

Microfinance New Loan Product Development

Brief

Social Enterprise Associates, www.socialenterprise.net, has contributed to innovative new lending products for microfinance. The firm has been involved in design, program implementation, and marketing at various levels for the following products:

- *Home Improvement Loans.* Home improvement loans up to three years in term. This product enables asset accumulation for households, particularly poor women. This also increases opportunity for home-operated businesses. Collateral is adaptively used, allowing cases where land ownership is questioned and documentation minimal. Normal institutional underwriting procedures are followed with required documentation of ability to pay. Frequently payments are made directly for materials or to contractor to minimize issues regarding use of funds.
- *Workplace Lending, especially for Teachers.* A workplace lending program was instituted for employed, low income populations that were need tested in Nicaragua. Teachers are most heavily served through this program. In Nicaragua, teachers and school employees are disproportionately single mothers earning one-half the local standard income. The school administration attests to the employee's good standing. Employees co-sign for each other. Loan servicing is made directly by the school for all teachers on payday.
- *Store Retail Financing.* Small business owners are offered financing lending for their best customers. Just as a Sears or Bloomingdale card is a regular feature of US commerce, and many larger stores in developing countries offer their own financing, this is an outsourced service for small businesses. This helps people seeking to purchase business inventory, as well as increases sales for the companies selling the equipment or materials. Interested customers must comply with regular underwriting. Stores may only refer new customers as long as their existing customers with loans are in good standing, thus providing social pressures. Loan disbursement is typically done directly to the retailer.
- *New Housing Construction.* Social Enterprise Associates advised on a small pilot program for new homes construction. Homes were financed through 3, 5, & 7 year loans. The effort involved a partnership with a construction company using modular construction to minimize costs. Financing was arranged from private investment sources. A Labor Union organized the clients from its membership, provided education, and established a small guarantee reserve fund. Local government agency gave rights to the land. All homes are now built and currently occupied. Portfolio has 100% repayment to date.
- *Individual Line of Credit.* A de facto line of credit for seasoned borrowers in good standing was established. While the institution's MIS system did not allow for a true line of credit, customers in good standing are prioritized in loan processing, allowed to pre-pay loans, reissue new loans, and may refinance with minimal fees.