ESEF: Micro-credit Lending Models

1. Direct Lending
   - ESEF directly offer small loans of $2000 or less.
   - Contract covenants ensure monthly repayment and flexibility in case of financial difficulty.
   - Borrowers would contribute a future cash flow % toward a community fund.

2. Lending Circles (1)
   - Number of people = contract duration in months.
   - Builds the members' credit history for duration of contract.
   - ESEF acts as intermediary and regulates the money leaving the account.
   - Model formulated by Mission Asset Fund (MAF) based in California.
   - A group of people collaborate to lend money to each other through zero interest loans.

3. Sponsorship
   - ESEF would directly connect angel investor to entrepreneur borrower.
   - Contract intermediary establishes controls and creates contract.
     - ESEF would act as mediator, contractor and risk manager between parties.
     - Periodic progress reports submitted and scheduled loan payments in monthly installments.

4. 5-15% Withhold Model (2)
   - ESEF would provide small loans of $2000 or less.
   - Holdback 5-15% of loan with stipulation that withheld portion will be given to borrower upon full repayment of loan.
     - Invest held-back capital and use cash flow to cover administration costs.
     - Provides motivation for repayment in a more risky investment.

ESEF: Incorporation Steps

1. Articles of Incorporation
   - Definition: Article of Incorporation
     "The document that a firm files with state authorities when establishing a corporation. This document contains the firm’s name and address, the type and amount of stock to be authorized and issued, the type of business activity, a delineation of corporate powers, and other information." (3)

2. Define Business Structure
   - Use strategy map to outline business structure and insure alignment with goals.
   - Administration and Membership
     - Form executive board, define members' roles, and define relevant skills/duties.

3. a. IRS Tax Exemption
   - Approval process can take anywhere from a few months to a few years.
   - Use concise language and work with legal counsel to streamline process.

3. b. Register with State Government
   - Nonprofits must register with the state government in order to fundraise or do business
   - This can be done simultaneously with tax exemption filing and take less time.

4. State Charity Bureau Registration (4)
   - Charity Bureaus supervise charitable organizations and their fundraising activities to ensure proper use of funds and protect public interests.

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Citations

2. Formulator and Designer of the 5-15% lending model: Mr. Paul Atkinson, Instructor with Department of Economics at University at Buffalo.
5. ESEF Founding Members and Board of Directors: Dr. Hodan Isse, David Ehrenreich, Richard Shauffler, Adrian Lessape, Ruth McCoy.