



Accelerating Opportunity:  
The Impact of  
Opportunity  
Fund's Trucking  
Program

# Letter from the CEO

At Opportunity Fund, we believe that when our clients succeed, we succeed. For 25 years, we've provided a variety of loan products to support the unique needs of very small business owners, empowering them to grow their businesses and support their families. We believe that some seed money, paired with the right financial advice and support, can pave the way to financial success.

New emissions standards in 2010 required many of California's older big rigs to be upgraded or replaced with new, cleaner models. This law, while enormously beneficial to public and environmental health, meant that many independent truck drivers would have to cease operating if they could not afford to retrofit or replace their trucks. Opportunity Fund launched a campaign to finance truck retrofits and purchases for drivers that had few other options, and our commercial vehicle loan program has been going full steam ever since.

These loans do more than finance cleaner-burning trucks, they promote equity for independent truck drivers who literally drive our economy. Despite the challenges of market fluctuations and future automation, becoming an independent owner-operator enables a driver to build greater earning potential than they would have working for a company. This independence also promotes a greater quality of life; instead of abiding by a set schedule, owner-operators have greater autonomy to decide which routes to take — and when to be home with their families.

The impact of these loans stretches well beyond our borrowers. It ripples through the economy, the air we breathe, and the communities that you and I call home. I hope that this report leaves you with a thorough understanding of the multi-faceted impacts of Opportunity Fund's trucking loan program and why we chose to call this publication "Accelerating Opportunity."

With gratitude,



Luz Urrutia



# Reporting on Impact

## Accelerating Opportunity: The Impact of Opportunity Fund's Trucking Program

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## Table of Contents

Executive Summary and Key Findings	3
Opportunity Fund's Truck Loan Program	5
Borrower Characteristics	6
Driving and Thriving	7
Economic Ripple Effect	9
A Green Future	10
Paying It Forward	11
Appendix: Methodology and Endnotes	13
About Opportunity Fund	14

# Executive Summary

## When other lenders say no, Opportunity Fund says yes.

In 2010, California's emissions regulations required trucks serving the state's ports be retrofitted with new filters or be taken out of service entirely and replaced. Unable to afford the \$10,000 to \$15,000 price tag for a filter or a down payment on a new truck, owner-operators faced the threat of losing their livelihoods.

That spring, Opportunity Fund stepped in to provide loans to dozens of these drivers to retrofit their rigs, enabling them to continue operating at the ports and maintain their income.

Since then, we have made more than 4,500 loans to individual owner-operators, becoming one of the largest providers of long-haul trucking loans in the state of California.

The \$220 million we have invested in truckers has led to significant social, economic, and environmental impacts in California and beyond. These loans support drivers and their families, generate downstream economic activity and new jobs, improve air quality through emissions reduction, and boost small business lending in other industries.

**This report provides a comprehensive picture of the triple-bottom-line impact of Opportunity Fund's truck loans. The effect of a small business loan extends far beyond the individual borrower. When Opportunity Fund lends to a trucker, significant downstream benefits ripple throughout the borrower's family, the local and regional economy, and the environment.**



## Driving and Thriving

Drivers save \$5,200 with Opportunity Fund, a savings of more than 20% in repayment costs, compared to other lenders. Owner-operators also have greater work-life balance after receiving a loan.



## Economic Ripple Effect

Opportunity Fund's \$220 million investment in trucking has spurred an additional \$470 million in annual downstream economic activity — new wages, new spending, and new tax revenues.



## A Green Future

Each Opportunity Fund truck loan eliminates the emissions equivalent of 140 vehicles — a cumulative impact equal to removing 620,000 cars from California's roads.



## Paying It Forward

Proceeds from Opportunity Fund's long-haul trucking portfolio enable us to serve thousands more small business owners at affordable rates year after year.

