

**FIELD HEARING: ROSEMEAD, CA: FOSTERING THE
AMERICAN DREAM: HOW SBA CAN EMPOWER
IMMIGRANT SMALL BUSINESS OWNERS**

HEARING

BEFORE THE

**SUBCOMMITTEE ON INVESTIGATIONS,
OVERSIGHT, AND REGULATIONS**

OF THE

COMMITTEE ON SMALL BUSINESS

UNITED STATES

HOUSE OF REPRESENTATIVES

ONE HUNDRED SIXTEENTH CONGRESS

FIRST SESSION

HEARING HELD
NOVEMBER 8, 2019



Small Business Committee Document Number 116-057
Available via the GPO Website: www.govinfo.gov

U.S. GOVERNMENT PUBLISHING OFFICE

38-215

WASHINGTON : 2020

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Questions for the Record:

None.

Answers for the Record:

None.

Additional Material for the Record:

None.

FOSTERING THE AMERICAN DREAM: HOW SBA CAN EMPOWER IMMIGRANT SMALL BUSINESS OWNERS

FRIDAY, NOVEMBER 8, 2019

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
SUBCOMMITTEE ON INVESTIGATIONS, OVERSIGHT, AND
REGULATIONS,
Washington, DC.

The Subcommittee met, pursuant to call, at 10:00 a.m., at Rosemead City Hall, 8838 East Valley Boulevard, Rosemead, CA, Hon. Judy Chu presiding.

Present: Representative Chu.

Ms. CHU. Well, good morning. The 10 o'clock hour has arrived, and now I would like to call the Subcommittee of Investigations, Oversight, and Regulations to order. I thank you all for joining us.

Let me begin by saying I am delighted to bring the U.S. House of Representatives' Small Business Subcommittee on Investigations, Oversight, and Regulations to the San Gabriel Valley. For those in attendance, I would like to share some background on these proceedings.

This is a formal congressional field hearing of the House Committee on Small Business. Due to this format, there is not an opportunity for questions or comments from the audience. I appreciate your interest in today's important topic, and I hope that each of you will help uplift the issues that come out of our discussion today.

In Washington, the House Small Business Committee is focused on making sure that aspiring entrepreneurs and existing small business owners have the tools that they need to succeed. We recognize that small businesses are a driving force in the American economy in creating jobs, spurring innovation, and strengthening the middle class.

We also understand how important it is to hear directly from small business owners about what is happening in their communities. And to that end, we are holding field hearings across the country to hear firsthand about the experiences of small businesses.

Today we will have a chance to talk about the contributions of immigrant-owned small businesses and what more can be done to help these entrepreneurs succeed and build a better life in this country.

The immigrant story is the American story, and it is one that has fueled entrepreneurship and innovation in this country for centuries. Without the contributions of immigrants throughout American history, our economy would not be nearly as dynamic, innovative, or advanced as it is today.

There are more than 45 million immigrants across the country, comprising 13.7 percent of the U.S. population. But these immigrants represent nearly 30 percent of all new entrepreneurs, which means they are launching new businesses at a much faster rate than non-immigrants. The trend is especially meaningful here in the 27th District of California, where nearly 39 percent of our neighbors immigrated to this country.

These businesses are hugely successful. Whether it is an international success story like Panda Express, which was founded right here in Rosemead, or a small business on San Gabriel Boulevard that is ready to expand, immigrant-owned small businesses are the engine of the economic success of the San Gabriel Valley and throughout the country.

In 2018, more than 3.1 million immigrants launched small businesses, employing more than 8 million people, generating more than \$1.3 trillion in sales, and paying more than \$4 billion in taxes. Simply put, these small businesses are critical to the economic vitality and strength of our country.

This is something we have all witnessed firsthand in California, where about 42 percent of new businesses are founded by immigrants, and nearly two-thirds of Main Street businesses in Los Angeles are immigrant owned. These small businesses are an essential part of our economy, particularly in diverse communities like ours.

But studies have shown that immigrant small business owners face unique challenges, and I am interested in learning more about this from our distinguished panel of experts. Why are immigrant entrepreneurs twice as likely to start a small business compared to non-immigrants, and less likely to access traditional sources of capital? And what are the other barriers that immigrants must overcome to grow a successful business? This committee intends to explore the programs that SBA offers to these entrepreneurs, as well as the ways that it can better reach this population and harness the full potential of the immigrant entrepreneurial spirit, an endeavor that will benefit all Americans.

In the face of unacceptable anti-immigrant policies in the Executive Branch, it is incumbent on us as representatives to focus on how the Federal Government can and must help those who come to this country and are working hard to build a life and establish a successful business. The House Small Business Committee is committed to finding how Congress and SBA can best serve these members of our communities, and this hearing is an essential part of those efforts.

Again, I want to thank the witnesses for being here today, and I look forward to hearing your testimony.

I would just take a moment to explain the structure of this hearing. First I will introduce all of our witnesses, and then each of you will be given 5 minutes to make an opening statement that sum-

marizes your written testimony. We usually use a timer for this in D.C., but we will do without this here today.

And now I would like to introduce our witnesses.

Our first witness is Ms. Rachelle Arizmendi. Ms. Arizmendi is the Vice President and Chief Operating Officer of PACE, the Pacific Asian Consortium in Employment. The PACE Business Development Center is an SBA microloan intermediary and a Community Advantage lender that provides business training, technical assistance, and one-on-one counseling to thousands of entrepreneurs.

In addition to her work at PACE, Ms. Arizmendi is a City Council member in the City of Sierra Madre, and a Board Member for the National Coalition for Asian Pacific American Community Development. Today, Ms. Arizmendi is going to talk about a PACE client, Mr. Colin Fung. Yes, she is going to tell his story, and I am so glad that he is here today and can participate in these hearings because we want to hear the story of the business people who have been able to take advantage of these services. So, thank you for being here today as well.

Our next witness is Mr. Donald Loewel. Mr. Loewel is a Director of a Small Business Development Center, or SBDC, at Pasadena City College. And I am so glad you are here because when I first got elected to Congress, it was my mission to make sure that we would have an SBDC here in the San Gabriel Valley, and this SBDC at the Pasadena City College site is the result. We also were fortunate to get another one at the University of Laverne. But you are definitely the flagship, and I never miss an opportunity to plug the SBDC that is in the San Gabriel Valley. So thank you for being there and taking care of our budding entrepreneurs in the San Gabriel Valley.

Mr. Loewel leads an experienced team of business consultants and entrepreneurs who advise small business owners, including some of our witnesses here, on raising capital, strategic planning, marketing, and much more. And, by the way, this is all for free. That is the miracle of the SBDC, and we are so fortunate that Mr. Loewel has over 20 years of sales, marketing, and management experience.

The next witness is Ms. Tatiana Bonilla. Ms. Bonilla is the President of Andrew Design Group, an audio-visual consulting and engineering business that plans, designs, engineers, and installs technology for clients in a variety of different industries. She is a recent graduate of the SBA's Emerging Leaders Program, where she developed a growth plan to expand her business.

And our fourth and final witness is Mr. Amir Salahi. Mr. Salahi is the Founder and CEO of Energy Advisor Hub, a software business that provides sales, management, and purchasing systems to small and medium-sized solar companies, helping them to leverage their buying power and lower costs for solar installations.

Thank you to all of our witnesses today for joining us and for sharing your stories.

Ms. Arizmendi, you are now recognized.

STATEMENTS OF RACHELLE ARIZMENDI, VICE PRESIDENT AND CHIEF OPERATIONS OFFICER, PACIFIC ASIAN CONSORTIUM IN EMPLOYMENT (PACE), LOS ANGELES, CA; DONALD J. LOEWEL, MBA, DIRECTOR, SMALL BUSINESS DEVELOPMENT CENTER, PASADENA CITY COLLEGE, PASADENA, CA; TATIANA BONILLA, PRESIDENT, ANDREW DESIGN GROUP, INC., PASADENA, CA; AMIR SALAHI, FOUNDER AND CEO, ENERGY ADVISOR HUB, PASADENA, CA

STATEMENT OF RACHELLE ARIZMENDI

Ms. ARIZMENDI. Thank you, Congresswoman Chu. Good morning to you as the Small Business Committee and the Subcommittee on Investigations, Oversight, and Regulations. Again, my name is Rachelle Arizmendi, Vice President and Chief Operating Officer of PACE, Pacific Asian Consortium in Employment.

PACE is a non-profit Community Development Corporation that has worked with low-income and underrepresented communities in Los Angeles County for over 43 years. PACE was first conceived to meet the needs of employment and job training in the Asian Pacific Islander and minority communities but has since extended our services to include early education, affordable housing, energy and environmental services, and small business development for the community at large. For today's remarks, I want to focus on our business development and loan programs. We have worked with a variety of foundations, private organizations, and government agencies from the Federal, state, and local level to provide technical assistance, counseling, and access to capital for entrepreneurs and small business owners.

PACE works with small businesses whose owners may be low income, immigrants, refugees, asylees, or ethnic minorities. Many of our clients are new to the U.S. and as a result have limited English ability, and unfortunately have little to no knowledge of the U.S. banking system, little to no credit history, and no access to capital.

Since 1993, PACE has assisted more than 40,000 businesses and has packaged/placed/funded over \$480 million in loans. As an organization, we strive to promote the triple bottom line: profit, social responsibility, and environmental sustainability. Furthermore, because of our diverse and multilingual staff, we are able to provide culturally responsive and in-language training and technical assistance.

As a micro-lender and a CDFI—a Community Development Financial Institution—two of the primary products we use are the Small Business Administration SBA microloan and the SBA Community Advantage loan.

