



## **CLIENT PROTECTION CERTIFICATION**

*Report Fundación Mundo Mujer*

*Popayán, Colombia*

*Certified in September 2013*

**Mission Conducted by MicroRate**

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## Selected Examples of Practices

*“Certified financial institutions have demonstrated their commitment and practice to treat the people they serve fairly. They contribute to a microfinance industry that prioritizes client care.”*

*- Isabelle Barrès, Director, the Smart Campaign*

This document was prepared by MicroRate, a licensed certifier of the Smart Campaign’s Client Protection Certification Program. It contains excerpts of analysis from a certification mission conducted at Fundación Mundo Mujer. Fundación Mundo Mujer became client protection certified in September 2013.

Certification missions entail a streamlined desk review of institutional policies and procedures followed by an on-site due diligence visit that includes extensive staff interviews and focus group discussions with clients. The certifier looks for evidence of adherence to the [Client Protection Principles](#) as evidenced by meeting [standards](#) associated with each principle in institutional policies, procedures, systems, organizational culture and staff behavior. In order to become certified, an institution must meet all of the client protection standards. Only organizations that pass certification will be made public. Certification status is valid for up to two years, after which an institution must undergo a new certification mission.

This summary presents selected excerpts from the certification mission analysis, which in total covers 30 standards of care. The evidence presented is not exhaustive but rather meant to illustrate what the certification standards of care look like in practice and to highlight specific practices by this institution. We encourage readers to reference the [client protection standards](#) when reading this report. For more information about the certification program and a list of certified organizations please visit the Smart Campaign’s website <http://www.smartcampaign.org/certification>.

If you have any questions or concerns about this report please contact:

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## Selected Examples of Practices

### Client Protection Principle 1 – Appropriate Product Design and Delivery

- Provides financial products that fit their target customer profile . It has specialized credit policies by product in which the payment method specified under the client's revenue stream .
- Seek continuous improvement and adaptation of its product offering, by collecting customer information. Surveys carried out with exiting clients, focus groups and random calls are made to ensure customer satisfaction .

### Client Protection Principle 2 – Prevention of Over-indebtedness

- Has policies and procedures to protect the client's from over-indebtedness.
- Conducts an adequate payment capacity analysis for any transaction (new and recurrent). Shows good data analysis by the loan officer and a standardized application of the credit methodology.
- Usage of the credit bureau and a good incentive system for staff minimize the risk of over-indebtedness. .
- Resulta prudente contar con un amplio ratio de cuota/flujo disponible (60%), lo que otorga a la entidad un margen razonable para responder ante cualquier eventualidad en el contexto o que pueda suceder al cliente.
- Presents outstanding portfolio quality (PAR > 30 of 3.25% and a write off ratio of 0.9% as of June 2013), an aspect that is constantly monitored by the different areas of the FMM.
- FMM is prudent to have a wide ratio of installment / disposable income (60%), which gives the institution a reasonable margin to respond to events in the context or client emergencies.

### Client Protection Principle 3 – Transparency

- Provides a payment schedule and detailed payment plan to each customer stating all the costs charged that make up the loan installment (interest rate, fees, insurance). It all fees and commissions charged are specified, showing the real cost of credit.
- There is good communication and explanation to the clients about the conditions, characteristics and collections practices. This is reinforced at every point of customer contact. For example, at the time of loan application, signing the contract, and during loan disbursement at the counter. Additionally, the operating assistant is authorized to provide credit pricing information to the public. The communication service is very good, made in a clear, simple and easily understandable language.
- In spite of not being a regulated organization, the organization discloses their interest rates and additional loan costs on their website, in their offices and in flyers.
- Fundacion staff receive training that highlights Customer Service and the development of a service-oriented culture. In this sense, it is important to underscore that all staff have the capacity to adequately respond any doubt or question by a customer.

## Selected Examples of Practices

### Client Protection Principle 4 – Responsible Pricing

- The interest rate charged by Fundación Mundo Mujer is responsible with clients and competitive. The nominal cost is lower than the Interest Rate Cap in Colombia (51.18%), and also lower than the MicroRate average for individual methodology providers in Latin America (49.9%).
- The organization presents excellent efficiency ratios (16.7% average OER as of June 2013), placing itself as one of the most efficient in the industry (21.3% MicroRate average for Colombia), this allows the institution to price its products without affecting their operational sustainability. Operating expenses per client (US\$153) and clients per loan officer (277) are comparable to the industry averages (US\$212 and 286 clients per loan officer, respectively).
- The institution does not charge penalties for prepayment.

### Client Protection Principle 5 - Principle 5 - Fair and Respectful Treatment of Clients

- Clients are well treated at FMM, the institution has formal policies to highlight this, which include the issue of non-discrimination. This factor is considered to be one of the pillars of the organization.
- There is a good collections process which contains a list of adequate and inadequate practices made clear in the document “Principles of Friendly Collections” and “Customer Service Guide”, which are given to all operational staff.
- Human Resources processes are aligned with good Customer Service. The institution verifies new staff for their capacity to uphold the work ethic of the foundation. It does not discriminate any candidate. All staff is trained on the code of conduct and staff book of rules and they are informed of the consequences in case of non-compliance.
- The FMM perform annual performance reviews. Immediate supervisors review ethical conduct, employee performance and customer service.
- Refinancing information is accessible to the clients and published on the webpage. It is not applied discretionally by the FMM staff. The institution trains its front end staff in order to work with clients in case there is a need to offer a refinancing or a restricting to special cases that require one.

### Client Protection Principle 6 – Privacy of Client Data

- FMM has mechanisms to safeguard client information, uses a system that supports and provides security to transactions. Data is continuously digitized and is currently being migrated to an MIS that is more robust in security aspects.
- Contract clauses (promissory note) are in a simple language and are short (one page). The contract includes a privacy and confidentiality of information clause. The policy on Data Privacy Protection is published on the website and reinforces this commitment.
- There is a privacy policy at FMM which is communicated and explained to all institutional staff. Staff is trained on adequately communicating that information obtained by the institution will be used during the credit process.
- Clients sign an authorization agreement so that the FMM can use their data in order to verify their payment history at a Credit bureau and that it may also be used for commercial purposes.

## Selected Examples of Practices

### Client Protection Principle 7 – Mechanisms for Complaint Resolution

- FMM has mechanisms to solve client requests, complaints, grievances and suggestions. The institution lets customers know about these mechanisms and directions for its use in different communications materials located in the branches.
- All operational staff has a customer service manual, which details how to deal with customer complaints, grievances, requests and suggestions.
- There is a formal plan to deal with customer feedback that reiterates how important this issue is for the institution. There is continuous monitoring and management of the processes. In addition it is positive that the institution has a complaints and suggestions committee.
- Client feedback is used to strengthen the FMM's products, credit process, and Customer service. For instance the Foundation uses focus groups periodically in order to measure client satisfaction with regards to products and services. They have received compliments for having outstanding results in their analysis of agricultural loans. Additionally, there have been improvements in the infrastructure of branches at the request of clients.