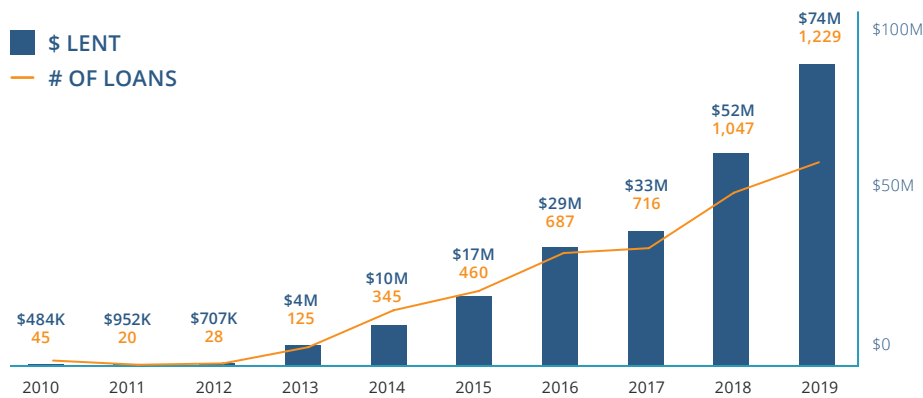
# Opportunity Fund's Truck Loan Program

## Loan Characteristics

Opportunity Fund makes loans to independent long-haul truckers to purchase a new or used truck, retrofit their existing truck with a reduced-emissions filter, or make needed repairs.

LOAN AMOUNT	\$2,600 – \$200,000
INTEREST	12% – 16.5%
TERM	24 to 60 months
MEDIAN LOAN SIZE	\$48,790

## Truck Lending Volume by Fiscal Year



Trucking Portfolio  
Repayment Rate

93%

# Borrower Characteristics

## Gender

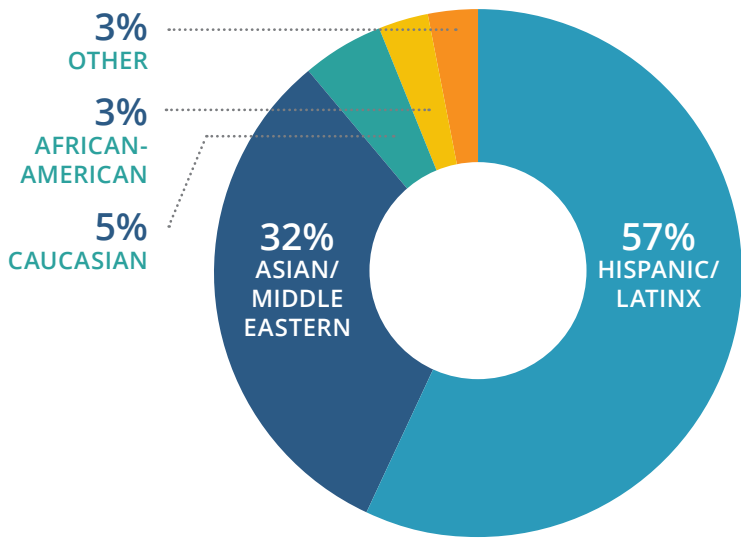


88%  
MALE



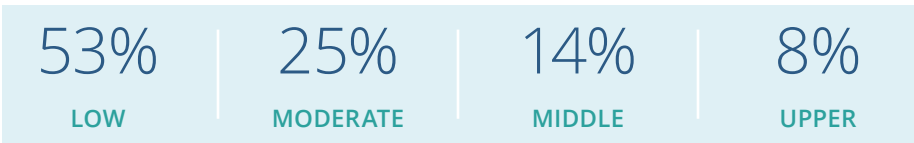
12%  
FEMALE

## Ethnicity

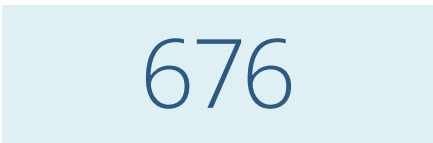


Nationally, 91% of owner-operators identify as white, and 95% identify as male.<sup>1</sup>

## Household Income Level



## Average Credit Score



## Lending throughout California and Beyond



Opportunity Fund has made truck loans in 38 California counties, including Inland Empire and Central Valley regions. A strategic expansion to regions outside of California is underway.



