
Microenterprise Development in the U.S.

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What is a microenterprise?

- Business with five or fewer employees
 - Can utilize a loan of \$35,000 or less
 - Most are sole proprietorships
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What is Microenterprise Development in the US?

■ **Small business loans**

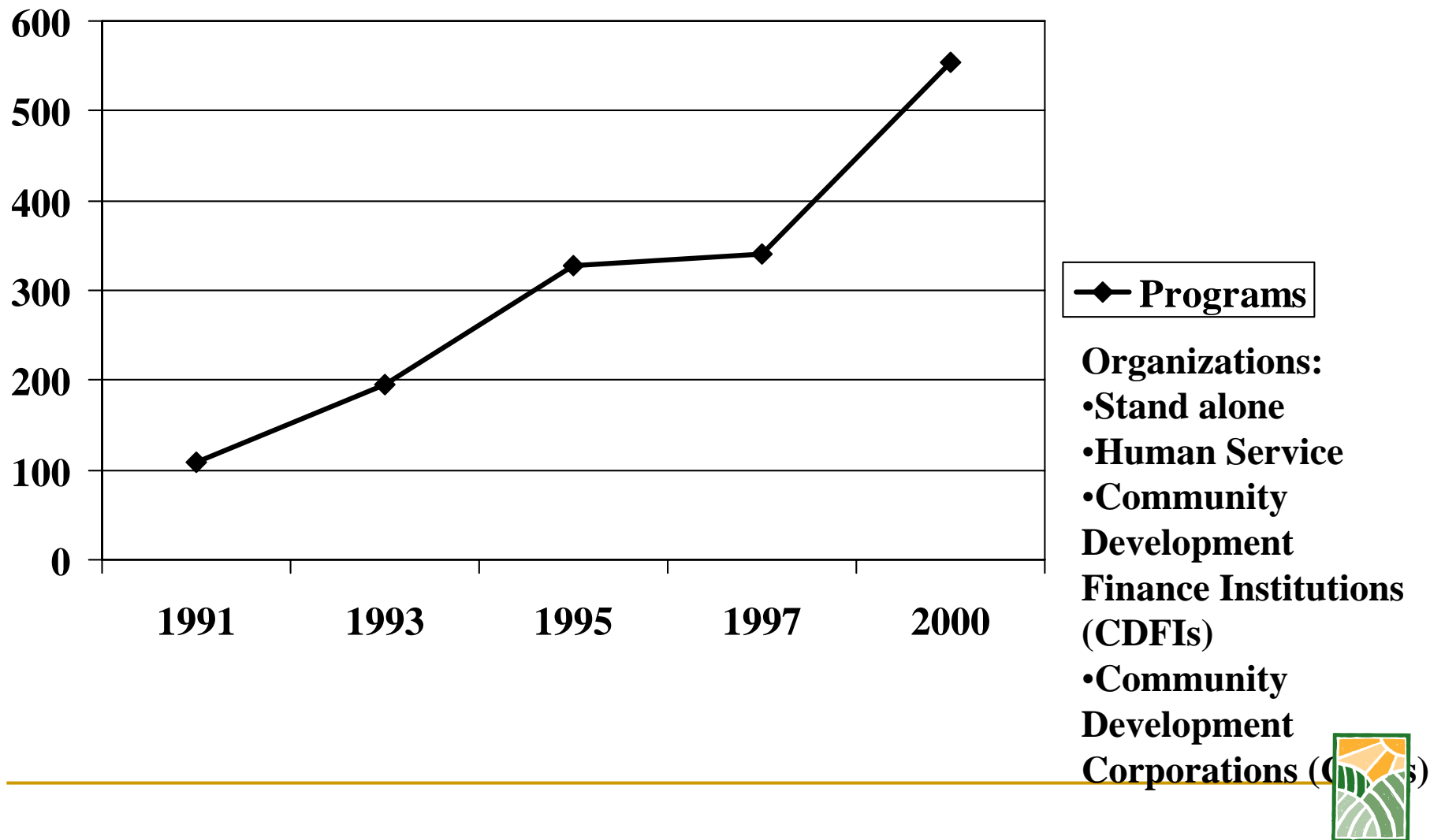
- ❑ Peer lending
- ❑ Individual loans
- ❑ Individual development accounts

