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ACCION New Mexico is a New Mexico 501(c)(3) nonprofit organization that increases access to business credit, makes loans, and provides training, which enable emerging entrepreneurs to realize their dreams and be catalysts for positive economic and social change. ACCION New Mexico works in more than 125 urban and rural New Mexico communities. By offering loans between $200 and $50,000, ACCION New Mexico empowers their clients to build their credit histories and strengthen their businesses.
Microenterprises are businesses that have fewer than 500 employees, or that exceed this limit in terms of annual revenue, or that have less than $200,000 in assets. The microenterprise sector is known for its contribution to economic development and its diversity. For instance, microenterprises account for 87% of all business establishments, 10 million of these microentrepreneurs are receiving Temporary Assistance for Needy Families (TANF) benefits, and minorities (64%), and low-income (80%) clients are interested in starting a business.3

The Aspen Institute estimates that 10 million of these microentrepreneurs are individuals who have barriers to mainstream finance and business development services. This group is largely composed of women, people of color, and new immigrants, the disad- vantaged, and individuals on public assistance who are interested in starting a business.4

Conservatively, approximately 100,000 to 150,000 entrepreneurs receive microenterprise development services annually.5 Mid- to large-sized microenterprise lenders reported $8.6 billion in microloans in FY 2005, ranging from approximately $100,000 to $150,000.6 The majority of clients are women (56%), minorities (44%), and low-income (38%) members of the group. Approximately 12% of clients were in poverty (less than $9,200), and 9% reported receiving Temporary Assistance for Needy Families (TANF) benefits.7

Microenterprise development programs focus on the development of microenterprises.8 The Microenterprise Partnership Fund-Nebraska is a CDFI that provides microenterprise development loans and supports microenterprises by offering management and technical assistance, in the form of training and coaching.9

Revenue from Microfinance

Microfinance is a related activity of many CDFIs, and its growth has been rapid in the last several years. A report by the CDFI Coalition indicates that $19.7 billion in microloans were made in FY 2005.10

The Microenterprise Partnership Fund-Nebraska is a CDFI that provides microenterprise development loans and supports microenterprises by offering management and technical assistance, in the form of training and coaching.9

Recent estimates indicate approximately 15% of all CDFIs are microenterprise lenders. The Microenterprise Partnership Fund-Nebraska is one of these lenders. Since its inception, the Fund has made $2,608,017 in microenterprise loans. These loans have supported many microenterprises, including a family counseling business in Nebraska.11

Portfolio Risk and Sustainability

Microfinance loans usually carry a higher level of risk than other types of CDFI investments. Because they are an important element of the community strategies of most CDFIs, microfinance programs must expertly balance risks and community benefits. As can be seen in Figure 4 and Table 4, though delinquencies are slightly higher, the risk is maintained at a prudent level, and the portfolio indica- tors have remained strong over time.12

Self-employment offered Eileen Curuy a way to overcome a disability and build back her lifelong savings. Ten years ago, she was diagnosed with a brain tumor. The surgery saved her life and restored her ability to walk and talk, but emptied her retirement savings. Occasional resources made through temporary employment difficult. Assistance from Nebraska Microenterprise Partnership Fund helped her write a business plan and purchase a special machine that allowed her to fulfill her passion for baking. In Nebraska, the Nebraska Microenterprise Partnership Fund’s mission is to mobilize, allocate, leverage, and link strategic local, state, and national resources with community-based organizations that provide financial and technical assistance to Nebraska’s businesses.
**Financing Microenterprise Development**

Community Development Financial Institutions (CDFIs) are financial institutions that make community-based financial investments in underserved communities. They provide financial and technical assistance, are by far the most common source of microenterprise loans, and typically offer a variety of services. Business development technical assistance, training, and credit counseling are commonly offered and utilized. This assistance helps expand business ownership to those who have a good understanding of the product or service offered but who have little management experience. According to the Aspen Institute, 536,313 outstanding microenterprise transactions in total in FY 2005. Out of these transactions, however, only 55% were microenterprise transactions.