Mr. Colin Fung, who I am thrilled is here today, not just in the audience but next to me, he is an ideal example of how businesses can benefit from the different SBA tools to grow, expand, create jobs, and provide sales tax revenue back into our region.

Mr. Fung and his family migrated to the U.S. in 2012 from Hong Kong. With over 25 years of experience from his home country in catering and in the hotel business, Mr. Fung had a dream of what he wanted to accomplish in America: develop a franchised ramen restaurant. With his life savings, he opened Tamashii Ramen House in Sherman Oaks in September 2012.

Soon thereafter, Mr. Fung did some research and found his way to PACE. After receiving some technical assistance from our business counselors, he applied for a \$15,000 SBA microloan to use as working capital. With that capital injection he purchased new equipment and furniture for the restaurant, and within a year he was able to pay off the entire loan.

In 2016, because Mr. Fung couldn't get enough of us, he came back to PACE and requested a second working capital loan of \$60,000 to open up a second ramen house in Studio City. This \$60,000 loan was a Community Advantage loan. Unfortunately, he faced delays in tenant improvement when the contractor abandoned the project. But Mr. Fung did not let this sway his determination or passion for success, and in August 2017 the Studio City location was finally opened for business. To help him maintain his cash flow while growing this location, PACE was able to grant him a third working capital loan of \$30,000.

Tamashii Ramen House has since created over 40 full-time and part-time jobs. Mr. Fung's vision, resilience, and passion make him a successful businessman, so much so that in 2015 Mr. Fung was recognized as an SBA Small Business Awardee.

At PACE we hope to outreach to, connect with, and fund small businesses that need to close a deficit or finance gap or to inject capital into their businesses for improvements. When businesses first interface with PACE, they are typically not what we would call "loan-ready", nor can they walk into a traditional bank and be prepared to apply for a loan. What microloans and Community Advantage loans and similar products offer is an opportunity for small businesses to take that next transformative step and eventually transition into a conventional loan client, if need be.

Anecdotally, we know these programs work, and I am confident that statistically you will find the same results. Take our default rates, for example. In our microloan program, we experience approximately a 10 percent default rate. Similarly, in the Community Advantage program, we experience a significantly lower default rate of 4 to 5 percent.

We know firsthand the possibilities and opportunities that SBA products offer small business owners. Yet, there are improvements to these products that can be made.

For 7a Community Advantage loan programs, I urge you to consider the following: establish the Community Advantage loan program as a permanent program; increase the loan cap to \$350,000; expand the CA communities to include women-owned businesses, minority-owned businesses, and expand the language to include businesses owned by reservists, spouses of veterans, or members of the armed forces; and we also recommend to eliminate the 10 percent cap of Community Advantage loans of the 7a loans themselves.

For reauthorization, key microloan improvements we encourage you to support include: elimination of the 50/50 restriction on technical assistance; increasing the microloan intermediary limit from \$6 million to \$7 million that will allow statewide lenders, especially high-demand states like California, to better meet the demand for this important source of capital.

Our approach at PACE has proven to be successful with the outreach to immigrant and underrepresented business owners. Leveraging the credibility of community-based organizations and utilizing intermediaries and CDFIs that have built trust with communities will be imperative to the future success of SBA's Community Advantage and microloan programs for traditional and immigrant businesses.

Thank you for inviting me to testify on this matter and for prioritizing this within your Subcommittee.

Ms. CHU. Thank you so much.

Mr. Loewel, you are now recognized.

STATEMENT OF DONALD J. LOEWEL, MBA

Mr. LOEWEL. Thank you, Chairwoman Chu. You were an important, vital champion for our SBDC. We wouldn't be here without you, and we thank you.

As you said, my name is Don Loewel, and I am the Director of the Small Business Development Center at Pasadena City College. I have worked for the SBDC at PCC since 2014, first as a business advisor and for the last 18 months as the Director. I have personally counseled over 300 small businesses and currently lead a team of 12 business professionals who provide one-to-one consulting and training to hundreds of clients in the San Gabriel Valley. Our mission is to stimulate the local and regional economy by supporting business owners and startup entrepreneurs.

As reported, the SBDC is the largest of the SBA resource partners, with 63 lead centers and over 900 SBDC service centers across all 50 states and U.S. territories. At the SBDC, we provide counseling and training to entrepreneurs and small business owners on a variety of topics including business planning, marketing, international trade, and accessing capital. The SBDC also provides support to clients during disasters such as fires and floods. We help our small business clients start, grow, and succeed, and when needed, we help them recover and rebuild. In 2018, our network served over 4,700 clients, helped launch more than 400 new businesses, and supported \$165 million in capital infusion.

The SBDC at Pasadena City College is one of two located in the San Gabriel Valley, as you mentioned. The San Gabriel Valley is an area made up of 31 cities in Los Angeles County. Per California employment development data, there were over 75,000 businesses in San Gabriel Valley in 2017, 69 percent of which were owned by Asians or Hispanics, many of whom are immigrants.

The PCC SBDC has been growing rapidly. Last year we received additional funding from the State of California, and we put it to use expanding our services. We are on track to double the number of clients we served in 2018 and will help launch almost 50 small businesses in 2019.

Our SBDC is supported by a great host institution at Pasadena City College, which is nationally recognized as one of the top city colleges in the nation. Our work at the PCC SBDC builds on a foundational commitment at Pasadena City College to be of service to marginalized communities of all kinds. To that end, PCC agreed to provide space for us to expand our services to a satellite campus here in Rosemead. This campus is located within a few miles of

several underserved business communities and is adjacent to several HUB Zone census tracts. This expansion allows us to make an even greater impact in San Gabriel Valley.

So, with all of that as background, let's get to a few suggestions for how the SBA can improve its impact.

The number-one opportunity we have is to improve small businesses' awareness. We offer amazing services at no cost, but it is difficult to serve clients if they are not aware of who we are, and how we can help. I recently learned about H.R. 4406, the Small Business Development Centers Improvement Act of 2019, which would permit SBDCs to use Federal funds to market our services directly to small businesses, and this is really exciting news.

Additional support from the SBA to raise awareness nationally would also be very helpful.

Secondly, support for multilingual advisors. Once we have identified and bring advisors into underserved areas, it is important to build trust by providing advising in the client's native language. As an example, the LA network has done a great job engaging the Hispanic business community in East LA with an initiative that provides three advisors who speak Spanish. It has built trust in the community, and local business owners have engaged with the program.

Lastly, the SBA could engage Community Redevelopment Act departments of our lending partners. Banks are required to provide support to small businesses, and they can leverage our technical assistance while introducing us to large numbers of small business owners. My team has met several small business clients from the work we have done together with the CRA department at Cathay Bank in El Monte, CA, and this may be something the SBA could do on a larger scale.

Finally, I would like to conclude by recognizing some of our partners. Our host, Pasadena City College, is supportive of the work of the SBDC. The senior management team has a clear understanding of how the SBDC complements the mission of Pasadena City College, and they have supported the expansion of our center to a secondary location here in Rosemead, CA.

I would also like to recognize our partners at the local Chambers of Commerce, especially Ray Jan and Dr. Robert Bell here at the Rosemead Chamber.

And lastly, I would like to thank Victor Parker and his team at the SBA District Office in Los Angeles. They value and support the work of our center and have been a great partner in the growth of our services.

Thank you again, Chairwoman Chu. I greatly appreciate the opportunity to be here, and I would be happy to take any questions.

Ms. CHU. Thank you so much.

Ms. Bonilla, you are now recognized.

STATEMENT OF TATIANA BONILLA

Ms. BONILLA. Good morning, audience, Ms. Chu. It is an honor for me to be here today sharing my story. My name is Tatiana. I am the President of Andrew Design Group. We are an A/V audio-video technology design and engineering firm.

Andrew Design Group was founded back in 1998 by my husband, Carlos, and by myself. My husband emigrated from Ecuador, South America when he was 5 years old. He attended a local public school in Pasadena and continued his education at CalPoly Pomona. He graduated as an electrical engineer there. On the other hand, I immigrated the same, from Ecuador, to the United States as an adult. I started taking ESL classes, English as a second language, and worked my way up to college. I graduated from CalPoly Pomona with a degree in Business Administration.

By 1998, Carlos had been working for several companies. Some of them are Disneyland, Universal Studios, and other consulting firms. At that point we realized that everybody wanted him. He was so good at what he did that every six months he was receiving a call from a different company asking him for his services. So we recognized an opportunity. Everybody wanted him, so why not serve everybody? That is why we created Andrew Design Group, with the idea of providing AV technology design and engineering services to architects, commercial property owners, education and healthcare institutions, building developers, and AV contractors.

We have been working non-stop for the past 20 years, and we are proud to say that we are recession proof. When many businesses similar to ours closed when the recession hit back in 2007, Andrew Design Group grew; in fact, we have been growing steadily since then.

Looking back to what we have accomplished in the past 20 years, we are very proud to be part of many important projects here in the United States. We worked in Euro Disney in Paris. We worked in Honeywell Dubai and other big projects around the world. But what is next? As a small business owner, we fell into the millions of small business owners that are owned by Hispanics that stay in the same place, mom and pop shops, for many years, and we don't grow.

So we had to stop this year and think where do we want to take our business. Coincidentally, we met in one of the network venues Beatriz Davis from the Small Business Association. She asked me about our business and I told her what we do, and she said you are a perfect candidate for the leadership program handled by the Small Business Association. I applied and I got into the program. Going through the different modules about marketing, finances, human resources, it gave me a better perspective about what am I doing and where do I want to take my business. Our goal was to grow our business to a bigger facility, increase our workforce, and become advocates and mentors for small businesses like ours. But how do we do that? I have been to many events and seen many stories of small businesses like mine that grew, but what did they do that I didn't do? Why do I still stay in this stage where other ones have become huge companies?

