



Improving Access to Capital for Small-Business Owners of Color

A Midterm Evaluation of the Wells Fargo Diverse Community Capital Program

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Small businesses are an anchor of the US economy. The country's 30.7 million small businesses (defined as firms that have fewer than 500 employees) account for 47 percent of all US employees (SBA 2019). Small businesses have immense influence in generating economic growth, especially through the creation of wealth in local economies. But beyond economic growth, small businesses also produce social capital and build community networks in which people feel embedded. Areas with high densities of small businesses have positive outcomes related to creating entrepreneurial networks and promoting a higher quality of public health (Schnake-Mahl et al. 2018). Fostering this type of social capital is essential to sustainable economic development.

Small businesses are invaluable assets to the economy. However, the barriers to creating, sustaining, and growing small businesses are substantial. And some communities face disproportionately greater obstacles. By some estimates, the average cost of starting a new business is just over \$30,000.¹ Entrepreneurs with little wealth, many of whom belong to communities of color or are immigrants, frequently lack the startup capital required to start a business, adequate credit for securing low interest rate loans, or the institutional knowledge to access available resources (Wells Fargo 2020). It is vital that diverse small-business owners have more opportunities to start and run a business successfully, enabling them to meaningfully produce economic and social capital and open a path to build generational wealth.

In this context, the Urban Institute is conducting a third-party review of Wells Fargo's Diverse Community Capital program (DCC). Administered by Opportunity Finance Network (OFN), DCC supports community development financial institutions (CDFIs) to amplify lending to diverse small-business owners.²

The Diverse Community Capital Program

In 2015, Wells Fargo commissioned Gallup to survey diverse small-business owners, sensing that these owners lacked access to the financial and social capital they needed for their businesses. After confirming this hypothesis, Wells Fargo launched the DCC program as part of a strategy to help diverse owners access capital and services.

To incorporate a social capital component into DCC, Wells Fargo partnered with OFN. OFN's role includes collection of annual reports and performance data, delivery of social capital programs and consulting assistance for some awardees, and, more recently, oversight of the application process. This approach recognizes that lending capital alone is insufficient for sustainable, positive outcomes.

From 2016 to 2021, the DCC program distributed \$175 million in capital to CDFIs that serve diverse small businesses. DCC started with \$25 million in grants and \$50 million in debt capital. In 2018, for the seventh round of the program, DCC added another \$100 million in grant capital to expand. With the additional capital, Wells Fargo was able to offer two distinct grant opportunities:

- capacity-building grants to help CDFIs increase lending and technical assistance offerings to diverse small businesses
- activator grants to support CDFIs formulating and ready to make “active” strategies with the potential for industry or market replication

Our evaluation focuses on seven activator grant awardees selected during the seventh round of the program in 2018. The CDFIs are Community Reinvestment Fund, USA (CRF); Carolina Small Business Development Fund (CSBDF); DreamSpring; Hope Enterprise Corporation and Hope Credit Union (HOPE); Metropolitan Economic Development Association (Meda); Main Street Launch (MSL); and Self-Help Ventures Fund (Self-Help). In this brief, we provide preliminary results of our assessment of the progress made under these grants.

In addition to their grants, these seven activator awardees were eligible to receive up to \$13,500 (including pre-pandemic travel expenses) to offset any consulting expenses related to their activator strategy. OFN managed the process, working with each awardee to identify consulting needs, suggesting consultants if the CDFI did not already have one, and handling the reimbursements.

We summarize findings from the semistructured interviews we conducted with all seven awardees, Wells Fargo, and OFN in September and October 2020, during the COVID-19 pandemic, and a year and a half into the program. The topics explored relate to the four DCC goals: (1) increasing CDFI lending to diverse small businesses, (2) increasing CDFI capacity to lend to diverse small businesses, (3) improving the readiness of small businesses to access capital, and (4) improving and transforming CDFIs' systems for diverse small businesses to access capital and development services. As the COVID-19 pandemic emerged and Paycheck Protection Program (PPP) loans were deployed, we incorporated questions on how this new reality influenced CDFIs' strategies to meet newfound needs, as well as new resulting outcomes.

