



CLIENT PROTECTION CERTIFICATION

*Report for Crédito con Educación Rural - CRECER
La Paz, Bolivia*

Certified in January 2014

Mission Conducted by Planet Rating

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 Planet Rating, a licensed certifier of the Smart Campaign’s Client Protection Certification Program. It contains excerpts of analysis from a certification mission conducted at CRECER. CRECER became client protection certified in January 2014. CRECER is an institution that provides financial services within an integrated development services framework.

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>.

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Client Protection Principle 1 – Appropriate Product Design and Delivery

- CRECER makes many efforts to learn the customer's opinion. The institution implements several tools such as market research surveys, focus groups, surveys, pilots, internal and external studies with clients to assess the outcomes and impacts of their services. The result of these validate and influence the design and / or form of delivery of services .
- CRECER has a policy on appropriate guarantees including the main guidelines (registration, valuation, etc.). Moreover, in practice the vast majority of loans are granted with social guarantees such as the Village Banking. Credit counselors are required to explain the role of guarantees from promoting credit.

Client Protection Principle 2 – Prevention of Over-indebtedness

- CRECER has implemented a credit methodology relevant to the village banking. In fact, the steps for forming the groups and the strength of the joint guarantee, based on the moral character of members, important to CRECER in this methodology.
- CRECER verifies its clients' level of indebtedness in an internal credit bureau as it also uses an external credit bureau, as a first step they look at the group information and then filter the members prior to disbursement CRECER. Similarly, for individual loans credit information from the credit bureau is reviewed
- The individual lending methodology considers an assessment of the clients' payment capacity, where expenses and income of the family unit are evaluated. It also takes into consideration actual and potential debt as well as collateral and credit cards and have set limits to leverage customer. This assessment also applies to the guarantor. The evaluation is done in the field by the loan officer.
- CRECER has implemented several mechanisms that promote the proper application of the methodology: adequate socialization through induction and Loan Officer trainings, Credit Committees, Loan Officer evaluation system, portfolio turnover or mandated holidays or leaves where officer portfolio is reviews, client visits and folder review by the Internal Audit and Risk Departments as well as an evaluation of consolidated monitoring reports at the customer level.

Client Protection Principle 3 – Transparency

- CRECER has visible signs installed on their branches with product price tables, where the interest rate and total cost of credit for products are detailed. Similarly, they have published their prices on the website.
- CRECER provides customers information so they make an informed credit decisions. The institution is committed to customers being well informed about credit conditions. For individual loans, the client receives the loan contract, the credit-life and life insurance policies as well as a detailed payment plan that establishes the payment dates, amount, term and APR. In addition, major credit conditions are read and clients are provided time to make inquiries before and after signing the contract. For Community Banking, prior to disbursement information meetings, all members of the group are explained all conditions and prices for external and internal loans, savings rates, the joint guarantee and micro - insurance. In addition, the board of the grupo receives an overall payment plan that establishes sets the date, amount, term and APR composing each installment as well as the savings rate. While each member receives an individual payment plan with the respective detailed APR. Also, this plan contains a space to complete the amounts given as voluntary

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savings. In the case of internal loans, each group member receives a contract that includes all conditions and payment plan of said loan

- CRECER has made efforts to simplify the terms of the printed documents, including credit agreements. Contracts are 3 pages long and details the major credit conditions using a language simple enough for the customer.
- CRECER participates in the MFTransparency Project in Bolivia and publishes its prices.

Client Protection Principle 4 – Responsible Pricing

- CRECER's prices are non-discriminatory in terms of ethnicity, gender, disability, political affiliation, sexual orientation and religion.
- CRECER has made the decision to avoid excessive profit margins and progressively reduce their prices, as part of its current Strategic Plan. This is reflected in the decrease in ROA from 5.1 % in 2010 to 2.7 % in 2012, in line with the national average of 1.89% in December 2012. In addition, profitability is monitored in monetary terms, setting a reasonable for reinvestment in the institution's growth and adaptation to new regulatory requirements.
- CRECER has managed to maintain a reasonable level of profitability by reducing operating expenses (26.9 % in 2009 to 17.7 % in 2012) generated by economies of scale. However, it is still above the average of the market including regulated institutions (14.69 % to Dec.12) since these institutions do not use technology village banking and even IFDs are not as invested in village banking technology (65.3 % IF Village banking customers vs. CRECER's 87%).
- Employee productivity (138 clients per employee at December, 2012) and credit counselors (323 clients per adviser) of CRECER is better than the national average (71 and 200 to Dec.12 , respectively). In addition, the operating cost per borrower CRECER (145 USD) is also below the market (318 USD) to Dec.12.
- CRECER's prices are not excessive and there are no hidden costs, fees or prepayment penalties or interest charged on account closures. Late interest rates abide by the regulatory requirement.

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

- The institutional code of ethics includes organizational values with respective description institutional principles and expected behaviors for all staff. Also, the collection manual includes behaviors that are prohibited for any CRECER official.
- CRECER takes into consideration the ethical and organizational values in all HR processes (recruitment and selection of staff, induction, training, performance evaluation and compensation).
- In the collections manual procedures clearly indicates which practices are prohibited. Loan officers know about these practices and must communicate them to clients. Also in the collection process detail step by step what should transpire during this stage.
- Violations of the collections manual and code of ethics are detailed in CRECER's Internal Book of Rules. There sanctions may range from a verbal warning, a written reprimand, monetary sanction, temporary suspension without pay to dismissal. Such sanctions are communicated to all staff.

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Client Protection Principle 6 – Privacy of Client Data

- CRECER has appropriate procedures to ensure the security of customer information both physical (clean desk policy and folder backup procedure) and electronic (profiles, password changes, contingency plan, etc.) and complies with local regulations.
- Staff contracts include confidentiality and non-compliance clause stating that, any misappropriation of private data, shall be subject to the penalties provided in the Internal Staff Regulations
- The loan application contains a section where customers authorize CRECER to inquire about their credit history and liabilities of economic, financial and commercial nature. It also authorizes CRECER to perform verifications and inquiries necessary to evaluate their credit application.
- In the loan contracts there is a clause permitting CRECER to provide third parties financial information and information about a customer’s credit history, throughout the duration of their relationship with CRECER.
- Clients must sign a consent form for CRECER to use their image and / or personal information.

Client Protection Principle 7 – Mechanisms for Complaint Resolution

- The “punto de reclamo” has already been put in place since December 2013 it has been socialized to all staff through a circular.
- CRECER’s claim process describes the different channels and actions for customers to lodge complaints: concrete procedures to handle complaints as well as information about the formal registry in the system. The Customer Complaints Center is properly identified in each branch.
- Regarding the Call Center, customers receive an answer within a month of filing the complaint. ASFI letters are responded within 5 working days according to law.
- CRECER takes corrective actions inspired by customer complaints, these have been thoroughly investigated to determine the causes and provide customers with solutions.