



ORR QUARTERLY

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MICROENTERPRISE DEVELOPMENT PROGRAM: SMALL-SIZED LOANS BRING BIG BENEFITS TO COMMUNITIES

In the United States, ORR-served populations face many barriers to economic self-sufficiency, such as language and cultural issues, lack of credit history and/or an unacceptable credit score, lack of business experience in the United States, lack of collateral, and lack of personal equity to invest in the business. Because of these challenges, many traditional lending institutions consider refugees and other ORR-served populations high-risk.

ORR's Microenterprise Development (MED) Program*, which was launched in 1991, provides modest loans, often as small as \$2,000, training, and technical assistance to help ORR-served populations address those barriers. Microenterprises require low start-up costs and are often family-owned businesses employing nine or fewer people, including the business owner.

Eligible clients have used the program to open such businesses as ethnic restaurants, convenience stores, tire retail and repair, phone repair and jewelry stores, auto repair shops, hair salons, alteration shops, import/export businesses, trucking, taxi cab and limousine operations, medical bill collection agencies and home-based child care businesses.

ORR-served populations participating in the program develop credit histories and or improve their credit scores while enhancing integration into mainstream America. One essential element to the program's success is the intensive pre-loan and post-loan technical assistance provided to all borrowers.

Increasing Self-Sufficiency and Enhancing Integration into Communities

The MED program awards grants ranging from \$146,300 to \$250,000 per year for five years to nonprofit organizations, such as public agencies, community economic develop-

Note: In FY 2016 the MED program grantees voluntarily submitted data as part of their reporting process to assist in showing progress towards annual goals. Therefore, data presented may not be representative of the entire program. ORR introduced new reporting requirements in FY 2017.



Virginie Atake, a refugee from Togo, received a loan to support a business of importing African food and items for sale in her community in New York City.

Photo Credit: Anne St. Pierre

ment agencies, local mutual assistance associations, and voluntary agencies. The nonprofit organizations, in turn, use the grant for revolving loan funds, loan loss reserves, technical assistance, and to cover administrative costs.

MED grantees are responsible for the management and collection of the loans disbursed during the entire project period.

ORR encourages its MED grantees to seek additional loan and operating funds for their MED projects from other sources. Currently, most of the ORR MED grantees receive additional funding from the Small Business Administration, the Community Development Financial Institution Fund of the Treasury Department, foundations, corporations, and many financial institutions such as Citi, Wells Fargo, Capital One, and Bank of America. As a result, about 70 percent of the funds they disburse per year to MED entrepreneurs are leveraged from other sources.

The availability of loan and operating funds from other sources has enabled the programs not only to lend more than the ORR limit of \$15,000 to meet the capital needs of the refugee entrepreneurs but also to expand their MED services at a sustainable level.

Small Beginnings, Big Successes

The program helps refugees and other ORR-served populations to “actively participate in the economic and business life of their communities” notes Leonid Ostrovsky, director of lending with the Business Center for New Americans (BCNA), an ORR grantee. “When you have a business, you pay taxes, you may end up buying a car and buying a home,” Ostrovsky says, in essence helping refugees “start acting and behaving like citizens of the United States.”



ORR MED loan recipient
Josephine Talieh
Photo Credit: Metropreneur

All refugees and other ORR-served populations may participate in this program regardless of their date of arrival in the United States. However, MED grantees must give priority to individuals who have arrived in the United States within the past five years.

MED program borrowers must repay the loan amount with interest within 60 months. Clients may use the loan for working capital, inventory, supplies, furniture, fixtures, machinery, tools, equipment, building renovation, and/or leasehold improvements.

Many small business owners become successful enough to employ U.S. citizens in their communities. Josephine Talieh, a refugee from Cameroon living in Columbus, Ohio, struggled for nine years to support her three children and mother, at a minimum wage job. Eventually, she supported her family by tapping a need in her community for in-home nursing and personal care services such as grocery shopping. When the demand for her services increased, she came to ORR MED grantee the Economic and Community Development Institute (ECDI) for a \$2,000 loan, which allowed her to hire another employee and expand her business. Thanks to the ORR MED loan from ECDI and additional support, Josephine’s business now employs 145 nurses, aides and other people, including a number of U.S. citizens.

The refugees coming to Ohio, “have a lot of experience— not to mention perseverance, a work ethic, and gump-

tion,” notes ECDI Founder and CEO Inna Kinney. “After living under strife, people want to make a better life for themselves and their family but also to leave a legacy,” she notes, including established businesses and educational opportunities for their children and grandchildren.

Success stories abound that demonstrate the hard work and commitment of the beneficiaries of the MED program.

“These populations are not afraid to take on start-up businesses that others might not take on and will work long and hard to make it a success.”

Leonid Ostrovsky, BCNA

Virginie Atake, a refugee from Togo who came to the United States in 2011, illustrates the results of supporting refugee populations one small loan at a time. Through ORR grantee BCNA, Virginie received a loan to support a business of importing African food and items for sale in her community in New York City. The loan helped her replace and expand her inventory of goods following a fire, learn to manage the complex rules regarding custom duties, and gain new skills in finance and business management.

As Leonid Ostrovsky notes admiringly of the individuals his organization has supported over the years, “These populations are not afraid to take on start-up businesses that others might not take on and will work long and hard to make it a success.”

Program Impact

In Fiscal Year (FY) 2018, ORR funded 21 grantees operating in 15 states at about \$4.5 million per year for five years. In FY 2016, MED programs provided services to over 2,000 refugees, including: one-on-one counseling, business training, pre-loan and post-loan technical assistance including business plan preparation and financing to start, expand, or strengthen a business.

MED programs provided 645 loans of \$8,000 on average to qualified refugee entrepreneurs to start or expand businesses. Businesses that were created or retained through the MED program contributed 1,160 jobs to the US economy.

With a 26-year proven track record ORR’s MED program shows that the American dream of owning your own business is alive and well in refugee communities across the country.