



**REMARKS TO GRAND RAPIDS ROTARY CLUB
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Thank you, everyone. I appreciate the rotary for the invitation to speak about economic racial inequity, and more importantly, how Rende Progress Capital is one solution to it.

Let me start with my known candor and directness---in this case my three beliefs that are the foundation of being a conscious capitalist and creating Rende Progress Capital after my starting my first business:

First, Capitalism has been the most successful economic system the world has ever seen, and it has put people on the path to security.

However, it has had---and still has---serious flaws. Namely, it flourished here in America due largely to slavery.

Third, my late grandfather who created some of his own jobs, along with my mother, encouraged me to start my own business and reclaim and reform this capitalist system. Not withdraw from it.

Therefore, my commitment has been this: That capitalism is a horrible system----except for any other system. And that everyday my work is to identify its barriers and maximize its benefits for personal and community prosperity.

Such beliefs drive Rende Progress Capital which is a new loan fund and the only racial equity emerging Not-for-profit Community Development Financial Institution providing loans and business technical assistance services to Excluded Entrepreneurs who are African-American, Latino, Asian, Native American and Immigrant business owners who face social and bias barriers to acquiring conventional loans.

Why Rende Progress Capital? Rende Progress Capital needed to be created with our distinct mission based on these unfortunate realities.

The first reality is the Racial Wealth Gap. As documented from the Pew Research Center the median wealth of White families is \$113,149 compared with \$6,325 for Latino families and \$5,677 for African-Americans.

One solution to this racial wealth gap is people of color starting their own businesses. Many reports such as the St. Louis Federal Reserve noted that families in which the household head of color was self-employed had a median net worth five times that of households in which the household head worked for someone else. Therefore, entrepreneurship is an anti-racial wealth gap tool.

However, there are barriers to capital for Excluded Entrepreneurs. For example, loan denial rates for minority businesses were about three times higher, at 42 percent----compared to those of non-minority-owned firms, at 16 percent denial. Even when there are controlling factors such as the business of color having credit worthiness similar to their white peers, the denial rate does not notably change.

The second barrier is that African-American Business Owners received 8.2% of Small Business Administration loans before the recession. After the recession, they received 1.7% of loans in 2014. Now, there are no direct loans provided by SBA to although it provides loan guarantee programs.

As a result, many businesses led by people of color take out loans at payday lenders with 125% plus interest rates for example.

Another barrier is created. As business owners of color directly experience or even hear news about these continued realities, there is a chilling internalization of such bias.

For example, among one of our statewide focus groups of businesses, West Michigan Excluded Entrepreneur Focus Group A of 50 business owners of color, 43% reported that they feel they will be denied a conventional loan due to racial bias. Almost 30% said they had been denied due to bias. As a result, they respond in three ways. First, they forego loans. Second, they overcapitalize their business with critical personal money such as income and savings.

Lastly and as I mentioned, while the predatory payday lending loans are still mostly a loan instrument for obtaining money for personal needs, 23% of respondents in one of the West Michigan businesses of color focus groups reported that they have used such predatory loans for some business needs. Which is not good for that business, their workers or families.

The solution to these barriers is Rende Progress Capital, a new not-for-profit loan fund and emerging Community Development Financial Institution or (CDFI) for short.

Emerging and existing CDFIs are private financial institutions such as loan funds, some community development banks, some credit unions and community development venture funds dedicated to delivering responsible and affordable lending to disinvested communities with products they cannot receive from conventional lenders because of market issues or bias.

As I mentioned, RPC's disinvested people focus is Excluded Entrepreneurs of color. We are among 48% of those serving people of color. RPC hopes to grow our capital and our lending to be a part of a CDFI industry that has provided \$48 billion dollars in responsible lending since 1985 and a milestone of \$5 billion in responsible lending to women, minority and rural businesses in 2015.

Among 1,033 emerging or existing CDFIs, 22 percent were owned or controlled by people of color---a smaller amount are created, owned and controlled by people of color such as RPC. RPC is one of those few with professionals and directors such as a CEO running a business with over \$5 million in revenue to a Rhodes Scholar educated Federal Reserve Bank economist.

