things that affects small business growth. So as a result, on the Small Business Committee, one of the things that Congress, what we tried to do is to bring these hearings all across the country down into the communities where the small businesses are located to let the small businesses tell you what you can do in Congress in order to make it easier for them to get capital, to hire employees, et cetera.

So one of the questions that I have is how small business, SBA, improve the application process and procedures so that more minority and small business can take advantage of the program. So, Mr. Van Horn, I know we asked you a lot of questions, but it is

critical that we find out whether there are major obstacles that stand in the way that need to be changed that we can bring in before the Committee. We hear stories like Ms. Almond's all the time. So what I am going to tell you is that one of the things I am going to do with the staff that we have here is to make sure that we do everything we can to help you in your situation. You can go ahead.

Mr. VAN HORN. So in regard to getting more access to capital, can you repeat the last part of your question again?

Mr. LAWSON. Let me just read the whole question. How can SBA improve the application and the processing procedure so that more minority small businesses can take advantage of the program? I know one of them you said earlier is lack of communication. In the application process, you also help them through the application process, because it may become expensive. They have to get an attorney or someone else to help them file the application.

Mr. VAN HORN. Yes, sir. I will touch on a number of things that you alluded to. So again, I have been with the SBA for 10 years. When I first started with SBA, I worked with a number of career employees who have been with the agency for 20, 30, 40 years. The communication to the public about SBA loans may be from business owners, may be from bankers that don't want to deal with SBA lending. There are a lot of misnomers out there about the Small Business Administration, and I am here to tell you that during my time I have seen the SBA makes leaps and bounds to try to make access to capital easier.

What I mean by that is when you walk into a bank and ask for an SBA loan, first of all you need to speak to a specialist, and you need to speak with the person who knows how and what to do to identify you and what they are going to require of you. Again, this is not a stack of paperwork anymore. This is an online program. When the Small Business Jobs Act came out and they raised the limits on the 7(a) loan program from $2 million to $5 million, you are right, a lot of lenders started to do those bigger loans, starting working with a lot more existing businesses.

So what we did was kind of tailor that back to what we call the 7(a) small loan, which was an expedited loan processing that with the system that we are utilizing now, SBA-1, can qualify you and ultimately get you funds within a week's time. These systems were put in place to where you can sit down and actually do an application with your banker right there and know if you have a conditional approval for funding.

Time is money. I realize that. These individuals realize that. But when it comes to getting our access to capital and what we are doing to try to help that, we are improving our systems daily. Ultimately, again, we are a government organization. We are a little bit behind what you would see in the public sector as far as accessing systems. That may be something that you can help us with, getting more access to faster operating systems and things that we can utilize to get access out. But we are trying to do everything we can.

Most importantly, we are trying to listen to the community that we service and find out what they need and what is it that we can do here locally to try to make those things happen. I am not trying to change the markets in Nebraska or Tennessee. I am trying to

change markets here in North Florida, the territory that I cover. So I am working hard and my district is working hard to make sure that the individuals that are looking for capital are going to get service the right way.

Mr. LAWSON. Ms. Almond, what should we take back to Washington tomorrow?

Ms. ALMOND. Mr. Grey hit the nail on the head. He said something so profound. As a small business owner with eight employees, I have eight employees, and that is eight families that I am responsible to make sure that they pay their bills. If I couldn't get my 8(a), getting government contracts in Jacksonville as a small business is very difficult, especially for a civil engineering firm, because the set-asides are usually poor. Other types of businesses can get concrete work, or maybe janitorial services. But a civil engineering firm—and I know I am being very specific here—the only way we tend to be able to get government contracts is to piggyback on a larger firm. A larger firm that goes out to these are engineering firms. They are not willing to hire a civil engineering firm to get credits. They are going to get another—they are not competing with their work.

So our business is very heavily dependent on the private sector. I would say 95 percent of our work is private sector. Anybody who works with developers knows that payment is not always going to come out on time. You love to get a government contract because you know you are going to do the work, you are going to do it onsite, you are going to get paid in a certain amount of time.

The problem that I see, as Mr. Grey said, is you want to make payroll. So if that client doesn't pay you—hey, the check is in the mail—it doesn't show up and you have payroll, you are on the credit card. Or in my case, I can't tell you how many times I have not taken my pay, my paycheck, because it is important to me that my employees get paid, and I cannot count how many times that means I am late on a bill. But that is my responsibility to my employees. So our credit is not stellar, where some other people's would be.

