Key Data on the Scale of Microlending in the U.S.

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INTRODUCTION

Microenterprise development organizations (MDOs) use a variety of products and services to assist their clients. This document will focus on the financing products offered to entrepreneurs by MDOs throughout the United States. Specifically, this paper will use the data obtained in the fiscal year 2008 U.S. Microenterprise Directory and Census conducted by FIELD[1] to describe the state of microfinance in the United States and to explore the characteristics of large-scale programs, with a view to better understanding the factors that appear associated with their program size.

Funding from the Charles Stewart Mott Foundation has allowed FIELD to analyze key data provided by almost 400 MDOs throughout the United States. This study of microfinancing programs is a companion piece to Key *Data on the Scale of Business Development Services,*[2]a study completed in April 2010.

Microfinance is a strategy designed to provide economic opportunity and security to disadvantaged persons in the United States through the provision of specially-designed financial products and services, often combined with non-financial services. The financial instruments offered by MDOs are diverse. According to the Census data, MDOs not only offer microloans for enterprise purposes (less than or equal to $35,000)[3], but they also offer: Individual Development Accounts (IDAs) for business, housing, and education; credit-building loans; microgrants and microequity; and larger small business loans. Microlenders also seek to build their clients' credit by reporting their borrowers' credit performance to credit bureaus and offering a variety of business development services, including training and technical assistance, to help entrepreneurs stabilize and grow their businesses.

This document will look at all of the microfinance organizations that reported data during the Census. In that Census, 696 MDOs were identified as providing some sort of microenterprise development service. Of those 696 MDOs, 396 MDOs provided sufficient descriptive data to understand the scale and scope of their services, and 263 of these were identified as offering financial services. The first part of this document will focus on the data and attributes of the 263 organizations. The second part will include a review of the data from the largest organizations and compare them to the other respondents. For the purpose of this paper, all MDOs offering microfinance products and services will be called microfinance programs or microlenders. It is important, however, to recognize that for some, microfinance is a very small portion of their overall microenterprise development services, and those institutions would likely not characterize themselves first and foremost as microlenders.

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[1] The U.S. Microenterprise Directory and Census: http://fieldus.org/Publications/2008/index.html. Internet.
[2]Elaine L. Edgcomb and William Girardo, *Key Data on the Scale of Business Development Services* (Washington, D.C.: The Aspen Institute/FIELD, April 2010); available from http://fieldus.org/Publications/KeyDataBDS.pdf; Internet.
[3] Since the Census was conducted, the Small Business Administration has increased the size of loans that can be made under the Microloan program to $50,000, and it is likely that this figure will become the delimiter of microloans in the U.S. At the time of the Census, the loan limit under the Microloan program was $35,000.

CHARACTERISTICS OF ALL RESPONDENTS

Many types of organizations provide microfinance in their communities. Most of the organizations that responded were nonprofit organizations, but the survey also included credit unions, community banks, local chambers of commerce and small business development centers. Many of the organizations that provided information also describe themselves as Community Development Financial Institutions (CDFIs).

The Census looked at the age of the program. Ninety-three percent (245 programs) of the 263 programs identified their starting year and have been classified as being *mature* (starting before 1998), *experienced* (starting between 1998 and 2001) and *young* (starting 2002 or later):

- 59 percent (145 out of 245) are mature;
- 20 percent (49 out of 245) are experienced; and
- 21 percent (51 out of 245) are young.

The large proportion of mature organizations in the survey is not surprising and reflects the maturity of an industry that substantially started in the mid-1980s.

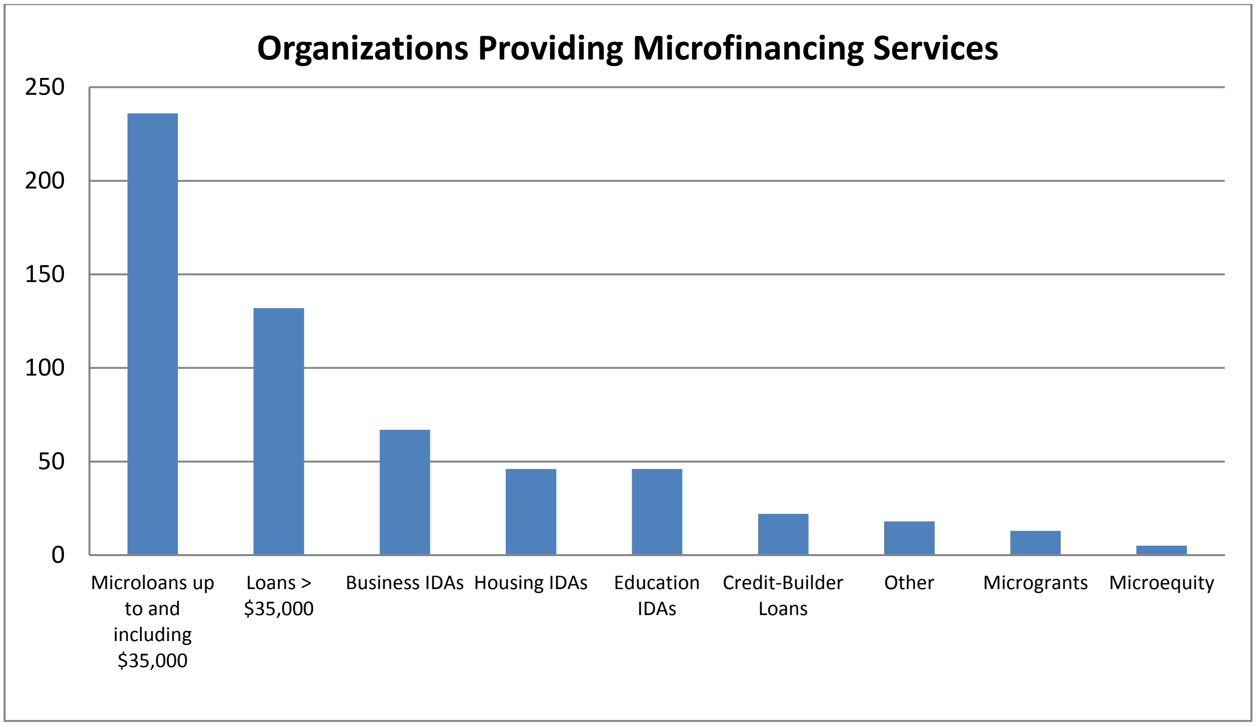
Two-hundred and six organizations provided data on the location of their services. There was a relatively even split between those serving rural areas and those serving urban areas (124 programs and 121 programs respectively). Fifteen organizations stated that they are multistate, and 38 programs are statewide.[4] Forty-seven states (including the District of Columbia) were represented in the survey. The states with the largest number of microfinance providers represented in the survey are:

California: 40 (MDOs)
New York: 23
Nebraska: 12
Minnesota: 11
Oregon: 11
Ohio: 10
Virginia: 9
Washington: 9
Texas: 8
Georgia: 7
Michigan: 7

Financing Services

Microloans up to $35,000 are the primary financial product offered by microfinance programs. The chart below demonstrates the overwhelming number of organizations that provide microloans, and the lesser number that offer other financing products.

[4] Programs were asked to select any and all applicable service areas that apply to their program, resulting in multiple answers selected.

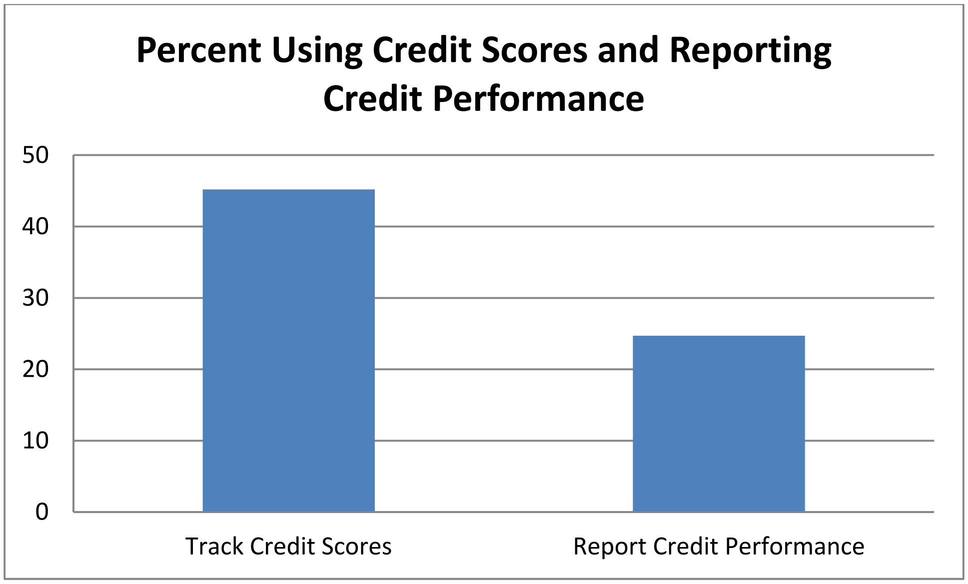


Other includes: commercial mortgages, Muslim loan products, and loans to partnerships and corporations.

As the chart above indicates, 50 percent of the reporting organizations (132 out of 263) offered business loans greater than $35,000.[5] This is not surprising for several reasons. A number of the reporting organizations do more than microenterprise development. Small business lending is another part of their larger portfolio. In addition, many microlenders have found themselves incorporating larger loans into their portfolio in response to either changing marketing conditions (in some communities, bank financing for business below $50,000 has become increasingly less available, even before the full force of the financial crisis hit) or to the needs of long-term clients who have outgrown microloans, but who want to sustain their relationship with programs that have supported them in multiple ways.

The survey also documents the use of credit scores by microlenders. Specifically, 45 percent (119 out of 263) of programs reported tracking applicants' credit scores. Only 25 percent (65 out of 263) reported borrowers' credit performance to credit bureaus (directly or through another organization) in 2008. The first measure suggests the extent to which the majority of microlenders are still depending on their own assessment of creditworthiness and not incorporating information available from credit bureaus. And the second measure suggests that only a small proportion of microlenders were using their interactions with borrowers to help these clients build credit in the formal marketplace. Since 2008, the number of participants in Credit Builders Alliance, an organization that enables modest-sized microlenders to both use credit scores for financial education and to report payment performance, has increased, and it is assumed that a future industry census would show broader engagement in credit reporting and credit building. Certainly the financial crisis, which hit in full force in 2008, has made clear the importance of credit-building activities.

[5] In 2008, any loan less than or equal to $35,000 was considered a microloan.



Business Development Services

Almost all MDOs that provide microfinance also provide some business development services (BDS) to their clients. The chart below notes the top five business development services reported by microlenders (n=263):

Top 5 BDS Services Provided by Microlenders

	Number of programs	% of programs
Technical Assistance (TA)	254	97%
Training	157	60%
Mentoring	117	44%
Financial Literacy	116	44%
Credit Counseling	88	33%

The majority appear to offer these services in limited amounts. Of the 161 microlenders who provided data:

- 42 percent reported offering 9 or fewer hours of BDS services per individual;
- 36 percent offered between 10 and 20 hours;
- 10 percent offered between 21 and 30 hours; and
- 10 percent offered more than 31 hours per individual assisted.

Scale of Microlending

As discussed above, microfinance includes a variety of financing products. However, because microloans remain the dominant product offered in the industry, it is the only product for which detailed data was collected. The survey asked organizations to report three measures that describe the scale of microlending in the industry: individuals served, number of loans disbursed and the total dollar value of those loans disbursed. The chart below provides data on those indicators as well as the average loan size for reporting microlenders (the number of loans divided by the size of the loan portfolio).

