



TruFund®
FINANCIAL SERVICES

More than a loan. An opportunity.

Paycheck Protection Program IMPACT REPORT

About TruFund

TruFund is an African American-led CDFI founded in 2005 with a focus on serving minority populations. TruFund is headquartered in New York City, with offices in Alabama, Louisiana, and Texas, from which we support underserved small businesses and non-profits in six states throughout the Gulf Coast and Northeast. We provide affordable, accessible capital, coupled with small business training to help businesses mature their planning and operations.

Across all programs, TruFund has disbursed \$150+ million in financing to 1,500+ small businesses and non-profits, and has served 9,000+ with individual and group business training. TruFund's clients are 92% low/moderate-income, 81% African American, 8% Hispanic, and 24% women. 100% of borrowers could not receive the loan from a conventional lender, and 54% of businesses are located in low-income areas. Our loans provide critical capital at key moments of need and opportunity. Our trainings help small businesses mature their operations by assembling business plans, financial statements, and historical records, and by addressing common barriers to capital, such as low credit scores, inconsistent profitability, and/or sub-standard recordkeeping.

Our Mission

Our mission is to help historically disadvantaged individuals and communities create thriving and resilient small businesses and entrepreneurial ecosystems in order to close racial and economic disparities and ensure an inclusive and equitable society.

Small Business Lending



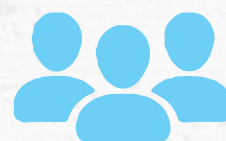
New Markets Tax Credit



Disaster Recovery and Resiliency



Programs & Initiatives



Disasters devastate small businesses, and African American-owned businesses are especially hard-hit.

TruFund knows all too well how disasters impact small businesses: 40% of impacted businesses never re-open, and another 25% fail within one year of the disaster.¹ Critical capital that would help businesses survive is scarce: after disasters, 66% of firms that sought capital reported a gap between the funds they needed and the funds they ultimately received, with 35% unable to access any financing.² Further, minorities experience higher loan declination rates.

According to the Small Business Administration, even after controlling for factors like credit scores, personal wealth, and revenues, minority small

business owners are disproportionately denied credit: 31% of minority business owners are declined vs. 12% for non-minorities.³ In areas badly hit by disasters, African American owned businesses are disproportionately affected: according to a national report from the Federal Reserve Banks, after accounting for recovery efforts, white-owned businesses experienced a wealth increase of \$126,000 on average, while those owned by African Americans saw a wealth decrease of \$27,000, a difference of \$153,000 per business, on average.⁴

“

We were able to sustain our current business operations. We are very gracious to TruFund for the PPP loans and technical assistance.”

— **CORY STRONG**
Studio Sole Footwear



TruFund is a leader in helping underserved small businesses prepare for and recover from disasters.

TruFund has a business unit for disaster recovery and resiliency, which addresses the needs of vulnerable small businesses and nonprofits throughout all phases of disasters — from pre-disaster preparation, to long-term post-disaster recovery, including strengthening business operations. To this work, we bring the same focus on minority and underserved populations. TruFund's theory of change is that minority-owned small businesses can survive and thrive in the face of disasters large and small through robust, thoughtful business training and capital that is affordable, accessible, and timely.

Since 2005, we have provided \$55 million in grants and loans to 2,600+ small businesses and nonprofits for disaster recovery and resiliency. Additionally, we have served 2,400+ small businesses with disaster-related individual and group business training. These trainings help small businesses assess and understand their internal and external risk factors, as well as identify and implement plans to sustain the

business when a disaster strikes. Our work supports responding to large disasters, such as hurricanes, wildfires, or a pandemic, but also includes smaller and more commonplace disasters, such as a burst pipe, a temporary power outage, or the business owner falling ill. With TruFund, small businesses are able to survive and thrive beyond life-changing disasters.



