



CDFI Innovations in Improving Access to Small-Dollar Credit

Agenda and Housekeeping

Welcome and Introduction

Background and context Presentation

Moderated Discussion

Audience Q&A

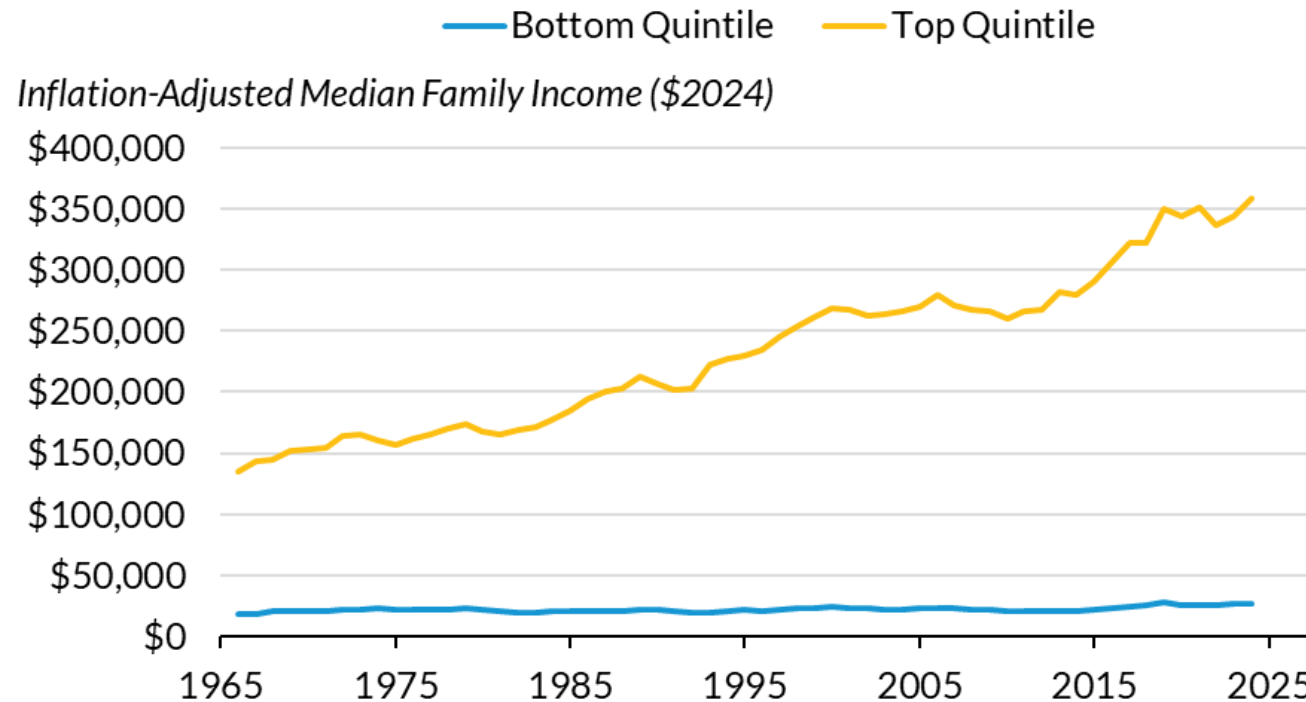
Please use the **Q&A box** to submit questions for the panelists as they arise during the webinar.

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).

Defining Credit Needs

Wages have stagnated for the bottom quintile of earners

- The top income quintile of US families earn **13.2x** the bottom quintile



Source: U.S. Census Bureau, Current Population Survey, 1967 to 2025 Annual Social and Economic Supplements (CPS ASEC).

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Authors calculation of Census Table F-3. Mean Income Received by Each Fifth and Top 5 Percent of All Families: 1966 to 2022.

LMI families experience more financial strain when prices rise

- **58 percent** of households report rising prices of regular household expenses made their financial situation worse
 - This share is higher for families with incomes under \$100,000

Family income	2025	Change since 2024
Less than \$25,000	62%	+2%
\$25,000-\$49,999	64%	-4%
\$50,000-\$99,999	58%	-6%
\$100,000 or more	53%	0%

"Economic Well-Being of U.S. Households in 2025," Federal Reserve Board, 2026.

