

# Microloan Portfolio Management

October 26, 2017



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at the Aspen Institute

*Advancing microenterprise through knowledge and innovation*

# Our Technology



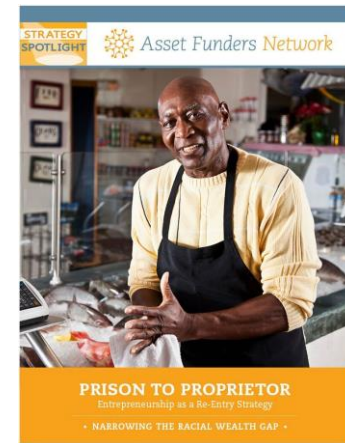
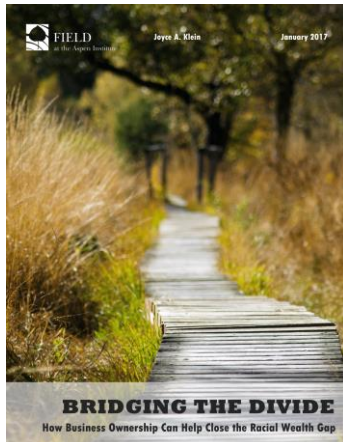
- We recommend you use your **computer speakers** to access audio for the webinar. Alternatively, you can access audio for the webinar by dialing **866.740.1260**, **access code 7381148**.
- Participants accessing audio via their phone line will be muted.
- Participants can ask questions by using the chat window. Please do! Presenters will pause periodically to respond to questions.
- Technology problems:  
Email [Tony.Mastria@aspeninst.org](mailto:Tony.Mastria@aspeninst.org)  
or [Lavanya.Mohan@aspeninst.org](mailto:Lavanya.Mohan@aspeninst.org).
- A PDF of the slides for today's webinar was included in your reminder email and is available on our event page: [bit.ly/MicroloanWebinar](http://bit.ly/MicroloanWebinar).



**Our mission:** advancing business ownership as an economic opportunity strategy.

**To do so we:**

- Build knowledge – through applied research and data collection.
- Strengthen leaders – through peer learning and leadership development initiatives.
- Inform donors – through our research and publications.



# Today's Focus

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## Size

Microloan  
portfolios

Loans of  
\$50,000 or  
less

## Market

Borrowers  
targeted  
by  
mission-  
led micro-  
lenders

# Today's Presenters

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## Leslie Hoffman

- Principal of LEH Consulting Group, a firm specializing in community development
- Former head of lending for NM-based CDFI
- Univ. of NM Anderson School of Management professional faculty

