

Microenterprise Support within Community Development Financial Institutions

A report from FIELD

January 2003

By Charles Waterfield
and Jeremy Black

Please do not quote from this report without permission from the author
Not for publication

All rights reserved
Printed in the United States of America

FIELD
(Microenterprise Fund for Innovation, Effectiveness, Learning and Dissemination)
The Aspen Institute
One Dupont Circle, NW
Suite 700
Washington, DC 20036

Acknowledgments

FIELD staff would like to thank the staff of the community development financial institutions and members of MicroTest who participated in the CDFI Data Project in 2001, and who spent many hours completing their CDP survey and working with FIELD staff to ensure their accuracy.

Thanks to the members of the CDP project management team, especially Kent Marcoux, Steve Shepelwich and Eliza Mahoney of the Corporation for Enterprise Development, and T.J. Racoosin for creating the CDP database system. Thanks to the other primary data collectors for the CDP for their review of this document: the CDFI Fund, the National Federation of Community Development Credit Unions, the National Community Capital Association, the Community Development Venture Capital Alliance, and the National Community Investment Fund. A special thanks to Zach Gast of the Association for Enterprise Opportunity for his assistance in outreach to AEO members and in data collection.

This report is made possible by grants from the CDP project funders: the Ford Foundation, the John D. and Catherine T. MacArthur Foundation, and the CDFI Fund.

Executive Summary

This report analyzes data from the CDFI Data Project (CDP) specific to microenterprise activity and compares that data to the larger financial activities of the participating CDFIs. The data is also compared to two other data sources: MicroTest data and the *2002 Directory of U.S. Microenterprise Programs*. These data sources, all based on FY 2000 activity, are complementary in that the CDP reports information for the responding CDFI as a whole (including its small business, housing and other types of lending) whereas MicroTest and Directory data pertain only to the microenterprise activities of the responding organization. This affects the ability to compare information from the two sources. Working within this limitation, the key findings of this report include:

- A comparison of data from the three sources suggests there was approximately \$80 to \$100 million in total outstanding loans to microenterprises in 2000, provided by a range of community based institutions including loan funds, credit unions, training and technical assistance organizations, banks and others.
- Of the 379 CDFIs participating in the CDP, there are 118 (31%) that report at least one active microenterprise loan. Only 74 (20%), however, have more than 10% of their loans to the microenterprise sector.
- There are 6,573 outstanding microenterprise loans reported, of a total of 279,912 loans reported in the entire CDP, or 2.3% of the total.
- The CDP documents a total of \$42 million loaned out to microenterprises, or just 1.1% of the \$3.8 billion of total portfolio for these institutions.
- Of the 118 CDFIs involved in microenterprise, 74 (or 63%) have the institutional structure of a non-profit loan fund and 29 (or 25%) are credit unions. Banks and Venture Capital Funds have minimal involvement according to the FY2000 data.
- When considering the 62 CDFIs with at least 20% of their active loans targeted to microenterprises, an overwhelming 57 (or 92%) are loan funds. Only one of the 29 credit unions has this high a concentration of their portfolio in microenterprise.
- Of the CDFIs with microenterprise lending, 58% have microenterprise portfolios of less than \$250,000. On the other hand, 8% have portfolios exceeding \$1 million.
- A cluster of loan funds dedicated to microenterprise, and participating in MicroTest, account for much of the microenterprise lending in the CDFI industry.
- MicroTest members overwhelmingly work in the business sector. Of the 29 MicroTest participants in the CDP, 13 also provide small business loans; just 4 provide housing finance and 9 provide loans to community services.
- Average microenterprise loan size data indicates that MicroTest members make smaller average loans, implying they may be working with a lower-income population than the average CDFI in the CDP.

Introduction

This report analyzes data on a set of U.S. microenterprise programs housed within Community Development Financial Institutions (CDFIs). It draws on fiscal year 2000 data collected under the CDFI Data Project¹ (the CDP) and has been developed to describe the role of microenterprise lending within the community development finance industry.

CDFIs are private-sector financial intermediaries that focus on community development. Most CDFIs fall into one of five institutional types (banks, credit unions, loan funds, venture capital funds or microenterprise loan funds) and share a commitment to supporting community development efforts in economically distressed areas that are often overlooked by the conventional finance industry.

The CDP is a national effort to develop a “data collection and management system that produces high quality, comprehensive data for and about community development finance.”² Involving a number of national trade associations, funders, and other organizations supportive of community development finance strategies, the CDP succeeded in its first year to collect FY 2000 data from 379 CDFIs. In its second year, the CDP collected data from 512 CDFIs, a majority of the industry’s 800 plus institutions. This FY 2001 data, recently released as the *CDP FY 2001 Dataset*, is currently being analyzed and will be part of future publications.

This report focuses on those CDFIs within this FY 2000 dataset that are active investors in microenterprise development. It is meant to provide a general description of the scale of microenterprise finance support in the CDFI industry, as well as a sense of the diversity of CDFIs investing in microenterprise development. In order to place the CDP data within the context of what is already known about the microenterprise field, it is useful to consider for a moment other on-going efforts to collect data on and provide analyses of this field. This will be followed by an analysis of some of the key data collected in the CDP survey.

Other Data on the Microenterprise Field

While the CDP is the foremost national effort to gather data on the entire CDFI industry, within certain sectors of community development are other important data gathering and analysis processes. In the microenterprise sector, the FIELD program of the Aspen Institute has collected performance data from a number of microenterprise development agencies for several years. For data on and a detailed analysis of the performance of the microenterprise field, which includes both finance and training-led strategies to support microbusiness development, please see a recent report from MicroTest³, *For Good*

¹ The CDP’s first-year efforts to collect FY 2000 data on a large set of CDFIs yielded a database that contains some discrepancies resulting from differing definitions of survey terms like ‘equity capital’ and ‘financing outstanding’ among some community development sectors. Where relevant, these discrepancies have been noted in the report. The CDP 2001 dataset has endeavored to correct such inconsistencies.

² “CDFI Data Project: Strengthening the community development finance field,” from the Corporation for Enterprise Development promotional material.

³ For more information on MicroTest see <http://www.fieldus.org/li/microtest.html>

Measure: Performance of the U.S. Microenterprise Industry. Additionally, FIELD recently surveyed the FY 2000 activity of a substantial number of the practitioner and support agencies in the U.S. microenterprise development industry, including all 50 states, the District of Columbia, the Mariana Islands and Puerto Rico. The resulting *2002 Directory of U.S. Microenterprise Programs* (the Directory) lists 554 practitioner agencies and provides descriptive information on 308 programs that responded to that survey. The three databases are summarized in the following table.