Many households struggle to save enough to cover unexpected costs

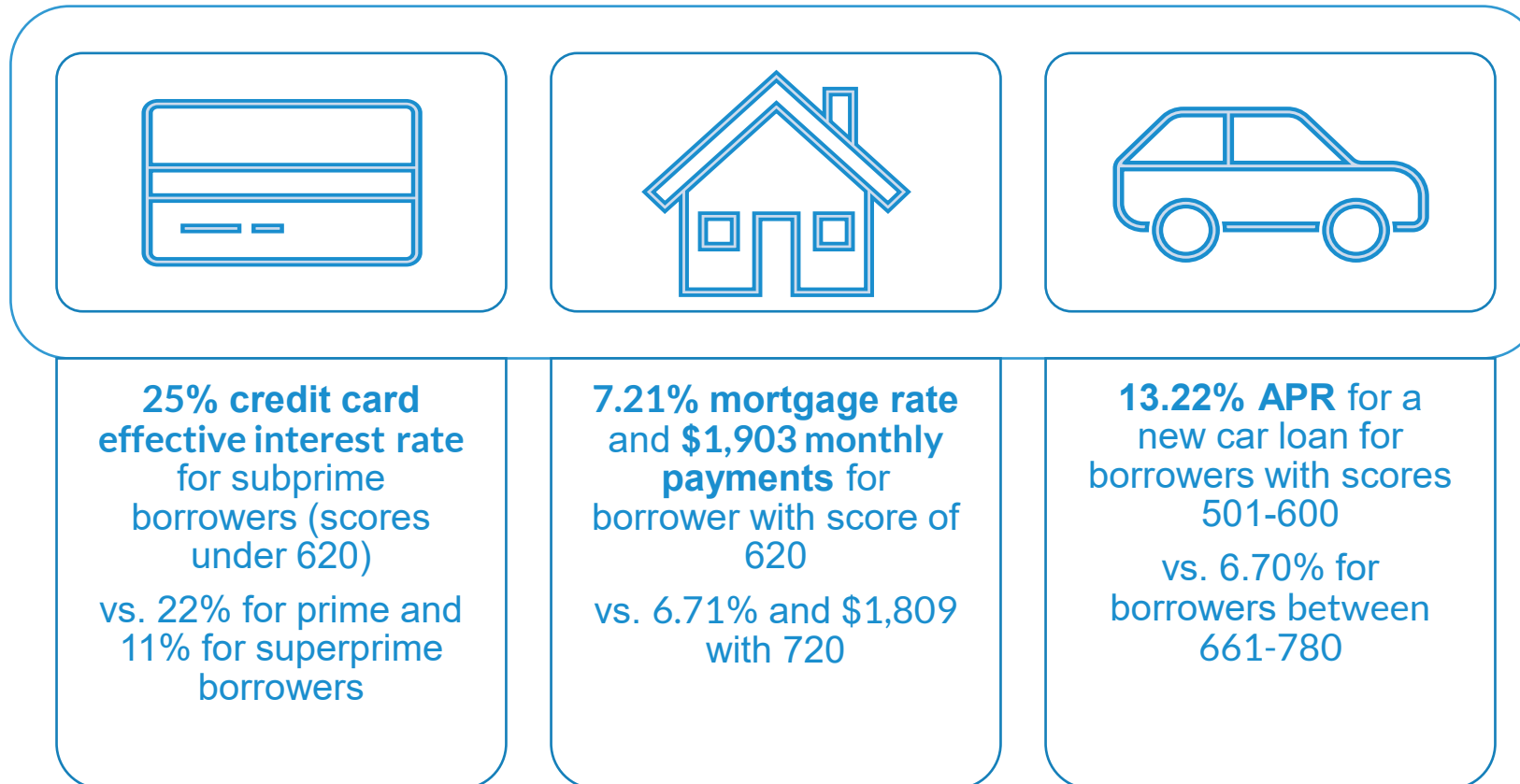
- **37%** of US households would struggle to cover an unexpected \$400 expense with cash or an equivalent, instead needing to use credit, borrow money or sell belongings to cover the cost

- About **8%** of US households have zero or negative net worth

Board of Governors of the Federal Reserve System. "Economic Well-Being of U.S. Households in 2025." 2026. Federal Reserve Board.

