

Statement by Samuel C. Scott III
Retired Chairman, President, and Chief Executive Officer
Corn Products International, Inc. (now Ingredion Inc.)

Before the United States House of Representatives Committee on Financial Services
Subcommittee on Consumer Protection and Financial Institutions

June 3, 2020

Good afternoon. Chairwoman Waters, Ranking Member McHenry, Chairman Meeks, Ranking Member Luetkemeyer, members of the subcommittee, thank you for the opportunity to participate in today's discussion. I am the retired Chairman and CEO of Corn Products International, today known as Ingredion. I co-chair the American Business Immigration Coalition (ABIC), and I am the Founder and Chairman of Black Chicago Tomorrow.

Today, I would like to talk about some of the problems facing the black communities in our country, and what the COVID-19 pandemic has done to amplify the economic and health disparities in our black communities. The coronavirus is deadlier for the black population both in health and economic outcomes.

While our entire nation is suffering immensely from the coronavirus pandemic, the reality is that members of the black community are dying at an exponentially higher rate than other groups. As the saying goes, "When white folks catch a cold, black folks get pneumonia." In the major cities with black populations between 25-30%, black people represent a staggering 70-75% of the deaths.

Black owned businesses and non-profits are at an increased risk of being forced to close as compared to their white counterparts. Black entrepreneurs are routinely shut out from economic opportunities that allow their white peers to succeed. According to research from The Brookings Institution, white-owned businesses start with three times more capital than their black peers, and only 1% of black business owners are able to secure loans in their founding year, compared to 7% of their white counterparts.

Without significant intervention, this trend will continue.

We have already seen the entrenchment of such inequities during the opening days of the Paycheck Protection Program (PPP). By prioritizing clients that already have existing lines of credit, black businesses and non-profits find themselves yet again excluded from life-saving relief. Without significant intervention that take these disparities into account, black businesses and non-profits will be forced out of our economy and our communities.

PPP2 has been better, but it is still not reaching the majority of small black and brown businesses. That is why we pushed so hard for a set-aside. With the \$10 billion set-aside for Community Development Financial Institutions (CDFIs) and Minority Depository Institutions (MDIs) to serve minority businesses, we can at least start to get money to the communities that need it the most.

Over the past month, ABIC has conducted webinars for small businesses on how to apply for a loan and how to file for forgiveness. Thousands have attended but a very small percentage were minority owned businesses. In the Chicago area, Cook County Board President, Tony

Preckwinkle, heard one of the webinars and she provided money for ABIC to hire a person to locate and bring small black and brown businesses into the application process. In one week, this new staff person found over 200 black-owned businesses with an average loan of \$37,000 for a total of more than \$4.7 million. These are businesses that for some reason did not apply or did not know about the PPP. The ABIC also provided a pro bono accountant to walk these small black-owned businesses through the PPP application process and now they have their money, which came through a local black bank owned by a CDFI.

Through this process, we learned about what is working, and what needs to be improved. But I think the larger question is: How do we leverage this pandemic, translate the deep pain and anger into more effective solutions, in order to ensure that communities like ours that are getting hit first and the hardest, will thrive again?

I would argue that we have to take this opportunity to reimagine and reinvest in our business infrastructure in the small- and medium-sized businesses so that our businesses and communities can actually emerge from this crisis even stronger.

Let me step back to speak to some of the root causes to the economic and health disparities within the black communities prior to COVID. I will speak from my experience in Chicago.

Chicago is arguably the capital of Black America. The legacy of African Americans reverberates from companies such as Johnson Publishing, with its flagship publications, Ebony and Jet, Johnson Products, and Soft Sheen. The first black President, Barack Obama, and the former First Lady, Michelle Obama, came from Chicago.

But violence has been the singular dominating narrative of Chicago for many years. I have been traveling to Chicago for almost 50 years and lived there for the past 32 years. I have seen the black community in Chicago go from its heyday to where it is today. It is that loss and the violence that motivated me to start Black Chicago Tomorrow in 2016 to try to regain the prominence that the black community once had. My contention is that no one thing, including PPP, can fix the problems in black communities in our country.

Our communities suffer from:

- A violence and safety problem
- A policing problem
- A jobs and careers problem
- A housing and community problem
- A drug problem
- An educational and schooling problem
- A family unit problem
- A health and healthcare problem
- A poverty problem

And, a lack of hope.

But we cannot be limited to examining the problems. These are very complex issues, and one solution does not fit all. All of these issues must be addressed at the same time to bring our communities back. I don't have all the answers. But I bet if the people in this room work together to address the entirety of this issue we could really make something good happen.

This starts with doing the right thing today for our small businesses. Without that, there is little hope that we can even start to deal with these other issues that must be addressed.

I am glad that the second round of the Paycheck Protection Program has reached smaller businesses and more businesses of color. We are appreciative for the legislation creating a \$10 billion set-aside to reach more minority businesses. I am encouraged that the House, in near unanimity last week, approved a 24 week extension and greater flexibility in the loan forgiveness process. We hope that the Senate will concur quickly, but we still have to do more.