All the banks we talk to are SBA loan banks, and I am talking to the SBA people. But if you don't have 800 credit or above, they just don't want to deal with you. But we deal with a cash flow crisis because we are private sector dependent. That is a big problem. I mean, our credit is not bad, but it is not stellar. We have great clients, we have a great reputation, we have backlog, but they don't want to look at that. So that is a huge problem for small businesses. Just something to consider.

Mr. LAWSON. Okay. And what I was piggybacking on is in saying that when we go back tomorrow—and maybe Ms. Phillips can comment on that—oftentimes we ask the Chairman of the Committee and so forth to try to find out when we are out in the field what situation can we change. Do we need more capital for SBA? A lot of people probably in this room today are small business owners, and the idea also to get information on what we might be able to do in Congress to help them grow their business and at the same time change because we have the people coming over at SBA that we are trying to find out what we can bring back to them for them to change. They seem to be pretty willing to make those changes.

One other thing I want to say, Ms. Phillips, is you said something in your statement that because of the criminal justice system, how some people automatically, because they can't get into the job market, it is by accident they start their own business. Well, Congress should look at that area. When I was in the state legislature, we tried to make sure that, for the first time, that some people involved in the criminal justice system that was not heinous crimes and so forth be given another opportunity, because it doesn't make any sense that they cannot become full citizens in the community.

So as a result, that is one area that I will be working on in the congressional area to try to see what can we do to set up special programs where we can review those applications a little bit differently so that they will have the opportunity to grow their business. It might be one mistake, but we aren't going forward by preventing people from having an opportunity and resources, because we have a lot of businesses now that are beginning to hire these individuals and giving them the opportunity so they can really take care of their families. So I just want you to know that I really appreciate you saying that. Maybe you can comment on what we might be able to do to make it better.

Ms. PHILLIPS. Thank you. It sounds like you are on the right track. Again, many times people do have a skill or a gift or a talent that they could utilize in order to gain if not employment, to start their own business and to be able to be productive and create income for their families. So you are on the right track.

But again, education is key, making sure that people are aware of what is available, the resources that are available to them. Here at the Chamber, the Women's Center has been an invaluable partner to us, working specifically with women and the issues that women address or women face in business. The Hester Group is a woman-owned minority business, so we have obstacles that come at us from many angles as we begin to look at moving to the next level and growing the business.

But making sure that there is not only the programs in place, and SBA certainly I would think, based on the testimony of Mr. Van Horn being only one of two in a 43-county area, that they could use more resources, getting the word out and making sure that there are field people that can work with the lending institutions as well as with the businesses that need the support is helpful. The SBDC has been very helpful. But if you don't know about these resources, then you can't tap into them. The Hester Group started as a PR marketing firm. We can help the SBA with that.

[Laughter.]

Ms. PHILLIPS. I had to say that. The boss is in the audience.

[Laughter.]

But making sure the information gets to the people that can use it is very critical and very important to making sure it works.

The 8(a) program and the Federal programs that are set-asides and that kind of thing that you have to qualify for, they are not the golden egg for small businesses. We run into SBA-approved businesses every day that have never received a Federal contract. De-bundling some of the very large contracts is really important for small businesses to be able to access and get awards of contracts that would support going to a lending institution maybe and show-

ing their repayment ability or stream of income to repay that helps get the approval. But when you have $100 million contracts that are being let by the government, there is limited opportunity for small businesses to really compete to get those kinds of contacts. So de-bundling those contracts or making them smaller so that we can be competitive is something that the Hester Group for many years has been addressing and talking about.

The business of being in business is hard work, and I am sure all of these business owners spend a lot of time in business development. Relationships are very important. We talk to people for years, years, before we are able to identify an opportunity where we can work with an agency. It doesn't happen overnight.

Mr. LAWSON. Mr. Grey, if you were testifying before the congressional committee next week, and they asked you the question what can Congress do to improve or remove some of the obstacles and so forth, I know that probably in the type of business you are in, there is a lot of paperwork and a lot of things. What can Congress do to remove some of the obstacles that keep you from growing your business?

Mr. GREY. Well, first, we are a little bit different. A lot of our stuff is regulated because we are transporting the most precious cargo ever, humans. So I can understand some of the regulations. From the small business side in terms of access to capital and growth, I think some of the policies or regulations that are created for small companies are kind of almost like an oxymoron. Going back to small business access to capital and having to have an 800 credit score but you are using your credit cards, it doesn't kind of go hand in hand.