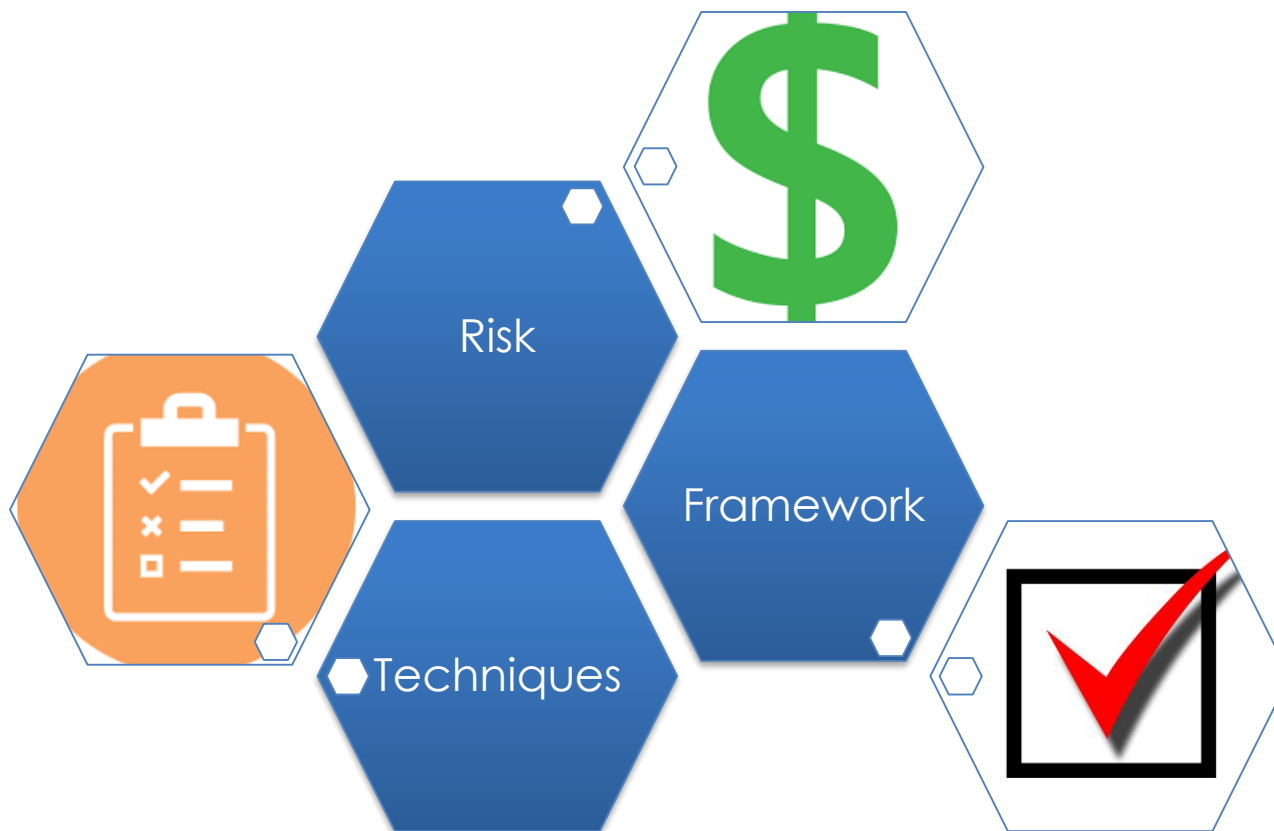
## Barbara Eckblad

- Principal of The Eckblad Group, focusing on CDFIs
- Former head of lending for WI-based CDFI
- Early career in banking; built a successful real estate business before moving into CDFI work

# Today's Journey



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# What We Won't Cover



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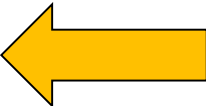
**business loan  
compliance**



# What Do You Think?



What are essential components of portfolio quality management?

1. A documented definition of portfolio risk
2. Clear parameters that reflect your risk tolerance
3. A transparent, replicable method for monitoring risk
4. A feedback loop within the organization to respond to changes in risk levels
5. All of the above 



# Let's Start with You

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**How do you define risk within your organization?**