Table 1 summarizes each CDFI's initial proposed strategy and the activator grant award amount.

TABLE 1

Diverse Community Capital Activator Grant Awardee Strategies

Summary of initial strategy		Grant amount
CRF (Community Reinvestment Fund, USA)	The award will expand access to capital for diverse small-business owners through investment in two technology platforms—Connect2Capital® and SPARK. Connect2Capital will help entrepreneurs reach and match with the CDFI that best meets their needs, and SPARK will help mission-driven lenders build capacity by providing a scalable, secure, and streamlined loan origination process.	\$2,700,000
CSBDF (Carolina Small Business Development Fund)	CSBDF will build small-business capacity in North Carolina communities of color by expanding relationships with historically black colleges and universities. The grant will also be used to introduce an online development resource for more than 300 entrepreneurs interested in starting or growing a business.	\$2,800,000
DreamSpring	DreamSpring will use its three-year grant to automate, market, and scale a new loan product, Presto Loan, that has the potential to reach more diverse entrepreneurs across Arizona, Colorado, Nevada, New Mexico, and Texas. Presto is set to offer loans up to \$50,000, flexible underwriting criteria, affordable rates, and a turnaround time of fewer than three days. ^a	\$2,700,000
HOPE (Hope Enterprise Corporation and Hope Credit Union)	HOPE will provide technical assistance and credit-enhanced loans for more diverse small-business owners. By furnishing entrepreneurs with better access to needed capital, HOPE expects more high-quality jobs to be created and retained.	\$2,800,000
Meda (Metropolitan Economic Development Association)	Meda will pilot and expand its bank enterprise system to create more access to loan capital for diverse small-business owners across the Midwest. Over three years, the association plans to administer \$50 million in loans and share best practices with fellow CDFIs in the region and nationally.	\$1,500,000
MSL (Main Street Launch)	MSL will expand its African American Entrepreneurship Institute in San Francisco and Oakland and launch in Stockton, California, offering concessionary loan capital, entrepreneur-in-residence and mentorship programs, and intensive training to prepare more businesses for success and wealth building. Training will be implemented with community partners through an ecosystem-building effort and includes supply chain procurement, operational readiness, access to capital, financial education, and succession planning. Evidence-based research will be undertaken to identify and communicate trends, developments, insights, and best practices in the local ecosystem.	\$2,000,000
Self-Help (Self-Help Ventures Fund)	Self-Help will design a new line of credit for diverse developers to fuel real estate and construction growth in Chicago and North Carolina. The developer line of credit will allow diverse entrepreneurs to purchase property and have capital to complete renovations more easily. The grant will also support contractors who want to grow their businesses, focusing on African American, Latino, female, and veteran contractors.	\$1,500,000

Source: Opportunity Finance Network.

^a Mary Perkins, "DreamSpring Offers Affordable Alternative to Predatory Loans with Wells Fargo Grant," *Voices* (blog), Opportunity Finance Network, September 28, 2020, <https://ofn.org/articles/dreamspring-offers-affordable-alternative-predatory-loans-wells-fargo-grant>.

Findings

Table 2 summarizes how each awardee is meeting program goals. At a high level, the activator grant has enabled CDFIs to lend more than in previous years, although this growth was circumstantially facilitated by PPP lending. Additionally, grant money has supported each CDFI's investment in technology that enables it to capture new clients and markets, automate processes to increase lending efficiency, and expand technical assistance to small-businesses owners.

