



ORAL TESTIMONY
**BEFORE THE ILLINOIS DEPARTMENT OF FINANCIAL AND PROFESSIONAL
REGULATION**
PUBLIC HEARING ON
**“ILLINOIS COMMUNITY REINVESTMENT ACT: ADVANCE NOTICE OF PROPOSED
RULEMAKING”**
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Thank you for inviting me to speak with you today about how strong Illinois CRA rules and assessments can support small businesses and self-employed entrepreneurs throughout the state. As you know, small businesses are the foundation of our economy—one that ensures opportunity and prosperity as business equity is the second largest source of wealth following home equity.

As the Midwest Region Director and National Women’s Entrepreneurship Director for Small Business Majority, I’ve seen first-hand how entrepreneurship can create lasting impacts on both an individual and their community, and how small businesses create jobs and generate incomes that can help close the racial and gender wealth gap.

At Small Business Majority, our mission is to empower America’s entrepreneurs to build a thriving and equitable economy, with a focus on the smallest businesses and those who have been impacted by systemic inequalities. We deliver educational trainings and resources to entrepreneurs; we conduct data driven scientific research to inform policymakers; and we are ecosystem builders who mobilize stakeholders to leverage assets for collective impact, especially in underserved areas. Small Business Majority has a network of 85,000 small business owners nationwide, with eight regional offices, including here in Illinois and we are a member of the Illinois CRA Coalition.

Our scientific polling finds that 9 in 10 small business owners believe the lack of availability of small business credit is a problem. Today, I want to address how a robust Illinois CRA addresses three common financial systems barriers affecting capital access for three groups of small business owners: women, entrepreneurs of color and owners who are 50 years and older.

First, a strong Illinois CRA is needed to combat ageism in lending. Financial institutions must consider the business banking needs of older owners. The US Census shows that more than half of U.S. business owners are over the age of 50. Those who are

roughly 45 years old are the fastest age segment to start businesses.^{1,2} Of note, one driver for later life entrepreneurship is lack of income, especially for women over age 65 due to factors such as job loss.³

A second financial system barrier that a robust Illinois CRA can address is sexism. It is well documented that women business owners receive less funding than men compared to men. Women receive just 4.4% of all conventional small business loans despite applying for loans at similar rates to men.⁴

A third financial systems barrier that a responsible Illinois CRA can address is individual and systemic racial bias. Financial institutions favor capital toward white male owners who are well-banked, well-connected, and who statistically possess more assets and wealth than women and owners of color. Yet, census data shows that people of color, particularly women, are starting businesses at higher rates.

Though white males represent roughly 4 in 10 small business owners, it's owners of color who have the most challenges accessing capital and are in worse financial shape compared to their white counterparts.^{5,6}

The Illinois CRA will create a stronger small business financial safety net that is inclusively responsive to the needs of socioeconomically disadvantaged owners. The law calls for financial institutions to demonstrate connections with small business technical service providers, such as the Illinois Small Business Development Centers. This would help to close the education gap that many woman and business owners of color face when accessing responsible capital.

What's more, the Illinois CRA rules can ensure improved access to non-predatory, affordable capital for small business owners who are also in low- and moderate-income communities, so that owners do not turn to predatory financing that risks complete loss of their business and life savings.

To reiterate, a robust Illinois CRA will combat small business financial systems biases of racism, sexism and ageism by encouraging institutions to foster equitable access to affordable capital and advisory support. This will allow small businesses to create more jobs and build generational wealth, which is vitally important as Illinois focuses on economic recovery from the pandemic.

Thank you for the opportunity to comment on how a strong Illinois CRA supports equitable sustainability of small businesses throughout the state.

¹ Guidant Financial and the Small Business Trends Alliance (SBTA) <https://www.guidantfinancial.com/small-business-trends/>

² Kauffman Foundation, Kauffman Indicators of Entrepreneurship <https://www.kauffman.org/currents/the-new-adventures-of-older-entrepreneurs/>

³ <https://www.aarp.org/work/small-business/info-2018/why-older-women-start-businesses.html>

⁴ Fundera, State of Small Business Lending. <https://www.fundera.com/blog/the-state-of-online-small-business-lending-q2-2016>

⁵ White self-employed business owners were more likely to have applied for PPP (57%) compared to Black business owners (48%) and Latino business owners (36%). (Source: *Small Business Majority*)

⁶ Federal Reserve 2021 Small Business Credit Survey -

<https://www.fedsmallbusiness.org/medialibrary/FedSmallBusiness/files/2021/sbcs-report-on-firms-owned-by-people-of-color>