

Scaling Up Microfinance



Scaling Up Microfinance: *The Path to Loan Repayment*

Elaine Edgcomb, FIELD at the Aspen Institute
Leslie Hoffman, FIELD at the Aspen Institute

June 19, 2013



Go-To-Webinar

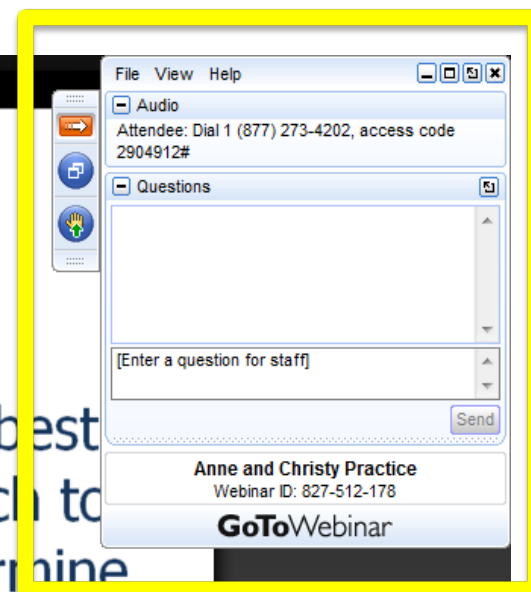
Scaling Up Microfinance

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



Our Presenters

Elaine Edgcomb, FIELD at The Aspen Institute

Leslie Hoffman, FIELD at The Aspen Institute



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What are your concerns?

Effectiveness

Efficiency

Tactics

The Path to Repayment



Goal:

- Challenge what you think you know about collections

Content:

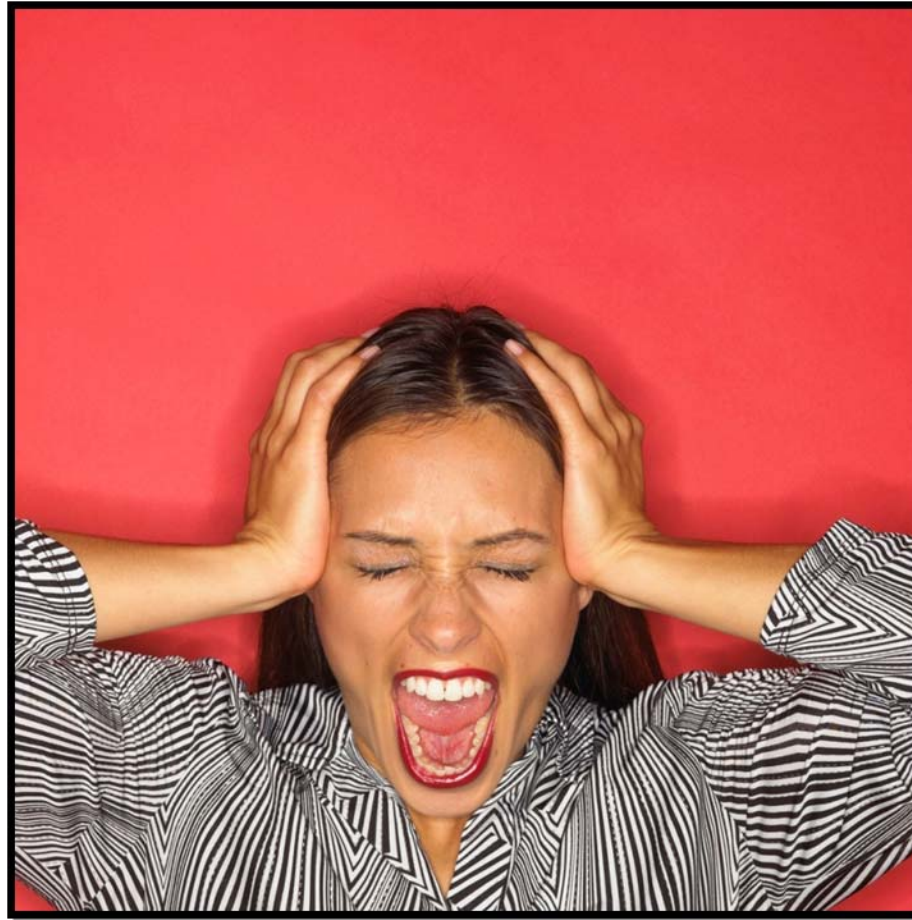
- The psychology of collections through a mission-focused lens
- Practical approaches that can help build a culture of repayment
- Resources and tips for next steps



