

# NONPROFIT INVESTOR

## INDEPENDENT RESEARCH FOR PHILANTHROPY

### Accion USA

Nonprofit Investor Rating:

**NEUTRAL**

#### Mission Statement

As a leader in U.S. microfinance, Accion USA empowers low-to-moderate income business owners through access to capital and financial education.

#### Financial Overview

*\$ in MM, Fiscal Year Ended December 30*

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Revenue and Support	\$7.1	\$8.0	\$6.2
Operating Expenses	\$9.8	\$6.9	\$6.6
% of Total:			
Program Expenses	84%	80%	81%
G&A	10%	13%	12%
Fundraising	6%	7%	7%

**Year Founded:** 1991

#### Contact Details

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#### SUMMARY

Accion USA helps low to moderate income (LMI) small-business owners build sustainable businesses and attain economic self-sufficiency through providing affordable microloans and free financial education services.

#### STRENGTHS

▲ **Large, established footprint.** Accion USA provides 75% of microloan services in the U.S. and is a part of the U.S. Accion Network, the largest domestic microlending network. The organization has many partners such as the U.S. Small Business Administration and NYC Capital Access Program. Its size and reputation are evident by its referral partnerships with banks such as Citibank and Chase which allow it to continuously expand its client base. Online applications are available for almost every state, though physical lending offices are concentrated on the east coast.

▲ **High impact, often in minority communities.** Accion USA works with those who often lack access to credit - 61% of clients are Hispanic or Latino, 27% are African American, and 40% are female. The organization helps to create sustainable businesses - studies have shown a survival rate of 97% for established businesses and 90% for start-ups. Client income was seen to increase by 18% one year after receiving a microloan.

#### CAUTIONS

● **Recent decline in donations.** Accion USA relies significantly on charitable contributions (healthy mix of government grants and private donations) to cover its operational and lending activities. We have seen a dramatic decrease in donations, resulting in a loss of ~\$3MM in 2009 and ~\$400K in 2011. This fluctuation in funding greatly jeopardizes lending ability and the health of the organization.

● **Disclosure discrepancies.** Dates of key metrics available such as the size of the loan portfolio, average loan size and number of clients are ambiguous, making it difficult to analyze performance and impact accurately. It also questions Accion USA's ability to track its lending activities and provide the donor with consistent, up-to-date information.

#### RECOMMENDATION: NEUTRAL

Accion USA is a large, established organization with an active loan portfolio of over \$6MM. Their activities have an evident impact on providing opportunities and alleviating poverty. However, the recent decrease in donations / grants is limiting their lending ability and is testing their capability to match revenue and expenses, to avoid loss.

## OVERVIEW OF ACCION USA'S ACTIVITIES

Accion USA provides low-to-moderate income small business owners access to the credit they need to build sustainable businesses. These business owners are usually unable to receive capital through traditional channels due to reasons such as the small size of their loan request which is unprofitable for most lenders, insufficient borrower history, or the start-up nature of their business which makes the loan appear more risky. Accion USA often partners with financial institutions that refer people and business they cannot serve.

Accion USA's loan products include: loans for start-up businesses (less than six months in operation), credit builder loans to help individuals built credit for the first time, and larger credit development loans to help individuals continue to establish their credit history. Consultants work one-on-one with applicants to assess their credit and business situation. They analyze factors such as credit score, cash flow capacity, business plan, and household financials to determine credit worthiness. Loan sizes range from \$500 to \$50,000 with an average loan size of \$9,682. Loan terms range from 6 to 60 months and the loan repayment rate is 89%.

The organization also provides financial education resources, through workshops, reading materials, and online trainings. Topics range from business taxes to buying a home for a first time. For a small-fee, Accion USA also provides a one-on-one session with a Certified Credit Counselor to discuss and determine ways to improve the borrower's credit score.

### *Program overview*

**Update 10/25/12:** Through four direct lending centers, an online platform to submit applications, and affiliates in states such as Texas, California and New Mexico, the entire Accion network has been able to make \$272MM of loans since 1991. Accion USA alone has been able to provide over twenty thousand loans totaling \$132MM since 1991.

