



Exchange House MABS

&

The Society of Saint Vincent De Paul

Caravan Loan Scheme

2000-2009

Evaluation Report

September 2009

Introduction

The pilot Caravan Loan Scheme was established in 2000 and operated until 2009. This report charts the background to and the operation of this social finance initiative, funded by the Society of Vincent de Paul and operated with the assistance of Exchange House MABS (later National Traveller MABS). The report also highlights the strengths and weaknesses of the project and makes recommendations for future similar projects.

Background/ Rationale

The Society of Saint Vincent de Paul was established in 1844. It is and has been for many years, the largest, voluntary, charitable organisation in Ireland.

Exchange House MABS was established in 1998 to address the issue of financial exclusion within the Traveller community in the Greater Dublin area¹.

A major concern for many clients of Exchange House MABS was the difficulty they had in accessing affordable and legal savings and credit, most especially for the purchase of a caravan. Lack of access left many with no option but to deal with an illegal moneylender. While this provided cash up front and a “quick fix”, it also brought with it many problems - harassment, exorbitant interest rates (an automatic 100% interest rate effective immediately, which increased with missed payments), bullying and in some cases, physical harm.

In response, Exchange House MABS submitted a proposal to the Society of Saint Vincent de Paul to establish a social finance initiative, a pilot interest free caravan loan scheme. This would allow Travellers have access to affordable loans. In 2000, Society of Saint Vincent de Paul agreed to fund this project and allocated €37,963 (£29,900) to the scheme. This amount was to provide approximately 10 individuals with loans to a maximum of £ 3,000 each for the purchase of caravans only.

The following abbreviations will be used throughout the report –

SVP – The Society of St Vincent de Paul

EHMABS – Exchange House MABS

NTMABS – National Traveller MABS

SW – Social Welfare

HHB – Household Budget

¹ Quinn, P. & Mc Cann, T. *Access to Credit Facilities by the Traveller Community in the Greater Dublin Area* (1998) Dublin

Operating Structure

Management- A committee was established to determine criteria, assess applicants and approve loans. This committee had representatives from SVP and EHMABS.

Profile of Loan applicants

Loans applications were open to Travellers living in the Greater Dublin area. The main target group was the most vulnerable members of the community. This included those whose current living situation was unsustainable and below standard, those in non-permanent accommodation, lone parents and those in poor health. Most applicants lived on the side of the road or at the back of a family residence or in temporary halting sites. Such individuals were not accommodated by the local authority in official halting sites and could therefore not avail of local authority loans. As they had no permanent address they could not be linked into the local credit union.

Loan Application

Loan applications were accepted by EHMABS. They were either existing EHMABS clients or were referred by other Traveller support organisations or local MABS. EHMABS brought the applications to the committee. Following assessment based on 1) need 2) access to alternative credit and 3) ability to repay, a decision was made on whether a loan should be granted. In total 14 families/individuals availed of the loan fund.

Processing the loan

1. EHMABS ensured that the applicants' social welfare payment were conducive to the HHB² deductions.
2. The applicant met with the local MABS to complete a budget sheet in order to ensure that the applicant had sufficient means to pay for weekly essentials and repay the loan. Weekly repayment amounts were often small due to the high cost of essentials. Both the committee and the borrower were aware that this would mean that the loan would take a number of years to repay.
3. Loan granted –The sum granted varied depending on the size of the family and caravan size needed.
4. The borrower agreed to the repayment amount and length of loan and signed an agreement form.
5. The borrower signed up for the HHB repayment system.

² The Household Budget Scheme (HHB) allows social welfare recipients to commit a fixed amount of their weekly social welfare payment towards any number of utility bills, including ESB, Bord Gaís, Eircom and Local Authority rents or mortgages. The money is deducted at source and paid directly to the creditor. In this instance HHB would be used to make repayments to the Caravan Loan Scheme

6. Deductions began from the HHB system- this could take a number of weeks.
7. The weekly deduction from the borrower's social welfare payment was sent via An Post to Lough Credit Union in Cork.
8. Lough Credit Union sent the total monthly payments to Cork MABS.
9. Cork MABS in turn forwarded the repayment to the SVP.
10. Following the first instalment of actions 6-9 above, the loan amount was paid by a cheque made out to either the borrower or caravan vendor.

