# CLIENT EVALUATION GUIDE FOR POST-DISASTER RECOVERY PROGRAM

This document is a translation from Haitian Creole and some vocabulary was adapted to facilitate relevance to a wider audience.

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A. INTRODUCTION TO THE POST-DISASTER RECOVERY PROGRAM

The earthquake on January 12th, 2010 was a huge tragedy in the lives of Fonkoze’s clients, many of whom lost their homes, businesses, and family members. The disaster came at a time when Fonkoze was designing a catastrophic micro-insurance product. This product was designed to help disaster victims stabilize and reestablish their businesses as quickly as possible after a natural disaster such as a hurricane, flood, or earthquake.

Because Fonkoze did not have this product ready at the time of the earthquake, we decided to institute a program called the “Post-Disaster Recovery Program.” This is a one-time program that will provide clients with the same benefits they would have had with the catastrophic micro-insurance product. We hope to launch the insurance product in the coming months so that our clients will be protected for the next catastrophe.

The major components of the Post-Disaster Recovery Program are:

1. All earthquake-affected clients will receive orientation training on the new program.
2. Each affected client receives 5,000HTG ($125) to help relieve her immediate needs.
3. The client’s debt as of January 12, 2010 is canceled.
4. The client has the option to receive a new loan: a) if she qualifies based on Fonkoze’s careful capacity assessment, and b) if she consents to pay a fee of 2% on the loan.

B. OBJECTIVE OF THIS GUIDE

This guide is to help branch managers and credit agents to evaluate client readiness to take on a new loan.

C. LOAN APPROVAL PROCESS

Fonkoze has a responsibility to ensure that each client is evaluated carefully before approving them for a new loan. For this reason, Fonkoze developed a special loan approval process for this program. There are three parts to the process.

Part One: The Central Office will determine the maximum loan amount that the client can receive (The new loan amount will never exceed the existing loan amount on January 12th). However, the Central Office will not decide whether or not the client is willing and capable of taking on a new loan.

Part Two: The client confirms that she is willing and ready for a new loan.

Part Three: The loan officer, along with the branch director, the center chief, and the group leader, will evaluate whether the client is ready to receive the loan, and at what amount (not to exceed the amount determined by the Central Office). This evaluation of the client has four steps: (Detailed in section D, below)

   Step 1: Visit to the client’s home/shelter (p. 3)
   Step 2: Evaluation of the client’s wellbeing (p. 3)
   Step 3: Evaluation of the client’s business (p. 4)
   Step 4: Evaluation of the client’s credit history (p. 4)

*Just like the normal client evaluation that a credit agent completes, the post-disaster evaluation will include the Poverty Scorecard. In addition to the scorecard, Fonkoze developed a Post-Disaster Client Evaluation Form. These two tools will be used together to evaluate the client.
D. CLIENT EVALUATION

Step 1. Visit to the client’s home/shelter
You must know where your clients are living and what assets they have left, so Fonkoze knows how we can help them reconstruct their livelihoods. This evaluation must take place at the location where the client is currently residing. Visit the client’s residence, verify that she has shelter, and evaluate the dwelling and other physical assets remaining.

Answer the following questions:

a. Is her home damaged or destroyed? If her home was destroyed, where is she residing?
b. Is the client supporting additional friends or family who were affected by the earthquake with shelter, money, etc? If so, how many people?
c. Were the client’s belongings/assets that were inside the home damage or destroyed? Furniture? Clothing? Business inventory?
   a. How is she covering her household expenses? (Fonkoze needs to know if she is likely to use a loan for basic necessities, rather than business investment).

During the visit, the loan officer should record the answers to these questions in Section A of the Post-Disaster Client Evaluation Form.

Step 2: Evaluation of the Client’s Wellbeing
It is important to seek an understanding of the client’s overall wellbeing, in order to ensure that dispersing a new loan will be in the client’s best interest. The client could have sustained physical injuries or emotional trauma that could affect her ability or willingness to manage her business. For example, a client could have lost a body part such as an arm or a leg in the earthquake, but may still be willing and capable of running her business with a little assistance. It is important for Fonkoze to understand what changes have occurred in the client’s life that may affect her ability to run her business and therefore her readiness for a new loan.

