



# Reporting on Impact

Repeat Borrowers Building Credit, Boosting Revenue, Supporting Jobs

October 2018

**Jenna Boyer**  
Opportunity Fund Evaluation Officer

 **ppportunity Fund**

# Letter from the CEO

Every business owner that Opportunity Fund lends to is on a journey—to turn their dream of a sustainable business into a reality. Many of our borrowers face obstacles on their journey toward success - such as a cash flow shortage or other financial setback - that may prevent them from seizing an opportunity to grow or maintain their business. Opportunity Fund is part of our borrowers' journeys – standing by them whenever they need additional support to take their business to the next level. In many cases, this means providing more than one loan as a business owner builds a successful enterprise. We are proud to share the successes of borrowers who have received two or more loans from us.

I am humbled every day by the stories of the clients that we serve, including those featured in this report, who have requested and been approved for subsequent loans to increase their revenues, boost their credit scores, and hire employees. While every entrepreneur's journey is unique, this research demonstrates a positive trajectory as our borrowers move beyond today's challenges to take advantage of tomorrow's opportunities. I hope that the story of these nearly 2,000 borrowers inspires you as much as it has inspired me.

With gratitude,



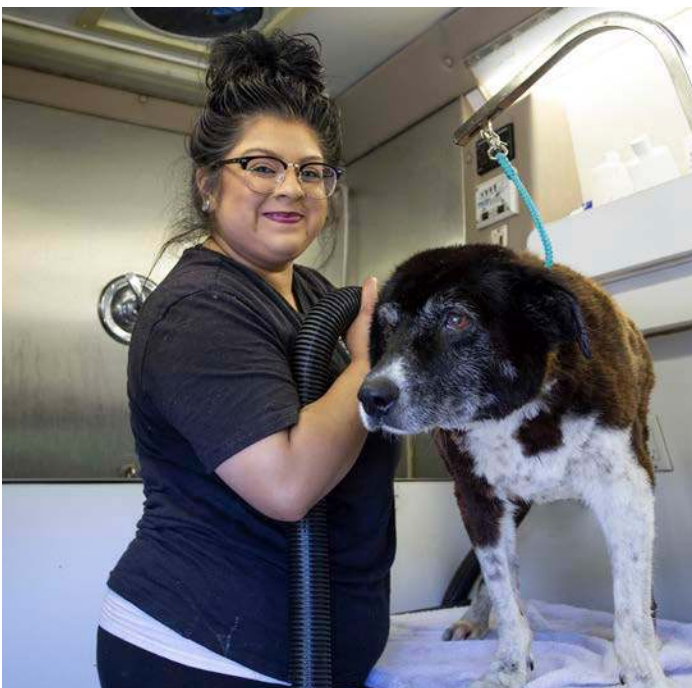
Luz Urrutia  
CEO, Opportunity Fund

# Executive Summary

Opportunity Fund is working to build a more inclusive financial system, helping traditionally underserved entrepreneurs access capital, build (or repair) their credit, and grow their businesses.

How do we know if our loans are helping to drive economic mobility? By analyzing comprehensive financial and credit data for thousands of borrowers, Opportunity Fund embarked on an evaluation to measure changes in the financial and credit profiles of nearly 2,000 entrepreneurs—in some cases with data to track their businesses over the course of nearly a decade.

A team of student researchers at UC Berkeley’s Net Impact conducted a detailed analysis of clients that have received more than one loan from Opportunity Fund. We have made more than 13,800 loans to small and micro businesses that can’t get a loan from a bank. More than a third of our borrowers have received two or more loans from us as their businesses continue to grow. These ‘repeat borrowers’ form the sample for this study. The analysis focused on business revenues, credit scores, and job creation over time.



Foxy Roxy’s Mobile Pet Salon

## KEY FINDINGS

The team conducted a detailed analysis of outcomes for 1,941 small business borrowers who received two or more Opportunity Fund loans between 2007 and 2017, and found meaningful improvements, including:



### Increased Business Revenue

Business revenues increased by an **average of 51%** between borrowers’ first and most recent loan.

**42%** of these borrowers saw an increase in business revenues of **at least 25%**.



### Improved Credit Score

Borrowers who had no credit score when they received their first loan had an average score of **630** by the time they got their most recent loan.

Of those who had a credit score when they first came to us, **33%** saw an increase in their score of **at least 25 points**—which could mean the difference between a sub-prime and prime score.