Loans granted

All loans were granted over a period of 12 months in 2000. The following table is a breakdown of the amounts given to each client / borrower in punts and converted to euro

| Client ref # | Amount of loan £ | Converted to € |
|--------------|-------------------|--------------------|
| 1 | £ 1,500.00 | € 1,905.00 |
| 2 | £ 1,200.00 | € 1,524.00 |
| 3 | £ 2,000.00 | € 2,539.00 |
| 4 | £ 3,000.00 | € 3,809.00 |
| 5 | £ 3,000.00 | € 3,809.00 |
| 6 | £ 2,500.00 | € 3,174.00 |
| 7 | £ 2,000.00 | € 2,539.00 |
| 8 | £ 2,000.00 | € 2,539.00 |
| 9 | £ 2,500.00 | € 3,174.00 |
| 10 | £ 2,500.00 | € 3,174.00 |
| 11 | £ 3,000.00 | € 3,809.00 |
| 12 | £ 1,000.00 | € 1,270.00 |
| 13 | £ 700.00 | € 889.00 |
| 14 | £ 3,000.00 | € 3,809.00 |
| Total | £29,900.00 | € 37,963.00 |

Monitoring process

- The SVP recorded payments coming in on their books.
- EHMABS³ established a database of borrowers to monitor repayments.
- EHMABS/ NTMABS contacted the SVP regularly to ensure that repayments were being received.
- Where repayments ceased, EHMABS/NTMABS made contact with the borrower.
- An annual financial report was requested by EHMABS/NTMABS from the SVP. This highlighted the repayment history of each client.

Managing repayments

The method of direct deduction from the client social welfare payment meant that most loans were repaid regularly.

However if a borrowers payments ceased, EHMABS/NTMABS undertook the following steps:

- Made contact by phone or if unsuccessful by letter.
- If no response with the above, a home visit was conducted.
- Once contact was made, NTMABS assessed the circumstances of the borrower and why repayments ceased and if feasible worked with the borrower to reinstall payments.
- If the possibility of repayments recommencing was unlikely, EHMABS/NTMABS discussed the situation with the SVP.

³ In January 2005, Exchange House MABS became National Traveller MABS. National Traveller MABS continued to monitor the loan scheme.

Repayment overview (2000-2009)

- 4 loans were repaid in full (just under 30%),
- 3 borrowers (just under 30%) had their outstanding balances converted to grants due to family hardship. As is evident in the table below, client 1 had 33% of their loan converted to a grant. Client 4, had 7% of the loan converted to a grant and Client 8, had 23% of the loan converted to a grant.
- 1 loan was written off due to the death of the borrower.
- 6 loans were defaulted on (just over 40%)
- Over 65% of loan amount was repaid to the agreement of the VDP

EHMABS/ NTMABS attempted to maintain contact with all borrowers throughout the course of the scheme. This allowed for support and advice to be given and technical issues to be addressed when necessary. For example in some instances payments stopped without the knowledge of the borrower. This often occurred when social welfare payment type changed and the new payment did not take account of the agreed deduction. For instance one borrower went from an Unemployment Assistance payment to a Disability payment. The changed in payment caused the HHB deduction to stop. The borrower was unaware that deductions were no longer being taken from the new payment. Once they were made aware of this a new repayment plan was put in place.

Maintaining contact with the borrower was easier when the borrower lived in secure accommodation and had use of a phone. However where the borrower did not have a permanent place to stay and did not have a consistent phone number, maintaining contact proved much more difficult. As was often the case, borrowers in such circumstances were highly vulnerable. It was in such instances that we found the possibility of default more likely as the provision was not there to support the client in maintaining repayments.

The table below shows the loan granted and repayment history of each borrower. Column 5, indicates the balance outstanding when the scheme came to an end in September 2009

| Client | Loan amount £ | Euro Conversion € | Repaid by 2009 | Balance outstanding | Status |
|--------------|-------------------|----------------------|--------------------|------------------------|---|
| 1 | £ 1,500.00 | € 1,905.00 | € 1,264.00 | -- | Balance €641 converted to a grant due to ill health of borrower |
| 2 | £ 1,200.00 | € 1,524.00 | € 102.00 | -- | Balance cleared as borrower deceased in 2001 |
| 3 | £ 2,000.00 | € 2,539.00 | € - | € 2539.00 | Default ⁴ |
| 4 | £ 3,000.00 | € 3,809.00 | € 3,535.00 | -- | Balance €274.00 converted to a grant due to family bereavement |
| 5 | £ 3,000.00 | € 3,809.00 | € 1,064.00 | € 2,745.00 | Default |
| 6 | £ 2,500.00 | € 3,174.00 | € 3,174.00 | --- | Paid in Full |
| 7 | £ 2,000.00 | € 2,539.00 | € 622.00 | € 1,917.00 | Default |
| 8 | £ 2,000.00 | € 2,539.00 | € 1,943.00 | --- | Balance € 596.00 converted to a grant due to family bereavement |
| 9 | £ 2,500.00 | € 3,174.00 | € 1,170.00 | € 2,004.00 | Default |
| 10 | £ 2,500.00 | € 3,174.00 | € 3,174.00 | € --- | Paid in Full |
| 11 | £ 3,000.00 | € 3,809.00 | € 3,809.00 | € -- | Paid in Full |
| 12 | £ 1,000.00 | € 1,270.00 | € 1,270.00 | € -- | Paid in Full |
| 13 | £ 700.00 | € 889.00 | € - | € 889.00 | Default |
| 14 | £ 3,000.00 | € 3,809.00 | € 812.00 | € 2,997.00 | Default |
| Total | £29,900.00 | € 37,963.00 | € 21,939.00 | € 13,091.00 | Over 65% of total loan amount repaid |

