

# NUSENDA MICROLOAN PROGRAM

A BLUEPRINT FOR RELATIONAL LENDING

Prepared by

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## INTRODUCTION AND ACKNOWLEDGEMENTS

Nusenda began the Brown Paper Microloan Program in 2023, in the long wake of the pandemic – a time of reflection, reckoning, and rebuilding. Like many things born in that period, this project took on a life of its own. What started as a documentation effort evolved into something deeper: a story about values, vision, and the people who dared to do things differently. We are proud to finally share it.

Our intention was clear: to show that another way is possible. The financial system, long designed to exclude marginalized populations, can be reimaged to serve, support, and stand with the very people it has historically marginalized. We believe that Nusenda Credit Union leaned into its values and, in doing so, created a product with a story worth telling.

We chose to call this program “Brown Paper” because it reflects our desire to decolonize the format of traditional research; to move away from sterile white papers and toward something rooted in lived experience, community accountability, and grounded insight. This document centers the perspectives of those who co-created and implemented the microloan model, including the partner organizations that work directly with borrowers. It honors both data and story as valid and necessary forms of knowledge.

This Brown Paper Report employs a collaborative research approach. We conducted interviews with Nusenda staff and with four of the Microloan Program’s core partner organizations—Partnership for Community Action, Native Women Lead, South Valley Economic Development Center, and Three Sisters Kitchen. Themes and insights from these interviews shaped the structure, findings, and recommendations in this report.


We are deeply grateful to our partner organizations, especially the four who offered their insights, confirmation, and care through this process.

We extend our heartfelt thanks to the borrowers—those who trusted this model and stepped into a new kind of financial relationship, even when history gave them every reason not to. Your courage and feedback have shaped this work.

We also thank our funding supporters, and particularly the W.K. Kellogg Foundation, who provided the initial program-related investment and accompanying grant that helped seed this effort. Their early belief in this vision made the project possible.

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*Disclaimer: The views and information presented in this Brown Paper Report do not necessarily reflect the opinions of the W.K. Kellogg Foundation. However, the work would not have been possible without their partnership and support.*

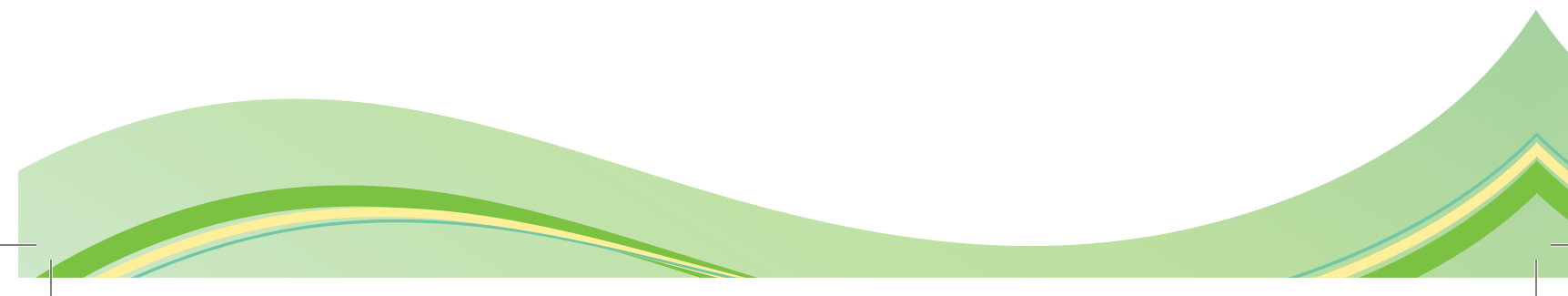


## A JOURNEY TO A DIFFERENT KIND OF CAPITAL

Since the pandemic, access to capital has gained national attention due to the widespread closure of small businesses and unprecedented job losses, particularly affecting people of color, immigrants, and women. The pandemic highlighted the broken infrastructure for investing in small businesses, with many unable to secure Paycheck Protection Program (PPP) loans, while large corporations received quick relief. This inequity sparked efforts to make subsequent PPP rounds more inclusive and to involve Community Development Financial Institutions (CDFIs) and alternative lenders. The urgency for capital that supports communities' unique challenges has grown as living costs rise with inflation and climate change impacts local economies.

Today, the wealth disparity remains stark, with Black households holding only \$15 for every \$100 in wealth held by White households. Most small businesses struggle to secure funding, with 83% unable to access traditional financing or venture capital at their inception. While traditional financial institutions have decreased their lending to small businesses by 38% over the past eight years, alternative lenders have stepped in, reaching 30% of small business owners. Additionally, 45 million Americans lack a credit history or have insufficient credit history, preventing them from accessing essential financial services.

The United States' existing financial landscape—heavily reliant on automated, impersonal transactions, and traditional credit assessments—is failing to serve the majority, particularly marginalized communities. This has brought discussions on alternative credit scores—and the need for alternative lenders—to the forefront.



## FINANCIAL LANDSCAPE

Since the pandemic, the conversation concerning access to capital has gained national attention as many small businesses closed and never reopened, causing unprecedented job and revenue loss for communities, families, and, in particular, people of color, immigrants, and women. It was obvious that the infrastructure for equitable investing was broken, as many small businesses were unable to activate PPP loans from their banks while large companies and corporations were the first in line to get reprieve. For many, this was not new; however, at a national level, we could no longer ignore and forget this issue. Instead, organizations, leaders, and activists worked to ensure that the next few rounds of PPP were inclusive of those originally left out and that the rollout included CDFIs and alternative lenders. This call to action has only gotten louder as the cost of living has risen with inflation and the climate change conditions have worsened, causing havoc on local economies. The need to move capital that accounts for individual communities' unique challenges has become a priority at federal and policy levels.

Today, for every \$100 in wealth held by White households, Black households hold only \$15, per an article from the Brookings Institution. Black wealth is increasing, but so is the racial wealth gap. Most small businesses still struggle to get the funding they need to launch and grow. To be exact, the Kauffman Foundation found that 83% are unable to access traditional financing or venture into the start of their business. In 2023, the Wall Street Journal shared that loans from traditional financial institutions distributed to small businesses decreased by 38% over the last eight years, with only 13% of small business loans from big banks being approved in November 2023, while alternative lenders were able to reach 30% of small-businessowners during that same period. Additionally, if 45 million people in the United States have no credit history or lack a lengthy credit history then they have no other way to meet the minimum requirements to rent an apartment, buy a car, or even get a low-interest credit card. These barriers are just some items of the laundry lists of issues facing people, particularly those most overlooked.

