

# Scaling Up Microfinance



## Differences in Approach: The Intersect Fund & Opportunity Fund



This comparative case study was compiled by FIELD at The Aspen Institute



# Case Study

	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



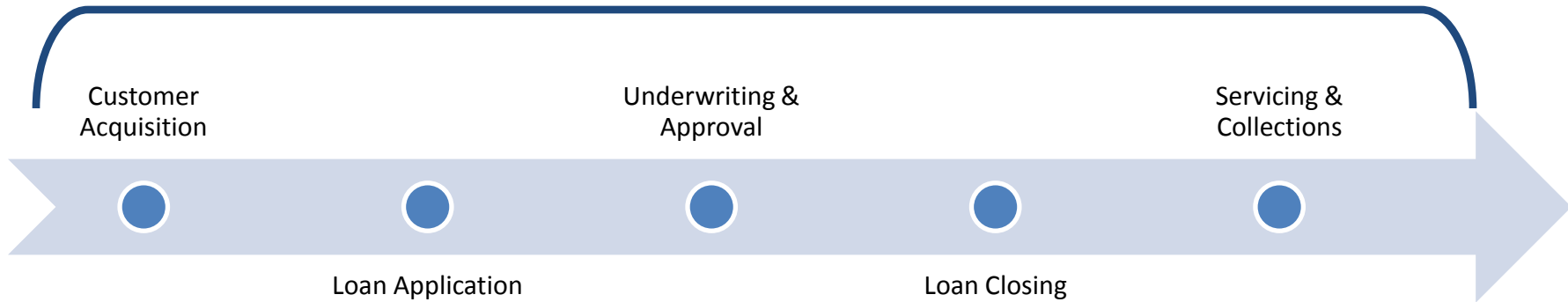
Paperless facilitates  
centralized underwriting