So I realized that I didn't know where to go and ask for help. I had been in isolation taking care of all the operations of my own business that I had not looked into what is available. So I learned about the Small Business Association; and, yes, it was free. It was all these resources within my reach for free. So I started going there and, like I said, I have been learning. I have been meeting with small businesses like mine to understand what they are doing

right, what they are doing wrong, and what can I do to grow my business.

I refused to stay at the same stage, and like I mentioned, our goal is to grow. This program has allowed me to understand what it is that we should be doing as a business owner and where do I want to take my company. Honestly, I started the program questioning where do I want to take it; and if so, do I have what is needed to be there.

Every module, as I mentioned, provided me with the tools to understand not only my capabilities as a leader but to understand my business. This program has opened many doors for me, from training to advisory and the resources that are there for me to take advantage of.

Thank you very much.

Ms. CHU. Thank you, Ms. Bonilla.

And now, Mr. Salahi, you are now recognized.

STATEMENT OF AMIR SALAHI

Mr. SALAHI. Thank you. Mrs. Chairwoman, respected members of the Committee, and dear witnesses, I am honored and humbled to be here today.

Nearly 10 percent of immigrants in the U.S. have become business owners. They pay \$126 billion in wages in our local communities every year. These numbers can grow exponentially, but it needs SBA's support more than before.

Ladies and gentlemen, my name is Amir Salahi, and I am proud to be an immigrant entrepreneur who had the privilege to move to the Land of Opportunity in 2007. I am an electrical engineer with a Master's in Engineering Management.

My professional life in the United States started by working for some of the bigger companies in clean tech and renewables. My amazing co-founder, Mr. Chris Gregory, and I were among the top 1 percent of producers at a huge solar company. But I always wanted to start my own business, so I was looking for an opportunity to solve a problem and turn it into a great company.

I am the Founder and CEO of Energy Advisor Hub, also known as RenuLogix. We empower smaller solar installers. For the past two-and-a-half years we have been developing, testing, and launching a cloud-based integrated solar installation system. For the smaller solar installer, RenuLogix is the first system of its kind in the world.

Three years ago, we decided to start our small business journey. Along the way, we received some awesome startup consulting from SBA advisors who helped us find our way at the early stages of our business. Thank you, SBA; and thank you, Don.

These are exciting times in the solar industry.

Over \$1 trillion dollars' worth of solar panels will be installed on the rooftops of homes in the United States in the next three decades.

Three major companies carry out nearly half of all the installations in the United States. That leaves over half of all installations in the hands of small and medium-size solar companies. There are over 12,000 of them in the United States. These smaller installers have challenges. They have no brand presence like the big guys.

Where the three big guys have built their own proprietary systems to streamline their business from start to finish, smaller installers struggle and tend to run their businesses on Post-It notes, spreadsheets, and disjointed systems. And they have no purchasing power, so their profit margins are razor thin.

Nevertheless, smaller solar companies have created thousands of jobs in our local communities, so they deserve our attention.

As Congresswoman Judy Chu has said, by investing in renewables, not only do we create jobs for Americans, we also preserve our natural resources and our planet for future generations. So I would like to thank you and thank all of your colleagues and team members who support us and have been a tremendous support for clean power, including solar.

Solar will be the predominant source of energy for our future, for our country, and for the whole world.

Congresswoman Chu, we need your help and your colleagues' support more than ever before to pass and approve legislation to provide credits to expedite our transition from limited, dirty fossil fuels to unlimited renewables.

The move to renewables is not a cost to this country, it is an opportunity, a big one.

America is number one in digital innovation. Immigrants can help the United States to extend that lead. But immigrant entrepreneurs need better access to capital. Immigrants represent 13 percent of the U.S. population but nearly 30 percent of all entrepreneurs. The Huffington Post, Red Bull, Tesla, SpaceX, and Google are just a few good examples of companies that were founded by immigrant entrepreneurs.

A Harvard Business Review study reveals that public money may be better invested in building incubators for immigrant entrepreneurs than spent on building border walls.

Immigrants come here with cross-cultural experience, and that is why they are more likely to identify business opportunities.

In the first quarter of 2020, RenuLogix plans to launch a new green community program. We plan to do this work because it will benefit small solar businesses and because it will accelerate our progress to renewable energy. We will train and certify hundreds of smaller solar installers to become more professional, more competitive, and more ready to grow. We plan to start this program right here in Southern California District 27. We estimate that this program alone could be worth millions of dollars, hundreds of millions of dollars to the economy of Southern California, while cutting billions of tons of carbon emissions.

Thank you very much for this opportunity, and I would love to answer any questions.

Ms. CHU. Well, thank you so much for that testimony.

I will begin by recognizing myself for questions.

I truly appreciate the expertise of our agencies, and also the firsthand testimony of our witnesses. In fact, you changed the narrative, because there are those in the White House who would say that immigrants are a drain on this economy, but to me what you show in each of your stories is that you are a stimulus to the economy. Look at how many jobs you have created. Look at how many

businesses you have been able to spur through all your actions. I am just very, very impressed by each of your stories.

So I would like to begin by asking our business entrepreneurs—Mr. Fung, Ms. Bonilla, and Mr. Salahi—you all came to this country as immigrants, and now you all own successful small businesses. Can you each take some time to discuss what motivated you to start your own business, and did you move to the United States with aspirations to be a business owner?

Mr. Fung?

Mr. FUNG. Thank you. My name is Colin Fung, and I am the owner of Tamashii Ramen House. We moved to the United States in 2012. I have 25, 30 years of catering hotel experience, so owning your own restaurant is your lifelong dream. When we started a business in 2012, and then I opened my first restaurant, a small ramen house, and then very soon we went for another location to open my second one. But the construction took longer than what I expect. At the time when the construction was finished, the restaurant was a big one, but I needed cash for my equipment.

But somebody referred me to PACE, maybe they can help you. So I give them a call after, and then I was able to open the restaurant right away, and then I make money, and then I think there is an opportunity, so I opened my third restaurant, and then I go back to PACE again and asked for another loan. Thank you so much for PACE.

Also, they not just give you a loan but they are really concerned about your business. Now they come and visit us and check how is the business. I intend to open the fourth or fifth one.

Until this moment I thank you so much for PACE. Thank you so much.

Ms. CHU. Mr. Fung, so you have three ramen houses now?

Mr. FUNG. Yes, I do.

Ms. CHU. I am wondering about that referral to PACE. How did you get that referral? How did that information come to you?

Mr. FUNG. I needed cash and I tried to get a loan from the bank, but I was a new immigrant, I didn't have any credit. I don't own a house or anything, so they were not able to give me a loan. So my bookkeeper, she told me why don't you give PACE a call, maybe they can help you. So I met with the counselor and they helped me to move on, although it is a small amount, but it really helped.

Ms. CHU. So you did not have credit and you started with a microloan, and the microloan is easier to get, I assume, even if you don't have the background, but then you built up, you built up your portfolio.

Mr. FUNG. Yes.

Ms. CHU. Okay, very good.

Ms. Bonilla?

Ms. BONILLA. Thank you very much. Well, I moved to this country around 20 years ago with no English, as I mentioned in my opening statement. So for me, the priority was to learn English. That was priority number one, and get an education. I did not envision myself as a business owner just because I thought that it was very difficult. Back in Ecuador it is difficult to own your business,

so I thought that it was going to be the same here. So the answer is no.

But then when I graduated from college, I realized all the opportunities that were there for me, in my reach. One was to continue in a career, continue to further my career, or join my husband in his small business. And when I saw how successful he was and the need that he had for somebody at his side, I joined him.

But one thing that I found was very interesting, and it is very common amongst Hispanics, is motivation. We are very motivated people, and we learn from others. I have seen people, like I also mentioned in my opening statement, people in very different stages in their career. I have seen them and I want to be like them, so I feel motivated. I tried to put myself in that position and improve myself.

So motivation is number one, the big drive.

I have learned to trust. I have learned to trust the services that are around me and the opportunity that is around me and take advantage of that.

So, yes, that is my story.

Ms. CHU. Very good.

Mr. SALAHI. Thank you very much for the opportunity. Yes, I always wanted to start my own business, and I have that desire for a long, long time. And being a business owner or entrepreneur is more than a want. It is not I want to be an entrepreneur; it is a passion. It is a dedication. It is a desire to solve problems.

As I mentioned in my testimony, basically the immigrants have the cross-cultural experience. So when they see an issue, they can identify the problem and possibly come up with the solution. The ones who have the desire to start their own business, those are the ones who start great companies. So that is my answer to that question.

Ms. CHU. And you were able to utilize SBA's help.

Mr. SALAHI. Sure. We got to know SBA through a shared space called Cross Campus. So SBA has partnership with Cross Campus. They have dedicated advisors coming to the facility, spending the time right there, and they are making it easy for startups just to book the appointment, go there and learn from the advisors who have 20 years of experience in sales, marketing, and business operations. This was very helpful, and this is just the starting point of it. We will be in touch with PACE, with SBA more than before.

Ms. CHU. Excellent.

I would now like to ask our experts, the agencies, about these programs, and also your recommendations.

Ms. Arizmendi, PACE is a non-profit organization and a designated SBA Community Advantage lender. Can you first explain how PACE's mission differs from a traditional for-profit financial institution?