Answer the following questions:

a. How is she feeling (emotionally)? Well? Unstable?
b. Did she suffer serious bodily harm that may affect her ability to run her business?
c. Is she healthy enough to continue in the same business? If not, is there someone that can assist her in managing the business?
d. Is she caring for anyone (friends, family) who was injured and is still receiving medical treatment?

During the visit, the loan officer should record the answers to these questions in Part B of the Post-Disaster Client Evaluation Form.

Step 3: Evaluation of Client’s Business (if it still exists)
Most Fonkoze clients completely lost their businesses. However, if the client is still operating a business, you MUST analyze it. Analyze the following things:

a. If the client has a business:
   1. If the business is functioning well and the client was not delinquent prior to the earthquake, she is eligible for a loan equivalent to the loan that she had when the earthquake struck.
   2. If the business is functioning well and the client was delinquent prior to the earthquake, she is only eligible for a loan that is smaller than what she had prior to the earthquake.
b. If the client no longer has a business, the credit agent will need to carefully look at the other elements of the client evaluation process such as shelter and assets, wellbeing, and credit history to determine the client’s new loan eligibility. In no case will any client who was delinquent prior to the earthquake be eligible for a loan amount that is equal to or greater than what she had when the earthquake hit.

Some important questions to ask when evaluating the business are:

- Where will the client keep her merchandise/inventory? Will it be secure?
- What is the client’s current business activity?
- What is the value of the client’s business (how much has she invested in it)?
- What is her profit?

During this part of the evaluation, the credit agent should complete Part C of the Post-Disaster Client Evaluation Form.

**Step 4: Credit History Evaluation**

This is a very important part of the client evaluation. This step is completed in the branch office and in the field. The credit agent, the branch director, the center chief, and the group leader are all involved. When they have determined their recommendation for the client’s new loan amount, the regional director will review it and make the final decision. **These are the steps in the credit history evaluation:**

a. **A thorough analysis of the client’s repayment history.** Do not overestimate the client’s capacity to repay a new credit, given her post-disaster economic situation. The analysis and judgment of the credit agent and the Branch Director are very important because Fonkoze does not want any clients to fall into delinquency. Review the client’s credit history: Has she had repayment problems with her current loan size? Has she ever been delinquent? If the client has had repayment problems or delinquency, she is not eligible to receive a loan at the amount that she had before the earthquake. **Consider the following very important questions. If she has had problems with any of these things, consider reducing the amount of her new credit:**

- How long has she been a client?
- How long has her group been together? Are they all still together? (Verify the group’s credit history, but make the decision based on the credit capacity of each individual in the group.)
- Has the client ever had problems paying her loan on time?
- Has she had consistently high attendance at the center meetings?
- Did she invest the credit received in her business?

b. **Evaluation with the center chief and the group leader.** After the meeting during which the credit agent gives clients an orientation to the Post-Disaster Recovery Loan Program, the credit agent will meet a second time with the center chief and group leaders. During this meeting, start by asking the center chief and group leaders how much credit each client had at the time of the earthquake (verify this number in the client’s credit history).

- The center chief, in partnership with the group leaders should propose a new credit amount for each affected client on an individual basis. The credit agent should be very careful to guide this discussion. However, the center chief should know that this is an important responsibility for her, and that she is speaking on behalf of her center members.
- After the center chief finishes her gives her recommendation, the credit agent may determine his final recommendation for the client’s new loan amount.

After completing the client interviews, reviewing all of her answers, and discussing with the group leader and center chief, the credit agent must decide, in his/her opinion, is the client ready to take on a new loan for her business? And if so, what amount?

**E. SPECIAL CONSIDERATIONS FOR THE GROUP MEETINGS**
During the meeting with group and center leaders, it’s important for the credit agents to talk with clients about the type of businesses they want to have now. During subsequent meetings, the credit agent can conduct a discussion to help clients understand the essential elements of their businesses.

