



# Grameen America

Banking for the Unbanked

# Overview

## Mission

Grameen America is a microcredit lender whose mission is to help entrepreneurial individuals, especially women, build credit and defeat poverty in the United States.

*Grameen America provides Banking to the Unbanked.*

## Origins

- Grameen America is built upon the success of the most well recognized institutions in microfinance, the Grameen Bank, founded by Prof. Muhammad Yunus.
- Prof. Yunus and Grameen Bank were jointly awarded the Nobel Peace Prize in 2006 for groundbreaking work in microfinance.
- Grameen Bank has disbursed \$6.75 billion in loans to 7.5 million borrowers, 97% of whom are women.



# Overview

## Vision & Commitment

- Grameen America is committed to the cause of poverty alleviation. It envisions a world free from poverty and hunger, where poverty is a phenomenon of the past.

## Strategy

- Empower the poor to lift themselves and their families out of poverty
- Create self-employment opportunities that allow borrowers to increase their assets
- Use a model based on trust and mutual cooperation
- Be cost-effective and reach sustainability



# The Grameen Group Model



## Grameen Lending & Savings Model:

- Developed and refined over past 30 years by Grameen Bank
- Basis of system is a *Peer Group Model* in which borrowers encourage, support and learn from each other

## How it Works:

- Borrowers are required to start or join a 5-member “Group”
- Groups are organized into Centers, with up to 8 Groups to a Center
- Center meetings take place weekly and are facilitated by Center Managers who are employed by Grameen
- At weekly Center Meetings, Group members learn from each other, make loan repayments, request new loans and contribute to savings accounts
- Peer support system and meeting frequency contribute to successful repayment

# The Need for Grameen America

Grameen America has been created so that people with limited or no access to credit, can use self-employment, a *proven means in the U.S.*, to increase wealth and escape poverty.

## The Need for Effective and Accessible Microfinance in the U.S.

Despite the U.S.'s position as one of the wealthiest countries in the world there are:

- 28 million people who are unbanked
- 45 million people who have only limited access to financial institutions
- 36 million people living below the poverty line. Of those:
  - 20.4 million are women, 13 million of whom are in “deep poverty”
  - 9.8 million are single mothers
  - 8.7 million are immigrants or members of an immigrant’s family

Although there are over 750 organizations in the U.S. which are called microfinance, only 200 actually make loans and almost none have achieved critical mass and are self-sustaining.

# The Need for Grameen America

Grameen America provides an alternative to higher cost lenders.

- The payday loan industry is very large and growing rapidly:
  - Current annual loan volume of more than \$28 billion
  - 99% of payday loans go to repeat borrowers
  - 90% of revenue comes from borrowers who cannot pay off their loans when due
  - 25,000 payday loan outlets
  - 4.2 billion in loan fees paid by consumers
  - Loans range in from \$100 to \$1,000 and the average term is 2-weeks
  - Loans cost on average 400% annual interest (APR)
  - A typical borrower pays back \$793 for a \$325 loan
  - For two-week loans, finance charges result in interest rates from 390 to 780% APR. Shorter term loans have even higher APRs

# How Grameen America Serves Borrowers

## Low Cost Loans:

- Borrowers do not need collateral or credit history
- GA offers a 15% interest rate on loans
  - *Below rates of other microfinance institutions*
  - *A small fraction of the rates of predatory lenders*



# How Grameen America Serves Borrowers

## Savings Program:

- GA helps borrowers build assets for their future and their children's future
  - *All borrowers open a Personal Savings Account with 5% of their loan*
  - *Borrowers deposit a small, fixed amount into their account each week*

# How Grameen America Serves Borrowers

## Credit Establishment:

- GA helps borrowers establish and improve their credit rating so that they can better participate in the mainstream American economy
  - *GA borrowers develop a record of success through repayment of loans*
  - *Partnership with Experian, a credit reporting agency*



# Key Strengths

## Full implementation of Grameen Model

- **Grameen lending model one of the most recognized methods in microfinance**
- **Board leadership**
  - Professor Muhammad Yunus
  - Professor H.I. Latifee (MD, Grameen Trust)
  - Vidar Jorgensen (President, Grameen America)
- **Pilot managed by SVP, Shah Newaz**
  - Over 25 years experience at Grameen
  - Implemented microfinance programs in Bangladesh and the Dominican Republic

## Pilot Program in Queens, NY well underway

- 175 borrowers
- \$480,000 disbursed in loans
- \$50,000 in savings generated
- 100% repayment rate

# Key Strengths

## Loans supporting a range of income generating activities:

<b>Loan purpose</b>	<b># of Loans</b>
Salon accessories	18
Clothing & undergarment sales	15
Cosmetic & facial products sales	11
Women's accessories (jewelry, purses, etc.) sales	12
Optical products sales	5
Tailoring services & sewing equipment	7
Baked goods & food products sales	4
Cleaning supplies, equipment & services	4
Handicraft manufacturing & sales	3
Taxi registration	3
Bedding sales	2
Health product sales	2
Advertising	2
Gift baskets & floral arrangements services	2
Equipment for transportation services	1
House renovation for computer consulting & other services	2

# Grameen's Impact

**Grameen's impact is well-documented. Through its programs in Bangladesh and 38 other countries, it has had made a significant impact on the lives of the poor. Grameen America expects similar outcomes for its borrowers.**

## Impact

- Creation of self employment opportunities, resulting in increased income for the poor
- More active decision making from female borrowers, both in business and in the household
- Increased level of confidence among the borrowers
- Strengthened group solidarity and social integrity
- Awareness about the rights of women and children and the importance of education and family health care
- Increased level of savings that better prepares borrowers for the unexpected
- Ability to grow business through the availability of larger loans (microenterprise loans)

# Strategic Objectives

## Build Grameen America into the preeminent microfinance organization in the United States

- Establish and extend the work of the organization, geographically and programmatically, after establishing Best Practice with the Queens pilot program.
- Raise \$50 million in grants, equity and debt financing over five years to fund the work of Grameen America in New York and then \$6 million for each additional target location.
- Effectively communicate Grameen America's accomplishments and share its overall strategy for the future among all of its constituencies.
- Attract top leadership and sustained support for Grameen America's mission.

# Contact Information

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