

# FIELD

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Microenterprise Fund For Innovation,  
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## **Trends in Demand, Risk and Funding: Market Conditions for Microlending**

March 2010

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*Special thanks* to the  
**Charles Stewart Mott  
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TrendLines Series

# A Sense of the Room

How many of you:

- Are microlenders?
- Have experienced significant changes in your market that are impacting your microlending activities?





**FIELD**

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Learning and Dissemination

**Joyce Klein**

Senior Consultant to  
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## **Donna Fabiani**

Executive Vice President,  
Knowledge Sharing at  
the Opportunity Finance  
Network



# Trends in Demand



# MicroTest Measures of Loan Demand

Number of loans **Disbursed** (during FY)

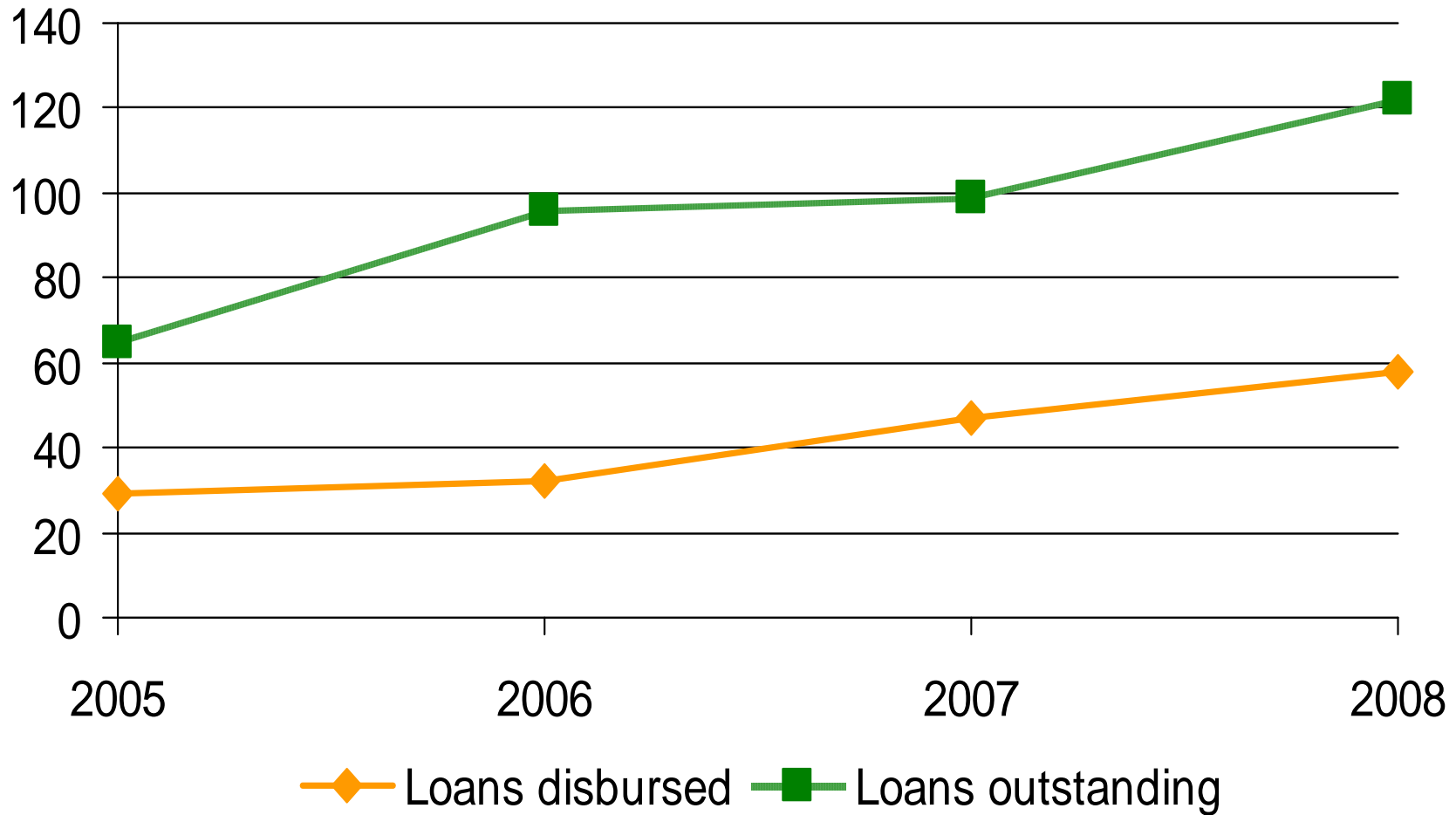
Dollar volume of loans **Disbursed** (during FY)

Number of loans **Outstanding** (end of FY)

Dollar volume of loans **Outstanding** (end of FY)



