

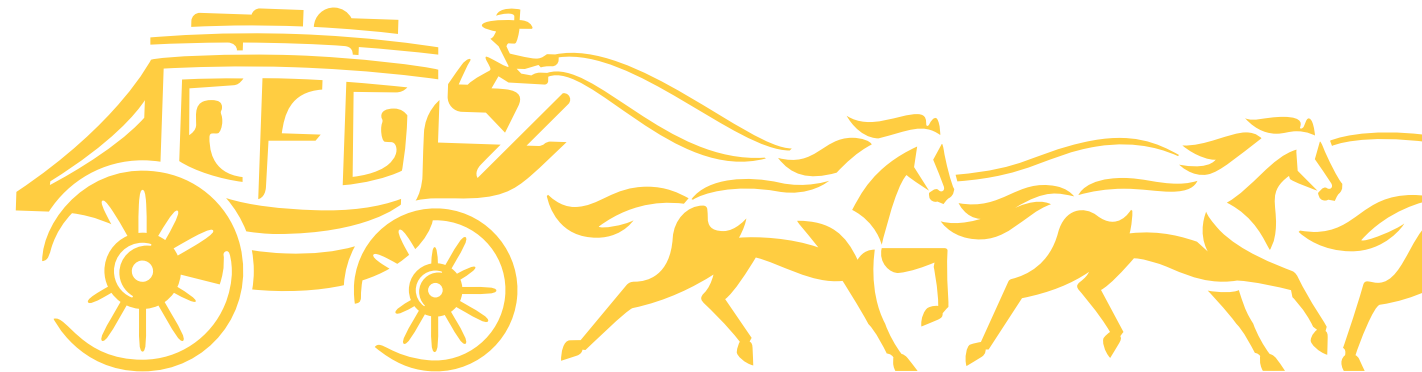


*Wells Fargo Works for Small Business®*

# Diverse Community Capital (DCC) Program Updates

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Diverse Community Capital Program Manager



# Wells Fargo Works *for Small Business*<sup>®</sup>: Diverse Community Capital (DCC) Program Overview

2015

Release of Gallup survey & launch of Wells Fargo Works for Small Business<sup>®</sup>: Diverse Community Capital (DCC), a 3 year \$75 million commitment to CDFIs to increase their lending and technical services to diverse small businesses (DSBs)

2017

Continuation & extension of program announced – an additional \$100 million in grant capital through 2020

2018

Through 6 rounds of funding, 88 CDFIs awarded more than \$85 million in grants from the Wells Fargo Foundation and additional funding provided by Community Lending & Investment.

Began offering two grant opportunities on an alternating basis: Capacity Building and Activator Grants.

# Social Capital activities

## **Activities designed and executed in partnership with Opportunity Finance Network (OFN):**

- Networking at OFN's Small Business Finance Forum and annual Conference
- Working groups
- Mentoring and peer visits
- Webinars
- Consulting

# DCC awardees located in and/or serving Texas

From the original commitment, 4 CDFIs serving diverse small business borrowers in Texas have received \$5.6MM in capital to increase their lending and development services to diverse small businesses

The capital was in the form of grants from the Wells Fargo Foundation and in some cases, debt from Community Lending & Investment

**Accion** serving Arizona, Colorado, Nevada, New Mexico and Texas

**BCL of Texas**

**LiftFund**

**PeopleFund**

*Diverse* small businesses are owned by someone who is Black or African American, Asian, American Indian or Alaska Native, Native Hawaiian or other Pacific Islander, Multiracial, Hispanic, Latino, female, a veteran or LGBT

All of these CDFI/Awardees have leaders who are diverse

## DCC Goals

- To increase lending of CDFIs to diverse small businesses (DSBs)
- To build the capacity of CDFIs to lend to and provide development services to DSBs
- To strengthen the readiness of DSBs to access capital
- To improve and transform systems for how DSBs access capital and services

# Program evaluation

## **DCC Inception (2015) through Round 3 (May 2017) - 44 Awardees**

- Originated 8,072 loans totaling \$393M to DSBs in 2016 and 2017, including 2,723 loans (\$148M) to Black or African American businesses, 3,001 loans (\$85M) to Hispanic or Latino businesses and 3,833 loans (\$173M) to female-owned businesses
- Delivered 141,530 hours of development services to 19,577 DSBs
- Helped create 19,488 jobs and retain 26,195 jobs at DSBs

## **Longitudinal analysis (2016-2017) - 18 Awardees**

- Increased their lending to DSBs by 23%, far exceeding the 6% increase in lending to all businesses
- Increased lending to businesses owned by people of color 31% with Black or African American-owned businesses increasing by 53%
- Increased lending to female-owned businesses by 27%
- Increased the number of development service hours delivered to DSBs by 2%

# Program evaluation

## **DCC Inception (2015) through Round 3 (May 2017) - 44 Awardees**

- 87% of awardees reported changes to their small business policies, practices, development services, lending products and/or delivery mechanisms
- Although difficult to establish causality, nearly all awardees reported client success in accessing debt from other providers after receiving CDFI development support and/or financing
- Although too early to demonstrate system-wide transformation in how DSBs access capital and development services, there is evidence that participation in the program is changing awardees' behavior. Based on awardee interviews, they are more focused on reaching DSBs and are changing the way they do outreach, underwrite loans and provide technical assistance.

# DCC Program opportunities thru 2020

## Two unique funding opportunities:

- January - Capacity Building Grants – flexible capital to build the capacity of CDFIs to increase lending and strengthen their capacity to lend and provide development services. Between 15-20 Capacity Building grants, generally ranging from \$150,000 to \$500,000 will be awarded annually.
- June - Activator Grants - a limited number of larger grants for CDFIs working on / ready to activate or expand a strategy with the potential for industry or market replication. Between 5-7 Activator grants, generally ranging from \$500,000 to \$3,000,000 will be awarded annually.

## Eligibility requirements for both opportunities:

- Organizations must be a U.S. Department of the Treasury-certified
- Organizations with tax-exempt status under Section 501(c)(3) of the U.S. Internal Revenue Code
- Organizations must have completed at least two consecutive years of small business lending
- Located and serving borrowers in the U.S., including the territories of Puerto Rico and the U.S. Virgin Islands

There are additional financial and performance requirements for the Activator Grants.

For both Capacity Building and Activator grants, we are able to consider funding to CDFIs that have previously received capital through the DCC.



# Activator grants round 1

## **Accion - \$2,700,000**

Accion will utilize its three-year grant to automate, market and scale an innovative loan product, Presto Loan, that has the potential to reach significantly more diverse entrepreneurs across Arizona, Colorado, Nevada, New Mexico and Texas. The product will offer loans up to \$12,000, flexible underwriting criteria, affordable rates and a turnaround time of fewer than three days.

“You cannot underestimate the financial resource explicitly focused on diverse businesses and the expectation that you’ll support diverse communities.

The shared network and working groups about how to actually implement lending to diverse communities ...has helped take the aspirational to the implementable.”

– DCC Awardee



Thank you

[connie.e.smith@wellsfargo.com](mailto:connie.e.smith@wellsfargo.com)  
[www.wellsfargo.com/cdfi](http://www.wellsfargo.com/cdfi)