

Scaling Up Microfinance



Technology to Improve Performance

Joyce Klein, FIELD at the Aspen Institute
Luz Gomez, FIELD at the Aspen Institute

May 21, 2013



Go-To-Webinar

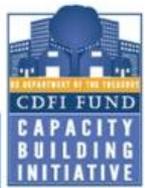
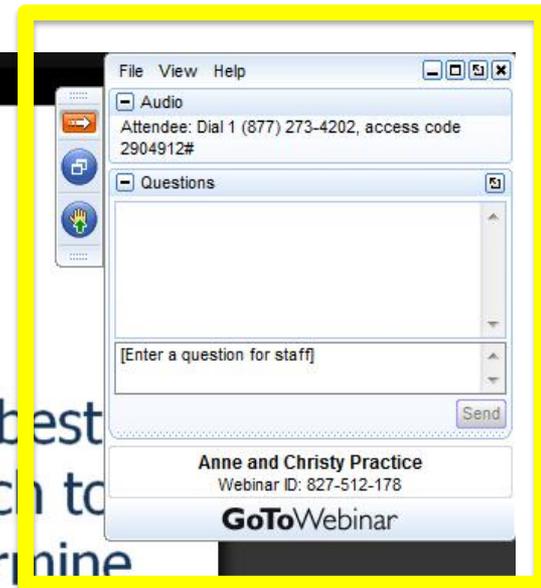
Scaling Up Microfinance

GOAL

To enhance Microfinance CDFIs' exposure to best practices in the field as well as tools with which to analyze their own business practices and determine appropriate strategies to scale.

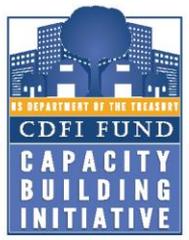
SUCCESS

Each microfinance organization will identify, and begin to implement, at least one new initiative to facilitate scaling operations.



CDFI Fund's Capacity Building Initiative

- The Capacity Building Initiative will greatly expand technical assistance and training opportunities for Community Development Financial Institutions (CDFIs) nationwide and significantly boost the ability of CDFIs to deliver financial products and services to underserved communities.
- Industry-wide training will target key issues currently affecting CDFIs and the communities they serve.



Scaling Up Microfinance Task Order

Expand the capacity of CDFIs that specialize in microfinance through a program focused on decreasing costs, exploring new products, building human capital, and improving business models in order to attract investments.

- 3 Trainings
 - Technical Assistance
 - Virtual Resource Bank



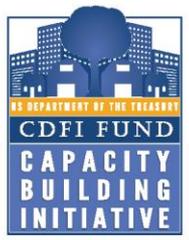
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Goal and Objectives

Goal:

Identify technology solutions that can address the key “pain points” CDFIs experience in microfinance lending operations.

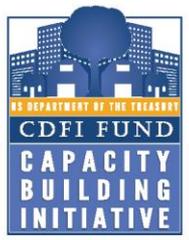
Objectives:

- Provide an overview of the lending lifecycle.
- Have participants identify ‘pain points’ along the lifecycle.
- Identify well-established and aspirational technology solutions that can improve performance and efficiency.



Agenda

- Defining technology
- The lending process
- Reflection on lending “pain points”
- Technologies to improve the lending process
- *Case examples:* Using technology to improve the lending process



What is Technology?

“The science of the application of knowledge to practical purposes : applied science”

– *Merriam Webster*

“The purposeful application of information in the design, production, and utilization of goods and services, and in the organization of human activities”

– *Businessdictionary.com*

Read more: <http://www.businessdictionary.com/definition/technology.html#ixzz26Gx5KkmB>