With the United States' existing financial landscape—where transactions are increasingly automated, impersonal, urbanized, and heavily reliant on the 5 Cs of credit (Character, Capacity, Capital, Collateral, and Conditions), as well as asset-collateralization-- it is clear why it is no longer working for most people. All these challenges impact people of color, immigrants, and women directly, and at the highest data points. It is no surprise that today's discussions on alternative credit scores and the need for alternative lenders have gone from boutique to the national stage.



## The Power of WE®

Nusenda Credit Union was founded in 1936 by teacher and organizer Maurine Grammar, alongside seven other visionary individuals, to serve Albuquerque Public Schools educators and their families. Nearly a century later, Nusenda has grown into one of the largest credit unions in the Southwest, managing over \$5 billion in assets, employing 956 staff members, and operating 33 branches. At its core, Nusenda remains mission-driven: to be a trusted financial resource for its members by providing personalized solutions rooted in accessibility, innovation, and long-term impact.

In 2016, Nusenda took a bold step by piloting a microlending program aimed at Native American entrepreneurs and immigrant families—many of whom had been left out of traditional financing systems. At a time when predatory lenders dominated the landscape, charging interest rates of 175% or more, Nusenda recognized the urgent need for inclusive, community-rooted financial alternatives. The organization drew inspiration from global microfinance leaders like Grameen Bank and Kiva.org—both of which rely on character-based underwriting rather than the conventional “5 Cs” of credit: Character, Capacity, Capital, Collateral, and Conditions.

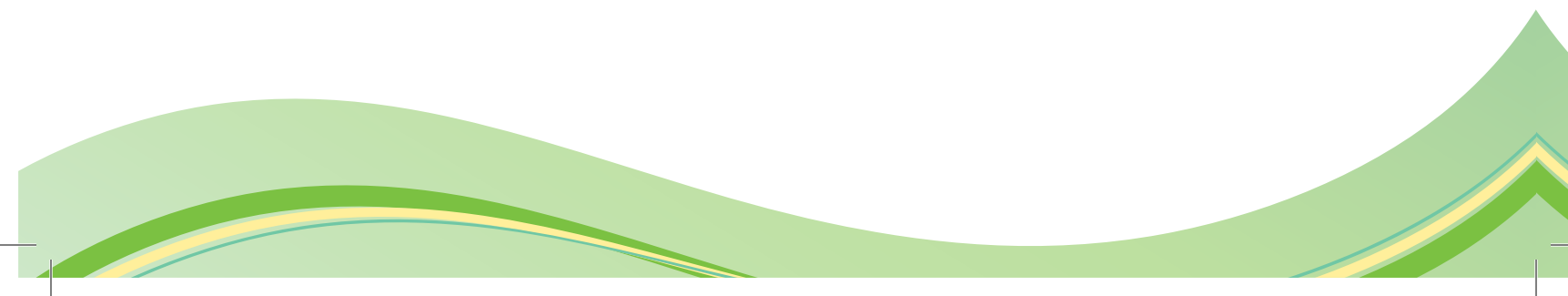
By intentionally moving away from these rigid criteria, Nusenda affirmed what communities have long known: that financial trust can't be built through exclusionary metrics. The decision to adopt a character-based model wasn't just innovative—it was necessary. It acknowledged that the financial challenges faced by rural, tribal, and immigrant communities in New Mexico mirrored those seen around the world, and that global solutions could be localized with deep intention and respect.

Program Manager June Manning put it plainly: “The 5 Cs are a good, all-encompassing way to assess financial standing [...] but when you align it with our mission to be a trusted resource, and because the 5 Cs are so rigid and exclusionary, it's been challenging to use them to truly build trust with our members.”

While the 5 Cs may offer operational predictability, Nusenda understood its their limitations often kept the most promising entrepreneurs out of reach, particularly those in rural or tribal areas with limited access to brick-and-mortar institutions. By stepping outside conventional financial frameworks, Nusenda didn't just create a new product, they set a precedent. They showed what it means to lead with values, meet people where they are, and build systems that truly work for all.

Centering trust and equity, Nusenda's goal with the Microloan Program is to pilot a lending model in partnership with community-based organizations — partners who could design their own underwriting criteria rooted in firsthand knowledge of the barriers their communities face. This approach was essential, as Nusenda recognizes that many of the people these partners serve are not being reached through conventional credit union channels. Community partners are not only conduits for trust — they are the architects of new pathways to access.

The Microloan Program seeks to build a bespoke, flexible, and community-centered lending approach that aligns with Nusenda's mission to provide equitable services and make New Mexico and West Texas a better places to live and work. By prioritizing relationship-based lending over rigid credit scoring, the program honors the foundational ethos of credit unions—removing barriers, expanding access, and investing in member well-being—while also challenging the norms of traditional banking.



## CENTERING RELATIONSHIPS

Nusenda recognized that to implement the program, they needed to partner with community-led organizations who were already providing direct services to potential borrowers this program would seek to serve. Because Nusenda lacked the relationships with these organizations — which they saw as essential to reaching the intended borrowers — it was imperative to work with well-respected economic justice consultants that were already serving these organizations. These consultants became the Capacity Managers. The approach was a community lift, with the credit union operating as the backbone infrastructure that worked with Capacity Managers to design and invite partner organizations to join the pilot through engagement, education, and one-on-one technical assistance.

The Microloan Program was designed with a collective desire to serve underrepresented borrowers through culturally relevant wraparound support services and a patient and flexible lending product. With borrowers at the center, the credit union, capacity managers, partner organizations, and investors would circle them toward successful impact and repayment.