Table 1: Participating Agencies

FY 2000	Number of Surveyed Agencies	Number of Respondents	Number Working with Microenterprises	% of Total Agencies Working with Microenterprises
U.S. Microenterprise Directory Database	554	308	308	100%
MicroTest Members	65	56	56	100%
CDFI Data Project	664	379	119 ⁴	31%

As shown, the CDP is distinct from the other studies in that it includes data from CDFIs that are *not* involved in microenterprise lending.

This report will draw on data from both the Directory and MicroTest in order to compare findings from the CDP FY 2000 database to findings from the two FIELD products. Before moving to these comparisons, however, it is important to describe the compatibility of the different data sources.

Differences in approach between CDP and MicroTest

As original members of the CDP, FIELD staff were strongly involved in the selection and definition of the measures to be collected, working to ensure that MicroTest and the CDP data definitions were as compatible as possible. As a result, there is a high degree of compatibility of terminology and approaches between both MicroTest and CDP in areas where the two approaches overlap. At the same time, there are some substantial differences due to the different purposes of each database and the need to develop consensus across the full range of trade associations participating in the CDP.⁵

The most significant difference is the scope of the data. MicroTest is unique in that it collects data specifically for the microenterprise activities of the institution. When an institution provides services that extend outside the boundaries of microenterprise

⁴ The definition employed in this report is those CDFIs reporting at least one active microenterprise loan.

⁵ Primary data collectors engaged in the CDP include the National Community Capital Association, the Community Development Venture Capital Alliance, The National Community Investment Fund, the National Federation of Community Development Credit Unions, the CDFI Fund, and the Aspen Institute, representing the different sectors active in the CDFI field.

development, these non-microenterprise services are not tracked. For example, in MicroTest “number of clients” is *only* microenterprise clients, not the total clients for the institution, and income and expenses are reported *only* for microenterprise activities and not the institution as a whole.

In contrast, the CDP collects data on the entire CDFI. In some cases, there is a breakdown of data by sector, including microenterprise. For example, the portfolio and number of clients is reported at the microenterprise level. However, most data in the CDP is *not* specific to the CDFI’s microenterprise activity. Financial statements, target group characteristics, even training and technical assistance data are reported for the CDFI as a whole. Thus, for those CDFIs that are not working exclusively with microenterprise clients, their CDP data that does not reflect work with microenterprises cannot be compared with information collected by MicroTest. *This is an important limitation of the CDP data set if one’s intention is to study only activities specific to microenterprise.*

For more detail on the different data collection approaches of MicroTest and the CDP, see Appendix A.

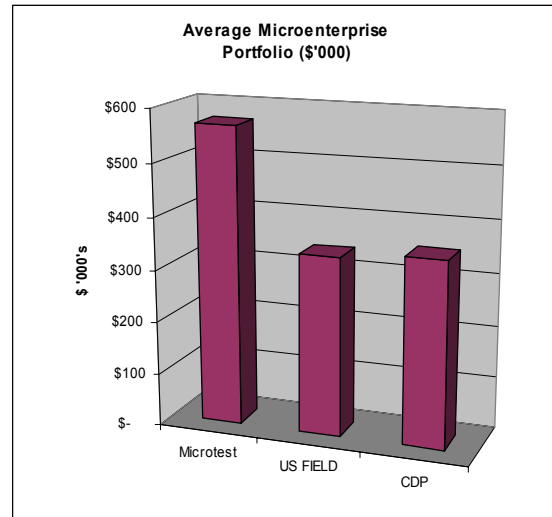
Analysis of the Data

This next section of the report analyzes data from the CDP and, where possible, compares the results to data from MicroTest and the US FIELD report. Data is reported for the following areas:

- Scale of lending activities
- Significance of microenterprise activities to these CDFIs
- Analysis by institutional type
- CDFIs with a focus on microenterprise
- Significance to the microenterprise sector
- Analysis of MicroTest institutions
- Types of financing
- Targeting

Scale of Lending Activities

The first points of comparison between the three sources – MicroTest, the Directory and the CDP data – pertain to the scale of microlending activity. MicroTest programs have, on average, much larger microloan portfolios (\$568,000) than the average program in the Directory (\$341,000) or the average active microlending CDFI reporting to the CDP in FY 2000 (\$353,000). MicroTest members average 107 loans per institution, whereas the CDP institutions average only 56.⁶



Scale of Microlending

	Average Number of FY 2000 Loans Outstanding, per Program	Total Number of FY 2000 Loans Outstanding	Average Outstanding Microloan Portfolio at FY 2000 End, per Program	Total \$ Amount of FY 2000 Microloan Portfolio
MicroTest	107 (n=45)	4,818 (n=45)	\$568,165 (n=45)	25,567,425 (n=45)
Directory	N/A	N/A	\$341,025 (n=198)	67,522,950 (n=198)
CDP ⁷	56 (n=117)	6,573 (n=117)	\$353,622 (n=119)	42,085,761 (n=119)

There are 6,573 outstanding microenterprise loans reported. Further analysis of all loans by sector are shown below. Note that many CDFIs reported a total number of loans outstanding, contributing to the total of 279,912 but were unable to provide detail by sector. Thus only 181,617 of the loans, or 65% of the loans, are identifiable by sector. Microenterprise loans represent just 3.6% of the total. However, because banks and credit unions generally record loans by either security instrument or as unsecured personal loans, they are unable to accurately determine most loan purposes.⁸ The CDP survey asked respondents to report loans by their purpose. It is therefore likely that some