Ms. ARIZMENDI. Thank you for the question. I think what is most important to understand is the work that we do. Because we are mission driven, it is not just about the bottom line. It is not about the dollar. We really invest in the community, invest in people. Our focus is on low-income individuals and businesses, but we are about promoting economic sufficiency and really finding solutions for individuals to become self-sufficient.

At the end of the day we still operate as a business, but our focus is not and our priority is not on the dollar. It is on the individual, and it is on the community.

Ms. CHU. So, for instance, Mr. Fung came, and he didn't have a credit background, but you gave him a microloan. How did you make that determination?

Ms. ARIZMENDI. Many of the businesses that come through PACE are exactly like Mr. Fung. A lot of them do not have any credit. A lot of them do not have any collateral. But we take a different look at a different perspective in the underwriting process. We look at presence in the community, experience, willingness to accept technical assistance, and we also provide the technical assistance ourselves. So it is not just reviewing documents. It is understanding who the person is, what their business is, how we can provide support, because we want them to be successful not just because of the loaning and lending part but, again, it is the overall philosophy and the mission of our organization.

Ms. CHU. And does speaking to these budding entrepreneurs in their own languages, is that important?

Ms. ARIZMENDI. Absolutely, not just in terms of in-language technical assistance and training, but also understanding culture. One reason I think that we are able to outreach to so many immigrants is because, yes, we have the language competency, but we have a presence in the community, and many times immigrants are fearful or reluctant to interact with any government type of agency or organization. So as much as PACE is a non-profit organization receiving government funding, it is about building the trust with the immigrant community so that we feel like they are approachable, and we are approachable also.

Ms. CHU. In terms of language capabilities and your clients, how often do you speak to them in their own language? Would you say it is a quarter or half?

Ms. ARIZMENDI. You know, I don't have exactly what that percentage is, but I would say that in the business division of the work that we do, I would say it is a pretty high percentage. We don't just speak different Asian languages. In fact, as an organization we have over 40 different languages that we speak. But in our business development center, different Asian languages plus Spanish, I would say it is well over maybe 50 to 60 percent. That is an estimate.

Ms. CHU. And you said that you also address the cultural issues.

Ms. ARIZMENDI. Yes.

Ms. CHU. Can you explain or give an example of what you mean by that?

Ms. ARIZMENDI. I think most of that is the trust issue again, with approaching government entities or entities that have a government feel to them. We have some Cambodian immigrants that we work with, and when they are coming from their home country, if you have any type of government association with you, it is very much distrusted, and that again is cultural. Some of it is just how you interact. It is the way we approach each other and the way that we talk to each other. It could also mean more face-to-face versus on the phone. So we take all of that into account when we are working with our clients.

Ms. CHU. I have a special interest in Community Advantage because so many from across this nation who are providers have told me that this program is really great for reaching the underserved. So can you explain what the Community Advantage program is?

Ms. ARIZMENDI. Yes. I am going to start with Mr. Fung's experience, because he had shared that he walked into a bank and was unable to get a loan. What Community Advantage does is it offers an opportunity for a non-financial institution like PACE, that even though we are a community development financial institution, we are not a typical bank, but it offers us the opportunity to work with businesses that, again, are typically unbankable. We are willing to take that risk of lending out to someone that may not have a track record or have a credit history, and the Community Advantage loan gives us some type of guarantee to take that risk.

So what the SBA does, what this loan product does is it puts trust into organizations or CDFIs that can take that risk that no one else will take. Would we take that risk with immigrants' businesses otherwise? Possibly, but probably not at the rate that we currently do now.

Ms. CHU. In your testimony you said that your default rate is really low, 4 percent or 5 percent.

Ms. ARIZMENDI. Yes.

Ms. CHU. How did you manage that?

Ms. ARIZMENDI. I think what makes a difference is really the technical assistance and the personal relationship that we have with our businesses. So it is not just reviewing papers and providing a loan. It is how do we make sure that you are successful, what do we need to do to provide that. So the lending aspect is one piece of it, but just as important is the technical assistance and the counseling piece to it. The two definitely have to go hand in hand.

Ms. CHU. In your recommendations, you talk about expanding the communities that one can do outreach to. So tell me who you can do the Community Advantage Program for now and who you want to expand it to.

Ms. ARIZMENDI. For PACE, we have the ability now to work with immigrants and other women-owned businesses. I think what we are seeing is also a recognition for other CDFIs to expand that to business owners that include reservists, spouses of veterans, and members of the armed forces. We currently can do some work, but if we can expand that language, it will allow others to have the opportunity to be able to utilize the SBA Community Advantage loan.

Ms. CHU. Let me ask about the fact that Community Advantage right now is only a pilot program, and therefore it is subject to unexpected changes by the SBA. In fact, most recently, an SBA policy notice placed a moratorium on accepting new Community Advantage lender applications. So can you discuss the challenges that you face, especially when it comes to planning your lending for the next six to twelve months, when SBA changes the rules that govern lenders without notice?

Ms. ARIZMENDI. As far as my recommendations, I did say that we would definitely urge the SBA committee to support this to be a permanent program. We were certified back in 2014, and we are thankful that the program has continued, but I think to move it to a permanent status would be advantageous for its current pro-

viders or lenders, and also to others. Changes in regulation obviously affect what we do. Right now we have a pipeline of almost \$400,000 in loans, and we have over six clients just even in that small pipeline. But those are Community Advantage loan pipeline potential borrowers.

If there are changes in the next six months, twelve months, that could put a stop to these potential lenders. And as you can see, there is such a benefit from being able to provide these loans through jobs, through revenue. And if there are changes within the next six months, that could impede and create an obstacle for those who are already in the pipeline.

Ms. CHU. So this gives even more credence to the fact that this Community Advantage Program should be a permanent program. In fact, I am going to be introducing a bill that would do just that. So I thank you for showing us how important it is to do that.

Can you explain why would you recommend also eliminating the 10 percent cap on Community Advantage loans?

Ms. ARIZMENDI. As you can see, there is success in Community Advantage loans, and if only X amount of dollars are provided in the 7a Community Advantage loans and you are limiting it and capping it at the 10 percent, I think it does a disservice to immigrant businesses. Of course, we would like the entire pie to be larger, but if we can increase that cap just for Community Advantage loans, we have, again, these pipelines of businesses that are ready to go that we would like to fund. I think it would be a benefit not just for immigrant businesses but really for business across the nation.

Ms. CHU. And then let's turn our attention to microloans. Those are loans up to \$50,000?

Ms. ARIZMENDI. Yes.

Ms. CHU. The Associate Administrator of SBA's Office of Capital Access, Bill Manger, has consistently praised the microloan programs as one of the strongest performing loan programs at SBA. While strong performance measures are important, the microloan program is unique in that microloan intermediaries are also required to provide pre-loan technical assistance to prospective borrowers.

Can you discuss how this aspect of the microloan program makes it effective at serving immigrant entrepreneurs?

Ms. ARIZMENDI. Yes. I believe that it can be effective, but it can also be a challenge. As I showed in my testimony, and also with Mr. Fung, this is not just about a program where we give money. It is about how we provide that personal relationship and service and technical assistance along the way.

The challenge in microloans is when we have a 50 percent requirement for technical assistance. In many cases, and like in the case of PACE, we have other streams of funds for the technical assistance, and if we can designate a higher dollar amount or higher percentage amount of the microloans from 50 percent, have no limit and/or increase that, we can fund technical assistance from other sources and allow more dollars to lend out to small businesses.

Ms. CHU. So eliminating the 50/50 would give more dollars for this microloan program?

Ms. ARIZMENDI. Yes.

Ms. CHU. And then you are talking about increasing the microloan intermediary limit from \$6 million to \$7 million. Why?

Ms. ARIZMENDI. I think very simply, as in a state like California, there is just more of a need. When you have high-density population areas, high-density business areas, if we can provide more dollars and inject the capital into a region and not have that limit, I think it would be more advantageous for the region and also for businesses.

Ms. CHU. Okay.

Mr. Loewel, Small Business Development Centers, what do you see with all the clients you have come through your doors? What are the major obstacles that you see are faced by immigrant-owned small businesses in the San Gabriel Valley?

Mr. LOEWEL. Thank you for the question. By the way, I want to comment that the Kauffman Report that was cited in your hearing memo was excellent and covered quite a few of those obstacles.

Going back to my testimony, I would have to say immigrant business owners finding their way to SBDC resources and then trusting that we are there to support them are the two biggest obstacles. Once they find out about us, are they willing to trust us and come and seek our help. Those are the biggest.

From there, language barriers are definitely an issue, and it is not just speaking their native language. In my experience most business owners in my experience can conduct business in English, but when you start to get into some of the more complex information around things like financial statements and, loan documents, it is better if we can communicate with them in their natural language.

Ms. CHU. How are you dealing with the language issue right now when people come speaking different languages as their native language?

Mr. LOEWEL. In many cases we can refer it. I mentioned the East LA initiative. We have a great support mechanism there for Spanish speaking in particular. At my center we are adding advisors, especially for our rollout here in Rosemead. I have a new advisor who speaks Mandarin, as well as Cantonese. She is going to be a big addition.

I will say that as this awareness grows, we are going to need to scale that. We are going to need to get out ahead of it to really service those clients.

Ms. CHU. How do people know about the SBDC? When they come in the doors, how is it that they are aware of the services?

Mr. LOEWEL. Sure. So, I think I would have to say word of mouth is probably our primary referral. The success stories are numerous. One of the fulfilling things about working for the SBDC is the response we get from our clients. They really appreciate that we are there for them, so they share that with their friends and other business owners. That is the primary referral network for our existing clients. We try to reach out to them and stay in front of them so they will continue to do that.