Accion USA's minimum credit score of 525, which is considerably lower than the cutoff seen for traditional lending, highlights the riskiness of their loan portfolio. However, their fixed annual interest rates of 8.99% to 15.99% are competitive with the traditional lending market in the United States and are significantly lower than interest rates charged for microloans internationally, despite the heightened risk. The median rate charged by profitable MFIs around the world is ~25%, though higher rates are not uncommon. High interest rates in microfinance are necessary to offset the high transaction costs associated with disbursing and recovering a large number of loans in areas with poor infrastructure. Interest income is also minimal in these situations due to the small principal amount of the loan. Lending regulations in the United States are the primary reason for why Accion USA does not charge the high interest rates seen around the world for microloans, making it apparent that the organization's goal is to intervene against poverty rather than exist for profitability and 100% cost recovery.

### *Lending Program (~80% of overall expenses)*

## PROGRAM RESULTS AND EFFECTIVENESS

Accion USA conducts an impact study in collaboration with the Aspen Institute which looks at metrics such as the survival rate of client businesses, increase in client income, and jobs created by each loan. Accion USA strives to create sustainable business - studies have shown a survival rate of 97% for established businesses and 90% for start-up businesses. Client income was seen to increase by 18% one year after receiving a microloan. Furthermore, on average, client businesses create 1.7 new jobs. Accion USA also emphasizes how it serves minority communities - 40% of clients are women and 90% are African American or Hispanic / Latino.

One thing to note is that many of the statistics cited on the impact of their services are from the MicroTest 2009 Report, which looks at Accion USA's 2007 – 2008 loan portfolio. This out-of-date data can be misleading to donors and other parties interested in understanding the more recent impact and performance.

## Accion USA Program Growth:

The size of Accion USA's active portfolio and lending has fluctuated in the past years, reflective of the sharp decrease in donations and grants they have recently received. It is evident that they are attempting to right-size their lending in response to the decreased funding, though the recent losses show the difficulty faced in doing so.

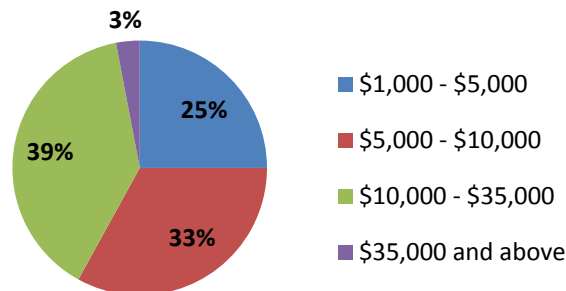
Year	Number of Loans Made	Total Amount Lent	Average Loan Size	Active Year End Clients	Active Year End Portfolio
2001	101	\$569,875	\$5,642	252	\$ 1,108,273
2002	311	\$1,922,096	\$6,180	376	\$ 1,723,886
2003	360	\$2,273,356	\$6,315	454	\$ 2,059,530
2004	486	\$2,159,112	\$4,443	554	\$ 2,020,390
2005	546	\$2,734,479	\$5,008	623	\$ 2,439,826
2006	934	\$5,857,614	\$6,272	1,031	\$ 5,358,197
2007	1086	\$7,567,751	\$6,968	1,458	\$ 7,837,874
2008*	1708	\$11,355,818	\$6,649	3,299	\$ 18,096,010
2009	629	\$4,295,167	\$5,124	2,060	\$ 10,566,085
2010	618	\$4,356,071	\$7,049	1,371	\$ 7,441,799
2011**	640	\$4,215,856	\$6,587	1,183	\$ 6,562,586

\*In 2008, ACCION USA merged with ACCION New York and the numbers from 2008 onwards reflect that of the combined entity.

\*\* YTD (as of 11/30/11)

## Portfolio by Loan Size:

Accion USA's loan sizes are larger than the average international microfinance loan. However, with almost 60% of their loans under \$10,000, the loan sizes are comparatively smaller than those seen in the traditional American lending market.



## TRANSPARENCY

Annual reports and financial statements are easily accessible on the Accion USA website and date back to 2000. Many client stories are displayed on the website. Metrics on their lending and the impact of their programs can also be found on their website but are often dated (from 2009 or before). For example, Charity Navigator has recently rated Accion USA 2 stars out of 4. However, on the Accion USA website, they still claim a 4 star rating, which is from 2008.

