

Building Financial Skills for Business Success:

A Case Study of the Latino Economic Development Corporation

Introduction

Microenterprise practitioners have long recognized that one of the critical factors in the success of the entrepreneurs with whom they work is their ability to manage their personal and their business finances. For that reason, financial education and skill building have been important elements of the products and services offered by microenterprise development organizations (MDOs) since the field's earliest days. Offerings have included units on personal financial management embedded in core training programs, stand-alone workshops or courses on financial literacy, and financial products that offer entrepreneurs the opportunity to save and manage credit.

In recent years, credit scores have come to play an increasingly important role in determining who can access a range of products (including loans, credit cards, rental property, telephone service) and the prices they pay for them. In addition, researchers and advocates have recognized and sought to address the needs of the large number of unbanked/underbanked individuals. In response, MDOs have begun to expand their work in this area to include a focus on credit building. Many are developing new training, counseling and other services, as well as financial products geared specifically toward helping clients to better understand how credit markets and bureaus work, and to enable them to build skills and access

About this Research

This case study is part of an ongoing research project by FIELD that examines how U.S. microenterprise development organizations (MDOs) can scale up their Business Development Services (BDS) in order to serve many more microentrepreneurs, and to serve them effectively. In this project, BDS are defined as non-financial resources, including, but not limited to, training and technical assistance, which microenterprise organizations provide to help entrepreneurs start and grow their businesses. This case study is complemented by a second publication, *Financial Literacy and Credit-building Services Among Microenterprise Development Organizations*, which examines the state of the U.S. microenterprise industry's practice in financial education and credit building based on a literature review, survey data from practitioner organizations, and interviews and discussions with microenterprise practitioners. This BDS research project is supported with funding from the U.S. Small Business Administration's PRIME (Program for Investment in Micro-entrepreneurs) program, as well as with funding provided by the C.S. Mott Foundation and Citi Foundation in support of FIELD's Scale Academy for Microenterprise Development.

credit that can, in turn, improve their credit profiles.

The expanding need to help individuals to build credit and access appropriate financial products offers a growth opportunity for microenterprise organizations, many of which have historically blended financial education and information with access to financial products. Financial education, and credit-building products and services, can be means of reaching out to individuals who are interested in or pursuing business ownership, but lack the financial acumen and track record to qualify for a microenterprise loan. They also can provide the means to build skills that can enhance the prospects for successful business ownership. However, as with any type of new product or service offering, MDOs must balance the benefits they offer against the costs involved – in terms of staff time, investments in building new capacity, and resources needed to track the outcomes and value of these services.

Focus of this Case Study

This case study profiles an institution that has moved to make credit building and financial education centerpieces of its microenterprise programming. With its focus on a largely immigrant population, the Latino Economic Development Corporation (LEDC) recognized early on that its clients (and potential clients) needed to master basic financial skills and information, in order to formalize and grow their businesses. In recent years, however, as the organization sought to significantly scale its lending efforts, staff realized that poor credit and lack of basic financial management skills among its target group were major barriers to growth – for both the organization and its clients. They found that many clients seeking to borrow funds had outstanding credit issues, or simply lacked documentation of their business

income and expenses, that precluded them from receiving a loan. In response, the organization restructured its lending process to begin with a focus on the client's credit and to provide products and services that could address credit issues as the client worked toward building his or her business and securing a loan. With this new process and products has also come a decision to review the organization's entire set of financial education and credit-building strategies – not just those within its lending program – to determine how they can be strengthened and perhaps made more consistent.

Context and Motivation

LEDC's work in the area of financial literacy and credit building flowed from its founding mission to support the economic inclusion of Latinos living in the Washington D.C. neighborhoods of Adams Morgan, Columbia Heights and Mount Pleasant. The institution was founded in 1991 in response to two precipitating events: the police shooting of a Central American immigrant and the bankruptcy of a Salvadoran savings circle, in which community residents lost an estimated \$1 million. In addition, at the time, only one financial institution – Bank of America – had a branch located in these neighborhoods.¹ After riots broke out in response to the shooting incident, the U.S. Department of Justice and the D.C. government began to examine issues of economic access for Latinos, and a Hispanic Task Force was formed to promote wealth building. Out of the task force came the decision to create LEDC, which was started with seed funding from the District government and had a founding board comprised of civil rights activists and bankers. Its initial programmatic focus was on homeownership and advocacy.

