

# Seeking to Serve Millions, Not Hundreds

(Enabling Low Income People in American  
to Successfully Access Financial Services)

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# Introduction

Who are you? What brought you here today?

Who am I?

## Social Enterprise Associates

*A network of professionals making communities better by applying business skills & sustainable practices.*

*[www.socialenterprise.net](http://www.socialenterprise.net)*



# Definitions & Assumptions

## Terminology

MFI = Microfinance Institution

Microfinance, Micro-credit, Micro-debt, etc.

## Microfinance in Development

Microfinance is NOT a universal development panacea

Model proven, Peace Prize a boon & profitability demonstrated

MFI as sustainable effective development tool still unrealized

## Looking Ahead

The industry's next decade will require change – 'failures' are good, investment (vs. grants), and market consolidation

Profit furthers an organization's opportunity

# Need in the U.S.

## Small Business

9% of GDP, 20% of employment, 80% of all businesses

Average small business ownership tenure is 5 years

Part of the American Dream

Tax, banking, other systems not geared towards 'little guy'

Specialized knowledge helps

## People in Need

Poverty rate 15% = 45 million people

More than 1 in 5 people in America un-/under-banked (68 mil.)

Divide growing b/t richer & poorer

People of color pass 1/3 the wealth b/t generations than do white families (i.e. home)

# U.S. Microfinance

## For Small Business

Micro-loan in the U.S. to \$35 K

# of MFIs

AEO membership < 800

10,000 loans a year

< \$2 B total capitalization

Financing

Philanthropy, Banks' CRA

Subsidies, 20% fin. self-suff.

Models

Individual loans, term, 5 yrs.