# Areas of Risk for CDFIs



Credit Risk

Quality

Concentra-  
tions

Market Risk

Market  
Conditions

Target  
Market

Operational  
Risk

Systems

Staff

Liquidity Risk

Sufficiency

Duration

# Credit and Portfolio Risk



Systematic

Transparent

Individuals

Portfolio

Monitored

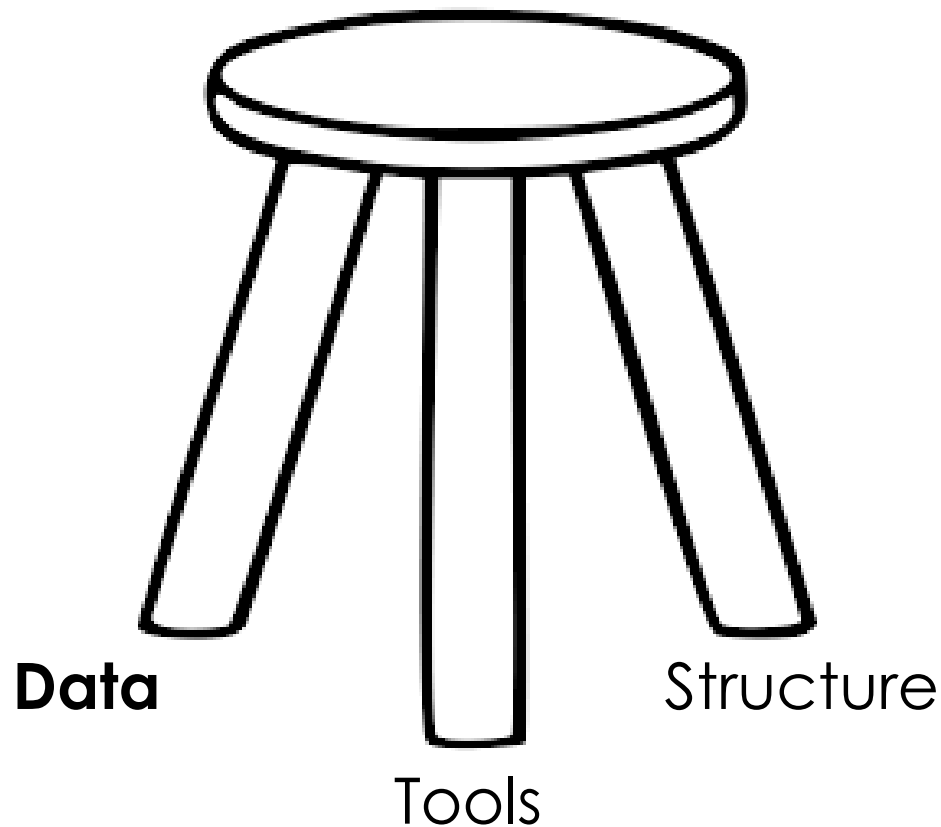
Evidence-based

# The Fundamentals

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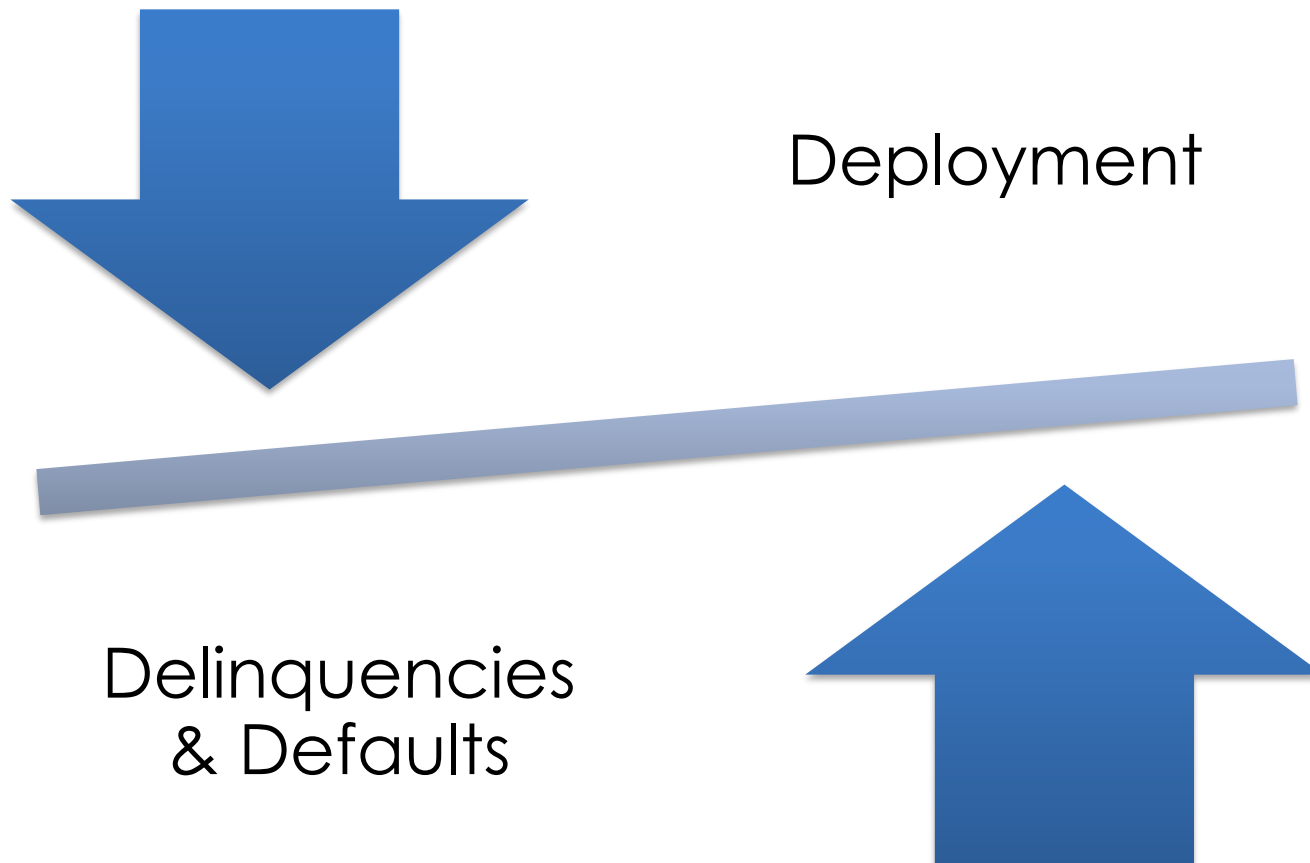
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# The Three D's of Data