Technology and Your Business Model

Key Partners



Key Activities



Value Propositions



Customer Relationships



Customer Segments



Key Resources



Channels



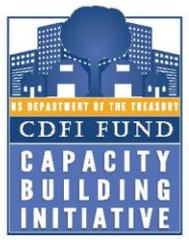
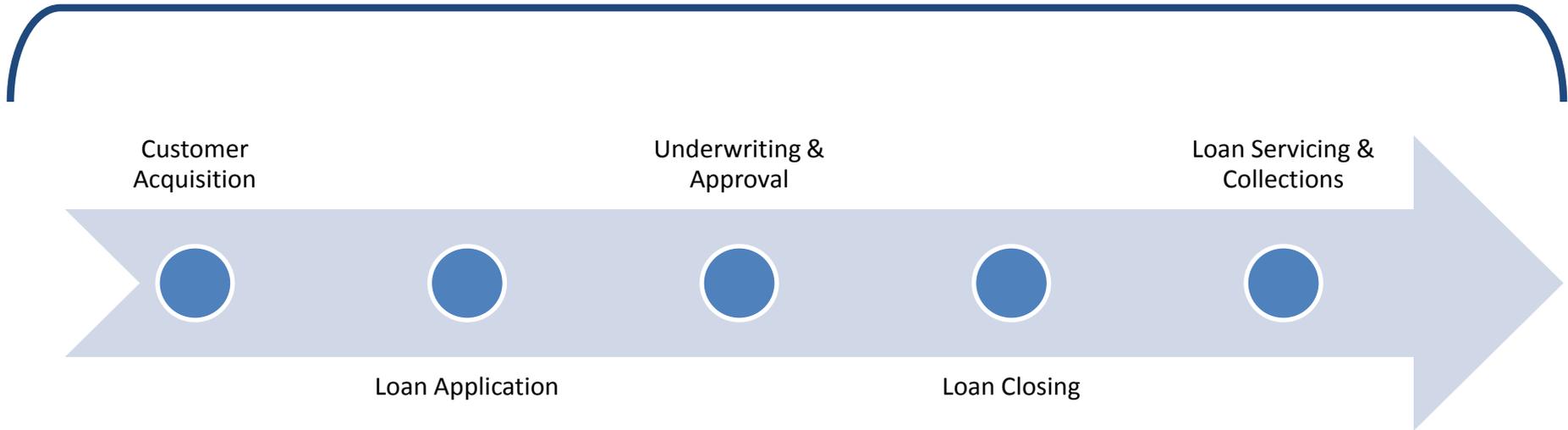
Cost Structure



Revenue Streams

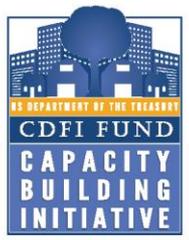


The Lending Process



The Lending Process

- **Customer acquisition:** Marketing and outreach, initial screening of applicants.
- **Loan application:** Completion and submission of loan application and related documents.
- **Underwriting and approval:** Pulling of credit report, analysis of loan, determining pricing and structure/term of loan, process/mechanism by which the decision is made (loan officer, loan committee).
- **Loan closing:** Creation and signing of documents, perfection of collateral and liens (UCC filings), issuance of proceeds/funds, estab. of payment process.
- **Loan servicing and collections:** Generating reports on loan payments, reporting to credit bureaus, issuing of statements, collection and posting of payments, assessment of fees, adjustment of loss reserves/risk ratings, support to delinquent borrowers, decisions regarding restructuring and/or charge-offs, notification of write-off to borrower, collection/repossession of collateral, workout of loans that have been written off.

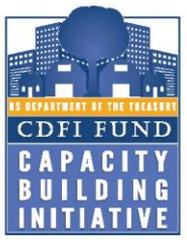


Identify your CDFI's Key Pain Points in the Lending Process

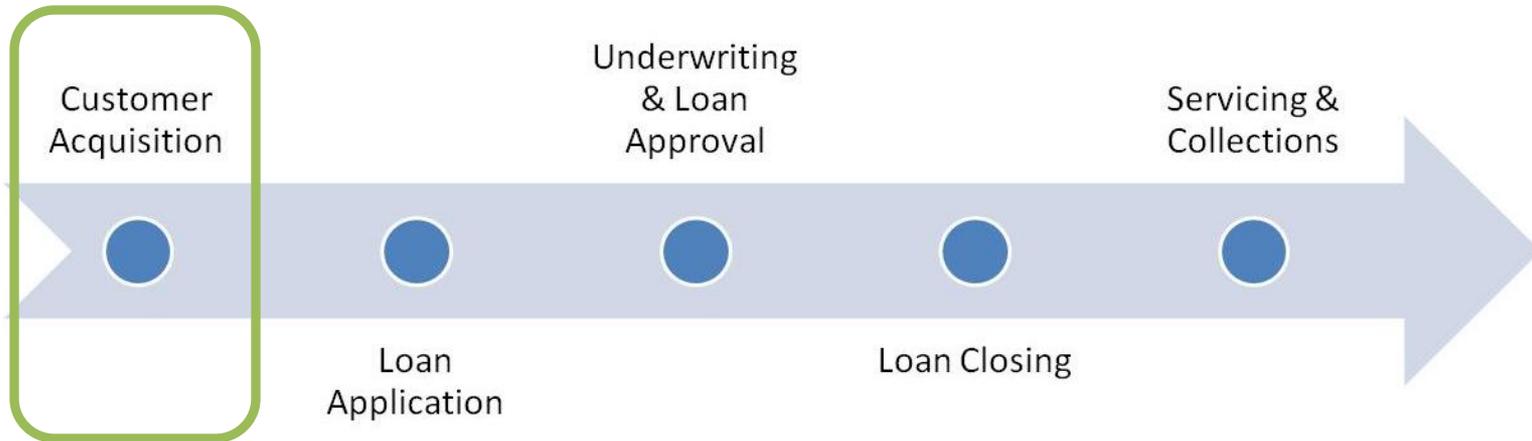
1. What causes you the most headaches?
2. Where do your current or potential clients get most frustrated?
3. Thinking about performance data, what are the pain points for your organization – too few originations, low portfolio quality, high costs, etc.?