F. CREDIT AGENT RESPONSIBILITIES

These are the responsibilities of the credit agent, with close supervision by the Regional Director and Branch Director:

1. Promotion of the Program:
   a. Seek out clients and help them understand that Fonkoze won’t abandon them.
   b. Invite them to a center meeting as quickly as possible. These clients have major problems and don’t have time to sit around and wait. They need to be helped immediately.
   c. During the orientation meeting, you must explain the program well.

2. Leadership in the Center Meetings
   a. Keep clients engaged and motivated during the center meetings. Consider that in addition to normal business, the meetings are a place for: training, reflection, personal exchange, and discussion.
   b. Introduce new discussion topics and take suggestions from the clients, so that the meetings help clients strengthen their business knowledge and confidence. Clients should feel like they are missing something important by not attending a meeting. They should not feel like the meetings are a waste of their time.
   c. Ensure that you have completed a Business Plan form with each client. Also, ask them to always bring identification when they come to the branch offices.
   d. Help the clients understand the advantages and risks of taking credit. Credit agents must take leadership in explaining to the clients the advantages and possible disadvantages of taking credit. For example:
      i. Help clients understand the benefits of taking credit and repaying on time—Fonkoze will always be there to accompany her through difficulty.
      ii. Make sure center leaders understand the negative consequences of non-repayment. They must take loan size recommendations very seriously, because if a client can’t pay, she might lose her membership with Fonkoze.

3. Follow up on the Loan Decision
   Follow-up is essential for managing portfolio quality. Don’t forget that many of the affected clients will be moving from place to place if they no longer have a permanent residence. Also, you must know what they do with their loan money, so that you can help and advise them. **To follow-up on the loan decision, make three visits to the client:**
   a. Visit the client prior to the disbursement of credit:
      • Before you disburse credit to the client, you must visit them at their place of residence, to administer Fonkoze’s Poverty Scorecard especially since many people have changed residences since the earthquake.
      • If the client has changed residences, is her credit center near her new residence?
      • According to the client, how long will she live in her new residence?
• If the client keeps her business merchandise/ inventory in her residence, is it secure?

b. Visit the client after the credit is disbursed:
   • Verify how the client has used the loan.
   • Talk to the client about how Fonkoze wants to see her succeed in business and will always be there for her.
   • Ask her about the security of the place where she keeps her business inventory.
   • Use the Poverty Scorecard that you administered during the first visit to start to evaluate the impact of the program on the client’s life.

c. Visit the client to verify the client’s business:
   • The entire loan must be invested in the client’s business.
   • As we know verification is the best way in which to ensure success. After a loan is given we must visit the clients at their respective business to fill out the second part of the Business Plan, which can then be compared with the first side. This way we can see if they invested the money in the business and see if they bought exactly what they said they would in the plan. All this can help determine if the client is respecting the rules.
   • As soon as this report is finished it must be delivered to the Branch Director as well as the Regional Director. They will then sit together with their staff and reflect on the future of the new portfolio. Together they will create a strategy to overcome any obstacles and issues.

4. Preventing Client Delinquency
   Credit agents must have strategies for preventing delinquency in their portfolio. Use the following techniques:

   • Abide by all credit processes.
   • Help clients understand why it is so important that they pay on time, and how paying on time can help them achieve their goals.
   • At the beginning of each meeting, reiterate three rules:
     i. Every single client must attend every meeting—100% attendance
     ii. Clients must invest their entire loan in their business
     iii. All reimbursements must be paid in full (100%) on the chosen date
   • At the beginning of each meeting, reiterate four principles of microfinance:
     iv. Discipline: will help the client to prosper in her life.
     v. Solidarity: a force that can help clients find strength of spirit to overcome poverty.
     vi. Hard Work: a necessity for anyone that wants to change her life.
     vii. Courage: Determination and motivation that pushes a client to change her life.

G. OTHER OBLIGATIONS FOR STAFF
   It is important for each member of the credit staff to meet in their respective offices at least once a week. It would be best if this meeting could happen at the beginning or end of each week. The purpose of this team meeting is to reflect on the progress and future of credit in the office. It is also an opportunity to reflect on each credit agent’s portfolio. Together they can discuss problems and create solutions to the problems as quick as possible. Note: The team is not going to do the work for the credit agent, but simply to help him follow up and verify that he is on track with his objectives