So having an opportunity or creating legislation or a vehicle that can help small business gain access to capital and then go through the education process of gaining more opportunities would help small businesses tremendously.

Mr. LAWSON. Ms. Almond, since you have had a lot of difficulty in terms of being able to employ those eight people, if we can take a message back that can help you more for you to be able to grow your business, is it just access to capital sources that you can go to?

Ms. ALMOND. Well, we still are a very healthy company. I don't want anyone to think we are dying down here. No, we are a very strong company. We do what it takes to get work.

Having access to capital is only one aspect. I don't like how difficult it is to get government contracts. It is extremely difficult, and I have been working on it for 12 years. I worked for JEA, and getting a JEA job is almost impossible. Everybody wants to use the big, expensive firms. We do the same quality work for a lot less, so why are small companies not given more set-asides?

Like I said, having government contracts is a very nice, steady stream of income. They are not going to disappear one day, which happens a lot in the private sector. So it is a two-fold system. Yes, access to capital right now would be enormous for my company, because I am at that precipice where I need it because I need to hire more people to handle the workload that is coming in. It is incredible what is happening today. Our work has exploded, but I have to handle that with the staff I have, which is incredibly difficult.

But again, it is private work, so we hope we get paid at the end of the day.

So I think it is two-fold. Make it easier to get SBA loans, let us know more about it. The places I go, I am asking around people who have not gotten SBA loans but know the process. So I am talking to, I think, the right people. But also, don't make it so difficult to have qualified small firms do government work. I love Jacksonville. I was born and raised here. But it is a good ol' boys network. I mean, I know I am not saying things that nobody knows. So it is incredibly difficult to go out there and just try to prove yourself that you can do these jobs. I think it is a two-fold system here. I don't think the access to capital is the end-all and be-all of helping small firms.

Mr. LAWSON. I am going to ask the man to change all that.

[Laughter.]

You wanted to comment, Ms. Phillips?

Ms. PHILLIPS. Yes. In preparing for today, I actually reached out to several small business owners and just asked them what some of their experience has been, and the access to capital they confirmed was one of the greatest challenges that they have.

One of the things that they mentioned, and I knew a number of things that I mentioned in the testimony that people use their charge cards and other things, but there are these alternative finance companies, I will say. They named several of them. Several of them named the same companies that small businesses are now going to, and based on their bank statements and the revenue that they are generating on a monthly basis, they can very quickly get loans. But some of these loans are at 30 percent interest, 30 percent interest. The devastation that that has on a business, that is 30 percent of whatever the amount they are lending that they can't reinvest into their business or that they cannot use to make payroll or what have you.

One individual told me yesterday that she borrowed $20,000 after the hurricane in order to make repairs to her building so that she could continue to operate, and though she paid it back in 11 months, she paid $6,000 in interest on $20,000. That is tantamount to loan sharking, it seems to me.

So I don't know if there is any regulation that can be done with those kinds of things or not, but certainly that was a bit of a surprise to me, and I heard it from more than one.

Mr. LAWSON. Mr. Chairman, with that, I yield back.

Mr. COMER. Thank you.

One thing I want to catch up on that we hear a lot, and we have had a few Committee hearings, we the Small Business Committee, pertaining to the difficulty with small businesses to obtain government contracts. I have two huge entities in my district that have a lot of government subcontractors, contractors and subcontractors, Fort Campbell military base in Fort Campbell, Kentucky, and then we had in Paducah, Kentucky a uranium enrichment plant that is being deactivated by the Department of Energy. So that is a huge, huge project, and a lot of our small businesses complain that only the big corporations get in and that they are at the mercy of those big corporations when they can do the same thing. So that is something that the Committee has heard in the past. It is something

that I am going to try to do everything I can to see that the small business is on a level playing field with the big, mega, publicly-traded companies. So I appreciate that.

Mr. Lawson, that concludes my questioning. I will yield back to you for any further questions. If not, then you can provide your closing statement.

Mr. LAWSON. Okay, Mr. Chairman. I just have one question. For those of you who have previously applied for SBA loans, what help or insight can you offer for those considering applying for loans?

I might start off with Mr. Van Horn and just go through the panel before we make any closing statements.

Mr. VAN HORN. What insight can I provide to someone considering an SBA loan?

Mr. LAWSON. Right, considering an SBA loan.

Mr. VAN HORN. I would consider utilizing our full service of resource partners to help you develop a business plan that you are going to be able to walk into the bank with and have all the different things that they are looking for addressed.