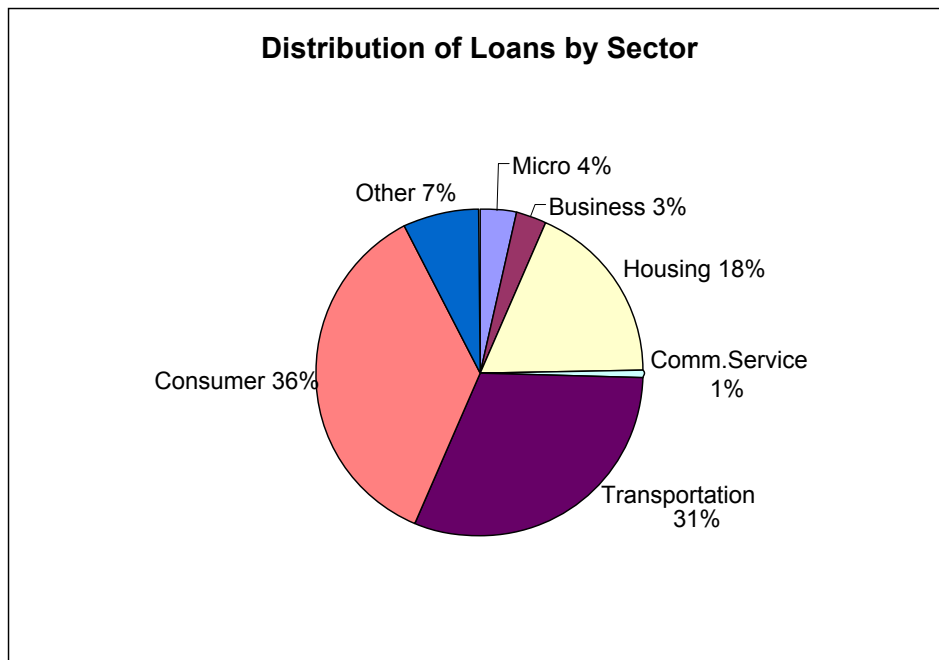
⁶ The average number of loans is not reported in the Directory; only the average number of clients is reported.

⁷ Note that one institution (Survey ID 473) has been excluded from the analysis in this chart. That institution reports 7,000 microenterprise clients, or nearly 60% of the total, greatly distorting the results. The institution does not report a portfolio for microenterprise loans (“Don’t Know” response). The estimated 7,000 loans are for small farmers. Because these are not generally considered microenterprise loans in the US and because the data provided by the institution is estimated and incomplete, we have chosen to exclude them from the analysis.

⁸ The authors thank Greg Gamerer of NFCDCU for his helpful comments regarding credit union lending.

of the 240,000 loans (out of a total of 280,000 loans in the CDP) made by credit unions and reported to the CDP as, for example, used car loans, were in fact loans secured by a used car but actually used by the credit union member for a business purpose. While exact estimates are not possible with the data, it is reasonable to assume that some portion of the 121,911 ‘consumer’ and ‘transportation’ loans below represent lending by credit unions to support microenterprise development.

Sector	Number of Loans	Percent of Reported
Microenterprise	6,573	3.6%
Business	5,283	2.9%
Housing	32,995	18.2%
Community Service	1,425	0.8%
Transportation	56,311	31.0%
Consumer loans	65,600	36.1%
Other	13,430	7.4%
Total Reported	181,617	100%
Unreported Sector	93,295	
TOTAL	279,912	



To summarize, we can conclude that MicroTest is a collection of many of the most significant microenterprise agencies, the Directory includes agencies that are dedicated to microenterprise, and the CDP data includes a large number of institutions that focus their

financing activity on other development sectors, many of which have only a small amount of microenterprise lending or none at all.⁹

We can also use this information to establish overall microenterprise lending activity. The Directory of over 500 microenterprise service agencies includes 308 programs that submitted mostly complete surveys summarizing their activities. Of these 308, 198 reported their microlending activity to the Directory. These data show that about \$67 million in microloans was outstanding as of the end of fiscal year 2000. The CDP database for FY 2000 contains about \$42 million in microloans outstanding. There is some overlap between the two datasets, as some programs reported to both the Aspen 2002 Directory (based on their FY 2000 activity) and to the CDP. However, because of different confidentiality agreements for the Aspen Directory and the CDP, a detailed comparison of these two datasets is not possible to determine exactly which CDFIs reported to each survey. A very rough estimation based on both sets of data and accounting for some underreporting in the industry, yields approximately \$80 to \$100 million in outstanding microloans as of the end of all respondents' FY 2000.

Significance of microenterprise activities to these CDFIs

The CDP reports on all lending activities of the institutions, and disaggregates that data into six different areas, one of which is microenterprise. Thus, the data can be analyzed to show the significance of the microenterprise lending activities relative to the overall activities of the institution.

Of the 379 CDFIs reporting, there are 118 institutions that reported at least one active microenterprise loan in 2000. There are 116 that reported at least \$1 of portfolio to microenterprises, and two institutions that replied "Don't Know" for the amount of their portfolio lent to microenterprises.

In order to demonstrate the importance of their microenterprise activities to their overall institution, the following table shows the number and percentage of institutions with varying percentages of their total loans directed to microenterprise.

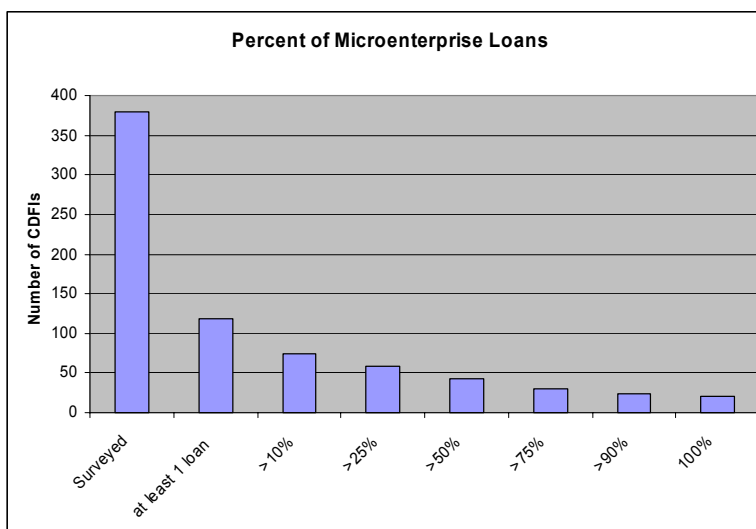
⁹ This is in part due to the cutoff used here to select the 119 CDP institutions included as involved in microenterprise lending. As will be explained later, any institution with at least \$1 of portfolio has been included. The inclusion of a number of very small portfolios serves to bring down the average numbers generated here.

Microenterprise Loans	Number of CDFIs	Percentage of all reporting CDFIs	Percent of 118 active microlenders
All reporting CDFIs	379	100%	
Have at least 1 microenterprise loan	118	31%	100%
At least 10% of all loans are ME loans	74	20%	63%
At least 25% of all loans are ME loans	58	15%	49%
At least 50% of all loans are ME loans	42	11%	36%
At least 75% of all loans are ME loans	30	8%	25%
At least 90% of all loans are ME loans	23	6%	19%
100% of loans are ME loans	20	5%	17%

As shown, only 20% of the 379 CDFI's have more than 10% of their loans in the microenterprise sector. If the threshold is set higher, say 50% of all loans, then the percentage of institutions drops to 11%.