Poll: What is your biggest pain point?

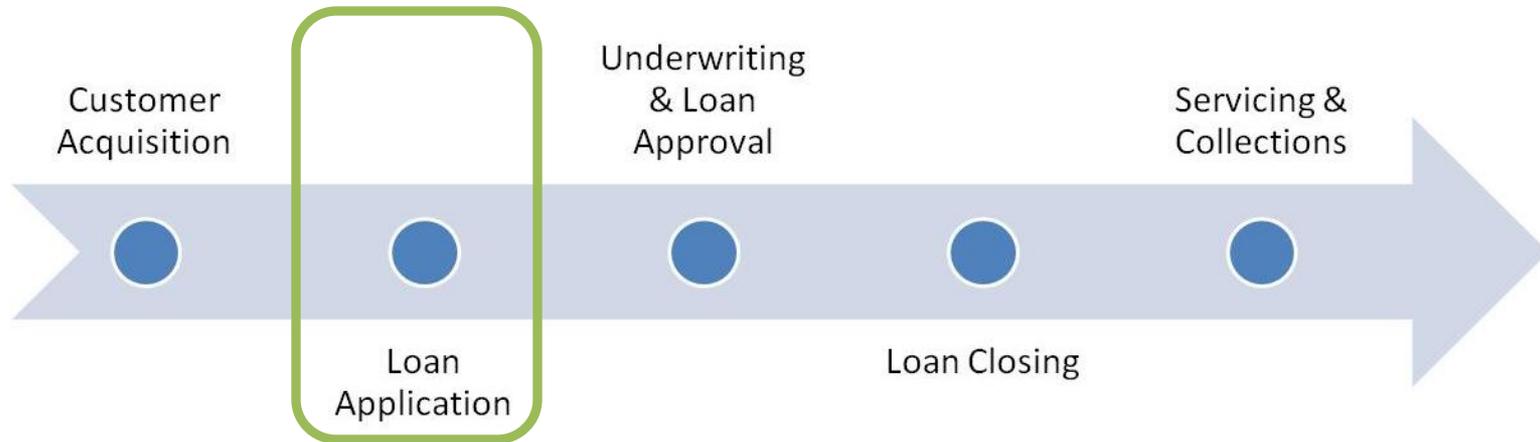


Technologies to Improve the Lending Lifecycle



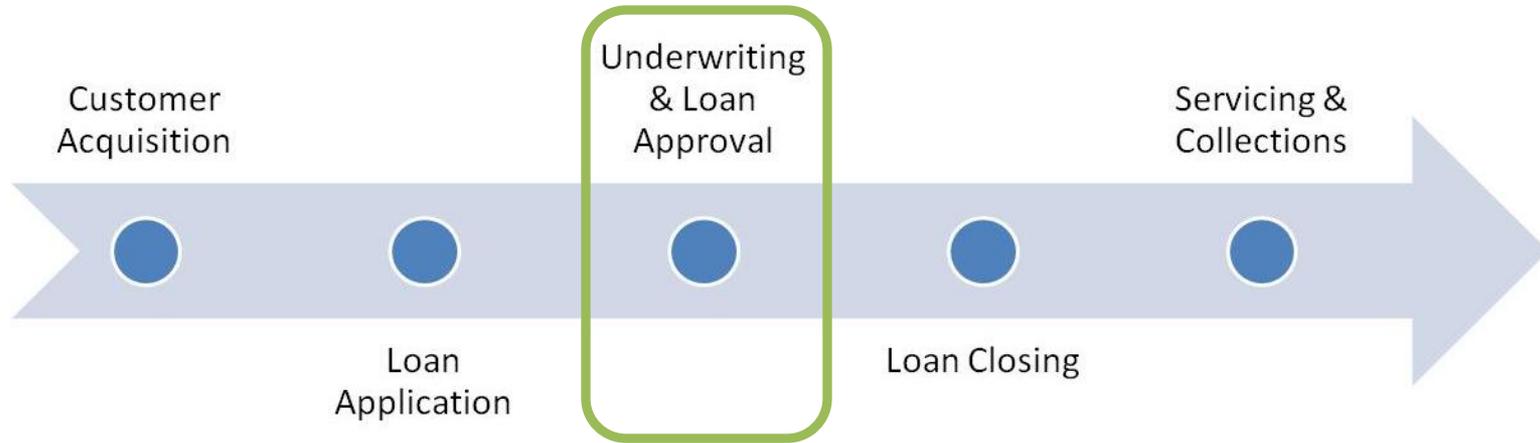
- Social media for marketing
- Customer Relationship Management (salesforce, Artoo)
- Search Engine Optimization (SEO)
- Text messages

