

**ACCION  
OPPORTUNITY  
FUND**



**Strengthening Small Businesses  
and Communities:  
Policy Agenda for the  
118th Congress**





Accion Opportunity Fund Community Development is a Community Development Financial Institution (CDFI) and the country's leading nonprofit lender to small businesses. For over 25 years, we have worked to create an inclusive, healthy financial system that supports the nation's small business owners by connecting underserved entrepreneurs to affordable capital, educational resources, coaching, and networks.

Through innovative partnerships and outreach strategies, we reach entrepreneurs of color, low-income small business owners, and women entrepreneurs who often lack access to the financial services they need to build and grow their businesses. To date, we have dispersed over 25,400 loans totaling \$773 million, with an average loan size of approximately \$30,460. Over 90% of our clients are women, people of color, or low-to-moderate income.

On the cover: Accion Opportunity Fund client Ameera



# Introduction

Accion Opportunity Fund Community Development (AOF) is excited to work with the incoming 118th Congress during a critical moment for small businesses owned and operated by underserved entrepreneurs. AOF is a Community Development Financial Institution (CDFI) and the country's leading nonprofit CDFI lending to small businesses. For nearly 30 years, we have worked to create an inclusive, healthy financial system that supports the nation's small business owners, by connecting underserved entrepreneurs to affordable capital, free educational resources, coaching, and networks.

As the 118th Congress convenes, it's imperative to recognize the changing demographic and socio-economic landscape of today's entrepreneurs. According to the Kauffman Foundation, the rate of new entrepreneurs was higher in both 2020 and 2021 than in 2019. Over the previous two decades, the share of new Latino/a/x and Asian-American entrepreneurs has more than doubled; and the share of Black entrepreneurs has also increased substantially, by 56%. Finally, women entrepreneurs are establishing small businesses at four times the rate of all other small business start-ups.

The economic impact of these entrepreneurs is undeniable. Immigrants make up one in five American entrepreneurs and their businesses employ 8 million workers and generate \$1.3 trillion (about \$4,000 per person in the US) in revenue, according to the latest data. Another recent study estimates that minority-owned businesses, many of which are also immigrant-owned, generate over \$1 trillion in revenue and employ over 8 million people. Similarly, the 13 million women-owned small businesses make up 42% of all firms, employ over 9 million people (about half the population of the State of New York), and generate \$1.4 trillion in revenue. These latest figures demonstrate that today's entrepreneurs are game changers for their families, community, and overall economy.

Recognizing the impact these small businesses have on our economy, AOF is on a mission to create a financial ecosystem that serves all entrepreneurs fairly and equitably. Through innovative partnerships and outreach strategies, we have deployed over \$700 million to over 20,000 entrepreneurs who traditionally lack access to capital. 90% of our loans went to women, people of color, or low-to-moderate-income individuals. We also provide free educational resources and coaching in English and Spanish, reaching over one million individuals nationally in 2022 alone.



AOF also supports these small businesses by leveraging the New Markets Tax Credit (NMTC) program to invest in severely distressed census tracts. Our organization has invested over \$430 million to finance over 30 projects, building healthcare facilities, homeless shelters, youth centers, centers to connect Native Americans to employment, and facilities to address food deserts and provide affordable housing.

While AOF has had tremendous impact on severely economically distressed communities and underserved entrepreneurs, many small business owners from these communities are still emerging from the pandemic—facing inflation, difficult labor market dynamics, supply chain issues, high interest rates, and lack of capital access. Lack of access to capital has been the most consistent barrier for underserved entrepreneurs as they try to start and grow their small businesses. Even though women-owned small businesses account for nearly half of all US firms, women entrepreneurs only receive 4% of commercial loan dollars and 2.2% of venture capital funding, while obtaining less than \$2 out of every \$23 in conventional small business loans. Similarly, according to the Stanford Institute for Economic Policy Research and Harvard Business Review, only 1% of Black business owners obtain loans or venture capital in their founding year. A study by the Federal Deposit Insurance Corporation (FDIC) found that Latinos are among the most unbanked and underbanked population groups in the US and have a significant distrust of banks.

During the pandemic, policymakers from both sides of the aisle came together to launch historic initiatives to connect underserved entrepreneurs to capital—including unprecedented funding for the Community Development Financial Institutions (CDFI) Fund, re-initiating the State Small Business Credit Initiative, and issuing billions of dollars in relief via the Paycheck Protection Program. These important measures helped small businesses survive and, in some instances, scale and grow.

As the 118th Congress begins, we envision a legislative session that focuses on expanding capital for underserved entrepreneurs using public-private partnerships, finding ways to reach entrepreneurs across state lines without incurring additional regulatory burden, and providing small business owners with the same borrower protections that individuals enjoy when they access consumer credit. We believe that taking this bipartisan approach will benefit all small businesses, uplift our economy, and provide entrepreneurs with the ecosystem they need to start, grow, and scale their businesses.