The final column in the table shows the percentage of institutions at each level relative to the number satisfying the original definition of which

institutions qualify as "delivering services to microenterprises" – those institutions having at least one active microloan. This definition yielded 118 institutions. When the threshold is set higher--to 25% of total loans to microenterprises--only half of the 118 institutions qualify. Based on numbers of outstanding FY 2000 microloans, then, financing microenterprise development is a top emphasis for a relatively small percentage of CDFIs.



The report now turns to consider the amount of microenterprise development as measured by the dollar value of microenterprise loans in a CDFI's overall portfolio. Not surprisingly, this comparison yields even more dramatic figures. The CDP dataset reveals that at the end of FY 2000 there was \$42 million loaned out to microenterprises. This represents only 1.1% of the \$3.8 billion of portfolio for all 379 CDFIs. For the 118 active microlenders in the CDP, the financing outstanding to microenterprises represents just 2.6% of their total portfolio.

Microenterprise Loans	Number of CDFIs	ME Portfolio Of group ¹⁰	Total Portfolio Of group	% of total portfolio in microenterprise
All reporting CDFIs	379	\$42,085,761	\$3,763,961,497	1.1%
CDFIs with at least 1 microenterprise loan	118	\$41,234,470	\$1,598,402,174	2.6%

In the remaining analysis, we have chosen “percentage of total loans” as our threshold rather than “percentage of total portfolio” because microenterprise portfolios can be extremely small for some multi-sectoral CDFIs. If the number of loans is significant, it can be a good indication that the microenterprise sector is important to the institution even when their microenterprise portfolio’s dollar value is a small fraction of their total portfolio.

Analysis by Institutional Type

The data yields interesting results when subdivided by type of financial institution.¹¹ The CDP survey asked respondents to identify their CDFI as one of the following: bank, credit union, loan fund, multi-bank community development corporation, or venture capital fund. While a few CDFIs identified with more than one type of financial institution, most are one of five major types: banks, credit unions, loan funds, microenterprise loan funds, and venture capital funds. These types are nicely defined by the National Community Capital Association¹² as follows:

Community Development Banks: Provide capital to rebuild economically distressed communities through targeted lending and investment

Community Development Credit Unions (CDCUs): Promote ownership of assets and savings and provide affordable credit and retail financial services to low-income people with special outreach to minority communities

Community Development Loan Funds: Aggregate capital from individual and institutional social investors at below-market rates and lend this money primarily to nonprofit housing and business developers in economically distressed urban and rural communities

Microenterprise Development Loan Funds: Foster social and business development through loans and technical assistance to low-income people that are involved in very small businesses or self-employed and unable to access conventional credit

¹⁰ There are 3 CDFIs which report a value for their microenterprise portfolio but report a “0” or a “Don’t Know” for the number of active microenterprise loans. Since the number of loans is used to select the 118 institutions on the second line, there is a discrepancy of approximately \$800,00 in the two figures for microenterprise portfolio.

¹¹ Type of institution is indicated in the field “FITypeDescr”.

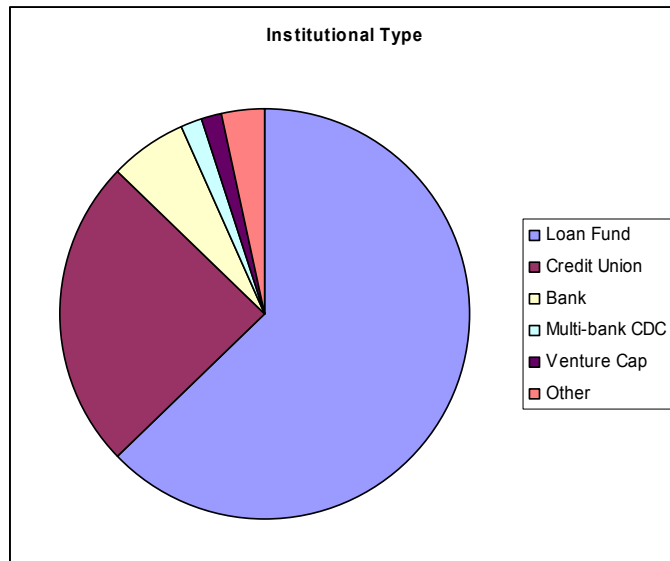
¹² http://www.communitycapital.org/community_development/index.html.

Community Development Venture Capital Funds: Provide equity and debt with equity features for community real estate and medium-sized business projects. A few community development venture capital organizations are also involved in a variety of business lending activities, including microenterprise lending.¹³

The following table shows the total number of active microenterprise loans by institutional type. Most notable is the significant number of loan funds (both community- and microenterprise-development) involved in microenterprise lending (74, or 64% of the total of 117), followed by credit unions (29, or 25%).

Type of Financial Institution	Number of CDFIs	Total Number of ME Loans	Average Number of ME Loans per CDFI
Loan Fund	74	5,315	72
Credit Union	29	793	27
Bank	7	213	30
Multi-bank CDC	1	5	5
Multiple Types	2	59	30
Unknown	2	172	86
Venture Capital Fund	2	16	8
Total	117	6,573	56

Loan funds, together with CDCUs, made 93% of the total (6,108 of 6,573 loans) number of microenterprise loans reported to the CDP.¹⁴ The final column above, showing average microenterprise loans per CDFI, indicates that loan funds have the most significant number (72) per institution.