# THE MECHANICS OF THE MODEL

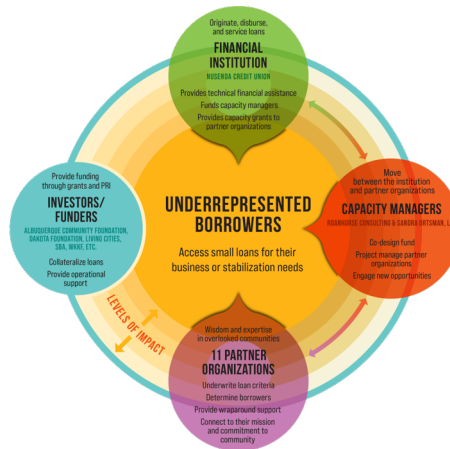
## Step One: “Right Fit” Partnership

At the heart of the Microloan Program are relationship and trust. Rather than launching a one-size-fits-all approach, Nusenda partners with trusted Capacity Managers who identify and onboard organizations already embedded in their communities. Through outreach, focus groups, and presentations, 21 mission-aligned organizations have joined the program — ranging from immigrant rights groups to Indigenous-led entrepreneurial organizations and others working with foster youth and clean energy projects on the Navajo Nation.

To become a partner, an organization must demonstrate:

- ▶ Capacity to manage borrowers throughout the life of the loan.
- ▶ A history of meaningful community impact.
- ▶ Active programming beyond the Microloan Program that serves their communities.

This process has evolved since the first five partners joined in 2017 and began lending in 2018. Today, seasoned partners help onboard new ones through a strong peer learning network. Capacity Managers work closely with each partner to define eligibility criteria, co-design application and approval processes, and troubleshoot challenges—ensuring each lending program is rooted in local knowledge and context.



## Step Two: Financial Support and Collaborative Structure

Once onboarded, partners enter a Memorandum of Understanding (MOU) with Nusenda. Each partner receives:

- ▶ A \$25,000 launch grant to design and implement their lending program.
- ▶ \$10,000 annual grants for up to four years.
- ▶ Scaling grants of up to \$20,000/year for high-performing partners.

These flexible funds allow partners to invest in their lending programs as they see fit, supporting internal capacity and long-term sustainability.

## Step Three: Collateralization and Lending Thresholds

A defining feature of the Microloan Program is its approach to collateralization. Originally based on a 10%-20%-70% structure (partner–Nusenda–external funders), the model has evolved to a 90%-10% structure, with Nusenda contributing the majority and partners providing 10%. This shift reduces reporting burdens while ensuring partners maintain a financial stake in the process.

Each partner begins with a \$100,000 lending threshold, replenished as loans are repaid. High-performing partners may apply for increased thresholds — up to \$300,000 — based on demonstrated success and capacity. Currently, 25% of partners have reached this level.

## Step Four: Loan Parameters and General Process

The Microloan Program intentionally rejects the traditional “5 Cs of Credit.” Instead, each community partner develops their own underwriting criteria, rooted in relationships, trust, and understanding of local challenges. The process includes:

- ▶ Personal loans ranging from \$250 to \$10,000.
- ▶ Borrowers apply directly through their community partner.
- ▶ Partners originate, assess, and approve loans.
- ▶ Nusenda manages administration and processing.
- ▶ Partners provide wraparound services, ensuring borrowers receive ongoing support throughout the lending relationship.

## Step Five: Loan Servicing and Support

Once a loan is approved, the partner submits details through a secure microtransmittal form and the borrower becomes a Nusenda Credit Union member. Loans are typically processed within 48 hours.

Nusenda provides weekly loan portfolio reports to help partners track loan performance. If a borrower becomes delinquent:

- ▶ Partners follow up directly to offer support.
- ▶ Nusenda can refinance loans or offer grace periods (up to 90 days) without penalty.
- ▶ In some cases, partners pay on behalf of borrowers during temporary hardship.

Loan data is reported to credit bureaus—allowing borrowers to build credit—but charge-offs only occur after 120 days, following multiple intervention efforts to support repayment. The goal is to give borrowers enough time and support to catch up—and if not, to not cause more damage.



## Step Six: Innovative Loan Repayment Assistance

Loan repayment is complicated and incredibly expensive as a process; however, this program has fostered an environment of innovative solution making by partners, and even borrowers themselves, to address these complications.

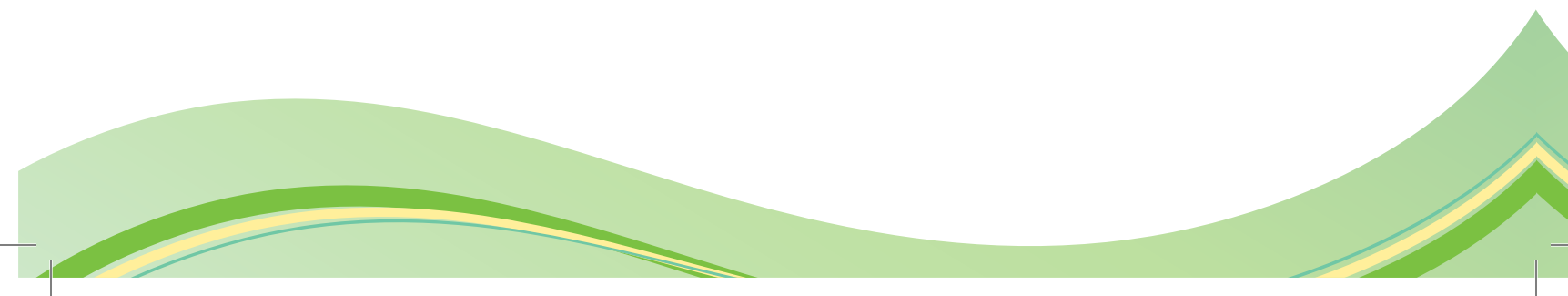
For example, partners in the Microloan Program have developed creative repayment strategies to meet their borrowers' needs; For example:

- ▶ Native Women Lead offers a match incentive — paying off the second half of a borrower's loan after they repay the first half, using grant funds to reduce debt burden.
- ▶ Partnership for Community Action provided loans to undocumented immigrants excluded from COVID-19 stimulus programs and later secured grants to fully pay them off after one payment.

Other partner organizations have embraced loan payment assistance as an incentive, such as loan forgiveness or repayment support as an incentive, for participation in their wraparound support programs, reinforcing the Microloan Program's collaborative and supportive ecosystem. This not only reduces the debt burden on borrowers, it also reflects the partner organizations' commitment to the well-being of their communities.