⁴ It is worth noting that Client Ref. 3 was the first loan granted. The committee issued the loan cheque to client Ref 3 before the social welfare deduction for repayment had begun. Following this experience, the committee only issued the loans when deduction for repayment from the client's social welfare payment had started.

The Exchange House MABS and The Society of Saint Vincent de Paul Caravan Loan Scheme 2000-

Strengths

- The scheme allowed access for many of the most vulnerable members of the Traveller community to a safe place to sleep and somewhere to call home.
- Participants felt a sense of ownership and empowerment as they were buying their own home.
- By using the Household Budget payment option – the borrower had a weekly amount deducted at source to repay the loan. This meant the client did not have to worry about setting aside a weekly amount or having additional transport costs in order to travel to make a payment.
- Working closely with the borrower prior to granting the loan and staying in touch built a trust among all parties.
- The involvement of agencies that worked closely with Travellers such as the local Traveller groups promoted an understanding of the issues being faced by borrowers.
- The involvement of local MABS in the budget plan endorsed MABS within the Traveller community.
- Providing interest free loans was positive move away from the charity model that was identified with the SVP.
- Providing interest free loans increased the impact of monies donated to the charity by allowing the money used in the loan scheme to rotate back to the charity for use again.

Weaknesses

- As this was a new departure for both the SVP and EHMABS, there were no clear Terms of Reference established for the operating committee. Therefore personnel changes in the SVP meant that the committee ceased meeting and monitoring the scheme became the responsibility of ENMABS/NTMABS.
- The monitoring and tracking system was not adequate. EHMABS/NTMABS accessed repayment records via the SVP head office. Change of staff in the VDP meant that staff were not always aware of the scheme. Therefore there was often a considerable lapse of time repayment records were analysed and failure to make payments was detected.
- A number of loans were repaid in full but the borrower was not notified on time. Therefore some borrowers overpaid. Refunds were made once detected.
- There was no timeframe put on the pilot scheme.

Recommendations

This social finance pilot was born to address the lack of access to legal and affordable credit for many members of the Traveller community. The high cost of caravans together with the lack of access to legal and affordable credit left many with no option but to borrow from an illegal moneylender.

The scheme was the first loan scheme that EHMABS participated in. It was also a new departure for the VDP, moving as it were from a charitable model to a social finance initiative. Much learning took place. As noted above the scheme had both strengths and weaknesses.

In 2009, Travellers are still one of the most excluded groups in Irish Society and financial exclusion is still a major concern. There is a need for alternative forms of savings and credit options for the financially excluded.

Recommendations for future social finance initiatives would include-

- An established management committee should operate the project as a business and should not be charity focused.
- The management committee should have a clear timeframe for operation.
- The management committee must have representatives from the target group, other related agencies and must have experts from the field of finance.

- Strict Terms of Reference must exist for the Management committee, most especially with regard to regular meetings, duties, accountability and responsibilities.
- A loan sub- committee must exist which will assess applications from both a financial and social perspective. They should monitor repayments and report to the management committee.
- Borrowers should be linked into their local MABS – an income and expenditure sheet should be completed to help the client decide how much they can afford to pay per week.
- Loan should only be granted after a repayment method is established. Deductions at source or a direct debit system are recommended.
- Strict regulations must exist for non-payment or default.
- Client must live within a certain area for a minimum amount of time – i.e. 1 year or more.
- A timeframe for the scheme should must be established i.e. 5 -10 years after which it must be evaluated.
- Consideration should be given to expanding the loan purpose for example to cover wedding or funeral costs.
- Quarterly reports and an annual evaluation should be undertaken.
- Consideration should be given to liaising with the credit union movement in Ireland. For example part of the conditions of a loan could be that the borrower commit to saving in their local credit union. This would allow a savings record which could be used for future borrowing.
- Consideration should also be given to the development of a credit union loan guarantee scheme (LGS). In such a case the LGS could support a credit union in granting loans by providing loan guarantees on initial loans given to first time credit union borrowers. This would be more sustainable, ensuring access to credit unions for individuals and provide access to credit and savings for the future.