Today the organization targets Hispanics throughout the greater D.C. area (including

¹ Today, although there are many banks located in Adams Morgan, there are only one bank and one credit union in Mount Pleasant.

Northern Virginia and Maryland), and it added small business programs in the late 1990s and facade improvement and affordable housing preservation programs in the mid-2000s. However, although LEDC's service area and programs have grown since its founding, its core mission of wealth building remains. Similarly, the organization continues to engage in and support advocacy on issues such as tenant rights and affordable housing, and still describes itself as a community-based development organization. With its longstanding foci on homeownership, financial inclusion, and business development, the issue of financial education and access to information is a natural component of the organization's work.

LEDC's work in microenterprise development began in 1997. The organization offered microenterprise loans, initially drawing its loan capital from a consortium of local lenders. LEDC became a U.S. Small Business Administration (SBA) Microloan Intermediary in 2006; this move lowered its cost of capital and provided the organization with the wherewithal to think about growing the lending program. In that same year, LEDC also began to offer a business training course aimed at individuals in the earliest stages of business exploration and development. The course uses a curriculum entitled "Primer Paso" that integrates personal financial skills, a credit review and budgeting in several of the modules, in addition to general business skill building, such as marketing, accounting and business planning.

Using Financial Education and Credit Building to Grow Core Microenterprise Services

LEDC's Lending Process

In its earliest years, LEDC's microenterprise activities were fairly small in scale. Between 2004

and 2007, the organization served between 146 and 195 clients annually, and in its first decade of lending, disbursed no more than 16 and typically fewer than 10 loans per year. With the arrival of a new Director of Lending, who brought a strong focus on scale from his experience in international microfinance, LEDC began efforts to strengthen and grow its microlending program. This process had a number of steps, including:

- ▶ Revising lending policies and procedures with the help of a consultant who was a former staff member at the U.S. Department of the Treasury's Community Development Financial Institutions (CDFI) Fund. This process involved developing a scoring mechanism for loans, revising policies related to portfolio management, and changing the underwriting process to allow for staff approval of some loans and to streamline processes for the loan committee.
- ▶ Developing new marketing materials and a "Frequently Asked Questions" piece to improve outreach to and clarity for clients.
- ▶ Securing a CDFI grant for \$500,000 that expanded its capital available for lending.

Due in part to staff's growing recognition of the credit challenges presented by loan applicants – and with assistance from external consultants – the organization added two additional offerings focused explicitly on credit building. LEDC's "Credi Start" loan is targeted to self-employed individuals who lack a credit history. The product is a six-month, \$500 loan offered to all individuals with proof of business ownership and a valid ID. With an interest rate of 14 percent and monthly payments of \$90, the loan provides an affordable entry point for those seeking to establish credit. In LEDC's experience, the no- or thin-credit profile customers who have received a Credi Start loan have increased their credit score from 0 or the low 500s to between 660 and 690.² In addition, LEDC

² LEDC will also be using a soft-pull inquiry service to complement its counseling services. This will allow the organization to track changes in the credit scores of counseled clients without placing an additional inquiry on the clients' credit report (which could impact the score).

began to report payment histories on all of its loans to two major credit bureaus through its membership in Credit Builders Alliance's (CBA) CBA Reporter.