## Step Seven: Collaboration and Learning

The Microloan Program network thrives on collaboration and shared learning. Regular peer-to-peer convenings, both in-person and virtual, bring all partners — Nusenda, community consultants, national practitioners, and other funders — together to co-learn and build. These sessions provide a platform for partners to exchange ideas, share strategies, and learn collaboratively from each other's experiences. The collaboration doesn't end there; Capacity Managers and the Nusenda team meet regularly to troubleshoot challenges, address concerns, and refine the program to better serve its mission of equitable lending. Lastly, Nusenda and the Capacity Managers work rely on national advisory and working groups to lift and share the work that is happening through the partners and across our service regions to move the field at large.



## THE ROOTS OF EXCLUSION

Relationship-based lending is a reliable alternative to the 5 Cs of credit worthiness, which is needed to close the financing gap that further marginalizes communities of color.

The relationship-based lending model not only closes the financing gap that the 5 Cs cannot, but it also possesses the flexibility to continually adapt and address community needs as they arise. This results in improved financial literacy, well-being, independence, and security of community members, ultimately stabilizing families and supporting marginalized communities of color long-term.

*“We work with many immigrant and mixed-status families and have deployed over \$200,000 to families intentionally excluded from traditional lending systems,” says Nichelle Gilbert, former Executive Director at Partnership for Community Action. “We have never seen community as risky. The Microloan Program didn’t change our perspective; it strengthened our case.”*

## SUPPORTING EXCLUDED GROUPS

Nusenda’s Microloan Program has successfully bridged critical gaps in traditional lending, which often excludes immigrants and Indigenous people. Many financial institutions either do not lend to undocumented immigrants or do so with minimal visibility and outreach, leaving these communities particularly underserved. By partnering with trusted immigrant and Native-led organizations, the Microloan Program provides excluded communities with the financial support they need to pursue their entrepreneurial dreams and/or pay for things they need to stabilize their families (e.g. immigration attorney fees, reliable transportation, etc.).

The Microloan Program also enables previously unbanked individuals to become banked. Through the program, individuals have gained awareness of other valuable financial services and resources offered by Nusenda, contributing to their overall financial literacy and well-being.

*“Because of the Microloan Program, we see ourselves as worthy of investment and putting that into patient and equitable capital- and being able to put into practice,” says Jaime Gloshey, former Co-Director of Native Women Lead.*



## WEALTH CREATION AND BREAKING CYCLES

Partner organizations recognize entrepreneurship as a key pathway to building wealth and breaking the cycles of poverty. The Microloan Program's support has been instrumental in empowering their work in this area by providing much-needed capital to aspiring entrepreneurs, facilitating their journey toward financial independence and security.

*"We feel tremendously grateful to be in a position where 30 years of relationship-building has brought us to this moment. We can work alongside an incredible leader and say, 'You need \$10,000 to grow your business to eliminate predatory debt, and we can help facilitate that.' Because of our place in the ecosystem, that funding is available, not just to us, but to the collective," says Nichelle Gilbert, former Executive Director of Partnership for Community Action.*

## PREVENTING PREDATORY LENDING

The program has prevented many community members from falling victim to predatory lending practices, thereby avoiding long-term financial harm. The Microloan Program has shielded individuals from these damaging practices by providing a safe and reliable lending alternative, contributing to their financial well-being and stability. Moreover, many borrowers have utilized the Microloan Program not only as an alternative to the 5 Cs but also to refinance their existing predatory debt, resulting in substantial monthly savings of hundreds of dollars.

*"64% of predatory lenders are located around Indigenous land in NM, which further adds to cycles of poverty. And I saw that in my own family with my grandmother ... I also saw within the CDFI I worked at. How trauma impacts individuals and how there was a lack of trust in our communities. And seeing how much entrepreneurs distrusted the entities," says Jaime Gloshey, former Co-Director of Native Women Lead.*

The Microloan Program has positively impacted loan recipients, according to partner feedback. Its flexibility has also allowed partners to adapt their lending practices, making the program more responsive to evolving community needs. This adaptability is key to sustaining long-term impact and relevance.



## REDEFINING RISK, REIMAGINING CAPITAL

Community-based organizations that have trusting relationships with marginalized communities are better underwriters for people traditionally viewed as not creditworthy.

The success of the Microloan Program — intrinsically rooted in relationship-based lending — indicates that community-based organizations are more dependable underwriters for people traditionally viewed as not creditworthy. This intuitive approach has proven to be effective in breaking cycles of poverty, building trust, facilitating financial stability, and fostering inclusive economic growth in marginalized communities while also proving to partner organizations that this approach is more reliable than conventional risk-based lending practices.

## COMMUNITY NEEDS AND ECONOMIC EQUITY

Originating as grass-roots non-profits organizations deeply embedded in their respective communities, these partner organizations have cultivated a profound understanding of local needs.

*“The majority of our participants do not have significant savings and the opportunity they had to invest in a startup was to sell access or get a loan. The idea of a loan from a bank felt really impossible,” says Anzia Bennett, Executive Director of Three Sisters Kitchen.*

Their observations confirmed predatory lending practices disproportionately targeting specific communities, particularly low-income Indigenous people and immigrants. These practices inflict severe financial harm, perpetuate cycles of poverty, and erode trust in traditional financial institutions. For all business owners, access to capital is essential for starting and expanding their enterprises.

Moreover, safe and affordable capital would present a lifeline for those trapped in predatory lending cycles, offering a pathway to financial stability.

*“Many community leaders were caught in cycles of predatory lending, locked into relationships that pushed them into financial crisis. Access to capital to help shift that reality alongside families wasn’t just important, it was essential,” says Nichelle Gilbert, former Executive Director of Partnership for Community Action. “We’ve heard powerful stories of people moving out of crisis, and it’s never just one part of their life that changes. The need to access capital outside the traditional ‘5 Cs’ of lending is clear.”*

Nusenda Credit Union staff shared in interviews that they see building trust with partners as foundational, underpinning the operational dynamics of the program and sustaining relationships with partners and borrowers. Building trust and relationships with Microloan Program partners involves a multifaceted approach, characterized by mutual reliance, active engagement, and cultural sensitivity tailored to our service regions’ unique context. It hinges on reciprocity, with both entities relying on each other for service provision. Active engagement and a visible, genuine commitment within the communities served are crucial elements of trust-building, especially given the cultural diversity of New Mexico and West Texas.