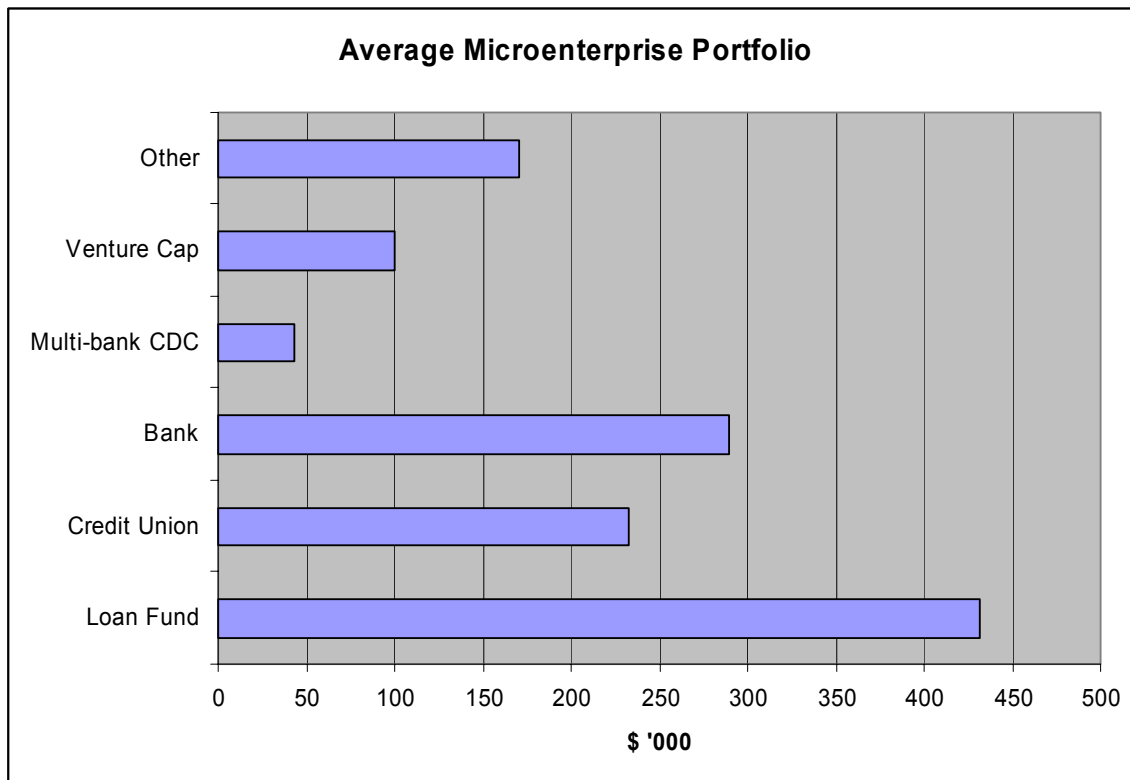


¹³ For a more comprehensive review of community development venture capital funds see CDVCA's *Report on the Industry 2001*, available at http://www.cdvca.org/library_pub.html.

¹⁴ Survey ID 473 has been excluded from this analysis, a credit union which claims 1,500 microenterprise loans. However, these loans are to small farmers and are not generally considered microenterprise loans.

The next table shows the average and total microenterprise portfolios by type of institution. Loan funds have an average microenterprise portfolio of nearly \$432,000, much larger than any other institution type. In total, the loan funds have \$31.5 million of the \$41 million in microenterprise loans, or 77% of the total reported to the CDP for FY 2000.

Type of Financial Institution	Number of CDFIs	Average Value of Microenterprise Portfolio	Total Value of Microenterprise Portfolio
Loan Fund	73	\$ 431,916	\$ 31,529,861
Credit Union	29	233,056	6,758,621
Bank	7	289,188	2,024,318
Multi-bank CDC	1	43,468	43,468
Multiple Types	2	71,068	142,136
Unknown	2	268,122	536,244
Venture Capital Fund	2	99,911	199,822
Total	116	\$ 355,470	\$ 41,234,470



While average microenterprise portfolios range up to \$430 thousand for loan funds, a few CDFIs have much larger microenterprise portfolios. The top ten microenterprise portfolios total \$16.6 million of the \$41 million total. In other words, 8% of the largest microenterprise-focused CDFIs have 40% of the total microenterprise portfolio held by

the CDFIs in the CDP. Of these ten institutions, eight are loan funds and two are credit unions. Seven of them are MicroTest members.

CDFIs with a focus on microenterprise

The next section of this report groups CDFIs according to whether or not the CDFI invests an “important” percentage of its resources in microenterprise development. Here, “importance” signifies that at least 20% of the CDFIs total number of loans are to microenterprises. The first table shows those 62 CDFIs in the CDP dataset which reported that at least 20% of their outstanding loans at the end of FY 2000 were to microenterprises; the second table shows those 54 CDFIs whose microenterprise loans accounted for less than 20% of their overall financing activity.

CDFIs investing at least 20% of their loans in microenterprises (FY 2000 data)

Type of Financial Institution	Number of CDFIs	Average \$ Value of ME Portfolio	Average \$ Value of Total Portfolio	Percent of Total Portfolio in ME
Loan Fund	57	\$ 517,962	\$ 2,363,640	21.9%
Credit Union	1	291,678	1,051,928	27.7%
Multiple	1	137,136	2,000,250	6.9%
Unknown	2	268,122	287,555	93.2%
Venture Capital Fund	1	72,998	72,998	100%
Sub-total, >20%	62	\$ 492,934	\$ 2,232,706	22.1%
Sub-total, <20%	54	\$197,640	\$26,544,990	0.7%
Grand Total	116	\$ 355,470	\$ 13,661,557	2.6%

CDFIs investing less than 20% of their loans in microenterprises (FY 2000 data)

Type of Financial Institution	Number of CDFIs	Average \$ Value of ME Portfolio	Average \$ Value of Total Portfolio	Percent of Total Portfolio in ME
Credit Union	28	\$ 230,962	\$ 11,530,226	1.9%
Loan Fund	16	125,376	50,740,940	0.2%
Bank	7	289,188	38,629,692	0.7%
Multi-bank CDC	1	43,468	1,217,479	3.6%
Multiple	1	5,000	16,243,521	0.0%
Venture Capital Fund	1	126,824	25,874,002	0.5%
Sub-total, <20%	54	\$ 197,640	\$ 26,544,990	0.7%
Sub-total, >20%	62	\$ 492,934	\$ 2,232,706	22.1%
Grand Total	116	\$ 355,470	\$ 13,661,557	2.6%

The above tables presents several notable findings:

- For the 36 banks and credit unions that have at least one ME loan, *only one institution had at least 20% of its total loans in microenterprises*. And 57 of the 62 institutions (92%) for whom microenterprise is “important” are loan funds.

Thus, any further analysis based on “importance” would be essentially analyzing the performance of loan funds.

- For those institutions where microenterprise is “important” (the first table above), the average microenterprise portfolio is \$493,000 (22%) of an average total CDFI portfolio of \$2.2 million. For those CDFIs for whom microenterprise development is not as “important” (the second table above), the microenterprise portfolio averages just \$198,000 of an average total CDFI portfolio of \$27 million--less than 1% of their lending activity.
- The 54 institutions that invest less in microenterprise *appear* to have very large average total portfolios (\$26.5 million, versus an average of \$13 million for all 116 institutions). However, when Survey ID 269 (with a total portfolio of \$730M) is removed from the analysis, the average total portfolio for this group of 54 drops from \$26.5M to \$13.2M, virtually identical to the overall average total portfolio for all 116 CDFIs of \$13.6M.
- The 16 loan funds with less microenterprise activity are actually the largest institutions on average, with \$50M of portfolio, and only \$125K of ME portfolio, or only one quarter of one percent of their portfolio. (If Survey ID 269 is excluded, the average of \$50M drops to \$5M and the percentage rises to 2%, still quite low.) In summary, applying the “importance” filter yields a cluster of fairly dedicated loan funds.