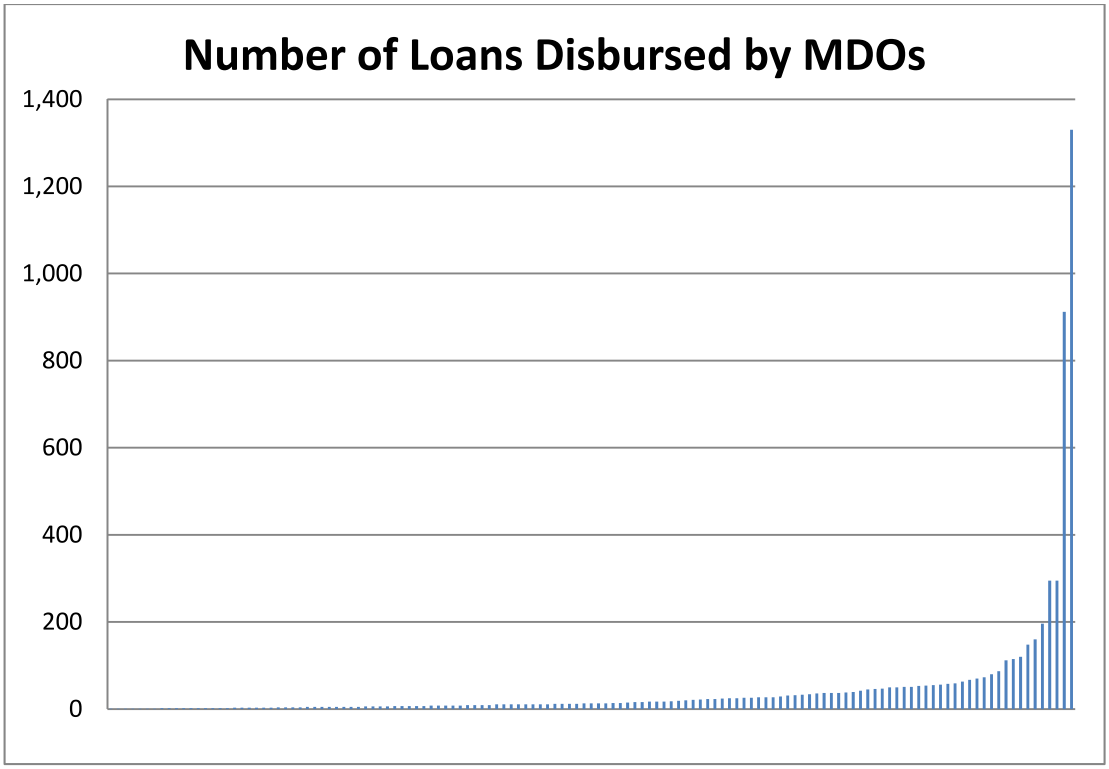
Summary Microloan Data*

	Individuals Served	# of Loans Disbursed	$ of Loans Disbursed		Average Loan Size
N=	140	139	136		133**
Sum	58,108	6,178	$68,626,044		
Mean	416	44	$504,603		$11,136
Median	179	13	$194,200		$12,257
Minimum	2	0[6]	$0		$500
Maximum	4,582	1,330	$14,333,215		$55,988***

* The listed median, minimum, and maximum data in each column may derive from different microlending organizations. Note also that the number of organizations represented in each column is different. Therefore, readers cannot derive data on average loan size by calculations based on numbers displayed in the previous columns.
** 133 out of the 139 programs reported both number of loans and dollar amount of loans.
*** This average loan size was calculated on loan portfolio data by a program that provided both microloans and small business loans, and may not have disaggregated the two.

The chart illustrates several facts about the industry. First, the aggregate size of the industry with respect to microlending remains relatively modest. Only 6,178 loans were reported by 139 microlenders. While the industry is certainly larger than this (FIELD has made a rough estimate of the size of the industry based on this data),[7] the fact remains that, overall, the industry is modest in size. Secondly, the median number of loans (13), compared to the mean and maximum illustrates the broad distribution of loan production. As the chart below shows, the majority of lenders are very small and a few larger lenders are responsible for most of the loan volume in the industry. Of the 139 MDOs that submitted data on the number of loans disbursed, only two programs disbursed more than 300 loans and their volume was exceptionally high at 912 and 1,330 loans respectively.

[6] A program response of zero indicates that the program does provide lending, but did not do so in 2008.
[7] FIELD estimated that the total lending activity by the 362 programs was 9,191 loans totaling $100,912,050. See *U.S. Microenterprise Census Highlights: FY2008 Data*, *Services* (Washington, D.C.: The Aspen Institute/FIELD, July 2010); available from http://www.fieldus.org/Publications/HighlightsFY2008.pdf. Internet.



Finally, the data illustrates that, although a microloan in the U.S. could reach up to $35,000 in 2008, the average loan size remained fairly small: the mean average loan size was a little over $11,000. This demonstrates the industry's continued emphasis on making small amounts of capital available to start-ups and other enterprises that have faced barriers of access to credit from other sources.

Capitalization

Ninety-three programs reported their total capital pool, which is the total amount of money that has been, and has yet to be, disbursed. The sum of loan capital under management by those 93 programs totaled more than $160 million. The mean is just over $1.7 million and the median is about $600,000. The program with the largest amount of loan capital reported its value at more than $50 million. The program with the smallest amount of capital reported its value at $7,500.

The table below looks at the deployment ratio of the 86 programs that reported their total loans outstanding and total loan capital available. The median deployment ratio is 60.6 percent and the mean is 55.8 percent. Given the challenging conditions existent in the economy towards the end of 2008, this level of deployment is not surprising. While demand for microloans was rising, many entrepreneurs were also struggling with weakening markets for their products and services, and may have been challenged by personal indebtedness issues themselves. At the same time, microlenders were seeking to respond constructively to the needs of both long-term clients and new entrepreneurs coming to their doors.

Deployment Ratios for All Microlenders*

	Loans Outstanding	Capital Available		Deployment Ratio
Count (N=)	86	86		
Sum	$83,989,193	$150,569,461		55.8%
Mean	$976,619	$1,750,808		55.8%
Median	$355,407	$603,785		60.6%
Minimum	$960	$7,537		1.8%
Maximum	$21,423,750	$50,573,400		100%

*The listed median, minimum, and maximum data in each column may derive from different microlending organizations. Median, minimum and maximum deployment ratios are based on calculating and analyzing individual deployment ratios for each reporting institution. Therefore, readers cannot derive this data by calculations based on numbers displayed in previous columns.