*“Trust is paramount. The primary goal. Partners are the backbone of this program. They rely on us to provide a service, and we are reciprocal. What we provide them, they can provide back,” says Sara Keller, Chief Community Engagement Officer at Nusenda. “Trust is the key to the operation of the program and key to relationships with partners and borrowers.”*

## ALTERNATIVE TO TRADITIONAL LENDING

Partners recognized the need for alternative lending methods in contrast to traditional banking and finance institutions to obtain economic equity. Interviewees knew that many of their clients/participants — especially women, Indigenous entrepreneurs, and immigrants—faced significant challenges when attempting to access funds through conventional channels. They saw the Microloan Program as offering an alternative that addresses these gaps, providing their clients with the financial resources required to achieve their personal and entrepreneurial goals. Through their collaboration, they seek to demonstrate the invest ability and potential of these individuals, challenging prevailing norms and fostering inclusive economic growth.

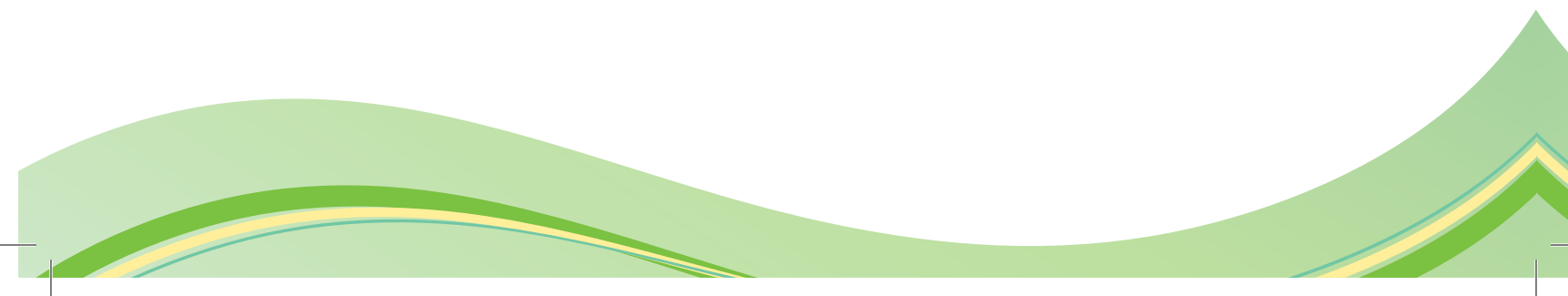
## LENDING BASED ON RELATIONSHIPS, NOT RISK

Partner organizations also wholeheartedly embraced the concept of lending based on relationships, seeing it as an intuitive approach rather than a risky endeavor. Their extensive community connections and deep understanding of local dynamics, as well as the barriers facing the individuals they serve, have led them to appreciate the inherent value of this model. They understood that building strong relationships with borrowers can be more reliable than conventional risk-based lending practices, creating an environment where individuals are genuinely supported in their financial journeys.

*“I am fully convinced relationship-based lending is impactful and a key way to address inequities in lending. I think readiness in the food entrepreneurial space is determined by so many factors beyond lending and credit history and a relationship-based approach enables us to celebrate those entrepreneurs and not limit them based on negative histories,” says Anzia Bennett, Executive Director of Three Sisters Kitchen.*

*“I’ve never understood why some banks and traditional lenders label our communities as ‘risky,’” says Nichelle Gilbert, former Executive Director of Partnership for Community Action. “The Microloan Program has proven you can lend based on character and relationships, and it works. The idea of risk in capital systems is built on a false foundation. This program has allowed us to challenge and begin dismantling the outdated and oppressive 5 Cs of lending.”*

Through their experience with the Microloan Program, Nusenda staff have undergone a continuous learning process that informs new initiatives. They’ve come to recognize the importance of tailoring loan products to diverse borrower needs and the critical role played by partner organizations in program execution. This experience has deepened their understanding of systemic financial injustices, reinforcing their commitment to addressing these issues. They’ve learned that sustaining contact with borrowers and offering long-term support is essential for success. Furthermore, the program’s focus on the significance of community commitment and values alignment has emphasized their mission to prioritize people and communities. Nusenda staff are now exploring opportunities for expansion and innovation, potentially including a suite of loan products or collaborations with other financial institutions to extend their community impact.



The Microloan Program has positively influenced the perspectives of Nusenda Credit Union staff members, prompting a shift in how they perceive the institution's role in their community. The program has illuminated the power of inclusion, emphasizing that serving marginalized communities not only aligns with moral principles but can also have positive financial implications. This success has bolstered the staff's confidence in Nusenda and credit unions as a whole. The Microloan Program has broadened their understanding of financial institutions, recognizing their capacity to offer comprehensive services beyond conventional loans. Many staff members admitted to having their perceptions of financial institutions radically transformed, particularly those who previously harbored mistrust. They now appreciate the transformative impact that even seemingly modest financial assistance can have on individuals, businesses, and entire communities. Lastly, the experience has fostered a culture of openness to experimentation and innovation within financial institutions for the betterment of their communities.



## FROM THE GROUND UP

By including community-based organizations in shifting capital, we can also accelerate their mission-based work.

The Microloan Program has helped partner organizations enhance services and better serve their communities. By providing access to essential startup capital, it bridges the gap between entrepreneurship training and tangible financial resources, aligning with their missions and boosting credibility. The Microloan Program's flexible approach enables partners to tailor solutions for their communities, without administrative burdens and costs. By positioning partners as thought leaders in character-based lending and economic justice, many partners have successfully attracted funding for their programs, enriched the broader discourse on economic equity, and influenced larger economic initiatives.

