



# The Credit Trajectories of Microbusiness Loan Borrowers

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# Agenda and Housekeeping

Welcome and Introduction

Research Presentation

Moderated Discussion

Audience Q&A

Please use the **Q&A box** to submit questions for the panelists as they arise during the webinar.

Today's webinar **will be recorded** and shared with attendees after the event. The video will be available on the event page on [Urban.org](https://www.urban.org).

# High Level Trends in Small Business Credit Use

	Nonemployer firms	Employer firms
Has outstanding debt	51%	69%
Uses financial services	89%	86%
Applied to large bank for financing	39%	41%
Received most or all financing requested	40%	34%
Sought credit card financing	32%	29%

Source: Federal Reserve Small Business Credit Survey 2025 Nonemployer 2025; 2026 Employer Report

# Our Study Sample: CDFI Microloan Borrowers

Average loan amount of **\$15,686**

Half have been in business for **5 years or less**

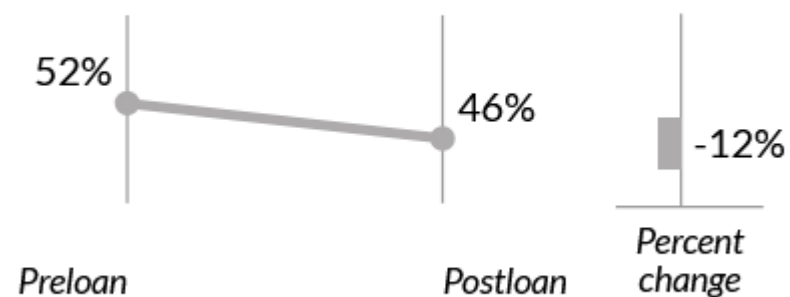
Half are **nonemployer firms**

# On Average, Owners Fared Better After Taking Out a Loan

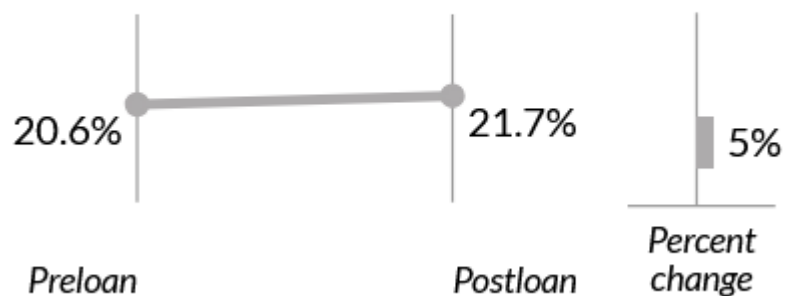
### Average VantageScore



### Median Credit Card Utilization



### Share with Mortgage

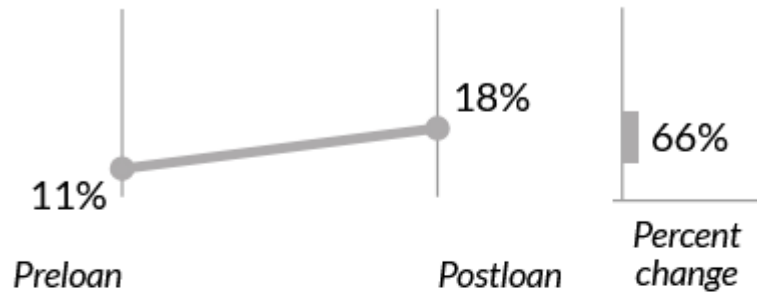


### Median Mortgage Balance

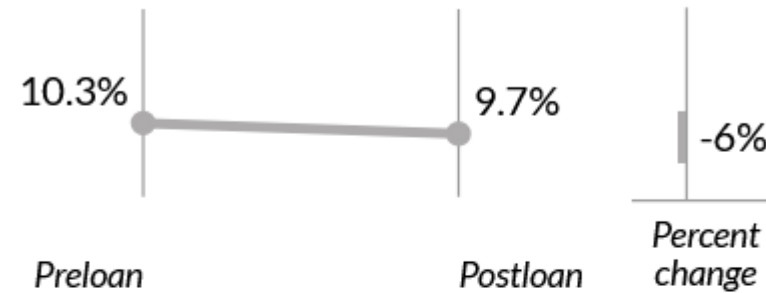


# Business Credit Use Increased, Without More Delinquency

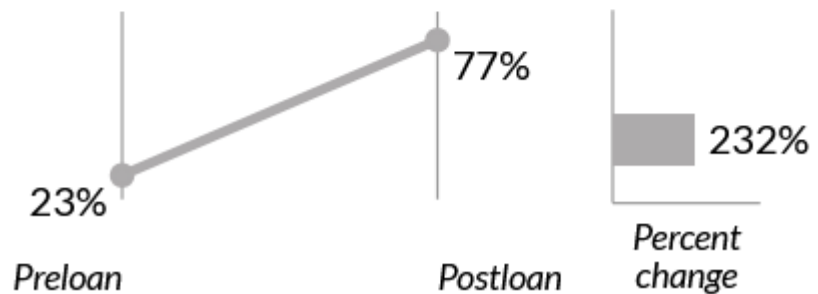
*Share with 30+ Day Owner Delinquency*



*Share with 90+ Day Business Delinquency*



*Share of Firms in Business Record*



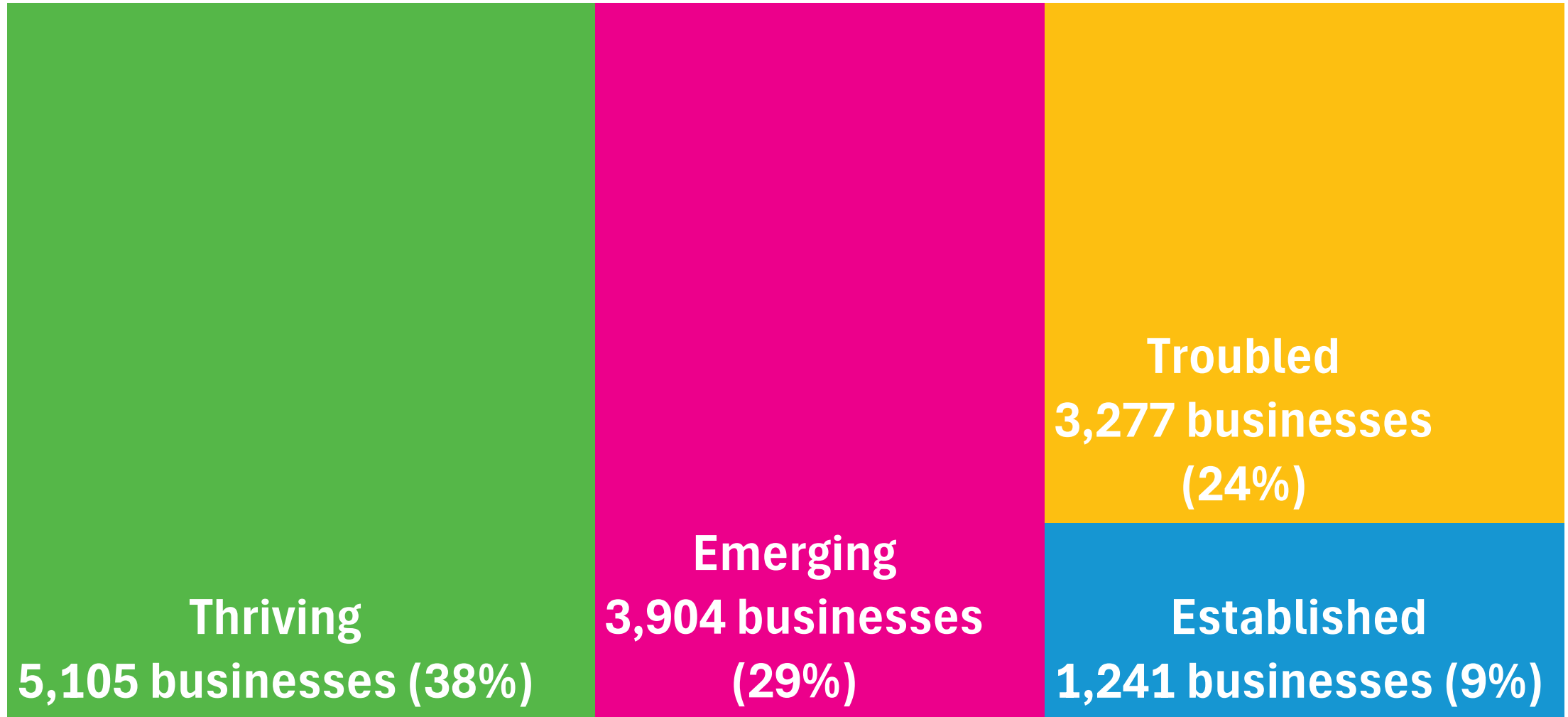
*Median Business Credit Balance*



# How We Conducted This Analysis

- We compared preloan (the two years prior to the loan) and postloan (years three and four after the loan) credit attributes for CDFI microloan borrowers.