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# Understanding Deployment



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Dollars and  
#

By Product

Closed

Disbursed

Capital  
Committed

# Understanding Delinquency



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Aggregate  
PAR and Aging

Restructures

Concentration:  
Industry

Concentration:  
Secured/  
Unsecured

Concentration:  
Geography

# Understanding Defaults



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Specific as  
of Date

12-month  
Rolling  
Trend

Three-year  
historical  
trend

Recoveries



# Quick Check for Questions

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# Let's Check In

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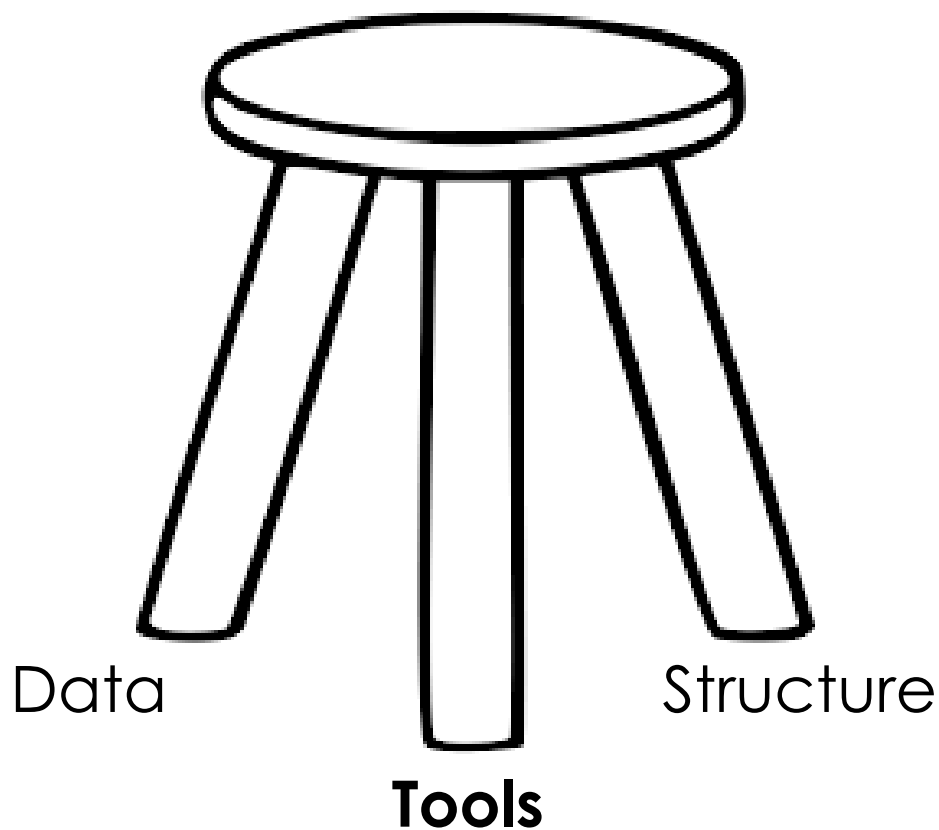
**What portfolio metrics does your organization track consistently?**

# The Fundamentals

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# Making Meaning from the Data



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Set strategic **goals** for program

