

TESTIMONY PRESENTED BY
RAMON M. RODRIGUEZ, ESQ.
ON BEHALF OF
THE UNITED STATES HISPANIC CHAMBER OF COMMERCE
BEFORE THE
COMMITTEE ON FINANCIAL SERVICES
RAYBURN OFFICE BUILDING
JUNE 4, 2003

GOOD MORNING MR. CHAIRMAN. THANK YOU FOR THE OPPORTUNITY TO TESTIFY BEFORE THIS COMMITTEE RELEVANT TO AN ISSUE THAT IS OF VITAL INTEREST TO THE CONSUMER IN PARTICULAR, TO FINANCIAL INSTITUTIONS IN GENERAL, TO SMALL BUSINESS OWNERS AND IN PARTICULAR TO HISPANIC-OWNED BUSINESSES.

MY NAME IS RAMON RODRIGUEZ AND I AM THE CHIEF OPERATING OFFICER OF THE UNITED STATES HISPANIC CHAMBER OF COMMERCE. COMMONLY REFERRED TO AS THE USHCC.

SINCE ITS FOUNDING IN 1979 IN THE STATE OF NEW MEXICO, THE USHCC HAS BEEN AT THE FOREFRONT OF ADVOCATING FOR AND ON BEHALF OF HISPANIC BUSINESS OWNERS, BOTH ON A NATIONAL AND INTERNATIONAL LEVEL. AS THE LEADING HISPANIC BUSINESS ORGANIZATION IN THE UNITED STATES WE REPRESENT THE INTERESTS OF MORE THAN 1.5 MILLION HISPANIC OWNED BUSINESSES IN THE UNITED STATES AND PUERTO RICO. OUR PRIMARY MISSION IS TO PROMOTE AND ENHANCE BUSINESS OPPORTUNITIES WITH CORPORATE AMERICA AND THE PUBLIC SECTOR, FOR THE CONSTITUENCY WE REPRESENT. ONE OF THE CHALLENGES THAT CONFRONTS OUR CONSTITUENCY CONTINUOUSLY IS ACCESS TO CAPITAL. THE ENTREPRENEURIAL SPIRIT OF THE HISPANIC COMMUNITY IS UNEQUALED WITHIN THE MINORITY BUSINESS COMMUNITY. IT HAS TWICE AS MANY BUSINESSES AS THE NEXT LARGEST MINORITY BUSINESS SECTOR AND GROWING AT AN

PAGE 2

EXPONENTIAL RATE AND GENERATING OVER \$200 BILLION IN ANNUAL GROSS RECEIPTS. WITH AN INCREASE IN THE NUMBER AND PROFITS OF HISPANIC BUSINESSES IN THIS COUNTRY, THE COMMUNITY HAS BECOME A CENTRAL FIGURE WITHIN THE COUNTRY'S FINANCIAL MARKETS. FOR HISPANIC BUSINESSES, ACCESS TO CAPITAL MEANS THE ABILITY GROW AND EXPAND THEIR ENTERPRISES TO BECOME MORE COMPETITIVE IN THE BUSINESS WORLD. PART OF THAT ACCESS TO CAPITAL IS HAVING ACCESS TO CREDIT AND HAVING A MECHANISM IN PLACE THAT WILL NOT IMPEDE THE FREE FLOW OF THAT CREDIT, THAT IN SOME INSTANCES CAN MEAN THE DIFFERENCE BETWEEN TAKING ADVANTAGE OF AN OPPORTUNITY OR NOT.