Perhaps most importantly, LEDC altered its initial interaction with prospective borrowers to focus explicitly on the issue of credit. The intake process for applicants begins with a one-hour counseling session focused on credit issues, goal setting, and, if the applicant is already in business, evaluation of business cash flow. LEDC pulls a credit report, and staff walks through every aspect of the report with the client, using the process as a tool to educate him or her on the idea of "credit as an asset" and the role that debt can play in building credit. The session is based in part on the "Five Steps to Build Credit" framework developed by Credit Builders Alliance and aims to identify critical issues relating to a loan: What is the applicant's current credit profile? Does the client really want the loan for business purposes? How much cash flow is there to cover debt service, and can that cash flow be documented? The purpose of the session is to provide an early assessment of critical issues that must be addressed if the applicant is to be eligible for financing.

Depending on the outcome of the interview, applicants may take different paths with LEDC. Those without any credit history, and who lack documentation of their business finances, may be offered a Credi Start loan. Those with blemishes on their credit history will be directed to take steps to clear up those issues;³ LEDC may also refer those with small blemishes to two bank partners that offer secured credit cards, which can be used to rebuild credit. Partners who come in to apply jointly for a loan are encouraged to understand each other's credit profiles. If the counseling process reveals that the real issue is that the applicant needs funds because they have fallen behind on their mortgage payments, they will be referred to LEDC's foreclosure prevention program.

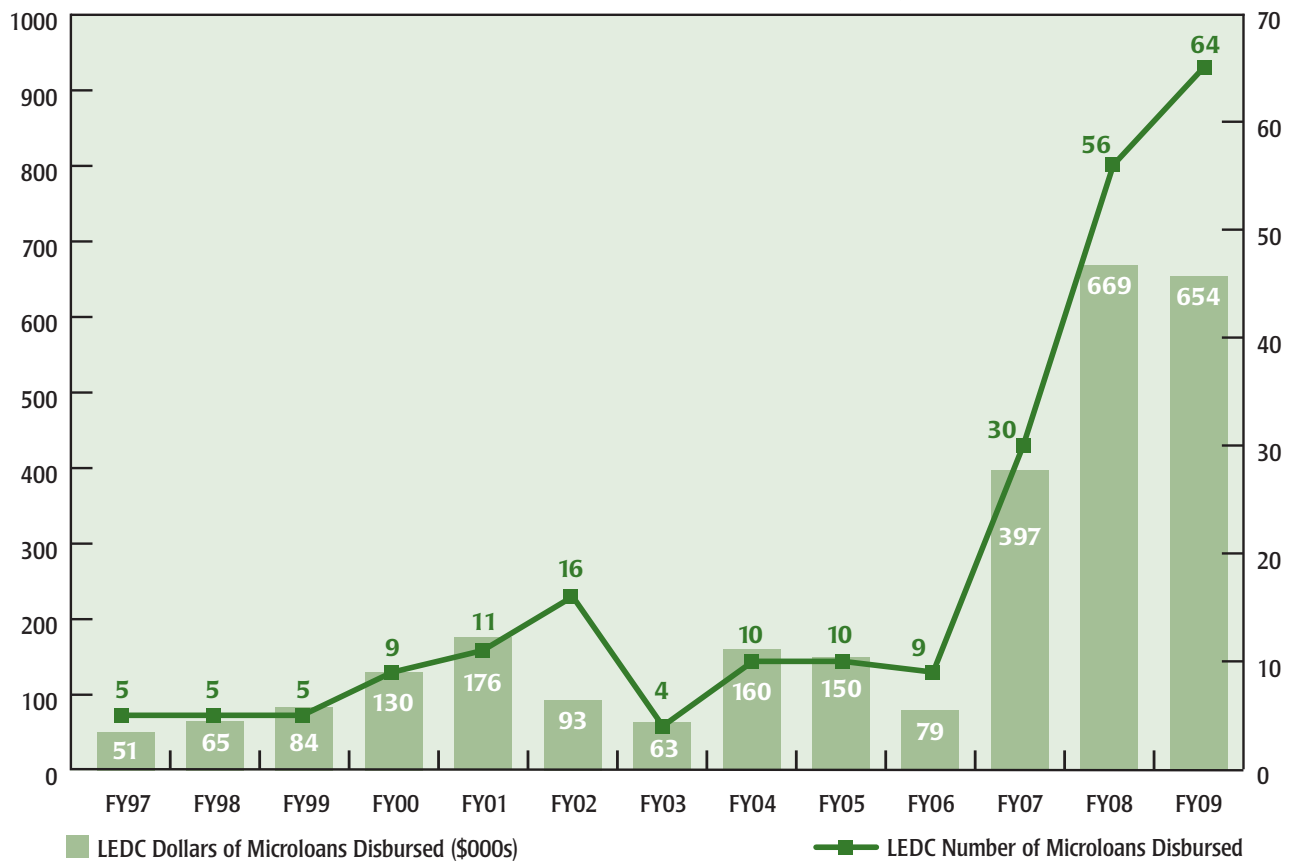
And, applicants who lack any documentation of business income and expenses may be assisted to open a business checking account (LEDC works in partnership with the Bank on DC program) and to create a simple recordkeeping system that they can use to document their business finances.

