



The Israel Free Loan Association does charitable work by helping people help themselves.

Creative Giving — Not Charity The Israel Free Loan Association

by Leah Abramowitz

According to the Jewish philosopher Maimonides, "A loan is better than charity, for it enables one to help himself." This is the motto of a unique organization, *The Israel Free Loan Association* (IFLA), which provides interest-free loans for new immigrants as they integrate into Israeli life.

The IFLA was established four years ago by Professor Eliezer Jaffe, volunteer chairman, who teaches at the Hebrew University School of Social Work, along with a number of distinguished Israeli personalities. "We wanted to do something for the masses of new immigrants that were coming into the country," says Professor Jaffe.

"We wanted to take part in the absorption process and not leave everything to the government. So, in 1990 we established the Israel Free Loan Association to make interest-free loans available for newcomers with temporary economic problems through a non-profit, user-friendly, unbureaucratic organization."

Capital for the loans was raised from donors abroad who heard about the association and responded generously. "Donors and foundations abroad understand the concept of a free loan society," explains Professor Jaffe. "There are free loan associations in some communities abroad and it is part of the Jewish tradition. Many of the donors' grandparents were helped by free loans when they immigrated to the U.S. and other countries."

The initial fund from which the interest-free loans are given out is reused in perpetuity. As persons benefiting from the loans pay back the money, repayments are "rolled over" into new loans. The work of the IFLA is already a proven success, and more foundations and individuals have joined this effort by donating to the IFLA — which today has almost \$4.5 million in circulation. Professor Jaffe hopes

the IFLA will be able to eventually raise \$10 million to provide even more loans. He points out that "we are aiming to be like a bank, serving the population but without charging interest for money loaned and with friendly terms of repayment."

At the IFLA office, for which only \$1 per month is paid to the generous donor who lets it to the IFLA, applicants for loans are carefully screened by friendly loan counselors. These staff persons are themselves new immigrants who speak Russian, Amharic and Hebrew, and assist applicants with the procedures. The application form is filled out, proof of employment is requested and two guarantors, who must also be employed provide their signatures and documentation. The Loan Committee (all volunteers) meets monthly to process the applications, together with a professional accountant who supervises the distribution of loans. Business loan applications are scrutinized by a special committee of experts.

"Each month we approve approximately 250 new requests," says Jaffe. Loans are usually repaid in twelve monthly installments (through post-dated checks), tied to the dollar to protect the value of the money. However, the larger housing loans which help the Ethiopian population to move out of their caravans into apartments, may be repaid in 30 payments, and business loans are also repaid over a similar period.

Ballerinas, physicists, carpenters, cleaners and immigrant businessmen are among those 5,000 persons who have so far used the loans for getting established. One of the chief purposes of the IFLA is to help new immigrants with self-employment. For example, a loan helped a nursery school teacher to buy equipment for her new kindergarten. A substantial loan make it possible for a Russian

immigrant to open a silk screen workshop. Two other immigrants were able to expand a marble factory where they employ other new immigrants. A carpenter received money to buy tools and a considerable number of other small businesses were able to get started thanks to IFLA loans.

Through the Israel Free Loan Association, people have been able to make home repairs, consolidate a debt, buy furniture or fix an appliance. More than one Russian couple fell behind on their rent and faced eviction from their apartment until a timely loan enabled them to "buy time" and get back on their feet." Immigrant students often need assistance in purchasing books, uniforms or even a computer. Professor Jaffe points out that a sum donated by an American contributor has been earmarked for tuition fees at schools of higher education for both Russian and Ethiopian students.

According to Professor Jaffe, the government pays 98% of an Ethiopian immigrant's expense to leave a temporary caravan and purchase an apartment. The other 2% and related expenses are often beyond them and this is where the Free Loan Association has been of immeasurable assistance. The American Association for Ethiopian Jewry responded to Professor Jaffe's call and raised \$200,000 before they closed down. Hundreds of Ethiopian immigrants are being helped through other sources for these loans but many others are now on the waiting list.

There are more applicants than

money available for loans. The work at the IFLA is taken care of by approximately 20 dedicated volunteers along with two part-time paid loan counselors.

The new immigrants eligible for loans have been very grateful to receive interest-free assistance. The IFLA is a non-political and non-profit volunteer association. Contributions are tax-deductible in Israel and abroad (Friends associations exist in the U.S., England and Canada). For their part, the recipients have been overwhelmingly cooperative. The default rate is approximately 2% according to Professor Jaffe and "we rarely need to go to court."

The Israel Free Loan Association has received the support of public figures all over the world who endorse the principle of helping newcomers with loans rather than with charity. The method makes the capital invested self-perpetuating. Professor Jaffe calls donations to the organization "A gift that never ends," since the money that is repaid monthly is immediately recycled and lent out to another new immigrant. Some donors have favored the IFLA in their will and legacy money has been extremely helpful to many needy immigrants. There are no deductions made for overhead.

Donors are welcome at the Israel Free Loan Association, 64 Aza Road, Jerusalem. To see first-hand the work of the IFLA, call 630248 or to reach Professor Jaffe at his home call 637450. The Association's address is P.O. Box 4579, Jerusalem 91041.