Significance to the microenterprise sector

The previous analyses looked at the significance of the microenterprise activity to the overall institution. There is another aspect of significance, however. The activity may be a very small portion of the institution’s work, but if the institution is large enough even a small portion can be substantial relative to the activity of the average CDFI that invests in microenterprise development, and therefore important to the microenterprise industry. For example, one CDFI in the FY 2000 dataset has \$608,000 in loans to microenterprises, one of the larger portfolios, yet their 108 microenterprise loans represent just 1% of their total investments (10,552); what might be relatively small to this large CDFI, if taken by itself would represent a substantial stand-alone microenterprise loan fund.

The analysis in this section, therefore, looks at all 116 institutions grouped by the size of their microenterprise portfolio. The next table distributes the institutions into four groupings: institutions with microenterprise portfolios less than \$250,000, those between \$250k and \$500k, those between \$500k and \$1 million, and those exceeding \$1 million.

Size of Microenterprise Portfolios within CDFIs (FY 2000 data)

Scale of Micro Portfolio	Number of CDFIs	Average Micro Portfolio	Average Total Portfolio	Percent of Total Portfolio in Micro	Total Micro Portfolio
Less than \$ 250,000	67	77,883	7,868,339	1.0%	5,218,144
\$ 250,001 to \$ 500,000	21	376,890	6,412,267	5.9%	7,914,700
\$500,001 to \$1,000,000	18	637,613	46,585,702	1.4%	11,477,026
More than \$ 1,000,000	10	1,662,460	9,015,487	18.4%	16,624,600
Total	116	\$ 355,470	\$ 13,661,557	2.6%	\$ 41,235,470

Sixty-seven of the 116 (58%) have less than \$250,000 of portfolio to microenterprise, representing just 1% of their total portfolio. At the other extreme, there are 10 very large microenterprise portfolios, exceeding \$1 million. In an intermediate category, there are 18 institutions with an average of \$638,000 of microenterprise portfolio and an average total portfolio of \$47 million, a figure which is heavily skewed by an institution with \$730 million of portfolio.

The following tables show additional detail for the prior analysis of institutions by “importance” of microenterprise lending and institutional type. In both tables, institutions are grouped by the size of their microenterprise portfolio into one of four categories: less than \$250,000; between \$250,000 and \$500,000; between \$500,000 and \$1 million; and greater than \$1 million. The first table shows data for the 54 institutions with “some” microenterprise activity; the second table shows data for the 62 institutions for whom their microenterprise activity is “important.”

Size of Microenterprise Portfolios within Types of CDFIs (FY 2000 data)
 CDFIs with **some** (less than 20%) microenterprise loans

Type of Financial Institution	Scale (\$ ME Port)	Number of CDFIs	Average Micro Portfolio	Average Total Portfolio	Percent of Total Portfolio in Micro	Total Micro Portfolio
Loan Fund	< 250k	14	\$ 61,329	\$ 5,564,359	1.1%	\$ 858,599
	250k-500k	-	-	-	-	-
	500k-1m	2	573,706	366,977,011	0.2%	2,006,011
	>1m	-	-	-	-	-
	Total	16	\$125,376	\$50,740,940	0.2%	\$2,006,011
Credit Union	<250k	20	42,241	10,255,060	0.4%	844,812
	250k-500k	4	408,051	13,584,533	3.0%	1,632,204
	500k-1m	2	606,528	7,040,195	8.6%	1,213,055
	>1m	2	1,388,436	25,615,882	5.4%	2,776,872
	Total	28	\$230,962	\$11,530,226	1.9%	\$6,466,943
Bank	<250k	4	98,871	43,216,933	0.2%	395,484
	250k-500k	1	421,627	26,339,391	1.6%	421,627
	500k-1m	2	603,604	35,600,362	1.7%	1,207,207
	>1m	-	-	-	-	-
	Total	7	\$289,188	\$38,629,692	0.7%	\$2,0224,318
Other	<250k	3	58,430	14,445,000	0.4%	175,290
	250k-500k	-	-	-	-	-
	500k-1m	-	-	-	-	-
	>1m	-	-	-	-	-
	Total	3	58,430	14,445,000	0.4%	175,290
Grand Total		54	\$197,640	\$26,544,990	0.7%	\$10,672,564

The previous table highlights that 28 of 29 credit unions have only “some” microenterprise activity. In addition, 20 of the 29 have less than \$250,000 in portfolio, and an average of only \$42,000, representing only four-tenths of one percent of their total portfolio. Credit unions, as represented in this database, do *not* appear to have more than a very small fraction of their resources directed to microenterprises. As mentioned above, however, the CDP database likely misses some of the microenterprise lending actually being conducted by credit unions due to the discrepancy between how credit unions normally record their loans (by securitization) and how the CDP survey asked respondents to report their loans (by purpose). As a result, it is likely that some loans made by credit unions and reported to the CDP as consumer or transportation loans had the purpose of supporting a member’s microbusiness.

Size of Microenterprise Portfolios within Types of CDFIs (FY 2000 data)
CDFIs with more than 20% microenterprise loans

Type of Financial Institution	Scale (\$ ME Port)	Number of CDFIs	Average Micro Portfolio	Average Total Portfolio	Percent of Total Portfolio in Micro	Total Micro Portfolio
Loan Fund	< 250k	23	116,730	1,045,910	11.2%	2,684,801
	250k-500k	14	362,998	3,745,780	9.7%	5,081,968
	500k-1m	12	659,113	1,608,958	41.0%	7,909,352
	>1m	8	1,730,966	4,865,389	35.6%	13,847,728
	Total	57	\$517,962	\$2,363,640	21.9%	\$29,523,849
Credit Union	<250k	-	-	-	-	-
	250k-500k	1	291,678	1,051,928	27.7%	291,678
	500k-1m	-	-	-	-	-
	>1m	-	-	-	-	-
	Total	1	\$291,678	\$1,051,928	27.7%	\$291,678
Bank	<250k	-	-	-	-	-
	250k-500k	-	-	-	-	-
	500k-1m	-	-	-	-	-
	>1m	-	-	-	-	-
	Total	0	\$0	\$0	0	\$0
Other	<250k	3	86,385	720,378	12.0%	259,155
	250k-500k	1	487,223	487,223	100%	487,223
	500k-1m	-	-	-	-	-
	>1m	-	-	-	-	-
	Total	4	\$186,594	\$662,089	28.2%	\$746,338
Grand Total		62	\$492,934	\$2,232,706	22.1%	\$30,561,905