The other would be our local Chambers of Commerce. We can partner with them quite well to help them increase their membership. In exchange, they share with their members, more about us

and the value that we bring, and I have seen a lot of my growth come through great relationships with organizations like Chambers of Commerce.

Ms. CHU. So right now you can't use any of your funds for marketing?

Mr. LOEWEL. Very, very limited. One of our state grants will allow us to spend on marketing, but it is limited.

Ms. CHU. Then let's go to this potential change that could occur, which is that just a few weeks ago, on October 21st, the House passed H.R. 4406, the Small Business Development Centers Improvement Act of 2019, and it would reauthorize the SBDC network through 2023 and permit SBDCs to use Federal funds to market their services directly to small businesses. Of course, this bill has to go through the Senate and then get signed by the President in order for it to get into operation. But how do you think this change would help your SBDC to reach more immigrant small business owners who may not be able to access the services that you offer?

Mr. LOEWEL. Needless to say, I think it is fantastic. I am really excited about that potential. It will require, again, us to scale. So, I am equal parts excited and also have some work to do. If we are able to spend money on marketing, we are going to need to add advisors as well, which is a good problem to have. In addition to some of the more traditional marketing that we could do with those funds, we could also expand programs similar to what Amir talked about, having the ability to take advisors and put them into the market and allow them to interact with potential clients. That is what we did at Cross Campus. I actually was the advisor at Cross Campus when Amir came by, and that is how we met.

But again, if you could imagine doing something similar in underserved markets here in Rosemead, El Monte, a great opportunity for us to use funding not just for consulting but also for engaging the community. I am very excited about it.

Ms. CHU. I hope when you do that marketing, that it can be in different languages as well.

Mr. LOEWEL. It will have to be, to be honest with you, and then we are going to need to do some analysis in terms of how to reach each customer segment. It is interesting that we train our clients on how to identify proper customer segments, and we need to do it as well. For some clients it may be radio. For others it may be print or electronic media. We are going to need to evaluate those and proceed accordingly.

Ms. CHU. I was very interested in your partnering with the Community Redevelopment Act departments and your partnership with Cathay Bank in El Monte. You talked about meeting with several of these business clients and partnering on four workshops where you went to, I guess, their client base, right?

Mr. LOEWEL. Correct.

Ms. CHU. And then you did these training programs with them.

Mr. LOEWEL. Correct.

Ms. CHU. Are you saying that this is not done on a widespread basis?

Mr. LOEWEL. Not to my knowledge. What I was saying is it has worked well for me, and so I thought I would share that. I can't

say that it is not being done. I am not familiar with it being done within our network, but it has worked really well for me. That side of the bank, if you will, is focused on delivering services, not providing loans. So, our goals are aligned, our missions are aligned to help small business clients. They have small business clients; I have the no-cost, technical assistance. It has been a good partnership so far.

Ms. CHU. It is something you should promote because that is a wonderful partnership there.

Mr. LOEWEL. I agree.

Ms. CHU. And then I wanted to ask you about exporting; that is, entering the international markets. SBA offers online training courses to help businesses who want to export, as well as several loans aimed at exporting, including export express loan, international trade loan, and export working capital loan. SBDC can connect these businesses also to local trade resources like the District Export Council of Southern California and the U.S. Commercial Service, which is the trade (inaudible) with the U.S. Department of Commerce.

So, actually only 5 percent of America's small businesses export products overseas, and yet 95 percent of consumers around the world live abroad. SBA's research has found that immigrant businesses are more likely to export their goods and services than non-immigrant businesses. So what are some of the benefits that you see of exporting, and how can an SBDC like yours help with a business that is interested in exporting?

Mr. LOEWEL. So, this is a really timely question. In the LA network, we are very fortunate. One of our centers, the center in Ventura, is a nationally recognized center for their work with international trade. A recently conducted study looked at businesses that export versus those that don't, and what they found was pretty amazing.

First of all, businesses that export are in business eight years longer than those who don't. They generate as much as four times as much revenue as those who don't, and they hire more employees than those who don't. So, as I was discussing this with the center manager, the comment he made was if you are at a distinct disadvantage, and it is extremely important to develop that, if applicable.

Now, in terms of how we can help, that center has an amazing level of expertise, which it shares throughout the network. It is also something he is helping us build here in the Rosemead/El Monte area, because there are hundreds of businesses that may be interested, and we can help with things like regulations, import/export documentation, financing, etc. They have a complete program to support that, and it is going to be an important part of what we do here.

Ms. CHU. Is it harder to export right now in today's climate?

Mr. LOEWEL. Anecdotally, I have heard is that some businesses may be on the sidelines, if you will, waiting to see how the trade issues are going to work out. I don't know if it is more difficult, but I have heard that some businesses may be waiting, as opposed to investing in that part of their business.

Ms. CHU. Okay. Thank you.

Ms. Bonilla, I want to hear more about the SBA's Emerging Leaders Initiative for Executives. I understand it provides more than 100 hours of specialized training and classroom instruction, as well as opportunities to work with experienced coaches and leaders in the community. As a recent graduate of the program, could you discuss the benefits that you felt it gave to you and how it changed your plans to take your business to the next level?

Ms. BONILLA. Of course, Ms. Chu. Thank you very much for asking that question. I couldn't wait.

There are so many benefits that, first of all, I would like to share with you what is the major problem amongst small business owners, the problem of isolation. We are so submerged in the everyday operations of our business, we are the jack of all trades. We do everything ranging from business development, marketing, taking the trash out, whatever it takes to make our business successful. So we don't see anything out there.

You know, in 20 years being in this business, I never heard of the Small Business Association, never heard of any of that, absolutely. To me, that is one of the biggest problems, not knowing what is out there. These great associations or organizations, the outreach I believe is very limited. I'm on LinkedIn, Twitter, Facebook, everywhere, but I never heard of the Small Business Association.

So, yes, it is mind-boggling. The people that I talk about this with at the Small Business Association, a lot of them are small business owners, the same as I. They haven't heard about the Business Association either. I hadn't heard about Mr. Loewel until he contacted me. So to me, again, it boggles my mind how there is so much out there that we don't know.

So isolation is one problem. I think that organizations like the Small Business Association need to do some sort of outreach to us to let us know that they are there, and that there are so many resources that we can tap into to make our business grow.

So back to your question, this program has helped me a lot because it helped me to recognize where am I standing at all levels, financially, business development, human resources, and understanding my business in-depth has helped me to create goals, goals that are smart, that are attainable, that are time-bound, not just goals that it came out to my brain but goals that are reachable. I have been crafting my goals for the past six months under the supervision of professionals, professionals in marketing, professionals in the finance. I didn't know about the small business loans. I didn't know about dealing with the government, with the state, with the county, and how to reach them as a small business. There is a lot of money and opportunities for us, but I as a small business, I need to be prepared. I don't have any certifications. I am currently working on all my certifications as a small business owner, as a woman owner, as a minority owner that I didn't know before.

As I mentioned, my growth as a small company has been organic, and I have not done any outreach to the government or to other companies that are out there. Usually they come to us. So this leadership program not only helped me to understand my capabilities as a leader but the capabilities of my business and how can

I reach my goals in terms of growing, getting more employees, helping small businesses like mine to thrive based on my experiences. This is what the small business program has done for me.

Ms. CHU. And would you recommend this program to other small business executives?

Ms. BONILLA. I would, definitely. I have been putting the word out about this program because it is important that they understand it. Like I mentioned, I have been talking to small business owners, especially Hispanics in the same circumstances that I am currently. They never heard about this program, and they are amazed that this is available for them for free. Many Hispanics, as was mentioned before, trust is a big issue amongst Hispanics, and wow, it is free. Is there something wrong? Are there some hidden fees? Do we have to give them something in return? What is in there? It cannot be possible.

I have an advisor, I have a business coach available for me, answering my questions. It has to be something out there. So building trust is very important. As I mentioned, the outreach is very important. So I am now an advocate for all the resources that are there. I actually made an appointment with Mr. Loewel for advisory in different facets of my company because I want to know more. I want to know, and I want to be able to tell other businesses my experiences and where to go.

Ms. CHU. Mr. Salahi, do you have an SBA loan yet, or are you exploring that?

Mr. SALAHI. Not yet.

Ms. CHU. So can you tell me what that process is like and what you are thinking?

Mr. SALAHI. Sure. I believe all the details of different loan programs, everything is shown and stated in SBA's website. But navigating through the website is a challenge. It is a huge website. It has a lot of good information. Putting together all the information is difficult.

So I believe if SBA or SBDC can provide, if they don't do it currently—maybe they do. If they provide an online small business educational webinar monthly that people like myself and entrepreneurs like myself can go there and learn in one hour or two hours about the overall process, and then they will be put in touch with the right people to take it on from there.

I don't know if I answered your question.

Ms. CHU. Of course, yes, because what I want to know is what the SBA or Congress can do to make small business owners like you more aware so that you can more easily reach this information.

Mr. SALAHI. Sure. I believe they have been doing great, great work, and that is how I got to know Mr. Loewel, and that is how Ms. Bonilla got to know SBA and different services that are provided. But still, marketing towards immigrants and bringing them to the table to talk and learn needs more marketing budgets. Marketing, as everybody knows, is not cheap. You need a lot of marketing to get to small businesses.

Ms. CHU. Very good.

Well, I would like to conclude this panel by asking each of you how you would answer this question. We found dramatic evidence that immigrants start and own businesses at higher rates than na-

tive-born Americans, twice as high of a rate. Why is that the case? Why are immigrants more entrepreneurial, have more of that entrepreneurial spirit?