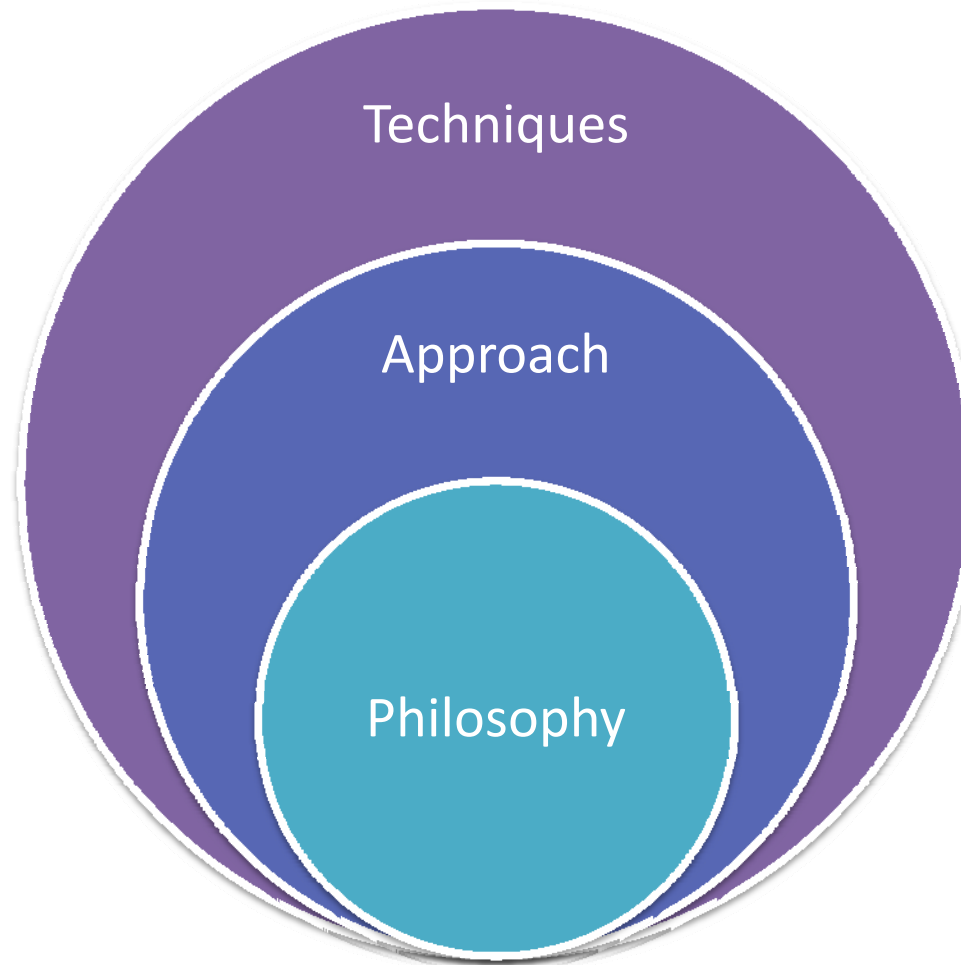
What do you think is the most essential element in a strong collections program?



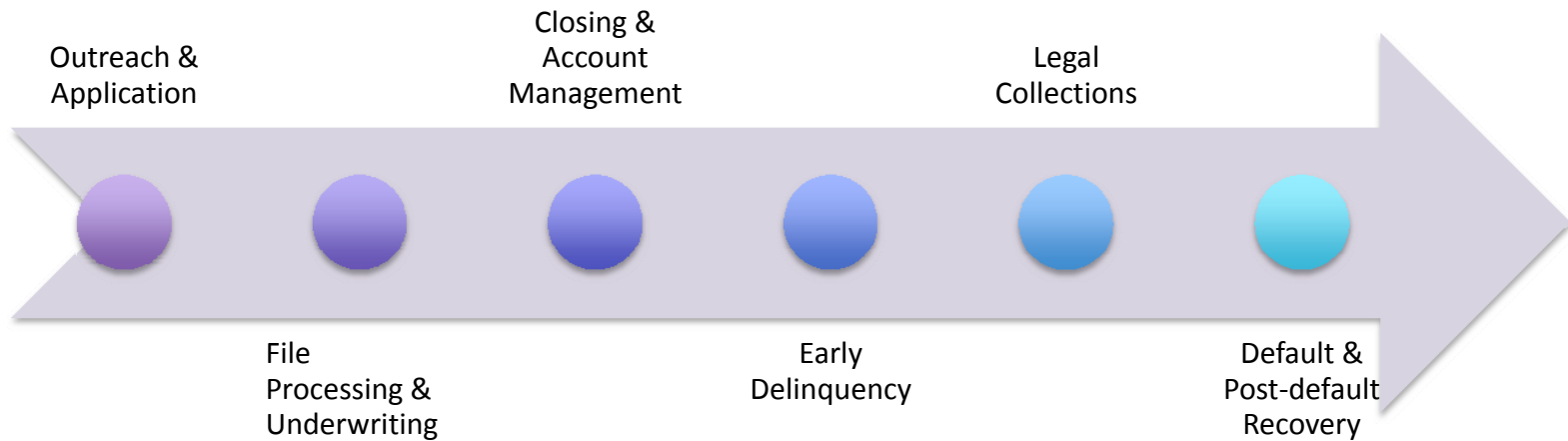
When I say “collections,” you think ...