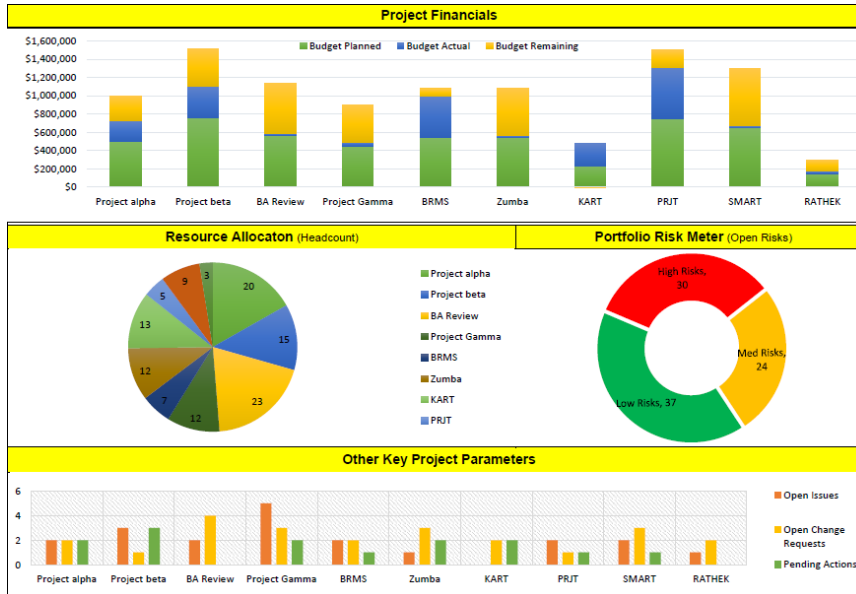


Create operating-level **metrics** for each goal



**Board** approves these metrics

# Tools to Monitor Progress



## 2015 Balanced Scorecard Targets and Performance

Corporate Objective	Indicator	Target	2015 Performance
<b>STAKEHOLDERS' PERSPECTIVE</b>			
Excel at serving injured workers	Worker service satisfaction score	4.20	4.03
Excel at serving employers	Employer service satisfaction score	4.20	4.08
<b>INTERNAL PERSPECTIVE</b>			
Excel at compensation programs and services	Duration of Time Loss claims	35.5 days	38.92 days
Excel at injury prevention programs and services	Total injury rate	6.80%	6.30%
<b>ENABLERS' PERSPECTIVE</b>			
Enhance great relationships	Relationship index	95%	85%
Have a competent workforce	HR alignment index	95%	95.5%*
Ensure effective processes	Effective process index	95%	90%*
<b>FINANCIAL PERSPECTIVE</b>			
Optimize costs	Optimize cost index	99%	89.76%
Ensure financial stability	Funded position	105-120%	144.7%

\*Annual average. All other indicators are as at December 2015.

CDR Defaults		Loss Severity		Ending Balance		Payment #		IRR 4.7500%	Cash Flow \$9,644,511.17	Default Recovery
\$	86,127.82	\$	8,612.78	\$	9,766,437.40	1	\$	186,958.11	\$	-
\$	84,116.11	\$	8,411.61	\$	9,538,378.99	2	\$	182,661.36	\$	-
\$	82,150.80	\$	8,215.08	\$	9,315,521.77	3	\$	178,462.50	\$	-
\$	80,230.82	\$	8,023.08	\$	9,097,805.55	4	\$	174,359.34	\$	-
\$	78,355.15	\$	7,835.52	\$	8,885,112.84	5	\$	247,864.74	\$	77,515.03
\$	76,522.77	\$	7,652.28	\$	8,677,328.85	6	\$	242,135.97	\$	75,704.50
\$	74,732.68	\$	7,473.27	\$	8,474,341.36	7	\$	236,538.29	\$	73,935.72
\$	72,983.93	\$	7,298.39	\$	8,276,040.72	8	\$	231,068.73	\$	72,207.74
\$	71,275.56	\$	7,127.56	\$	8,082,319.75	9	\$	225,724.37	\$	70,519.64

# Good Tools Offer Key Information



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Ability to track and monitor Board-approved metrics over time (actual versus goal)