There is some evidence in the Census of increasing deployment ratios over time. There were 39 programs in the Census for which deployment data were available in 2002 and 2008. In FY2002, these programs had a 63 percent deployment rate, and, in 2008 that rate had increased to 71 percent for those programs. A smaller data set of 15 microlenders, participants in FIELD's MicroTest performance measurement project, showed a similar upward trend. These microlenders reported that their deployment ratios increased from 55 percent in 2005 to over 71 percent in 2008. During the same period, the median dollar value of their capital pools doubled during the same period, demonstrating that their portfolios were also growing during those years.[8]

It is difficult to characterize these deployment ratios on an industry basis. One would need to understand the relative proportion of equity and debt within loan pools, and their terms, to begin to assess their appropriateness. Clearly, a high value has to be placed on having capital in entrepreneurs' hands, so high deployment ratios signal that the industry is responding to market demand. At the same time, MDOs need liquidity, especially in challenging times, to manage risk. The industry ratios presented here represent microlenders' collective assessment of how best to balance the drive for impact and the management of risk in the midst of the economic recession and financial crisis hitting the country at that time.[9]

Operating Budgets and FTEs

Fifty-four percent (143 out of 263) of organizations revealed their operating budgets. The mean operating budget is $590,952 and the median is $280,000. Twenty-four programs had operating budgets less than $100,000 and 19 programs had budgets above $1 million.

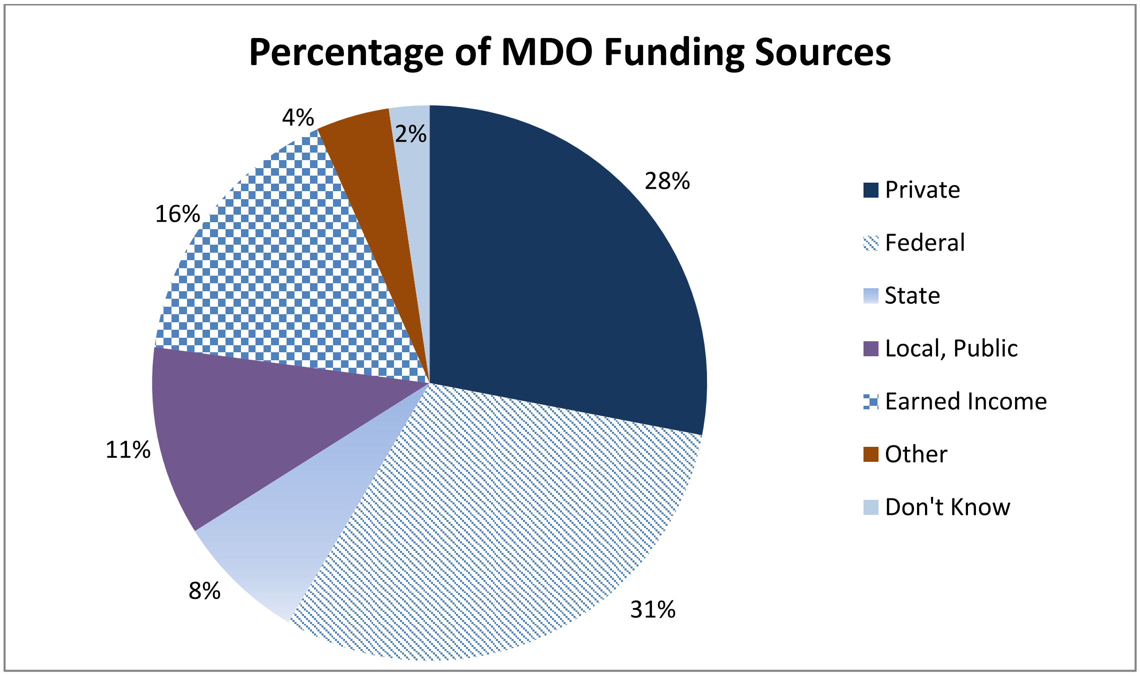
[8] *Surviving the Recession: How Microlenders are Coping with Changing Demand, Risk and Funding.* FIELD TrendLines Series, Issue 1(Washington, D.C.: The Aspen Institute/FIELD, July 2010),7-8; available from http://fieldus.org/Publications/TrendlinesMicrofinance.pdf; Internet.

[9] Thanks to Paige Chapel, Executive Vice President of the Opportunity Finance Network's CARS (CDFI Assessment and Rating System) for comments on the importance of balancing impact and liquidity in managing loan portfolios. Conversation, December 13, 2010.

For 158 programs reporting, the mean number of FTEs per organization is 4.5 and the median is 3. Only 13 had 20 or more employees. At the opposite end, five organizations reported having no staff working full time.

Funding Sources

For 143 programs reporting, the percent of their aggregate budgets for each of the following sources is indicated in the pie chart below. A total of 143 programs submitted data and reported total operating budgets of $84,505,179. Federal funding represented the largest source, at 31 percent, followed closely by private funding. Earned income totaled 16 percent.



The table below disaggregates the earned income data. Ninety-one of 143 programs (or 64 percent of the group that provided budget data) reported some amount of earned income. In aggregate, this revenue totaled almost $14 million and represented 16.2 percent of total operating budgets. The median earned income was $12,500, and the mean was $96,296. Fourteen out of the 91 responding programs (15 percent) reported earned income of more than $1 million. The median percent of earned income was only 4.5 percent, and the range was from 0 to 100 percent.[10]

Earned Income and Percentage of Total Operating Budget

	Earned Income	% of Total Operating Budget
Total	$13,770,358	16.3%
Mean	$96,296	16.3%
Median	$12,500	4.5%
Minimum	$0	0.0%
Maximum	$3,487,932	100.0%

[10] It seems surprising that some microlenders would report no earned revenue. It is not clear whether there are specific reasons why they would not characterize income and fee income as earned revenues. The survey did not provide opportunity for comments on this point.

CHARACTERISTICS OF LARGE-SCALE MICROFINANCE ORGANIZATIONS

Scale of Microlending

Among the 263 reporting microfinance programs, there were ten that disbursed more than 100 loans in 2008. Their loan volume ranged from 112 to 1,330, and they are considered large-scale in relation to others in the survey. (The next closest organization to the top 10 disbursed 87 loans.) The table below compares the scale of these largest microlenders with the 129 others that reported data on the number of loans disbursed. (There were 124 microlenders that did not provide data on number of microloans disbursed.)