■ **Individual development accounts**

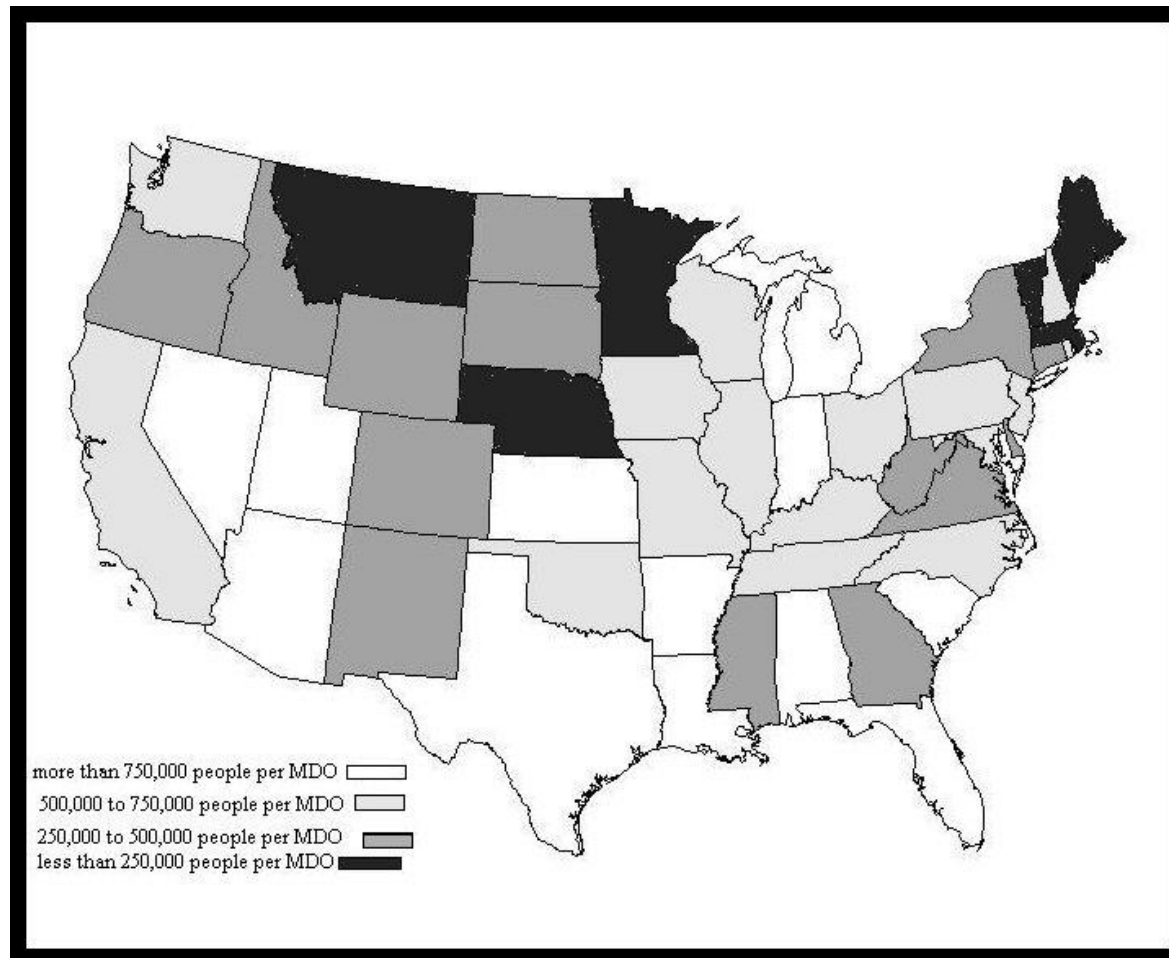
■ **Business development services**

- ❑ Business Training/TA
 - ❑ Access to Markets
 - ❑ Financial Literacy
 - ❑ Personal Effectiveness
 - ❑ Bank Linkages
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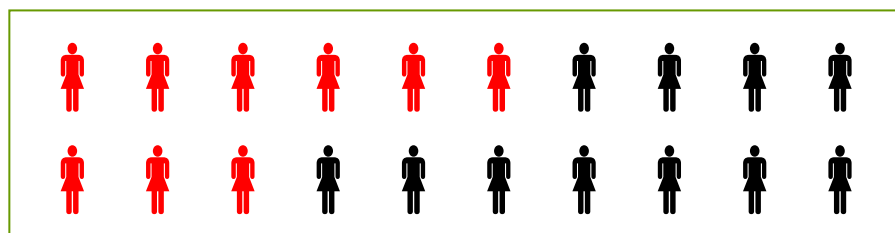
The Size of the U.S. Industry



Location of the US Industry



MDOs serve a disproportionate share of women and people of color



← 60% women
← compared to 33% of all
self employed



← 53% persons of color,
ethnic minorities
← compared to 14.6% of all
U.S. firms

64% had incomes at or below 80% HUD standard
for area median income



Downsizing

Emerging niche markets

Outsourcing

Declining rural economies

Loss of “middle class” jobs

Balancing work and family

Why Microenterprise?