Emphasis on training

## For Consumer Services

Alternative is 'pay day' lenders

Financial Education

Use bank access that exists

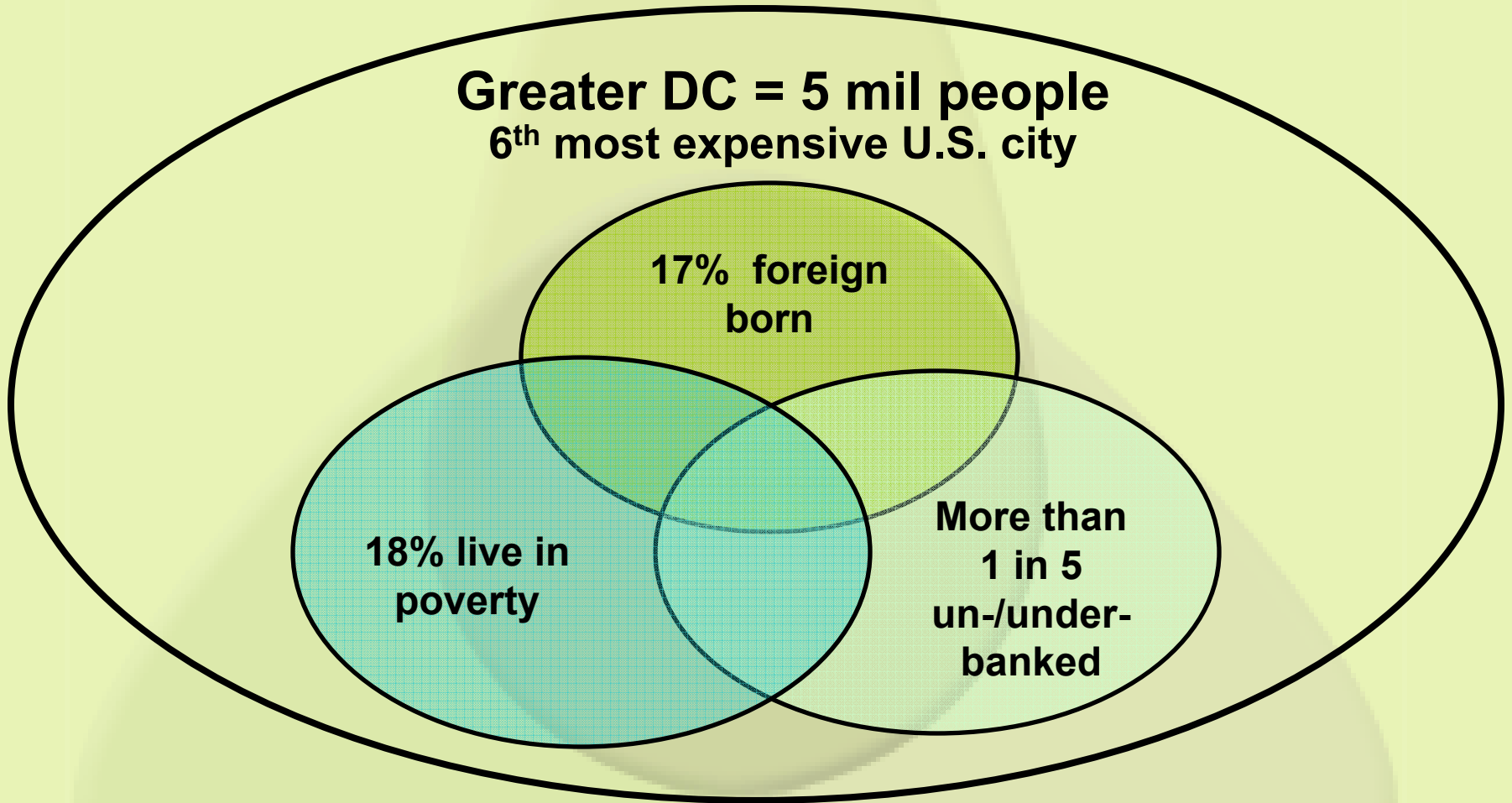
Educate about choices, costs

Asset Development via Savings

Foster wealth creation

Inter-generational wealth transfer

# Market in Washington, DC



**Potential Market ~ 1 million**

# EDG Services & Accomplishments

ECDC Enterprise Development Group (EDG) helps people achieve self-sufficiency through economic and community development initiatives targeted to low-income people overlooked by mainstream financial institutions.

## Products & Services

Loans: biz, vehicle, consumer  
Financial Literacy  
Training & Technical Assistance  
Savings: IDAs (Individual  
Development Accounts)  
Small Biz Incubator  
Education: Computers, ESL

## Accomplishments

14 years & 5,000 people served  
1,000+ jobs created/retained  
475 business loans \$8.1 million  
100 car loans for \$481,000  
\$1 million in clients' savings  
to purchase \$17 million in  
new assets (70 houses)

# EDG's Clients

## Clients

93% Began w/ EDG 'Poor'\*  
or 'Very Poor'\*

87% People of Color

27% Female, head household

40% Refugees

From 36 Countries  
(Legal Immigrants)

## Businesses

Taxis

Trucking

Retail Stores

Restaurants

Child Care Centers

Artists & Art Galleries



# Challenges to Overcome

## **Business as usual will never reach scale**

Potential market is large; total served to date is small (< 1 mil)  
Loan volume in the \$100 millions, with the top 10% institutions accounting for most. Numbers don't attract attention

## **MFIs not efficient or financially self-sufficient**

Institutions need to do better and be more responsible

## **Funders send mixed message**

Funding not tied to performance; MFIs rarely measure results

## **U.S. microfinance is 'reactive'**

Most clients come to us w/ poor credit & weak financials, i.e. after the damage has been done. Intervention needed sooner

# Solutions

**Grow Efficiently:** foster partnerships, hone 'distribution systems', inc. capacity to serve wider range of cultures & backgrounds

**Develop Consumer Products:** provide affordable financial services serving 1,000s, not 100s that is scalable, replicable model

**Connect with Like-Minded Collaborators:** find 3-5 service providers nation-wide to work with & partners needed to support effort – i.e. academics, policy, funders

**Access Capital Markets:** raise new capital in innovative ways: securitization, private placement, bond, other mechanisms

# Seeking Innovations - HOW

**'Mainstream' Newcomers to the US:** help immigrants integrate: language, culture, banking, etc.

**Financial Education:** enable all people (esp. low-income, immigrants, children) to understand banking system, how to use credit, & about their credit score – make informed choices

**Credit Building Products:** more business clients would be bankable if improved credit and personal finances

**Placed Based Services:** provide convenient services. Work with employers to offer menu of services onsite. Image: an affordable pay day lender

***Thanks!***

**Q & A**

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