# Median number of loans, 2005-2008 (longitudinal)

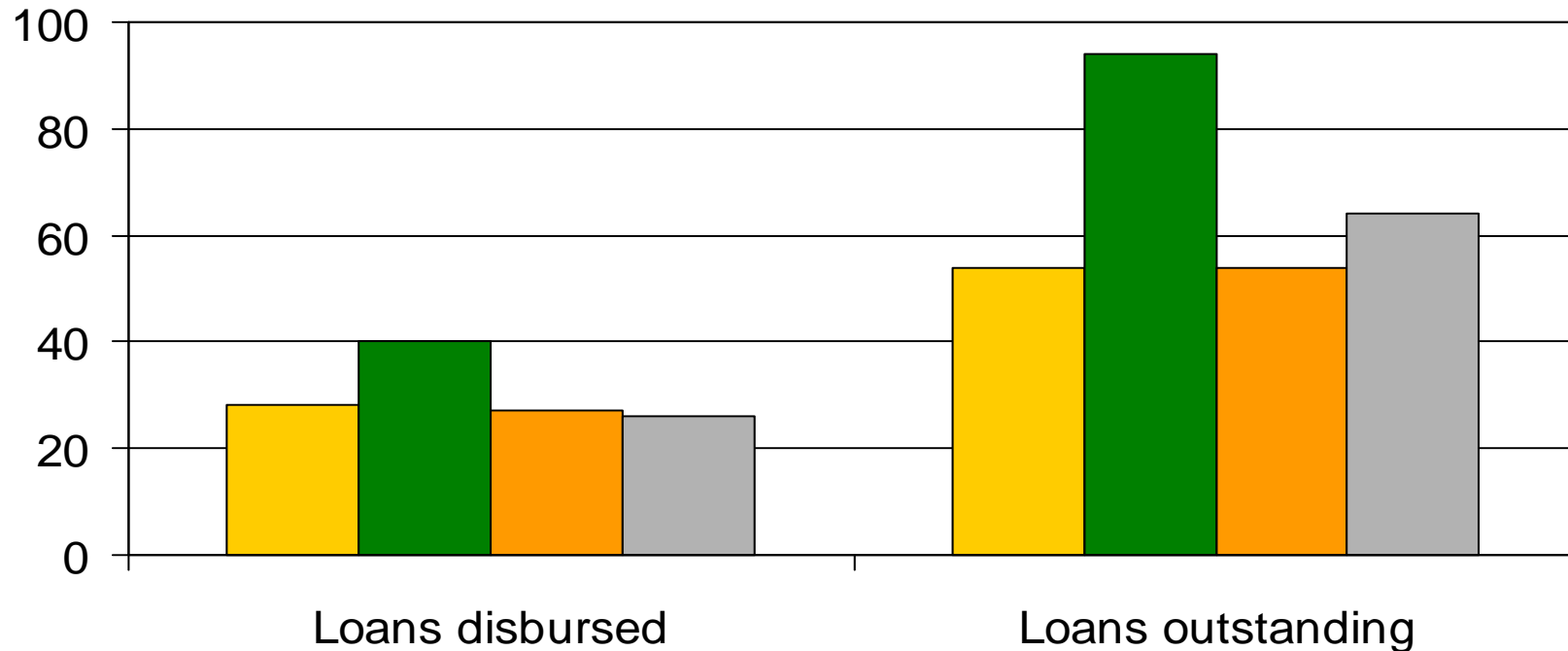


n= 15 programs, *Source: MicroTest*

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# Median number of loans, 2005-2008 (snapshot)



■ 2005 ■ 2006 ■ 2007 ■ 2008

Number of programs reporting:

2005 – 50

2006 – 39

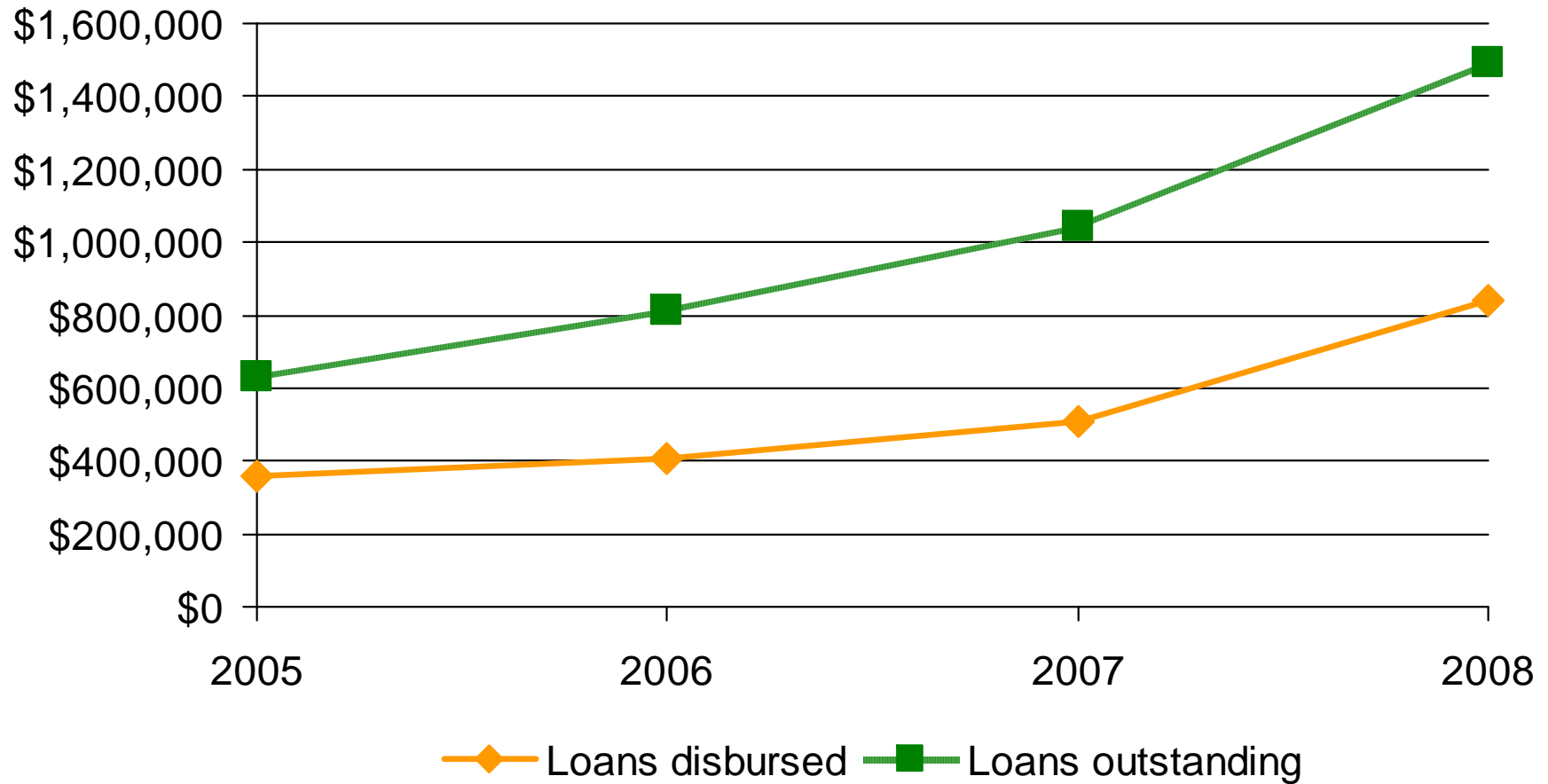
2007 – 38

2008 – 35

*Median data from MicroTest*



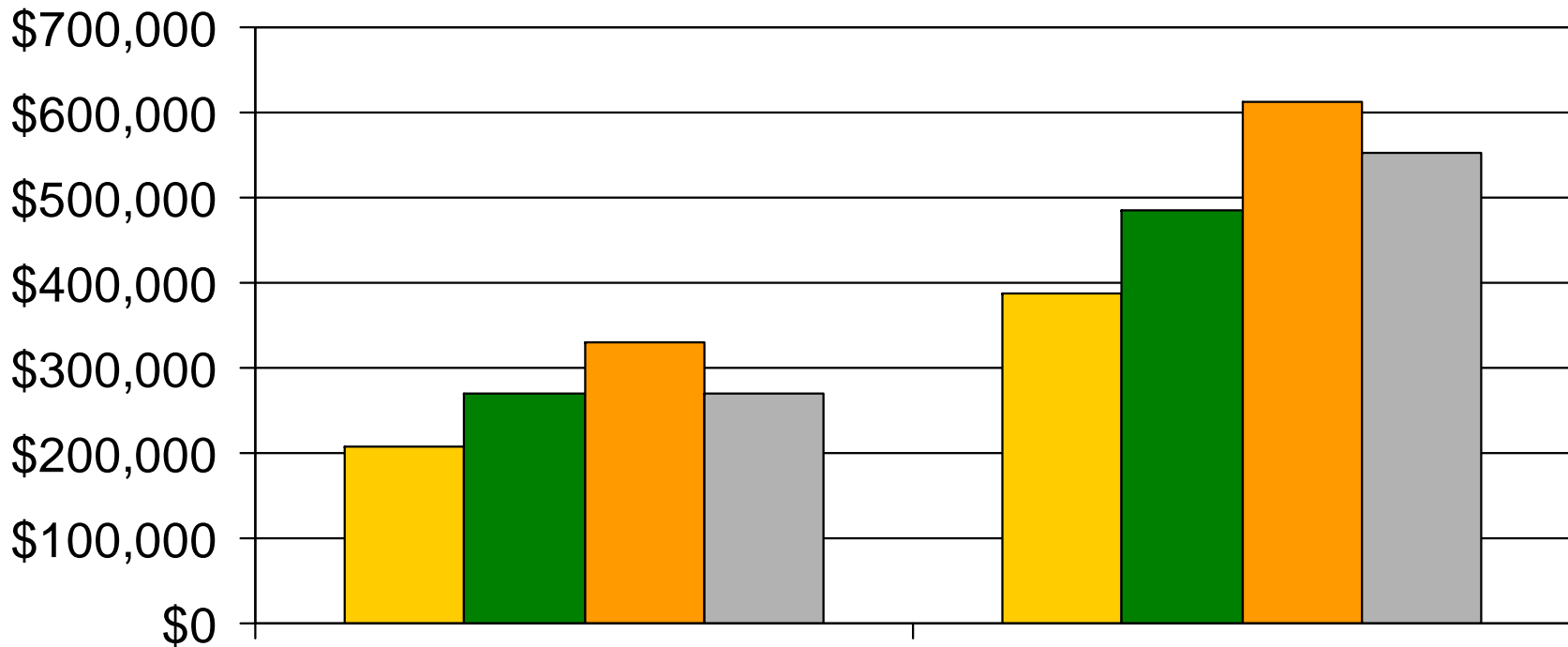
# Median volume of loans, 2005-2008 (longitudinal)



n= 15 programs, *Source: MicroTest*



# Median volume of loans, 2005-2008 (snapshot)



Loans disbursed

Loans outstanding

2005 2006 2007 2008

Number of programs reporting:

2005 – 50

2006 – 39

2007 – 38

2008 – 35

*Median data from MicroTest*



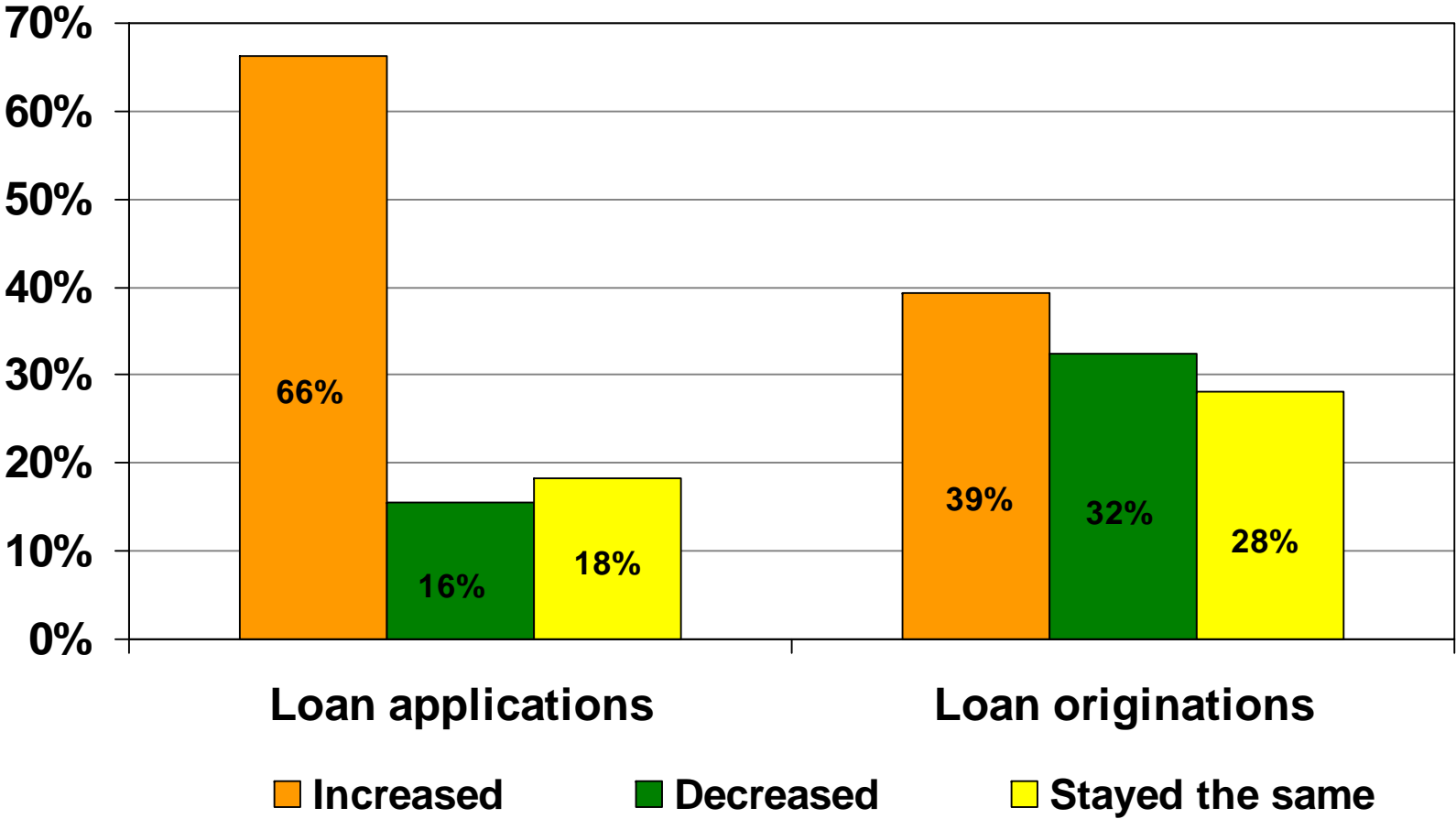
# Demand, originations and expected demand

	Q4	Q1	Q2	Q3	Q4
Increasing:	2008 (n=22)	2009 (n=11)	2009 (n=20)	2009 (n=13)	2009 (n=16)
Demand	77%	73%	80%	69%	44%
Originations	67%	42%	50%	62%	31%
Expected Demand	95%	92%	80%	77%	63%

Source: OFN, *CDFI Market Conditions Report, Fourth Quarter 2009 (March 2010)*



# Your experience with changing demand (in 2009, compared to 2008)



*n=72 as of 5:00 PM EST, 3/2/10*



# Trends in Risk



# MicroTest Measures of Portfolio Quality

Portfolio at risk (last day of FY)

Loan loss rate (over the FY)

Restructured loan rate (last day of FY)



# Portfolio quality – How do we measure it?

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**Portfolio at risk:** What percent of the portfolio is at risk because of loans that are past due on payments?

