



Over the past two decades, credit scoring has transformed the way that traditional lenders interact with their consumer and small business customers. In some cases, scoring has increased the willingness of for-profit lenders to make small business loans previously believed to be unprofitable. In other cases, the move to credit scoring has made it more difficult for entrepreneurs with no or poor credit histories to access business capital.

Meanwhile, Community Development Financial Institutions (CDFIs), including CDFI Credit Unions, generally rely on manual underwriting with the "4C's"—capital, capacity, credibility and collateral. Can they increase efficiency and profits by looking at credit scoring without giving up their niche?

### *Highlighted Articles and Research*

#### **Credit Scoring for Microlenders**

By: Andrea Berger and Marisa Barrera, ACCION New Mexico; Livingston Parsons, ACCION USA; and Joyce Klein, Aspen Institute

***Did you know? Borrowers with good scores were motivated to pay a loan back on time for their credit score, but for borrowers with lower scores their relationship with ACCION was the biggest motivator.***

A paper from the Aspen Institute FIELD project examines the potential of credit scoring to help U.S. microlenders increase efficiency, improve risk management and achieve greater scale. The report profiles credit-scoring projects undertaken by ACCION New Mexico and ACCION USA.

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