# Opportunity Fund's Lending Program

Many businesses are unable to access loans from traditional financial institutions because they are too young or too small. Opportunity Fund works to expand access to financial services for those who do not have many affordable alternatives. Our borrowers enter the financial mainstream with microloans that build a positive credit history and provide the working capital needed to expand operations and hire or retain employees.

A loan enables small business owners to pursue their dream, support their family, and create jobs in their community. These entrepreneurs form the

backbone of our economy. With a median loan size of just \$21,000, Opportunity Fund's microloans help these businesses thrive. These small loans produce some big results: increased income, new jobs, and increased confidence to achieve both personal and business goals.

Due to small capital needs, imperfect credit, low/moderate income, and other factors, "graduating" to a bank loan is not feasible for many of our borrowers. Opportunity Fund continues to support our clients' business goals by offering favorable terms on subsequent loans for our repeat borrowers.



“After the recession hit, I couldn't get a line of credit. All these 'alternative' lenders started popping up to take advantage of small businesses like mine that were frozen out of the credit market. Thankfully, I found Opportunity Fund, which gave me the loan I needed to stay in business. Since then, I've been able to borrow more money to help start and grow my wholesale business. Without Opportunity Fund, I wouldn't have been able to stay afloat, let alone grow the way I have.

**Marcia, Pinky Rose Boutique – 4 loans**

# Purpose of Research

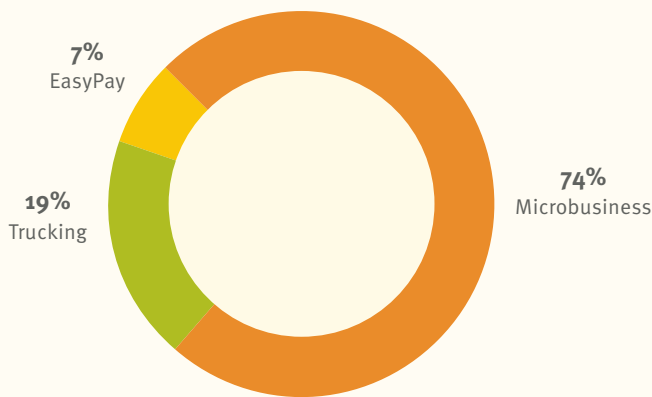
Opportunity Fund is committed to evaluating how our loans impact our clients' businesses and their lives. For every borrower who has received two or more loans, Opportunity Fund's team gathered new financial and credit records each time they secured a new loan. This research sought to analyze to what extent these borrowers saw improved financial and credit profiles between their first and latest Opportunity Fund loan.

# Methodology

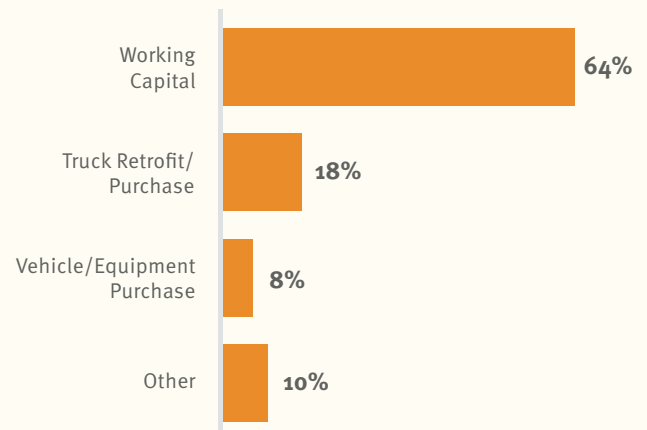
The research team conducted a detailed statistical analysis of data for 1,941 borrowers in California who received two or more loans between 2007-2017, using the lens of three key metrics to assess outcomes: credit score, business sales, and job creation. The number of loans ranged from two to 17, although a majority (55%) received two loans. For each borrower, the researchers examined the change in outcome metrics between first and last (most recent) loans.