Technologies to Improve the Lending Lifecycle



- On-line loan applications (ACCION East, MMS)
- Using tablets, mobile phones, cameras, scanners, etc. to gather loan application info/documentation (Intersect Fund, Opportunity Fund, InSight/InVenture)

Technologies to Improve the Lending Lifecycle

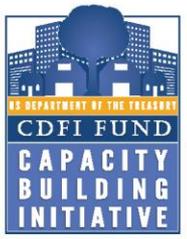


- Credit evaluation grids
- Statistical scoring models (MMS, build your own – ACCION East, Progreso Financiero; JP and OnDeck; InVenture)
- Use of alternative credit data (Demyst Data, Cignifi)
- On-line pulling of credit reports (Intersect Fund)
- Loan committees vs. staff approvals

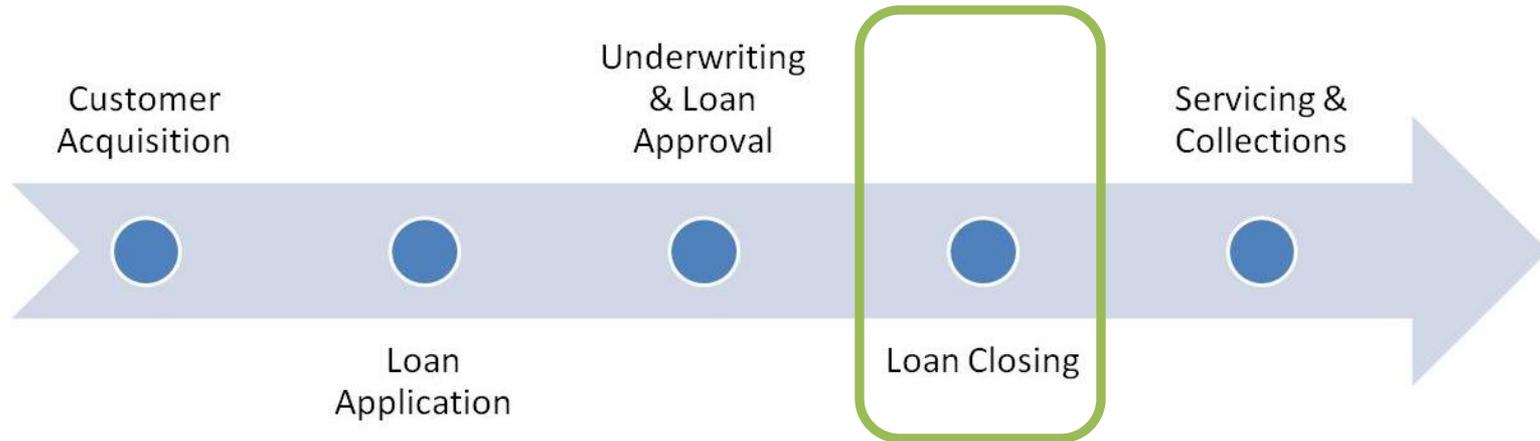
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Questions?