- To identify trajectories we used cluster analysis, testing 35 different combinations of credit attributes.
- Ultimately, we landed on a model including a business and owner's: employees, loan amount, change in credit score, change in business credit balance, and business risk indicators (delinquency, filings, collections, bankruptcy)

# Breakdown of the Clusters

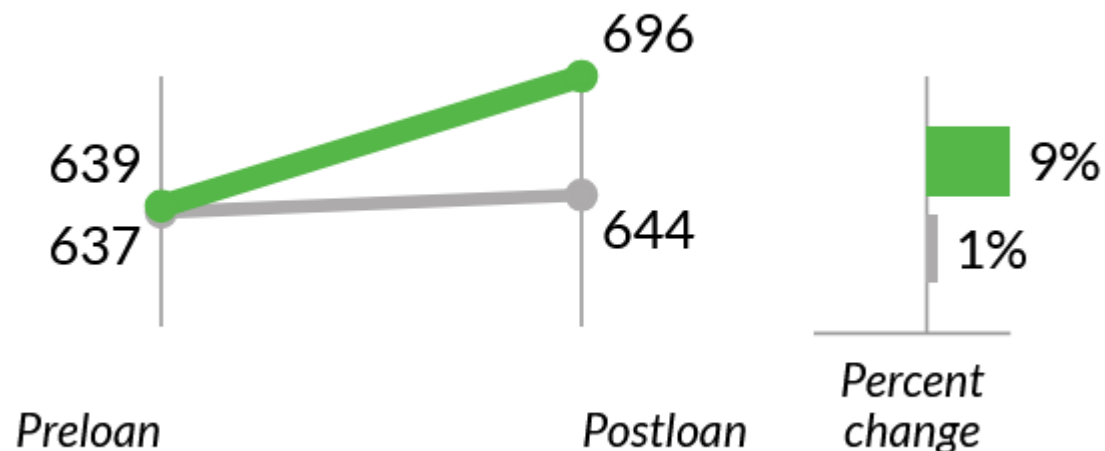


# Differences Emerged in Business Ownership and Sector

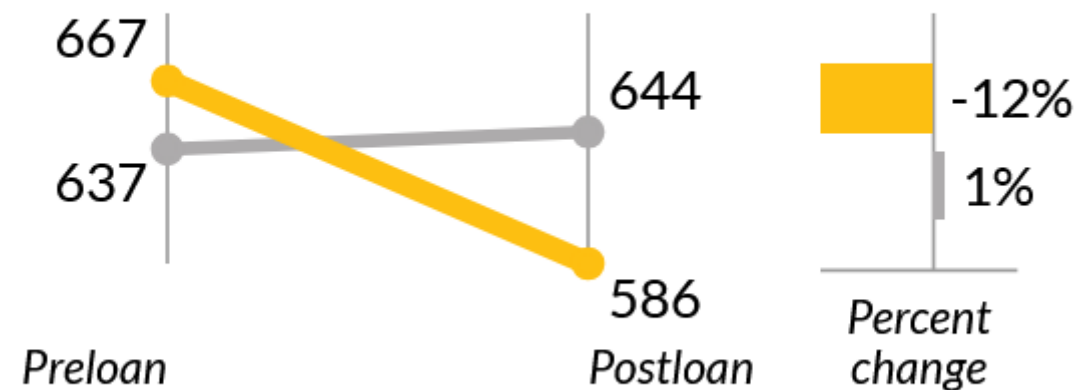
- **Thriving** and **Troubled** businesses are more likely to be in transportation.
- **Established** businesses have more years in operation, more employees, and are more likely to be in manufacturing and heavy industry.
- **Emerging** businesses took out much smaller loans (average of \$4,685), are more likely to be women- and POC-owned, and more likely to be in food, retail, and other services.