After the initial intake session, clients who proceed on in the loan application process typically spend another three - four hours with LEDC lending staff reviewing their basic business model and covering basic budgeting and other topics. As a result, all applicants, even those who do not receive a loan, receive some services and a plan for moving forward. As staff puts it, "We want clients to hear more than 'your debt to income ratio is too high.' Instead, we want them to leave the organization understanding how much they are spending on certain items and how they might reduce their expenses." LEDC charges \$20 for its intake counseling sessions (\$30 for couples). This fee covers the cost of pulling a credit report, but does not cover the costs of staff time in providing counseling. Staff estimates that one in every six clients who participate in an initial counseling session eventually convert into a loan client.

The changes in LEDC's lending process yielded a significant increase in lending activities. Chart 1 indicates that the number of loans disbursed annually by LEDC grew from nine in 2006 to 64 in 2009. As the portfolio has grown, the lending team has realized the importance of its post-loan as well as its pre-loan technical assistance, and it is now in the process of strengthening that portion of its program. Although the exact structure of their post-loan technical assistance has not been determined, staff is clear that it will include a strong focus on bookkeeping and financial management — including how to use financial information as a management tool. The lending team will soon be trained in a range of existing tools, which it plans to simplify for less number-savvy clients.

³ Although clients must deal with any disputes or issues directly with creditors, LEDC can provide counseling during the process.

Chart 1: LEDC Microloan Portfolio Activity, 1997-2009



LEDC’s portfolio quality has remained relatively strong despite both its recent growth and current economic conditions – two factors that often lead to spikes in delinquency and default rates if a program does not have sufficient infrastructure in place. The loan portfolio had an 8 percent default rate in 2009, with losses so far in 2010 running about 2 percent. This is not to say that there have not been challenges. LEDC’s loan clients are challenged by declining sales, and many have issues with housing debt because of home equity loans or adjustable rate mortgages. The organization has also experienced an increase in clients who have declared bankruptcy but, at present, are continuing to pay on their loans from LEDC. Staff is cautious, recognizing that there are still a lot of unknowns in the portfolio, and they are looking to add additional controls and identify the best way to work with clients who are

experiencing payment problems. However, they also believe that the relationships they have built with clients in the pre-loan counseling process have helped to support clients’ willingness to work with LEDC when they have encountered difficulties.

As it has pursued and achieved growing loan volume, LEDC has determined that its goal is to balance growth with quality. Its goal for 2010 is to make 80 loans – a modest increase over 2009 – but that goal is tempered with the realism that the current economic context brings challenges. Although LEDC wants to reach more clients, staff also wants to ensure that they can provide clients with quality technical assistance, training and counseling services after a loan is made, with the goal of growing and stabilizing its clients’ businesses. They believe that an approach to lending that incorporates a focus on credit building and financial management,

both prior to and after the loan is made, supports both goals – by providing needed services to clients who are not credit-ready when they first come to the organization, setting a stage for strong repayment, and by building skills that will lead to clients’ ultimate success in business.