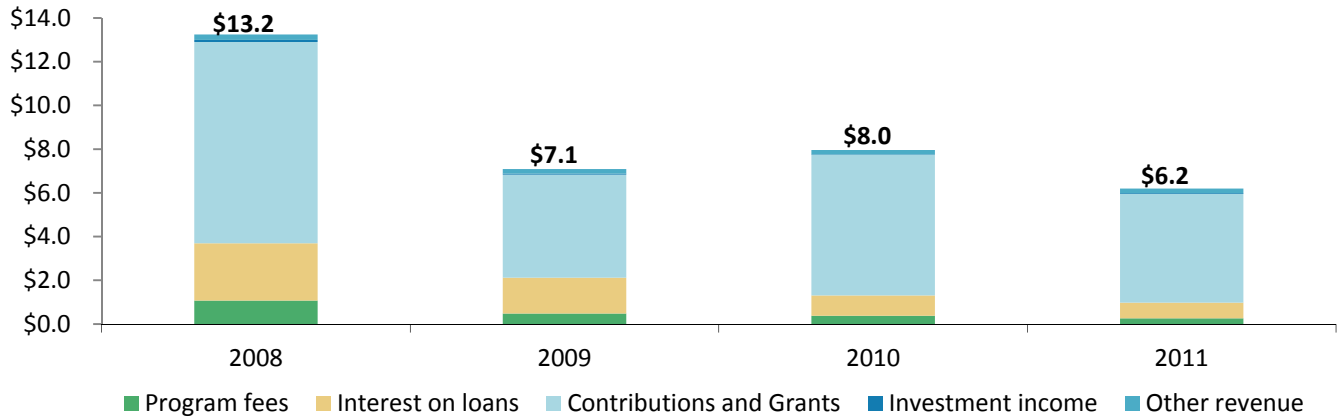
Many discrepancies were also found between lending and impact data shown on different parts of the website (e.g. number of loans, average loan size, jobs created per loan), likely attributable to reporting from different points in time. A consolidated, up-to-date view that is easily accessible would help to quickly and easily understand Accion USA's business and the impact that it has on its client base as well as provide the donor with more confidence in the health of the organization.

## FINANCIAL OVERVIEW

As noted above, Accion USA's revenues and lending are largely driven by contributions and grants from third parties. The recent decrease in donations has negatively impacted their lending ability, as seen by the decreased loan portfolio. In order to continue lending, Accion USA must either reduce expenses or find new sources of revenue. Interest income is not sufficient to sustain lending, as even with closing costs of 3 – 5% and a \$30 application fee, loans do not bring in substantial revenue.