Moritz Kuhn and José-Víctor Ríos-Rull, "US wealth inequality in 2022: A modest reversal at the top, persistent challenges below." 2025. Centre for Economic Policy Research.

Credit is more expensive for individuals with no or low credit scores



"The Consumer Credit Card Market," Washington, DC: Consumer Financial Protection Bureau, 2025.

Louis DeNicola, "Average Mortgage Rates by Credit Score," Experian, 2026.

Ben Luthi, Average Car Loan Interest Rates by Credit Score, Experian, 2025.

Small-Dollar Credit Trends

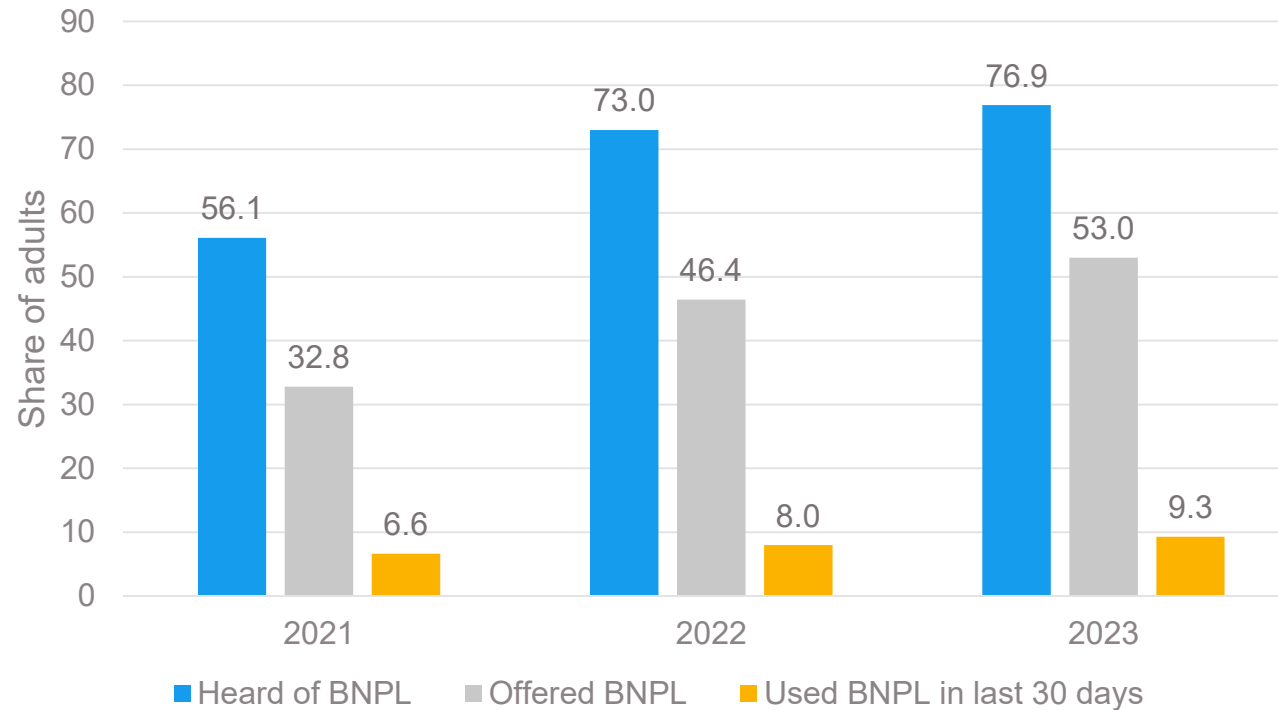
Payday loans have historically been the primary solution

- Payday lending is back on the rise after COVID: From **3.5%** of consumers using payday loans in 2021 to **4.8%** in 2024
 - This is after some declines before and during the COVID-19 pandemic

Scott Fulford, Emma Kalish, Eric Wilson, Zoe Kruse, Samantha LeBuhn, and Isaac Cotter, "Making Ends Meet in 2024," Consumer Financial Protection Bureau, 2024.