## ENHANCEMENT OF SERVICES

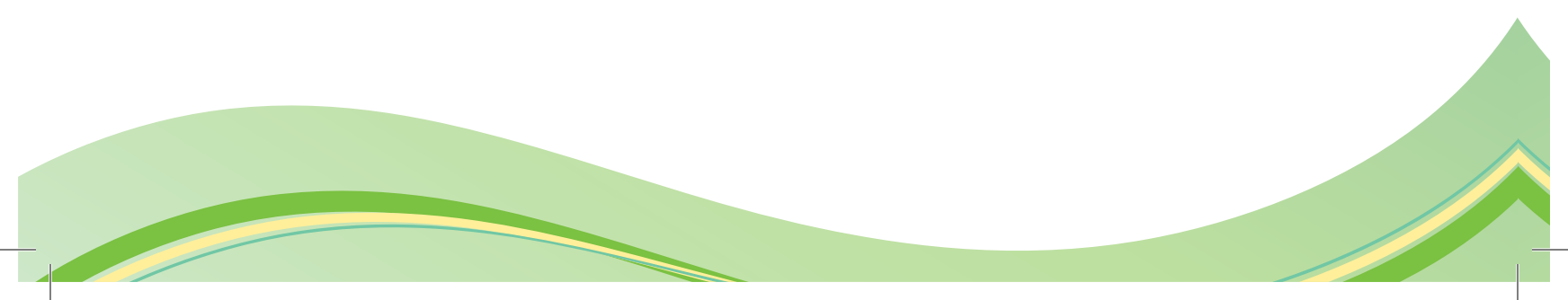
Participation in the Microloan Program equipped entrepreneurial-serving partners with the means to offer aspiring business owners not only skills and knowledge but also essential financial resources. It has given them access to the essential startup capital that is often the missing piece in the entrepreneurial puzzle. By integrating the Microloan Program into their own programs, partners extended their reach and impact — ensuring that entrepreneurship training goes beyond education and includes the tangible financial resources that entrepreneurs need. This alignment with their missions not only enhanced their credibility, but it also enabled them to better serve their communities.

*“The Microloan Program has helped complement and increase the type of services we provide to the individuals we serve. It helps with access and aligns with our mission and culture of who we are as an organization,” says Josue Olivares, former Executive Director of South Valley Economic Development Center.*

## AGENCY AND AUTONOMY

Partners expressed that the latitude Nusenda provided to determine their unique loan eligibility criteria and approval process gave them a sense of agency and autonomy to design tailored solutions for their communities. Partners also shared that this co-creation approach not only increased their trust in Nusenda, but that it felt like an equitable partnership with a funder that they don't always experience.

*“The Microloan Program has given us the agency and autonomy to design for our own community. Offsetting having to do the loan administration or carrying of the dollars. It keeps our risk level low. We just maintain the relationship, and it definitely positioned us nationally as a thought leader/partner to how we are bringing Indigenous values, wisdom, and approach to our design process,” says Jaime Gloschay, former Co-director of Native Women Lead.*



## RESOURCE PROVISION

Multiple partners expressed their appreciation for the Microloan Program enabling them to essentially become lenders themselves without the burdensome administrative tasks and significant costs related to loan administration.

*“We don’t have the capacity to manage lending in-house and I don’t want to do that,” says Anzia Bennett, Executive Director of Three Sisters Kitchen. “I think having a credit union as a partner in any work related to graduates accessing capital is really meaningful to us and feels really values-aligned that it’s a credit union.” Not only have they been able to provide safe and affordable loans, but participation in the program has helped to leverage new funding from investors and other influential entities.”*

## CDFI CONSIDERATION

By offering access to capital and demystifying the language and intricacies of lending, the Microloan Program has instilled confidence among partner organizations, enabling some of them to launch additional lending initiatives with greater assurance, and others to consider becoming a Community Development Financial Institution (CDFI).

*“The fact that we are a Microloan Program partner lends legitimacy to what we are doing and helps potential and existing funders see we are thinking about a more comprehensive approach,” says Anzia Bennett, Executive Director of Three Sisters Kitchen.*

*“The Microloan Program has helped us leverage funding. I would estimate close to half a million dollars in grants where PCA has centered the program and the importance of access to capital,” says Nichelle Gilbert, former Executive Director at Partnership for Community Action.*

For others — especially those who previously considered becoming a CDFI — the Microloan Program allowed them to circumvent the significant expenses and complexities associated with establishing their own CDFI. They shared that this allowed them to fortify their efforts in serving their communities and promoting economic equity.

## NATIONAL POSITIONING

Whether they want to become a CDFI or not, partners shared that their organizations have gained a more prominent national platform because of their participation in the program. This recognition positions them as thought leaders, enabling them to share their distinctive approaches and values with a broader audience. The influence they’ve garnered extends beyond their immediate communities, enriching the collective discourse on character-based lending and economic equity. The Microloan Program has also helped partners to leverage additional philanthropic and government funds.



*“The Microloan Program increased our visibility nationally. It has allowed us to show we’re investable. We launched another fund outside of the Microloan Program and we are in the process of launching a ten-million-dollar fund that will be patent and equitable. One of the things we did [ ... ] we wove in loan forgiveness, and to know we are modeling that, and are pushing other institutions to model that...quite frankly, Indigenous people, Black people, and people of color are owed,”* says Jaime Gloshey, former Co-director of Native Women Lead.

## NETWORK STRENGTHENING

Participation in microloan program peer-learning opportunities has also strengthened local networks. Partners shared that nonprofit work can sometimes feel like a competition for resources amongst organizations in the same sector, but the microloan programs did not feel that way. They were happy to see similar organizations offering a microloan program, and convenings provided opportunities to share challenges and strategies.

## INFORMING LARGER EFFORTS

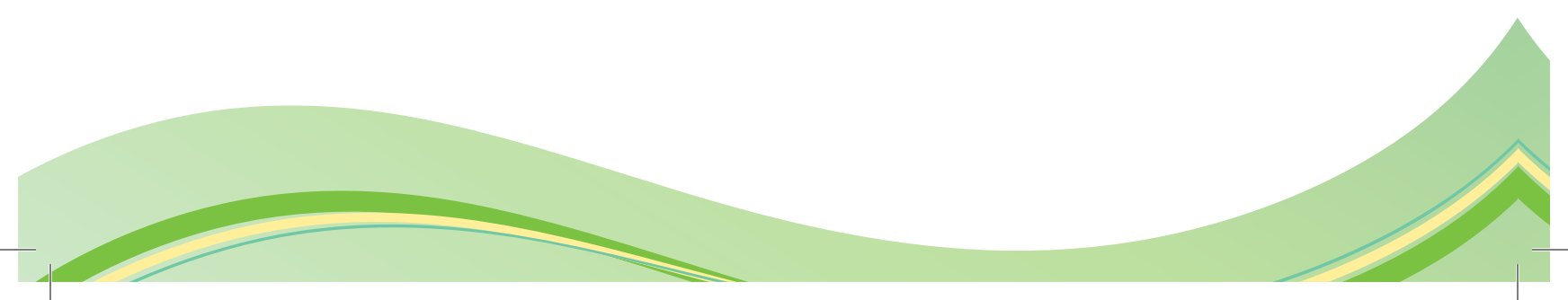
One partner spoke about how their participation in the Microloan Program influenced their participation in an economic working group formed during the pandemic.