## Driving and Thriving Improved Quality of Life



Victor was inspired by his father, a 30-year veteran of the industry, to become a truck driver. Victor started working for a long-haul transport company, moving containers to and from the Port of Long Beach. The days were long, and the hours were endless.

With a desire to have more control over his schedule, Victor decided to purchase his own truck and become an independent owner-operator. He purchased a 2013 Freightliner with a loan from Opportunity Fund.

Victor's new independence enabled him to transition to shorter routes. Now he works within 100 miles of home and returns home every night.

"It's your truck. You decide what you haul, where you haul, and what hours you want to work. You're your own boss."

Victor's career also gives him greater financial stability. He earns enough to pay his bills and then some — including purchasing a new car for himself. Becoming a truck driver and working with Opportunity Fund was a good choice, he says. "It's one of the best decisions I've ever made, and I would recommend it to anyone."

Opportunity Fund's trucking customers come from a variety of backgrounds, but each shares a common goal in driving for days on end away from home: improved quality of life for themselves and their families.

Individual owner-operators, in contrast to drivers employed by a trucking company, own their vehicles and accept driving assignments (routes) as contractors. They have the freedom to choose which routes to accept, more control over their schedule, and greater earning potential as a result of working for themselves. Many drivers report having improved work-life balance after becoming an owner-operator.

As one borrower from Lake Elsinore, CA puts it, "I'm healthier, and I'm home more often. I get to do some running or ride my bike more often now that I'm home. It just helps, being home with my kids more."

Other borrowers wholeheartedly agree. **In a series of qualitative interviews Opportunity Fund conducted in 2016 and 2017, truckers reported their loan enabled them to gain greater autonomy, resulting in an improved quality of life.**

Drivers make the transition from employee to owner-operator for various reasons. For immigrants who are not fluent in English or individuals with limited formal education, a career in the trucking industry is a tried-and-true path toward greater economic opportunity and mobility. Financial milestones that were previously out of reach, like paying off debt or putting a down payment for a home, become possible with this income stability.





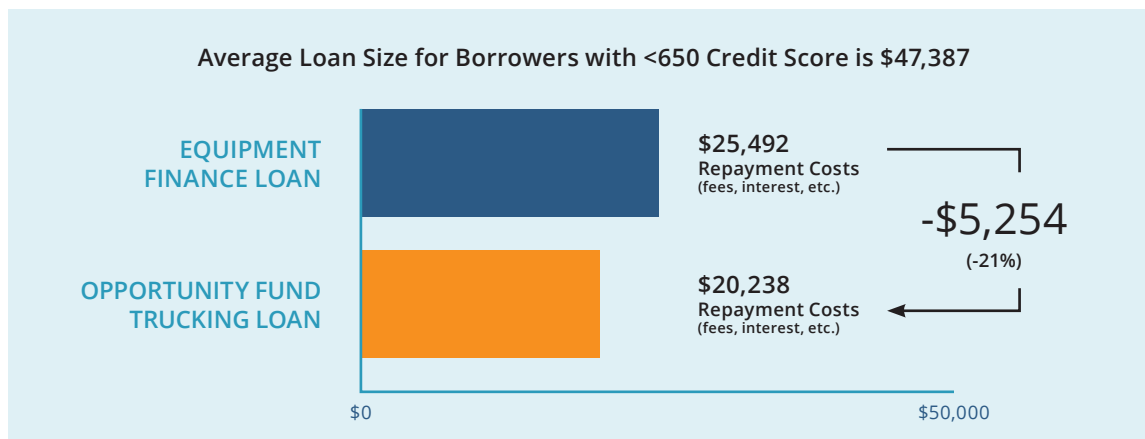
## Driving and Thriving Improved Financial Health

In a 2019 study, Financial Health Network compared the total cost of an Opportunity Fund loan to marketplace competitors under realistic payment conditions — in other words, accounting for fluctuations in borrowers' income, as well as late fees and accrued interest for missed payments. The True Cost of Capital study analyzed real cash flow data for 1,518 Opportunity Fund trucking borrowers and applied the data to various repayment scenarios for typical equipment finance loans. While cost savings were modest for customers with good credit, those with sub-prime credit scores\* achieve substantial savings with an Opportunity Fund loan.

