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Black-Owned Carver Federal Bank Is Betting on Microlending

Microloans are the latest addition to the CDFI's toolkit for supporting minority entrepreneurs.

CHRISTOPHER C. WILLIAMS MARCH 5, 2025



Carver Federal Savings Bank at West 125 Street in New York City. (Photo by Oscar Perry Abello)

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Over the past five years, Carver Federal Savings Bank — the largest publicly-traded, Black-owned bank in the country — has provided \$225 million in loans to disadvantaged communities, representing 183 companies.

The bank has created a growing network of businesses and provided a solid stream of institutional and retail deposits. Now, as it heads into its 77th year, Carver is betting a new two-year microloan program will help the iconic Black-owned bank draw more deposits and grants to invest in New York's African American and Caribbean entrepreneurs.

"When we launched it, it was so popular that it almost broke the Internet, because we had so many businesses applying," jokes 47-year-old Lloyd Doaman, executive director of Carver Community Development Corp, a subsidiary of the bank.

"We don't have to go out and do this big campaign because the demand is there," he says. "But we have to increase our institutional capacity, leverage our technology suppliers and make sure we have the technology and space for wraparound services."

Under Doaman's leadership, the program — which has \$5.5 million to lend — could blossom into a steady source of income and deposits for the bank, which has endured financial losses, corner-office upheavals and a highly-publicized takeover attempt in the last three years.

Microlending, small financing averaging \$13,000 mostly through the Small Business Administration, has long been seen as a critical funding source for entrepreneurs locked out of lending from traditional institutions. But this is the first such program for Carver.

After an uneven rollout in the summer of 2022, the program has enjoyed a surge in application demand in recent weeks, Doaman says. He relaunched the program this past summer, betting correctly that a more streamlined process under a new fintech company would expand the initiative's popularity.

Take Bronx entrepreneur Diane Moore, who founded CleanWorks Solutions in 2016 after being laid off as an IBM software engineer. She plans to open a business account at Carver and apply for a microloan of \$25,000 to \$50,000 to support her growing commercial cleaning business.

"It's because Lloyd is there, and because of the financial education and future financial planning that Carver Bank offers," Moore says.

Moore first met Doaman eight years ago. Then the director of lending at Harlem Entrepreneurial Fund, he provided her with her first loan to help meet payroll and buy additional equipment for her start-up.

While many businesses closed during the pandemic, CleanWork thrived; Moore relied on service to essential businesses and now boasts a diversified client base. The entrepreneur aims to own her own building and truck and grow revenue to eight figures in 2025.

“She’s a no-brainer candidate for the microloan program,” Doaman says. “She’d be one of the ones who would graduate...and be poised to take advantage of some of the other programs we have.”

Another pending depositor is the African American Alliance of CDFI CEOs, an advocacy group in North Carolina. Founder Lenwood V. Long, Sr. says his group is preparing a deposit to Carver Bank as part of a larger initiative to deposit in minority depository institutions.

“I’m confident [Carver] will be creating more banking relationships in their communities and they’ll get a greater share of the Black and Brown communities and citizens. They’ll bring more products online that’ll allow people to want to bank with a black bank or institution,” Long says. “Lloyd has the heart of the community.”

It will be years before Carver’s nascent microloan program can make any notable impact on the community development financial institution’s bottom line. But if demand for microloans continues at the current pace, it could prove a powerful tool in Carver’s mission to combat wealth disparity by supporting the underserved minority business community.

Turnover and takeovers

Founded in 1948, Carver Federal was named after the famed Black scientist and agricultural innovator George Washington Carver. A subsidiary of the publicly-traded Carver Bancorp, the bank is a federally-certified CDFI and minority depository institution.

For every \$1 in deposits, Carver invests 80 cents into the community, mostly through grants or loans, Doaman says. That’s 20 cents above the 60 cents required of CDFIs.

Donald Felix, a 25-year banking veteran, became the bank’s third chief executive officer in almost as many years when he was tapped in November to lead the bank. He follows interim CEO Craig McKay and [Michael Pugh](#), who [left Carver](#) in October 2023 to head LISC Boston, the largest community development organization in the country.

Meanwhile, management is also fighting off a takeover attempt by shareholder and investment fund [Dream Chasers Capital Group](#). The investor group, who represents shareholders holding 10% of the bank’s outstanding shares, earlier this year offered to buy 35% of Carver for \$3.25 per share and called for recapitalization, complaining the bank has lost [nearly \\$25 million](#) over the past decade with only one year of profit.

Carver’s stock, which traded as high as \$15 a share in 2021, has lost more than 80% of its value over the last three years, fetching below \$2 a share for most of 2024.

At the end of the fiscal year ending March 31, [Carver posted](#) a loss of close to \$43 million in net income. In a [letter to shareholders last November](#), McKay said the bank is now better capitalized after an agreement with its regulator and has grown organically by 28% since 2019. Furthermore, McKay contended, Carver is recognized as the leading CDFI in its market.