Internet Enabled Systems

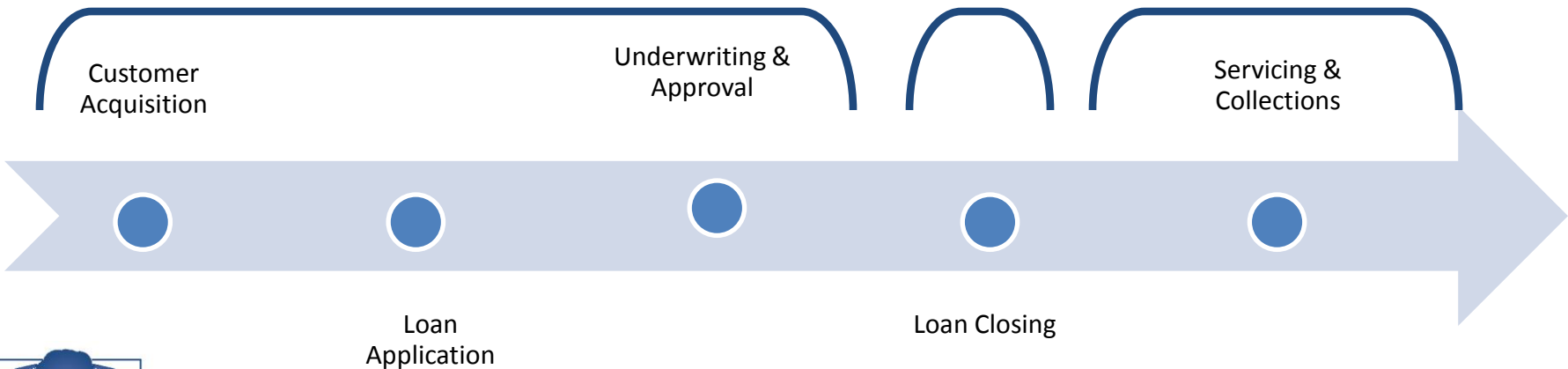


# Differences in Approach: Different Systems; Integration vs. Customization

## Opportunity Fund's Nortridge System

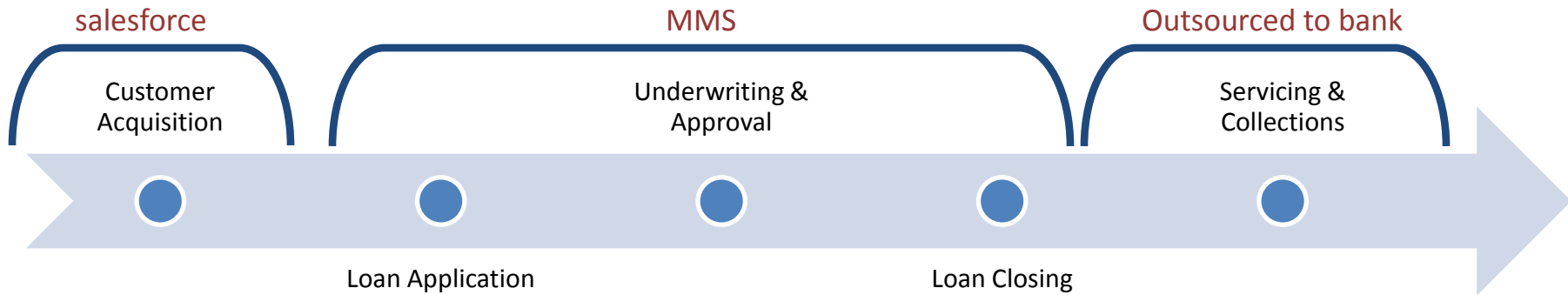


## Intersect Fund's Internally Developed System 1.0

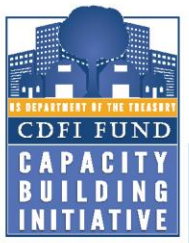
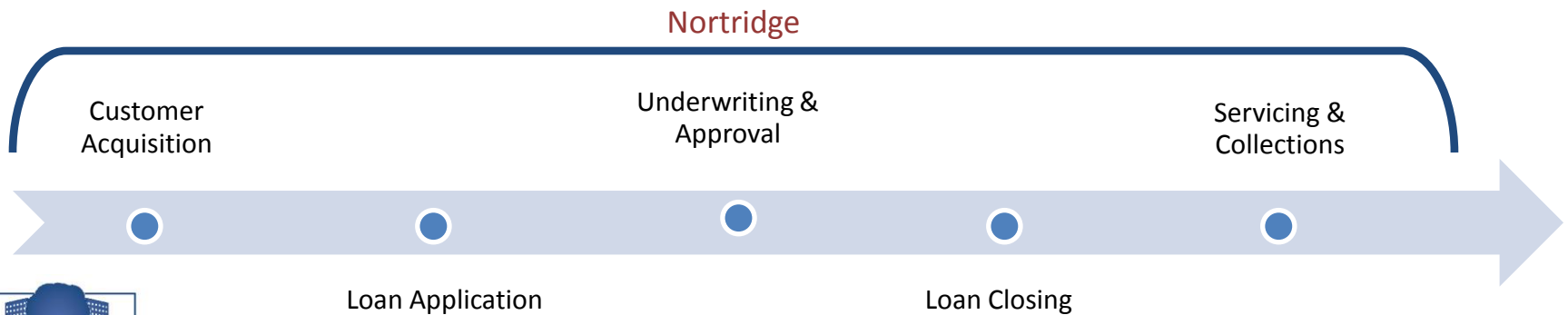