Formula:

$$\frac{\text{Total outstanding balance of loans with payments > 30 days past due}}{\text{Total outstanding portfolio}}$$



# Portfolio quality – How do we measure it?

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**Loan Loss Rate:** What percent of the portfolio was written-off due to loans judged to be non-recoverable?

Formula:

$$\frac{\text{Total amount of loans written off over the fiscal year, net of recoveries}}{\text{Average outstanding portfolio for the fiscal year}}$$



# Portfolio quality – How do we measure it?

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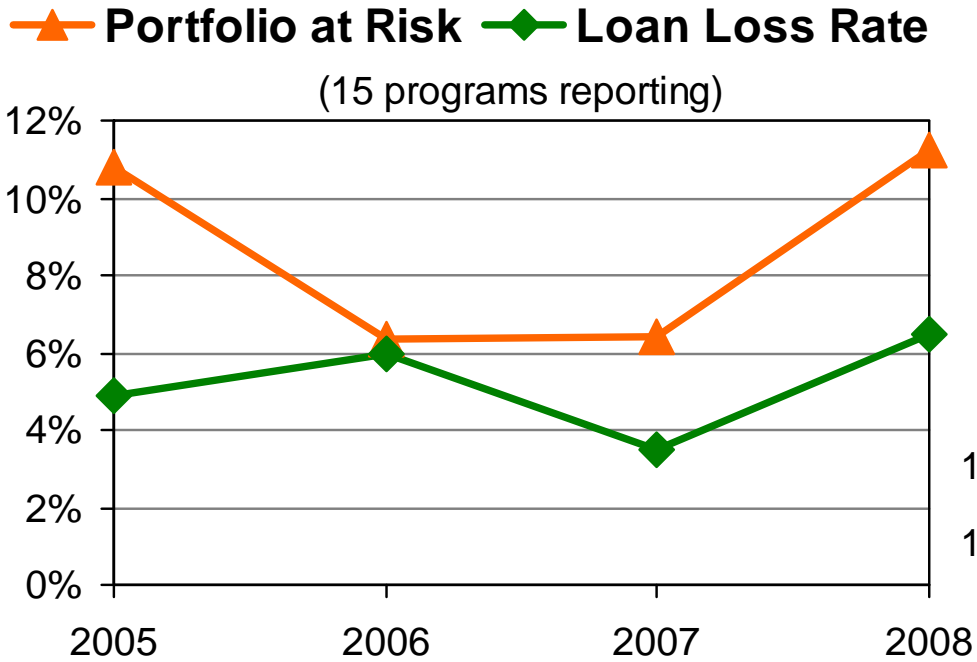
**Restructured loan rate:** What percent of the portfolio is at risk because of loans that have been restructured because of problems with repayment?

Formula:

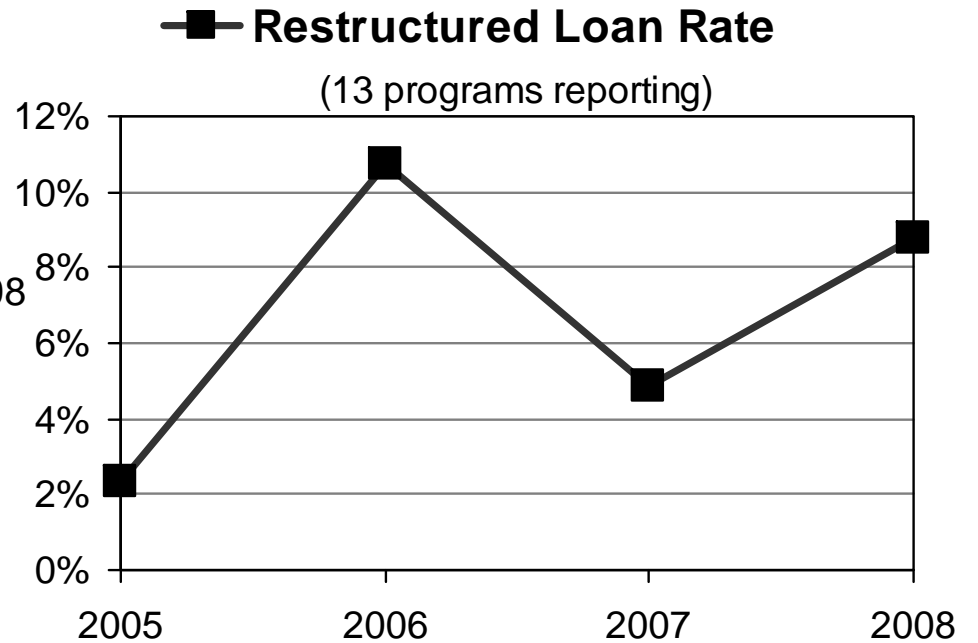
$$\frac{\text{Total outstanding balance of loans that have been restructured}}{\text{Total outstanding portfolio}}$$