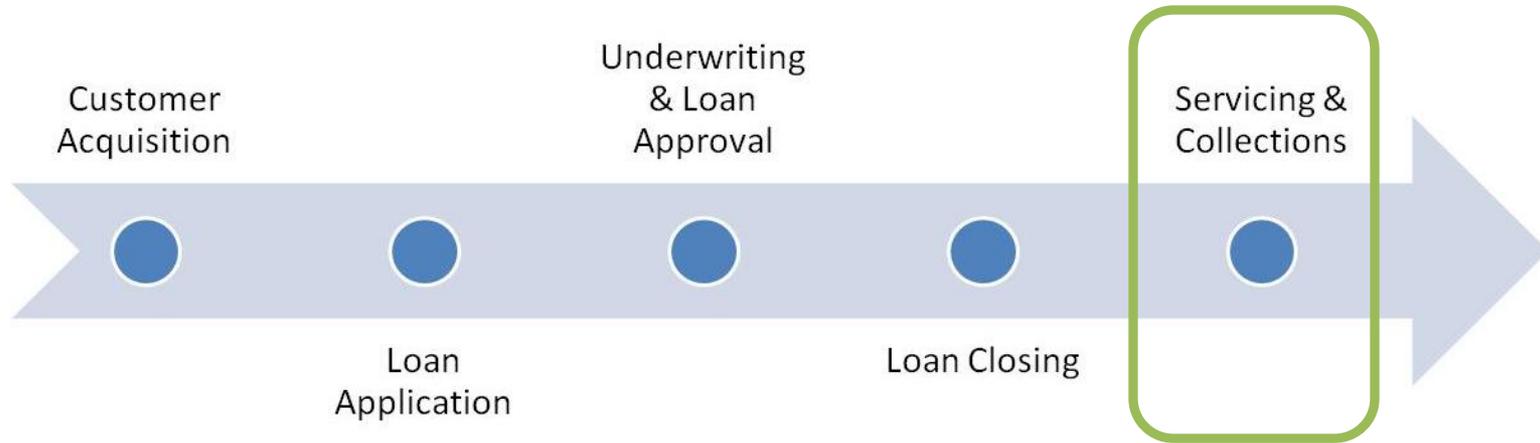


Technologies to Improve the Lending Lifecycle



- Outsourcing of document preparation (MMS, banks)
- Prepaid cards (Progreso Financiero)
- Electronic signatures (RightSignature)
- Partnerships for loan closing meetings

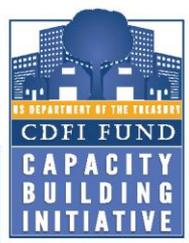
Technologies to Improve the Lending Lifecycle



- Outsourcing (MMS, Banks, etc.)
- Mobile (payment reminders, provision of TA: InSight)
- Reporting to credit bureaus – (CBA)
- Payment processing - (prepaid cards)
- Loan servicing software

Case Study: Loan Funds

	Opportunity Fund*	The Intersect Fund
Year Founded	1995	2008
# of Loans Outstanding		
2010	195	24
2011	361	71
2012	883	101**
Outstanding Portfolio	\$8.66 million (6/30/12)	\$257,000 (10/31/2012)
Average Loan Size	\$9,948 (past 3 years)	\$2,135
Lending FTE	11	1.5



*Loans for Opportunity Fund are from FY ending 6.30, Intersect Fund data is based on calendar year

**Loans outstanding as of 10.31.2012

Similarities in Tech Approach

Customer Acquisition

+

Loan Application

Tablets, scanners, phones =
mobility + paperless



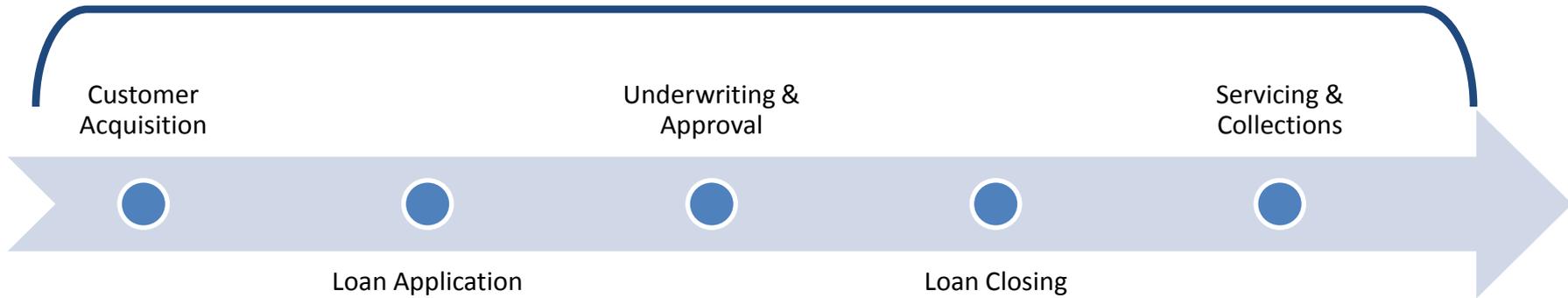
Paperless facilitates
centralized underwriting