Provide a window into current performance AND changes over time

Draw attention to gaps

# Exploring Examples



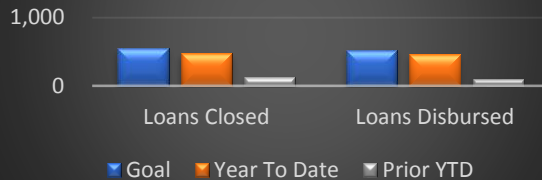
## Community Development Loan Fund Portfolio Management Metrics

Measure	Goal	Year-to-date Performance	Progress: 83% of year complete	Prior Year-to-date Performance
Microloans Closed	550	480	87%	130
Microloans Disbursed	525	460	88%	100
Dollars Disbursed	\$4,200,000	\$3,550,000	85%	\$2,900,000
Active Portfolio	\$7,500,000	\$6,200,000	83%	\$4,900,000
Deployment %	70%	75%	107%	65%
Microloan Delinquency (31+ days)	3%	5%	-2%	4.50%
Restructure Rate %	8%	13%	-5%	11%
Microloan Writeoffs, \$	\$20,000	\$120,000	-\$100,000	\$10,000
Microloan Writeoffs %	1%	1.70%	-0.7%	0.90%
Microloan Recoveries	20,000	\$10,000	50%	\$10,000