## LOAN CHARACTERISTICS

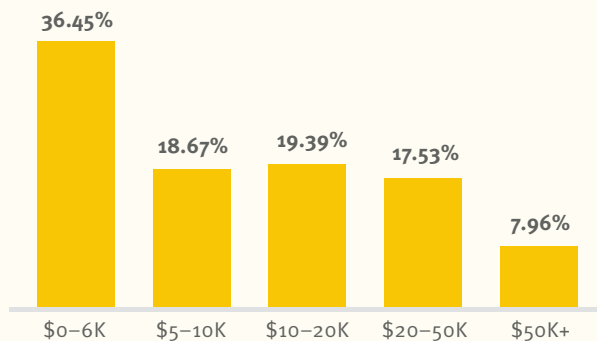
### Loan Product



### Loan Purpose



### Initial Loan Size



### Industry



# Findings

## Increased Business Revenue

- Repeat borrowers increased their business revenues by an average of **51%** (median 15%) between their first and latest loan, with no notable difference between the outcomes of male and female borrowers.
- **42%** of repeat borrowers saw an increase in business revenues of at least 25%.
- **17%** saw their revenues double or more.



### Adolfo

Two Amigos Western Wear – 7 loans



**Adolfo’s business saw more than 30% increase in annual revenues between his first and last loan!**

Adolfo has been a self-starter his whole life, from the time he came to the U.S. from Mexico to find work at 14, to his other passion: training horses. When Adolfo moved to Oakley, a small Northern California town on the edge of Central Valley farmland, he saw the need for a store catering to local farmers, ranchers, and cowboys. In 2006, Adolfo decided to move on from his 20+ years in the restaurant industry and opened Two Amigos Western Wear.

The store was a hit in the community, but when Adolfo needed to increase inventory a few years

later, he couldn’t find funding. An Opportunity Fund loan helped Adolfo invest in the inventory he needed. Since then, Adolfo has taken six additional loans to expand his business. “My business is growing, together with Opportunity Fund,” said Adolfo. Today, Two Amigos Western Wear is a popular one-stop shop for riding gear, livestock feed, and horse care supplies. Opportunity Fund loans helped Adolfo grow his business—enabling him to improve his cash flow, build inventory, and hire employees. Now, Adolfo is working on opening a second location.

# Findings (continued)

## Improved Credit Score

- Borrowers who had no credit score when they received their first loan had an average score of **630** by the time they got their most recent loan.
- **33%** of the repeat borrowers who came to us with a credit score saw an increase in their credit score of at least 25 points—which could mean the difference between a sub-prime and prime score.
- **19%** of borrowers in the study had an increase of 50 points or more, and **11%** experienced an increase of 75 points or more.



### Emilia

La Placita Commercial Kitchen – 3 loans



Emilia’s credit score increased by double digits between her first and third loans.

Emilia has been involved in Oakland’s mobile food industry for 20 years. With support from the community and a grant from the City of Oakland, she opened her first commissary in 2008. Unfortunately, the grant didn’t cover all of the necessary start-up costs. Despite good business, no bank would give her a loan because of her lack of equity and credit. An Opportunity Fund loan gave Emilia’s business the boost it needed. But two years later, Emilia faced another setback: the building housing her commercial kitchen went into foreclosure, threatening Emilia’s business and the 300 mobile food vendors who relied on her.

Emilia didn’t give up. She worked to rebuild her dream in Oakland’s Fruitvale district. With another Opportunity Fund loan, Emilia opened her commercial kitchen, La Placita, and she also secured seed money to protect against the same problems in the future. Now, every day at 3 a.m., a dozen people start cooking at La Placita to fill the streets of Oakland with delicious food. “Opportunity Fund saved my business and dozens of other businesses,” she said.

# Findings (continued)

## Job Creation

- Repeat borrowers employ an average of **2.9** people including the owner.
- **16%** of these borrowers created one or more new jobs between their first and latest loan.
- Collectively, these businesses employ more than **5,600** Californians.



### Brenda

Brenda's French Soul Food, Libby Jane Café, Brenda's Meat & Three – 3 loans



Brenda had two employees when she got her first Opportunity Loan. By the time she came back for her third loan, she had 32 employees!

Brenda grew up on the Westbank of New Orleans, where she spent her childhood trapping crawfish in the canals behind her house, crabbing in nearby Lafitte, and picking wild blackberries. She turned her taste for Southern cuisine and her talent in the kitchen into a career, spending her twenties working for some of San Francisco's top restaurants. In 2007, she decided it was time to open a place of her own.

