

*from the office of*

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of Massachusetts*

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Testimony of Senator Edward M. Kennedy  
House Committee on Banking and Financial Services Hearing  
on the PRIME Act

Thank you, Mr. Chairman, for giving me this opportunity to testify on H.R. 4170, the PRIME Act, and I am grateful for your consideration in scheduling this hearing at a convenient time.

Senators Pete Domenici and Jeff Bingaman and Senator John Kerry and I am the principle sponsors of the PRIME Act in the Senate, and it is an honor to testify before you today about this important legislation. As sponsors of the PRIME Act, we are strong supporters of micro-enterprise in our states. Senator Domenici had hoped to be here with me today, and I ask that the statement he has prepared may be included in the record.

Across the country today, the nation's entrepreneurial spirit is thriving, fueled by the extraordinary economic growth and prosperity we currently enjoy. But new entrepreneurs still face challenges that limit their ability to turn innovative ideas into successful businesses. They deserve assistance in learning about marketing, financial management, record-keeping, and other basic principles that will enable them to take their good ideas to the next level -- starting their own businesses.

I first became involved in the micro-credit issue through a micro-enterprise organization in Massachusetts called Working Capital. Through them, I became aware of the increasing need of micro-entrepreneurs for more than just start-up loan capital, which had been the principal emphasis in the past.

As Working Capital and the Association for Enterprise Opportunity, the national association of microcredit organizations, have emphasized, access to capital is important, but the need for training and technical assistance is fundamental to launching a successful business.

The "PRIME" Act -- the Program for Investment in Micro-Entrepreneurs -- is designed to provide this assistance, by helping entrepreneurs bridge the gap between worthwhile ideas and successful businesses. It offers grants totalling 105 million dollars over the next four years to develop business skills in key areas such as record-keeping, planning, management, marketing, and computer technology.

The PRIME act will concentrate on three areas:

First, it will provide grants for micro-enterprise organizations across the country to assist disadvantaged and low-income entrepreneurs and provide them with essential training and education.

Second, it will encourage the development of new micro-enterprise organizations, and expand existing ones to reach more entrepreneurs.

Third, it will support research on the innovative and successful ways to encourage these new businesses and enable them to succeed.

Under this legislation, the CDFI Fund in the Treasury Department will administer the program and make grants each year to organizations that work with micro-entrepreneurs. Local groups will leverage these funds on a matching basis. For every dollar in state, local, and private investment, two dollars in federal funds will be available in order to maximize the impact of this federal seed money.

The role of CDFI is an important part of our legislation. A number of effective federal microenterprise programs are currently being administered by various government agencies. Some of these programs also offer technical assistance to those seeking loans. The CDFI Fund in the Treasury Department has the responsibility for coordinating all of the Administration's efforts to support microenterprise. Each year, CDFI presents the Presidential Awards for excellence in microenterprise.

CDFI has impressive experience in working with community development banks and other nonprofit organizations to provide grants for technical assistance and training grants to entrepreneurs seeking the help they need. Many of them must have significant training before they consider applying for a loan. Often in other federal agencies, the technical assistance does not come first, but is made part of the loan application.

CDFI has well-established relationships with many micro-enterprise organizations across the country, and I'm confident that it is the best place for the PRIME program. I am also impressed with the new leadership of Ellen Lazar at CDFI, and the significant steps being taken to develop effective procedures and practices.

Microenterprise works, and private sector financial institutions are reaffirming their support by making their own financial commitments. In Massachusetts and the Northeast, several banks have joined together to pool resources to support these worthwhile programs. Larger banks such as BankBoston have also donated funds to enable entrepreneurs to obtain technical assistance and the loan capital they need. Under the PRIME Act, their continued commitment will be an important factor in developing this essential aspect of America's entrepreneurial spirit.

The PRIME Act can clearly help to transform good ideas into reality. An entrepreneur named Leonor Sanchez demonstrates its far-reaching potential. Leonor immigrated to the United States in 1972, and she now lives in Lawrence, Massachusetts. I met her at a ceremony in Boston honoring BankBoston for its contributions to the field of microcredit.

Leonor is a single mother of four who initially became an English as a Second Language teacher. She had natural skills at networking, and she soon decided to open her own business. She worked long hours trying to establish the new business, but she lacked the financing and know-how to make her business succeed.

In 1992, she joined a Working Capital peer group, and was approved for a \$500 loan. In a short time, she turned that loan into \$1,000 in profits. With that success, she was able to obtain new customers who told friends and neighbors, and her sales climbed rapidly.

Leonor felt so strongly about the success of the Working Capital program, that she has become a trainer herself, educating and assisting other aspiring entrepreneurs in her community in Lawrence, Massachusetts.

By investing in entrepreneurs like Leonor Sanchez across the nation, we will be creating new opportunities for self-sufficiency. We will be supporting new small businesses that will strengthen local economies in communities throughout America. And that achievement will help to keep the American Dream alive and well, and keep our national economy strong.