I would also consider being very realistic with the money you are asking for. If you want $100,000, if you want $1 million, know where you are going to be putting that money, and make sure it is clearly defined in your business plan. The first thing a banker or a banking institution is going to do is read your executive summary to find out who you are, and then they are going to flip to your financials. They want to look at your cash flow projections and/or, if you are an existing business, they are going to want to see what that cash flow looks like, and they want to know what are you going to be utilizing those funds for within that business, because ultimately they want to know how you are going to repay them is what it comes down to.

Can I touch on a couple of different things as well?

Mr. LAWSON. Yes.

Mr. VAN HORN. As far as 8(a) goes, I work in an office that has about five individuals that work with the 8(a) program. Something I have done with the financial division within our district is to start working with the 8(a) firms that are first coming on and then working our way through the existing 8(a) businesses to connect them with banking institutions that are familiar with their industry so that they have an avenue of capital to reach out to when they need that. I think that is crucial. From the beginning hopefully that can happen, and I am trying to make sure that that is happening at this point now.

But to get back to what would prepare an individual, I would ask that an individual considering SBA financing—and I know this might come off a little brazen, but I would like to talk to you. I would like the opportunity to sit with you. I would like the opportunity to utilize the information I have at my fingertips to help put you in the right seat in front of the right person at the right time. I have found that that is one of the biggest things that I can do to help a small business such as yourself, Ms. Almond, such as yourself, Ms. Phillips. Those are the types of things that I can personalize and try to get the right answer or the right lending institution to you at the right time.

So again, be realistic, and have a firm, developed business plan, and utilize the resources that we have here. Most of the resources that we have are actually free of charge or a small charge, and that is few and far between when it comes to small business. Nothing is free in business. But we would like to make sure that you are getting the information and the mentors ultimately that you need to be successful.

Mr. LAWSON. Ms. Almond, did you want to comment?

Ms. Phillips?

Ms. PHILLIPS. I think he touched on all of the points that I made earlier, that solid business plan and the importance of it to attracting venture capital or getting bank financing, making sure that you have some equity. Financiers want to see some skin in the game, they say, in order to show your commitment to the business and your willingness to invest your own funds into it.

Financial documentation. Having graduated from FSU with a degree in accounting, you need to make sure that your finances are in order, your tax returns, all of those things, that you are meeting those responsibilities and those requirements and have them in place.

Being able to show your past performance and your profitability in that past performance, your success there, is important.

Utilize your resources. The Women's Center here, as I said, we utilized quite a bit. If they cannot help you, they certainly have the referrals to the resources that can assist you as you go through your financing.

Understanding the importance, again, of having a banking relationship is also important, I believe.

So if you do all of those things, as well as finding a unique niche—Hester Group is very good at managing and attracting good talent to fulfill the needs of our clients. So what makes you different from all of the other small businesses that are out there competing to do the very same thing and being able to share that. You have to have an elevator speech, and everybody you talk to, you need to have your business cards and you need to be passing them out.

But as it relates to getting the capital that you need, utilize your resources. Get a mentor.

Mr. LAWSON. Mr. Grey?

Mr. GREY. My last thing would probably be a lot of companies would probably look for infrastructure to grow upon. So that type of capital is very complex capital because it sometimes has great yield, and it can also be a great loss as well. So understanding core values and aligning your organization. Core values would be one of the areas where I would say we struggled in our initial set-up and having to figure out how to get the right people, because when you start off as a company of 100,000 and you get to a company of a million, and then two, and then 15, you are a whole different organization. So having that type of brain power to help you grow is something that is crucial, and understanding how to manage that brain power as well is critical for any business owner.

Mr. LAWSON. Okay, thank you very much.

Before I make my closing comments, I understand that Mr. George Morgan is here from the City Commission.

Will you please stand? Thanks for being here with us today.

[Applause.]

Ladies and gentlemen, first of all I want to thank the panel here for their input today, and I want to thank all of you all for coming here today. Hopefully in some way, the information that was provided from the panel will be very helpful to you in the business process.

I would like to say that I have several of my staff members who are here that can be very helpful to you. Margaret is a legislative director. Jenny, who we got from Jacksonville, is here. Tony is here. The staff director, Cardinal Wesley, is here. We are located, as you know, on David Street.

