

Growing Microfinance to Scale

The Path to Loan Repayment

Offered by Strategic Consulting at Opportunity Finance Network

February 20, 2014

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Growing Microfinance to Scale Webinar Series

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



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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.

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Today's Expert Presenters

Joyce Klein, FIELD at The Aspen Institute

Leslie Hoffman, FIELD at The Aspen
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What are your concerns?



8

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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

9

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

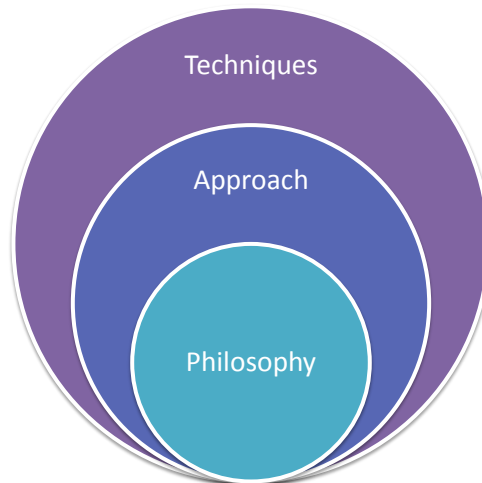
10

When I say "collections," you think ...



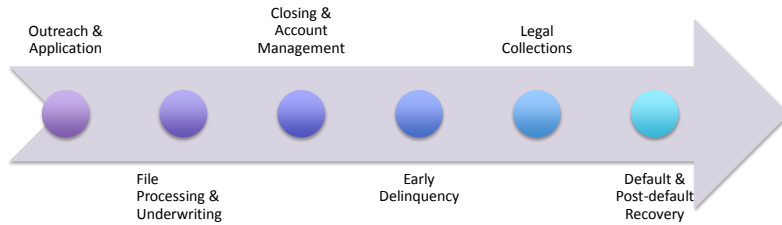
11

Philosophy Is Central To Repayment



12

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

14

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Our Work Is Our Harbor

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

15

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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.

16

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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.

17

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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!**

18

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Never Miss An Opportunity to Collect

Marketing	Application	Underwriting	Account Management	Customer Service
<ul style="list-style-type: none"> • Messages should support philosophy • Target clients should be clear 	<ul style="list-style-type: none"> • Offer value in this stage • Be thorough • Think about what a collector may need later 	<ul style="list-style-type: none"> • Codified, clear standards • Regular portfolio monitoring to ensure the right risk parameters 	<ul style="list-style-type: none"> • Find multiple ways to be in touch • Are clients clear about where their account stands? 	<ul style="list-style-type: none"> • What you appreciate in the relationship will appreciate!

19

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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.)

20

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Questions?

21

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

22

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

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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

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Technique 3: Making the Call



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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.

26

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

27

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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.

28

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Questions?

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Additional Resources

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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.

31

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CDFI Fund's Virtual Resource Bank

Firefox CDFI Fund - U.S. Treasury - Scaling Up...

cdifund.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. Training Curriculum

- Innovative Business Models
- New Products
- Talent Management
- Technology Solutions

II. Training Webinars

- Innovative Business Models
- Talent Management
- New Products
- Technology Solutions
- Loan Repayment

III. Additional Resources

- Microfinance Landscape and Borrower Experience and Need
- Innovative Business Models
- New Products and Services
- Technology Solutions
- Talent Management

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32

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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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