# Portfolio Quality, 2005-2008 (longitudinal)

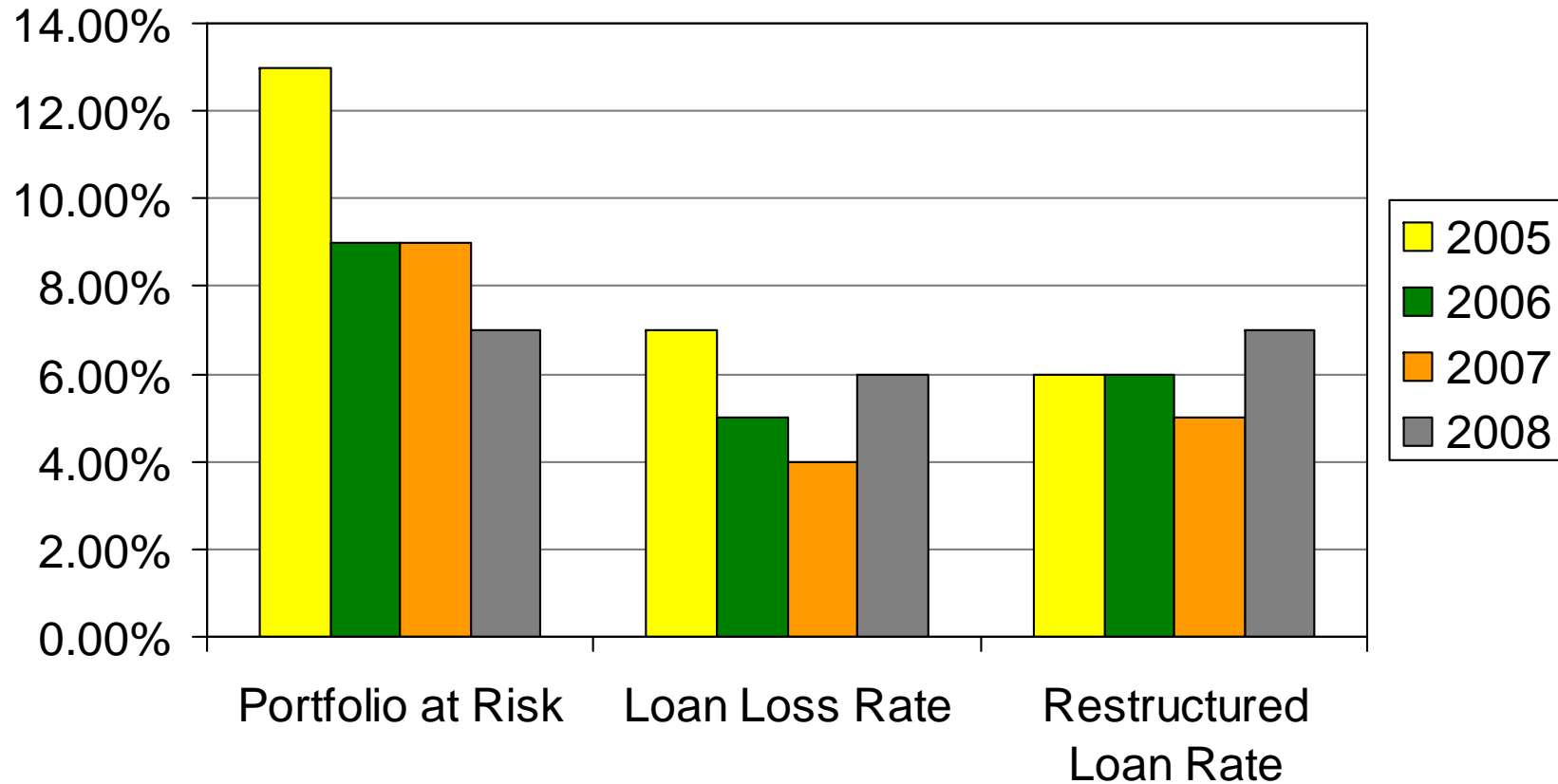


*Median data from MicroTest*



# Portfolio Quality, 2005-2008 (snapshot)

*Median data from MicroTest*



Number of programs reporting PAR and LLR: 2005-50; 2006-39; 2007-38; 2008-34.

Number of programs reporting RLR: 2005-44; 2006-35; 2007-36; 2008-30



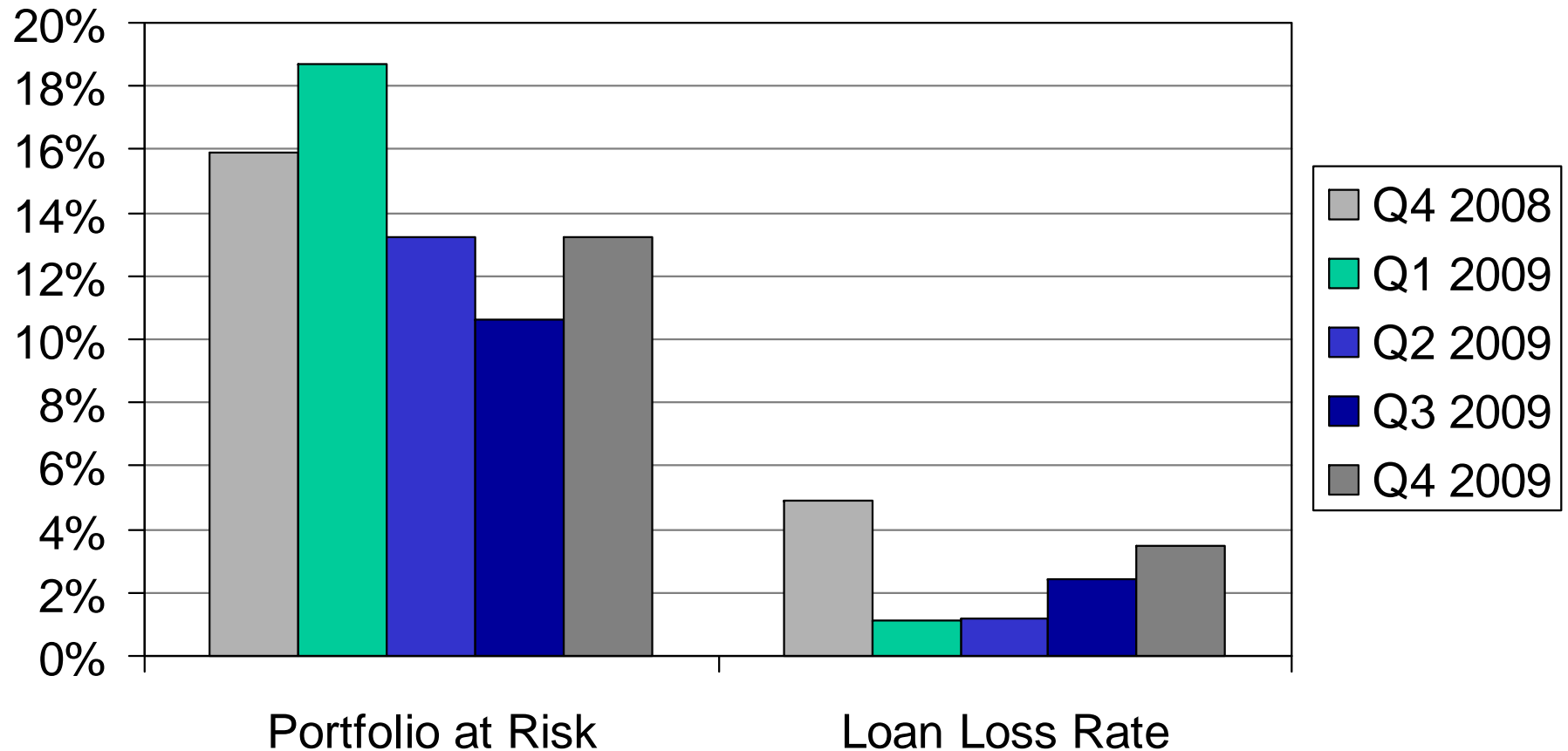
# Portfolio Quality Q4 2008 - Q4 2009

Increased:	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009
Delinquency	50%	50%	45%	62%	44%
Workouts	68%	58%	45%	62%	69%
Loan Extensions	73%	58%	65%	46%	31%
Loan loss rate	41%	67%	40%	46%	33%