Financial Education and Credit Building within LEDC’s Business Development Services

LEDC’s business development services are evolving as the organization is developing and growing its lending efforts. Financial skill building has historically been a core component of LEDC’s business development services (BDS) and will continue to be so in the future. However, as it strengthens its focus on credit building, staff is considering how best to integrate those services within its broader BDS offerings. The organization is also re-examining its BDS offerings after making some structural changes regarding the relationship between its BDS and its lending program. As a result, the specific financial education and credit-building components in LEDC’s business development services will likely change over time.

LEDC’s BDS include a mix of training and technical assistance offerings (see Table 1). The entry point for new clients is its “How to Start a Business” workshop, which is offered twice a week in both Washington D.C. and at LEDC’s office in the Maryland suburbs. Credit is one of the topics addressed in this session as part of the discussion on how to access financing for a business. Staff leads participants through a discussion of credit and credit reports and encourages clients to begin to address any issues with their credit report and history right away, so that they are able to access financing when their business is ready. Staff finds that this early attention to credit benefits both them and the client. In the past, consultants might work with a client to complete a marketing plan only to find that they could not secure the needed financing due to outstanding credit issues.

Clients who complete the “How to Start a Business” class and want to continue to work on their businesses can enter LEDC’s core training program, “Emprendedores en Accion.” The 30-hour class is targeted toward Spanish-speaking clients in the pre-business stage and takes them through an array of modules – such as establishing a target market, marketing strategies, and accounting basics – to help them build skills and vet their business ideas. The course uses the Primer Paso curriculum, which staff is now working to modify to make it more experiential. Non-Spanish speaking clients are referred to other organizations such as SCORE and Small Business Development Centers (SBDCs).

LEDC has also placed a strong focus on recordkeeping and financial management in its BDS programming. Its experience – one that is common among microenterprise development organizations – is that poor cash-flow management skills hinder many of its clients from acquiring credit and/or successfully formalizing and growing their businesses. Both basic cash-flow planning (and how to effectively use a business bank account) and strong credit management relate to basic financial management and literacy skills. Training staff has responded to this common skill need by segmenting clients according to their readiness and/or sophistication level and providing relevant course content and materials to each client segment. Their targeted financial management offerings range from a simple accordion folder and notebook-based accounting system (“shoebox accounting”) to trainings in Excel basics for Schedule C and Quickbooks (both basic and advanced).

Training staff has also found that, although clients need financial management skills, they rarely come to the organization asking for training or assistance in this area. As a result, staff has taken the approach of embedding this content within, or linking it to, other business development services that are in greater demand among clients.

Table 1: LEDC Business Development Services

SERVICES	OFFERED
Como Empezar Un Negocio/How to Start a Business: 2-hour class	Twice weekly
Emprendedores en Accion/Entrepreneurs in Action: 30-hour course using the Primer Paso curriculum	Four times a year
One-on-One technical assistance and counseling in topics such as business plan development, market analysis, balance sheet/financial document preparation, loan packaging, assistance in dealing with governmental institutions, and legal advice through partnerships with local legal aid clinics	Depends on individual business need and current staff capacity
Recordkeeping and Financial Management: workshops and counseling for entrepreneurs at three different levels: “shoebox accounting,” Excel for Small Business and Quickbooks.	Varies; usually four times per year
Local First Campaign: facilitate business alliances to promote buying from local businesses	Incubated initiatives that will spin off
Storefront Improvement: specialized consulting on façade improvement program for clients operating along key commercial corridors; grant funds also available through a partnership with the D.C. government	Ongoing
EITC Tax Preparation: LEDC partners with a free tax preparation provider to serve self-employed individuals in its target markets. LEDC provides translation and assistance in preparing materials needed to file a Schedule C.	Yearly during tax season
Other BDS services: LEDC has also provided technical assistance to set up a day-care cooperative and facilitates groups of businesses looking to develop cooperative purchase agreements.	As needed