Internet Enabled Systems

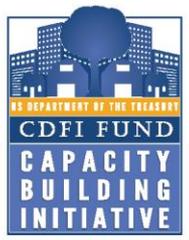
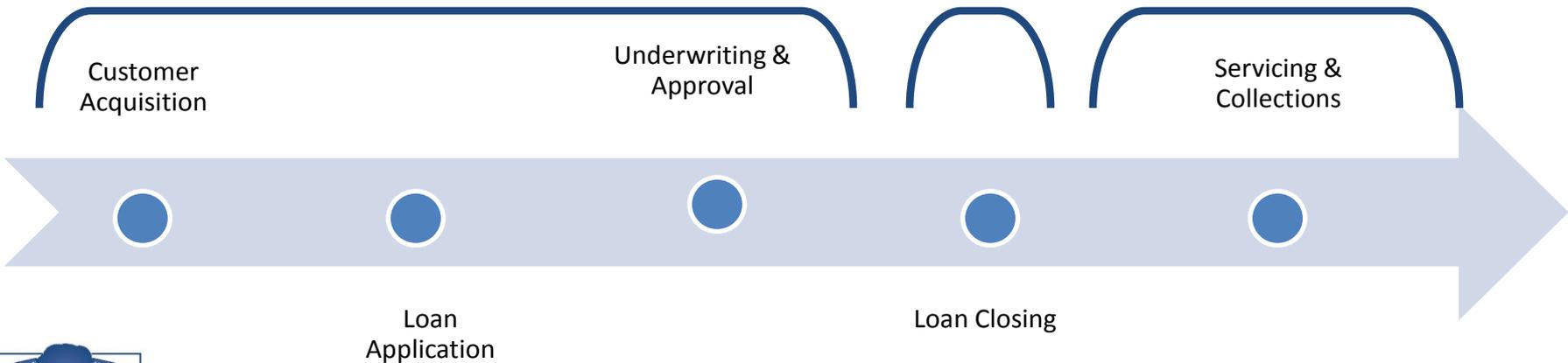