Let's start here with you, Mr. Salahi.

Mr. SALAHI. Sure. I believe it roots in cross-cultural experience that immigrants bring to the United States. So they come here, they have seen a few other situations in other countries. For instance, Starbucks was created and inspired to be created by an Italian coffee system. So that cross-cultural helped that person to learn, okay, I can do this business. So when immigrants come here, they pick up the business opportunity and turn it into a company.

And also, when we come here, we know we are here, we have no support. It is us. It is me and my clothes. So I have to do everything I can do to take my life to the next level. In my case, I came to the United States when I was 31 years old, right? Not that old, but still I was not 20 or 18 or 17 to have time to build my life. I had to put it on steroids to go forward, and that is why we go the extra mile. We go through the pressure and everything that is there to make a business.

So, I hope I answered your question.

Ms. CHU. Yes, very well.

Ms. Bonilla?

Ms. BONILLA. Okay, thank you for asking. There are three basic points that I would like to touch. Number one is motivation. I think we are very motivated. Immigrants are very motivated people because we come from countries with unstable economies, lack of opportunity. So you come to this country and you see opportunities. I mean, it is amazing how somebody with no knowledge can be successful in business, educate themselves and create a stable business. So number one is motivation. Hispanics would see what others are doing and we say "si se puede," which means "we can do it." So if you can do it, I can do it; why not?

We are creative people. We see things differently than everybody else, and we like to solve problems and find different approaches. We never give up.

And we are not afraid of working hard. I can be having a meeting—in fact, our company worked with Apple stores, and we had a meeting with Steve Jobs. So we were able to meet, a small firm from immigrants, created from immigrants, meeting with Steve Jobs. Yet, I go back to my small office and I have to take the trash out, like I said. So we are not afraid to get the work done and get our hands dirty.

So those are the three points: motivation, opportunity, creativity, including hard working.

But, Ms. Chu, let me tell you this: the problem I believe is not how many businesses are owned by Latinos. Like I mentioned before, in 1998 about 4.4 million Latinos owned businesses in the U.S. and contributed more than \$700 billion to the economy. But the problem is that we stay small. Most of these small businesses stay small. We don't grow to the level where we are supposed to be. So that is where we need help. We need help in growing.

Ms. CHU. Yes, thank you.

Mr. LOEWEL. stion. In my experience, entrepreneurship is hard, and it is not for everyone. As far as I can tell, the immigrant busi-

ness owners that we work with tend to be very determined to succeed. I don't know if it is because they went through a lot to come to the US. I think a lot of it is related to how they were raised. A high number of their parents are small business owners. But, they are willing to put in the time and work really hard, and that's what it takes.

Ms. CHU. Thank you.

Ms. ARIZMENDI. Thank you. My response will be in what we have experienced and what we have learned from our clients.

The first is it is what people know. When people are coming from another country, this is work they have done before, and they are doing what they feel most familiar with.

In other cases that we have seen, education doesn't transfer over. They may have an education in their country. They come to the U.S., and they can't translate that into a degree that the U.S. will accept in different jobs.

Thirdly, we see a lot of communities that come to the U.S., immigrants that come to the U.S., and they come to where they either have family members or a family member knows another family member. I will use the Korean community with doughnut shops. Everyone asks why are there doughnut shops and Koreans? Why are there so many? It is because when immigrants come here, they go to the family members or the friends of family members that are in that business. They learn the business and they continue doing that business or an offshoot of that type of business.

And lastly, I think it is the American Dream. There are many immigrants that come here who want to work hard, and whatever it takes for them to do that, they will do it.

Ms. CHU. Mr. Fung?

Mr. FUNG. Thank you. I think there is more opportunity in this country compared to where I come from in Hong Kong. In Hong Kong, we always work 13, 14 hours per day. We do everything, and then we see the opportunity here. And then also to own a business is a kind of satisfaction.

Ms. CHU. Well, thank you so much. Let me make a closing statement, which is that while our region has always had a strong entrepreneurial spirit, more has to be done to ensure that all who want to take advantage of the American Dream can do so.

We heard firsthand from all of our witnesses about how immigrants do not just make great business owners but also strengthen our economy and bring so much to our communities. However, challenges remain, from access to capital to basic mentorship and training, and that is why we need to leverage the capabilities of the Small Business Administration to reach new entrepreneurs from many different backgrounds to educate and ensure their success.

I would like to thank each of you for sharing your stories and giving us ideas for how we can help your small business grow and thrive.

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

Without objection, so ordered.

If there is no further business to come before this Committee, we are adjourned. Thank you.

[Applause.]

[Whereupon, at 11:24 a.m., the Subcommittee was adjourned.]

APPENDIX



Field Hearing: **Committee on Small Business- Subcommittee on Investigations, Oversight, and Regulations**
 Date: **Friday November 8, 2019 10:00am**
 Location: **Rosemead City Council 8838 East Valley Blvd. Rosemead, CA 91770**

Good morning Committee on Small Business- Subcommittee on Investigations, Oversight, and Regulations. My name is Rachelle Arizmendi, Vice President and Chief Operating Officer at PACE (Pacific Asian Consortium in Employment). I am also a City Council Member in the City of Sierra Madre here in Los Angeles County.

PACE is a non-profit Community Development Corporation that has worked with low-income and under represented communities in Los Angeles County for over 43 years.

PACE was first conceived to meet the needs of employment and job training in the Asian Pacific Islander and minority communities - but has since extended our services to include early education, affordable housing, energy & environmental services, and small business development for the community-at-large. For today's remarks, I want to focus on our business development and loan programs. We have worked with a variety of foundations, private, and government agencies-- federal, state, and local-- to provide technical assistance, counseling and access to capital for entrepreneurs and small business owners.

PACE works with small businesses whose owners may be low-income, immigrants, refugees, asylees, or ethnic minorities. Many of our clients are new to the US and as a result, have limited English ability, and unfortunately, also have little to no knowledge of the US banking system, little to no credit history, and no access to capital.

Since 1993, PACE has assisted more than 40,000 businesses and has packaged/placed/funded \$480M in loans. As an organization, we strive to promote the triple-bottom line: profit, social responsibility, and environmental sustainability. Furthermore, because of our diverse and multilingual staff, we are able to provide culturally responsive and in-language training and technical assistance.

As a Micro-lender and CDFI (Community Development Financial Institution) - two of the primary products we use are the Small Business Administration (SBA) Microloan and the SBA Community Advantage loan.

Mr. Kin Cheong Fung, who I expect to be in the audience today, is an ideal example of how one business can benefit from the different SBA tools to grow, expand, create jobs, and provide sales tax revenue back to the region.

Mr. Fung and his family migrated to the US in 2012 from Hong Kong. With over 25 years of experience from his home county, Mr. Fung had a dream of what he wanted to accomplish in America: develop a franchised ramen restaurant. With his life savings, he opened Tamashii Ramen House in Sherman Oaks in September 2012.



Soon thereafter, Mr. Fung did some research and found his way to PACE. After receiving some technical assistance from our Business Counselors, he applied for a \$15,000 SBA micro-loan to use as working capital. With that capital injection he purchased new equipment and furniture for the restaurant. And within a year, he was able to pay off the entire loan.

In 2016, Mr. Fung returned to PACE and requested a second working capital loan of \$60,000 to open up a second ramen house in Studio City. This \$60,000 loan was a Community Advantage loan. Unfortunately, he faced major delays in tenant improvement when the contractor abandoned the project. But Mr. Fung did not let this sway his determination or passion for success and in August 2017, the Studio City location was finally opened for business. To help him maintain his cash flow while growing this location, PACE was able to grant him a third working capital loan of \$30,000.

Tamashii Ramen House has since created over 40 full-time and part-time jobs. Mr. Fung's vision, resilience and passion make him a successful businessman. So much so, that in 2015, Mr. Fung was recognized as an SBA Small Business Awardee!

At PACE we hope to outreach to, connect with, and fund small businesses that need to close a deficit finance gap or to inject capital into their businesses for improvements. When businesses first interface with PACE- they are typically not "loan-ready" nor can they walk into a traditional bank prepared to apply for a loan. What micro-loans, community advantage loans, and similar products offer is an opportunity for small businesses to take that next transformative step and eventually transition into a conventional loan clients.

Anecdotally, we know these programs work - and I am confident that statistically, you will find the same results. Take default rates for example. In our micro-loan program, we experience approximately a 10% default rate. Similarly, in the Community Advantage program we experience a significantly lower default rate of 4-5%.

We know first-hand the possibilities and opportunities that SBA products offer small business owners. Yet, there are improvements to these products that can be made.

For 7a Community Advantage (CA) Loan programs, I urge you to consider the following:

- Establish the 7a Community Advantage (CA) Loan Program at SBA as a permanent program;
- Increase the loan cap to \$350,000;
- Eligible CA Lenders : CDFIs, CDCs (Community Development Corporations), SBA Micro-lenders, SBA ILPP (Intermediary Lending Pilot Program)Lenders;
- Expand CA Communities to include women-owned businesses, minority- owned businesses, and expanded language to include businesses owned by reservists, spouses of veterans, or members of the armed forces;
- Eliminate the 10% cap of CA loans.

For reauthorization, key Microloan improvements we encourage you to support include:

- Elimination of the 50/50 restrictions on Technical Assistance (TA). As intermediaries, we have a stake in ensuring the funds are repaid to SBA, and the historically low loss rate to the SBA demonstrates we have the expertise and experience in small business lending to know where and when technical assistance is needed for each borrower;



- Increasing the Micro-loan Intermediary limit from \$6 million to \$7 million will allow state-wide lenders and especially high-demand states, like California, to better meet the demand for this important source of capital.

