

Small Business Lending Committee  
Meeting of October 25, 2018

**Draft Minutes**

Attendees:

Laura	Berg	East Cambridge Savings Bank
Jean	Horstman	
Alexandra	Jaskula-Ranga	OFN
Nancy	Lee	Interise
Charles	Smith	Eastern Bank
Mike	Walker	Citizens Bank
Regan	St. Pierre	MCBC

Phone:

Paul	Horwitz	FDIC
Sarah	Lamitie	Boston Private Bank
Stuart	Ryan	BankMaps, LLC

The meeting began at 9:30 a.m. at Eastern Bank, 265 Franklin Street, Boston and was chaired by Charles Smith.

1. Approval of the Meeting Minutes from September 13<sup>h</sup>, 2018.  
Motion to approve minutes from September 13<sup>th</sup> was made and seconded.

2. Updates and Announcements

MCBC's Small Business Committee (SBC) is looking for a committee co-chair to represent community organizations and CDFIs in the Commonwealth. Inquiries about the role and responsibility as well as the nomination process can be sent to Regan St. Pierre. The co-chair will work along with Charles Smith, SVP, Small Business Lending at Eastern Bank, to provide committee oversight and direction.

Meeting dates for 2019 were shared with the SBC. Charles offered to host at other Eastern Bank locations that may be more convenient for committee members. Laura also offered to host at East Cambridge Savings Bank.

Jean noted Treasury issued its guidance on Opportunity Zones. Alexandra indicated OFN has been on the road talking about the potential of Opportunity Zones and offered to get materials. Jean indicated OZs would likely attract individual investors given capital gains in the housing market. PNC, Enterprise and Goldman Sachs appear to be the first movers with fund offerings out in the market.

The next SBC meeting will be focused on women in small business. Invited speakers include Santander and their inaugural class of Cultivate Small Business, Vicky Stein and Megan Teare from CDFI Women Connect, and Eastern Bank to talk about their 2018 targeted grant category – Advancing Women.

Interise is releasing a white paper November 13th with the Federal Reserve Bank of New York, the Stanford Latino Entrepreneurship Initiative: [Latino-Owned Businesses: Shining a Light on National Trends](#). The report builds on work done earlier in the year by the Stanford Latino Entrepreneurship Initiative (SLEI) and the Aspen Institute. Jean also suggested MCBC learn more about targeted funds looking at Latino businesses reaching out to Mark Madrid at the Latino Business Action Network.

Paul suggested the Orange Innovation Center in Orange, Massachusetts. It is a mill redeveloped into an incubator that is substantially occupied. There is a fascinating story about how it came about and was financed by the USDA Rural Development/Small Business Administration collaboration.

Jean suggested reaching out to Working Cities Challenge for an update because they will have their first class graduating. It was noted that Holyoke is thinking of making themselves the cannabis industry capital for Massachusetts.

The committee also briefly discussed small business lending in the cannabis industry. The SBA issued [guidance](#) earlier this year on lending to companies the cannabis industry. The guidance, published in early April, prohibits banks from issuing SBA-backed loans to any company that has a direct business relationship or top-line revenue with a cannabis or hemp business. It was noted that the cannabis industry and how it is financed is a social justice issue because not everyone has access to private equity.

How can we involve equity folks in these conversations about Opportunity Zones and cannabis? It was noted that Goldman Sachs has local offices as well as JP Morgan Chase's recent expansion into the Massachusetts market.

It was suggested that MCBC do an industry spotlight for each meeting: Opportunity Zones, USDA RD/SBA, cannabis, Latino targeted small business funds, etc.

An update was solicited about the Greater Lawrence Disaster Relief Fund and associated efforts to providing services to affected small businesses. MA Community Growth Capital established the Lawrence Fund and many of the banks gave to the Fund. In addition many local financial institutions are working with small businesses affected by the disaster. Mill Cities Community Investment Fund, a certified Community Development Financial Institution, is administering the funds. The SBC discussed the difference between federal and state disasters because SBA funds are not available for the latter. It was noted that it would be helpful to better understand what resources are in place when state disasters occur. The SBC meeting presentation has links with more information to resources.