# Opportunity Fund: Transformation to a Single System

## Previous System

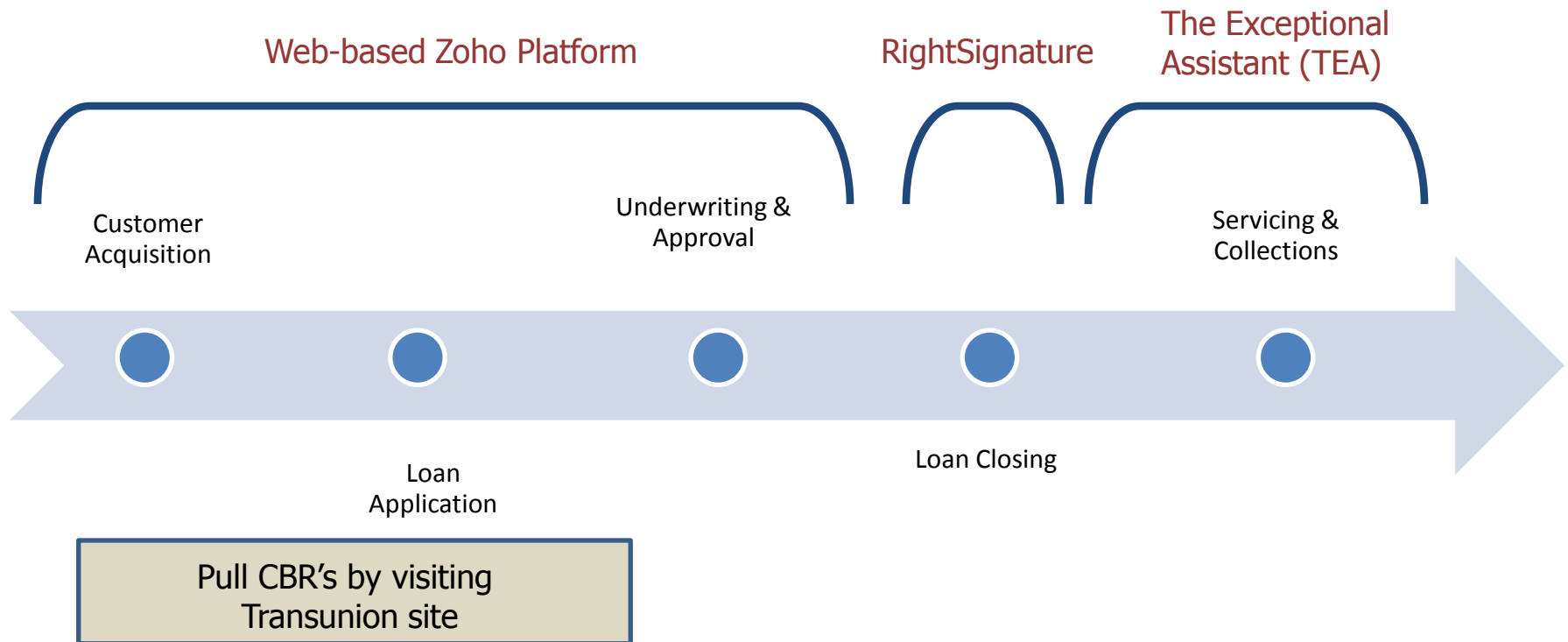


## New System



# 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

220 Locust Avenue, Anthill, MO 65488

## Intersect Fund's System 2.0 Beta



### 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

27.8%

Housing ratio

48.9%

DTI ratio

2.3X

Leverage ratio

\$711

Disposable income

-\$3.8k

Net worth

1.35X

Current ratio

### Monthly Income

Wage Income	0
Business Income	\$2,600
Other Income	1,000
<b>Total</b>	<b>\$3600</b>

### Monthly Expenses

Housing	\$1000
Food	490
Transportation	300
Cell Phone	100
Miscellaneous	239
Debt Payments	760
<b>Total</b>	<b>\$2,889</b>

### Assets

Cash	\$900
2006 Toyota Sienna	14,675
2000 Chevy Box Truck	6,550
Real Estate	0
Other Assets	0
Other Assets	0
<b>Total Assets</b>	<b>\$16,225</b>

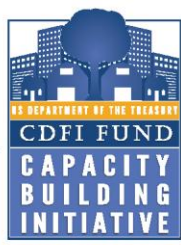
### Liabilities

Credit Cards	\$668
Car Loan	16,789
Car Loans	0
Mortgage	0
Student Loans	0
Other Liabilities	2,531
<b>Total Liabilities</b>	<b>\$19,988</b>

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

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

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	Jan	Feb	Mar	Apr				





# Scaling Up Microfinance



## Alternatives Federal Credit Union: A Shared Technology Platform to Improve Performance & Service



# Alternatives FCU

- **Mission:** To build wealth and create economic opportunity for underserved people and communities.
- **Location:** Ithaca, New York
  - Primarily Tompkins County – a rural county in the Finger Lakes region
- **Year Founded:** 1979
- **Asset Size:** \$81 million
- **Number of Members:** 9,600
- **A Sample of Products Offered:**
  - Deposits and Checking for Individuals, Businesses, and Non-Profits
  - Auto and Personal Loans
  - Mortgage/Home Loans
  - Business Loans
  - And more...



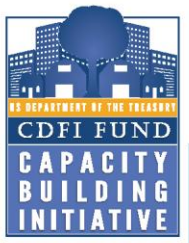
# Challenges with Existing Technology

- Legacy core system
  - Designed for small CUs with limited products/services
  - No means to create/expand informational fields
    - Could not collect, manage, utilize demographic information
  - Did not align with other systems
    - Needed to use multiple manually maintained spreadsheets and Crystal reports to pull and analyze data
  - No ability to create a training database
  - Double data entry was common
- IT Department
  - One, in-house staff member
  - Increased risk – disaster recovery, business continuity



# Vendor Selection Process

- Interviews
- Lab environment to test the systems
- RFP based on 1,700 staff-generated questions
- Scorecard evaluation
  - Functionality
  - Strategic fit
  - Ability to support strategic initiatives
  - Cost



# New Technology Platform

- Symitar
  - Core processing system widely utilized used by credit unions with over \$1 billion in assets
  - Accommodates wide array of loan and savings products
  - New capabilities such as:
    - Mobile banking
    - Shared branching
    - Data mining
  - Enhanced functionality:
    - More powerful teller transaction module
    - Check processing
    - Stronger internet banking module



# Shared Services to Support Technology

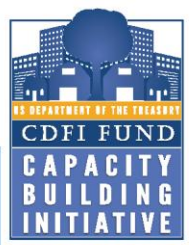
- Synergent
  - Consortium owned by Maine Credit Union League, operating on the Symitar platform
  - Provides business and technology services to CUs throughout New England
  - Offers server capacity and technical support
  - Partnership includes disaster recovery

Results in enhanced efficiencies



# Results to Date

- Expanded Services
  - Home banking platform
  - Call center
  - Mobile banking
  - New loan application in 2013
  - Shared branching
- Allows Alternatives to scale without requiring parallel increase in human resources





# Lessons Learned & Advice

- Allow more time for vendor selection and contract negotiation
- Allow more time for staff training
- Conduct a mock conversion before going live
- Ensure effective communication to staff and members



# “Pain Point” Small Group Discussion

1. Make a list of the technologies your organization is already using in its lending process
2. Reflecting on the technologies just profiled and your organization's capacities:
  - Do you think your organization has the capacity and interest to take on any of the profiled technologies?
  - What do you think are the key issues or challenges in implementing the technologies within your organization