So I really would like to take some of the personal situations that you experienced, Ms. Almond, that we can really help you through the whole process. And I want to say, Mr. Van Horn, we will take back that other staff as needed in order for all of the areas that you have to cover—I would just like to say, I think you are doing a tremendous job.

I would like to say to the Chairman from Kentucky, since this is March Madness, I wanted to remind you that in 1972 we beat Kentucky on our way going to the national championship. So I don't want to forget about that.

[Laughter.]

You were there in '72? That was a great feat. I might say that last year I had a March Madness party that I had for Congress whenever she was playing Xavier. So I did all that bragging, and when we got there they blew us out and I didn't have very much to say. So I hope it will be a little bit different this time in playing Missouri.

[Laughter.]

But I learned a long time ago, and certainly in the legislature, that the reason why we are here is because you want us to work on your behalf. That is what my philosophy has always been, and this is what Congress should always be about, is bringing committees to the communities. There have been several in here I know who have traveled up to Washington, D.C., but this is what it is about, is bringing the committee down here so you can hear firsthand.

I am so fortunate that the Chairman and I came from similar backgrounds, rural. He used to tease me that when he passed through my city, if you blink your eye, you miss the city. But that is where it all started from. So we want to make sure that we are going to grow the economy and have more jobs, that we remove all of the obstacles that stand in the way of small businesses.

So we are here to work with you and take this message back. It is going to be kind of busy up there the next couple of weeks, but let us know when you are coming by so that we can be there for you.

SBA, I guess we asked a lot of questions, but it is real helpful, a lot of the information that you gave us today.

With that, Mr. Chairman, I yield back to you.

Mr. COMER. Well, thank you, Mr. Lawson. Thank you for coming up with the idea to have the field hearing here in Jacksonville today.

I want to thank our witnesses for your testimony.

I especially want to thank our business owners for the economic impact, for the risks that you have taken, for the jobs that you have created, and we hope that you have continued success and continue to grow and expand your businesses.

I ask unanimous consent that members have 5 legislative days to submit statements and supporting materials for the record.

Without objection, so ordered.

This hearing is now adjourned. Thank you.

[Whereupon, at 11:32 a.m., the Committee was adjourned.]

# A P P E N D I X

**Testimony of**

**James Van Horn**

**Lead Lender Relations Specialist**

**North Florida District Office**

**U.S. Small Business Administration**

## HOUSE SMALL BUSINESS COMMITTEE

## FIELD HEARING

**March 12, 2018**

Good morning Mr. Chairman, thank you and the entire House Small Business Committee for inviting me to testify on behalf of the Small Business Administration today. My name is James Van Horn, and I am the Lead Lender Relations Specialist in the North Florida District Office here in Jacksonville. The North Florida Office is responsible for the delivery of SBA's many programs and services throughout the region. Today's hearing topic of Access to Capital and supporting minority firms is one of the core missions of the SBA.

SBA has a number of programs that provide access to capital. The most common and widely known is the 7(a) loan program. The role that the SBA and the Office of Capital Access plays in our credit markets fills an important gap in the lending marketplace. Our agency aims to help small businesses obtain credit which is otherwise unavailable through conventional lending. As many of you know, oftentimes entrepreneurs have the will and drive to succeed, but access to capital unfortunately proves to be an insurmountable hurdle. That is where we come in. Our programs have been helping small businesses get on their feet and grow for decades, particularly here in North Florida.

The 7(a) loan program is the Small Business Administration's primary program providing financial assistance to small businesses. This loan program offers guaranteed loans to small businesses of up to $5 million on reasonable terms and conditions that can be used for business purposes, including acquiring land, purchasing or constructing a building, purchasing equipment, or working capital. The SBA works with lenders to provide loans to small businesses. The agency doesn't lend money directly to small business owners through the 7(a) loan program. The lender provides the loan to the small business and SBA provides a guaranty to the

lender. The SBA has established credit criteria and terms and conditions for loans made by its partnering lenders, community development organizations, and micro-lending institutions. The SBA reduces risk for lenders and makes it easier for small businesses to get loans.

Administrator McMahon and our Office of Capital Access in headquarters have been stressing to our lending partners that we want to see more small-dollar loans being made to entrepreneurs. Our focus is on helping those who need capital most—that includes minority-owned businesses, women-owned businesses, our veterans, and all of our emerging markets.

For those small businesses who need longer-term loans for real estate, fixed assets, or large equipment, we have the 504 Certified Development Company program. The SBA 504 Loan program is a powerful economic development loan program that offers small businesses another avenue for business financing, while promoting business growth, and job creation. 504 loans are made available through Certified Development Companies (CDCs), SBA's community based partners for providing 504 Loans.

