Strategic Growth in Microlending: Analyzing the Core Components of Your Lending Function to Reach Greater Scale

SBA Microloan Intermediary Training

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YOUR FELLOW TRAVELERS

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TODAY’S APPROACH

- Concept
- Large Group Reflection
- Small Group Work
YOUR TAKEAWAY
What does it take to build strength for growth?
5 KEY AREAS TO BUILDING STRENGTH

1. Efficient lending process
2. Effective collections
3. Strong portfolio risk management
4. Effective deployment of technical assistance
5. Proactive grants management system
Staff Structure & Responsibility

- How clear are staff job responsibilities?
- Tension between front line folks and back office/ops folks?
- Structures for regular communication
- Is there an alignment of staff skill sets to job responsibilities?
Institutional Capacity

- Is there full capacity for key positions?
- With growth comes the question of capacity
- Marry your growth plan to your strategic plan
Loan Fund Policies and Procedures

Good ones require **3 ingredients:**

- Commitment of staff capacity
- Development of a work plan with deadlines
- Prioritization by senior management
Where could you improve efficiency first?

- Staff structure and responsibility
- Institutional capacity
- Loan fund polices and procedures
#2 EFFECTIVE COLLECTIONS FUNCTION

- Who does collections?
- When do they collect?
- Is there a clear procedure for them to follow that makes tools and options clear?
- Are you tracking what you do?
- Do you pursue legal channels when needed?
- Do you get (pro-bono) legal help?
EFFECTIVE COLLECTIONS FUNCTION

What is the squeakiest wheel in your collections process right now?
STRUCTURAL ELEMENTS

- Do you have a portfolio quality review process that allow senior management and the Board of Directors to adequately manage the risk present in the portfolio?
- Analytical tools to monitor identified risk areas in the portfolio.
- What reports do they review and how often?
- Do they track areas you know to be risk areas in the portfolio?
STRONG PORTFOLIO RISK MANAGEMENT

RISK RATING POLICIES

- Do you have a written policy?
- A solid Loan Loss Reserve policy reserves against risk, not just delinquencies.
- Do underwriting guidelines align with risk profiles of loans?
- The “old days” are over.
What is one area you think an average Board member needs to know more about in your portfolio quality review process?
EFFECTIVE DEPLOYMENT OF TA

STRUCTURAL ELEMENTS

- Do you view TA as a risk mitigation strategy in tandem with solid underwriting guidelines?
- Does your TA program align to your organizational goals for supporting entrepreneurs?
- Does your post-closing TA program support the portfolio? Performance? How do you know?
#4 EFFECTIVE DEPLOYMENT OF TA

TEAM SUPPORT

- Are lenders still primarily responsible for post-closing TA?
- Do you have good systems for capturing all the TA hours provided to your clients that staff can easily access?
- What skills do TA folks need, and what skills do your folks have?
#4 EFFECTIVE DEPLOYMENT OF TA

Does your post-closing TA program support the portfolio?
PROACTIVE GRANTS MANAGEMENT SYSTEM

- Is everyone clear on roles and responsibilities in this area?
- Is everyone clear on how you evaluate and track your impact?
- Does your program staff have input before grant applications are written to determine scope and deliverables?
- How well does your program staff and accounting/finance staff communicate on progress toward deliverables and report deadlines?
Who on your team could use the most support right now in making your grant management approach more proactive?
BRINGING IT ALL TOGETHER

- Area you could improve first in your lending process
- Squeakiest wheel in your collections process
- One area you think the average Board member needs to know more about in your portfolio quality review process
- Post-closing TA program as a support to portfolio performance
- Staff member or team who could use support right now in making your grant management approach more proactive?
FUNDERS AND ANALYSTS FOCUS ON

✔ Balance sheet strength
✔ Clear risk management strategies
✔ Alignment of measured impact to mission
Thank you!

Questions? Want to follow up?

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