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Table 3: Basic Working Model: Gainesville Microcredit Program

Money is raised from public and private sources (ongoing)

We select financial institution to partner with; partner institution agrees to underwrite and make the loans

We agree with financial institution on minimum and maximum loan, maximum term of loan, and interest rate

Financial institution puts our money into a CD

We admit entrepreneurs to program (e.g., through GEAP, Working Food, GHA)

We work with entrepreneurs (training, consulting, mentoring) and recommend them for loans

Financial institution makes final decision on granting the loan, works out terms

Financial institution makes loan with their money, uses ours as backstop for defaults; Loans made until full amount of our money is spent; Additional loans depend on repayments

We continue to work with entrepreneur (training/consulting/mentoring) and track progress

Financial institution tracks repayment behavior and informs us of problems/defaults; Borrowers who repay loans become eligible for larger loans