HOPE Enterprise Corporation
A HIGH IMPACT FUND

FIGHTING INEQUITY IN THE DEEP SOUTH THROUGH FINANCIAL INCLUSION AND SMALL BUSINESS LENDING

Hope Enterprise Corporation is a Black-led Community Development Financial Institution (CDFI) that provides investors with the opportunity to help people in the Deep South region access non-predatory financial services and build wealth. From the Mississippi Delta, through the bayous and backwaters of Louisiana, and across the black belt of Alabama, HOPE's service area is home to a third of the counties experiencing persistent poverty in America. Not coincidentally, the Southern U.S. is also home to 54% of the Black population in America, many of whom have struggled to build wealth due to centuries of racist policies and intergenerational poverty.

Unfortunately, lack of income is just one aspect of poverty in the Deep South. These areas are also where jobs are hardest to come by and where the conditions with regards to housing, education, health, and other vital contributors to human dignity and economic mobility lag behind the rest of the nation. The solutions to these challenges are multifaceted and complex, but all require access to affordable financial tools.

In addition to providing capital starved individuals with financial tools and resources, HOPE has supported 50 community facilities with a combined $52 million in financing. These facilities — which include community health centers, clinics, rural hospitals, schools, nonprofit organizations, fire and rescue facilities, and other critical community facilities — provide essential services, create thousands of jobs, and serve tens of thousands of people annually.

HOPE is raising a pool of private debt capital with a term of 5 years and an interest rate of 1.5%. The funding will support HOPE’s mission to strengthen communities, build assets and improve lives in economically distressed areas of the Deep South by providing access to high quality financial products and related services.

ABOUT HOPE

HOPE (Hope Enterprise Corporation, Hope Credit Union and Hope Policy Institute) provides financial services; aggregates resources; and engages in advocacy to mitigate the extent to which factors such as race, gender, birthplace and wealth limit one's ability to prosper. Since 1994, HOPE has generated more than $3.1 billion in financing that has benefitted nearly 2 million people in Alabama, Arkansas, Louisiana, Mississippi and Tennessee.

ABOUT THE VENTURE IMPACT PROGRAM (VIP)

VIP is an innovative new way for MCF donors to engage in impact investing through grantmaking. Via a partnership with ImpactAssets — a market leader in impact investing — VIP enables philanthropic dollars to be directed towards for-profit companies that are seeking to make positive social or environmental impact.

For further information, contact Safia Kryger-Nelson at MCF, 415.464.2515 or skryger-nelson@marincf.org.
ImpactAssets FUND SUMMARY

**ASSET CLASS** Private Debt

**TARGET FUND SIZE** $283MM

**TERM** 5 years

**TARGET RETURN** 1.5%

**GEOGRAPHY** Economically distressed parts of the Deep South, including Alabama, Arkansas, Louisiana, Mississippi and Tennessee

**IMPACT AREAS** Financial inclusion, small business lending, community development, racial equity

**INVESTMENT FEES** This recommendation will incur an additional fee of 0.40%. The fee is calculated on current asset basis.

**INVESTMENT THESIS**

- HOPE provides banking and credit services, invests in critical community services such as schools and hospitals, and provides small business loans to entrepreneurs in the Deep South.

**IMPACT THESIS**

- HOPE seeks to strengthen communities, build assets, and improve lives in economically distressed areas of the Deep South by providing access to high quality financial products and related services.
- The Deep South is home to 8 of the 10 poorest states in the U.S. and one third of the country’s Persistent Poverty Counties, defined as counties where the poverty rate has exceeded 20% for three consecutive decades.
- Black Americans living in the south are still more likely to suffer intergenerational poverty, have a greater prevalence of underlying health conditions and live in communities with severely underfunded community services.
- Black-owned and led financial institutions are located in Black communities at much higher rates than White-owned financial institutions, and lend at much higher rates to Black home and small business owners seeking credit. However, the number of Black-led financial institutions in the US has declined by 50% over the past 20 years.

**ILLUSTRATIVE INVESTMENTS**

- **Suga's Diner** is a small-town restaurant located 45 minutes outside of Memphis, with high quality food and service. Like many restaurants, the outbreak of COVID-19 threatened to close the business for good. Owner Lesa Tard turned to a local bank for assistance through the Small Business Administration Paycheck Protection Program (PPP). The bank, however, offered no help. As a HOPE member-owner who conducted her personal finance affairs at the credit union, she realized she could also reach out for her business needs as well. “It was like serendipity, HOPE popped up in my mind” Lesa recalls. HOPE made Lesa the PPP loan that Suga’s Diner needed. She appreciated the efficiency of working with HOPE, commenting that “the loan process was very easy.”

- **Ambition Prep Academy** was converted from a retail and warehouse space located in a low-wealth community into a school now serving 150 kindergartners and first-graders. This was made possible with financing from Hope. School founder, DeArchie Scott, said the area was chosen because “the most need was here. In this zip code, families do not have an option of where they can send their children. All of the other locations were failing at the time.” As a new school, Scott knew financing would be a challenge. “We had to get people to believe in us and believe in our mission,” he said. “HOPE did.”

**STRENGTHS**

- Exemplary track record of investor repayment, net write-offs of less than 1%, demonstrated commitment to internal racial and gender diversity, resilient portfolio quality in the face of challenges of COVID-19

**RISKS**

- Organization dependent upon donor support for operational sustainability, economic impact of COVID-19 has elevated small business lending risk

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**LEGAL AND PROGRAM DISCLAIMER:** This is not a solicitation to buy or sell securities, nor a private placement offering pursuant to any private placement memorandum that must be issued to qualified investors. It is an informational description of charitably oriented, social purpose investment options that have been approved by ImpactAssets only for use by its donors. The minimum commitment per account per option is $10,000. There is no guarantee of any recovery of capital. The Fund Manager has not approved the information contained in this Fund profile, including the assignment of risk ratings contained herein.