TABLE 2

Diverse Community Capital Activator Grant Awardees, Summary Findings by Goal

Awardee	Increase lending	Increase capacity	Firm readiness	Transform systems
CRF (Community Reinvestment Fund, USA)	\$500 million in Paycheck Protection Program lending and \$5 billion among other lenders using CRF technology platforms. (CRF made on average 58 loans totaling \$27 million per year in 2018–19.)	Build technology platforms to match lenders with borrowers and streamline origination	On-demand self-learning on financial management for entrepreneurs	New technology platforms to improve CRF infrastructure
CSBDF (Carolina Small Business Development Fund)	In 6 months deployed 3 times its usual annual amount in loans. (CSBDF made on average 86 loans totaling \$9.8 million per year in 2018–19.)	\$500k in equity to support net assets and \$300k for loan loss reserve to improve access to additional debt capital	Deepened relationships with historically black colleges and universities to offer technical assistance and other supports for business owners of color, integrated with lending	Integrate lending with technical assistance focused on social capital, leveraging historically black colleges and universities to offer services to diverse entrepreneurs
DreamSpring	In 6 months deployed 3 times its usual annual amount in loans. (DreamSpring made on average 1,509 loans totaling \$21.6 million per year in 2018–19.)	Investment in technology to automate loans below \$10k	Automation freed loan officers to focus on helping borrowers become capital ready	New technology platform to improve DreamSpring infrastructure
HOPE (Hope Enterprise Corporation and Hope Credit Union)	\$51.1 million deployed in diverse small-business financing (of this, \$8.3 million in loans received credit enhancement through the DCC program). (HOPE made on average 45 loans totaling \$54.1 million per year in 2018–19.)	\$2 million for a credit enhancement fund that covers collateral shortfalls in borrowers, plus increased outreach efforts	50 diverse small businesses received technical assistance	Developed new relationships in major markets

Awardee	Increase lending	Increase capacity	Firm readiness	Transform systems
Meda (Metropolitan Economic Development Association)	89 loans totaling over \$2.5 million in 5 weeks. (Meda made on average 58 loans totaling \$6.9 million per year in 2018–19.)	New bank enterprise system enables partner CDFIs to provide more varied financial products, improve customer satisfaction, increase companion loans with banks, pool inter-CDFI resources, and sell loans in the secondary market	No expanded technical assistance offerings through the grant, but customers can engage in existing offering	Provide a new technological resource for CDFIs to improve their loan offerings to diverse small businesses; study the prospect of offering the resource to CDFIs across the US
MSL (Main Street Launch)	Deployed 167 grants totaling \$500,000 in Stockton during first quarter of year and 180 COVID-19 loans in 2020. (MSL made on average 88 loans totaling \$9.7 million per year in 2018–19.)	Expanded into a new geographic market, and is using \$820,000 for concessionary loan capital and \$127,500 for loan loss reserve	Offers pre- and postloan technical assistance, suite of workshops, and entrepreneur-in-residence and mentorship programs that include a curriculum for COVID-19 recovery and a stipend	Entering a new geographic market, expanding its African American Entrepreneurship Institute and ecosystem-building efforts with local and regional stakeholders and affinity groups
Self-Help (Self-Help Ventures Fund)	\$4.2 million in loans to diverse contractors and small developers. (Self-Help made on average 52 loans totaling \$11.7 million per year for all types of businesses in 2018–19.)	\$1 million for loan loss reserve and \$500k for staff time developing new line of business for diverse contractors and small developers	Technical assistance provision for diverse contractors and small developers	New business line focused on diverse contractors and small developers; new relationships developed around supplier diversity

Sources: CDFI interviews and Opportunity Finance Network.

So far, the DCC activator grant has proven to effectively support CDFIs in increasing their lending to diverse small-business owners. Key findings include that the grant allowed CDFIs to invest in technology to expand their lending capacity. Expanded capacity, in turn, facilitated millions of dollars in PPP loans as the awardees became more competitive for lending to a broader network of applicants. The investment in more efficient technology will also enable a broader set of CDFIs to expand their lending. The COVID-19 pandemic hindered some implementation goals, but the federal stimulus coinciding with the infusion of grant capital also accelerated opportunities that ultimately generated growth for the CDFIs. Some grantees further used the capital for expanding their technical assistance to improve diverse small-business owners' capital readiness, while other grantees did not focus as much on this aspect of their practices. Finally, administrative learning curves emerged during the implementation of the CDFIs' strategies. We detail each of these key findings below.