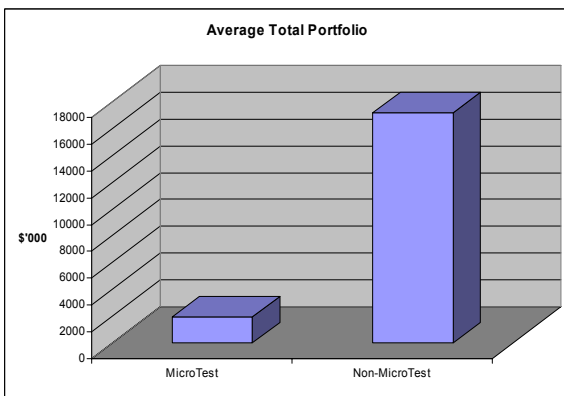
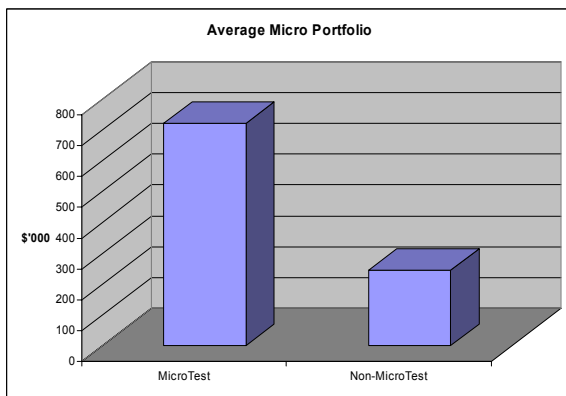
In the previous table, the loan funds have 95% of the total microenterprise loan portfolio. They clearly dominate as the preferred institutional form for microenterprise lending. And the 20 CDFIs whose total microenterprise portfolio exceeds \$500 thousand have on average approximately 40% of their total portfolio in microenterprise, indicating the importance to them of providing financial support to this sector of the economy.

MicroTest institutions

As mentioned above, the Aspen Institute, in collaboration with the Association for Enterprise Opportunity (AEO), worked to collect CDP data from a number of CDFIs that are members of either Aspen’s MicroTest performance measurement initiative or of AEO. The CDFIs participating in MicroTest tend to have a very strong commitment to microenterprise development, and include many of the leading CDFIs in the U.S. with respect to serving microentrepreneurs. As shown in the following table, there are 32 MicroTest institutions in the CDP survey, but only 27 report actual data on their microenterprise portfolio.¹⁵ Of the 27, all have more than 20% of their clients in the microenterprise sector and are therefore categorized as “important.” The average portfolio size is \$722,416, twice as large as the 35 non-MicroTest institutions that are also categorized as “important” and nearly three times as large as the 89 non-MicroTest institutions represented in the CDP database. Their microenterprise activity represents a much larger percentage of their total portfolio (37%) compared to the non-MicroTest institutions (1.4%). These figures indicate that the majority of the most active microenterprise lenders in the CDP are affiliated with MicroTest.

Portfolio Activity of MicroTest-affiliated Institutions (FY 2000 data)

Type of Financial Institution	Scale (\$ ME Port)	Number of CDFIs	Average Micro Portfolio	Average Total Portfolio	Percent of Total Portfolio in Micro	Total Micro Portfolio
MicroTest	<20%	-	-	-	-	-
	>20%	27	722,416	1,944,638	37.1%	19,505,232
	Total	27	\$722,416	\$1,944,638	37.1%	\$19,505,232
Non-MicroTest	<20%	54	197,640	26,544,990	0.7%	10,672,560
	>20%	35	315,905	2,454,929	12.9%	11,056,675
	Total	89	\$244,149	\$17,176,633	1.4%	\$21,729,261
Grand Total		116	\$355,470	\$13,661,557	2.6%	\$41,234,493



¹⁵ The remaining either have portfolios of \$0 or report “Don’t Know.”

The following table shows the degree to which MicroTest-affiliated CDFIs lend to sectors other than microenterprise.

Sector	Number of CDFIs	Total Portfolio	Average Portfolio	Number of loans	Average # of loans
Totals	31	\$54,119,648	\$1,745,795	4,411	142
Microenterprise	29	\$20,311,228	\$700,387	3,761	125
Business	13	\$24,695,325	\$1,899,640	374	29
Housing	4	\$3,087,722	\$771,930	128	32
Community Services	9	\$5,266,970	\$585,219	148	16
Transportation	0	\$0	\$0	0	0
Personal Dev/Consumer	0	\$0	\$0	0	0
Other	0	\$0	\$0	0	0

The data demonstrates that MicroTest participants are very focused on enterprise lending. All of the institutions provide microenterprise loans and 13 of the institutions also lend to small business. Only four institutions do housing and nine do community services, which are often loans to businesses that provide community services. Of the \$54m in total portfolio, \$45m (83%) is to either micro or small businesses.

Types of Financing

The following table demonstrates that of the seven different community development financing products tracked by the CDP, “direct financing”--when a CDFI lends directly to the client--accounts for an overwhelming 99.7% of total microenterprise financing.

	Number	Total	Percentage
Direct Financing	11,805	\$47,660,117	99.7%
Debt with Equity	7	\$61,064	0.1%
Guarantees	6	\$79,848	0.1%
Equity Investments	1	\$25,000	0.0%
Linked Deposits	0	0	0%
Loans Purchased	0	0	0%
Total	11,819	\$47,826,029	100%

Targeting

The average microenterprise loan reported to the CDP for FY 2000 was \$6,454, as shown in the following table.¹⁶ This average can be compared with the MicroTest data to estimate the extent to which the two groups are lending to the same demographic target group. The non-MicroTest CDP average of \$7,665 is 53% higher than the MicroTest group’s average of \$5,509. As average loan size is often considered a rough estimation of the degree to which a loan fund targets its services to disadvantaged, low-income

¹⁶ Survey ID 473 has been eliminated from this analysis, reporting 7,000 loans (more than half the total of all other CDFIs combined) and \$15m in portfolio.

populations, it is likely that the larger (perhaps more experienced) microlenders in MicroTest lend to a lower-income microbusiness owner than the average CDFI in the CDP.