Microenterprises are businesses that have fewer than four employees; they typically offer a variety of services. Business development technical assistance, training, and credit counseling are commonly offered and utilized. This assistance helps expand business ownership to those who have a good understanding of the product or service offered but who have little management experience. According to the Aspen Institute, 536,313 outstanding microenterprise transactions in total in FY 2005. Out of these transactions, however, only 55% were microenterprise transactions.

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Microenterprises are businesses that have fewer than 50 employees, that need up to $35,000 in order to start up or expand, and that do not have access to the traditional commercial banking sector. Most microenterprise businesses do not have employees in addition to the owner. Community-based financial institutions offer microenterprise development services to implement a variety of civic goals, including poverty reduction, economic empowerment of traditionally disadvantaged populations, expansion of entrepreneurial opportunities, and place-based economic development strategies.1

According to statistics compiled by the National Community Development Institute; and Association of Enterprise Opportunity. CDFIs have made microfinancing the first priority of their lending to microenterprise. At least 50% of all microenterprise loans are made by 64% of the programs nationwide, and approximately 98% of all microloans making up a relatively small percentage of their total lending. However, the three largest microenterprise lenders devote 100% of their total lending to microenterprise. Figure 3 shows the incidence of microenterprise lending by CDFIs; for some, it is a significant focus of CDFI investments. Because they are an important element of the community strategies, CDFIs, microfinance programs need to employ both risk assessment practices and community benefits. As seen in Figure 3, although delinquencies are slightly higher, the risks are maintained at a prudent level, and the portfolio ratios have remained strong over time.

Portfolio Risk and Sustainability
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Self-employment offered Eileen Curry a way to overcome a disability and build back her lifelong savings. Ten years ago, she was diagnosed with a brain tumor. The surgery saved her life and restored her ability to walk and talk, but emptied her retirement savings. Occasional resources made her level of risk small.

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To Left: Evangelina Morano

Because of their size, risk, and pricing for charitable purpose, the income earned from microenterprise loans rarely covers the costs of origination, collection, and management. Ongoing public and charitable investment is needed to serve this market. Average rates of operational self-sufficiency have hovered around 20%–30% for most programs (see Figure 6). However, some programs have been pushing innovations in program efficiency, pricing, and scale, and are approaching break-even levels.

The CDFI Data Project

The CDFI Data Project is an industry collaborative that produces data about CDFIs. The goal of the CDFI Data Project is to ensure access and use of data to improve practice and attract resources to the CDFI field. ACCION New Mexico participates in the CDFI Data Project. To learn more about the CDFI Data Project, contact any of the partner organizations or Jon Schwartz of Opportunity Finance Network at jschwartz@opportunityfinance.net (215.320.4308).

Partner Organizations

Aspen Institute
www.fieldus.org

National nonprofit that disseminates best practices and educates policymakers, funders, and others about microenterprise opportunities

Association for Enterprise Opportunity
www.microenterpriseworks.org

National member-based trade association of more than 500 microenterprise development programs

Coalition of Community Development Financial Institutions
www.cdfi.org

Lead organization in the United States that promotes the work of CDFIs

Community Development Venture Capital Alliance
www.cdvca.org

Certified CDFI intermediary that serves community development venture capital funds through training, financing, consulting, research, and advocacy

CFED
www.cfed.org

National nonprofit that promotes asset building and economic opportunity strategies, primarily in low-income and distressed communities

National Community Investment Fund
www.ncif.org

Certified CDFI that channels equity, debt, and information to locally owned banks, thrifts, and selected credit unions with a primary purpose of community development

National Federation of Community Development Credit Unions
www.cdcu.coop

Certified CDFI intermediary that serves more than 200 low-income credit unions across the United States

Opportunity Finance Network

Leading national network that finances, trains, consults with, and advocates for CDFIs

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Fiscal Year 2005

Providing Capital
Building Communities
Creating Impact

Community Development
Microenterprise Finacing

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Figure 6: Microenterprise Lending Program Sustainability

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