The DCC Activator Grant Has Proved to Be Consequential

Despite the expectation that results would take time to emerge, our interviews revealed that 18 months into the grants, DCC has already generated results for awardees. Many CDFIs said that the volume of lending they deployed in 2020 would not have been possible without the activator grant.

- **CRF** reported that it “would be nowhere near the outcomes [it has] been able to achieve” through new technology platforms, Connect2Capital and SPARK, had it not been for the DCC activator grant.
- **CSBDF** integrated technical assistance into its loan offerings through historically black colleges and universities in “two of the most significant lending markets in North Carolina,” an advancement it attributes to the grant money. The DCC activator grant increased net assets and funding for a loan loss reserve, which also contributed to CSBDF’s success.
- **DreamSpring** considers that a meaningful share of its success in developing Presto, its new loan product, can be traced to the grant program. Had DCC not existed, an interviewee said, “We would have had a significantly slower development process.”
- **HOPE** has been able to close collateral gaps and enhance credit for small-business loan applicants. Thanks to the DCC program, HOPE was also able to add a small-business lending department and a new vice president focused on the development, marketing, and production of small-business lending to historically underserved diverse entrepreneurs and small businesses throughout the grantee’s five-state footprint.
- The DCC activator grant enabled **Meda** to operationalize its recently developed bank enterprise system, which it hopes will benefit the CDFI ecosystem. Furthermore, “without the system, [we] wouldn’t have been able to do 89 loans for Minnesota in five weeks. Now, that number [for loans] is up to 750” (also attributable to increased lending through PPP). However, Meda has yet to pilot the new system with other CDFIs, as was anticipated in its application.
- For **MSL**, the DCC program enabled it to establish operations for the first time in Stockton. Through its activator-funded African American Entrepreneurship Institute, MSL earned a strong track record that led the City of San Francisco to select MSL to launch the city’s first African American Revolving Loan Fund in 2020. The fund has since deployed over \$2 million in loan capital.
- For **Self-Help**, the grant has supported research into the market of diverse contractors and small developers in Chicago and North Carolina, facilitating the formation of a new line of business directed at this sector. Without the grant, “[Self-Help] would not have spent nearly as much time trying to figure out this housing product [or] focusing on outreach for contractors as well.”

The Activator Grant Increased Capacity and Lending

Investments in technology and other areas through the DCC activator grant program improved awardees' capacity to process the unprecedented amount of loan requests that came with PPP.