**The study found that, for a typical trucking borrower with a credit score below 650, a loan from Opportunity Fund costs 21% less in repayment fees than a loan from an equipment financing company — a savings of more than \$5,200 over the life of the loan.<sup>2</sup>**

### Opportunity Fund Loans Save Truckers Up to 21%

Under realistic payment conditions, a typical sub-prime trucking borrower will pay 21% less in repayment costs to Opportunity Fund than another lender.



In a separate study with UC Berkeley's Net Impact, we analyzed changes in revenue for borrowers who received more than one loan from Opportunity Fund. **Trucking borrowers saw a 46% average increase in revenue between their first and last loan, and an eight-point average increase in their credit score.<sup>3</sup>**

\* n=394



# Economic Ripple Effect

A 2016 analysis conducted by TXP, an economic research firm, found that **for every dollar Opportunity Fund lends to a long-haul trucker, an additional \$2.14 is generated in downstream annual economic activity in the form of new wages, spending, and tax revenues.**<sup>4</sup>

These small businesses, in turn, create jobs and generate taxes in their local communities. Based on this analysis, we estimate that **Opportunity Fund's \$220 million investment in trucking has spurred \$470 million in additional annual economic activity in California alone.**

As we write this report, truckers across the country face uncertainty as market changes and new regulations emerge. Opportunity Fund will continue to advocate for sensible policies and programs that allow this important segment of our workforce to maintain access to responsible capital and support.

## Driving the U.S. Economy



Opportunity Fund offers rates that are lower than other equipment financing companies. As our trucking program has grown, we have sought to influence the market, displace predatory lenders, and force other companies to improve their products. We have seen some evidence of this market impact in California, where the scale of Opportunity Fund's presence has begun to put downward pressure on pricing, resulting in better product options for thousands of independent truck drivers.

These ripple effects will continue to multiply, with the expansion of our commercial vehicle program in New York and later in other states.



# A Green Future

In 2007, the California Air Resources Board (ARB) approved a regulation that required all trucks moving to and from California's ports to retrofit with new diesel particle filters or replaced them entirely to meet new emissions standards. Doing so will remove thousands of tons of pollution from the atmosphere and improve the air quality for all Californians.

Truckers had three years to meet the new regulations. Opportunity Fund began lending in California's largest ports — first Oakland, followed shortly thereafter by Los Angeles and Long Beach. What began as a targeted initiative to help drivers comply with a new regulation rapidly expanded into an ongoing loan program enabling California long-haul truckers to finance their vehicle, in many cases transitioning from company employees to independent owner-operators. To help facilitate compliance, the ARB began partnering with lenders to broaden access to capital for truckers.

**Through the ARB Loan Program, we have supported almost 4,500 truckers to retrofit their rig or purchase a new one, eliminating approximately 931 tons of nitrogen oxide (NOx) per year — the equivalent of removing almost 620,000 cars from the road — permanently.\*** As our trucking program expands across the country, this environmental impact will continue to grow.



One truck loan is the environmental equivalent to the permanent removal of almost 140 cars from California's roads. For every loan, nearly 420 pounds of NOx is kept out of the atmosphere annually.

\* See Appendix for more detail on our environmental impact methodology.



## Paying It Forward

Opportunity Fund succeeds when its clients succeed. We lend responsibly with the utmost confidence in our customers and their businesses, and we support them with high-touch support and excellent customer service. Our 95% repayment rate across our full portfolio is a direct result of our approach.