Number of Microloans Disbursed by Large-Scale and Small-Scale Microlenders

	Large-Scale Microlenders (≥ 100 loans disbursed in 2008)	Small-Scale Microlenders (< 100 loans disbursed in 2008)
Count (N=)	10	129
Sum	3,683	2,495
Mean	368.3	19.3
Median	178	11
Minimum	112	0
Maximum	1,330	87

As the data indicate, the ten largest programs disbursed approximately 60 percent of all microloans made. These organizations were large in dollar terms as well. The table below compares the two groups on the dollar value of loans disbursed. The ten largest microlenders accounted for 49 percent of all dollars disbursed compared to 51 percent for the remaining organizations. The median value of the small-scale microlenders in terms of loans disbursed is approximately one-tenth the size of the median value of loans for the large-scale microlenders.

Value of Loans Disbursed by Large- and Small-Scale Microlenders

	Large-Scale	Small-Scale
Count (N=)	10	126
Sum	$33,897,772	$34,728,272
Mean	$3,389,777	$275,621
Median	$1,571,979	$164,750
Minimum	$271,200	$0
Maximum	$14,333,215	$2,000,000

As the table below indicates, the large-scale microlenders assisted approximately 19 percent of all individuals served during the year. The median and mean numbers of individuals served were quite a bit larger (about 4-to-1 compared to the smaller lenders). This does not mean that there were not large-scale programs among the small-scale lender group. As FIELD's review of business development services organizations indicated, 38 organizations served more than 500 individuals a year and many of these also offered microloans. One of these, which also maintained a small loan program, served 3,000 people.[11] Nevertheless, overall, the large-scale lenders tended to serve more individuals than most other MDOs.

Number of Individuals Served by Large- and Small-Scale Microlenders

	Large-Scale	Small-Scale
Count (N=)	10	174
Sum	14,211	62,473
Mean	1,421	359
Median	761	158
Minimum	120	2
Maximum	4,582	3,000

The average loan size for large-scale programs is about $9,200 compared to about $14,000 for the smaller programs. The median average loan size for the larger microlenders was just above $6,800 while the smaller microlenders' median loan size fell only slightly, to approximately $13,500. The smaller loan size for the large-scale microlenders might suggest that they make smaller, more frequent loans compared to their small-scale counterparts, preferring to step their lending and allowing the clients and the programs to gain experience with each other. This can then lead to higher loan volumes as borrowers move more quickly from one loan to the next. Another possible explanation could be that larger lenders provide more credit-builder loans, which are generally small, and include those loans in the report of their portfolio performance.

Summary Microloan Data for Large- and Small-Scale Microlenders

	Large-Scale			Small-Scale		
	# of Loans Disbursed	**$ of Loans Disbursed**	**Average Loan Size***	**# of Loans Disbursed**	**$ of Loans Disbursed**	**Average Loan Size***
Count (N=)	10	10		125	125	
Sum	3,683	$33,897,772		2,443	$34,322,393	
Mean	368	$3,389,777	$9,204	20	$274,579	$14,049
Median	178	$1,571,979	$6,819	12	$160,000	$13,467
Minimum	112	$271,200	$2,358	0	$0	$500
Maximum	1,330	$14,333,215	$15,716	87	$2,000,000	$55,988**

* The listed median, minimum, and maximum data in each column may derive from different microlending organizations. Note also that the number of organizations represented in each column is different. Therefore, readers cannot derive data on average loan size by calculations based on numbers displayed in the previous columns.
**This average loan size was calculated on loan portfolio data by a program that provided both microloans and small business loans and may not have disaggregated the two.

[11] Edgcomb and Girardo, 7.

Institutional Age and Target Markets

What are some of the factors that influence the different scale of these two groups? One may be the relative age of the organizations. Nine out of 10 (90 percent) of the large-scale microlenders are mature, that is, they started before 1998. In contrast, 57 percent of the small-scale microlenders started during those same years. Twenty-one percent started between 1998 and 2001, and 22 percent are younger still, having started since 2002. It can be assumed that longer-lived organizations have had the time to develop their methodologies and systems to support growth and to build a portfolio of some breadth.

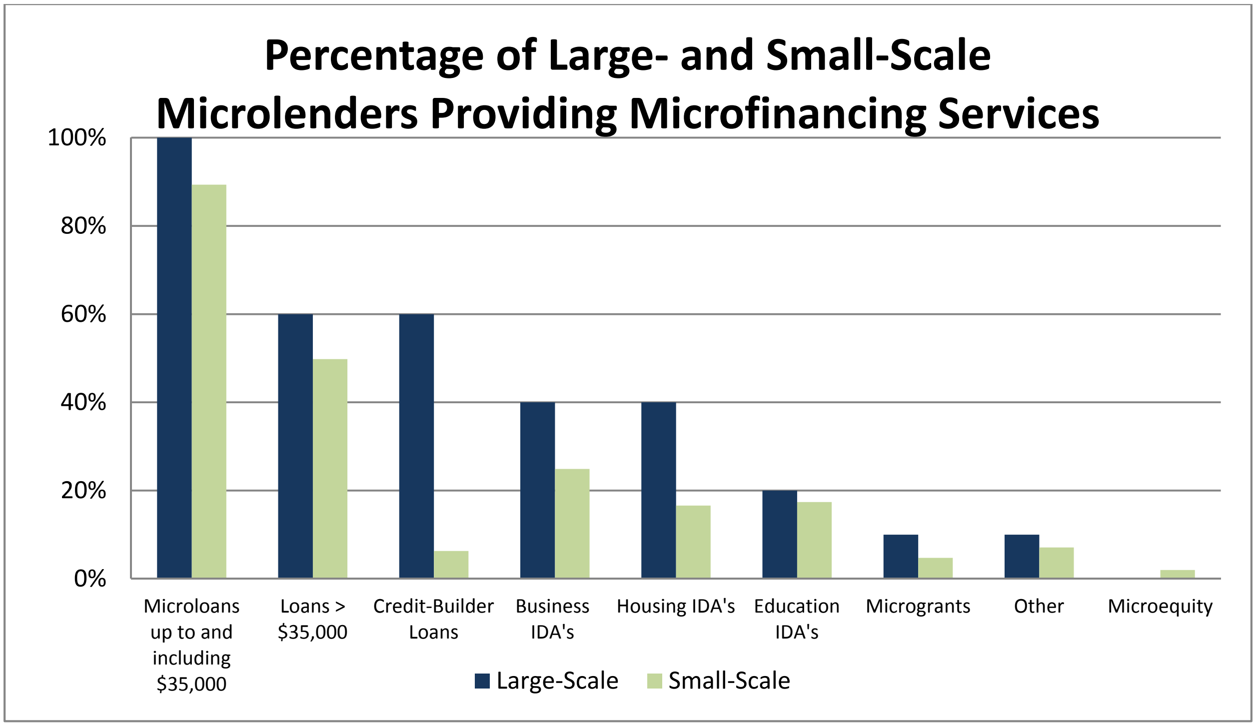
In addition, the scale of the larger microlenders may be related to the geographies they serve. Five of them are in either New York or California, two of the largest states in the Union. Most primarily serve urban areas and several have expanded their markets to include multiple states. In contrast, the smaller microlenders almost equally serve rural and urban areas, and are less likely to serve multistate markets. The penetration into multiple state markets may further be seen as a proxy for the difference between the two groups in mission or goals. Those that are driven by the goal of scale are more likely to have widened their markets than those that are not.