- **CRF** pivoted to exclusively focus lending on PPP when Congress passed the CARES (Coronavirus Aid, Relief, and Economic Security) Act. The CDFI made more than \$500 million in PPP loans, and other lenders licensing CRF's SPARK platform collectively made \$5 billion in PPP loans. According to CRF staff, if they had not been able to invest in this technology platform, there was "no way [we] could've supported this volume with the prior infrastructure" and "we would have had to turn many borrowers away during the pandemic."
- **CSBDF** staff reported that, despite having deployed all loan capital from the DCC activator grant before the pandemic, they "learned so much about the importance of integrating lending and technical assistance thanks to the grant. [We] wouldn't have been prepared as much for COVID, because [we] had done disaster lending, but nothing that required this much of an 'all-hands-on-deck' ongoing response."
- During the first six months of 2020, **DreamSpring** deployed \$70 million in PPP loans, when it usually deployed \$21 million in a whole year. DreamSpring reported it could not have handled the volume of requests had it not been for Presto. "We would be discussing how we were only able to do a few million dollars in PPP instead of \$70 million if we didn't have the technology ready by the time COVID hit," mentioned one representative.
- Enabled by the DCC program, **HOPE's** new small-business lending department and vice president allowed for strategic, targeted outreach directly to borrowers seeking lower-dollar loan products. Because of the new department, HOPE increased the technical assistance and the number of loans provided to diverse small businesses.
- **Meda** was able to build a new bank enterprise system with its second DCC activator grant, worth \$1.5 million. The integration of different technologies through its bank enterprise system enabled Meda to provide 89 loans totaling \$2.5 million in just five weeks during the pandemic. Before Meda deployed this bank enterprise system, commented one interviewee, "there was no single piece of technology that allowed CDFIs to operate professionally and efficiently."
- For **MSL**, the DCC activator grant enabled expansion into Stockton, allowing it to serve small entrepreneurs with emergency grants. MSL developed new cloud-based technology and processes that enabled remote grant deployment, and awarded \$81 million in emergency grants to 8,300 struggling small businesses in California in 2020. And, MSL reported, "the COVID-19 pandemic in concert with the flexible activator grant funding created an opportunity to convert a crisis to an opportunity with a new end-to-end system for grant and loan deployment."
- **Self-Help** has so far deployed \$4.2 million in loans out of the \$10 million it plans to lend with its \$1 million DCC activator grant-funded loan loss reserve. Of this, \$2.1 million were PPP loans.

Additionally, CDFIs reported advances in their technology systems that would enable a larger volume of loan requests and deployment. These advancements can also serve and benefit other CDFIs when the technologies become available beyond DCC grantees. Such an expansion of the financial technology ecosystem could have a lasting impact in a postpandemic world.

- DCC support allowed **CSBDF** to rapidly accelerate the organization’s plans for technology related to the needs of lending clients. Using enterprise software like Salesforce, CSBDF is now more proactive in providing technical assistance to diverse small businesses.
- Initial investments in technology through the DCC activator grant appear to have set a precedent for continued investment in technology, encouraging grantees to explore further improvements in their operations. As **DreamSpring** reported, “We are excited to explore more technological solutions.” And **Meda** mentioned, “Our strategy has put a spirit within the organization of where else we can leverage technology and innovative services, or maybe even offer ‘off-the-shelf’ products.”
- The DCC-enabled new small-business department at **HOPE** is facilitating the transition to a new software system that will make closing a loan easier.

Investments in technology platforms are in line with the vision that Wells Fargo suggested it holds: “We welcome a healthy competition among technological platforms [for CDFI lending], and we are agnostic about consolidation since there is no ‘one size fits all’...We are letting more flowers bloom in the field,” one representative commented.

Activator Grant Awardees Met Challenges and Opportunities

The pandemic presented the awardees with immediate implementation challenges, but also long-term opportunities. Although some initial plans had to be abandoned with the onset of the pandemic, the heightened and urgent need for small-business capital presented new opportunities to reach new markets.

- For **Self-Help**, which focused on lending to diverse developers and contractors, the pandemic hindered its goal of reaching \$5.5 million in loans by the end of 2020 as its focus switched to PPP. “We’ll be short on the dollar amount. We are still lending, we are hoping to have this new product for contractors and developers out and have a pretty robust pipeline. That’s really the piece that got delayed with COVID,” a representative mentioned. However, they also explained that PPP lending outside the DCC target market of developers and contractors “has helped cover the cost of doing [other] loans and it’s opened up more opportunities for [us], particularly in Chicago where it’s a more crowded market. It’s really helped [us] grow and [we] have people contacting [us] about loan information. [We are] able to use those dollars to put into other lending work.”
- COVID-19 halted all in-person interaction for **CSBDF** and consequently, it could not provide small-business technical assistance to its final cohort. However, CSBDF also reported that

“COVID helped release some fund restrictions, which enabled [us] to adapt as an organization in terms of technology management and infrastructure, building capacity to respond quickly.” This included the launch of a digital learning academy that allowed for both live and on-demand pandemic technical assistance.