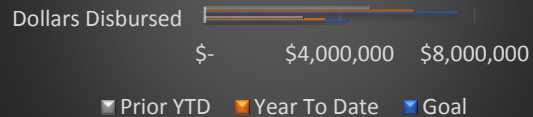
## Community Development Loan Fund

### Portfolio Management Dashboard

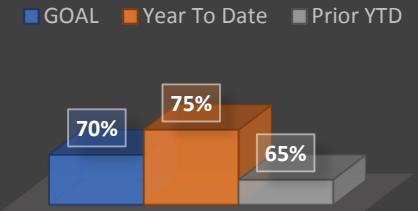
#### MicroLoans Closed & Disbursed 2017



#### MicroLoans Disbursed & Active Portfolio 2017



#### DEPLOYMENT RATE



#### Delinquency 31+ Days



#### Restructure Rate



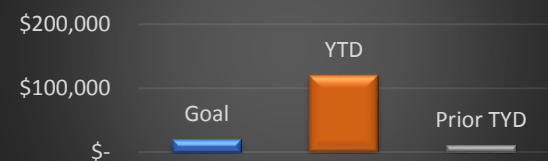
#### Recoveries



#### Write Offs (%)



#### Write Offs (\$)



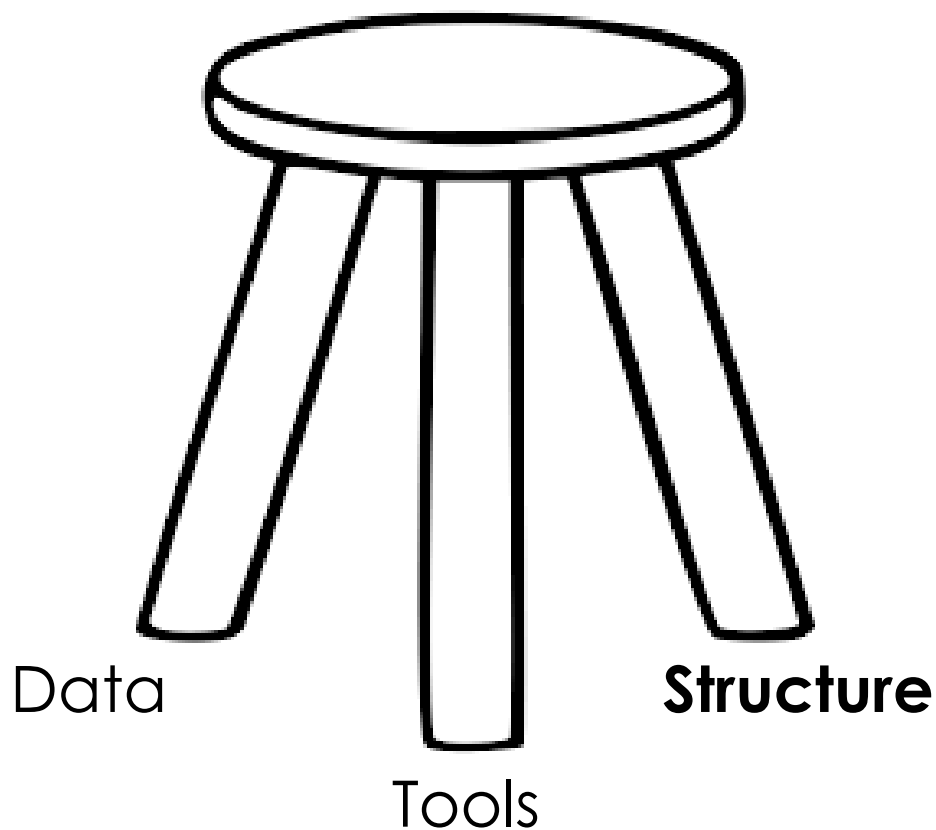


# The Fundamentals

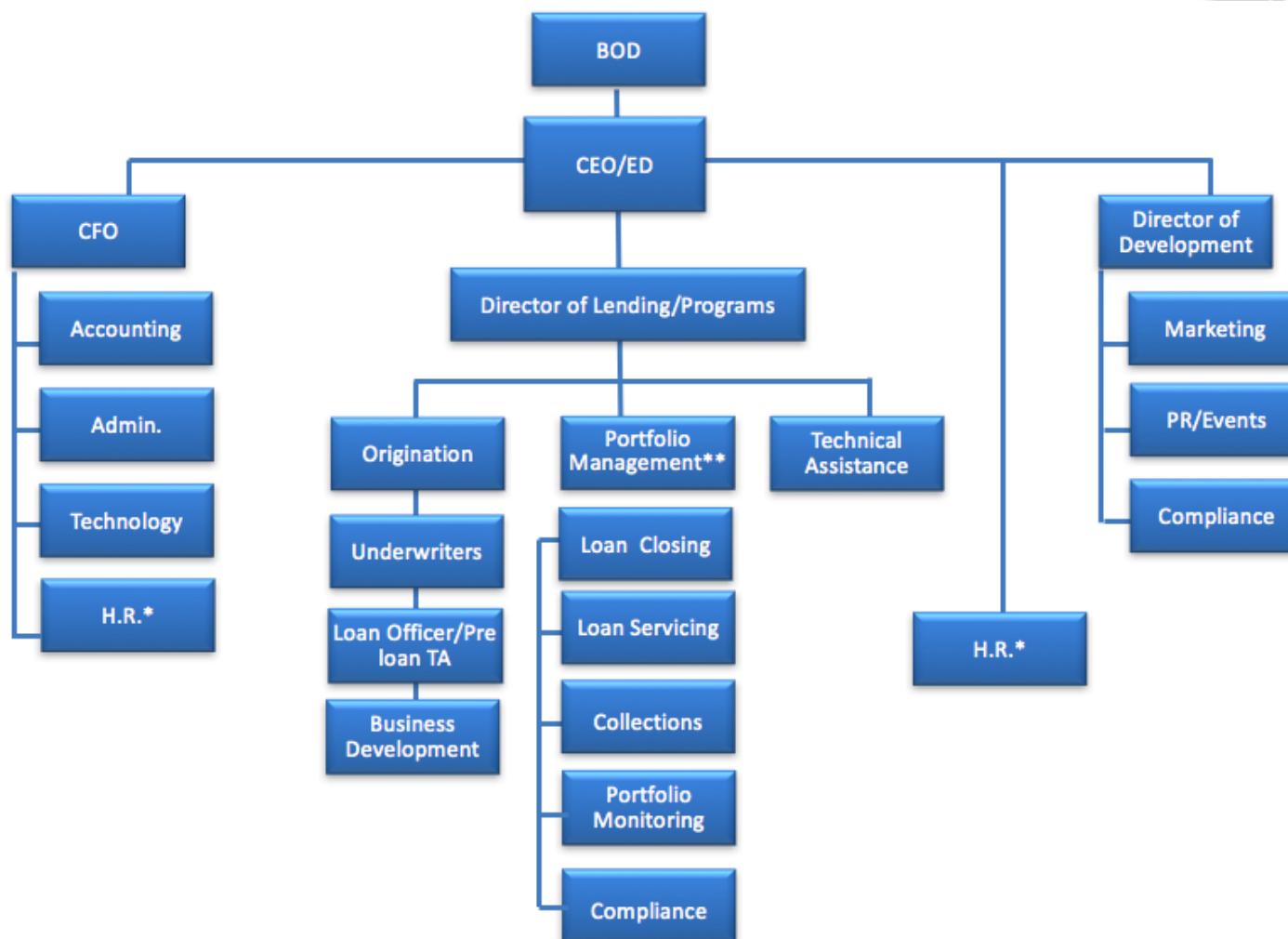
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# CDFI Functional Org Chart