Philosophy Is Central To Repayment



The Path to Loan Repayment



What area do you think needs the most attention in your organization to ensure repayment?



Our Work Is Our Harbor

- Our mission is **empowerment**.
- Our method is **service**.
- The **magic** is the **change** our clients create in the world.



Collections Is Mission

- It is the most intimate **mission-centered** part of what we do.
- It is the time to deliver the **value** we've promised our clients.
- **How you feel** about this work will show.



Psychology Matters – Especially Yours

Behavioral psychologists tell us:

- Ambivalence and resistance to persuasion are **core human traits**.
- Motivation is formed in the context of **relationships**.
- **No one** is completely unmotivated.
- We tend to believe what we hear **ourselves** say.



Your Approach Brings Mission to Life

- Invest early and often in the relationship
- Ensure staff members have the right tools and ongoing training
- Have fun!



Never Miss An Opportunity to Collect

Marketing

- Messages should support philosophy
- Target clients should be clear

Application

- Offer value in this stage
- Be thorough
- Think about what a collector may need later

Underwriting

- Codified, clear standards
- Regular portfolio monitoring to ensure the right risk parameters

Account Management

- Find multiple ways to be in touch
- Are clients clear about where their account stands?

Customer Service

- What you appreciate in the relationship will appreciate!



Provide Tools and Support

How does your organization define key terms?

Who's collecting and when?

What expertise and resources are available? (i.e. legal, auction, repo, etc.)



Questions?



Do you have a defined collections schedule or protocol that defines who collects on behalf of your organization and when?



Technique 1: The Right Information

- Are you pulling regular reports on the aging of your portfolio?
 - Look for movement between buckets
- Do you know how your client is performing with other creditors?
 - Pull a credit report
- Are you tracking communication?
 - That log is a critical tool



Technique 2: Setting Goals, Building a Schedule

- Follow a schedule/protocol
 - That should start Day 1 of delinquency!
- Schedule activities
 - What are the best times to reach clients?
- Set goals!!
 - No. of calls per day, week or month
 - \$\$ collected per week or month



Technique 3: Making the Call



Remember Psychology in Approach

- People respond to **options**, not obstacles.
- You're sitting in the **wrong seat** if you are arguing for change.
- Help **clients** discover how they can make changes.



Now... what areas do you think need the most attention in your organization to ensure repayment?



Next Steps: Start the Conversation

Explore your personal philosophy:

1. ***Buddy up!*** Reach out to co-workers and explore your personal views and your organization's philosophy around collections.
2. ***Discover*** where there is both resonance and a lack of connection.
3. ***Identify*** changes you can make along the path to repayment that supports a more cohesive approach throughout the client engagement process.



Resources

- **Training:**

- Our trade associations: Opportunity Finance Network, Association for Enterprise Opportunity
- Your state's independent community bank association or chapter of the American Bankers Association (www.aba.com)
- Risk Management Association www.rmahq.com

- **Readings:**

- Motivational Interviewing: Preparing People for Change, Rollnick & Miller, 2002.
- Crucial Conversations: Tools for Talking When the Stakes are High, Patterson, et al., 2002.



Scaling Up Microfinance



Questions?



Scaling Up Microfinance



Additional Resources



CDFI Fund's Virtual Resource Bank

CDFI Fund - U.S. Treasury x

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www.cdfifund.gov/what_we_do/Scaling_Up_Microfinance_Resource_Bank.asp

- 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 SCALING UP MICROFINANCE
WEBINARS IN THE FALL!**

To learn more, 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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