MR. CHAIRMAN, NOW THAT YOU KNOW WHO WE ARE, ALLOW ME TO FOCUS ON THE FAIR CREDIT REPORTING ACT AND THE IMPORTANCE OF UNIFORM NATIONAL STANDARDS TO OUR MEMBERS. BECAUSE OTHERS HAVE AND WILL TESTIFY ABOUT THE INTRICATE INNER WORKINGS OF THE ACT AND WHAT WILL HAPPEN IF ANY ASPECT IS MATERIALLY DISRUPTED; I WILL NOT DO SO TODAY. SUFFICE IT TO SAY THAT ALL OF THE ECONOMIC BENEFITS BEING DESCRIBED APPLY EQUALLY TO OUR BUSINESSES AND OUR MEMBERS AND, MORE IMPORTANTLY ALL OF THE CONSEQUENCES OF DISRUPTING OR BALKANIZING THE CURRENT SYSTEM FALLS ON US AS WELL.

PAGE 3

**HAVING SAID THAT, LET ME MAKE SOME IMPORTANT POINTS
UNIQUELY FROM OUR PERSPECTIVE.**

**LET ME BEGIN WITH SOME STATISTICS I HAVE SEEN. SEVEN OUT OF
10 BUSINESSES ARE STARTED WITH LESS THAN \$20,000. SMALL
BUSINESSES REPRESENT 99% OF ALL U.S. EMPLOYERS AND THEY
ACCOUNT FOR 80% OF ALL NEW JOBS. OVER 45% OF SMALL
BUSINESSES RELY UPON PERSONAL CREDIT CARDS AS A MAJOR
SOURCE OF FINANCING AND, SINCE THE 1996 AMENDMENTS, THOSE
IN THE LOWER HALF OF THE INCOME SPECTRUM HAVE ENJOYED BY
FAR THE LARGEST INCREASE IN ACCESS TO COMPETITIVELY PRICED
CREDIT. MINORITY HOME OWNERSHIP AND MINORITY OWNERSHIP OF
BUSINESSES HAVE INCREASED STEADILY SINCE 1996, DUE LARGELY TO
COMPETITIVELY AVAILABLE CREDIT AND UNLIKE ANY TIME IN OUR
HISTORY. THOSE IN THE LOWEST ONE FIFTH INCOME BRACKET HAVE,
BY FAR, SEEN THE GREATEST INCREASE IN HOME OWNERSHIP AS A
RESULT.**

**THESE PHENOMENA HAVE OCCURRED BECAUSE CONGRESS ENACTED
LAWS THAT ALLOWED A TRULY NATIONAL MARKET FOR CREDIT TO
DEVELOP AND GAVE BUSINESSES, BOTH LARGE AND SMALL, THE
ABILITY TO ACCURATELY ASSESS CREDIT RISKS LIKE NEVER BEFORE.
NOT SURPRISING THEN THAT RECENT STUDIES ALSO SHOW THAT
THOSE WHO ACHIEVED THE MOST GAINS SINCE 1996 WILL, SHOULD**

PAGE 4

THE CURRENT SYSTEM BECOME BALKANIZED, SUFFER DISPROPORTIONATELY. ONE STUDY INDICATED 1.8 MILLION FEWER JOBS AND 19,000 FEWER HOME PURCHASES A YEAR IS FCRA IS NOT RENEWED. BECAUSE OUR MEMBERS ARE AMONG THOSE WHO HAVE BENEFITED THE MOST FROM WHAT THE 1996 AMENDMENTS MADE POSSIBLE, WE WILL SUFFER DISPROPORTIONATELY SHOULD THE CURRENT LAW BE PERMITTED TO LAPSE. WE URGE YOU NOT TO LET THAT HAPPEN.

LET ME SHARE WITH YOU A LETTER OUR PRESIDENT, GEORGE HERRERA, RECENTLY SENT TO THE WHITE HOUSE ON THIS TOPIC. I SHARE THIS BECAUSE I KNOW THIS ADMINISTRATION SHARES OUR CONCERN. THE LETTER READS AS FOLLOWS:

“THIS ADMINISTRATION HAS ALWAYS BEEN ATTENTIVE TO ISSUES OF IMPORTANCE TO THE HISPANIC BUSINESS COMMUNITY, PARTICULARLY ISSUES THAT IMPACT UPON OUR ABILITY TO ENJOY THE SAME ECONOMIC OPPORTUNITIES AS OTHERS. ON BEHALF OF THE UNITED STATES HISPANIC CHAMBER OF COMMERCE, ALLOW ME TO FOCUS ON TWO ECONOMIC ISSUES IMPORTANT TO BOTH OUR MEMBERS AND TO OUR COMMUNITY.