Differences in Approach: Different Systems; Integration vs. Customization

Opportunity Fund's Nortridge System

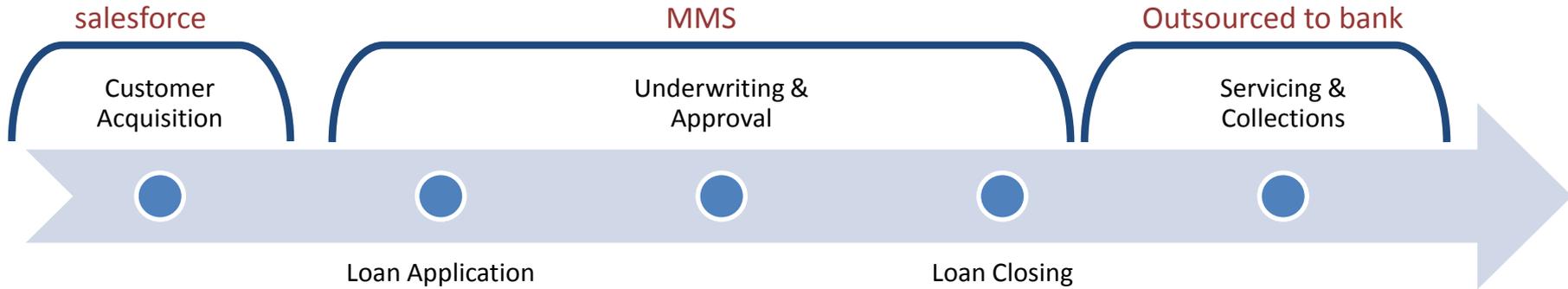


Intersect Fund's Internally Developed System 1.0



Opportunity Fund: Transformation to a Single System

Previous System

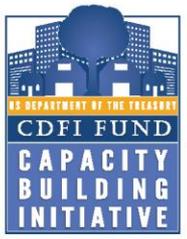
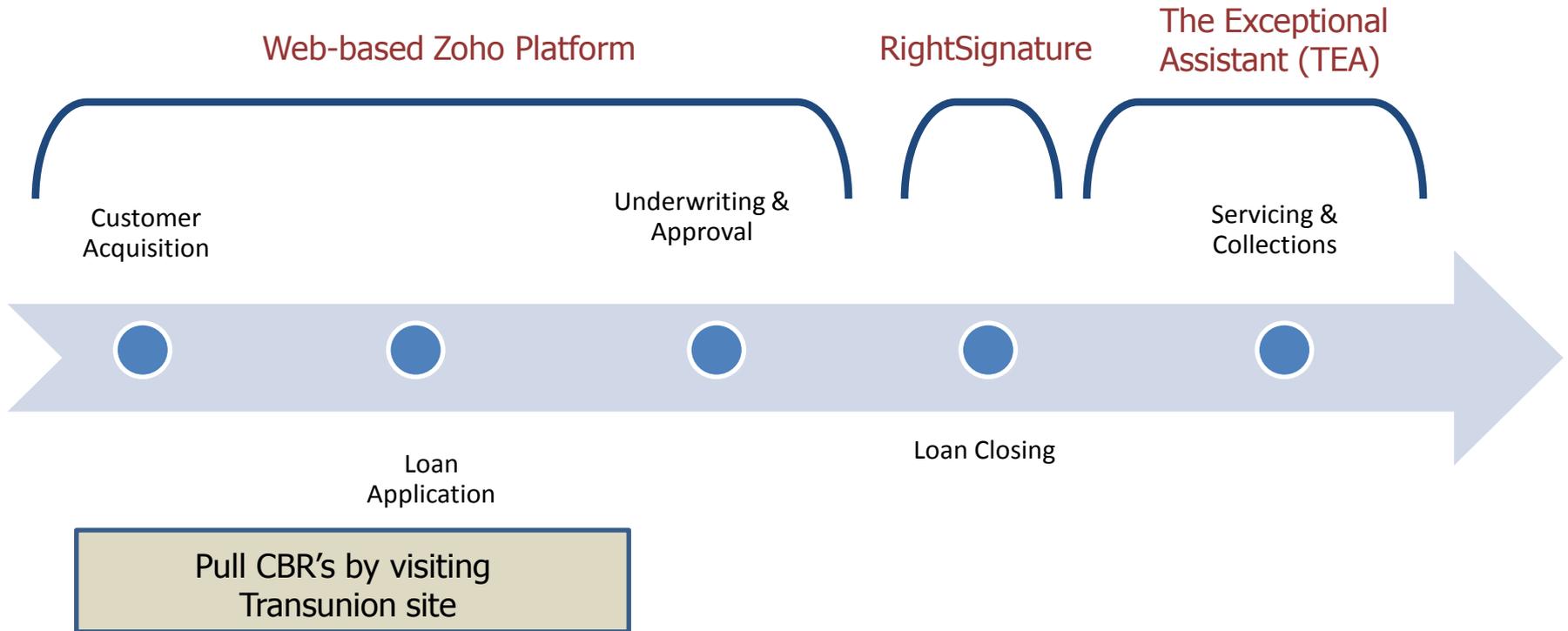


New System



Different Systems, Different Pieces

Intersect Fund's Internally Developed System 1.0



Laptop

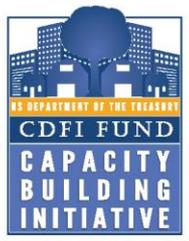
iPhone

Mobile Hotspot



Portable Scanner

Photo by Luis De La Hoz: <http://intersectfund.org/blog/>



Marisol L Testcase

Intersect Fund's System 2.0 Beta

220 Locust Avenue, Anthill, MO 65488



Score Vectors

- +42 Increase credit limit by \$1,000
- +22 Pay off \$1,000 of revolving debt
- +13 Wait 6 months

- 10 Charge \$1,000 to your credit card
- 4 Hard inquiry



Pre-approve



Decline

- 'Value-added' coaching
- Helps LO guide client quickly
- Fed by past client data

27.8%	48.9%	2.3X	\$711	-\$3.8k	1.35X
Housing ratio	DTI ratio	Leverage ratio	Disposable income	Net worth	Current ratio

Monthly Income		Monthly Expenses		Assets		Liabilities	
Wage Income	0	Housing	\$1000	Cash	\$900	Credit Cards	\$668
Business Income	\$2,600	Food	490	2006 Toyota Sienna	14,675	Car Loan	16,789
Other Income	1,000	Transportation	300	2000 Chevy Box Truck	6,550	Car Loans	0
		Cell Phone	100	Real Estate	0	Mortgage	0
		Miscellaneous	239	Other Assets	0	Student Loans	0
		Debt Payments	760	Other Assets	0	Other Liabilities	2,531
Total	\$3600	Total	\$2,889	Total Assets	\$16,225	Total Liabilities	\$19,988

- Data fed automatically by TU
- Accounts easier to read over time
- Helps LO guide client @ credit

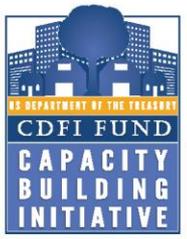
2009												2010												2011			
Verizon NJ — Utility Company												Settled for Less than Full Balance (Paid 12/08)												\$0 balance			
May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr				
Midland Cred — Verizon Wireless Collection												Paid in Full 1/09 (\$260 placed)												\$0 balance			
May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr				
ACB Receivab — Medical Collection												Paid in full (\$379 placed)												\$0 balance			
May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr				
Intersect Fund — Business												15% interest				12 months				\$271 payment				\$2,531 balance			
May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr				
FST Premier — Credit Card												29% interest				\$350 credit limit				\$25 payment				\$304 balance			
May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Dec	Jan	Feb	Mar	Apr			