TruFund's Pandemic Response

Since the start of the COVID-19 Pandemic, TruFund has been a responsive and innovative leader and partner. We immediately activated our disaster response unit to provide financing through loans and grants, as well as business trainings hosted virtually. The tandem offering of capital and training is key — business owners are supported in making informed choices, accessing capital, and in generating plans and contingencies, as they face great uncertainty, prolonged closures, and/or new health-related requirements for operations. Independently and in conjunction with local, state, and federal governments, TruFund has deployed \$17+ million in capital through four distinct programs, and has served 377 with individual and group disaster trainings to date.

“*TruFund has allowed me to use the COVID-19 maze of confusion as a time for reflection, preparation, and mobilization. I have met team players for Children's Language Center, LLC who are as committed to my survival and longevity as the children and families I service. In so doing, TruFund approved Children's Language Center, LLC for a PPP loan as soon as its lending services began. I cannot thank TruFund enough ... Their staff, programming, and services for small business owners are impeccable.*”

— **MICHEA RAHMAN**
Children's Language Center LLC



Overview of Paycheck Protection Program

Among these COVID-19 pandemic response efforts is TruFund's participation in the Paycheck Protection Program (PPP). PPP dollars have played a crucial role, providing significant federal funds as temporary relief to small businesses, with 1% interest rate loans of up to \$10 million that are up to 100% forgivable. The loans are designed to be used for payroll, utilities, and rent / mortgage payments. Across two rounds of funding, \$659 billion has been allocated by the federal government for PPP financing. As shown in Table 1, through August 8, 2020, 5,460 lenders distributed \$525 billion in 5.2 million loans.⁵

Despite these favorable rates and terms, early data indicates that African American owned businesses have been underserved. PPP loans reached only 20% of eligible businesses in states with the highest densities of Black-owned businesses. In counties with the most concentrated numbers of Black-owned business, coverage rates were typically 15-20%, and went as low as 12%.⁶ Some of this was exacerbated by federal guidance that banks should prioritize businesses with which they had existing relationships.⁷ Further, a report from the National Community Reinvestment Coalition found systemic racial biases in lenders' deployment of PPP funds, with white clients receiving more favorable treatment than black clients. To

a statistically significant degree, Black patrons were less likely to be encouraged to apply for a loan, were told about fewer loan products, and received less information about the details of the products available.⁸ Unfortunately, these funding gaps and inequitable practices have already had significant impacts on African American owned businesses. From the start of the COVID-19 outbreak, within just two months, 41% of African American owned businesses nationwide had shuttered permanently, compared to 17% of white-owned businesses.⁹



TruFund's Pandemic Response

Understanding that TruFund could play a critical role in pandemic response, we rapidly applied to participate in PPP lending. Through August 30, 2020, TruFund has issued nearly \$14.9 million in PPP loans to 490 small businesses impacted by the COVID-19 Pandemic. These loans have resulted in the retention of 2,104 jobs, which is in alignment with the intentions of the program. TruFund's role as a minority-serving CDFI has been critical. Our goal is to ensure that emergency PPP funds make it into the hands of not just some, but every business that qualifies, regardless of the race of the individual applicant or the racial make-up of the community in which the small business is located.

As shown in Table 1, across all PPP lenders, the average loan size is more than \$100k. Since allowable loan amounts are linked to payroll and rent / mortgage payments, larger loan amounts indicate loans to larger businesses with more employees. In comparison, CDFIs have an average loan amount of nearly \$66k, while TruFund's average loan amount is just \$30k. This

demonstrates the key role CDFIs play in reaching small businesses. It also shows TruFund's effectiveness in reaching businesses with even fewer employees, which tend to have the most difficult time accessing capital. Further, TruFund offers the same process for loans of all sizes, unlike larger banks that gave preferential treatment to larger loans.¹¹

TruFund has a proven track record of reaching underserved populations. TruFund's track record includes African Americans, women, and businesses in lower-income areas. This expertise extends across all of our offerings, including PPP lending. A majority of TruFund's PPP lending is to minority-owned and/or women-owned businesses with 0-10 employees, often located in low- or moderate-income communities. We also are reaching industries disproportionately affected by the COVID-19 Pandemic. In the pages that follow are more details of our lending by various demographics and economic factors.