For instance, they have increased demand for the recordkeeping and financial management trainings by offering free tax preparation services to self-employed individuals. As Table 1 indicates, LEDC’s tax preparation services are offered in partnership with another organization – Community Tax Aid (CTA) – that runs a major free tax preparation campaign. CTA volunteers and staff do the tax returns, and LEDC’s role is to conduct outreach to its target markets (its primary focus is on

construction workers, cleaning companies and day-care workers), provide translation services (most of CTA’s volunteers do not speak Spanish), and provide workshops and technical assistance to those who need assistance in pulling together the documentation required for completion of the Schedule C tax return. Similarly, its “Excel for Small Business” class is marketed as a way to build skills in the use of the Excel program; however, the content is built around a recordkeeping system

and spreadsheet that reflects an income and expense statement consistent with the expense items included in a Schedule C tax return.

LEDC has used the tax preparation services to develop demand for and market its recordkeeping and financial management services. It has developed targeted marketing materials for these services aimed at those receiving or interested in the free tax preparation services. Typically, after clients recognize the challenges they face in pulling together documentation for the tax return, they realize the value of developing stronger recordkeeping systems. LEDC has found that participation in its recordkeeping and financial management services increases after tax time as a result of these cross-marketing efforts.

As LEDC is generating new demand for its credit-building and financial education services, it is thinking through the staffing implications. The organization's recent efforts to scale its lending, and to incorporate credit building into its lending process, led to a shift in staff from its BDS to its lending program. The BDS unit no longer has a staff member to deal with the demand for financial coaching that may emerge from its core workshops and training programs, as clients seek assistance in disputing items on their credit record or with other credit-related needs. The organization plans to hire a business coach who will be charged with this work – among other tasks. It is likely that the future will bring other changes to LEDC's BDS offerings and staffing.

Costs and Pricing

Because LEDC's financial education and credit-building services are largely embedded within its broader lending and BDS programs, it is difficult to isolate the costs and revenues associated with this aspect of its work. In its lending program, as noted previously, the organization charges \$20 for

the one-hour counseling services provided to those interested in applying for a loan.⁴ This fee covers the cost of pulling the credit report, but not the staff time associated with this session. In addition, most loan clients receive additional technical assistance before the loan is made (staff estimates three - four additional hours per client); some of this may be credit related but some may not. Clients who receive a loan pay a 3 percent closing fee; staff estimates that these fees cover the cost of providing pre-loan technical assistance to the one in six clients who eventually progress to a loan, but not for the remaining individuals who receive some level of counseling.

On the BDS side, LEDC does charge fees for most of its courses. Fees for the "Emprendedores en Accion" (or business basics) class are about \$100 per client; Quickbooks classes run between \$100 and \$200. These prices cover some, but not all, of the costs involved in offering the courses. Staff's perspective on pricing is that, because the organization targets a fairly low-income population, its services will never be offered at break-even or profitable pricing levels. Their concern is to balance access with some level of cost recovery.

In addition to the direct staff costs involved in providing these services, LEDC has invested – and will continue to invest – in building its capacity to offer and improve its services in these areas. LEDC has contracted with Credit Builders Alliance to build its credit reporting services and to train staff in CBA's methodology regarding "Credit as an Asset." It also hired a consultant with expertise in CDFIs to help it develop its Credi Start loan program and will be leveraging SCORE volunteers to train LEDC lending staff in its financial management tools.

As much of LEDC's financial education and credit-building work is embedded within its core lending and BDS offerings, and because the cost recovery from these programs does

⁴ The fee is \$30 for couples.

not cover the full costs of providing them, it is clear that these services are subsidized by external funding sources. LEDC has not, to date, raised dedicated funds to support the financial education and credit-building components of its small business services; rather, these activities are supported by funders interested in the overall wealth-building goals of the organization.

New Directions

In 2010, LEDC embarked on a strategic planning process and the implementation of new initiatives that will have implications for its work in financial education and credit building. The reworking of LEDC's small business services – both BDS and lending – around the core notion of credit building is now informing the overall organization's strategic planning. LEDC is examining its approach to financial education across the full spectrum of its work, with an eye to evaluating how much consistency in approach is needed across its various programs, especially homeownership and its new social venture, the Community First Financial Center (described below), to gain efficiencies and/or see higher impact returns among its client base.

