The JAX Microfinance Fund (JMF) is designed to level the lending playing field for under-resourced Northeast Florida borrowers. The JMF will invest in innovative and non-predatory fintech (online) platforms that will lend to small business owners and individuals/consumers in NE Florida, emphasizing women borrowers and borrowers of color. The majority of whom are unable or choose not to borrow from traditional lending sources.

The Need
Predatory lending strips the ability of low-wealth residents and communities of color to access affordable capital and build wealth. Over three-quarters (78%) of Americans live paycheck to paycheck, and nearly half (41%) cannot cover an emergency of $400 or more. Borrowers resort to grossly over-priced alternative financial services, including payday, auto, pawn, and online personal loans. Institutional lenders have been unable to assess these under-served borrowers’ creditworthiness, so online personal lenders have become the lead source of personal loans in the U.S.

Extrapolating national data, we can expect that about 170,000 residents in Northeast Florida rely on high-interest lending. For small business owners still recovering from the effects of COVID-19, many do not qualify for bank lending due to requirements, such as 3+ years of profitability, review of personal wealth / credit scores, or collateral. In Duval County, only 136 Small Business Administration (SBA) loans were made in 2019—most of which appear to be large loans due to the $690,000 average.

The Solution
JMF will connect affordable online lending platforms to NE Florida borrowers, ensuring more low-resourced individuals and entrepreneurs can access non-predatory-priced options. Borrowers will be those who are not already being served by traditional lenders (e.g., commercial banks, credit unions, and CDFIs). Since online fintech companies are now the lead source of personal and an increasing number of business loans in the U.S., JMF focuses on the online marketplace with the goal of promoting more affordable options.

With the expectation of repayment, JMF investee platforms use technology to underwrite loans to intentionally drive capital where it is currently under-deployed, emphasizing women and people of color. Platform loan pricing will be non-predatory but set to accommodate an anticipated higher default rate than commercial banks (+1.5%), while still providing investors a modest return.

Impact Summary
Conceived and implemented in Northeast Florida, the JMF will enable borrowers to bypass high-cost, predatory online lending and credit cards, accessing capital and saving on interest costs.

The impact is three-fold: 1) increase access to capital for under-resourced borrowers; 2) ensure loan capital is affordable or priced below predatory rates of 32%—94% APR; 3) mitigate risk among investors and provide a return on their investment.