Percentage of Large-Scale and Small-Scale Microlenders by Type of Geographical Area

	Large-Scale (n=10)	Small-Scale (n= 196)
Urban	80%	59%
Rural	20%	61%
Statewide	20%	18%
Multistate	40%	6%

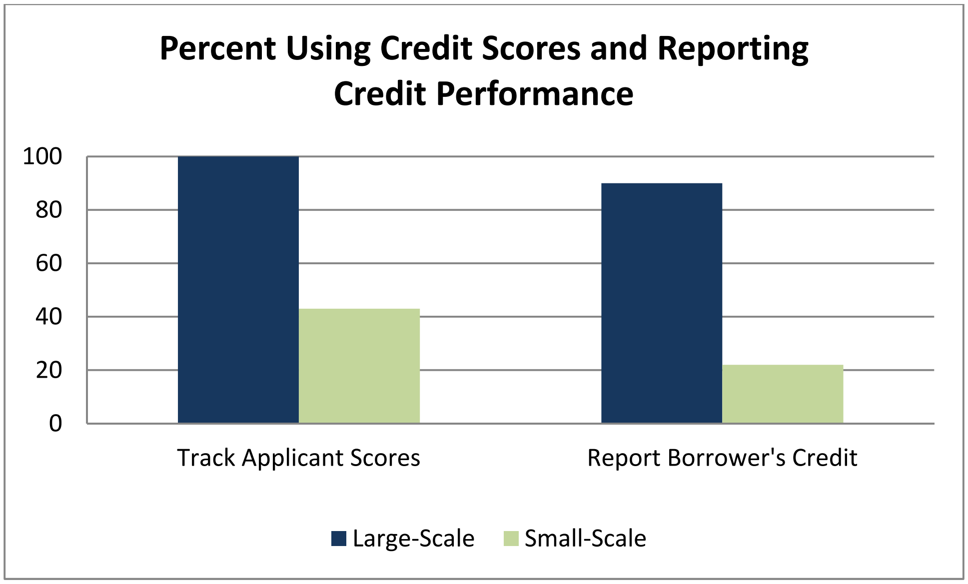
Financing Products

In FIELD' s study of business development services organizations, it was found that large-scale BDS organizations tended to offer more types of business development services than smaller organizations. It is the same case with microfinance. The ten largest organizations are more likely to offer each type of financing product listed in the bar chart below. Only in microequity did the smaller-scale organizations match or exceed them in percentage terms.



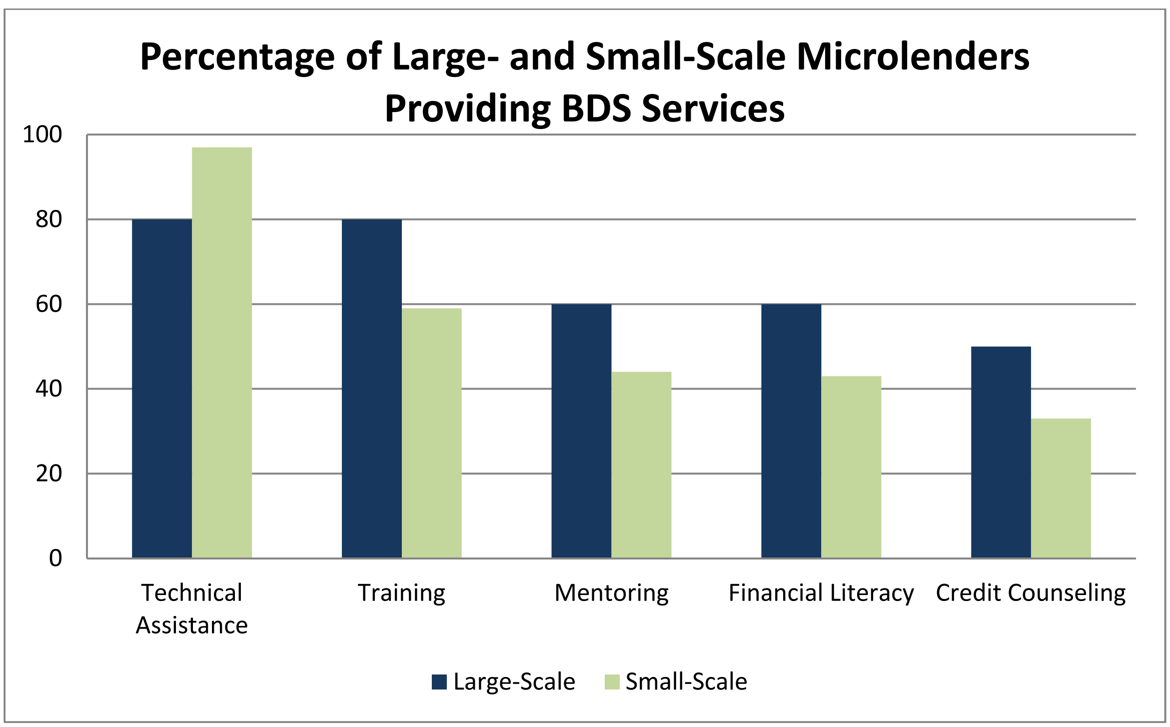
Clearly, microloans have been the principal driver of scale for these institutions, as the data have shown. What this chart demonstrates, however, is the greater propensity of these large-scale organizations to seek opportunities to offer additional products to meet client needs, and, ultimately, to further contribute to scale. Most notable is the greater adoption of credit-building loans as a product by the largest lenders. As discussed earlier, this product reflects a response to the vulnerable credit condition that many applicants present themselves in when they approach programs for assistance. Larger microlenders are also beginning to see that credit-building products can be both ends and means: ends in terms of their capacity to improve the credit of disadvantaged applicants, and a means to helping them become viable candidates for future microenterprise loans.

