

# Free loans: An ongoing cycle of trust

By GREER FAY CASHMAN

**E**liezer Jaffe put his money where his mouth is. The professor of social work knew the importance of maintaining a recipient's sense of self worth when providing financial aid. There is a big difference between giving someone a charitable handout and a loan that has to be repaid – even if the terms of repayment are stretched to their finest point.

Jaffe chose the latter option and in 1990 set up the Israel Free Loan Association.

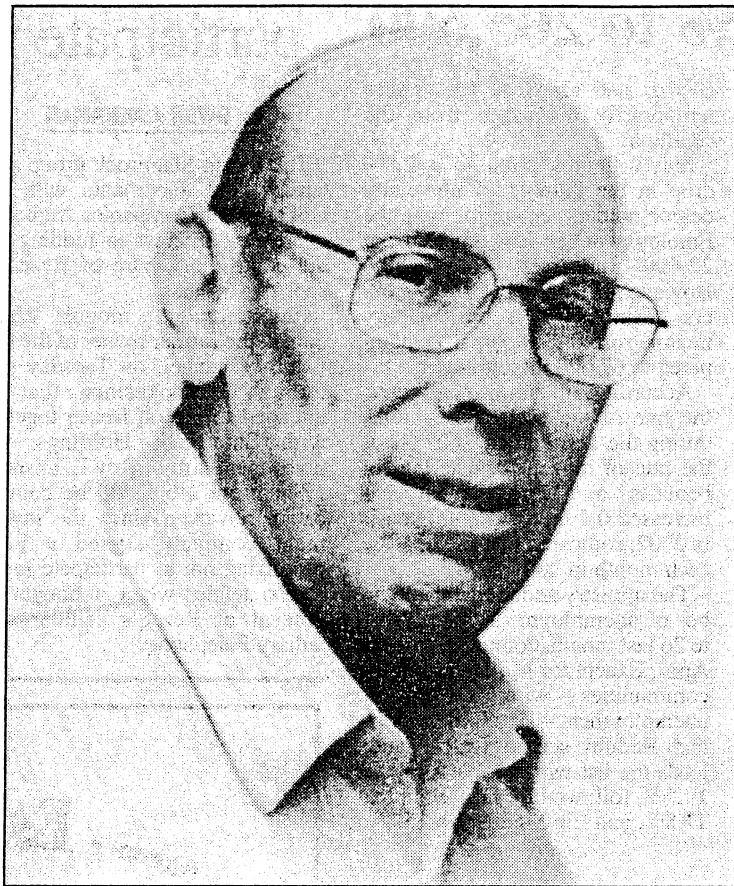
What inspired him were the waves of mass aliya from Ethiopia and the former Soviet Union.

Jaffe, then a professor at the Hebrew University's Paul Baerwald School of Social Work, took his children to the absorption center, the President Hotel, to see history being made. These bewildered new immigrants would form yet another foundation for the upbuilding of the nation, he opined.

Jaffe, who is also the author of *Sources for Funding: The Israel Foundation Directory*, was struck by the fact that much of the activism behind this immigration came from abroad and believed that Israelis should and could become more involved.

The opportunity presented itself when Soviet immigrants needed help with housing. Throughout their first year here, they received support from the Jewish Agency, but after that they had problems in paying the rent for their apartments. The best thing he could do for them, Jaffe thought, was to help them out financially. He found some other people who were like-minded, and thus the Israel Free Loan Association was born.

The nine-member board quickly learned that the cost of housing was just one of many needs. Today, with the aid of 15 permanent volunteers and six paid staff, they give out loans to victims of terror and their families; to victims of the economic downturn; to families raising a handicapped child at home; to large families with at least four children at home under the age of 21; to couples wanting to adopt a child abroad; to new immigrants from any country; to people with small businesses who are seeking to expand; to single-parent families; to Ethiopian immigrants wanting to leave caravan communities for permanent housing; to university and college students; to people with



**Eliezer Jaffe, founder of the Free Loan Association, which has provided \$30m. in loans since 1990.**

(Douglas Guthrie)

medical expenses not covered by health insurance; and for various emergency situations.

Each case is investigated on its merits, but the only financial criteria required is that the borrower has an income of at least NIS 2,500 per month and that the two guarantors also have monthly incomes of at least NIS 2,500 each.

"We only give to people who are employed and earning a basic income," says Jaffe, who recently retired and plans to devote himself full time to the Free Loan Association. "If they have a good income, they can go to the bank. We can't help people on welfare. What they need is a grant. We aim at lower income, struggling middle class."

JAFFE, WHO was involved during the Begin years in Project Renewal – whereby low income families living in squalid conditions were encouraged with the fiscal and personal assistance of outsiders to spruce up their homes and their neighborhoods – decided that a similar principle could be applied to the

low-income sector of society that needed just a little help to help itself.

Even though the majority of loans go to people who constantly find difficulty in making ends meet, very few of the borrowers fail to meet their obligations, says Jaffe. "We had faith in people that they would repay and we've had a very low default rate."

The highest risk category of borrowers remains unskilled Ethiopian immigrants. When employers have to make staff cutbacks they're the first to be fired, says Jaffe. The Russians don't fare quite as badly, he observes, because they brought skills with them that the Ethiopians didn't have.

Even so, the problematic repayment cases account for only 5-8 percent of borrowers. "Then we go to the guarantors. If we have to, we go to court."

Even then, the Free Loan Association doesn't take any interest, though the court's ruling includes interest. The borrower is asked to pay only the actual debt.

Loans range in size from \$2,000

to \$15,000. When borrowers can't meet their obligations, but don't try to shirk them, the terms of repayment are rescheduled to suit their abilities. "We have no trouble stretching the loan," says Jaffe. "The only real sin they can commit is to ignore us."

The categories and sizes of loans grow with individual needs.

Although the initial concept was based on housing, it wasn't long before people who adopted a child abroad but couldn't raise the whole of the \$20,000 required found their way to the association's door.

Then there were parents of handicapped children who wanted to raise their child at home and found themselves financially strapped. The government pays for the cost of placing handicapped children in institutional or foster care but not for care at home. Then came the single parents – and the whole enterprise mushroomed.

In its 12 years of operations the Free Loan Association has provided loans of around \$30 million, though its capital of around \$11m. has, according to Jaffe, "been going around nearly three times."

Many of the donors remain anonymous. Others have established as many as 138 family foundations from which they make allocations to the Free Loan Association. "There are people who have helped hundreds of borrowers with an initial grant," says Jaffe.

Both he and his wife have created such foundations in memory of their parents.

Now that Jaffe's retired, his major aim is to double the capital so that more people can be helped. "We don't sit on the money; we keep most of it in circulation." Donors have made grants of \$5,000 to \$1m. to the association.

On average, 200 loans are granted per month, but in May the number rose to almost 300.

The Israel Free Loan Association functions out of residential premises in Jerusalem, but has clients from all over the country. The premises were purchased by a donor who charged the association a monthly rent of \$2. When the work load increased and the apartment next door went on the market, the donor purchased that one too, knocked down the wall between the two properties and raised the rent to \$4 a month.

The Free Loan Association's office at 64 Aza Road is open from Sunday to Thursday. The telephone number is (02) 563-0248.