Nancy provided a recap of the joint efforts made by Interise and MCBC in the last year around anchor institutions and strategic procurements. Earlier this year, MCBC, the Fed, and Interise invited Chicago United to present the Five Forward program. The Five Forward program is a model for private companies to engage and mentor five minority small businesses over five years and grow them to the next stage through strategic procurement opportunities. Five Forward is one of a number of local initiatives happening across the country where small businesses and procurement offices at anchor institutions come together with capital providers and capacity builders to ensure the growth of minority small businesses. Capital providers are integral to financing the upfront parts of these strategic procurement contracts so small businesses can execute on these opportunities. Jean's "Each One, Grown One" approach makes it hard to say no and invites the anchors to decide to do more than one.

Other interesting takeaways from the Chicago United meeting were:



Massachusetts Community & Banking Council

1/ anchor institutions are motivated by their mission to engage and support the communities in which they operate; often, it is not a question of convincing them that strategic procurement is a good idea;

2/ difficulty lies in the policies and procedures and/or due diligence standards in place at anchor institutions, which are not geared to supporting small businesses;

3/ banks have an opportunity to work with anchor institutions on how to review and diligence small businesses (i.e. financial reporting standards: audited financial statements vs. tax return review);

4/ who is championing the initiatives such that a procurement officer is not taking a chance on a small business and/or conversely is encouraged to look beyond preferred vendors. The consensus is there needs to be a larger vision supported by the anchor institution;

5/ Strategic procurement ultimately benefits the anchor institutions because it fosters competition and diversity of suppliers while helping the organization meet its mission to engage and support communities.

Who is going to be the Chicago United in Boston? Interise and Boston Consortium have met and talked about Each One, Grow One. The next steps for Interise to reach back out to the Boston Consortium.

The Federal Reserve Bank of Richmond – Baltimore branch hosted a convening in June lead by the Democracy Collaborative to share learnings from around the country and Canada. Boston is the only anchor collaborative where the bankers are invited to this conversation. A Democracy Collaborative Network was established to advance thought leadership about what they are doing.

Interise has rebranded C-cubed as LEEP - Leadership in Local and Equitable Procurement - and is considering developing a certification in anchor procurement. Three pilot locations are confirmed: Boston, Dallas and Mobile, Alabama, with three other locations identified: Seattle, Detroit, and Nashville.

Eastern Bank and some other financial institutions are getting together to see how to add diversity to their corporate supply chain. Eastern Bank through the [Pacesetter Initiative](#) is identifying how to use more minority vendors through this partnership with the Boston Chamber of Commerce.

It was noted that in the City of Boston, based on data provided by the City at MCBC's March meeting, here are approximately 40 'tier 1' minority small businesses in the range of \$2.5-\$5.0 million in revenue. Most who are familiar with this topic know that there is an opportunity to grow the number of minority vendors doing \$1.0-\$5.0M in revenue in Boston. It was noted that growing local businesses/microenterprises also requires moving from serving consumer markets to entering the wholesale and business-to-business market.

It was also noted that there is the issue that banks cannot fund losses knowingly unless a company is in growth mode, so often lending/debt is not the appropriate financing tool for small businesses in growth mode. More minority businesses need access to equity or non-conventional financing.

### 3. OCC's ANPR

It was noted that the OCC issued an Advance Notice of Proposed Rulemaking ("ANPR") on August 28<sup>th</sup>. Public comments are due November 19<sup>th</sup>. While the ANPR was issued solely by the OCC, public comments are expected to be reviewed by the FDIC and Federal Reserve Bank of Boston. Focus is on: 1/ how bank CRA activity is measured; 2/ harmonization of CRA supervision; 3/ distribution of CRA geographic assessment areas; 4/ the regulatory review and examination process. It was noted

that The Boston City Council filed a non-binding resolution in support of CRA modernization and a vote was anticipated to be taken 10/24 or at an upcoming meeting. Regan noted 1/ most of the larger banks under the OCC are expected to comment as well as the small and regional banks that are under FDIC and Federal Reserve Bank supervision; 2/ MCBC Board of Directors formed a working group and anticipates filing a public comment letter.

4. 2017 Small Business Report Update

Stuart Ryan joined us to discuss the next report when the 2017 CRA data is made available, which was expected by the end of the month. Stuart was going to modify geographic comparison to bring MCBC's two reports more in line. Nancy was going to see if we could get the Massachusetts data from the Federal Reserve for the Small Business Credit Survey. Stuart also requested the business demographic data from Dun & Bradstreet to calculate lending rates provided by one of MCBC's member banks. MCBC will form an advisory committee once the data is available.

The meeting adjourned at 11:30 AM.

DRAFT