TABLE 1: PPP LENDING TO DATE ¹⁰

	TruFund	All CDFI Lenders	All PPP Lenders
Dollars Loaned	\$14,861,060	\$7,521,016,324	\$525,012,210,124
Number of Loans	490	114,717	5,212,128
Average Dollars per Loan	\$30,329	\$65,561	\$100,729

TruFund's PPP Dollars Reach Minorities and Women

The vast majority of TruFund's PPP lending is to minority populations: 87% of all dollars loaned went to minority-owned small businesses, totaling nearly \$13 million in capital. In fact, of dollars loaned since the start of the pandemic 62% have been to African American owned small businesses, representing \$9.2+ million, while 24% have been to Latino/Hispanic owned businesses totaling \$3.5+ million. Further, TruFund is able to reach women owned businesses: 38% of loan dollars went to women-owned businesses, representing \$5.7+ million in PPP loan activity. See Table 2 below.

TABLE 2: TRUFUND'S PPP LOANS TO MINORITY- & WOMEN-OWNED BUSINESSES ¹³

	# of Loans	Amount of Loans	% of Dollars
Minority-Owned	415	\$12,958,191	87%
African American Owned	289	\$9,236,858	62%
Latino / Hispanic Owned	118	\$3,535,186	24%
Women Owned	210	\$5,710,837	38%

“ Thanks to the Paycheck Protection Program funding through TruFund Financial Services, Inc., I am able to maintain jobs, expand hours, pivot my business model during COVID-19.”

— MELBA WILSON
Melba's Restaurant,
Harlem, New York



TruFund Reaches Lower-Income and Disadvantaged Areas

TruFund is able to reach economically disadvantaged geographic areas. As shown in Table 3, TruFund's PPP borrowers' businesses are located in low-moderate income (LMI) communities, High Poverty Areas, and Opportunity Zones. Of all dollars, 50% have been to businesses located in LMI areas, while 52% of dollars have gone to high poverty areas, representing \$7.8 million in lending. Simultaneously, 28% of dollars, representing \$3.95 million, have been made to businesses located in Opportunity Zones.

TABLE 3: TRUFUND'S PPP LOANS TO BUSINESSES IN LOWER-INCOME AREAS ¹⁴

	# of Loans	Amount of Loans	% of Dollars
LMI Communities	184	\$7,491,227	50%
High Poverty Areas	214	\$7,777,464	52%
Opportunity Zones	87	\$3,950,814	27%

“ *The PPP loan secured through TruFund allow our agency to maintain operations during the COVID-19 pandemic. It came at a time when committed public funds were unexpectedly withdrawn and we were facing the possibility of staff reductions and service cuts. With our secured PPP loan, we have been able to stay fully staffed and continue to provide a full roster of services to our students”*

— ROBERT TAYLOR
Youth Action, Youth Build (East Harlem)



TruFund Reaches Small Businesses and Solo Business Owners

The bulk of TruFund’s PPP portfolio is reaching true small businesses, unlike larger banks. In fact, 88% of TruFund’s PPP loans went to businesses with 10 or fewer employees. A majority of loans, 59%, were to small businesses with no employees beyond the business owner. Another 23% was made to businesses with 2-5 employees and 7% was made to businesses with 6-10 employees. In total this amounts to nearly \$7.8 million in lending. This is especially critical in the markets we serve, because businesses employing only the owner account for 96% of African American owned small businesses nationwide. As loan amounts are tied to business expenses, specifically payroll and occupancy costs, loans to businesses with fewer employees are commensurately smaller, and average \$10,517 for businesses with 1 employee and \$22,119 for businesses with 2-5 employees. Among businesses with more than one employee, the median number of employees is four.