Operationally, we strive to be profitable but not profit-maximizing. Next, we obtain grant funding from foundations, banks such as United Bank or Flagstar Bank, corporations and the federal government for effective operations to manage our loan systems and programs to prepare our clients for loans.

We strive to use our resources for free or reduced fee technical assistance to help potential applicants improve in necessary business areas in order to increase the likelihood of being approved for a loan. We then receive and leverage capital in the form of below market instruments from public and private sources such as the Grand Rapids Community Foundation that allows us to lend to Excluded Entrepreneurs with our own affordable terms and then pay back those sources. RPC is focused on providing loans in the areas of \$10,000 to \$500,000 to Excluded Entrepreneurs in diverse business areas.

Here are the distinctives of what we do as the nation's only racial equity focused loan fund that no CDFI or conventional lender can claim. First, we have a consumer niche of disinvested business owners---not because of their race but because of the aforementioned lending barriers. Second, our mission is to eliminate the racial wealth gap. This is why we track our loan impact for wealth growth and provide financial advising.

Third, we combine traditional loan approval criteria with our private proprietary Financing Approval through Racial Equity tool which uses factors of documented racial equity and racial inequity and applies them to an approved applicant for other good conditions to the loan.

Fourth, loan decisions and loan committee meetings of every loan applicant must be reviewed with 13 racial equity assessment steps to ensure that we make bias-free decisions and consider loan's impact on that racially diverse business owner, the community and employees just as we consider the business structure, financials, risk rating and the applicant's ability to repay.

So, how are these distinctives and our new entry to market impacting the community---and how will it do so in the future? We have already started on schedule and goal to make our first loan on or before Q4 of 2018.

Upon receiving GRCF capital last November, RPC made our first loan on December 16th via a \$250,000 participant loan with CDFI Northern Initiatives to Reliable Medical Transport, a local African-American owned company providing destination services for mobility impaired individuals requiring critical but non-emergency transportation.

The loan and our junior position are helping expand the company's fleet and working capital to expand critical employee functions. It is the first loan for the owner although he has been in a market that Uber and Lyft are now considering.

Based on the company's business, referrals and other factors, we participated in lending to the business by looking at aspects of racial equity—specifically, based on our review of studies that some structural barriers to health care for racially diverse communities are due to a lack of accessible and affordable transportation.

We hope that some our measurement milestones that the business has already experienced such as two new racially diverse hires, 1 new employee who reentered society and business growth will be experienced by other applicants that we are reviewing this quarter.

Therefore, the benefits of our new work to the Grand Rapids area community and to the new applicants we are reviewing are the following. The first benefit is we are providing first time affordable loans to businesses of color who have critical business needs but have experienced numerous bias and market barriers to loans.

The second benefit is that we provide growth for Excluded Entrepreneur owned businesses where our continued loans will contribute to new jobs for diverse workers and increased income and intergenerational wealth for those business owners.

The third benefit is that based on #1 and #2, RPC is helping the community turn the tide on economic exclusion for people of color, helping us no longer remain the Forbes.com 51st out of 52nd worst cities in the country economically for African-Americans. The fourth benefit is that more Excluded Entrepreneurs who are prepared for conventional loans that strengthen their businesses will provide local neighborhoods with expanded or new businesses that contribute to the tax base and jobs. Lastly, the fifth benefit is that RPC provides the Grand Rapids area with a private sector provider of loans and services explicitly focused on racial economic equity.

Based on the unfortunate passage of Michigan's Proposal 2 in 2006 that ended public affirmative action initiatives and race-based remedy programs, local governments can no longer provide explicit programs, dedicated funding or contractual programs to entrepreneurs of racially diverse backgrounds. Through racial-equity focused lending and services, we are providing a function that local and state government can no longer do.

This is how we eliminate the racial wealth gap and do so in an imperfect system of capitalism so we can arrive at the official definition of Racial Equity---*which is arriving at a condition where one's racial identity (in a statistical sense) no longer determines how one fare's in life.*

Thank you for hearing about how we do this by providing lending, services and soon---equity-like investments to those who have been excluded from such opportunities.