

**Testimony before the House Financial Services Committee on Reg B
July 17, 2008**

**By Jorge C. Corralejo, Chairman of the Board
Latino Business Chamber of Greater Los Angeles**

Testimony

Thank you, Mr. Chairman, and members of the Financial Services Committee, for inviting me, to participate in this very important hearing today. I sit here on behalf of the Latino Business Chamber of Greater Los Angeles. This chamber does its best to represent the interests of over 200,000 Latino owned businesses in the Los Angeles area and also the interests of tens of thousands more statewide, and hundreds of thousands, nationally.

Because of the dramatic growth of ethnic minority populations, and their businesses as well, lenders must, and are, taking a different and more realistic look at their future business client base. For example, over 50% of the state of California's population is ethnic minority. Their rate of growth in the development of small business is higher than the national average. In our (Latino) community alone, the small business growth rate is three times the national rate. In our many discussions with bankers, they are very often at a loss as to how to approach many minority business communities.

Through our various "Reg B" policy discussions with other minority business chambers, we have universally agreed upon the need for the collection and review of data by race, ethnicity, and gender as a benefit to all parties. This advantage would clearly be exercised by lenders in their marketing efforts to penetrate new and emerging ethnic communities. Information of this type (HMDA) has greatly increased the number of home loans to minority communities. It is our expectation that the numbers of loans to small businesses would increase several fold with this policy change. The economic contributions and growth in our communities would be substantial. In the minds of Latino business owners, the collection of this data makes very good business sense.

Minority small businesses heavily depend upon home equity funds for small business start-up and/or expansion. A major question in the small business arena is "How great of an impact will the foreclosure crisis have on the small business community, and, in this case, minority small business

communities”? Lenders need to know how this crisis impacts the future for small business clients and their ability to obtain small business loans in the future. The compilation of the data that we are requesting is an important component required towards the progress of a whole picture on the national economy.

A key instrument to this policy alteration is the immediate appointment of a “Task Force” which would resolve the foremost details and the potential costs. This group should include all relevant government regulators, lenders, and minority small business leaders and associations. The dialogue and strategies that will transpire from these meetings will not only bring resolutions to the data collection policy, but, inadvertently address other common economic development issues as well.

I sit here today representing hundreds of thousands of Latino businesses in their support for legislation requiring the mandatory reporting of small business by race, ethnicity, and gender by lending institutions with 1 billion or more in assets. We further support legislation that would permit all lenders with the opportunity to voluntarily report on this same data, prior to the date for mandatory reporting.

Thank you.