

United States House of Representatives
Committee on Financial Services
2129 Rayburn House Office Building
Washington, D.C. 20515

February 28, 2023

The Honorable Donald R. Cravins, Jr.
Under Secretary of Commerce
Minority Business Development
1401 Constitution Ave, NW
Washington, DC 20230

Dear Under Secretary Cravins:

I am writing to share several recommendations regarding the Minority Business Development Agency's (MBDA) Capital Readiness Program. As you know, I led the effort to renew and expand the State Small Business Credit Initiative (SSBCI) as part of the American Rescue Plan Act, which included \$500 million in technical assistance funds to support efforts to give small and underserved businesses the legal, accounting, and business planning advice they need to obtain financing and grow their business. Treasury has allocated \$100 million thus far to MBDA for this purpose. I appreciate that MBDA has taken several steps to raise awareness about this Capital Readiness Program, but I urge your agency to take additional steps to ensure that diversity and inclusion is integrated into every decision to help ensure that this unique program reaches small businesses that the traditional financial system has too often left behind.

First, I appreciate that through the hard work of the Biden Administration and Congressional Democrats, we have seen a record-breaking surge in small business growth, including among those started by people of color. For example, in 2021, businesses with fewer than 50 employees created 1.9 million jobs, the fastest start to small business job growth in any year on record.¹ The same year, Black Americans started new businesses 17% faster than pre-pandemic levels, and new Latinx businesses started 23% faster than pre-pandemic levels.² Pandemic relief programs were successful because they prioritized communities that were hurt the most by the pandemic downturn, including low-income families and businesses owned by people of color. For example, I worked with Rep. Nydia Velazquez to create a \$60 billion set aside for community financial institutions in the second round of the Paycheck Protection Program to ensure that underserved and diverse small businesses had access to this critical lifeline.

As you work to implement the Capital Readiness Program, I am hopeful you will build on lessons we have learned during the pandemic, and I urge you to: (1) extend the grant application deadline to the end of March 2023 to give eligible entities more time to apply; (2) ensure that the selection panels evaluating applications are diverse and inclusive; and (3) provide flexibility in the decision-making process to ensure that diverse, and newly established eligible entities have an equal opportunity to be selected.

I appreciate that MBDA has held several webinars to help spread the word out about the program, though I was concerned to learn fewer than 20% of registrants were either a minority business enterprise, financial institution, or state/local government. While it is important for MBDA to work quickly to deploy these

¹ White House, [The Small Business Boom Under the Biden-Harris Administration](#) (Apr. 28, 2022).

² Kaufman Foundation, [Early State Entrepreneurship National Report](#) (Mar. 2022).

funds expeditiously, allowing eligible entities an additional month to apply would be a reasonable step and provide more time to help get the word out through additional forums.

Additionally, I am concerned that the MBDA's scoring and selection process may unintentionally favor well-established business incubators and accelerators and exclude newer organizations, including minority business enterprises that are not legacy partners of MBDA. Given the research and lessons from pandemic relief programs demonstrating that organizations owned and led by people from the communities serve are more effective in serving those communities, MBDA should prioritize diverse-owned or diverse-led organizations in the selection process.³

Furthermore, MBDA should ensure that the panels it uses to grade applicants are diverse and inclusive, and that the scoring criteria have flexibility to ensure newer and more diverse incubators and accelerators have a chance to participate, either as grantees or in partnership with another organization, regardless if any potential partnerships are identified before applications are due or during the selection process.

In closing, I appreciate the good work that MBDA has done to implement this new program. To the extent you provide flexibility, I urge you to make every effort to prioritize diversity and inclusion in the administration of this program, so that this program will be a powerful support for so many underserved small businesses and their communities.

Sincerely,

A handwritten signature in black ink that reads "Maxine Waters". The signature is fluid and cursive, with the first name being more prominent.

Maxine Waters
Ranking Member

Cc: Patrick McHenry, Chair, House Financial Services Committee
The Honorable Janet Yellen, Secretary, U.S. Department of Treasury

³ Alexandra Bettencour, [Grassroots organizations are just as important as seed money for innovation](#), The UN Refugee Agency (last accessed Feb. 27, 2023).