Our approach at PACE has proven to be successful with the outreach to immigrant and under-represented business owners. Leveraging the credibility of community-based organizations and utilizing intermediaries /CDFIs that have built trust with communities will be imperative to the future success of SBA's Community Advantage and Microloan programs for traditional and immigrant businesses.

Thank you for inviting me to testify on this matter and for prioritizing this within your subcommittee.



**Testimony of Donald Loewel, MBA
Director
SBDC at Pasadena City College**

**before the
House Committee on Small Business
Subcommittee on Investigations, Oversight, and Regulations**

***“Fostering the American Dream: How SBA Can Empower
Immigrant Business Owners”***

November 8, 2019

Pasadena City College Small Business Development Center
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Thank you Chairwoman Chu, and members of the subcommittee for the opportunity to share my testimony with you today. My name is Don Loewel, and I am the Director of the Small Business Development Center (SBDC) at Pasadena City College. I have worked for the SBDC at PCC since 2014, first as a business advisor and for the last 18 months, as the Director. I have personally counseled over 300 small businesses, and currently lead a team of 12 business professionals who provide no-cost 1:1 consulting and low-cost training to hundreds of businesses in the San Gabriel Valley of Southern California. Our mission is to stimulate the local and regional economy by supporting business owners and startup entrepreneurs.

As reported, the SBDC is the largest of the SBA resource partners with 63 lead centers and over 900 SBDC service centers across all 50 states and U.S. Territories. At the SBDC, we provide counseling and training to entrepreneurs and small business owners on a variety of topics including business planning, marketing, international trade and accessing capital. The SBDC also provides support to businesses during disasters such as fires and floods. We help our small business clients start, grow and succeed, and when needed, we help them recover and rebuild.

The Los Angeles Regional SBDC Network covers Los Angeles, Santa Barbara and Ventura counties, and includes 8 Service Centers and a network lead center. The LASBDC's team of approximately 100 contracted or part-time specialty Advisors support a wide array of small business sectors in the region, including retail, food-specific industries, the tech sector, agriculture, advanced manufacturing, film/television, aerospace, and international trade and logistics. In 2018, our network served over 4700 clients, helped launch more than 400 new businesses, and supported \$165,000,000 in capital infusion. (see attached data sheet)

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The SBDC at Pasadena City College is one of two located in the San Gabriel Valley, with the other located at University of LaVerne. The San Gabriel Valley is an area made up of thirty-one cities and five unincorporated areas in Los Angeles County, and as noted in the 2019 San Gabriel Valley Economic Forecast, the San Gabriel Valley “has the assets to move forward: a diverse pool of human capital; world-class institutions of higher learning and research facilities; respected arts and cultural organizations; and a well-developed trade network.” The San Gabriel Valley is an area uniquely distinct from greater Los Angeles County, in terms of demographic composition, industry employment, wages and industry concentration of business establishments. Per the data below, there were over 75,000 businesses in San Gabriel Valley in 2017, and 69% of businesses in SGV are owned by Asians or Hispanics, many of whom are immigrants. These demographics are reflected in the clients we see at the PCC SBDC.

Establishments by Major Industry Sector, 2017

Industry Group	SGV	LA County	SGV % of LAC
Natural Resources & Mining	80	482	16.5%
Construction	2,568	14,360	17.9%
Manufacturing	2,013	12,153	16.6%
Wholesale Trade	4,664	20,015	23.3%
Retail Trade	4,752	27,143	17.5%
Transportation & Utilities	1,553	7,595	20.4%
Information	656	10,346	6.3%
Financial Activities	4,814	26,682	18.0%
Professional & Business Services	7,815	48,866	16.0%
Education	775	7,975	9.7%
Health Services	7,116	29,974	25.7%
Leisure & Hospitality	4,581	33,633	13.6%
Other Services	32,205	227,020	14.2%
Total	75,945	487,225	15.6%

Source: California Employment Development Department, ES202 data

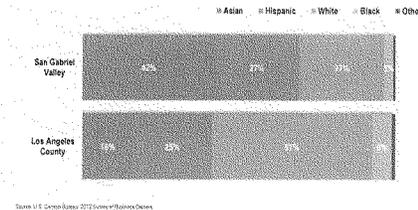
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San Gabriel Valley Business Ownership by Race



The PCC SBDC has been experiencing considerable growth over the last 12 months. We received additional funding from the state of California, and we put it to use expanding our services. We are on track to double the number of clients we served in 2018, and will help launch almost 50 small businesses in 2019.

Our SBDC is supported by a great host institution at Pasadena City College, which is nationally recognized as one of the top Community College's in the nation. Our work at the PCC SBDC builds on a foundational commitment at Pasadena City College to be of service to marginalized communities of all kinds. To that end, PCC agreed to provide space for me to expand our services to a satellite campus in Rosemead, CA. This campus is located within a few miles of underserved business communities including El Monte, South El Monte, Duarte and Montebello, and is adjacent to several HUB Zone census tracts. This expansion allows me to bring our services to the businesses that need it most, and make an even greater impact and greater return on investment for the SBA and our other funders.

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With all of that as background, here are a few suggestions to increase the SBA's impact on immigrant-owned and underserved small businesses.

First, it's important to note that we do not segment our clients by immigration status. We know a large percentage of our clients are immigrants or first-generation entrepreneurs and may need additional support, but we service all clients who meet the SBA qualifications.

Secondly, awareness is the number one opportunity we have to make greater impacts on small business success. Putting aside the owner's nationality, it is difficult to serve the small business population, if they are not aware of who we are and how we can help. I recently learned about H.R. 4406, the Small Business Development Centers Improvement Act of 2019, which would permit SBDCs to use federal funds to market our services directly to small businesses, and this is exciting news!

Additional support from the SBA to raise national awareness would also be tremendous. A recent episode of the TV show *Undercover Billionaire* highlighted the services of a SBDC in Pennsylvania, and our SBDC received numerous phone calls and 12 new clients. I know that other centers within our region also gained new clients thanks to that national exposure.

Thirdly, support for multilingual advisors. Once we have identified and bring advisors into underserved communities, it will be important to build trust by providing advising in the client's native language. The vast majority of small business owners can conduct business in English, but many will not engage with centers that do not provide advisors who speak their language. As an example, the LA network has done a great job engaging the Hispanic community in East Los Angeles with an initiative that provides 3 advisors who speak Spanish. It has built trust in the community and local business owners engage with the program. It has also raised awareness and ultimately impacted economic growth in the area.

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Fourthly, engage Community Redevelopment Act departments of our lending partners. I have had success partnering with the CRA department of Cathay Bank in El Monte, CA. Banks are required to provide support to small businesses, and they can leverage our technical assistance while introducing us to large numbers of small business owners. My team has met several small business clients from underserved communities based on the work we have done together with Cathay Bank. For example, we partnered on 4 workshops provided in Spanish in 2019. This is a local strategy, but it may be something the SBA could do on a larger scale with our partners.

Finally, I would like to conclude by recognizing some of our partners, because we could not serve the numbers we do without them. Our host, Pasadena City College is dedicated and supportive to the work of the SBDC. Superintendent President Dr. Erika Endrijonas, Executive Director of Economic and Workforce Development Salvatrice Cummo, and Assistant Superintendent/Senior Vice President, Dr. Robert Bell, have supported the expansion of our center to a secondary location in Rosemead, CA. They have a clear understanding of the SBDC and how it compliments and supports the mission of Pasadena City College and the communities it serves. It is also important to recognize our partners at the local Chambers of Commerce, especially Ray Jan at the Rosemead Chamber of Commerce. The San Gabriel Valley Economic Partnership and LAEDC are also valuable partners and provided some of the data for this testimony. Lastly, I want to thank Victor Parker and his team at the SBA District Office in Los Angeles. They value and support the work of our center and have been a great partner in the growth of our services.

Thank you again, Chairwoman Chu and members of the Subcommittee for the opportunity to participate in this important hearing, and I would be happy to take any questions.

Donald Loewel
Director, SBDC at Pasadena City College

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Los Angeles Regional
Small Business Development Center Network

Helping Small Businesses

**START,
GROW &
SUCCEED**

Small businesses are innovators and job creators. America's Small Business Development Centers are proud to offer cost-effective, accredited and proven assistance to help these entrepreneurs thrive.

In 2018, the Los Angeles Regional SBDC (LA SBDC) Network provided business advising and training to more than 4,700 small business clients in Los Angeles, Santa Barbara, and Ventura Counties.



NEW JOBS
CREATED

2,033



NEW BUSINESSES
LAUNCHED

439

**2018
ECONOMIC
IMPACT**



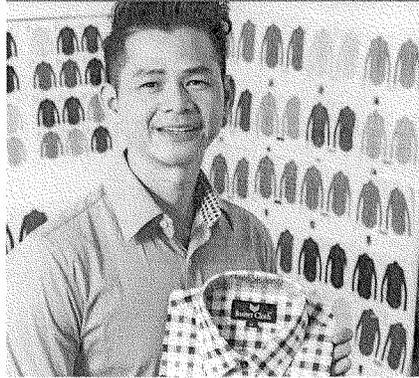
TOTAL CAPITAL
INFUSION

\$165M



CLIENTS
SERVED

4,705



LA SBDC client **Danh Tran**, men's fashion entrepreneur and founder of **Butter Cloth** — Carson, CA & Long Beach, CA

The LA SBDC Team Drives
**ECONOMIC
GROWTH**

in our region by providing:

- Confidential business advising at no cost
- Help accessing capital
- Small business disaster recovery resources and assistance
- Training workshops in business planning, financial management, marketing, and more



Los Angeles Regional SBDC Network

The Los Angeles Regional SBDC Network is the 6th largest in the nation. Our centers and satellite locations serve a population of more than 11.5 million in Los Angeles, Santa Barbara, and Ventura Counties.