# Feedback Loops



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# Portfolio Quality Review

A vertical diagram on the left side of the slide. It consists of three white circles connected by thin lines. The top circle has a line extending from its top-left, the middle circle from its top-left, and the bottom circle from its bottom-left. Each circle is positioned to the left of a blue horizontal bar containing text.

Monthly Team Review

Monthly Management Review

Regular Board Review

# What Questions Do You Have?

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# Our Reminder



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# Please contribute to the US Microenterprise Census



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The information below represents **FY2015** data from **49 organizations nationwide** reporting as of **April 28, 2017**.

[View metrics definitions](#)

[Customize Report](#)

**69,485**

TOTAL INDIVIDUALS SERVED

**42,639**

TOTAL BUSINESSES SERVED

**\$92.8 MIL**

MICROLOANS OUTSTANDING

GENDER



RACE/ETHNICITY



INCOME STATUS



COST PER INDIVIDUAL

**\$0**

MEDIAN NUMBER OF INDIVIDUALS RECEIVING  
TRAINING AND TA

**210**

NUM. OF LOANS DISBURSED

**6,384**

# Online Census survey



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Lavanya Mohan



## The 2016 U.S. Microenterprise Census

15% Complete

### Microfinance Products and Services

[Go to Section ▼](#)

#### 7 Do you directly provide microenterprise loans up to \$50,000?

☐ Yes ☐ No ☐ Don't Know

#### 8 Please check the other types of microfinancing you offer.

Please check all that apply.

- ☐ NA, we did not offer any other microfinancing
- ☐ Credit-builder Loans
- ☐ Individual Development Accounts (IDAs)
- ☐ Microgrants
- ☐ Microequity
- ☐ Don't Know
- ☐ Other saving services or microfinancing products

#### 9 Please indicate the range of interest rates you charge for your microloans.

Min

Max

☐ Don't Know

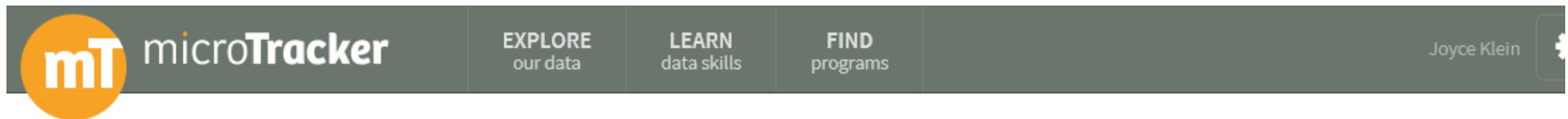
☒ Please enter your response in a percentage format. For example, enter "5" for 5%.



# To report your data



<https://microtracker.org/census/>



## The U.S. Microenterprise Census

The U.S. Microenterprise Census is an online survey that counts and collects data on the microenterprise industry. Microenterprise development organizations across the country report data on the scale, scope, and performance of their activities to the Census every year. The data you report to the Census is a crucial tool to help build the industry and make the case for your work.

[View U.S. Microenterprise Census Survey](#)

Please provide the name of your organization.

Potential matches for your organization may pop-up as you enter the organization name. If you see your program listed, please click on it as this will pre-fill your contact data and ensure your past Census data is connected to this year's Census.

Next

# Thank you for joining us!



- For additional questions on today's webinar:  
[Barbara@TheEckbladGroup.com](mailto:Barbara@TheEckbladGroup.com)  
[Leslie@LEHConsultingGroup.com](mailto:Leslie@LEHConsultingGroup.com)
- For questions/more information regarding the US Microenterprise Census:  
[lavanya.mohan@aspeninst.org](mailto:lavanya.mohan@aspeninst.org)