LEDC is also working in 2010 to improve its process for tracking and evaluating the outcomes of its work in credit building and financial education. On the lending side, LEDC recently began tracking the credit scores of its clients to determine how they have changed after clients receive a loan. This year, in addition, the organization is having interns work with clients to review their personal and business balance sheets to determine whether the loan and the financial education have improved their overall financial situation, in terms of reducing debt and increasing net worth. On the BDS side, the process of tracking outcomes from

financial education and credit-building services is less formalized, although the organization has begun to track business skills and knowledge over time. Staff also notes that they have seen improvements in credit reports and scores as a result of financial coaching and counseling.

LEDC has also recently launched a new social enterprise that, while currently distinct from its small business and microenterprise services, will hopefully eventually build volume for those services. The Community First Financial Center (CFFC), located in a retail space next door to LEDC's Wheaton, Md. location, offers financial services such as remittances, check cashing, money orders, phone cards and bill pay services to help meet the financial liquidity needs of low- to moderate-income underbanked individuals in the Washington metropolitan area. These services are offered at competitive rates and with transparent pricing, as LEDC is positioning itself as the neighborhood's non-predatory provider. The business plan includes looking at "incentivized programming" through which clients could receive benefits, such as priority access and discounts, for example, if they take advantage of one-on-one financial literacy training offered by CFFC or participate in a financial literacy class. Although Community First is a very new venture for LEDC, the organization hopes to add more financial education elements to complement its product offerings, and to graduate clients to its wealth-building service offerings (affordable housing, homeownership and small business development services).

The Role of Financial Education and Credit Building in Scaling Microenterprise Services: Lessons from the LEDC Experience

After significant expansion of its microenterprise and small business programming, driven largely

by growth in its loan portfolio, LEDC is taking a more measured approach to scale. Rather than focusing on increasing the number of loans made in the short-term, the organization is restructuring both its BDS and its lending services with two ends in mind: first, to ensure that, as the organization grows its loan portfolio, clients have the skills necessary to manage debt and their businesses in the long-term, and second, to ensure it meets the needs of the immigrants and informal business owners that comprise its historic target market and are central to its mission. As it weighs the pace of growth that best supports the organization's mission, LEDC is finding that financial education and credit-building services are central both to its recent growth and to its future path. What follows are the lessons gleaned from LEDC's experience in providing financial education services.

Link financial education and credit-building services to key business needs. Although more individuals are recognizing the importance of credit and financial management, LEDC's experience is that most clients come to them not to build financial knowledge, but to address key business issues: they want to start a business, borrow money, file their taxes (and claim the Earned Income Tax Credit), or increase their sales. As a result, its financial education and credit-building services are, for the most part, embedded within its other services – as part of its loan process, its introductory workshops and its core business training program.

Leverage a 'teachable moment' to build credit and financial skills. Linking financial education and credit building to critical business needs improves the effectiveness of these services by creating a clear motivation to build skills and change behavior. LEDC's experience is that clients are more likely to

develop recordkeeping skills and systems, access savings or credit card products, or to address issues in their credit reports when motivated with the desire to get a loan or to file their taxes. This finding mirrors those of several studies on financial education programming, which concluded that teaching financial literacy in the abstract or in the absence of a 'teachable moment' is largely ineffective in terms of retention of information, applied outcomes and behavior change.⁵

Financial education and credit-building services support scale in lending by addressing client readiness to take on loans. These services can play an important role in helping potential borrowers to address their weaknesses as loan applicants. LEDC's services provide tools for business owners who are operating informally to document income, for those without credit histories to take on and manage small amounts of debt, and for those with damaged credit to adjust and improve their credit reports. Rather than sending clients away with a "no," they can move them along the path toward a business loan.