Brenda was initially turned down by multiple lenders, leading her to Opportunity Fund for the loan she needed to open her business. With her wife and business partner, Libby, she opened

Brenda's French Soul Food. The response to her southern cuisine was overwhelming—her restaurant has been written about everywhere from *The Wall Street Journal* and *Travel + Leisure* to the *San Francisco Chronicle* and *7x7 magazine*. After three years in business, Brenda seized the opportunity to expand into the space next door. Even in the middle of the credit crunch, Opportunity Fund knew Brenda's was a business worthy of continued financing. Six years later, and with the help of two more Opportunity Fund loans, the business has continued to expand with two additional restaurants: Libby Jane Café opened in 2013, followed by Brenda's Meat & Three in 2014.



# Findings (continued)

Within these key findings, the research team analyzed the data by a number of variables, including business industry, demographics, loan use, and loan size, and found the following notable trends:

- Service industry borrowers experience better outcomes compared to retail industry borrowers. These business owners were the most likely to hire workers, increase their revenues, and improve their credit scores.
- Borrowers whose initial loans were in the \$20,000–\$50,000 range exhibited better relative outcomes than those with smaller or larger loans.
- Low-income borrowers were slightly more likely to experience increased business sales compared to others, while higher-income borrowers were more likely to create jobs.
- Borrowers who received more Opportunity Fund loans were more likely to see improvements in both their credit score and their business revenues.

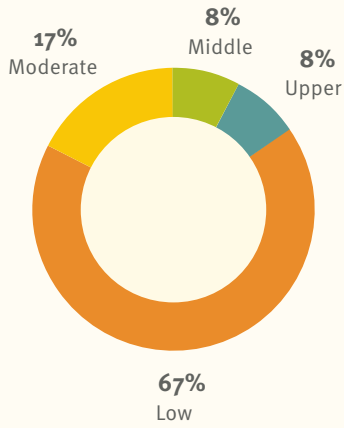


“ Building and growing a business is very difficult, but Opportunity Fund believed in me. They really care about the success of my business. I also want to teach my children how to run a family business. We are all part of the success.”

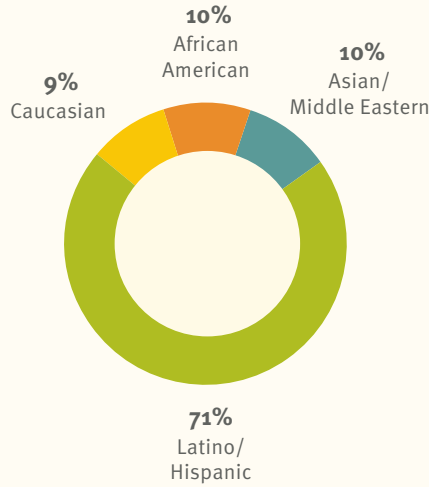
Noel, The Little Machin – 2 loans

# REPEAT BORROWER DEMOGRAPHICS

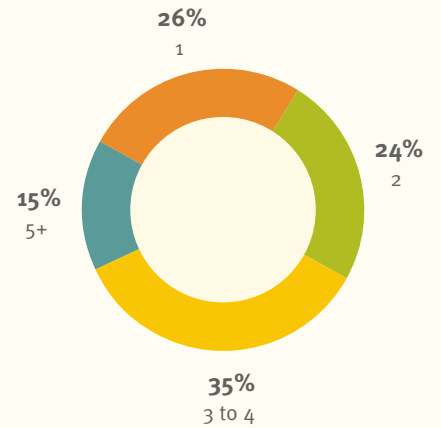
## Income



## Ethnicity



## Household Size



## Geographic Location



## Company Size

**92%**

Fewer than 5 employees

**8%**

5 or more employees

**50%**

Less than \$10,000 monthly in sales

**50%**

More than \$10,000 monthly in sales



## About Opportunity Fund

Opportunity Fund, the nation's leading nonprofit small business lender, believes that small amounts of money and financial advice help people make permanent and lasting change in their own lives, driving economic mobility and stronger communities. Opportunity Fund's community of donors and investors helps to fund small businesses and build vibrant neighborhoods. Our strategy combines microloans for small business owners and new markets tax credit investments in high-impact infrastructure projects that provide critical medical, housing, and education services that create jobs in underserved communities. Since 1994, the team has deployed over \$700 million and helped thousands of families earn, save and invest in their own futures.

Opportunity Fund has earned a 4-star rating from Charity Navigator, America's largest independent charity evaluator, for our commitment to accountability and transparency.

