Road to Repayment: Underwriting and Collections Working Group Experiences

FIELD at the Aspen Institute
Wednesday, Oct. 16, 2013

Scaling Up Microfinance Task Order

★ Offered by OFN through funding by the CDFI Fund, Scaling Up Microfinance is designed to expand the capacity of CDFIs that specialize in microfinance through training and technical assistance focused on:

- Decreasing costs,
- Exploring new products,
- Building human capital, and
- Improving business models
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.

Mentored Working Groups
- Eight groups led by industry experts held conference calls from May to November on microfinance topics including:
  - Collections
  - Customer Acquisition
  - Loan Fund and Credit Union Collaboration
  - Market Research
  - New Product Development
  - Underwriting
- These calls provided organizations with industry knowledge, resources and tools, collaboration opportunities, and next steps to support scaling up microfinance in their organizations.
Agenda

- Intros
- Working Group Overview
- The Road to Repayment Framework
- Underwriting Takeaways
- Collections Takeaways

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Drawing on FIELD's body of work

Who's in the room?
Underwriting Mentored Groups

Goal:
• Provide a collaborative learning experience that enriches your knowledge of underwriting as a component of risk management

Content:
• Case studies from industry and group members on key areas of underwriting success and struggle
• Examination of business model impact
• Reflection on individual and organizational approach

Underwriting Group Participants

Group A
- BOC Capital
- Coastal Enterprises
- New Jersey Community Capital
- Northern Initiatives
- Self-Help
- Women’s Economic Ventures

Group B
- CommunityWorks Carolina
- International Institute CDC
- Innovative Changes
- La Fuerza Unida CDC
- New York University Federal Credit Union
- Opening Doors
- Rocky Mountain Microfinance Institute
Collections Mentored Working Group

Goal:
- Provide knowledge on fundamentals of a strong collections program

Content:
- Learning on entire collections process and the psychology of strong repayment
- Practical tips and tools
- Reflection and actions to improve your collections approach

Collections Group Participants

- International Institute of St. Louis CDC
- Georgia Coastal Federal Credit Union
- Innovative Changes
- La Fuerza Unida CDC
- Pennsylvania Assistive Technology Foundation
Our Compass: The Path to Repayment

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

“The Rub” of Growth and Quality

Transactional
Relational
What did we learn about growing with quality?

- Monitor and manage risk, explore four core areas of credit, market, operational and liquidity risk

- Strike a balance between quantitative and qualitative factors of credit risk

- Practical tools that can help include vintage charts, peer examples
What did we learn about efficiency?

- First think critically about the type of efficiency you want
- Measuring efficiency = cycles times + input/outputs

What did we learn about technology?

- Sketch out a technology framework, using internal evaluation questions as a tool
- Think internally about bottlenecks in your own processes
- Explore available options from third-party vendors
What did we learn about team?

- Trends in the industry include specialization, value hiring, functions that support scale
- Create onboarding for success
- Focus on key technical areas of training for underwriters
- Keep training expertise fresh and offer ongoing support

What Changes Are Group Members Making?
Our Guiding Principle: Collections as Mission

- It’s essential to deliver the value we’ve promised our clients when they need it most.

- It’s what makes collections the most intimate, mission-centered part of what we do.

- How you feel about this work will show.
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.)
What did we learn about outreach and application?

Outreach & Application

File Processing & Underwriting

Closing & Account Management

Early Delinquency

Legal Collections

Default & Post-default Recovery

What did we learn about loan approval and account management?

Outreach & Application

File Processing & Underwriting

Closing & Account Management

Early Delinquency

Legal Collections

Default & Post-default Recovery
What did we learn about managing early delinquency?

Outreach & Application

Closing & Account Management

Legal Collections

File Processing & Underwriting

Early Delinquency

Default & Post-default Recovery

What did we learn about managing late-stage delinquency?

Outreach & Application

Closing & Account Management

Legal Collections

File Processing & Underwriting

Early Delinquency

Default & Post-default Recovery
What Changes Are Group Members Making?

Additional Resources

- Dollars for Dreams: Scaling Microlending in the United States (2010)
  [http://fieldus.org/Publications/DollarsForDreams.pdf](http://fieldus.org/Publications/DollarsForDreams.pdf)
- Surviving the Recession: How Microlenders are Coping with Changing Demand, Risk and Funding (July 2010)
- FIELD forum Issue 23: The Organizational Foundations of Sustainability (2009) on ACCION New Mexico-Arizona-Colorado
- Crucial Conversations: Tools for Talking When the Stakes are High, Patterson, et al., 2002.
Scaling Up Microfinance
Fall Webinar Series

- **New Product Development**
  - Ashvin Prakash and Brenton Peck, CFSI
  
- **Underwriting to Scale**
  - Leslie Hoffman and Luz Gomez, FIELD at the Aspen Institute
  
- **Customer Acquisition-Reaching and Retaining Your Customers**
  - Ginger McNally, OFN and Maria Semple, The Prospect Finder
  
- **Loan Fund and Credit Union Collaborations**
  - Seth Julyan, OFN and Melanie Stern, The Federation
  
- **The Role of Market Research in Scaling Microfinance**
  - Tammy Halevy, AEO

Thank you!

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