

Microenterprise: Is It a Business Opportunity?

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Citi Microfinance



Banks vs. CDFIs – Shifts in Credit Availability



CDFIs have an increased role as credit tightens due to

- Have become the **core instrument** into the community for economic development in the US.
- Serve as the **link** between the bank and the community
- Are now the **key partner** for banks to reach small-businesses during the current economic downturn

Economic Waves



The New
Financial Services Partnership

Underserved Markets – Opportunity for Partnerships Citi

By providing necessary products and services at a fraction of the costs to consumers, CDFIs offer responsible alternatives to high cost check-cashing services and payday lenders who prey on uneducated borrowers.

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A significant part of our local economy and employee base will be reached by a new local lending model

- And then, there are the other product needs a bank can offer:
 - Business deposits and other products such as:
 - Savings
 - Wires
 - Credit such Business Credit Card
 - Employee products to offer as benefits through your organization to both employees and individual clients:
 - Employee deposit accounts
 - Client deposit accounts
 - Credit cards for both

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Benefits for CDFIs for Bank Partnerships Citi

In addition to their own work, many CDFIs also partner with mainstream financial institutions to help expand the mainstream institution's lending and services to underserved markets.

- **Liquidity:**
 - Typically there is no secondary market for CDFI assets
 - CDFI's often face funding shortage

- **Leverage:**
 - CDFIs bringing capital to underserved sector tolerate higher risk in general
- **Access to Financial Expertise:**
 - Use the professional experience of the sector
 - Use of the technical systems and platforms in banks
- **Season Borrowers for Graduation into Traditional Sector:**
 - Bank Portfolio Purchase Programs
 - Clientele "graduate" from CDFI organization to mainstream banking

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Why Citi Partnered with ACCION Texas citi

Three Key Drivers of the Acquisition Partnership

- 15 year relationship and strategic partner
- Underwriting discipline; repeatable, proven low loss rates overtime, criteria that offsets credit scores
- It was a business deal, both sides needed a fair return
- Organizational management and financial soundness
- Organizational strategy – moving to sustainability and scale

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Strategic Portfolio Partnering citi

Citi innovated a new, sustainable methodology for funding the industry through the acquisition of microfinance portfolio

- **Citi's deal with Accion Texas first in the US**

- Structured to meet both parties ROE
- Key component is the sharing of risk and profits

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Thoughts on Partnering

- Educational and incubation grants
- Leverage the Accion Texas platform accessing some of the Citi capital
- Build a direct relationship with Citi

Which method of partnering meets the goals of your organization?

Does anything you have heard offer incremental opportunity?

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Conclusions

- Choosing the right partner in your community
- Create a strategy that makes sense for your organization; community, business development, risk and of course scale and sustainability
- Ensure the partner organization shares the strategy and growth plans
- Ensure they can help deliver other products needed by your clients
- Strong operational and credit processes and standards are critical

Next Steps

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