Here are some recommendations.

First:

Open technical assistance to community based non-profits or 501(c)(3) organizations. We know that larger and well-resourced firms have chief councils, CFOs, and CPAs to navigate this complex world of institutions, business loans, and document preparation. Congress needs to make technical assistance dollars available to non-profit community based organizations to assist our minority entrepreneurs. The CARES Act appropriates \$240 million in technical assistance funds to university-based Small Business Development Centers (SBDC), which does not reach businesses of color. That needs to change. Technical assistance to community nonprofits will level the playing field to ensure that our small businesses of color will receive the same one-to-one financial coaching to survive the crisis.

Second:

Allow small businesses of color to apply for another round of the PPP and simplify the forgiveness process. With over \$100 billion left in PPP, Congress needs to allow small businesses of color, hit the hardest, with another forgivable loan to survive. Remember, over 94% of black businesses are sole proprietors, meaning only 6% have more than one employee. These are the smallest, most vulnerable, and underbanked businesses that will require additional resources to survive.

Third:

A long-term recovery plan to develop a coherent policy and programmatic agenda for businesses of color. In addition, one-to-one financial coaching, regular training and webinars, access to capital, and help with strategies to survive this pandemic.

If we implement the current program as intended, and get the money to the small minority businesses that really need it, we have a chance to save many of them.

But as I have said throughout, they need this and much more.

Thank you for the opportunity to testify today. I look forward to answering your questions and working together to move forward.



BUSINESS LEADERSHIP COUNCIL

Message from Mr. Sam Scott, Corn Products International Retired Chairman and CEO

While black CEOs and Directors are pleased by the bipartisan support for ongoing Congressional action to protect American' lives and livelihoods during the coronavirus pandemic, the reality is that black people, our black owned businesses and black owned nonprofits have been traumatized at alarmingly higher rates compared to their white counterparts and other minority groups. Therefore, important Black CEOs and Directors are urging Congress in an open letter (below) to set aside 25% of the NEW \$250B Paycheck Protection Program to ensure dedicated funds flow quickly to black owned businesses and nonprofits to keep their doors open. This roughly \$68B will only begin to address the disparities within capitalism brought into relief by coronavirus. Absent immediate intervention, black businesses and nonprofits will close, our people will die and a cultural disruption for a community that already lacks access and infrastructure will prove irreversible.

Sam Scott

Corn Products International retired Chairman and CEO

Business Leadership Council <http://businessleadershipcouncil.org/>

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April 13, 2020

Open Letter from Black CEOs and Directors on the Interim Emergency Coronavirus Relief

Dear President Donald Trump, Majority Leader Mitch McConnell, Minority Leader Chuck Schumer, House Speaker Nancy Pelosi and Representative Kevin McCarthy,

While our entire nation is suffering immensely due to the coronavirus pandemic, the reality is that members of the Black community are dying at an exponentially higher rate than other groups, and Black-owned businesses and nonprofits are at an increased risk of being forced to close when compared to their white-owned counterparts. Without significant intervention, this trend will continue.

As the saying goes, "When white folks catch a cold, Black folks get pneumonia." Coronavirus is deadlier for Black folks both in health and economic outcomes. In [major](#) cities with a Black population of 25-30%, Black people represent a staggering 70-75% of all COVID-19 deaths.

Black entrepreneurs are routinely shut out from economic opportunities that allow their white peers to succeed. According to [research from Brookings](#), white-owned businesses start with *three times* more capital than their Black peers, and only 1% of Black business owners are able to secure loans in their founding year, compared to 7% of their white counterparts. Despite the fact that [Black-owned firms grew nearly 35% from 2007 to 2012](#), they receive only a fraction of the investment when compared to white-owned businesses.

We have already seen the entrenchment of such inequities during the opening days of the Payment Protection Program last week. By prioritizing clients that already have existing lines of credit, Black businesses and nonprofits find themselves yet again excluded from live-saving relief.

Without significant intervention that takes these disparities into account, the Black businesses and nonprofits that were able to make it against all odds will be forced out of our economy and communities.

We are urging a 25% set-aside of the new \$250 billion Paycheck Protection Program to ensure dedicated funds flow quickly to Black-owned businesses and nonprofits to keep their doors open. This roughly \$68 billion will only begin to address the disparities within capitalism brought into relief by coronavirus. Absent immediate intervention, Black businesses and nonprofits will close, our people will die, and we will witness an irreversible cultural disruption for a community that already lacks access and infrastructure.

cc: **Congressional Black Caucus**

Signed,

Melody Hobson
President and Co-CEO
Ariel Investments

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Incorporated)

Jim Reynolds
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State of Illinois

Charles Smith
CEO
CS Insurance Strategies

May 17, 2020

“Shared Prosperity and Economic Recovery Equity Project”
Illinois Technical Assistance initiative for Small Businesses of Color

Proposal: New appropriation of \$10 million for the Illinois Department of Commerce and Economic Opportunity for community-based non-profit organizations to provide technical assistance to diverse, underserved and minority owned small businesses. Eligible community-based non-profit organizations **must be** located in a low or moderate-income census tract. Cook County Economic Recovery Initiative’s modest \$100,000 investment in Technical Assistance has delivered \$4.1M in PPP to 147 minority owned businesses in Suburban Cook with an avg grant of \$32,000 for restaurants, barber shops, nail salons, child care centers, mom and pops. Hence, a \$10M state investment could deliver up to \$410M for small businesses of color across Illinois while strengthening their recovery infrastructure. That’s a great ROI!