- **CRF** “had to quickly pivot and move in a different direction” in response to COVID-19 and the ramp-up of PPP lending. However, it has also been able to “leverage the infrastructure of Connect2Capital to build out COVID recovery funds.”
- The timing of the pandemic coincided with the moment **MSL** launched in Stockton. MSL was able to deploy \$500,000 in emergency grants in the first quarter of 2020 to 167 small businesses affected by the economic downturn induced by the COVID-19 crisis. MSL completed entrepreneur-in-residence cohort training during the pandemic using new digital delivery systems. MSL also reengineered its small-business content and technical assistance model for service delivery in a postpandemic small-business landscape.

Findings from awardees were echoed by OFN, which explained that “the pandemic slowed down implementation of some strategies...at one point some awardees asked if they could use [activator] grant funds for nongrant purposes.” The latter was confirmed by Wells Fargo, which reportedly offered awardees “the opportunity to use funds flexibly” to respond to the pandemic. While some did take the offer, other strategies were well under way to implementation, making a shift in the use of funds impractical.

CDFIs Have Planned to Improve Entrepreneurs’ Capital Readiness in Various Ways

CDFIs embraced different theories of change about how their activator strategies will improve the capital readiness of their diverse small-business clients. While some grantees implemented direct approaches through technical assistance efforts, others opted for indirect efforts to help entrepreneurs become credit ready.

- **MSL** is supporting the capital readiness of entrepreneurs of color with pre- and postloan technical assistance and workshops through its African American Entrepreneurship Institute. The DCC activator grant allowed MSL to expand these services to a new city (Stockton). Similarly, **HOPE** and **Self-Help** provide existing technical assistance services to help the diverse small businesses they serve access DCC-enabled loan capital. **CSBDF** also provides technical assistance in the form of the Innovator’s Journey Program, “an ideation accelerator that combines classroom curriculum with self-guided modules, virtual support, and live coaching.” This grantee commented that some participants credited CSBDF’s help through technical assistance and loans with gaining additional capital from traditional financial institutions.
- **CRF** partnered with the education technology firm EVERFI to create on-demand self-learning modules for entrepreneurs on the Connect2Capital platform.
- Other awardees have a more indirect approach to improving capital readiness among entrepreneurs. **Meda** expects that increasing capacity to lend to small-business owners of color

will in turn empower these businesses to grow, develop their future financial capacity, and ultimately access debt capital from more traditional sources. Meda explains this model as follows: “We don’t want a person to come to Meda for a loan and stay with Meda. Ninety-eight percent of our borrowers come to us because they have been rejected by a bank. Our model, then, is, ‘Come to Meda. Get the money you need right now. Let’s get a bank into the loan so we get to build that relationship, and through the work with us, you make your business stronger to meet those goals the banks want to see to do business.’ The entrepreneur moves out of Meda to a bank, allowing our capital to go to other entrepreneurs. We are being able to launch these businesses into the greater, more traditional financial institution ecosystem because of the work that is being enabled by this grant.” Wells Fargo echoed this theory of change as one way it expects the program to improve entrepreneurs’ capital readiness.

- **DreamSpring** expects that Presto’s automation of loan-request processing will allow loan officers “to be less focused on application processing and even more fully focused on client success,” allowing DreamSpring to offer existing technical assistance and other support to small-business owners seeking capital.
- Improving the capital readiness of borrowers can also translate to benefits for communities. **Self-Help** explained that thanks to the grant, it can now reach diverse developers building middle-income housing in low-wealth neighborhoods—a goal that may not be financially supported by traditional banks.

The Use of External Consultants Met with Some Challenges

OFN-reimbursed consulting services faced a few challenges to full and timely leverage. Some CDFIs struggled to see value in engaging with external consultants, which kept these awardees from accessing this resource to its fullest potential. Other grantees found great value in their engagement with consultants.