More contingency work

Changes in the safety net

Growth in immigration

An aging population

Key Facts About the US Microenterprise Industry

> 500

Organizations provide financing, training and technical assistance

≈ 250,000

Clients served annually

240

Microlenders

> \$100 million

In outstanding loans to > 13,000 microentrepreneurs

\$8,570

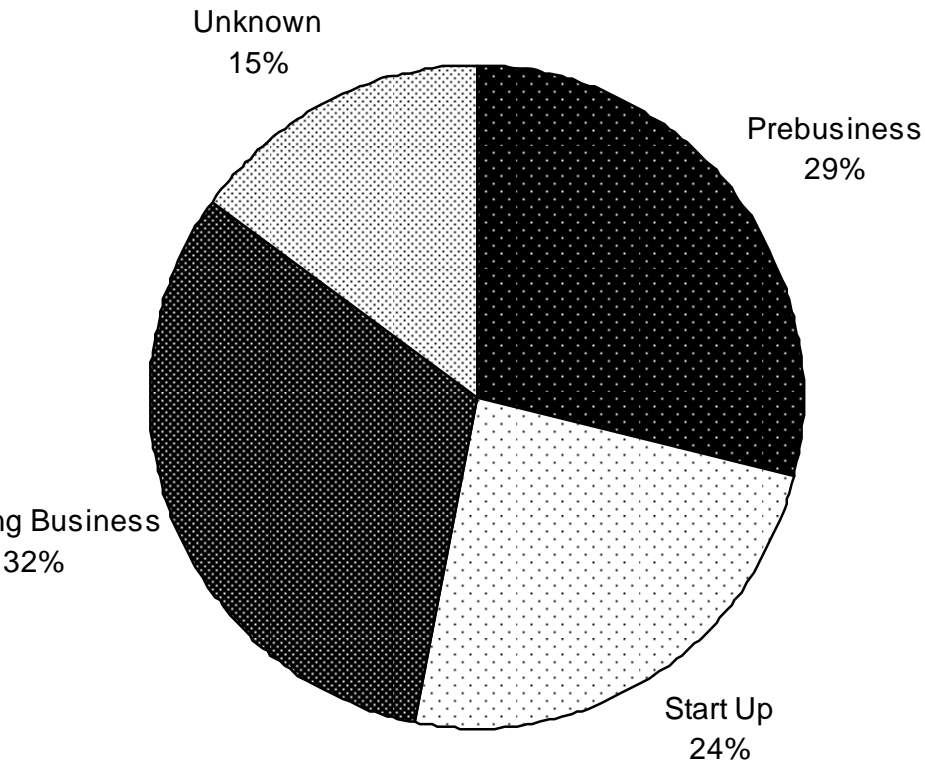
Average loan size



Who do Microenterprise Programs Serve?



Who do Microenterprise Programs Serve?



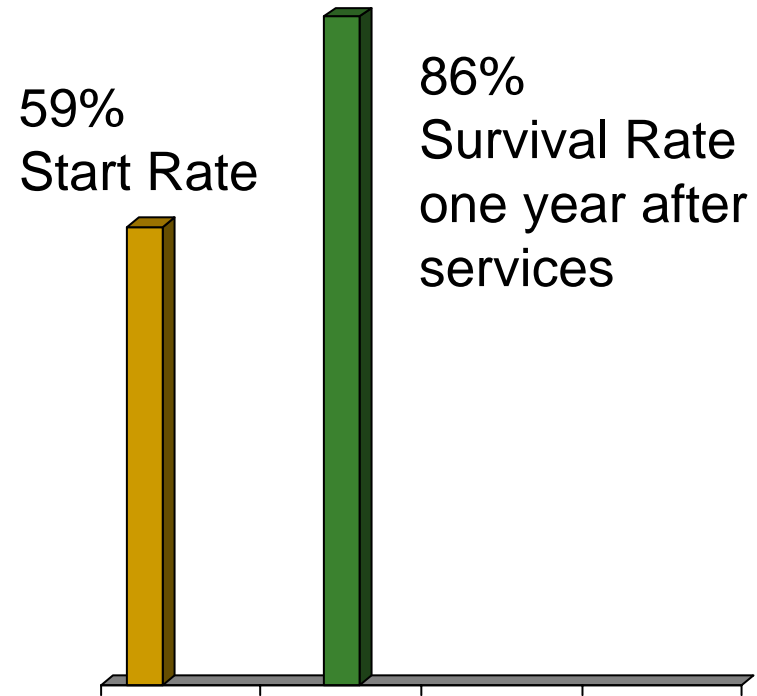
Credit Scores:

SBA microloan recipients:
550-650

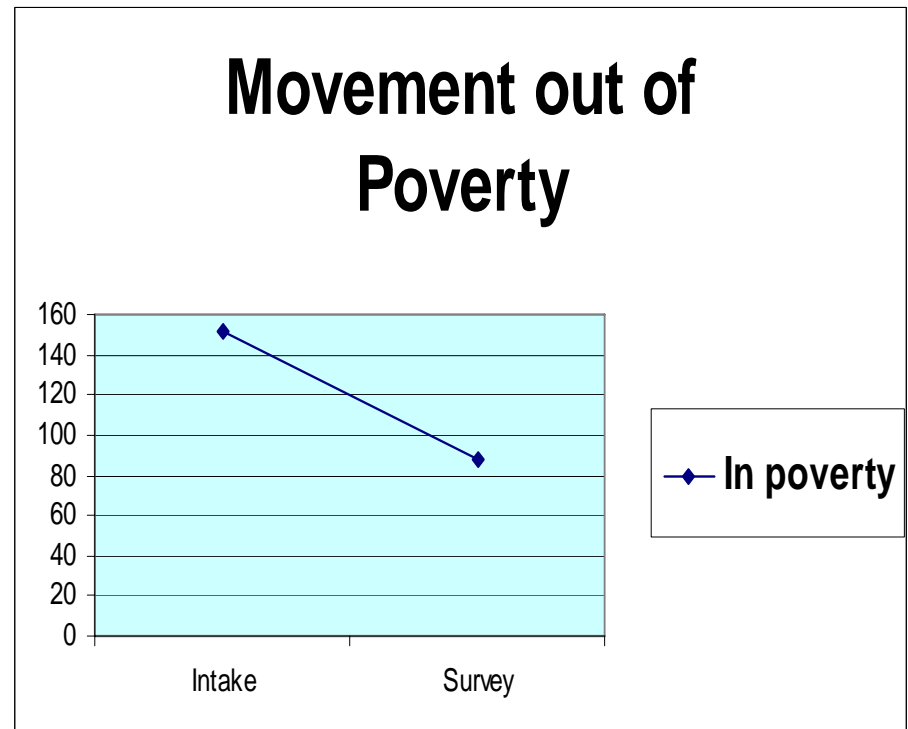
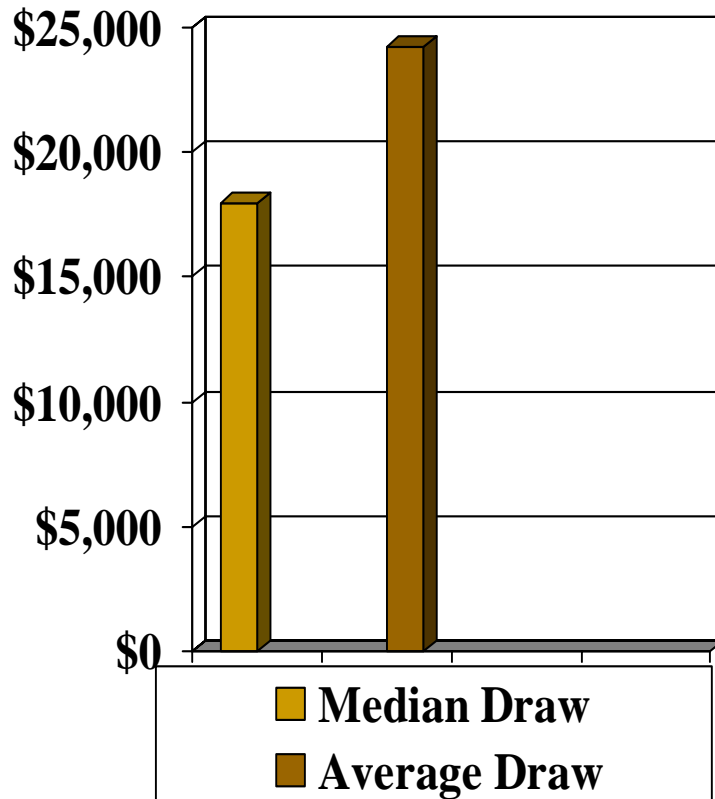
Other microenterprise lending:
Range from no to low score

With what results?