Source: OFN, *CDFI Market Conditions Report, Fourth Quarter 2009 (March 2010)*



# Portfolio Quality, Q4 2008-Q4 2009 (average snapshot data )

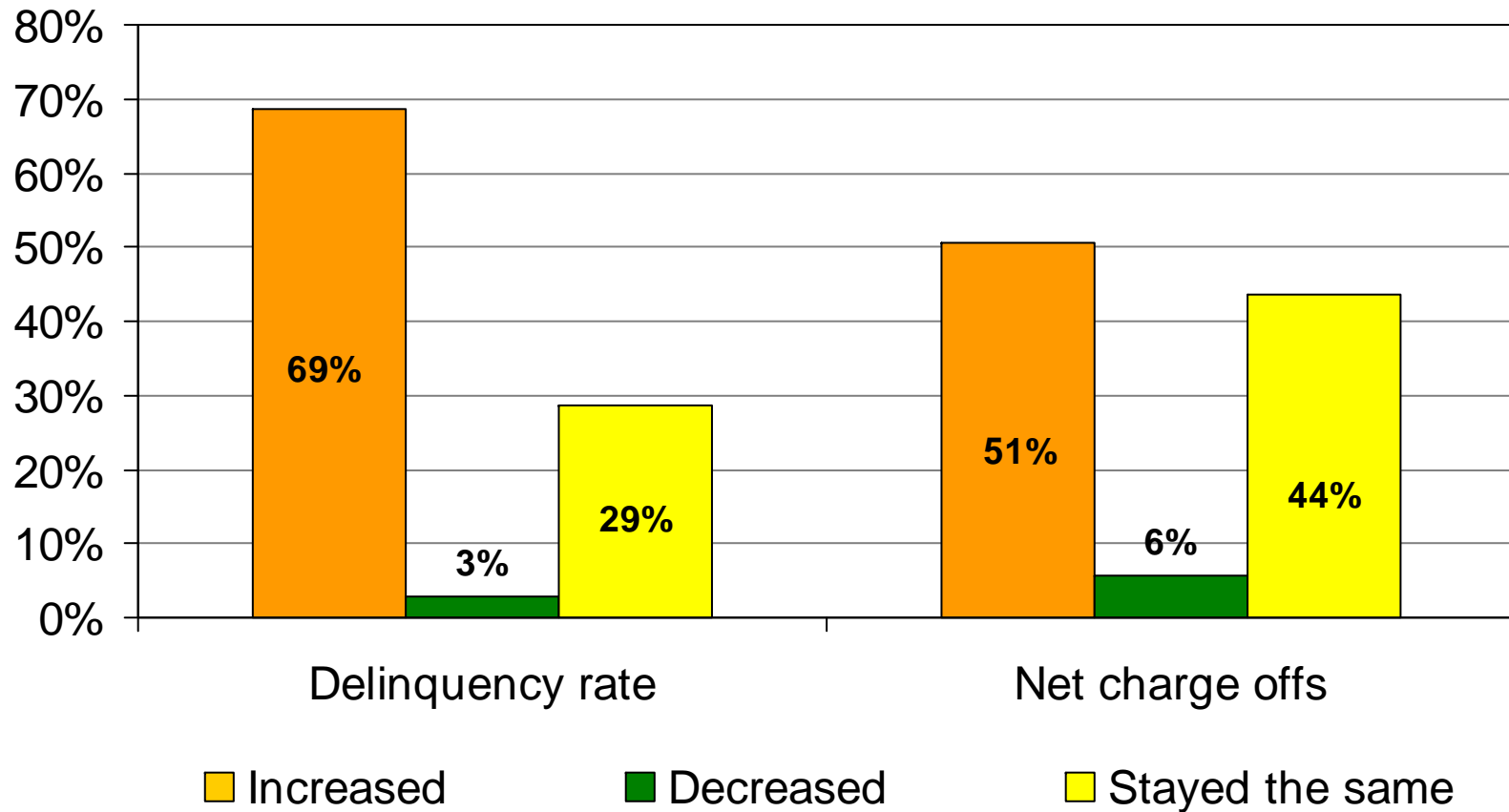


Number of programs reporting PAR: Q42008–22; Q12009–12; Q22009–20; Q32009–13; Q42009–12  
 Number of programs reporting LLR: Q42008–21; Q12009–12; Q22009–18; Q32009–13; Q42009–12



Source: OFN, *CDFI Market Conditions Report, Fourth Quarter 2009 (March 2010)*

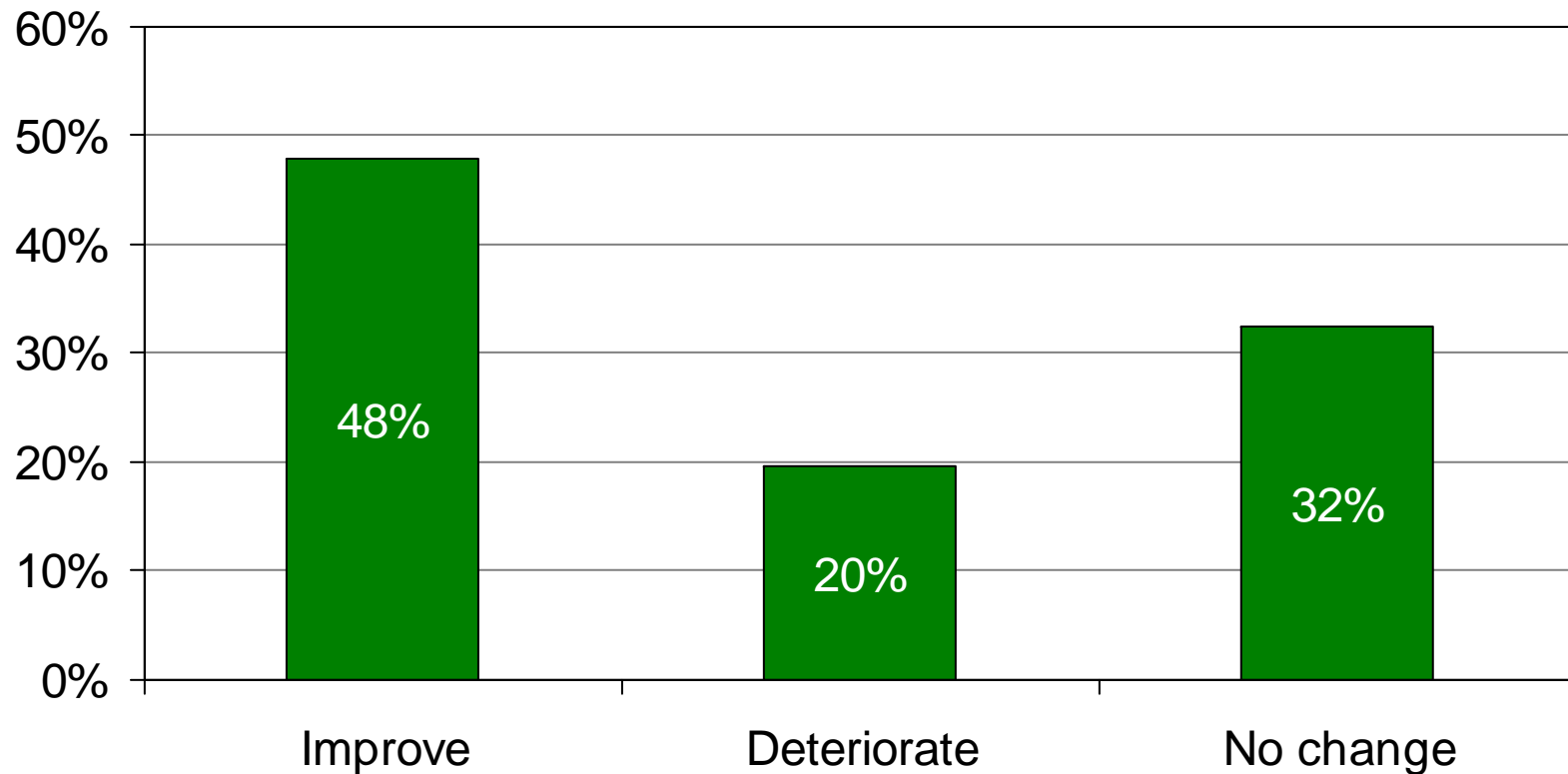
# Your experience with portfolio quality (in 2009, compared to 2008)