Overview: The advent of the global covid 19 pandemic and subsequent economic collapse has laid bare the disproportionate impact of health and economic crisis on communities of color. According to the [Center for Responsible Lending](#), up to 90% of minority businesses were shut out of the federal coronavirus relief for small businesses called the Paycheck Protection Program. A recent Brookings [report](#) showed that while white businesses on average have 2 to 3 months of cash flow on hand, businesses of color have 3 to 4 weeks, and absent immediate and targeted support, they will close forever. Brookings also reported that minority businesses faced [systemic](#) and widespread challenges navigating financial institutions such as large banks prioritizing their larger customers, and small businesses of color struggling with loan calculations and document preparation for both local and federal programs.

Borrowers of color are having difficulties with:

- Getting accurate and timely information on local and federal small business relief programs
- Determining eligibility, gathering documentation and calculating payroll/loan amount request
- Completing federal and state borrower forms (EIDL, PPP, State and local programs)
- Uploading all required documents which have varied across banks
- Accessing the right lenders, how to spot and avoid scams

- Gathering acceptable documents for validating payroll and businesses related expenses costs
- How to turn a loan into a grant
- Interpreting Treasury, SBA, state and local lending guidelines
- Understanding lender and government online portals like the e-tran system
- Determining if independent contractors count as employees for loan calculation.

We know larger and well-resourced firms have chief counsels, CFOs and CPAs to navigate this complex world of financial institutions, business loans and document preparation. A state-wide technical assistance program **levels the playing field** to ensure that our small businesses of color will receive the same 1 to 1 financial coaching to survive this crisis. This state-wide technical assistance program will also **provide equity** to ensure that communities of color hit first, hardest and will take the longest to recover (some are still recovering from the last recession before this one hit) will have the assistance they need to survive and thrive.

The goal of this work will be to develop a coherent policy and programmatic agenda for the participating community-based organizations in economic development and recovery for small businesses of color, and to leverage the hard work and entrepreneurialism of our businesses of color for our “Shared Prosperity”. With the state’s investment there will be a core of equity focused nonprofit organizations providing one to one financial coaching, regular training and webinars working together to address the needs of our businesses of color in alignment with IDPH guidelines and Governor’s phases of reopening, and this body of work will be growing throughout our movement. Crisis is an opportunity to rebuild together, stronger.

Proposed Appropriations: 10M new appropriations for DCEO for community-based non-profit organizations to provide technical assistance to diverse, underserved and minority owned small businesses. **Proposed Eligibility:** community-based non-profit organizations located in modest and low-income census tracts with a strong track record of serving small businesses of color.

Proposed Model: A hub and spoke system of mission based nonprofit lenders called Community Development Financial Institutions- CDFI and Minority Depository Institutions MDI; and non-profit agencies will ramp up to reach the most underserved and minority businesses. The state's investment can mobilize nonprofits that work with truly underserved minority businesses and sole proprietors to help them get their paperwork together and be ready to submit an application to a CDFI/MDI. TWO hubs per "economic recovery region." The first hub is the CDFI loan processor, the non-profits are the spokes that feed in the pipeline of the most underserved. The second hub is the lead non-profit to

provide "train the trainers" on financial counseling, policy, comms, coordination and troubleshooting, the other nonprofits are "spokes" that do the 1-1 financial coaching and document preparation and they receive regular training, best practices, and coordination from the lead nonprofit "hub."

Appendix: But what about technical assistance dollars provided by the federal government?

CARES 1.0 appropriated Technical Assistance funds only for university-based Small Business Development Centers (SBDCs) in the amount of \$240 million. Often, minority business owners are better served by community-based nonprofits that focus on providing culturally and linguistically tailored entrepreneurial counseling to their specific target community rather than university-based centers that do not serve these communities as effectively. The national SBDC Association reports that only 28% of the clients served by SBDCs are "minority" of some kind and no additional data on race and ethnicity is made publicly available. Other funds were made available in CARES 1.0 to Women's Business Centers (WBCs) and Minority Business Development Centers (MBDAs), which are funded by the Department of Commerce to provide specialized assistance to a segment of small businesses in areas like high tech manufacturing and exports. No federal funding was made available to the other non-profit networks and community-based organizations that make up critical elements of our nation's infrastructure for providing entrepreneurial assistance, particularly for minority owned businesses. Illinois DCEO currently does not have TA funding dedicated to businesses of color.