

Letters for Congressional Hearing Records from Renee King  
on Discrimination in Financial Services

*First Letter:* Submitted for the record of the Senate Committee on Banking, Housing, and Urban Affairs hearing on [Fairness in Financial Services: Racism and Discrimination in Banking](#) - November 30, 2022

*Second Letter:* Submitted for the record of the House Financial Services Subcommittee on Diversity and Inclusion hearing on [Unfinished Business: A Review of Progress Made and a Plan to Achieve Full Economic Inclusion for Every American](#) - December 12, 2022

November 30, 2022

Dear Members of the Senate Committee on Banking, Housing, and Urban Affairs,

My name is Renee King and I am the Founder and CEO of [Fund Black Founders](#), a crowdfunding platform dedicated to narrowing the capital access gap by connecting Black founders with the financial and community resources they need. We strive to fill the “friends and family” funding round so many Black and brown founders lack. Through our work, we see the inequities in capital access for underrepresented founders as painfully obvious. But the gaps exist not just in venture capital or self-financing, but through our banking system as well. Across the board, Black founders face diminished access to the capital they need and without policy change, founders of color will continue to face barriers throughout our startup ecosystem.

The greatest challenge a founder faces is acquiring funding, but the U.S. banking system, simply put, does not provide equitable access for many Black and brown individuals. This became apparent to many amidst the pandemic and the roll out of the Paycheck Protection Program (PPP). Predominantly Black congressional districts received fewer loans, faced delays in approval, and many Black and brown small business owners were shut out of relief due to insufficient banking relationships.<sup>1</sup>

But, the PPP isn't the only example of inequity in the banking system. While one in 20 American families lack a banking relationship, this issue is particularly acute for underrepresented founders.<sup>2</sup> Bank branch closures in Black and rural communities continue, and many Black-owned banks have closed, limiting access for founders in need of loans.<sup>3</sup> Even when minority business owners have banking access, they are more frequently denied loans, even when controlling for other factors.<sup>4</sup> Disparities in credit scores as a result of income and wealth inequality affect Black and brown founders' ability to secure a loan,<sup>5</sup> as these are used by banks to determine loan worthiness. And when they are approved, they face higher interest rates<sup>6</sup> and many fail to be granted full

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<sup>1</sup> Matt O. Dhaiti and Jamie Dohopolski, *Engine's Response to the Call for Comments on Expanding American Innovation* (Feb. 23, 2021), <https://static1.squarespace.com/static/571681753c44d835a440c8b5/t/60366ecbd288114c62743c45/1614180046522/Engine+USPTO+diversity+comments.pdf>; and, See testimony of Karen Kerrigan, President and CEO, SBE Council, available at:

<https://democrats-financialservices.house.gov/UploadedFiles/HHRG-116-BA13-Wstate-KerriganK-20200709.pdf>.

<sup>2</sup> Dhaiti and Dohopolski, *supra* note 1.

<sup>3</sup> *Id.*

<sup>4</sup> SBA Office of Advocacy, *Access to Capital among Young Firms, Minority-owned Firms, Women-owned Firms, and High-tech Firms* (April 2013), [https://www.sba.gov/sites/default/files/files/rs403tot\(2\).pdf](https://www.sba.gov/sites/default/files/files/rs403tot(2).pdf).

<sup>5</sup> Dhaiti and Dohopolski, *supra* note 1.

<sup>6</sup> Jared Weitz, *Why Minorities Have So Much Trouble Accessing Small Business Loans* (January 22, 2018), <https://www.forbes.com/sites/forbesfinancecouncil/2018/01/22/why-minorities-have-so-much-trouble-accessing-small-business-loans/#2668d7af55c4>.

financing.<sup>7</sup> Moreover, the prioritization of businesses with existing lines of credit means many Black businesses are further excluded from bank loans as a funding source.<sup>8</sup>

The discrimination and poor outcomes underrepresented founders experience when using the banking system means many Black and brown founders struggle to launch and grow their startups. Many founders are pushed to pursue riskier financing, including using personal credit cards, to fund their businesses.<sup>9</sup> Some will refrain from applying at all due to fear of rejection.<sup>10</sup> And others still may forgo innovation as a career path, abandoning dreams of owning and growing a business.

I am grateful to the committee for taking the time to examine racism and discrimination in banking. Unfortunately, this all too common occurrence, unless remedied, will continue to shut Black and brown founders out of our banking system and out of the innovation ecosystem. Seventeen percent of Black women are in the process of starting a new business compared to 10 percent of white women and 15 percent of white men.<sup>11</sup> But for these founders to succeed, they need equitable access to business funding. If we truly want to foster an environment that produces diverse innovation and embraces a representative startup ecosystem, policymakers must work to address the systemic inequities across all funding streams on which founders rely.

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<sup>7</sup> *Id.*; and, Gene Marks, Black Owned Firms are Twice as Likely to be Rejected for Loans. Is this Discrimination? (Jan. 16, 2020), <https://www.theguardian.com/business/2020/jan/16/black-owned-firms-are-twice-as-likely-to-be-rejected-for-loans-is-this-discrimination>.

<sup>8</sup> Gina Heeb, *Businesses Owned By Blacks, Latinos Less Than Half As Likely To Be Approved For Loans Than Whites, Fed Says* (April 15, 2021), <https://www.forbes.com/sites/ginaheeb/2021/04/15/businesses-owned-by-blacks-latinos-less-than-half-as-likely-to-be-approved-for-loans-than-whites-fed-says/?sh=3cf81ded53da>.

<sup>9</sup> Dhaiti and Dohopolski, *supra* note 1.

<sup>10</sup> Weitz, *supra* note 6.

<sup>11</sup> Donna Kelley, Mahdi Majbouri, and Angela Randolph, *Black Women are More Likely to Start a Business than White Men* (May 11, 2021), <https://hbr.org/2021/05/black-women-are-more-likely-to-start-a-business-than-white-men>.

December 12, 2022

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The greatest challenge a founder faces is acquiring funding, but the U.S. banking system, simply put, does not provide equitable access for many Black and brown individuals. This became apparent to many amidst the pandemic and the roll out of the Paycheck Protection Program (PPP). Predominantly Black congressional districts received fewer loans, faced delays in approval, and many Black and brown small business owners were shut out of relief due to insufficient banking relationships.<sup>1</sup>

But, the PPP isn't the only example of inequity in the banking system. While one in 20 American families lack a banking relationship, this issue is particularly acute for underrepresented founders.<sup>2</sup> Bank branch closures in Black and rural communities continue, and many Black-owned banks have closed, limiting access for founders in need of loans.<sup>3</sup> Even when minority business owners have banking access, they are more frequently denied loans, even when controlling for other factors.<sup>4</sup> Disparities in credit scores as a result of income and wealth inequality affect Black and brown founders' ability to secure a loan,<sup>5</sup> as these are used by banks to determine loan worthiness. And when they are approved, they face higher interest rates<sup>6</sup> and many fail to be granted full

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I am grateful to the committee for taking the time to examine economic inclusion for all Americans. This is particularly important for Black and Brown founders who have been shut out of our banking system and out of the innovation ecosystem. Seventeen percent of Black women are in the process of starting a new business compared to 10 percent of white women and 15 percent of white men.<sup>11</sup> But for these founders to succeed, they need equitable access to business funding. If we truly want to foster an environment that produces diverse innovation and embraces a representative startup ecosystem, policymakers must work to address the systemic inequities across all funding streams on which founders rely.

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<sup>9</sup> Dhaiti and Dohopolski, *supra* note 1.

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