But other sources of small-dollar credit are emerging

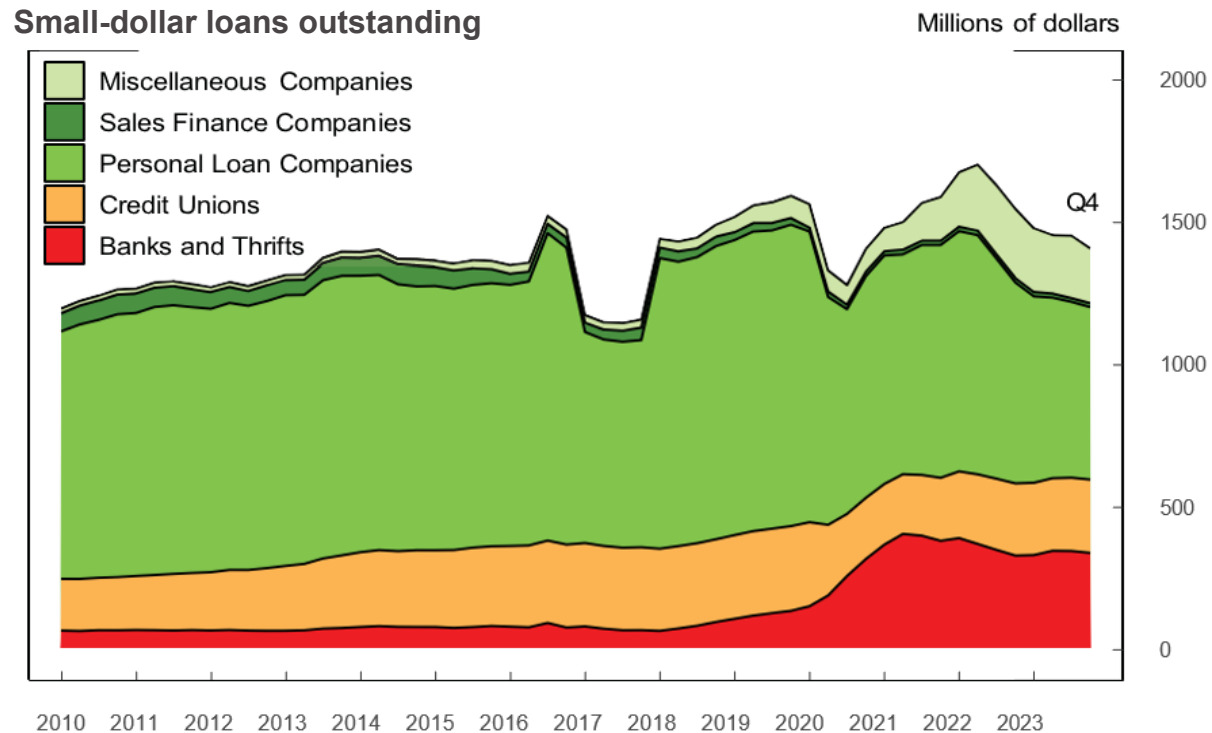
- Buy Now, Pay Later (BNPL) use has been **growing** in recent years



Joanna Stavins, "Buy Now, Pay Later: Who Uses It and Why," Boston: Federal Reserve Bank of Boston, 2024.

But other sources of small-dollar credit are emerging

- In 2017, no major national banks offered small-dollar loans. Now, **most do**.