Joshua Miller, Ph.D.  
Vice President, Research and Policy

Luz Urrutia  
Chief Executive Officer



# Policy Objectives

## Maximize CDFI potential with a \$1B appropriation for the CDFI Fund

AOF supports and urges Congress to allocate \$1 billion in appropriations for the CDFI Fund. Increasing the CDFI Fund appropriations to \$1 billion (just \$3 for every person in the US) would significantly increase the impact CDFIs have on underinvested communities. In fiscal year 2021, recipients of the CDFI Fund award—which represents a minimal fraction of the industry—delivered \$39 billion (about \$120 per person in the US) in private capital to communities disproportionately affected by the pandemic. Within the \$1 billion allocation, the Fund should include funding for Financial Assistance, Technical Assistance, Native Initiatives, Bank Enterprise Award Program, Small Dollar Loan Program, and administration and research.

## Capacity-based CDFI Fund allocations

The 118th Congress should work with the US Department of Treasury to ensure that CDFI funding allocations are made based on an individual CDFI's capacity to lend at scale. While CDFIs are a growing industry, there are still areas where CDFI coverage is low or the existing CDFIs lack the capacity to deploy large amounts of capital. Therefore, it is imperative that the CDFI Fund provide allocations according to an organization's ability to lend—not just on a regional level, but on a national scale. Doing so would allow CDFIs to deploy capital to more underserved entrepreneurs at unprecedented levels.



**CDFIs leverage \$12  
for every \$1 in  
federal funding.**



## **Expand CDFI presence with a national charter**

Congress should enact legislation that creates a national charter for qualifying non-depository CDFIs, to enable lending in communities that do not have access to financial services and small business loans. A national charter would allow CDFIs to increase lending across the country without CDFIs having to receive a license in each state, while maintaining financial integrity with a state and/or federal regulator. Chartered CDFIs would be allowed to provide loans in areas of the country where no CDFIs exist, without bureaucratic state licensing and compliance cost overruns.

## **Modernize CDFI technology**

Efforts should be made to make investments in CDFI technology, infrastructure, and data analytics. Enhancing CDFI technology and data analytics will help organizations expand their reach to small business owners and improve customer experience. Because CDFIs often lack the capital necessary to invest in technology, operating capacity, and data analytics, federal investments for such upgrades will ensure CDFIs can reach more underserved small business owners and compete with other lenders, particularly high-cost predatory lenders.

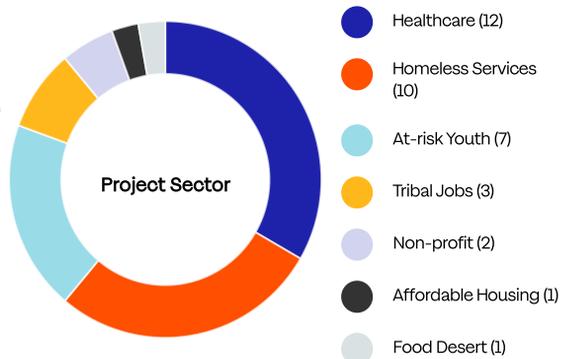
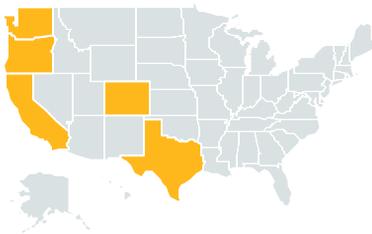


## New Markets Tax Credit: Investing in communities

Accion Opportunity Fund encourages Congress to make permanent the New Markets Tax Credit (NMTC) Program, which is currently set to expire in 2025. Past legislation to extend the program has always received bipartisan support. We urge Congress to pass legislation that permanently institutes the program with ample funding. The NMTC Program finances high-impact community facility projects in economically-distressed areas across the US. Community development entities, like AOF, utilize tax credits allotted in the program to attract private investors to help build or expand projects like homeless shelters, healthcare clinics, and recreational centers in low-income communities. NMTC allocations totaling \$64 billion have delivered more than \$120 billion in financing to over 7,500 projects. In 2020, over 80% of projects were in severely distressed regions, and over 20% were in rural areas.

### Accion Opportunity Fund NMTC Projects

Since 2003, AOF has closed 36 NMTC projects—across various sectors—in the western and southwestern United States, totaling \$430 million. These projects have created or retained 4,553 jobs and have served 483,000 low-income individuals.



## Open, fair, and transparent financing for small businesses

Long overdue, it is time to enact legislation that protects small businesses from unfair and deceptive lending practices. On the heels of the Great Recession, a new breed of “alternative” lenders emerged to offer small businesses much-needed access to credit. While some of these lenders are responsible companies that use new technologies to lower costs and deliver affordable, fair, and timely credit, many operate with unfair lending and collection practices. The result of these predatory practices is that a growing number of small business owners are accruing debt they can never repay, resulting in debt traps. We have found instances of small business owners unknowingly paying an average annual percentage rate (APR) of 94% across multiple lending products.



**In 2015,**

we came together with small business lenders, investors, and advocates to create the Small Business Borrowers' Bill of Rights—a list of six rights we believe all small business borrowers deserve.

Small business owners should have the right to:

▶ TRANSPARENT PRICING AND TERMS

▶ NON-ABUSIVE PRODUCTS

▶ RESPONSIBLE UNDERWRITING

▶ FAIR TREATMENT FROM BROKERS & LEAD GENERATORS

▶ INCLUSIVE CREDIT ACCESS

▶ FAIR COLLECTION PRACTICES





Accion Opportunity Fund Community Development  
111 West Saint John Street #800  
San Jose, CA 95113

[aofund.org](http://aofund.org)