504 Loans are typically structured with SBA providing 40% of the total project costs, a participating lender covering up to 50% of the total project costs, and the borrower contributing at least 10% of the project costs. Under certain circumstances, a borrower may be required to contribute up to 20% of the total project costs.

For business needs at the smaller end of the dollar spectrum, SBA has the direct Microloan program. Microloans are loans in what would be considered "smaller" amounts than conventional business loans. SBA's Microloan program, for instance, provides loans of up to $50,000 to help small businesses and certain not-for-profit childcare centers start-up and expand. SBA makes loans to not-for-profit lending intermediaries who then make microloans to small businesses for up to $50,000. However, the program has an average loan size of just $13,800. Year-over-year, we have seen a 5% increase in these loans which have supported an estimated 17,500 American jobs. Another interesting fact is that over 8% of our microloan recipients have gone on to receive larger loans from the SBA to support their continued growth. This is incredibly encouraging and we would definitely like to see this number continue to increase. The key to this program is the Technical Assistance the microlender provides to the borrower.

It is incredibly encouraging to see the impact that the Microloan program has had for so many American small business owners. This program is a way for aspiring and existing small business owners to access capital at a reasonable rate, especially when you compare it to maxing out multiple credit cards at much higher interest rates.

All of SBA's loan programs have unique eligibility requirements. In general, eligibility is based on what a business does to receive its income, the character of its ownership, and where the business operates. Also, businesses must meet size standards, be able to repay the loan from the cash flow of the business, and have a

sound business purpose. Even those with bad credit may qualify for an SBA-guaranteed loan.

In addition to the finance programs noted earlier, I would like to take a moment to highlight some of SBA's other services. In particular, our counseling and assistance programs. If a small business seeks additional funding, but perhaps needs some technical assistance or to polish their business plan, we can help with that. Our office can connect a small business with a vast network of counseling services through the Small Business Development Centers and other resource partners. We have found that these services are invaluable in preparing a small business to seek additional funding.

I am proud to work for the SBA and to help the local community here in Jacksonville. Thank you for inviting me here today and I'm happy to answer any questions you may have.

ALMOND ENGINEERING
CONSULTING CIVIL ENGINEERS

March 11, 2018

**Testimony of**

**Hillary L. Almond**
**President, Almond Engineering, PA**

**Before the United States House of Representatives**
**Small Business Committee**

**Hearing on**
**Disparities in Access to Capital: What the Federal Government is Doing to Increase Support for Minority Owned Firms**

Chairman Chabot, Congressman Lawson and Members of the Committee, thank you for the opportunity to testify today. My name is Hillary Almond and I am the majority owner and President of Almond Engineering, PA, a consulting civil engineering firm located in Jacksonville, FL.

Our journey began 14 years ago. I was employed as an engineer for JEA, the local utility company here in Jacksonville. I started out as most college graduates, working under a seasoned professional engineer learning the trade of utility engineering. I eventually was promoted to Manager of Wastewater/Reuse to manage the operations and maintenance of the largest area in Jacksonville which included overseeing all daily operations, maintenance personnel for the area and also assisting with union contract negotiations. In September of 2003 I gave birth to our first child and resigned to be a stay at home mother.

It was a wonderful time, but financially difficult as my leaving the workforce meant a 60% cut in our household income, but we made it work. After a year I started to get restless and at my husband's urging reached out to some old contacts and started doing small engineering jobs from the house. It was what we called my "naptime job". I would work while our son napped. This was a wonderful opportunity to make a little money and "use my brain" as I would say to keep from going stir crazy.

Eventually one job led to two which led to many. It was getting difficult to keep up with the demand while another child was added to our happy little family. My husband is also a civil engineer and was working for a larger firm in Jacksonville at this time. We had always dreamed about owning our own company one day but never really thought much about how to make this happen. When I finally reached the point I could not sustain the workload coming in, we made the hasty decision for Eric (my husband) to resign from his job, and take the leap to go out on our own. Three weeks later, we were officially Almond Engineering and were working out of a small, dilapidated office in San Marco.

Fast forward 12 years, three kids and 8 employees we are now one of the most reputable small civil engineering firms in Jacksonville.