Financial education and credit-building services can support scale in BDS by broadening an organization's product mix and creating opportunities to cross-sell. One of the most cost-effective means for institutions to scale is by finding ways to retain their customers over time. Many microenterprise organizations are seeking business development services that meet the needs of clients who advance beyond their core training programs. LEDC's recordkeeping and financial management classes are an example of products that fill this need by focusing on the needs of established businesses that need to build their skills in order to formalize and grow. In addition, the organization's cross-selling of these products

⁵ For more information on related research findings, see Microenterprise Fund for Innovation, Effectiveness, Learning, and Dissemination (FIELD), *Financial Literacy and Credit-building Services Among Microenterprise Development Organizations* (Washington, D.C.: The Aspen Institute, 2010).

to its tax preparation customers demonstrates the value that a diversified product base can bring to organizations seeking to scale their BDS.

In developing content, look to balance standardization and customization. There is a plethora of financial education materials available in the marketplace. Using pre-existing content and materials promotes efficiency and standardization, both important ingredients to greater scale. On the other hand, research has shown that the most effective financial education services are those that are tailored to specific markets.⁶ LEDC is balancing between standardization and customization by starting with pre-existing materials – such as the Primer Paso curriculum, the “Credit as an Asset” framework, and the SCORE financial management tools – and adapting or translating these to fit with its knowledge of its target market. It is also examining whether its clients would benefit from a more consistent approach to financial education across its entire range of programs (small business and other). Microenterprise organizations looking to add to or expand their financial education and credit-building programming should seek to learn from MDOs and other providers that have

successfully adapted curricula and materials targeted at the specific populations they serve.

Measure both short-term and longer-term client outcomes. Part of LEDC’s restructuring has involved thinking strategically about how to measure outcomes. As LEDC’s Executive Director noted, “We’re trying to move beyond only looking at the numbers and look at longer-term outcomes.” By blending financial literacy counseling with an actionable step, such as the positive payment of a Credi Start loan, the establishment of a recordkeeping system, or the tracking of credit scores, LEDC has seen positive short-term changes in financial behavior among its client base. The use of interns to examine changes in debt levels and net worth as part of the organization’s MicroTest outcomes data collection process will enable the organization to begin to assess longer-term outcomes.⁷ Moving forward, LEDC plans to shift to a more robust management information system that will facilitate capturing in-depth and longer-term outcome measures based on logic models tied to each program. The models call for the organization to track long-term outcomes of changes in household income, owner’s draw and business revenues, as well as job and business creation and movement out of poverty.

⁶ Ibid.

⁷ MicroTest is a performance measurement process for microenterprise organizations managed by FIELD. It includes an outcomes measurement process, in which members can conduct annual outcomes surveys of their clients.

Progress Notes from FIELD offer case-study examples of innovations and advances in the practice of business development services. These *Notes* document practice as it is evolving and point to promising initiatives that others can learn from.

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Readers interested in learning more about financial literacy and credit building are invited to visit the FIELD Web site, www.fieldus.org, for additional resources developed or identified by FIELD. Some of these include:

Financial Literacy and Credit-building Services Among Microenterprise Development Organizations.

FIELD undertook a “scan of practice” in 2010 to document both the current body of work in the field, and emerging and promising new directions taken by practitioners. The scan reviews literature on financial literacy, education and credit building, survey data from microenterprise organizations, and interviews and discussions with microenterprise practitioners. <http://fieldus.org/Publications/FinEdPracticeScan.pdf>

Microenterprise Programs as Credit Builders.

Co-authored with the Credit Builders Alliance, this FIELD guide explores key challenges in building credit, describes new products being offered by microenterprise programs and identifies opportunities for funders. <http://fieldus.org/Publications/FunderGuide14.pdf>

Credit Builders Alliance’s (CBA) mission is to help low- and moderate-income individuals currently served by non-traditional financial and asset-building institutions build their credit and access conventional financing. CBA offers various products and services tailored for practitioners. For more information, <http://www.creditbuildersalliance.org>.

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