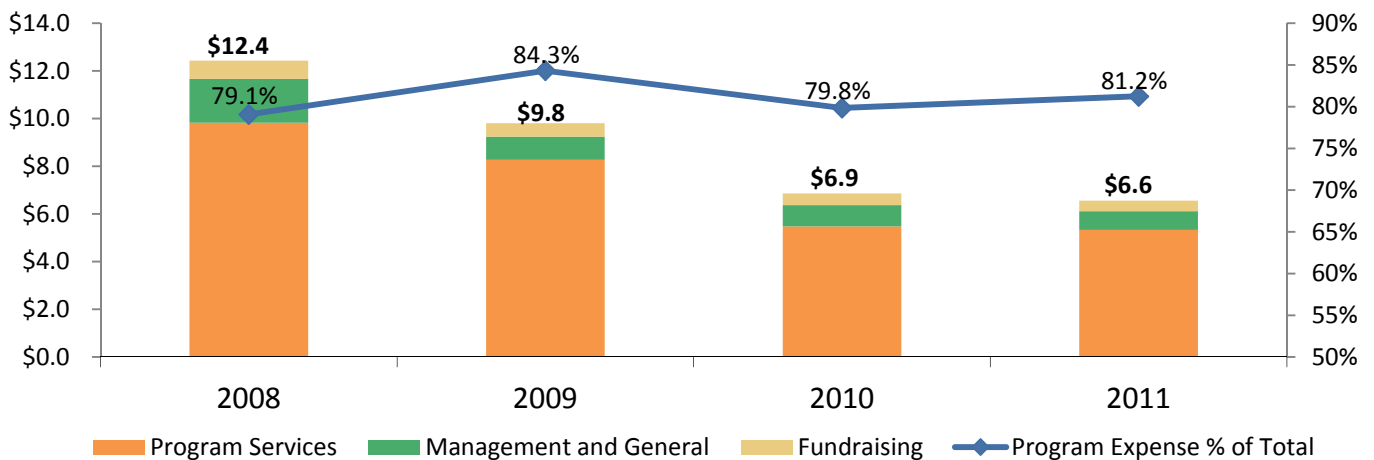
### Revenue Mix Over Time

\$ in MM



### Expense Breakout Over Time

\$ in MM



## Detailed Financial Information (GAAP Basis)

Fiscal Year Ended December 31

	2008	2009	2010	2011
<b>Revenue and Expenses</b>				
<b>Operating Revenue:</b>				
Contributions and Grants	\$9,202,686	\$4,711,657	\$6,432,820	\$4,964,168
Interest on loans	2,620,677	1,644,149	926,602	717,121
Program fees	1,072,945	477,752	379,043	264,637
Investment income	97,836	44,429	22,250	40,224
Other revenue	246,907	212,261	201,140	207,889
<b>Total Support and Revenues</b>	<b>\$13,241,051</b>	<b>\$7,090,248</b>	<b>\$7,961,855</b>	<b>\$6,194,039</b>
<i>% Growth</i>		(46.5%)	12.3%	(22.2%)
<b>Expenses:</b>				
<i>Program Services:</i>				
Lending	\$9,827,099	\$8,271,542	\$5,477,616	\$4,667,802
Network				\$662,560
<i>Supporting Services:</i>				
Management and General	1,836,106	968,696	891,771	783,891
Fundraising	765,485	569,968	491,551	446,997
<b>Total Expenses</b>	<b>\$12,428,690</b>	<b>\$9,810,206</b>	<b>\$6,860,938</b>	<b>\$6,561,250</b>
<i>% of Revenue</i>	93.9%	138.4%	86.2%	105.9%
<b>Change in Net Assets</b>	<b>\$812,361</b>	<b>(\$2,719,958)</b>	<b>\$1,100,917</b>	<b>(\$367,211)</b>
<b>Program Costs as a % of Total Expenses</b>	<b>79.1%</b>	<b>84.3%</b>	<b>79.8%</b>	<b>81.2%</b>
<b>G&amp;A as a % of Total Expenses</b>	<b>14.8%</b>	<b>9.9%</b>	<b>13.0%</b>	<b>11.9%</b>
<b>Fundraising as a % of Total Expenses</b>	<b>6.2%</b>	<b>5.8%</b>	<b>7.2%</b>	<b>6.8%</b>

### OTHER THIRD PARTY RATINGS

- Charity Navigator rates Accion USA 2 out of 4 stars. Weak financial performance is the primary driver of this rating. Accion USA website still claims a 4 star rating which was awarded in 2008.
- GreatNonprofits rates Accion USA 5 out of 5 stars based on 2 user reviews. Both users were volunteers or partners.

Accion USA is not currently covered by Philanthropedia or Givewell.

## GET INVOLVED

Volunteer opportunities and other ways to get involved and support Accion USA can be found here:

<http://www.accionusa.org/home/support-u.s.-microfinance/get-involved.aspx>.

- [Support Local Microentrepreneurs](#): Browse Accion USA's directory of nationwide clients and support their businesses by becoming their customers
- [Work/Volunteer with Accion](#): Learn about available jobs and volunteer opportunities with Accion
- [Attend an Event](#): Learn more about Accion and U.S. Microfinance by attending a networking or educational event
- [Join the Microfinance Council](#): Join Accion USA's New York-based volunteer and networking group
- [Shop, Search and More](#): Discover how to raise money for Accion through its corporate philanthropy programs
- [Lend on Kiva.org](#): Browse Accion borrower profile and choose an entrepreneur to lend as little as \$25
- [Support Local Microentrepreneurs](#): Browse Accion USA's directory of nationwide clients and support their businesses by becoming their customers

## DISCLOSURES

Smitha Sharma does not have any affiliation with Accion USA and has never made a donation to the organization. Additionally, Smitha Sharma has not supported directly competing organizations in a greater capacity than a nominal donation. NPI analysts and NPI as an organization do not receive any form of compensation from reviewed charities.

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## REVISION HISTORY

Subsequent to publication of NPI's report on October 1, 2012, NPI updated the report to reflect the clear distinction between the Accion network and Accion USA in the section labeled "UPDATE: 10/25/2012".