# Thriving and Troubled Business Owners May Have Started in Similar Positions, But Their Paths Diverge

## Average VantageScore



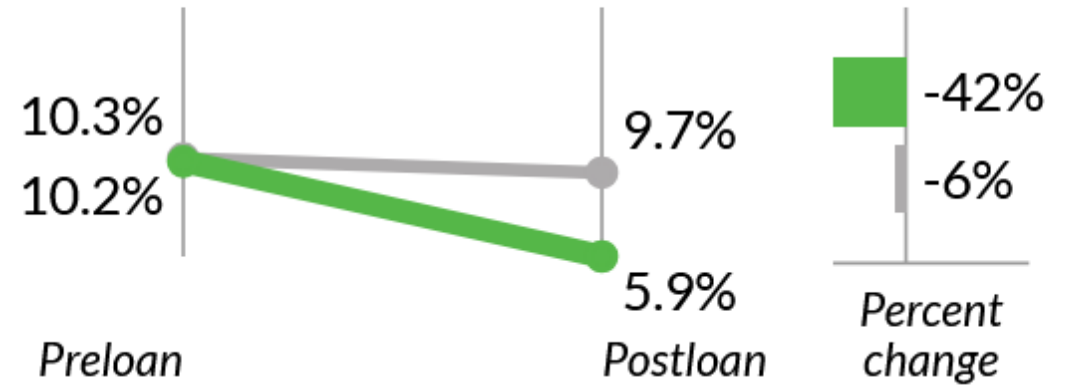
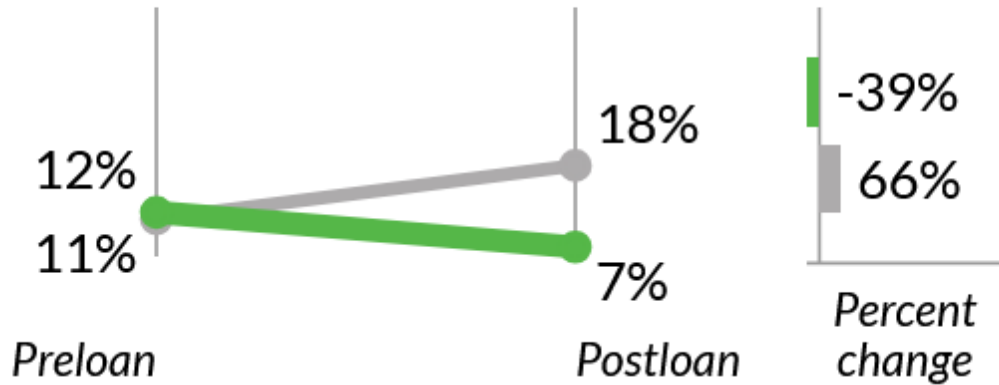
## Average VantageScore