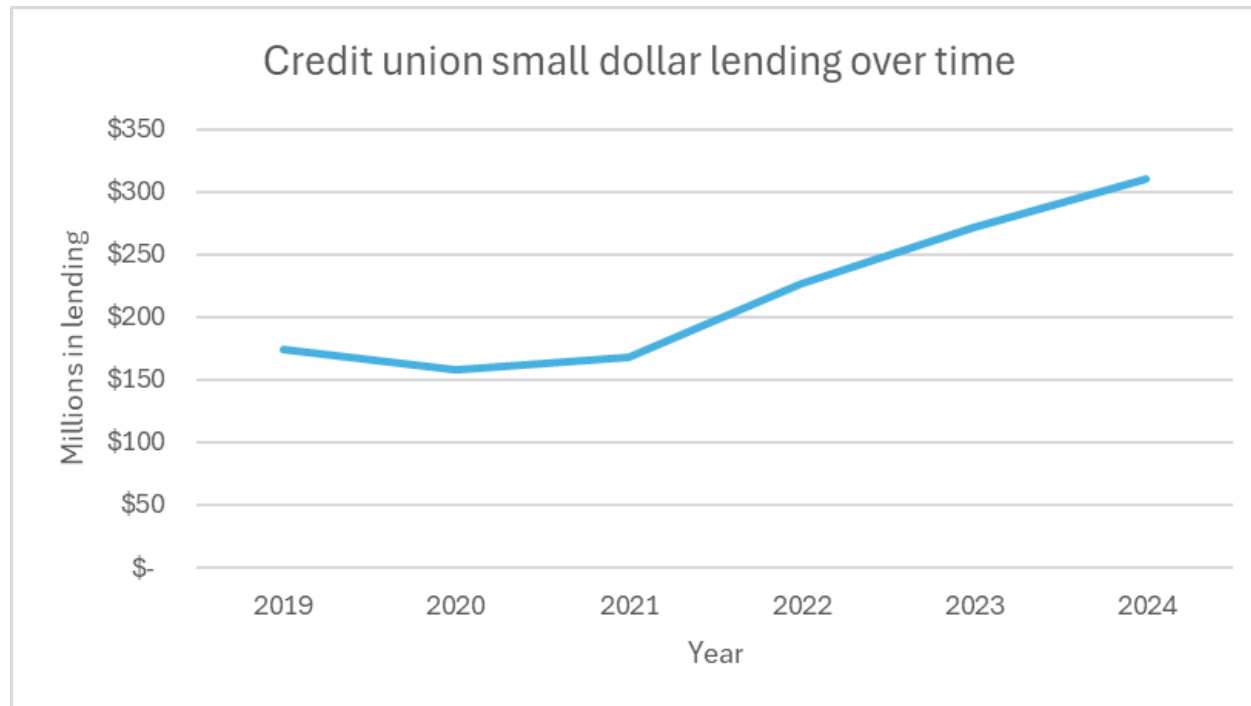


Jessica N. Flagg and Simona M. Hannon, "Small-Dollar Loans in the U.S.: Evidence from Credit Bureau Data," Board of Governors of the Federal Reserve System, 2024.

Aryee, Lois, Tahan Menon, Kate Rinehart-Smit, and Evelyn Stark, "The Promise of Small-Dollar Loans for Banks and Consumers." Washington, DC: Ideas42, 2024.

But other sources of small-dollar credit are emerging

- In 2019, a new National Credit Union Administration Board rule allowed federal credit unions to offer **payday alternative loan options** to members



“Quarterly Credit Union Data Summary,” Alexandria, VA: National Credit Union Administration, 2025.

CDFIs are also entering the small-dollar credit space

CDFI Small Dollar Loan Program (since 2021) provides grants for loan loss reserves and technical assistance for CDFIs to establish new programs for loans under \$2,500

- **Demand is high:** In FY24, **89 CDFIs** applied for over **\$33.5 million** (nearly twice the amount of available funding)

Others are stepping up to provide support as well:

- Credit Builder's Alliance CBA Fund provides loans, grants, and technical assistance to CDFIs standing up new small-dollar loan products
 - Also established **small-dollar loan standards**

"CDFI Fund Releases Application Demand for FY 2024 Round of Small Dollar Loan Program," CDFI Fund, 2024.

"CBA Fund," Credit Builder's Alliance, accessed June 5 2025, <https://creditbuildersalliance.org/cba-services/cba-fund/>.



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