*“For example, I’ve learned a tremendous amount from Native Women Lead. And to be in that space — to be in a deeper relationship with all of the partners. How Three Sisters Kitchen is using their money to facilitate business development. Even though these are organizations we’ve worked with for a long way, we haven’t done it their way. Peer-to-peer meetings have helped us think of new ways of partnering,”* says Nichelle Gilbert, former Executive Director at Partnership for Community Action. *“Why wouldn’t home-based providers go through some type of program with Three Sisters Kitchen? What would it look like to sit with Jaime [Native Women Lead Former Co-Director]?”*

They said that insights they gleaned from the Microloan Program’s lending practices have informed the strategies of this group and provided them with valuable data that they have leveraged to advocate for economic justice.

In these ways, Nusenda’s Microloan Program enables partners to magnify their impact, save resources, and assume greater autonomy. By offering an efficient operations framework, the Microloan Program empowers partner organizations to concentrate on their mission — serving their communities and advancing economic justice. These benefits underscore the role the Microloan Program plays in strengthening partner organizations and fostering positive change in underserved communities.

*“I know Nusenda wants to change the lending landscape,”* says Josue Olivares, former Executive Director of South Valley Economic Development Center. *“It was communicated in the beginning but there was a lack of trust. But I think that through the years, they have demonstrated their sincerity, and that is why I feel comfortable even saying this.”*



## A PATH FORWARD

Large lending institutions can (and should) leverage their infrastructure and take on risk to seed opportunities and cede power to community-based organizations to address the financing gap (and advance justice-based lending).

We began this report by highlighting the U.S. Chamber report that shows that banks are not lending to small businesses as much as they have in the past; however, while they are lending less, alternative lenders are lending more. In 2023, the Kauffman Foundation shared a report concerning the necessity for more diverse and alternative financing models, specifically to address the lack of capital for entrepreneurs. This is where the Microloan Program model steps in.

### WHY PURSUE A MICROLOAN PROGRAM-LIKE MODEL?

Pursuing a model like Nusenda's Microloan Program allows financial organizations to make a positive social impact, align with their mission, strengthen customer relationships, and differentiate themselves in the market, all while promoting financial inclusion and community development.

- ▶ **SOCIAL IMPACT:** A microloan program enables financial organizations to make a tangible difference in the lives of underserved individuals and low-income communities. By providing affordable and accessible capital, these organizations contribute to economic empowerment, poverty alleviation, and community development.

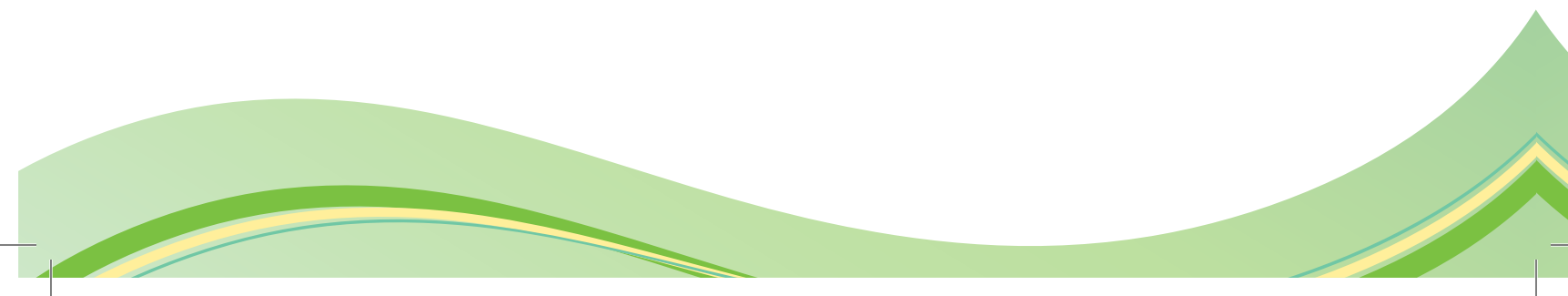
*"Our partners are always hearing the barriers, and without the partnership with Nusenda, they could feel like their hands are tied. One of the incredible missing pieces is capital. Our partnership brings that to the table. In nonprofit space, they need multiple organizations to be able to support in a thoughtful way. The Microloan Program is imperative in helping our partners reach their mission," says June Manning, Program Manager at Nusenda Credit Union.*

- ▶ **MISSION ALIGNMENT:** A microloan program aligns with the social mission and value of many community-based financial organizations, particularly credit unions and community development financial institutions (CDFIs). It allows them to fulfill their commitment to serving the needs of their communities and supporting financial inclusion.
- ▶ **CUSTOMER RETENTION AND LOYALTY:** Offering a microloan program demonstrates a genuine commitment to the financial well-being of the community, particularly those who may have limited access to traditional financial services. By providing them with opportunities for credit and capital, financial organizations can foster loyalty and long-term relationships.