# Differences Also Emerged in Delinquencies

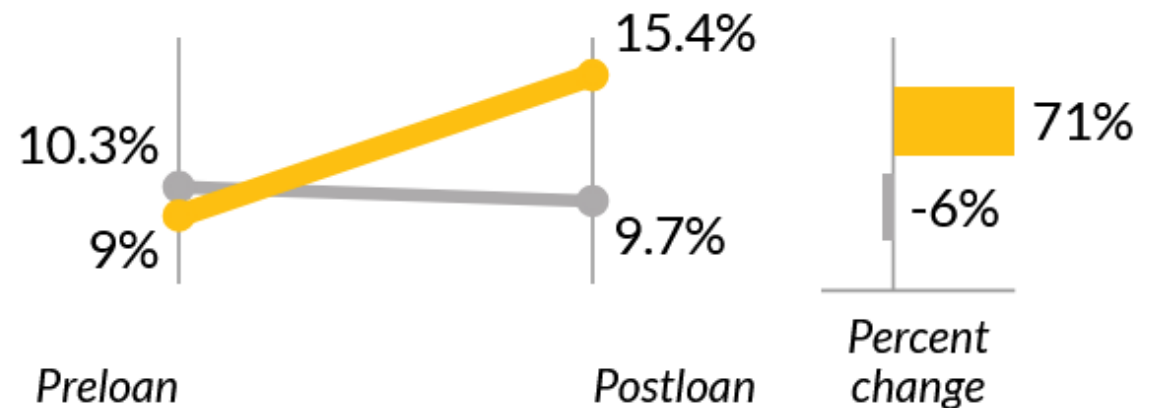
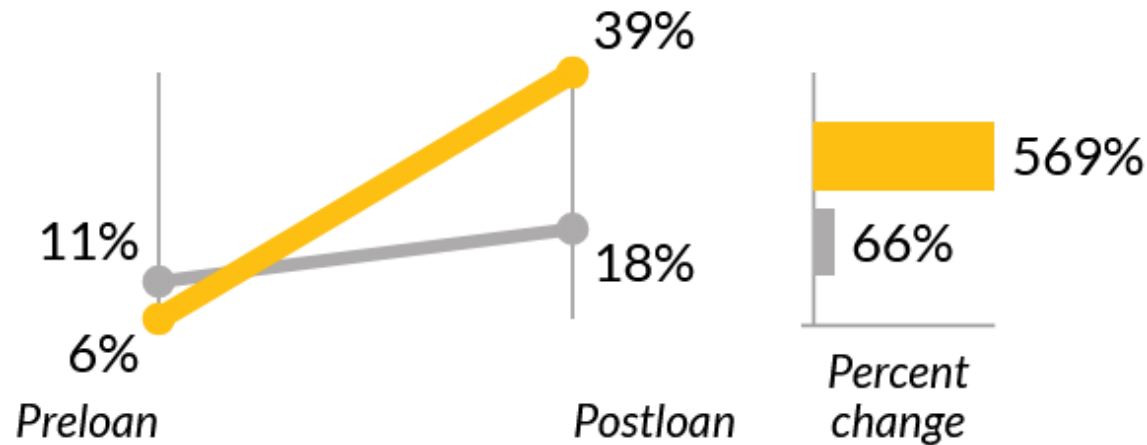
Share with 30+ Day Owner Delinquency