FY 2000	Total # Loans Disbursed	Total \$ Amount Disbursed	Average Loan Amt \$
CDP, all (n=111)	4,787	\$30.9M	\$6,454
MicroTest (n=26)	2,817	\$15.8M	\$5,509
Non-MicroTest (n=85)	1,970	\$15.1M	\$7,665

The following table shows average loan size by type of institution and by MicroTest affiliation. For MicroTest participants, the data is primarily for loan funds and therefore does not provide any additional information beyond the average loan size already reported. However, for non-MicroTest institutions, the data shows that loan funds have lower average loan sizes (\$6,641) than any other institutional form. Both credit unions and banks, which must run operationally self-sufficient lending programs, appear to lend in larger amounts, possibly to a less economically disadvantaged clientele.

	Type of Financial Institution	Number of CDFIs	Total \$ Loaned to microenterprises	Total # Loans to microenterprises	Average microenterprise Loan Size (\$)
MicroTest	Loan Fund	25	14,860,995	2,592	5,733
	Credit Union	-	-	-	-
	Bank	-	-	-	-
	Multiple	1	65,500	49	1,337
	Unknown	2	556,446	174	3,198
	Total	28	\$15,482,941	2,815	\$5,500
Non-MicroTest	Loan Fund	49	8,527,400	1,284	6,641
	Credit Union	29	3,859,400	430	8,947
	Bank	7	2,030,033	204	9,951
	Multi-bank CDC	1	40,000	3	13,333
	Multiple	1	34,750	3	11,583
	Venture Cap	2	203,099	15	13,540
	Total	89	\$14,694,286	1,939	\$7,578
Grand Total		117	\$30,177,228	4,754	\$6,348

Conclusion

In summary, the CDP data allows us to better understand financial support of the microenterprise sector by supplementing the information we already know through MicroTest. The information shows that MicroTest members, compared to the average CDFI in the CDP, comprise the majority of the most significant microenterprise lenders, they tend to be more dedicated to working specifically with microenterprises rather than diversifying their portfolios, and they generally lend smaller amounts directly to microentrepreneurs.

In addition it is clear that specialist microenterprise assistance predominantly takes the institutional form of a loan fund. Some credit unions also provide a significant level of microenterprise funding, while maintaining a strategy of portfolio diversification.

As the CDP dataset grows in participation and in accuracy of data in the coming years, it should provide additional insights into microenterprise financing in the US. As much of the information collected by the CDP is at the institutional level (such as portfolio delinquency and loan loss data) some lines of inquiry with respect to microenterprise financing within the CDFI industry will continue to be inaccessible for microenterprise-specific analysis. Yet the CDP should continue to provide an important source of data for understanding the scale of microenterprise support within CDFIs, as well as the diversity of CDFIs investing their resources in the support of microenterprise development. Future reports comparing the CDP data to MicroTest will look to understand these and other issues, such as outreach to disadvantaged business owners and job growth, in more depth.

Appendix A

The following two tables highlight the similarities and differences between MicroTest and the CDP. The first table describes the data collection approaches. The second table compares the specific categories of data.

MICROTEST VERSUS CDFI DATA COLLECTION

MicroTest Data Collection	CDFI Data Collection
Focus on the microenterprise program: <ul style="list-style-type: none"> • Microenterprise services only • Program-level income and expense statement • Analysis of self-sufficiency of credit operations • Analysis of sustainability of program (including financial adjustments) 	Focus on the CDFI as a financial institution <ul style="list-style-type: none"> • All sectors financed • Institutional-level income and expenses • Analysis of self-sufficiency of whole institution
<ul style="list-style-type: none"> • Income and expense analysis only 	<ul style="list-style-type: none"> • Balance sheet and income/expense analysis
<ul style="list-style-type: none"> • No analysis of loan fund composition or utilization 	<ul style="list-style-type: none"> • Detailed analysis of loan fund composition and use
<ul style="list-style-type: none"> • Distinction between clients and participants--with focus on clients • High standard for when someone is counted as a client, based on direct service staff time and substantial services delivered 	<ul style="list-style-type: none"> • No distinction between clients and participants; focus on all individuals served • No standard for when someone is counted as an indirect or direct beneficiary
<ul style="list-style-type: none"> • Focus on 3 levels of low-income, based on HHS and HUD guidelines 	<ul style="list-style-type: none"> • Focus on one low-income standard, based on HUD guidelines
<ul style="list-style-type: none"> • Discriminates between credit-focused training and TA, and business development services 	<ul style="list-style-type: none"> • Does not distinguish between different types of training/TA services
<ul style="list-style-type: none"> • Performance monitoring component draws on data available to programs through basic program records (client tracking, portfolio data, accounting data). • Outcomes data expected to be collected through separate exercise 	<ul style="list-style-type: none"> • Data collection instrument blends outcomes data with performance data
<ul style="list-style-type: none"> • Asks for precise numbers 	<ul style="list-style-type: none"> • Allows estimations in certain categories

MICROTEST VERSUS CDFI CATEGORIES

MicroTest Categories	CDFI Categories
Organizational Data	
<ul style="list-style-type: none"> • Credit-led/training-led • Organizational type • Age of microenterprise organization 	<ul style="list-style-type: none"> • Type of financial institution • Age of institution • Whether Faith-based or not
Reaching Target Groups	
<ul style="list-style-type: none"> • Number of participants • Number of clients • Poverty levels (HHS, HUD, TANF) • Minority, Gender • Business status at intake 	<ul style="list-style-type: none"> • Number of individuals (direct and indirect beneficiaries) served • Number of organizations served • Geographic targeting
Scale	
<ul style="list-style-type: none"> • Financing and training activity over the year • Businesses assisted 	<ul style="list-style-type: none"> • Financing and training over the year • Multiple sectors • Performance at year end
Credit Performance	
<ul style="list-style-type: none"> • Microenterprise only 	
Training Performance	
<ul style="list-style-type: none"> • Client training • Differentiates between business development and credit related training • Two performance measures 	<ul style="list-style-type: none"> • Individuals trained • Training not differentiated by intent • No performance measures
Costs, Efficiency, Sustainability	
<ul style="list-style-type: none"> • Program income and expenses • Time allocation to disaggregate costs of credit and training • Captures numbers and activity of direct service providers • Detailed ratio analysis for microenterprise program 	<ul style="list-style-type: none"> • Institutional income and expenses • Institutional balance sheet • Captures numbers of all staff • Captures gender, ethnic status of all staff and board • Lending and Investing Pool (sources and amounts of funds; costs of capital) • Ratio analysis for institution
Outcomes	
<ul style="list-style-type: none"> • Separate survey exercise based on tracking sample of clients: business status, employment, sales, income change, and jobs created. 	<ul style="list-style-type: none"> • Microenterprises financed and the characteristics of ownership • Job creation • IDA accounts • Community facilities and health facilities financed • Childcare slots and Patients served • Housing units created/rehabbed; assignment to low-income