

MICROLENDING BY CDFIS: SMALL LOANS, BIG IMPACT

Where Access to Capital Meets Entrepreneurial Drive

For many entrepreneurs, the biggest barrier to starting or growing a business is not a lack of talent or determination — it's access to affordable capital. Traditional lenders often cannot profitably underwrite very small loans, leaving promising business owners without the financing they need to purchase equipment, secure inventory, hire staff, or bridge early cash-flow gaps. That is where certified CDFIs step in. Supported in part by the CDFI Fund, CDFIs specialize in making small-dollar loans — often under \$50,000 — paired with hands-on technical assistance, credit building, and business coaching. These microloans help entrepreneurs launch home-based businesses, open storefronts, stabilize family farms, and expand smaller, craft manufacturing operations.

The following case studies highlight how CDFI microlending helps entrepreneurs overcome barriers that traditional lenders will not address. From a Michigan compost farm navigating township approvals and grant reimbursements, to a rural Ohio flower grower expanding with greenhouse financing and business training, to a Connecticut event planner building savings and creating jobs, these stories demonstrate how small, flexible investments generate durable economic opportunity.

Annual Impact

- CDFIs provide over \$1.3 billion in microloans each year.
- The CDFI Fund's Small Dollar Loan Program provides \$9 million in annual grants for Loan Loss Reserves and Technical Assistance to enable Certified CDFIs to establish and maintain small dollar loan programs.
- Further information and research on microlending can be found at aeworks.org.

WORMIE'S IS CHANGING HEARTS, MINDS, AND SOIL

COMPOST FARM OFFERS A PICKUP SERVICE

Alto, MI

CDFI: NORTHERN INITIATIVES

Luis Chen-Aguilera is turning Kent County's food and yard waste into fertile soil, with the help of 166 million worms. He's also changing hearts and minds about agriculture in the process. While Wormie's specializes in vermicomposting, its roots are in organic farming.

"Composting is basically recycling," Chen-Aguilera says, "and the worms are really good at it." But first, Chen-Aguilera had to convince his township that Wormie's is a good neighbor, a process that has taken more than two years, with no income. "Traditional banks wouldn't give me a loan," he said. "This is a new industry."

The Michigan Department of Environment, Great Lakes and Energy (EGLE) awarded Wormie's a reimbursable grant in 2022 ... but "reimbursable" means coming up with the money first. Three mission-driven lenders - Northern Initiatives, Rende Progress Capital, and the Fair Food Network - are helping Wormie's with capital and resources as he spends down his grant, applies for reimbursement, then pays back his loans.

