

Written Testimony of

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Thank you, Chairman Quigley and Ranking Member Graves, for the opportunity to testify today before the Appropriations Subcommittee on Financial Services and General Government. I am Grace Fricks, the founder & CEO of Access to Capital for Entrepreneurs, Inc. (ACE). We are a 501(c)(3) not-for-profit corporation in North Georgia and a U.S. Treasury certified Community Development Financial Institution (CDFI). ACE is a loan fund that specializes in growing small businesses in 68 counties, including metro Atlanta and all of north Georgia, which is where the Southern Appalachian mountain range begins. We combine capital with coaching and connections so that underserved business owners can be successful in creating jobs, caring for their families, and contributing to their communities. In 19 years, we have helped more than 900 businesses create or save almost 8,000 jobs.

We've loaned more than \$60 million with an average loan size of \$66,079 and a historical loss rate of 3.2%. Our clients especially respect us because they view ACE as a community business that walks the walk they do. Like them, we started quite small in the back of my 1945 mountain house with \$50,000 for a loan pool from the Appalachian Regional Commission. The technical college asked ACE to create the loan fund for un-banked students who were

graduating to help students in careers such as welding, HVAC installation, automotive repair, and bookkeeping.

We have been humbled to witness ACE grow from a founder's dream with \$50,000 to a critical local community resource with a loan pool of \$29.6 million in private capital.

Two essential points regarding the CDFI Fund I would like to emphasize are:

1. CDFIs are public-private partnerships that over time utilize more private capital than public backing.
2. The CDFI Fund Financial Assistance (FA) program is the #1 method to build a balance sheet so that an organization can leverage private investment, thus making the organization more self-reliant.

Additionally, CDFIs are tailored to the needs of a local community – one size does not fit all.

While it is highly competitive to qualify for CDFI funding, the process is not prescriptive.

Community needs are documented, and strategies and tactics are designed to meet these needs including five year historical and proforma for which an organization is held accountable.

Who does ACE serve?

Dahlonega, surrounding Lumpkin County: Lumpkin County provides a prime example of ACE's work in Northeast Georgia. Lumpkin is a rural mountain county with 33,000 residents. The county seat, Dahlonega, is home to 7,000 residents. Median income in Dahlonega is just

\$33,000 and 30% of its residents live in poverty. Tourism provides one of the very few economic opportunities for the area. In just the last three years, ACE has invested more than \$1.5 million in 11 businesses in Dahlonega and Lumpkin County. These businesses include boutique restaurants, a day spa, a specialty toy store, dry cleaner and a wedding venue. Since making our first loan to a housecleaning service business in 2001, ACE has provided more than \$2.5 million in loans to Lumpkin County businesses. With capital they could not obtain elsewhere and business development services to support them, ACE has helped these entrepreneurs capitalize on their best option for economic development, build successful businesses and turn their little town into a destination spot for Georgia visitors.

Cyra's Simple Goodness, Dalton, GA: Daniel Weller is a truck driver who always wanted to be an entrepreneur in order to provide a better life for his children. Daniel also has a love of great food. In 2016, he was able to combine all of these things with a loan from ACE to open a restaurant. He hired his son-in-law, T.J., to be the general manager as T.J. had several years of experience running an upscale restaurant in Dalton. T.J. has a large community following and brought this expertise along with Daniel's entrepreneurial spirit to create Cyra's Simple Goodness. Daniel came to ACE because he needed working capital to help him through the opening of the restaurant: *"Without ACE our business would not exist, after capital investment of over \$150,000 we found ourselves nearing a standstill. Financing from ACE enabled us to be able to make it through our opening successfully. ACE was brought to our attention by The Downtown Dalton Development Authority, Georgia Department of Community Affairs and The*

Main Street program. The restaurant industry is a volatile and risky endeavor and after due diligence by ACE, they recognized our experience and talent pool to support us.”

Through our financing Cyra’s successfully created and has maintained 22 full time jobs; 21 part time jobs and three full time jobs. Since their initial success, they have had the opportunity to open a second restaurant in downtown Dalton, Baja Coop, financed by traditional sources and rumored to be best wings and tacos in downtown.

The Marchen Sagen Academy, Decatur, GA: Shortly after leaving the Navy, Couleen LaGon found himself homeless and sleeping in a friend’s studio. He used his love of music and production skills to obtain funds for a project, worked with a developing artist and found himself in a production deal with CeeLo Green. A few years later, he was inspired to create an organization teaching children the skills needed to transition from homelessness to gainful employment in his personal life as an artist and entrepreneur. From video production to visualization exercises, children are now taught and inspired daily at the Marchen Sagen Academy in a warm and nurturing, century old historic home in the middle of Downtown Decatur. *“ACE helped refinance my debt and gave me working capital when I needed it,”* says Couleen LaGon, military veteran and founder of the Marchen Sagen Academy. The Marchen Sagen currently has 43 students enrolled and employs 1.5 FTEs plus 2 interns.

Current portfolio metrics (as of 12/31/18)

# of loans in current portfolio:	262
\$ amount in portfolio:	\$23,654,352
Current average loan size*:	\$106,000
Current loan range:	\$15,000 - \$1,000,000
\$ amount in Metro Atlanta:	\$20,373,802 (86.1%)
\$ amount Rural:	\$ 3,280,550 (13.9%)
Jobs created/saved in current portfolio:	2,583
Ethnic mix:	8% Hispanic 92% Non-Hispanic
Racial mix:	African American 48% Asian 9% Caucasian 41% Other/unknown 2%
Gender mix:	48% women 52% men

**Secondary market sales mathematically reduce the average loan size.*

Nationwide, CDFIs like ACE are investing in some of the poorest communities in America. These communities are comprised of working families with extremely low incomes and high rates of poverty and unemployment. Taxpayers in these distressed areas traditionally lack access to affordable financial services and we are grateful to extend a helping hand with the support of the CDFI Fund in ways previously unimaginable.

As you may know, there is exceptionally high demand for CDFI resources, which far outpaces the availability of funding. In fact, in the FY 2018 cycle, application demand was at least three times the available funding.

CDFIs have consistently demonstrated a tremendous level of success, leveraging \$12 in private capital for dollar in federal support.

I strongly urge the subcommittee to provide \$300 million in funding for the CDFI Fund in FY 2020. This small increase of \$50 million would leverage some \$600 million, providing much-needed capital and services to consumers and small businesses in rural and urban low-income communities.

CDFIs are making a tangible difference, serving disinvested urban areas, small farming towns, and areas of persistent poverty left outside the economic mainstream for decades. I appreciate the opportunity to share more on the work we are doing in Georgia and I am happy to answer any questions from the subcommittee.