



NEOFIN FOUNDATION
MICROFINANCE

APPLY FOR A LOAN

An excellent way to help poor people

High engagement:

NeoFin has a close, hands-on relationship with the social entrepreneurs and ventures it supports, driving innovative and scalable models of social change. Sometimes it may take board places in organisations, thus it is then far more intimately involved at strategic and operational levels than are traditional non-profit micro credit funders.

Multi-year support:

NeoFin can provide substantial and sustained financial support to a limited number of large projects and organisations. Support typically lasts at least one to three years, with the aim of helping the project or organisation to become financially self-sustaining by the end of the funding period.

Performance measurement:

NeoFin investment is performance-based, placing emphasis on good business planning, measurable outcomes, achievement of milestones and high levels of transparency, financial accountability and management competence.

Lending conditions

Term

The fund's investment decisions are based on reasonable expectations and medium-term returns. Projects must follow three main principles:

- have a significant social impact,
- attain a level of financial autonomy,
- target a large market as defined by the Base of the Pyramid rules. This concept helps companies identify the market potential of low-income demographic so that they can adapt their offer to meet this population's needs and demands.

The duration of the loan in general is from six months to a maximum of three years. Investments are often recommended for renewal at maturity if the partner is performing well. Short-term credits (less than one year) for organisations' projects are only granted in the context of a longer running business relationship.



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Interest rate

The interest rate depends on the nature of the project, the loan, the currency in which the loan is granted, the risk degree of the financing, the guarantees provided and the situation in the financial market. For loans in €, the annual interest rates can vary from 7%-15% based on the outstanding balance, risk involved, and the situation of the international currency markets; the annual Peso interest rates are dependant on the volatility of international currency market. We do however utilise hedging where we can.

Currency risk

When providing funds to an MFI in the form of loans, three parties can take on the currency risk:

- NeoFin if we lend Peso to the MFI.
- The MFI if it borrows in € and lends to a micro-entrepreneur in Peso.
- The micro-entrepreneur him- or herself if he or she borrows in € to invest in an activity-generating Peso.

Of these three parties, the micro-entrepreneur is certainly in the worst position to manage currency risk. The MFIs we target have normally not yet developed sophisticated asset-liability risk management strategies in order to manage currency risks.

Therefore NeoFin intends to provide loans in local currency whenever we are in a position to manage the associated risks; hedging is one of the options we will apply.

To sustain growth and protect clients, MFIs like any other financial institution need to be appropriately capitalised. Raising equity from external investors is often a key challenge for smaller MFIs, but vital to attract loans and eventually reach the capitalisation necessary to convert into a deposit-taking institution. NeoFin intends to invest a large part of its portfolio in the equity of such institutions.

Administrative costs

Upon realisation of the loan, a one time non-refundable administrative fee will be levied.



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Guarantees

With the exception of some private individuals, NeoFin requires guarantees for the provided loan facility. This forms part of the negotiation process with the applicant. NeoFin accepts amongst others the following guarantees:

- bank guarantees
- pledging of deposits, bonds, etc.
- mortgage
- institutional guarantees

Financing application procedure, and application form

Criteria for financing applications

Below are the guidelines on how to file your funding application. Kindly read these guidelines carefully before you send in your application, in particular if you have not had prior dealings with NeoFin.

The application should come from an organisation officially registered at the SEC in the Philippines.

1. Applicants should fit in with NeoFin's policy and methods
2. Organisations filing an application should adhere to NeoFin's criteria
3. Procedure
4. Content of the application

1. Applicants must fit in with NeoFin's policy and methods

NeoFin only finances applications that match our mission and policy.

NeoFin's primary instrument is financing individuals and organisations whose objective is the alleviation of poverty and social (re)construction.

By applying for a loan it does not imply that your proposal will meet our approval.

2. Organisations filing an application should adhere to NeoFin's criteria

NeoFin has requirements that partner organisations need to meet by possessing certain qualities. Our experience has taught us that these qualities are crucial to securing successful and sustainable results.

3. Procedure

NeoFin's credit committee will assess your application according to the mentioned criteria, and the quality of the application. Applications that do not fit the criteria will not be considered, and will then receive a letter of rejection by e-mail.



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Once your application is accepted, NeoFin will initiate a process to deepen our acquaintance, either by airmail post, e-mail, or during a personal meeting. Additional information may be required, joint approaches can be discussed, issues requiring further clarification may be dealt with, and conditions outlined. When all the information is completed and the conditions are clear, NeoFin will take its final decision, either resulting in a contract or a rejection. The process of acquiring the necessary supplementary information can take time; it is therefore advisable to apply six months before your envisaged starting date.

4. Content of the application

With the exception of completing the application form and e-mailing it to financing@neofinfoundation.org, NeoFin does not have a standard format for applications. Having completed our application form, you may further formulate your application to suit your own organisation's criteria. However, NeoFin requires certain specific information to underpin its funding decisions. This should include general information about your organisation including your business plan for the coming period.

We therefore request that you include these aspects in your application:-
Elements and criteria to be included in your funding application in the form of an e-mail attachment:-

Information about your organisation

1. Mission statement and objectives of the organisation
2. Views on political and socio-economic context (regional/local and national) and which kind of role your organisation plays in this?
3. Organisation's position in local society (incl. collaboration with others)
4. Summary of the activities organised by the organisation if the proposed plan does not cover all of the organisation's activities
5. Organisational structure (incl. information about board and staff – gender specific)
6. Information about the way in which the target group is represented in the organisation
7. Planning, monitoring and evaluation system
8. Financial position, financial policy and financial management of the organisation (incl. existing sources of funding) for the past two-three years
9. History and track record (what has the organisation done and achieved up until now)



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Information about your plan of action for the coming period

1. Analysis of the existing situation, risks and opportunities in the working area in relation to the proposed plans
2. Characteristics, size and location of the intended target group (gender specific)
3. Long-term objectives of the plan of action (what kind of change do you ultimately hope to achieve in the situation of the target group)
4. Expected results at the end of this period
5. Strategy (how are the objectives to be achieved, how is sustainability safeguarded)
6. Start and end date of the proposed plan of action
7. Financial plan and financial policy for the period covered by the plan, with a minimum of a two years forecast
8. Long-term budget broken down by activities (programmes/categories) per year in PHP-Peso, including the contribution/financing requested from NeoFin and others

Your request should be accompanied by the following:

1. Articles of Association/Charter of the organisation
2. Annual accounts for the last two (2) years (if available or otherwise the most recent financial report) plus audited reports from the past two (2) years
3. References

4. Name: _____

Address: _____

Postal/zip code: _____

City: _____

Region: _____

Contact Person: _____

Telephone: _____

Fax No: _____

Mobile No: _____

SEC-Securities and Exchange Commission registration No: _____

Date on which the organisation was incorporated: _____

Type of organisation (MFI, SME, Cooperative, Rural Bank...): _____

By applying for a loan it does not imply that your proposal will meet our approval.

Please limit your total application to a maximum of 20 pages and attach it along with your completed application form preferably by e-mail to financing@neofinfoundation.org; alternatively post it by registered Air Mail to:

NeoFin Foundation,
De Waard 85
NL-1851 RC Heiloo
The Netherlands