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At the time when we opened Almond Engineering, we did not know about any government backed financial programs to assist us. But we managed with hard work and many prayers to stay in business. Two years after we opened, the recession hit, and hit us hard. The only opportunity we knew of was to obtain a business line of credit. $50,000 was all we could manage. This went quickly though due to the recession but we managed to keep our employees employed and our doors opened.

We have had very good years and some harder ones but we still maintain a healthy company. That being said, there is nothing easy about owning and running a small business. Cash flow is our biggest nemesis.

Banks are very difficult to deal with and obtaining additional lines of credit are almost impossible. We have looked into SBA loans, but bankers are extremely adverse to these and always try to lead us down the path of credit lines which puts us in an eternal hamster wheel with no end in sight. These experiences have caused us to abandon all SBA considerations. At this time, we are on our own.

We have obtained our Jacksonville Small Emerging Business (JSEB) certification and our Florida Department of Transportation Disadvantaged Business Enterprise (DBE) certification with the hopes of getting government work, but these opportunities have been disappointing. Jacksonville is a unique environment when it comes to awarding government contracts. I would like to see more "set aside" engineering opportunities for small, minority businesses. At this point, the only way to get government work is to team with a larger firm on bigger jobs, but these are extremely difficult to do as a civil engineering firm. When larger engineering firms want to bid on government work, they are required to have certain JSEB credits. But to do so, they will pick up JSEB firms that do not compete with their work (engineering) so select surveying and geotechnical firms to satisfy the JSEB credits.

We attempted to get our 8(a) certification many years ago, but halfway through the process I was informed that because I was white, I would not even be considered for this classification because being a woman owned business was not minority enough. I was extremely disappointed with this revelation because I saw what 8(a) did for a colleague of mine which took her from 2 employees to 40 in less than 4 years. Her company is still growing strong today because of this opportunity. What we were told by our 8(a) ambassador was that she received her certification only months before they began denying white women the opportunity. I am hesitant to even try this again as it is not an inexpensive or quick process.

Eric and I will continue to strive to be a bigger and stronger company while maintaining our reputation and integrity. We still look forward to hopefully one day qualifying for small business or minority assistance with the federal government for future work.

Thank you for the opportunity to testify today.

Roslyn Mixon Phillips March 12, 2018

Statement to the House Small Business Committee hearing on "Disparities in Access to Capital: What the Federal Government Is Doing to Increase Support for Minority Owned Firms."

Good morning,

I am Roslyn Mixon Phillips, Vice President of Hester Group, a small, woman-owned, minority business, certified as an 8(a) and HubZone by the SBA.

Thank you for the opportunity to speak with you this morning on the subject of small business disparities in access to capital.

The inability to access much needed capital, already quite a daunting task/obstacle for many small and minority businesses, continues to make it difficult for them survive not to mention stifling any opportunity to grow as the banking industry tightens their lending policies. Business owners who have not adequately positioned themselves to meet credit standards find themselves utilizing credit cards and lenders of last resort with extremely high interest rates. That further erodes their ability to retain equity for reinvestment or to improve financial standing that would position the business for tradition loans. Small business owners when in crisis often resort to taking 2nd mortgage loans on their homes or exhausted their savings just to survive.

Hester Group (HG) is a small, women owned, minority firm. Having received a computer as a Christmas present from her family and a desire to have work/life balance as she raised her two children, the dream that she had harbored of owning her own business moved at warp speed and by year end HG was a reality. Hester Taylor Clark, the Founder and President of HG, used her savings to capitalize her micro business in the early years and as her business development efforts began to result in contracts was able to self-fund as she bought on staff.

Entrepreneurs in many instances are excellent at performing or providing the service but not as good at handling the business of the business. They may either lack the time, lack the business acumen to manage the business or fail to realize the importance of providing for the strategic management to include financial, operations and marketing. They are often too busy seeking new opportunities and, in many cases, performing the work.

Once when asked how she knew her business was successful, Ms. Clark responded that she "had money in the bank". That was true, but what she did not have was corporate infrastructure to make informed decisions to support the growth that she envisioned for the company. In 2011, having been in business for nearly 13 years and growing from a micro business to a thriving small business, HG was ready to move to the next level. It was at a time the recession was in full force and dollars that had gone into PR and marketing were tightening and the need to diversify business revenue was apparent, if the company was to grow.

Having been successfully awarded local and State government contracts, Hester began to explore federal contracting opportunities

which lead to the SBA 8(a) Program. At this point self-funding was no longer an option.

Ms. Clark spent months researching best practices for managing and growing small businesses, available resources for training and business development. SBA became an invaluable "partner" in the company's growth through the 7J Training Program and establishing a line of credit through its loan program.