With every loan that is repaid, Opportunity Fund reinvests the interest and capital into making more loans, and our trucking loans play a critical role in this cycle. Because they are typically larger in dollar size than the rest of our portfolio, the income generated subsidizes Opportunity Fund's microloan program.

With a median size of about \$10,000, our microloans are designed for very small businesses with limited or no credit history. Most microloan borrowers are minorities, women, and/or immigrants. Because of their small (yet mighty) nature, and our commitment to offering affordable rates, the interest and fees generated from microloans do not cover the program's operating expenses. Earned income from the trucking portfolio helps to cover these costs, enabling Opportunity Fund to serve more small businesses than it could without this cashflow stream.

Our business model also includes raising additional loan capital through the strategic sale of portions of our trucking portfolio. Investors that purchase trucking loans receive a portion of the principal and interest as repaid by borrowers.\* In return, Opportunity Fund receives an upfront premium on the sales, subsequently allowing us to relend and serve more customers.

Opportunity Fund retains 10% of every loan sold, and loan risk is shared between the organization and investors. Better yet, Opportunity Fund maintains the servicing and collections on these loans — meaning our customers have a seamless experience by continuing to work with Opportunity Fund staff.

“Since 2013, Beneficial State Bank has partnered with Opportunity Fund to purchase loans from their trucking portfolio, thereby supporting thousands of California drivers in improving their financial well-being as well as our state's air quality.

Channeling much-needed capital into the hands of these entrepreneurs has profoundly impacted our communities and environment for the better.”

– Beneficial State Bank

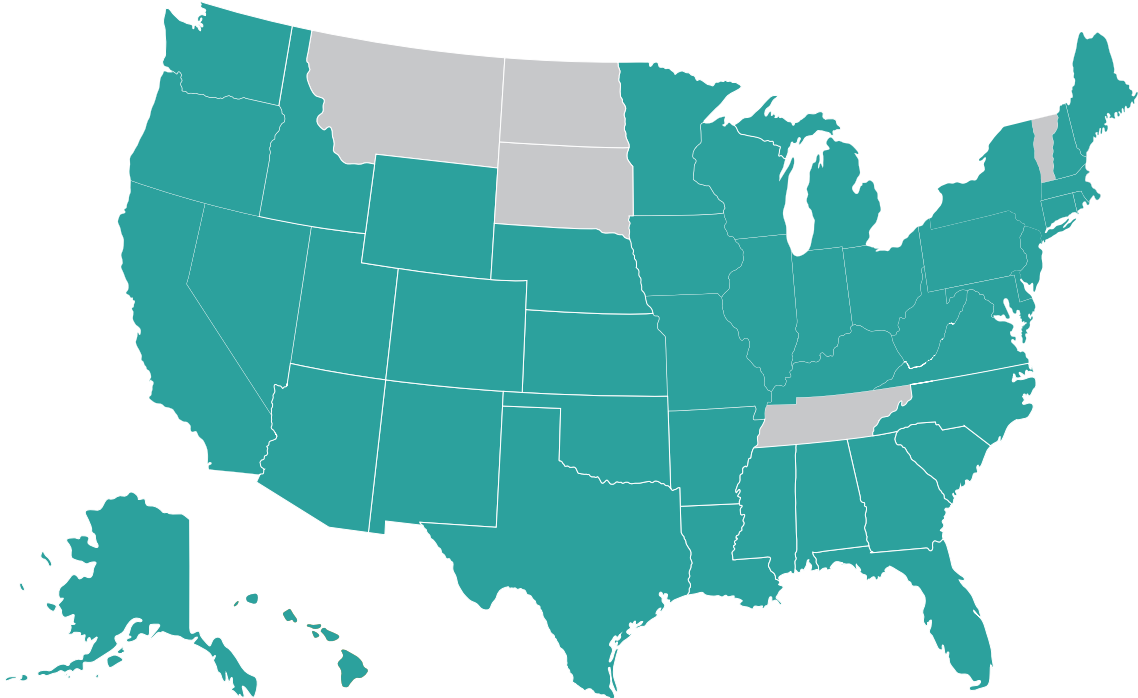
\* Bank investors also receive Community Reinvestment Act (CRA) credit.