Related to that, it is not surprising to see that the largest microlenders are also much more likely to track applicants' credit scores and report credit performance to the credit bureaus. All of the large-scale microlenders tracked applicants' credit scores, although only 43 percent of small-scale microlenders did. And, 90 percent of the large-scale microlenders reported borrowers' credit performance to credit bureaus compared to 22 percent of the small-scale lenders. Only six percent of the small-scale microlenders offered credit-builder loans compared to 60 percent of the larger organizations.



Business Development Services

The chart below looks at the top five business development services offered by the large-scale microlenders (n=10) and the small-scale microlenders (n=253). In all instances but one, the large-scale organizations are more likely to offer the service than the smaller-scale programs. Nearly all (97 percent) of the remaining small-scale programs offered technical assistance compared to 80 percent of the large-scale microlenders.



This does not mean that the larger microlenders offer more intensive services to their participants than other organizations. In fact, the table and charts below show that the opposite appears to be true.

Of the large-scale microlenders, seven out of the nine large-scale microlenders (78 percent) offered, on average, nine hours or less of training or technical assistance per individual, while only one organization (11 percent) offered between 10 and 20 hours and another offered between 21 and 30 hours. None of the large-scale microlenders provided more than 30 hours of training or technical assistance per client.

In contrast, only 40 percent (64 out of 160) of the small-scale microlenders provided between 0 and 9 hours of training, while 37 percent (59 out of 160) offered between 10 and 20 hours of service. The rest offered even more. This data supports the common assumption that high-volume lenders tend not to offer intensive development services, instead focusing on more limited interventions that support and complement the loan process.

Average Service Hours by Large- and Small-Scale Microlenders

	Large-Scale		Small-Scale	
	%	N=	%	N=
0-9 hours	78%	7	40%	64
10-20 hours	11%	1	37%	59
21-30 hours	11%	1	9%	15
31-40 hours	0%	0	3%	5
41+ hours	0%	0	7%	11
Don't Know	0%	0	4%	6
Total	100%	9	100%	160

Capitalization

The chart below reviews those programs that submitted data on both their total loan capital available and loans outstanding. Seven large-scale lenders provided data on both points, as did 79 others. These seven controlled more capital, and had more loans outstanding, than the remaining 79, attesting to their size.

The larger lenders have deployed 56.7 percent of their total capital compared to 54.9 percent deployed by the small-scale lenders. The median value is also higher. The high median deployment ratio for the large-scale microlenders suggests that a number of those organizations are likely to need additional capital if they intend to continue to grow.

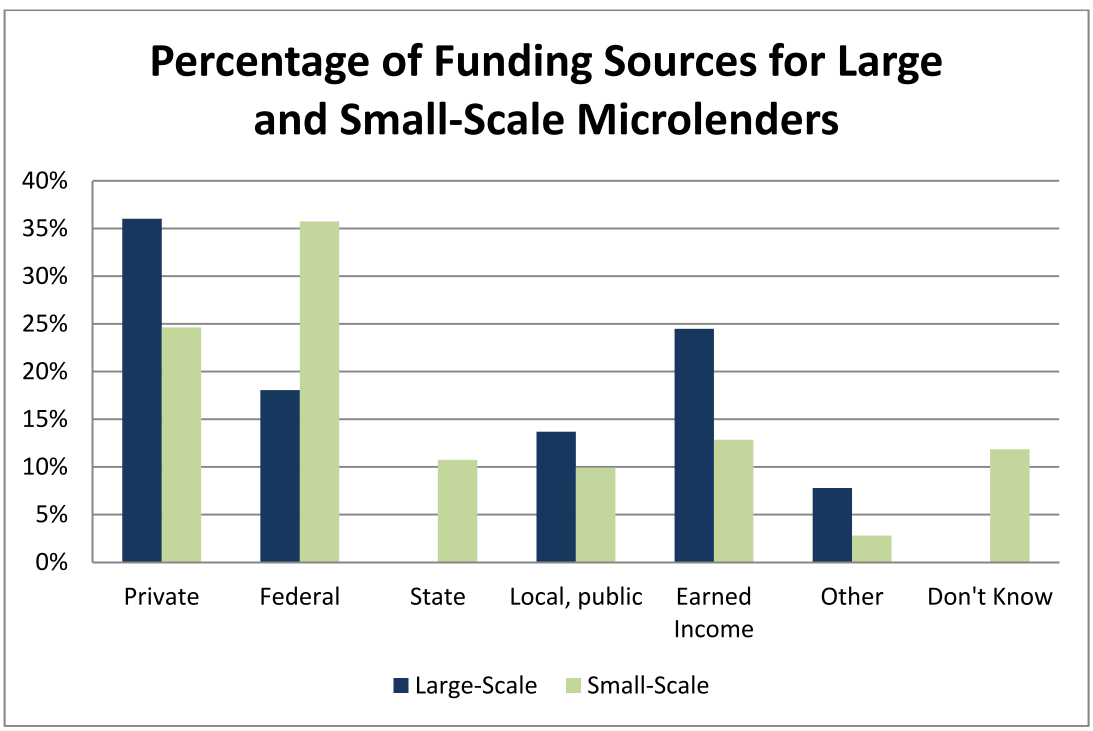
Deployment Ratios for Large-Scale and Small-Scale Microlenders*