*"We came to know Nusenda through you, Sandra and Vanessa," says Nichelle Gilbert, former Executive Director of Partnership for Community Action. "It was important to us that their approach to banking was equitable and inclusive. What started as a program has grown into a real relationship. Now we feel confident saying, 'Nusenda is a great place to bank. After your Microloan loan, you can walk in and apply for your next one.' That shift has strengthened our connection so much so that we moved our money there."*



- ▶ **INNOVATION AND DIFFERENTIATION:** A microloan program offers an innovative approach to lending, focusing on character- and relationship-based assessments rather than relying solely on traditional credit scores. This sets financial organizations apart from conventional lenders and allows them to attract borrowers who may have been excluded by traditional underwriting criteria.
- ▶ **REGULATORY SUPPORT AND INCENTIVES:** Many governments and regulatory bodies recognize the importance of financial inclusion and support initiatives like Nusenda's Microloan Program. Financial organizations pursuing this model may benefit from regulatory incentives, grants, or access to resources provided by government agencies or CDFI funders.
- ▶ **CREATIVE LOAN PRODUCTS:** Develop a suite of loan products beyond personal loans to address diverse needs, such as credit-builder loans, revolving lines of credit, and business loans. Tailoring the offerings to the specific requirements of borrowers can maximize their success and financial well-being.
- ▶ **FINANCIAL COUNSELING AND COACHING:** Provide financial counseling and coaching services to borrowers to support their financial growth and improve their creditworthiness. Helping borrowers navigate financial challenges and develop good financial habits contributes to their long-term success.
- ▶ **INTENTIONAL REPORTING AND EVALUATION:** Establish robust reporting systems to track program outcomes and demographic data. Regularly evaluating the program's effectiveness and making necessary refinements ensures it remains responsive to borrower needs.
- ▶ **FUNDRAISING AND RESOURCE ALLOCATION:** Strategically fundraise based on the program's objectives and vision. Seek funding sources that align with the program's values and provide flexibility in reporting requirements, enabling more experimentation and innovation.
- ▶ **TECHNOLOGY INTEGRATION:** Leverage technology to streamline processes, enhance efficiency, and improve the borrower experience. Implementing a customer-relationship management system or exploring other innovative technologies can help automate tasks and facilitate smoother operations.
- ▶ **COLLABORATION AND PARTNERSHIPS:** Build collaborative partnerships with other financial institutions and community organizations. Pooling resources and expertise can enhance the program's impact and reach and create a supportive ecosystem for borrowers.



# CONSIDERATIONS & RECOMMENDATIONS

## CHALLENGES TO IMPLEMENTATION

These challenges highlight the complexities and considerations that financial institutions need to address when implementing a microloan program. By recognizing and proactively addressing these challenges, institutions can enhance their chances of successful implementation and create a positive impact on underserved communities.

### THE KEY CHALLENGES INCLUDE THE FOLLOWING:

- ▶ **CULTURAL SHIFT AND CHANGE MANAGEMENT:** Implementing a microloan program likely requires a cultural shift within the financial institution. It involves adopting a relationship-based lending approach, rethinking traditional underwriting criteria, and embracing a mission-driven focus. Effectively managing change and ensuring buy-in from stakeholders can be a challenge during the implementation process.
- ▶ **TECHNOLOGY AND INFRASTRUCTURE:** Implementing a microloan program requires appropriate technology systems and infrastructure to support loan origination, servicing, and ongoing data management. Financial institutions may face challenges in adapting or integrating existing systems to meet the specific requirements of a microloan program.
- ▶ **RESOURCE ALLOCATION:** Implementing a microloan program requires significant investment in terms of staffing, training, technology infrastructure, and ongoing support. Allocating the necessary resources to establish and sustain the program can be a challenge for financial institutions with limited budgets or competing priorities.
- ▶ **COMPLIANCE AND REGULATORY REQUIREMENTS:** Financial institutions must navigate complex regulatory frameworks, including fair lending practices, reporting obligations, and compliance with consumer protection laws. Ensuring compliance with these requirements while maintaining operational efficiency can pose challenges during the implementation of a microloan program.
- ▶ **RISK MANAGEMENT:** A microloan program involves extending loans to borrowers with limited credit history or lower credit scores, which can increase the risk of default. Effectively managing and mitigating this risk requires providing robust wraparound supports that are likely best suited to be provided by trusted partners. Those trusted partners likely need financial backing to provide these supports.

## ADVICE TO OTHERS FOR REPLICATION

This section offers insights and advice distilled from interviews with Nusenda team members and Microloan Program partner organizations. We include eight key recommendations for organizations and entities considering the implementation of a Microloan Program or a similar. These insights — grounded in real-world experiences — provide a road map for effective program development and operation. By highlighting critical factors — such as values alignment, community engagement, diverse loan products, financial counseling, reporting and evaluation, fundraising strategies, technology integration, and collaborative partnerships — this section aims to support the successful replication and adaptation of programs like the Microloan Program, ultimately expanding their reach and



impact to benefit underserved communities more comprehensively.

## THE EIGHT KEY RECOMMENDATIONS

- ▶ **VALUES ALIGNMENT AND READINESS:** Ensure that partner organizations share the same values and mission, and are ready and willing to invest time, effort, and resources into designing and implementing the program effectively.
- ▶ **COMMUNITY ENGAGEMENT:** Involve community advocates, leaders of economic justice, and representatives from the communities being served in the strategy and planning process. Their insights and expertise are crucial for understanding the unique needs and challenges of the target population.
- ▶ **CREATIVE LOAN PRODUCTS:** Develop a suite of loan products beyond personal loans to address diverse needs, such as credit-builder loans, revolving lines of credit, and business loans. Tailoring the offerings to the specific requirements of borrowers can maximize their success and financial well-being.
- ▶ **FINANCIAL COUNSELING AND COACHING:** Provide financial counseling and coaching services to borrowers to support their financial growth and improve their creditworthiness. Helping borrowers navigate financial challenges and develop good financial habits contributes to their long-term success.
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- ▶ **COLLABORATION AND PARTNERSHIPS:** Build collaborative partnerships with other financial institutions and community organizations. Pooling resources and expertise can enhance the program's impact and reach and create a supportive ecosystem for borrowers.







## CONCLUSION

The Microloan Program shows what's possible when financial institutions are willing to rethink power, reimagine risk, and center the lived expertise of communities. In a time when our economic systems are being tested by growing inequality and political division, this model stands as a bold example of what resilience, justice, and sustainability can look like in practice. But its potential doesn't stop there — a microloan program has the roots to grow new financial products, expand access, and truly embody relationship-based lending. It opens the door to a future where all people — regardless of background or circumstance — can access the capital they need. More important, it reminds us that investing in community means investing in a pathway to yes: a commitment to believe in people, support their dreams, and build a financial system that works for everyone.





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