LA SBDC SERVICE CENTERS

LA Chamber Bixel Exchange SBDC
www.lachamberbixelsbdc.org | 213.580.7587

College of the Canyons SBDC
www.cocsbdc.org | 861.362.5900

Economic Development Collaborative Ventura County SBDC
www.edcsbdc.org | 805.384.1800

El Camino College SBDC
www.southbaysbdc.org | 310.225.8277

Long Beach City College SBDC
www.longbeachsbdc.org | 562.938.5100

Pacific Coast Regional SBDC
www.pcrsbdc.org | 213.674.2696

Pasadena City College SBDC
www.pccsbdc.org | 626.585.3105

University of La Verne SBDC
www.lavernesbdc.org | 909.448.1567

LA SBDC Lead Center at Long Beach City College



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The Los Angeles Regional SBDC Network is offered to the community through Long Beach Community College District, and provides no-cost, confidential business advisory services throughout Los Angeles, Santa Barbara, and Ventura Counties. Funded in part through a cooperative agreement with the U.S. Small Business Administration.





Opening Statement

My name is Tatiana Bonilla, and I'm the president of Andrew Design Group, an A/V Technology Design and Engineering Firm. It is in our DNA to help our clients navigate even in the most challenging and complex environments.

Clients like Disney, UCLA, LAFC, hire us to design Audio/Video, and Control Systems (AVC) and Information and Communications Technology (ICT). Over 20 years of experience has helped us to understand our clients' vision and bring them to life.

Company Profile:

Andrew Design Group was founded in 1998 by my husband, Carlos Teran, and by me. Carlos emigrated from Ecuador, South America when he was five years old. He attended a local public school in Pasadena and continued his education at CalPoly Pomona, where he obtained his degree in Electrical Engineering. On the other hand, I immigrated to the United States from Ecuador as an adult. I had to enroll in several English classes and work my way up to college. I graduated from CalPoly Pomona with a degree in Business Administration.

By 1998, Carlos had been working in different companies ranging from Imagineering at Disneyland, Universal Studios, and several consulting firms. Carlos's expertise in AV Design and Engineering was well known in the industry. By then, we identify an opportunity to work not only for one company but to serve all, and that is how Andrew Design Group started. Since then, we have been providing AV Technology Design and Engineering Services to architects, commercial property owners, education and healthcare institutions, building developers, AV Contractors, and Entertainment based companies.

We have been working non-stop for the past 20 years, and we are proud to say that we are "recession proof." When many businesses similar to ours closed when the recession hit in 2007, Andrew Design Group grew; in fact, it has been growing steadily since its inception.

Looking back to what we have accomplished in the past 20 years, we are very proud to be part of many important projects around the world, our clients have been returning to us, and we have grown our client portfolio. But what is next? Like all small businesses, we have been so absorbed in the operations, and this blocked the vision of where do we want to take our company. This, I found, is one of the biggest obstacles when it comes to growing our business; in fact, most small businesses like ours suffer from what I now call "isolation." As small business owners, we have to be involved in all aspects of operations, which leave us with no time to strategize. We harvest the low hanging fruit, but how about the rest? About a year ago, I started to take time to go to networking events; there, I meet many business owners like me.

556 S. Fair Oaks Ave. Ste. 101-258 Pasadena, CA

P: 626-862-1470

www.AndrewDesign.com



They started their business just like we did; however, they managed to grow exponentially. What is that they did that I didn't do? I realized that they knew where to get help, and I did not. In one of these events, I met Beatriz Davis from the Small Business Association, and she encouraged me to apply for a free, yes free, program called Emerging Leaders. This program has allowed me to understand what I should be doing as a business owner, and where do I need to take my company. I started the program questioning if I wanted Andrew Design to grow, and if so, if that was something that I was capable of doing. Every module provided me with the tools to understand not only my capabilities as a leader but also to understand my business. This program has open so many doors from training to advisory, the resources are there at our reach.

We are looking forward to moving to a bigger facility, increase our workforce, and become advocates and mentors for small business owners like us.

ABOUT THE EVENT:

Rosemead City Hall
8838 East Valley Boulevard
Rosemead, CA 91770

Date and time: 11/08/2019 10:00 am to 12:00 pm PST

The United States is currently home to over 43 million immigrants and over 3 million have started small businesses. These companies pay an estimated \$126 billion in wages to six million people and generating over \$65 billion in income. Recognizing their economic contributions, the hearing will focus on how the federal government can better assist immigrant entrepreneurs desiring to start a small business. Members will learn why immigrants are more likely to start new businesses but less likely to have access to traditional sources of capital, and how the Small Business Administration's programs, such as entrepreneurial development and lending programs like the Community Advantage program can help immigrant business owners succeed.

Amir Salahi's Opening Statement:

Mrs. Chairwoman, respected members of the committee and dear witnesses... I am honored and humbled to be here today.

Thank you very much for inviting me to this field hearing to talk about "how the SBA can Empower Immigrant Small Business Owners".

Nearly 10% of the 43 Million immigrants in the U.S. have become entrepreneurs by starting small and medium size businesses. They pay ONE HUNDRED TWENTY SIX BILLION dollars in wages every year in local communities. And, they generate over SIXTY BILLION dollars in annual income.

Ladies and Gentlemen, my name is Amir Salahi and I am proud to be an immigrant entrepreneur who had the privilege to move to the land of opportunity in 2007.

I am an electrical Engineer with a Masters in Engineering Management.

My professional life in the United States started by working for some bigger companies in cleantech and renewables... My amazing partner, Chris Gregory and I were among the top 1% of producers at a huge solar company. But I always wanted to start my own business, so I was looking for an opportunity to solve a problem and turn it into a great company.

I am the Founder and CEO of RenuLogix (~~also known as Energy Advisor Hub~~) We empower small and medium sized solar installers. For the past two and a half years we have been

developing, testing and launching a cloud-based integrated solar installation system. For the smaller solar installer, RenuLogix is the first system of its kind ... **in the world.**

Three years ago, we decided to take the first step towards our entrepreneurial dream and that was when our small business journey started.

Along the way, we received some awesome startup consulting from SBA advisors who helped us find our way at the early stages of our business. Thank you, SBA! Thank you, Don Loewel!

|| These are exciting times in the solar industry.

Over \$1 trillion dollars worth of solar panels will be installed on the rooftops of homes in the U.S. in the next 3 decades.

However, THREE major companies carry out nearly half of all residential solar installations in the U.S. Huge companies you've heard of.

That leaves over half of all solar installations in the U.S. in the hands of small and medium size solar companies. There are over ten thousand of them across the nation.

These smaller installers have challenges. They have no brand presence like the big guys. They have almost no marketing budget.

Where the three big guys have built their own integrated systems to produce quotes, connect with financing firms, project manage their installations and stay in touch with their customers, smaller installers tend to run their businesses with spreadsheets and post-it notes.

And they have no buying power, so their profit margins are razor thin.

Nevertheless, smaller solar companies have created thousands of jobs in our local communities so they deserve our attention...

As congresswoman Judy Chu has said "by investing in renewable energy, we not only put Americans back to work, we also preserve our planet and our natural resources for future generations.

So, I would like to thank Congresswoman Chu and her colleagues for their continued support of clean power, including solar.

Solar will be the predominant source of energy for our planet in the coming decades. There is no cleaner, more convenient source.

Congresswoman Chu, we need your help and your colleagues' help more than ever before to pass and approve legislation, and provide credits and incentives to expedite our transition from limited, dirty fossil fuels to UNlimited renewables.

And we need your help more than ever before to realize the huge economic benefit that comes from making this shift. The move to renewables isn't a COST to this country, it's an opportunity. A big one.

America has already ceded leadership in solar panels to China and we may be in the process of ceding leadership in other technologies. But we are still number one in digital innovation. And immigrants can help the United States extend that lead.

Immigrants represent only 13% of the US population ... but nearly 30% of the country's entrepreneurs. The Huffington Post, Red Bull, Tesla, SpaceX, and Google are just a few well-known examples of companies founded by immigrant entrepreneurs.

A Harvard Business Review study suggests that public money may be better spent on building incubators for migrant entrepreneurs than on building border walls.

{Immigrants come armed with "cross-cultural experience," one that, perhaps, gives us the opportunity to paint with a more colorful business palette and to identify promising business ideas.}

In the first quarter of 2020, RenuLogix plans to launch a radical <thoughtful seems a bit too watered down to me> new community program. We plan to do this work because it will benefit small business and because it will accelerate our progress to a renewable future.

We will train and certify hundreds of smaller solar installers and other small businesses. We will give them the tools and the competence to compete with the big guys. We are expert at building online tools: using an online curriculum and certification process, we plan to start right here in Southern California. Our goal is to make small, struggling solar companies more professional, more competitive, more able to grow. We will have a strong focus on immigrant entrepreneurs in our outreach.

With the SBA's help, we also plan to train and certify hundreds of underprivileged youngsters, with particular concentration on immigrant communities. We will train them in every aspect of solar from sales to installation, show them how to join solar installers and dealers, and how to build their own businesses.

We will be looking for your suggestions and your support. We estimate that this program alone could be worth hundreds of millions of dollars to the economy of Southern California, and help cut <billions?> of tons of carbon emissions.

Thank you. I look forward to discussing with you.