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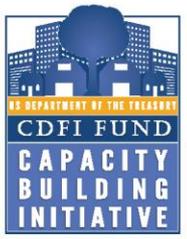
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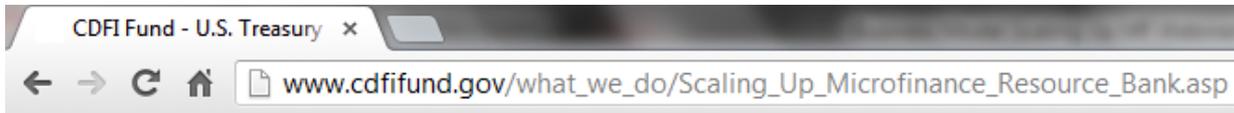
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Additional Resources



CDFI Fund's Virtual Resource Bank



- WHO WE ARE
- WHAT WE DO
- IMPACT WE MAKE
- NEWS & EVENTS
- HOW TO APPLY

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND

UNITED STATES DEPARTMENT OF THE TREASURY



Scaling Up Microfinance Resource Bank

The resources for this topic can be found below. To view all of our available Resource Banks, click [here](#).

I. Microfinance Landscape and Borrower Experience and Need:

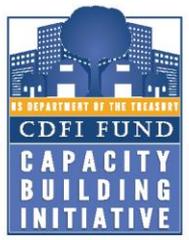
- [2011 U.S. Microenterprise Census Highlights: FY 2010 Data](#)
 - *Author:* FIELD at the Aspen Institute
 - *Summary:* This report presents the survey responses of reporting microfinance institutions, documents trends in the scale and scope of services provided by organizations reporting in both 2008 and 2010, and also presents a more detailed discussion of the estimates of the overall size of the microfinance field.
- [Key Data on the Scale of Microlending in the U.S. – February 2011](#)
 - *Author:* FIELD at the Aspen Institute
 - *Summary:* This paper uses the data obtained in the FY 2008 U.S. Microenterprise Directory and Census conducted by FIELD to describe the state of microfinance in the United States and to explore the characteristics of large-scale programs, with a view to better understanding the factors that appear associated with their program size.
- [Opening Opportunities, Building Ownership: Fulfilling the Promise of Microenterprise in the United States](#)
 - *Author:* FIELD at the Aspen Institute
 - *Summary:* This report examines the current state of the microenterprise field, noting both its accomplishments and identifying the challenges that lie ahead, and recommends eight actions that could help transform the field and position it for long-term growth and sustainability.
- [Dollars for Dreams: Scaling Microlending in the United States](#)
 - *Author:* FIELD at the Aspen Institute
 - *Summary:* This document summarizes the experience and lessons of five grantees of the Scale Academy whose primary focus has been on scaling microlending. Representatives of these organizations have engaged in a year-long peer process exchange in their experience and reflecting on the lessons that emerged.
- [Micro Jobs: Fast Facts – Do microenterprises provide employment beyond the business owner?](#)



Upcoming TA Webinars

STAY TUNED FOR MORE WEBINARS IN JUNE!

To register, visit the CDFI Fund's Web site or click [here](#).



Strengthening Small & Emerging CDFIs

A CDFI Fund Capacity Building Initiative

- This training and technical assistance program will benefit CDFI loan funds, credit unions, and venture capital funds with assets less than \$25 million that have a strong ambition to serve their target market with greater impact
- CDFIs serving specific regions of persistent poverty that are traditionally underserved by financial institutions, such as Appalachia, the Colonias along the U.S.-Mexico border, and the Mississippi Delta, are especially encouraged to participate



Strengthening Small & Emerging CDFIs

A CDFI Fund Capacity Building Initiative

Five Workshops

- Federal Reserve Bank of Houston | June 19 - 21
- Federal Reserve Bank of Nashville | July 31 - August 2
- Compuware Headquarters in Detroit | August 14 – 16
- Federal Reserve Bank of Los Angeles | September 25 – 27
- Federal Reserve Bank of New Orleans | October 2 - 4

All workshops provide the same content.



Strengthening Small & Emerging CDFIs

A CDFI Fund Capacity Building Initiative

To Learn More and to Register:

Visit www.opportunityfinance.net/smallandemerging

or

Contact Tabitha Atkins tatkins@opportunityfinance.net



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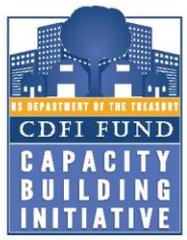
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