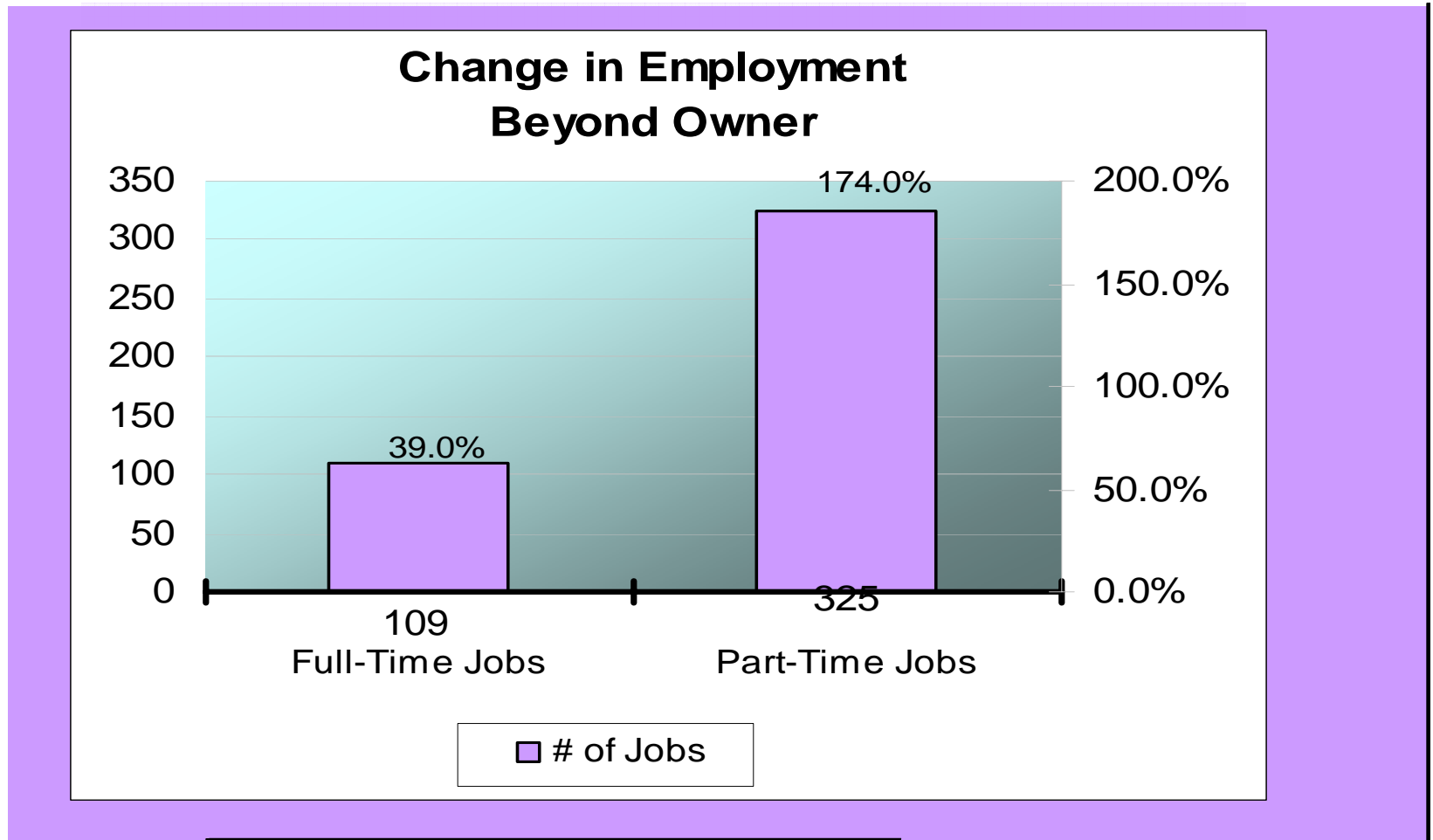
- 74% clients in business at survey
- 74% with growth in sales
- median revenues increased by 55%



...Increases in household economic security



...and economic benefits for owners and others



Trends in the Industry

- Increasing Scale
- Deepening Outreach to Immigrant Markets
- Broadening Products and Services
- Increasing Focus on Entrepreneurial Development
- Using the Tax System as a Portal to Business Development Services



Persistent issues in the current market

- Transition gap between MDOs and banks
 - Information gap
 - Language
 - Outreach issues
 - Banks' perception of lack of credit-worthiness
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Why should banks work with MDOs?

- Builds bank CRA score
 - Banks can be next lender for MDO graduates
 - Large untapped market
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Best Practice: North Fork/Capital One Second Look

- Created in 2007
 - Bank refers declined applicants to select, approved nonprofit lenders
 - Banker completes referral form
 - Alternative lender closes loan at referring bank branch
 - Increases deal flow for MDOs
 - Branch managers earn CRA credit for referrals that lead to closed loans
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