



For Ethiopians in Israel, the Israel Free Loan Association helps smooth the way.

A Helping Hand

The Israel Free Loan Association is unique in that it does what its name suggests: provide major interest-free loans to immigrants and others in need.

LARRY DERFNER
Israel Correspondent

Jerusalem — Ethiopian immigrants can buy new homes with 98 percent of the cost covered by government grants and low-interest mortgages. However, they must come up with the remaining two percent purchase cost, plus lawyer's and registration fees, which amounts to about \$3,000, a sum that none of them have.

Russian immigrants seeking to set up small businesses, send their children to college, or pay for emergency dental care, can apply to banks or commercial offices for loans, but the interest is prohibitive. If they get desperate, they may go to loan sharks, and end up losing everything they own and hiding from strong-arm collectors because they cannot make the astronomical interest payments.

This is where the Israel Free Loan Association comes in.

"When we started out two years ago, we would advertise in the Russian-language

newspapers, but we found that was totally unnecessary, because the grapevine, the word-of-mouth advertisement, worked much better," said Eliezer Jaffe, a professor of social welfare at Hebrew University who founded the Free Loan Association here two years ago.

"Now we have lines of people sometimes stretching out to the sidewalk, all waiting to apply for loans."

There are a number of interest-free loan associations, all of them connected to religious groups, which offer a few hundred dollars to needy cases. But there is no agency in Israel that offers serious money — up to \$10,000 per applicant — at no interest except the Free Loan Association. It has raised upwards of \$2.25 million, mainly from American donors, and has issued more than 3,000 loans.

Solomon S. left Ethiopia with his wife and waited in Sudan for 18 months before they could arrive in Israel. Once here, the couple was placed in an absorption center in the Negev, a housing solution that is supposed to

be temporary, but which has lasted many years for numerous Ethiopians, and which has proven unsatisfactory, they say. Solomon joined the army and, with loans he received from the army, along with the \$2,500 from the Free Loan Association's program for Ethiopian home ownership, he has managed to buy a \$60,000 home in Lod.

Leonid Gutkovitch, a Russian immigrant, suffers from severe diabetes and is unemployable. He earns his living as a musician/photographer, and performs evenings at a Russian restaurant in Jerusalem, and photographs weddings. With the \$2,500 loan he received from the Free Loan Association, Mr. Gutkovitch has been able to purchase professional equipment to enable him to increase his income.

The loans are not for everybody. The recipient must be employed, and must have two working guarantors. Loans are available to Ethiopians no matter how long they've been in Israel, to immigrants from Russia and East Europe who have been here up to five years, and to veteran Israelis with four or more children.

Israeli bank loans carry an effective annual interest rate of 24 percent, Mr. Jaffe said. Financing expenses via bank overdrafts cost 34 percent in annual interest, and commercial loans cost 34-48 percent.

Not surprisingly, there is

a waiting list at the Free Loan Association, including 80 Ethiopians who are living in hotels, absorption centers or mobile home parks, waiting to get the \$2,500 they need to purchase a house. The association tried to get additional funds from the Jewish Agency, but the Agency said it would not give money for the purpose of loaning it to other people.

Only one percent of the recipients have defaulted on their loans, requiring guarantors to pay them back. And only one percent of the applicants have been turned down.

On the day before my interview with Mr. Jaffe, the association reviewed 152 loan applications, and approved every single one of them, he said. That was a memorable day for the Free Loan Association, he added, because it received a \$250,000 donation from a foundation in Switzerland.

That leaves about \$2.75 million still to go. The Free Loan Association wants to raise \$5 million so it can become, as Mr. Jaffe says, "a small bank," with loans available to all Israelis who need them. □

Contributions from the U.S. can be sent to: American Friends of the Israeli Free Loan Association, Inc.; c/o Mrs. Roslyn Eichen; 120 Hards Lane; Lawrence, N.Y. 11559. Telephone: (516) 239-7435.



Ethiopian children benefit from Free Loan Association efforts.

Revival Of The Hebrew Free Loan Association

By BRACHA OSOFSKY

Without political fanfare or media attention, new immigrants in Israel are receiving interest-free loans to help them begin their new lives.

Over the past two years the relatively new, Jerusalem-based Israel Free Loan Association has granted over 1500 loans with a total value of nearly \$1.5 million, to new immigrants from Russia and Ethiopia. The loans are interest free, following a time-honored concept in Jewish communal responsibility.

"We operate on the same principle as the Hebrew free loan associations that were set up to aid new immigrants to the United States and England at the beginning of this century," explains Dr. Eliezer Jaffe, founder of the organization and a professor at the Hebrew University School of Social Work in Jerusalem. "Loans are usually repaid over the course of a year in monthly install-

ments, and the money is rolled over into new loans.

"We have a default rate of just one percent," Jaffe continues, "because we are user-friendly. We do whatever possible, including rearranging terms, to enable people to pay. Most immigrants understand community responsibility and know that if they don't repay their loans, they are hurting the next person who needs the money." Forty percent of the more than 160 loans distributed each month are funded by repayments, he adds.

The Association's average-size loan is \$700 but loans range up to \$6000 in special cases. Most loans are used for basic living needs, including rent, clothing, medical care and education. "Government grants and subsidies end after the immigrant's first year in Israel," says Jaffe. "Our files are bursting with cases of extreme need. One family used its loan to pay for a tombstone for an infant who succumbed to

crib death. Another was about to be evicted from their apartment — the father had started working, but had not yet received his salary. A young couple had gotten married during a rare Jerusalem snowstorm and no guests arrived — but regardless, they had to pay for the hall."



Russian immigrant receiving checks from Israel Free Loan Association.

The IFLA is supported by foundation grants and direct private contributions, with some donations earmarked for specific purposes. "We have a loan program called the 'Two Percent Program' which is

sponsored by the American Association for Ethiopian Jewry (AAEJ) to help new immigrants from Ethiopia supplement Israeli government housing mortgages," Jaffe says. "Government funding amounts to 98 percent of costs for purchasing apartments, but hundreds of Ethiopians are unable to raise the final

two percent (an average of \$3000) needed to take possession of new homes."

Another fund, supported by private donors, is earmarked to help new immigrants start or expand small businesses.

The shoestring staff of the IFLA itself includes a Russian immigrant, an Ethiopian and a corps of hardworking, committed volunteers. "This place is usually bursting at the seams during reception hours," says IFLA director Yehuda Gorodetzer, adding that there are three applicants for each loan grant-

ed.

According to Jaffe, the Association seeks support to build up the loan fund to a total of \$5 million. Present sources for funding include private donations, endowments, legacies and trust funds from donors around the world — a base which Jaffe hopes to expand. ■