*n=72 as of 5:00 PM EST, 3/2/10*



# Your expectations for portfolio quality (in 2010, compared to 2009)



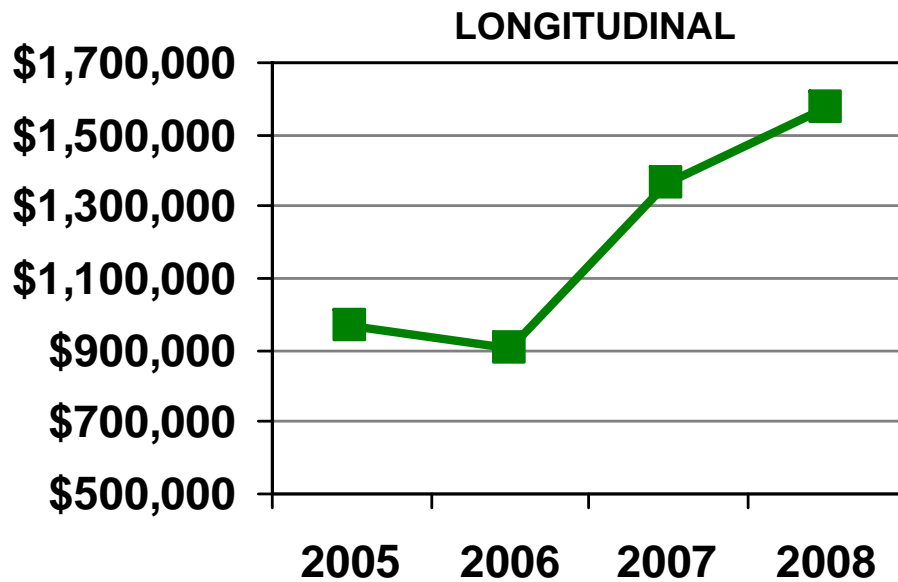
*n=72 as of 5:00 PM EST, 3/2/10*



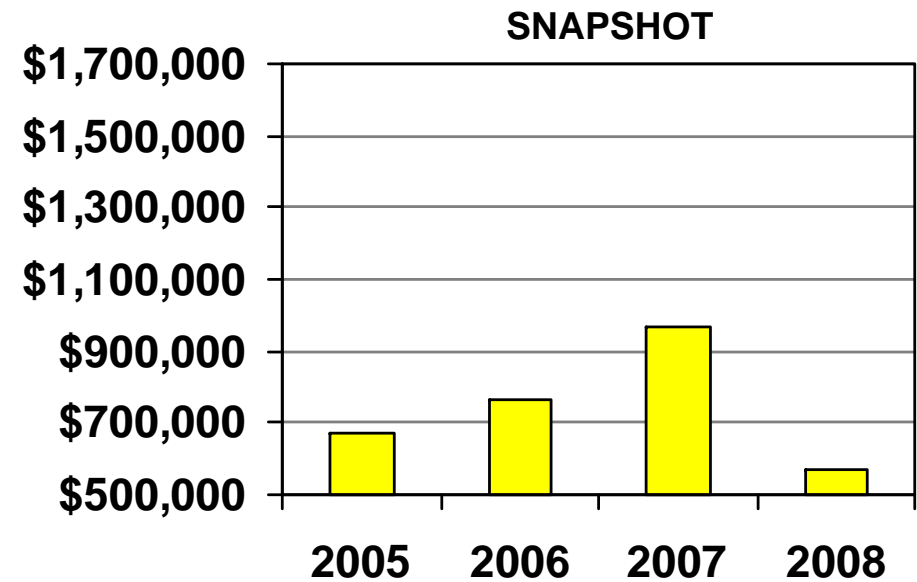
# Trends in Funding



# Median Microloan Capital 2005-2008



Longitudinal data: n=12 programs

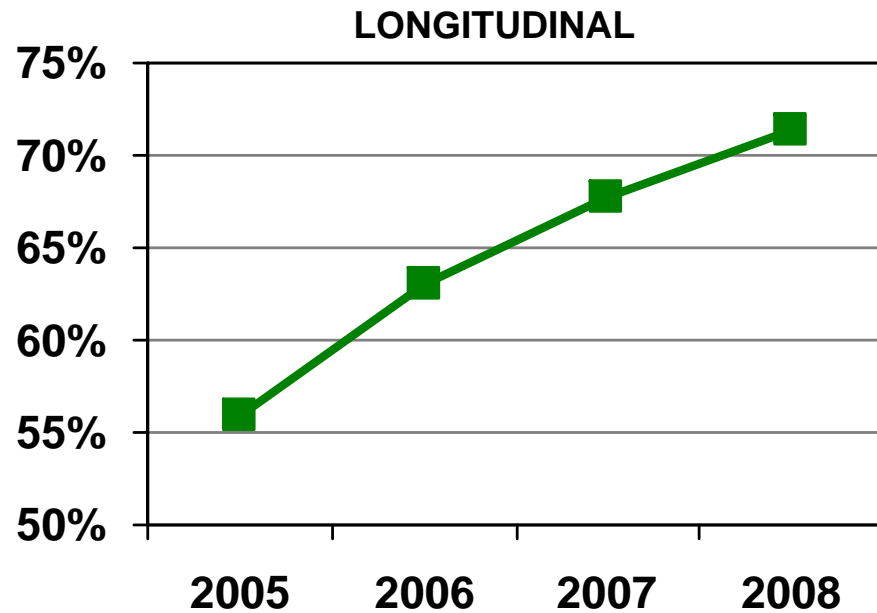


Snapshot data: 2005-44; 2006-38; 2007-36; 2008-29

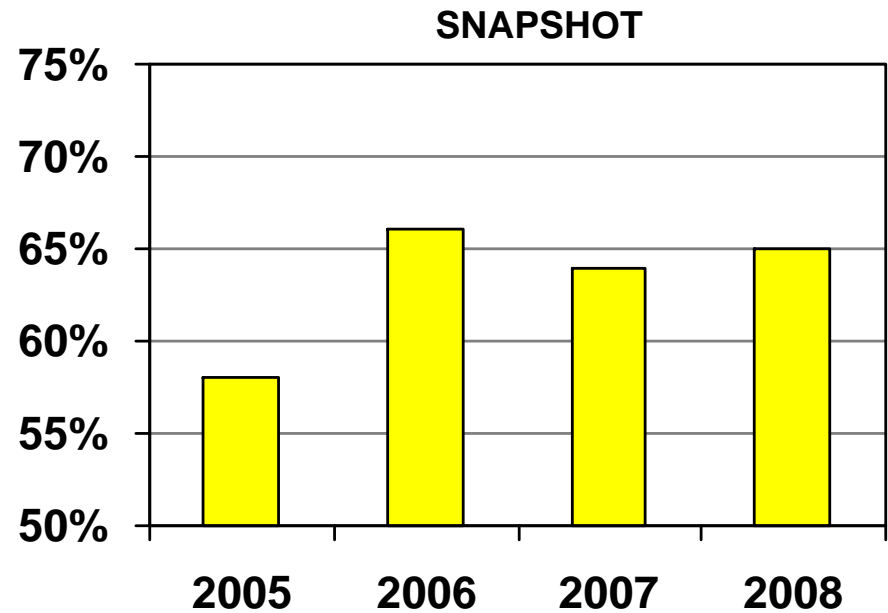
*Source: MicroTest*



# Median Microloan Capital Deployment 2005-2008



Longitudinal data: n=12 programs

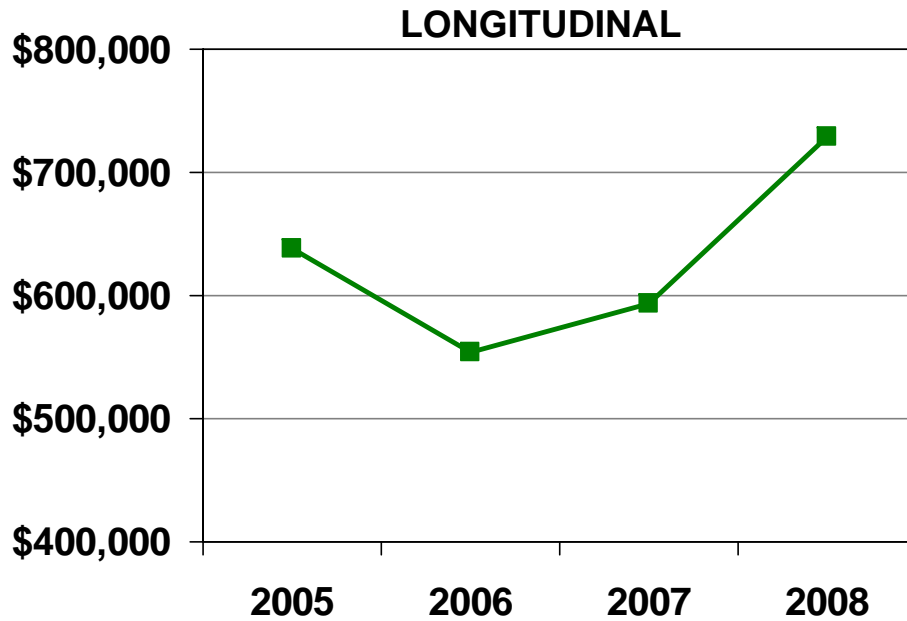


Snapshot data: 2005-44; 2006-38; 2007-36; 2008-29

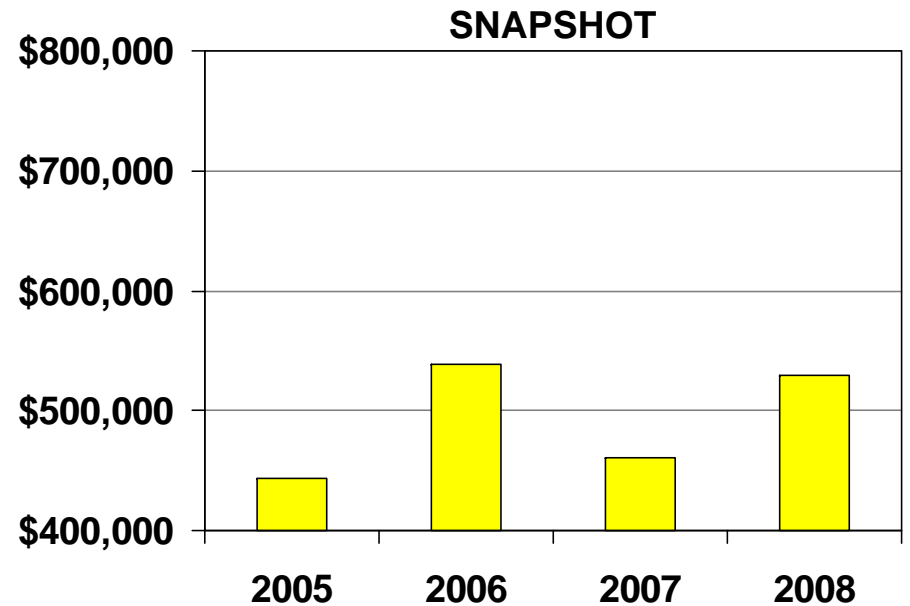
*Source: MicroTest*



# Median Microenterprise Program Revenue 2005-2008



Longitudinal data: n= 12 programs



Snapshot data: 2005-44; 2006-38; 2007-36; 2008-29

*Source: MicroTest*



# Capital access, liquidity and capital constraint

	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009
Decreased:					
Ability to access capital	32%	13%	27%	25%	30%
Capital liquidity	45%	25%	55%	23%	25%
Increased:					
Debt and/or equity constraint	41%	50%	45%	38%	50%

Source: OFN, *CDFI Market Conditions Report, Fourth Quarter 2009 (March 2010)*



# Questions from Participants

Please raise your hand  
or send us a question  
via the chat feature.



# Managing Your Microlending in a Challenging Environment

March 26<sup>th</sup> 2-3:30 Eastern

- Paige Chapel, Opportunity Finance Network
- Paul Quintero, ACCION USA



## For more information:

OFN Market Conditions Survey reports  
can be found at:

<http://www.opportunityfinance.net/store/default.asp?c=299>



To access the FIELD TrendLines  
publications and Webinars:

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