TABLE 4: TRUFUND’S PPP LENDING BY NUMBER OF EMPLOYMENT¹⁶

	# of Loans	% of Loans	Amount of Loans	Average Loan
Business with owner only (1 employee)	188	59%	\$3,029,012	\$10,517
Business with 2-5 employees	112	23%	\$2,477,297	\$22,119
Business with 6-10 employees	32	7%	\$2,273,641	\$71,051
All with Fewer than 10 employees	432	88%	\$7,779,950	\$18,009

TruFund Reaches Hard-Hit Industries

TruFund's PPP loans to minority populations and very small businesses have been critical, especially because minority- and women-owned small businesses are disproportionately concentrated in affected industries. For example, food services and home healthcare are considered essential businesses, and are disproportionately minority owned. These businesses require physical proximity, placing workers at higher risk of infection. Conversely, day cares and restaurants have seen revenues decline substantially or zero out altogether, especially in markets where indoor gathering is prohibited by public health ordinances. TruFund is working with these business owners to access capital and create responsive business plans. By loan volume, three industries from TruFund's top five are accommodation / food services, health care, and construction, which together amount to more than \$7 million in loans. More data about top industries served is shown in Table 5 below.

TABLE 5: TRUFUND'S PPP LENDING BY INDUSTRY¹⁷

	# of Loans	Amount of Loans	% of Dollars
Accommodation & Food Services	46	\$2,713,556	18%
Healthcare and Social Assistance	41	\$2,291,588	15%
Professional, Scientific, technical Services	67	\$2,237,694	15%
Construction	60	\$2,044,943	14%
Real Estate Rental and Leasing	45	\$1,242,970	8%

“ *TruFund was extremely helpful and cooperative with our PPP Application. TruFund was able to fund us within 24 hours of our submitted application. We are grateful we chose TruFund to do our funding for our PPP Loan.”*

— JESSICA DUSSAN
Green Island Group, Corp.



TruFund Reaches Underserved States with PPP Funds

TruFund's PPP loan portfolio includes the Gulf Coast and Northeast regions, specifically serving the states of Alabama, Georgia, Louisiana, New Jersey, New York, and Texas. This includes \$10.2+ million to New York, \$1.3 million in lending to Texas, and \$1.5+ million in lending to Georgia. Early data from the Dallas Federal Reserve Bank show these three states (among others) are underserved by the PPP program, when compared with that state's Gross Domestic Product. In total, TruFund has loaned more than \$13 million to businesses in states underserved by PPP dollars, 88% of our PPP portfolio. More information is shown in Table 6 below.



TABLE 6: TRUFUND'S PPP LENDING BY STATE ¹⁹

	# of Loans	Amount of Loans	Underserved
New York	240	\$10,230,902	Yes
Georgia	28	\$1,549,606	Yes
Texas	108	\$1,298,318	Yes
New Jersey	33	\$969,220	No
Alabama	79	\$790,882	No
Louisiana	2	\$12,132	No
	# of Loans	Amount of Loans	% of Dollars
Total Underserved States	490	\$13,078,826	88%

TruFund's Work Matters

"Today, TruFund offers a uniquely effective suite of financial products and services to meet the needs of minority- and women-owned small businesses as they prepare for and respond to disasters of all kinds. This is important because these small businesses fill an important role in their communities — they are major providers of jobs, and give access to essential goods and services in communities of color."

— James H. Bason, President & CEO

The \$150+ million in financing that TruFund has disbursed has allowed 9,300 jobs to be created or retained, a ratio of 62 jobs per \$1 million in financing. TruFund serves a wide variety of business types — from day cares, home health care services, and restaurants, to construction contractors, retail stores, and critical

nonprofit service providers, our clients are the backbone of their communities.

These establishments give their surrounding communities access to the goods and services they need, and which often they would lack access to if these establishments were to close. Also, businesses need immediate capital and training to survive, especially those that are African American owned. TruFund's disaster business unit allows for immediate response to crises throughout the Northeast and Gulf Coast. TruFund is a responsive and innovative partner, helping minority-owned small businesses and nonprofits develop resiliency, serve their communities, and face with strength the challenges of today and tomorrow.



