Growing Microfinance to Scale

The Path to Loan Repayment

Offered by Strategic Consulting at Opportunity Finance Network

February 20, 2014

Growing Microfinance to Scale
Webinar Series

• Support the microfinance sector
• Provide webinars to CDFIs and CDFI partners interested in microfinance

INVESTING for Good®
Strategic Consulting at OFN

- Opportunity Finance Network’s Strategic Consulting Practice advances our purpose to align capital with justice. We offer consulting for:
  - Industry Capacity Building
  - Investor Services
  - CDFI Services
- We will provide services within OFN’s areas of expertise, and collaborate with others in their areas of expertise to ensure the best outcome for our clients.

Today’s Expert Presenters

Joyce Klein, 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

Outreach & Application
Closing & Account Management
File Processing & Underwriting
Early Delinquency
Legal Collections
Default & Post-default Recovery

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

<table>
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<tr>
<th>Marketing</th>
<th>Application</th>
<th>Underwriting</th>
<th>Account Management</th>
<th>Customer Service</th>
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<tr>
<td>• Messages should support philosophy</td>
<td>• Offer value in this stage</td>
<td>• Codified, clear standards</td>
<td>• Find multiple ways to be in touch</td>
<td>• What you appreciate in the relationship will appreciate!</td>
</tr>
<tr>
<td>• Target clients should be clear</td>
<td>• Be thorough</td>
<td>• Regular portfolio monitoring to ensure the right risk parameters</td>
<td>• Are clients clear about where their account stands?</td>
<td></td>
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</tbody>
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### 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

- Before the call
- Your opening
- Overcoming objections
- Motivational appeal
- CLOSE the deal
- Follow up

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.
Questions?

Additional Resources
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](http://www.aba.com))
  - Risk Management Association [www.rmahq.com](http://www.rmahq.com)

- **Readings:**
  - Crucial Conversations: Tools for Talking When the Stakes are High, Patterson, et al., 2002.
Upcoming Microfinance Webinars

- **Customer Acquisition – Reaching and Retaining Your Customers**
  - March 27, 2014 @ 2pm ET

- **Upcoming webinar topics include:**
  - Underwriting
  - Grant Messaging
  - Stages of the Lending Life Cycle

To register: ofn.org/growing-microfinance-scale

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Thank You!

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