The earned revenue from truck loan fees, interest, and portfolio sales also plays a critical role in Opportunity Fund’s national expansion. Between 2019 and 2023, Opportunity Fund will invest three times more than it has in its first 25 years by lending \$1.2 billion to small businesses. An additional \$174 million will be invested in impactful community real estate projects through New Markets Tax Credits (NMTC) — for a **total 5-year investment of \$1.4 billion** in small businesses and low-income neighborhoods nationwide.\*

**Through this investment, nearly 30,000 empowered entrepreneurs will create or sustain nearly 100,000 jobs nationwide by 2023, thereby generating \$5.9 billion in additional, downstream economic activity.**

### National Expansion

■ STATES WHERE OPPORTUNITY FUND LENDS



\* Learn more about Opportunity Fund’s ambitious strategic plan at [opportunityfund.org/strategicplan](https://opportunityfund.org/strategicplan).

# Appendix: Methodology and Endnotes

Opportunity Fund is committed to evaluating the outcomes of its loans on borrowers, their families, and the economy. We employ a variety of methods to measure borrower outcomes, as well as longer-term impacts of our work.

To create this report, Opportunity Fund's research team compiled findings from multiple sources, including client surveys and qualitative interviews that included the voices of our independent trucking borrowers (see below). The team also analyzed internal borrower data and the findings from our *Ripple Effect* macroeconomic impact study that pertained to the transportation industry. Finally, we consulted outside industry expertise, including data from the California Air Resources Board (ARB). Together, the data created a comprehensive picture of Opportunity Fund's impact on the lives of California's long-haul truckers, the air we breathe, and the broader economy.

## **Environmental Impact Methodology**

Opportunity Fund has been enrolling loans in the California ARB Truck Loan Assistance Program since 2012. To assist drivers in securing financing for vehicle emissions upgrades, the ARB contributes a percentage of each enrolled loan into a loan loss reserve. The reserve acts as a provision against losses so that lenders, like Opportunity Fund, are better equipped to make loans to businesses that otherwise would not qualify for traditional or affordable financing.

Between June 2012 and June 2019, Opportunity Fund enrolled 4,436 loans into the program. We worked with the ARB to determine the environmental impact of these loans. Based on the number of loans enrolled, an internal ARB algorithm was used to calculate the amount of nitrogen oxide (NOx) eliminated from the atmosphere and the number of cars this represented.

Approximately 100 additional truck loans did not meet eligibility criteria for the ARB program for a variety of reasons and, therefore, were not included in the ARB environmental analysis.

## **Endnotes**

1. Owner-Operator Independent Drivers Association (OOIDA) Foundation. *Owner-Operator and Professional Employee Driver Facts*. (n.d.). Retrieved from <http://bit.ly/2Ky6dBS>
2. Opportunity Fund. *The True Cost of Capital*. (2019, June 13). Retrieved from <http://bit.ly/2YNsep6>
3. Based on data analyzed as part of Opportunity Fund's *Reporting on Impact: Repeat Borrowers Building Credit, Boosting Revenue, Supporting Jobs*, <http://bit.ly/2YL19CS>.
4. Based on data analyzed as part of Opportunity Fund's *Ripple Effect: The Macroeconomic Impact of Small Business Lending*, <http://bit.ly/305HKcu>

# About Opportunity Fund

Opportunity Fund is the nation's leading nonprofit small business lender, providing loans to low- and moderate-income immigrants, women, and other underserved small business owners working hard to help themselves. Small loans help people make permanent and lasting change in their lives, but many deserving entrepreneurs don't have access to affordable, responsible credit. We've seen firsthand the ripple effect of such loans in the form of growing businesses, more jobs, and vibrant communities. Since 1994, we've deployed more than \$900 million and helped thousands of entrepreneurs invest in their futures. The organization has committed to lending an additional \$1.2 billion to small business owners across the country by 2023.





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