

Date: Wednesday, March 14, 2012

Hearing: "An Examination of the Challenges Facing Community Financial Institutions in Texas",
Presented to:

Hearing Host: the U.S. House of Representatives Committee on Financial Services
Subcommittee on Financial Institutions and Consumer Credit

Planned Testimony: Janie Barrera President & CEO ACCION Texas Inc.

On behalf of the Board of Directors and Staff of ACCION Texas Inc., welcome to San Antonio. We thank you for hosting this bipartisan conversation on the challenges facing financial institutions in Texas. As a nonprofit organization, we partner and work with a broad spectrum of voices and practitioners in economic development – and today I hope to share insight and expertise in the challenges and opportunities that face you as policy makers.

San Antonio is the headquarters for ACCION Texas Inc. We began our work here in 1994 and have now become the largest nonprofit microlender in the U.S. We serve eight states, including Texas, Louisiana, Arkansas, Missouri, Alabama, Mississippi, Tennessee and Kentucky, some of the poorest States in our country. We have provided over 12,000 business loans, disbursed over \$121 million dollars to over 8,000 small businesses. ACCION currently has an active portfolio of \$25 million outstanding and has a 95% repayment rate. The average credit score of our borrower is 575. We are also a registered Community Development Financial Institute (CDFI).

This year marks our 18th anniversary and as we reflect on the challenges of financial institutions that are considered nontraditional, we recognize the importance of oversight and diligence. At the same time we must remember that we need intermediaries that deploy funds to individuals who are not 100% ready for traditional banks – ACCION along with the 800 plus CDFIs across the country provide a solution by providing gap financing. With the funds we lend to business owners, our work creates a culture of commerce via banking and savings.

Over our history, we have been significant beneficiaries of the U.S. Treasury CDFI Fund, Department of Commerce, Department of Agriculture, and the U.S. Small Business Administration. Since 1996, the CDFI Fund has awarded ACCION Texas over \$8 million in a combination of grants and loans for loan capital, all of which was deployed, on average, within twelve months of receipt and since 2000 ACCION has received \$3.5 million from the SBA for microloans and technical assistance. These funds with other public and private financing have been essential in our expansion beyond our initial office in San Antonio to 18 offices across our footprint.

These tumultuous economic times have had a substantial impact on our lending, both positive and negative. While many perceive Texas as having a strong economy, small business still felt the brunt of low consumer confidence in sales and volatility of the market. As "traditional" credit markets have tightened and loan approval criteria have become more restrictive at the bank level, we have witnessed an increase in demand.

ACCION's loan originations in 2011 were almost 15 million dollars, an increase of 14% from the previous year. At the same time the number of applications received in 2011 also increased by over 1,000. This signaled to us the increase in need. However, we were not able to help some of the small business owners because of the drop in applicant quality. People waited too long to come to us and the capacity to repay the loan was no longer there.

We have seen a consistent annual growth in our portfolio. The ever-increasing demand for our services, and the associated costs to keep up with the demand, continue to provide challenges from a liquidity perspective. We continue to rely heavily on fundraising to support our growth. A current example is our pending \$2MM CDFI Fund request to provide loan capital for continued expansion of our services in the Delta. We view our heavy reliance on fund raising as a significant risk for our organization. We are working hard to diversify our support base into new areas such as individual donors. But it is clear: to ensure that funding capacity exists for micro entrepreneurs, federal support plays a key role.

Please allow me to describe ACCION's role in economic development:

1. ACCION is an alternative lender. The average credit score of our borrower is 575. The average loan size is \$15,000. Loss rate is 5%. We make loans from \$500 to \$250,000. We are part of the SBA pilot community loan program that guaranties loans up to 85%.
2. We exist to combat predatory lending. And we exist to help individuals achieve the American dream through loans that will not rob them of the ability to create opportunity for themselves.
3. We are regulated by our designation as a CDFI and CDC.

4. ACCION currently adheres to compliance measurements that are required by Treasury and SBA.
5. ACCION supports the delineation between CDFIs and traditional lending institutions.

ACCION is committed to being transparent and being held accountable.

It is my hope that my commentary will prove to be beneficial as you evaluate the current and potential state of challenges and opportunities facing organizations like ACCION. We, along with our borrowers, have benefited greatly in public and private financing.

Thank you for your attention and consideration.

United States House of Representatives
Committee on Financial Services

“TRUTH IN TESTIMONY” DISCLOSURE FORM

Clause 2(g) of rule XI of the Rules of the House of Representatives and the Rules of the Committee on Financial Services require the disclosure of the following information. A copy of this form should be attached to your written testimony.

1. Name: Janie Barrera	2. Organization or organizations you are representing: ACCION Texas, Inc
3. Business Address and telephone number: 	
4. Have you received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2008 related to the subject on which you have been invited to testify? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	5. Have any of the organizations you are representing received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2008 related to the subject on which you have been invited to testify? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
6. If you answered .yes. to either item 4 or 5, please list the source and amount of each grant or contract, and indicate whether the recipient of such grant was you or the organization(s) you are representing. You may list additional grants or contracts on additional sheets. ACCION Texas, Inc. is a registered CDFI and receives awards from the following federal agencies to meet the demands of community and economic development successfully: U.S. Small Business Administration: Microloan Fund, Women's Business Center, SBA Community Advantage lender, SBA 504 Lender (CDC), U.S. Department of Treasury: Treasury funding for CDFI work including loan funds and capacity building, U.S. Department of Agriculture: RMAP, RHED, U.S. Department of Housing: CDBG funding sources through states, U.S. Department of Commerce: EDA Funds	
7. Signature: 	

Please attach a copy of this form to your written testimony.