Share with 90+ Day Business Delinquency



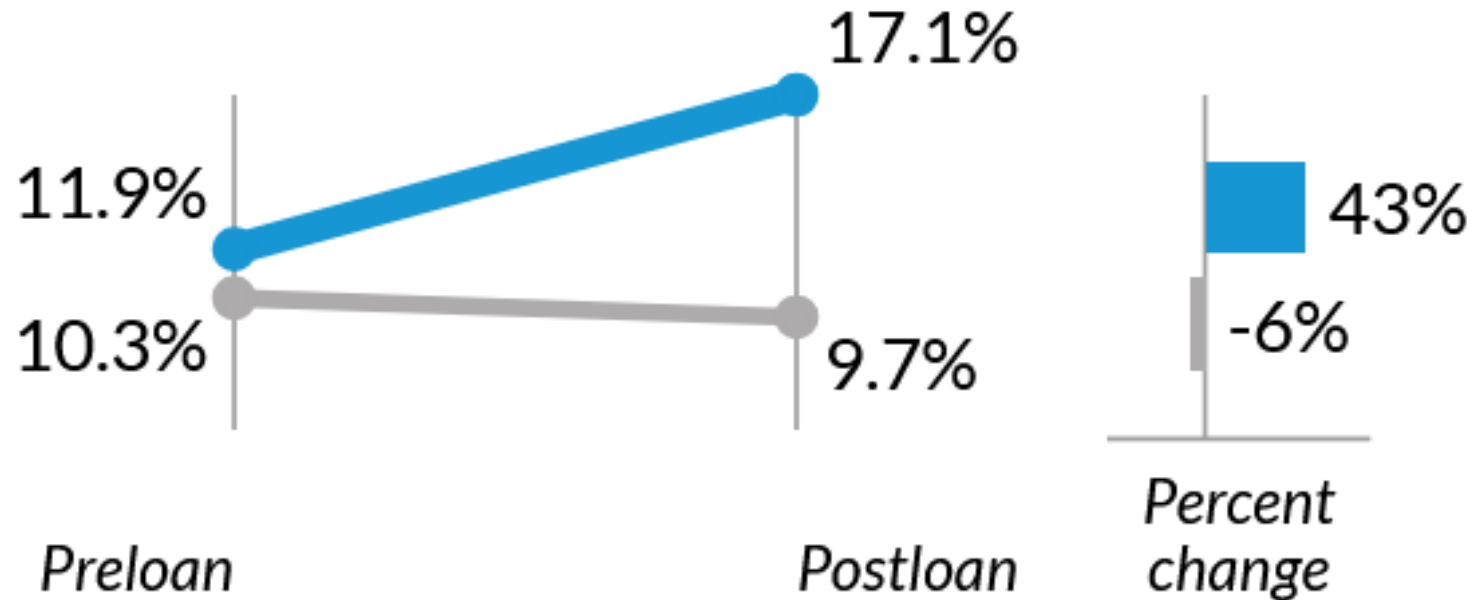
Share with 30+ Day Owner Delinquency

Share with 90+ Day Business Delinquency



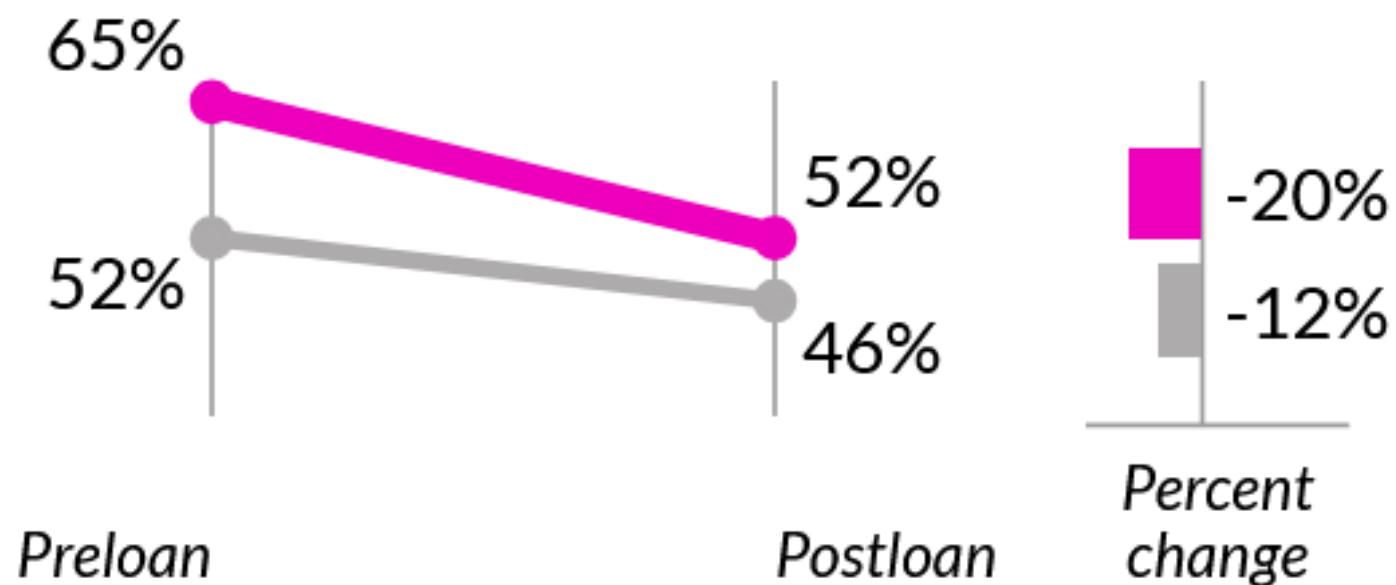
# Established Businesses Saw Increased Business Delinquencies, With Limited Effects on Owners

## Share with 90+ Day Business Delinquency



# Emerging Businesses May Have Reduced Their Reliance on Owners' Personal Credit

## Median Credit Card Utilization



# Tailored Strategies for Business Needs

**Thriving**: referrals to new credit providers.

**Established**: advising, professional services, debt restructuring.

**Troubled**: grants, coaching, safe exit strategies.

**Emerging**: expanding credit use, technical assistance to scale.