THERE IS INCREASING DISCUSSION WITHIN THE CHAMBER OF THE POTENTIALLY SEVERE ECONOMIC CONSEQUENCES SHOULD THE EXPIRING PROVISIONS OF THE FAIC CREDIT REPORTING ACT BE PERMITTED TO LAPSE. EQUALLY OF CONCERN IS HAVING STATES LIKE

PAGE 5

CALIFORNIA CONTINUE EFFORTS TO RESTRICT OUR COMPANIES FROM KNOWING THEIR CUSTOMERS AND ACTING UPON INFORMATION NOW AVAILABLE TO THEM TO BETTER THEIR BUSINESS POTENTIAL. I URGE THE WHITE HOUSE TO ACTIVELY WORK TO OBTAIN THE LEGISLATION NECESSARY TO PREVENT THESE THINGS FROM HAPPENING.

THROUGHOUT THE YEARS, BUT MORE SO RECENTLY, THE HISPANIC BUSINESS COMMUNITY AS CONTRIBUTED GREATLY TO THE GROWTH OF OUR NATION'S ECONOMY. THE ECONOMIC SUCCESSES OF OUR MEMBERS AND OF INDIVIDUALS WITHIN THE COMMUNITY IS DUE, IN SUBSTANTIAL PART, TO CREDIT BECOMING WIDELY AND FAIRLY AVAILABLE AT COMPETITIVE RATES. THESE LAWS HAVE EXTENDED THE REACH OF CREDIT MARKETS IN WAYS THAT HAVE LARGELY ABOLISHED ARTIFICIAL RESTRICTIONS PREVALENT ONLY A FEW SHORT YEARS AGO. WE MUST NOT RETREAT AND WE MUST NOT ALLOW A PATCHWORK OF LAWS THAT ULTIMATELY WILL UNFAIRLY HURT OUR MEMBERS AND OUR COMMUNITY."

GEORGE CONCLUDED BY SAYING, "ONE RECENT STUDY I SAW PREDICTED A SEVERE ECONOMIC IMPACT SHOULD CONGRESS NOT ACT. IT CAME AS NO SURPRISE THAT THE FINDINGS ALSO INDICATED WE WOULD SUFFER DISPROPORTIONATELY. THAT IS WHY THIS IS IMPORTANT TO OUR MEMBERS AND THAT IS WHY I AM ASKING FOR

PAGE 6

FOR YOUR HELP.”

GEORGE MAKES THE POINT WELL. WITH THE CURRENT LAW, A CREDIT SYSTEM THAT IS THE ENVY OF THE WORLD HAS DEVELOPED. OUR MEMBERS CAN BOTH EXTEND AND RECEIVE CREDIT AT A SPEED AND COST NEVER BEFORE DREAMED POSSIBLE. THE DAYS WHEN MOST SMALL BUSINESSES ONLY SOLD THEIR WARES TO CUSTOMERS IN THE NEIGHBORHOOD ARE LONG GONE. OUR MEMBERS NEED AND RELY UPON A CREDIT REPORTING SYSTEM THAT REFLECTS NATIONAL CONSISTENCY. ONLY THEN CAN OUR MEMBERS ACCURATELY JUDGE THE CREDIT WORTHINESS OF THEIR CUSTOMERS REGARDLESS OF WHERE THEY ARE AND ONLY THEN CAN OUR MEMBERS BENEFIT FROM INTENSE COMPETITION TO FULFILL THEIR CREDIT NEEDS, REGARDLESS OF WHAT STREET OR NEIGHBORHOOD THEY LIVE OR DO BUSINESS.

