

For Immediate Release: October 24, 2018

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New Report Shows Creating Financial Access for Immigrants & Underserved Entrepreneurs Increases Credit Scores and Leads to Job Creation

Opportunity Fund research shows microlending to immigrant and underserved entrepreneurs in California creates a path into the mainstream economy for borrowers and leads to job creation and economic activity in communities

San Francisco, Oct. 24, 2018—New research completed into the impact of the last decade of Opportunity Fund’s lending to underserved and immigrant small businesses owners in California shows that the loans made by the community development financial institution have resulted in large-scale positive changes to borrowers’ financial lives, including establishing or improving credit scores, and stimulating business growth and job creation in the communities where they operate.

Opportunity Fund microloans have helped more than 1,000 borrowers with no credit history to establish a credit score, with those in [the study](#) achieving an average credit score of 630. The entrepreneurs researched increased their business revenue by an average of 51 percent and employ more than 5,600 Californians.

“This study proves that systemic change is possible when you empower underserved entrepreneurs with small-dollar business loans,” said Opportunity Fund CEO Luz Urrutia. “Not having a credit score is very expensive. If you don’t have a credit score your options are limited if you need to borrow money, pay a deposit to rent an apartment or get through any major emergency. Having a credit score means our borrowers now have the ability to enter the mainstream economy and can get a loan to build a business or buy a house. They can increase their own financial security and create economic activity that benefits our communities in the form of new jobs, valuable services and more economic activity.”

The study, conducted by a team of student researchers at UC Berkeley’s Net Impact, looked at 10 years of data from nearly 2,000 repeat Opportunity Fund borrowers in California, many of whom are immigrants. All those studied were unable to qualify for traditional bank loans, either because the amount they needed was too small for a conventional bank or because they had limited or poor credit history. The findings include:

- 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 percent of the repeat borrowers’ credit scores increased by at least 25 points—which could mean the difference between a subprime and prime score

- Borrowers increased business revenue by an average of 51 percent between their first and most recent loan
- Borrowers employ an average of 2.9 people, with 16 percent creating a new job between their first and latest loans

One of these borrowers is Emilia Otero, whose La Placita Commercial Kitchen in Oakland's Fruitvale neighborhood has served as an incubator and launch pad for more than 300 food carts, caterers and microbusiness eateries in Oakland and throughout the East Bay.

Although the City of Oakland originally saw the potential of Otero's idea and gave her a seed money grant, commercial banks were unwilling to lend her the additional money she needed to cover her start-up costs. The reasons were familiar to immigrants and underserved populations: a lack of equity and limited credit history. It was then that she turned to Opportunity Fund, which loaned her \$10,000 to launch the kitchen.

After two years of successful operations, Otero faced another setback: the building housing her commercial kitchen went into foreclosure, threatening her business and the 300 mobile food vendors who worked out of her kitchen. This time, Otero was prepared – her credit score had gone up by double digits since her first loan from Opportunity Fund, who approved her for a second loan to secure a new location and enough seed money to protect against similar threats in the future.

“There are thousands of entrepreneurs seeking a small amount of capital to build a business and pursue their dreams but who can't find help from traditional lenders. We need to make sure our financial system serves them better, because we all benefit from the jobs they produce and the economic activity they stimulate,” Urrutia said. “Opportunity Fund helps borrowers establish credit scores when they had none and improve them by double digits more than a third of the time. Establishing and building credit puts our nation's entrepreneurs on a path to prosperity. We know it can be done.”

[See the study here.](#)

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About Opportunity Fund

Opportunity Fund, the nation's leading nonprofit small business lender, believes that small amounts of money and financial advice helps 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 underserved communities. Since 1994, the team has deployed over \$700 million and helped thousands of families earn, save and invest in their own futures.

Visit www.opportunityfund.org for more information.