Doaman declined to comment on the bank’s financials or the takeover fight, but he is effusive in his praise for both Pugh and the new CEO, citing Felix’s vision and deep banking experience.

“One of the things that really, really stood out [about Felix] is that he’s a local guy; he grew up in Brooklyn and he traveled back and forth between Brooklyn and Queens,” says Doaman, working with his third CEO in as many years.

“He’s very open to reimagining what Carver should be. Staying true to our roots but also understanding that our communities have been changing...and banking continues to change.”

A shaky initial rollout

Former CEO Michael Pugh lured Doaman to Carver from his post as vice president and relationships manager at PNC in 2021, impressed with Doaman’s previous work developing a microloan program and tripling assets at the nonprofit Harlem Entrepreneurial Fund during his almost four-year tenure there.

Fresh off his success there, Doaman initially expected he would be able to launch the microloan program at Carver within two months. But cumbersome “red tape,” a one-man staff — himself — and technical glitches slowed the rollout to eight months and slowed loan disbursement.

But in the post-pandemic era, funding from various sources was readily available. He gathered \$1.5 million in seed capital from the CDFI Fund and various sources including Charter Communications, M&T Bank and UBS to kick off the program two years ago.

Loans in the program varied from \$5,000 up to \$50,000 with terms of about five years and an interest rate of 5%. That rate was eventually raised to 9.5% amid rate hikes by the Federal Reserve, according to Doaman.

Carver was flexible with underwriting criteria. He reduced minimum credit scores from 620 to 600 and gave points to existing clients or to those who, for example, made timely rent payments. He says the upgraded client portal’s algorithm allows the bank to monitor how clients manage their bank accounts, helping the bank be proactive in providing early support for businesses before they run into trouble. Furthermore, incoming referrals are encouraged to establish banking relationships with the bank, a way of mitigating risks and “drive profits for the bank as well,” he says.

Now the program is run by two people, has 27 loans outstanding and has provided about \$1 million in financing so far. Doaman is looking to double that amount in 2025. In three years, he hopes to reach \$3 million and, in five years, reach \$10 million.

“It’s really moving pretty fast in terms of our access to additional clients that want to apply for loans,” he says, admitting they’re now on “the right track” after falling well behind schedule in dispersing loans.

Impact on the bank’s balance sheet is “very minimal,” Doaman says, but at \$5 million the program would break even and “be very efficient.”

A major part of the microloan program is providing technical assistance and other non-financial support services, such as higher personal communications and capital access workshops.

High delinquency proved to be a challenge early on. Delinquency jumped as high as 25% in 2023 amid accelerating interest rates and inflation. Doaman has engineered delinquency down to “good, respectable” 10%.

He recently received \$2.5 million from the CDFI Equitable Recovery Program, the largest grant the bank has received under the program. The bank used the funding to supply grants to some non-profit partner organizations such as Harlem Business Alliance and the Society for Financial Education and Professional Development.

The microloan program has no graduates so far, but Doaman noted that 10% of current clients could graduate to larger financing programs at the bank. In addition, clients in the program have financial and other ties with the bank beyond microloan lending. For example, Carver is vendor for some clients — for example, buying cakes from [The Black Cake Company](#), an international mail-order cake firm in Brooklyn founded by Angela Price.

But Doaman acknowledges CDFIs' shortcomings in attacking wealth disparities or the crisis of the lack of affordable housing nationwide.

[This past summer](#), the median monthly rent for an apartment in one of the four boroughs in New York City, one of the most expensive cities in the world, was \$3,425. Carver has a program with Morgan Stanley to educate first-time home buyers and refer them to eligible resources, but it currently lacks a [special purpose credit program](#) that offers mortgage credits to disadvantaged borrowers. "We don't have a targeted program to address the affordable housing crisis in our communities," he says.

In the meantime, Doaman is thinking of products that can broaden Carver's portfolio while bringing in deposits. He sees the need for a program to provide bridge funding for nonprofits that must wait for payment from the city while dealing with fixed costs, and has identified \$25 million in possible financing for projects that create energy-efficient properties under the Green Lending Program.

"That's a huge area of growth for us," Doaman says.

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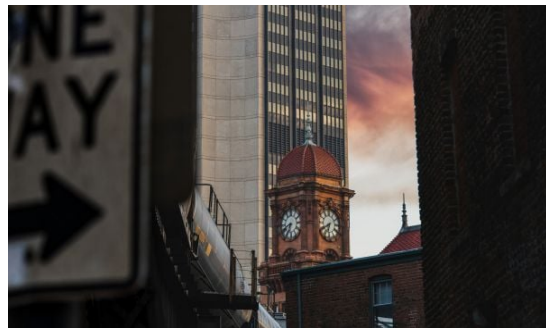
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