	Large-Scale Microlenders			Small-Scale Microlenders		
	Loans Outstanding	Total Capital Available	Deployment Ratio	Loans Outstanding	Total Capital Available	Deployment Ratio
Count (N=)	7	7		79	79	
Sum	$44,001,604	$77,670,209	**56.7%**	$39,987,589	$72,899,251	**54.9%**
Mean	$6,285,943	$11,095,744	**56.7%**	$506,172	$922,775	**54.9%**
Median	$1,750,006	$1,921,556	**74.8%**	$312,364	$572,000	**59.1%**
Minimum	$408,766	$550,000	**42.4%**	$960	$7,537	**1.80%**
Maximum	$21,423,750	$50,573,400	**97.2%**	$2,334,176	$7,120,000	**100.0%**

* The listed median, minimum, and maximum data in each column may derive from different microlending organizations. Median, minimum and maximum deployment ratios are based on calculating and analyzing individual deployment ratios for each reporting institution. Therefore, readers cannot derive this data by calculations based on numbers displayed in previous columns.

Funding Sources

The chart below compares the sources of funding for the large-scale (n=9) and the small-scale microlenders (n=134). Aggregate operating expenses are compared. On a percentage basis, the large-scale microlenders drew more operating support from private funders (36 percent of total aggregate operating budget) and from earned revenue (24 percent) than the small-scale lenders. In contrast, the small-scale lenders relied more on federal funding (36 percent), with private funding (25 percent) the second largest source of support.



It is not surprising that earned revenues provide a greater percentage of support for larger microlenders. Their lending volumes generate more interest and fee income than smaller-scale lenders are able to generate. In fact, in dollar terms, the mean amount of earned revenue for the larger microlenders is more than ten times greater than that of the smaller microlenders. The median is more than 17 times greater. In percentage terms, the data illustrate that the earned revenues of the larger microlenders cover more of their costs, even though their operating expenses are also much higher. Despite that, given the size of their budgets, the large microlenders are still left with the challenge of raising considerable subsidy year in and year out. A combination of higher volumes, greater efficiencies and pricing more closely related to costs will be needed to shift these programs to greater self-sufficiency.

Operating Budgets, FTE's, and Earned Revenues of Large- and Small-Scale Microlenders

	Large-Scale Microlenders N=9 for Operating Budget & Earned Income. N=8 for FTEs	Small-Scale Microlenders N=134 for Operating Budget & Earned Income N=150 for FTEs
Operating Budget		
Mean	$2,783,853	$443,668
Median	$974,897	$270,737
Full-Time Employees		
Mean	19.9	3.7
Median	8.9	3.0
Earned Revenues		
Mean	24%	13%
Median	14%	0%
Minimum	0%	0%
Maximum	63%	100%

CONCLUSION

Approximately two out of three MDOs that responded to the FY2008 Census reported offering some type of financial service to microentrepreneurs. This report summarizes their experience and portrays a field that is still modest in size and composed largely of small-scale lenders. The data suggests that a large-scale microfinance program — at least in the community development space — is one that makes more than 100 microloans a year. Only ten organizations reported making that many in 2008, and the median number of loans disbursed across the 139 organizations that provided the data was only 13.

The ten institutions that crossed the 100 microloans disbursed threshold also represented 60 percent of all loans made, 35 percent of dollars outstanding and 48 percent of available capital in the industry. This means that most of the microlending provided by the field was concentrated in relatively few states. Although one MDO offers loans nationally, the rest concentrate their efforts in a handful of states: California, Illinois, Missouri, New Mexico, New York, Texas, and Virginia. This may suggest that the market, in many places, remains relatively untapped by traditional nonprofit microlenders.

The data suggests several factors that may have influenced the scale of microlending: geographic target market appears to matter, as does organizational age. The capacity to mobilize resources for capital and operating expenses are also critical, as the large-scale organizations in this survey has generated only about a quarter of their operating expenses through earned revenues. To that extent, the scale that they have achieved has been based, in part, on their fundraising capacities. It can be inferred that mission is a factor as well: more of the large-scale microlenders target multistate markets than the small-scale lenders. It is assumed that the expansion into new markets is a consequence of a decision to scale and seek broader market opportunities.

The survey results also point to the centrality of the microloan as the principal financial product offered by microenterprise-oriented microlenders. Fully 92 percent (243 out of 263) of the microfinance organizations that responded to the survey report offering microloans of $35,000 or less. At the same time, however, MDOs also report offering IDAs, credit-builder loans, microequity and other financing products. A small number of respondents also report tracking credit scores and reporting credit performance to the credit bureaus. These institutions are likely the leading edge of a move in the industry to respond to the increased debt challenges of prospective borrowers, and future surveys will likely show even more institutions engaged in these services. As it is, the largest lenders currently are more likely to offer these services than the small-scale lenders, and, while their scale has not been built substantially on these products yet, their addition of these products does provide additional tools to respond to the savings, credit-building and repair needs of the applicants they see. It is to be expected that future surveys will show even more institutions adding these products and services as well.

Since 2008 — the year for which this data was collected -- the nation has experienced two challenging years of financial constriction, job loss and economic crisis. Some smaller data collection activities over this period have described how these conditions have influenced the marketplaces in which microlenders operate, and suggest that many have grown in response to increased demands from aspiring entrepreneurs, even as they have faced challenges maintaining portfolio quality and sustaining their programs.[12] It is expected that another Census will be conducted for the 2010 fiscal year. Given the challenges of the last two years, this data will be eagerly awaited, as it will offer an updated, and hopefully, productive glance into the microenterprise industry.

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[12] See *Surviving the Recession: How Microlenders are Coping with Changing Demand, Risk and Funding*, July 2010, http://www.fieldus.org/Publications/TrendlinesMicrofinance.pdf