ALLOW TO MAKE THREE FINAL POINTS. FIRST, MANY OF OUR HISPANIC BUSINESS MEMBERS SUCCEED BECAUSE THEY ARE ABLE TO MARKET AGGRESSIVELY AND SUCCESSFULLY. THOSE OF US WHO HAVE SUCCEEDED IN BUSINESS KNOW THAT CUSTOMERS DON'T COME TO US. WE HAVE TO GO FIND THEM AND WE HAVE TO MARKET OUR GOODS AND SERVICES ONCE WE DO FIND THEM. OUR ECONOMY IS IN LARGE PART BUILT ON MARKETING AND WHILE THE EXPIRING PROVISIONS IN FCRA ALL SUPPORT OUR ABILITY TO COMPETITIVELY

PAGE 7

GRANT OR RECEIVE CREDIT, SOME PROVISIONS ALSO HELP US MARKET SUCCESSFULLY. THERE SHOULD BE NO MISTAKE. THAT ASPECT OF FCRA IS JUST AS VITAL TO THE ECONOMY, AND ANY SUGGESTION TO THE CONTRARY, I SUBMIT, IS WRONG.

SECONDLY, IN OUR LETTER TO THE WHITE HOUSE WE EXPLAINED THAT WE ARE VERY CONCERNED ABOUT THE EFFORTS IN SOME STATES TO RESTRICT OUR COMPANIES FROM KNOWING THEIR CUSTOMERS AND ACTING UPON THE INFORMATION NOW AVAILABLE TO THEM TO BETTER THEIR BUSINESS POTENTIAL. BECAUSE SO MANY OF OUR BUSINESSES OPERATE ON A MULTI-STATE BASIS, BALKANIZATION OF THE STANDARDS BY WHICH WE SHARE INFORMATION WILL ONLY SERVE TO DRIVE UP COSTS AND PRICES AND, IN THE EXTREME, MAKE DOING BUSINESS IN SOME STATES NO LONGER COMMERCIALLY VIABLE. IN MANY RESPECTS, ALLOWING THIS TO HAPPEN WILL HAVE THE SAME EFFECT AS ALLOWING THE PROVISIONS IN FCRA TO EXPIRE. IT IS BAD FOR THE ECONOMY AND WILL HURT MANY OF OUR MEMBERS. IN THE END, THERE WILL BE A NATIONAL CREDIT MARKET. THE ONLY QUESTION IS WHETHER THE NATIONAL STANDARDS WILL BE ESTABLISHED BY WASHINGTON OR SACRAMENTO. FINALLY, I SIMPLY WANT TO IMPRESS UPON THIS AUGUST BODY THE IMPORTANCE OF LEGISLATING “OPT-OUT” OPPORTUNITIES FOR THE CONSUMER. NOTICES THAT WOULD FALL

PAGE 8

UNDER THE AEGIS OF SAID LEGISLATION SHOULD BE IN PLAIN ENGLISH AND NOT COUCHED IN TRADITIONAL LEGAL JARGON. SUCH LEGISLATION WILL PROVIDE FAIR, CLEAR AND CONCISE INFORMATION ABOUT AUTHORIZATION THAT EACH CONSUMER GRANTS OR DENIES TO THE RESPECTIVE FINANCIAL INSTITUTION, AFFILIATED OR OTHERWISE. THESE ARE SERIOUS ISSUES ABOUT MATTERS THAT ARE VITAL FOR OUR MEMBERS. BECAUSE SO MUCH IS AT STAKE, THEY WILL WATCH CLOSELY. I URGE THE CONGRESS AND THE ADMINISTRATION TO RESOLVE THESE ISSUES QUICKLY. OTHERWISE, WE BELIEVE THIS COUNTRY RISKS A SIGNIFICANT ECONOMIC RETREAT AND, IF THE ECONOMISTS ARE CORRECT, IT WILL FALL HARDES ON THOSE WHOSE GAINS ARE ONLY RECENT, THAT IS, MINORITY BUSINESS COMMUNITIES. THANK YOU, MR. CHAIRMAN.