



MicroCredit Enterprises Descriptor

Summary Description:

MicroCredit Enterprises LLC is an innovative, not-for-profit, anti-poverty business venture which leverages private capital to make tiny business loans to impoverished people, mostly women, in developing countries. Without raising a dime of traditional charitable donations, MicroCredit Enterprises leverages the collateral assets of individuals and institutions to borrow debt capital in the United States which is channeled through overseas, locally-run, non-governmental microfinance organizations. The impoverished loan recipients generally have no credit history, no collateral and no formal education, but with microloans they create and build home-based businesses. MicroCredit Enterprises' economic development objective is to reverse the cycle of poverty in economically distressed countries using the tools of the marketplace to provide self-help opportunities to millions of impoverished women and their families.

Comprehensive Description:

MicroCredit Enterprises is a pioneering private sector innovation which leverages private capital to provide microcredit business loans to poor entrepreneurs in developing countries. The special focus is sustainable economic development for families living in extreme poverty.

Microfinance programs in developing countries make loans to poor people, mostly women. They have no credit history, no collateral, no traditional legal loan guarantees to offer and no formal education. With microcredit loans, these women create and build home-based businesses (e.g., making soap, animal husbandry, weaving, etc.). New micro loans (for a 4 - 6 month term) can begin as low at \$25.00 per poor borrower.

Microfinance programs are a proven international poverty reduction strategy. Poor women entrepreneurs have a loan repayment rate of 99%+ in well-managed microfinance programs (MFIs). Yet fewer than one in five of the world's poorest households have access to financial services – a critical requirement for creating and growing cottage enterprises so poor people can feed and clothe themselves.

An overseas microfinance institution (MFI) is like a local small bank with the same challenges and capital needs confronting any expanding small venture but with the added responsibility of serving economically-marginalized populations. Many are creditworthy with proven records of success; some are operationally self-sufficient.

In January, 2006, Credito con Educacion Rural MFI (CRECER) in Bolivia became the first recipient of a MicroCredit Enterprises loan. CRECER has 68,000 women clients, 70% of whom live in the mountainous Andes, with a repayment rate of 99.6% (average client loan is \$185.00). Cumulatively, MicroCredit Enterprises loans have created approximately 13,000 women-owned small businesses.

The core supporters of the MicroCredit Enterprises program are Guarantors. Collateral assets and personal guarantees (not a donation or grant) are pledged to back MicroCredit Enterprises' overseas microfinance loan portfolio. The Calvert Social Investment Foundation provides a \$3 million line of credit backed by MicroCredit Enterprises' innovative guarantee model. Each \$1 million of collateral (which is the minimum required) approximates to up to 5,000 microcredit business loans feeding as many as 50,000 people in the developing world. In the event of an overseas financial loss, each Guarantor bears the loss on an equitable, pro rata basis. Guarantors do not realize a return on the guarantee risk, but do maintain control of assets and receive all investment returns.

The first stage target level for MicroCredit Enterprises is \$20 million of collateral assets, or five percent risk exposure per Guarantor (collateral assets currently at \$9 million). Ultimately, MicroCredit Enterprises will prudently grow to a \$100 million collateral fund (or one percent risk exposure per Guarantor unit of \$1 million).

MicroCredit Enterprises' fiscal stability is further enhanced by the Endowment for Microfinance Sustainability, a \$300,000.00 rainy day fund which operates as a revolving fund to cover temporary cash flow difficulties. The Endowment board includes Paul H. O'Neill, former U.S. Secretary of the Treasury, and Nancy Birdsall, Founding President, Center for Global Development and former Executive Vice-President, Inter-American Development Bank.

MicroCredit Enterprises' economic development objective is long-term sustainability on three levels:

1. Women entrepreneurs have already demonstrated that with a small amount of working capital they can build successful small businesses and repay their loans and feed their children. This achievement is remarkable enough, but in addition:
2. Many local MFIs around the world have not only proven their creditworthiness, but also have achieved operational self-sufficiency. Like the women they serve, MFIs are often able to borrow and repay loans that

serve as expansion capital to diversify their portfolio of poor borrowers. This too is impressive, but in addition:

3. MicroCredit Enterprises and other MFI lenders are proving that they too are sustainable, raising private sector capital and repaying their capital sources.

The full story is told at www.MCEnterprises.org.