

New Business

Partnership aims to get seed capital into hands of business owners of color

By TONY DOBROWOLSKI
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PITTSFIELD — When Malia Lazu joined Berkshire Bank as chief experience and culture officer last summer, she toured inner-city Boston with bank president and CEO Richard Marotta.

“One of the things he said to me is, there’s no capital here,” Lazu said. “You can’t do anything without capital.”

“That was a revelation for him,” she added. “You don’t really know it [until] when you see it.”

Berkshire Bank has decided to tackle that problem head-on. In partnership with The Runway Project, a similar initiative based in Oakland, Calif., Berkshire recently launched a program called the Friends & Family Fund that is geared toward helping entrepreneurs of color gain access to the seed capital that they need to launch their own businesses in underserved communities.

It is one of the first offerings under the bank’s new social impact strategy, known as the “Be First” initiative, that Lazu is in charge of implementing. The Runway Project Oakland includes a collaboration of place-based organizations working together to create a pathway specifically designed to support African American businesses from early to expansion stages, according to the initiative’s website.

Berkshire officially launched the Friends & Family Fund in August, but it hasn’t reached the Berkshires yet. Loans have been granted to people as far west as Springfield, Lazu said, but the program won’t be available here until the bank hires a statewide director.

“Once the state director gets on board, they’ll start making trips out

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there,” said Lazu, who joined Berkshire Bank in July and is based at the bank’s corporate headquarters in Boston.

The program’s purpose is to close the racial wealth gap that disadvantages minority entrepreneurs who are seeking to establish businesses, according to Berkshire Bank. A frequent source of support for budding entrepreneurs is funding from friends and family, but when that source of funding doesn’t exist, it’s harder for those in that situation to gain access to capital.

Statistically, a 2014 study by the Pew Institute found that white families in America, on average, have around \$142,000 in savings and assets, minus debt, compared with \$11,000 for African American families. The starting point for getting a business off the ground is \$30,000, according to The Runway Project.

Although the economy has improved over the past five years, the income disparity between the richest and poorest American households, regardless of race, is currently at its greatest level in 50 years, according to 2018 data recently released by the U.S. Census Bureau.

“Our goal is to help fill that gap and the access to capital gap that’s in our communities and give all Americans that are sitting [in the bank’s] footprint a chance to start their own businesses,”

Lazu said in a recent telephone interview. “What that’s going to do is infuse capital into the community.”

“Our ultimate goal is to see Main Streets come back with the people who live on them,” she said. “This is just once piece.”

The fund is fueled by a specialty, “Friends & Family” certificate of deposit, that is insured and certified by the National Credit Union Association and the Federal Deposit Insurance Corp., the regulatory agencies for credit unions and banks, respectively. Loan applications will be reviewed through a community-based underwriting process, which Berkshire states is designed to eliminate historical barriers like an overreliance on credit scores, personal collateral or historic tax and financial reporting as an indicator of future success. Advisers also will be available to provide “holistic” business support and ongoing financial coaching to entrepreneurs while they are building their companies.

Although the economic dynamics in the Berkshires differ from those in inner-city Boston, an official who helps to develop small businesses locally believes the new initiative is a good idea.

“Whenever we can put capital in the hands of business, it’s a good thing,” said Keith Girouard, the director of the

Berkshire office of the Massachusetts Small Business Development Center in Pittsfield. “I applaud Berkshire Bank for taking the initiative and specifically addressing it.”

Speaking strictly from a business perspective, Girouard said access to capital often isn’t as difficult to obtain as is having the confidence to ask for it.

“I don’t know if it’s so hard; it’s more of a degree of ease,” he said. “Banks sometimes can be intimidating to anyone, so, where there’s an initiative like this to open arms and welcome [prospective entrepreneurs] and to ease the apprehensiveness, that in and of itself can help.”

Berkshire Bank did not make Marotta available for an interview for this article. But in a statement, Marotta said Berkshire’s strategy is to be a bank “of and for the community.” In July, Marotta joined 600 CEOs from companies nationwide in signing a pledge to advance diversity and inclusion in the workplace. More information on that program is available at CEOAction.com.

“We recognize that all too often banks have been seen as an obstacle rather than a partner,” Marotta said. “We want to change that.”

“Our new Friends & Family Fund will serve as a model of how banks can expand access to capital in communities that have traditionally been boxed out of the investments needed to help spark economic growth.

“We are doing our part to invest in communities because we know that banks can’t continue to grow future profits unless we help to grow wealth across the board.”

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