- OFN reported that five of the seven awardees contracted with a consultant, and that OFN has almost fully reimbursed these five awardees for the consulting fees.
- Some grantees appear to have been somewhat reticent to engage consultative help, even if only at the start of the program. As one grantee explained, the CDFI wants to take the opportunity to develop new knowledge and capabilities in-house, as part of the systems changes it wants to generate.
- Leveraging of consultative help was also challenged by the COVID-19 pandemic, because the specific intended uses for consultants changed or because the awardees did not believe consultants would add value to their strategy or general work. As a staffer at a grantee said, “COVID has taken precedence over some of that thinking.” As staff at another grantee organization said, “We haven’t decided what consulting services to use, because how we were going to use this has primarily changed.”

- Not all CDFIs experienced challenges, however. For example, **CSBDF** found technical consultants helpful, and this relationship grew into a professional services contract with a local technology group that is also a small business. OFN highlighted that “technology is something where consultants will always add value because CDFIs tend to not have the capacity or resources to compete with fintech.”

Administrative Learning Curves Are Unavoidable

Although the activator grant was effective in helping CDFIs meet their goal of expanding services to diverse small businesses, CDFIs also encountered some hurdles in implementing their strategies during a high-pressure time.

- Some awardees reported difficulties with the reporting format to OFN, specifically which loans could be ascribed to the DCC activator grant. **HOPE** explained that “under the current format, we need to report the amount financed. There’s no way here for us to actually indicate how much of the credit enhancement pool we used for each one of the loans.” **CSBDF** explained that “trying to model exactly how much [loan capital is from the grant] creates all sorts of endogeneity issues and there are numerous intervening variables that make putting an exact figure on direct and indirect support quite a challenge.” Despite this, **CSBDF** reported appreciating the data-driven approach to DCC but emphasized that some of the most powerful effects from DCC, “like the entrepreneurial networks that were fostered due to the grant will not show up in the quantitative reports submitted.”
- While loan-processing automation is a goal for some CDFIs, one awardee raised the concern that a sensitive balance needs to be achieved between efficiency and “not leaving the most vulnerable entrepreneurs out.”

Conclusion

Reaching diverse firms and entrepreneurs and achieving a vibrant small-business community requires financial institutions to embrace innovation and creativity in their service delivery and product offerings. Although DCC’s work is still ongoing, the activator grants these seven CDFIs received have proved important in increasing lending volume, capacity to lend, reach into new markets and clients, and proximity to the diverse small businesses in their communities. This is largely because activator grants are sizable enough to fund impactful initiatives.

Wells Fargo’s willingness to let CDFIs use their grant funds flexibly during the pandemic also helped a subset of the CDFIs achieve better results. The timing of the grant was highly relevant in ways that could not have been foreseen. The 2018 activator grants positioned multiple awardees well to meet exceptional demand for PPP loans. In many cases, the impact of the activator grant even went beyond the CDFIs and their clients. Some grantees were able to invest in technology that will enable CDFIs outside the DCC program to increase lending volumes. The CDFIs also influence their communities by financing businesses, which maintains and creates jobs, fosters entrepreneurial networks, and supports

the social benefits that small businesses provide. When all people are empowered to do business in their communities, the resulting commercial corridors affirm the community's culture and identity while increasing social capital and economic vitality.

This brief reflects the state of the DCC program and its impact one and a half years into program implementation. Urban will conduct an additional round of data collection and reporting to finalize the assessment analysis of the DCC activator grant program.

Notes

- ¹ Caron Beesley, "How to Estimate the Cost of Starting a Business from Scratch," Minority Business Development Agency blog, US Chamber of Commerce, November 15, 2011, <https://www.mbda.gov/news/blog/2011/11/how-estimate-cost-starting-business-scratch>.
- ² Wells Fargo defines diverse small businesses as being 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.

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