Additionally, she identified mentors that helped her identify what she needed to prepare for growth. Identification of mentors is vital to transitioning the business and identifying obstacles and how to overcome them. Mentors are not all one size fit all and HG has had several informal mentors depending on the issue/need. With the recent changes to the SBA Mentor Protégé Program, HG is currently looking to identify a formal mentor as we move to the next level of growth.

Fortunately, the owner of Hester Group was always a step ahead of what was needed for the next level which positioned her to have the financial infrastructure in place to access the capital when needed.

From my more than 30 years of experience working with small businesses, my observation is the more things change, the more they stay the same, the infrastructure is not in place. The obstacles to accessing capital for small and minority owned businesses have not changed:

- Lack of a sold business plan to make case for loan or venture capital
- Lack of equity to invest
- Insufficient financial documentation that demonstrates past performance and profitability to support ability to repay
- Lack of knowledge of available resources and support such as SBA, SCORE, MBDA, SBDC, Jacksonville Chambers of Women's Center, Athena Link and others
- Understanding the importance of establishing relationship with Banker/Financial Institution

An additional point I would like to add is the impact of education and criminal justice system on small minority businesses that are businesses by default. Many of these businesses are born out of necessity as the owners have no other options to generating income to provide for themselves and their families. Opportunities for these micro small businesses to access capital don't exist as the barriers are insurmountable for most, if not all, existing programs or financiers.

Continuing investment in education and outreach for small minority businesses is an investment is a thriving economy.




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# Testimony by Dane Grey

**President and CEO of Elite Parking Services of America**
**U.S. House of Representatives Small Business Committee Field Hearing**
**Jacksonville, Florida**
**March 12, 2018**

Thank you, Congressman Al Lawson, Congressman James Comer and the U.S House of Representatives Committee on Small Business for coordinating this field hearing and for inviting me to be here today. I would also like to thank the Jacksonville Chamber of Commerce for hosting this hearing and for its continued leadership in supporting the business community here in Northeast Florida.

I am the President and Chief Executive Officer of Elite Parking Services of America. Along with our subsidiary, Elite Transportation Services, we specialize in transportation and parking management services for municipalities, downtown urban markets, airports and hospitals across the United States.

Our company, which I founded in 2010, is known for its focus on innovation in parking and transportation services. Started as a part-time project from my dormitory room while a student at Jacksonville University, we are now a national company with over 400 employees.

We recently announced the expansion into the autonomous vehicle industry by becoming the exclusive provider of operational support for Olli, an autonomous self-driving shuttle developed and owned by Local Motors of Arizona. Local Motors developed Olli in 2016 as a self-driving shuttle designed for sites using low-speed mass transit, such as airports, campuses, hospitals and municipalities. The shuttles which will be operated by Elite Transportation Services– have a maximum speed of 25 mph and include speech recognition capabilities that




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allow the vehicles to talk to passengers. From airports to university campuses, the future of autonomous vehicles will transform the way we think about mass transportation. Our company is preparing to offer expertise in transportation support and technology, making it easier for organizations and local communities to own and operate their own fleets of autonomous shuttles.

We obviously look forward to continuing to develop our technology and transportation offerings such as autonomous vehicle operations throughout Florida including here in Jacksonville as well as Miami, Tampa and Orlando. We are also looking to expand into other areas around the country that are embracing this technology. Cities such as Jacksonville, San Jose, Ann Arbor, Boston, Pittsburgh and Austin have been identified as areas that are embracing new transportation technologies in the field of transportation such as autonomous vehicles. In addition to those cities, we as a company are looking at expansion into additional places such as Kansas City, Akron, Cleveland, Atlanta, Savannah, Montgomery, Nashville and Southern Kentucky.

We have been blessed that as our company continues to grow, we have great partners such as Signet, a global private investment firm that provided us with capital investment. As a small business which is growing, without the access to capital, our economic footprint in this sector would not be where it is today. While our company has seen success in accessing the much-needed capital investment, there are many stories of companies that have stalled or closed due to a lack of investment. While government at times can focus on assisting large businesses which is important, ensuring that foundations are laid so smaller business can succeed are also equally as important.

Thank you again to the Jacksonville Chamber of Commerce for being such a great regional partner to businesses here in Northeast Florida and thank you Congressmen Lawson and Comer again for providing this opportunity today. I look forward to answering any questions you may have.




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