Endnotes

1. http://www.chamber101.com/2programs_committee/natural_disasters/disasterpreparedness/Forty.htm, <https://www.cnbc.com/2017/09/16/hurricane-watch-40-percent-of-small-businesses-dont-reopen-after-a-disaster.html>, https://www.fema.gov/media-library-data/1441212988001-1aa7fa978c5f999ed088dcaa815cb8cd/3a_BusinessInfographic-1.pdf
2. <https://www.newyorkfed.org/medialibrary/media/smallbusiness/2017/SBCS-Report-on-Disaster-Affected-Firms.pdf>
3. <https://www.sba.gov/sites/default/files/Issue%20Brief%203%20Access%20to%20Capital.pdf> [https://www.sba.gov/sites/default/files/files/rs403tot\(2\).pdf](https://www.sba.gov/sites/default/files/files/rs403tot(2).pdf)
4. In areas with at least \$10 billion in damages. <https://archive.thinkprogress.org/wealth-gap-between-minority-and-white-communities-widens-after-natural-disasters-5108851f6b27/>, <https://news.rice.edu/2018/08/20/natural-disasters-widen-racial-wealth-gap-2/>
5. Small Business Administration, Paycheck Protection Program report, with data through August 8, 2020. For older data, see: Federal Reserve Bank of New York Report, "Double Jeopardy: COVID-19'S Concentrated Health and Wealth Effects in Black Communities" Released August 2020.
6. Anneliese Lederer and Sara Oros, 2020. Lending Discrimination within the Paycheck Protection Program. National Community Reinvestment Coalition. Available at: <https://www.ncrc.org/lending-discrimination-within-the-paycheck-protection-program/>
7. US House of Representatives Select Subcommittee on the Coronavirus Crisis report "Underserved and Unprotected: How the TrumpvAdministration Neglected the Neediest Small Businesses in the PPP," October 2020.
8. "Lending Discrimination within the Paycheck Protection Program" National Community Reinvestment Coalition, by Anneliese Lederer and Sara Oros. It is worth noting these actions could be considered fair lending violations of the federal Equal Credit Opportunity Act, which requires that equally qualified borrowers are able to access credit regardless of their race, ethnicity, gender or status in other protected classes.
9. Robert W. Fairlie, "The Impact of COVID-19 on Small Business Owners: Evidence of Early-Stage Losses from the April 2020 Current Population Survey," National Bureau of Economic Research, June 2020, <https://www.nber.org/papers/w27309.pdf>.

Endnotes

10. TruFund, SBA Paycheck Protection Program Loan Report Round 2. <http://home.treasury.gov/system/files/136/SBA-Program-Protection-Program-Loan-Report-Round2.pdf>
Note: TruFund data is through Aug 31, 2020, while data for All CDFIs and PPP lenders is through August 8, 2020
11. US House of Representatives Select Subcommittee on the Coronavirus Crisis report "Underserved and Unprotected: How the Trump Administration Neglected the Neediest Small Businesses in the PPP," October 2020.
12. Please note that the numbers of African American and Hispanic borrowers do not add up to the total minority loan rate because some borrowers identified as both African American and Hispanic.
13. TruFund, Data through August 31, 2020
14. TruFund, Data through August 31, 2020
15. U.S. Census Bureau, 2012 Survey of Business Owners, as originally quoted in Federal Reserve Bank of New York Report, "Double Jeopardy: COVID-19'S Concentrated Health and Wealth Effects in Black Communities" Released August 2020.
16. TruFund, Data through August 31, 2020
17. TruFund, Data through August 31, 2020
18. Dallas Federal Reserve Bank "Who Benefited from the Paycheck Protection Program?" Emily Ryder Perlmeter, September 4, 2020. <https://www.dallasfed.org/cd/communities/2020/0904>
19. TruFund, Data through August 31, 2020





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