

Ro'i Shavit on a class trip, using his motorized wheelchair



Helping People to Help Themselves

The Israel Free Loan Association helps people out of temporarily difficult economic situations by providing interest-free loans

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Perhaps the most striking thing about the national headquarters of the Israel Free Loan Association (IFLA) on Jerusalem's Aza Street is what isn't there — not a single donor recognition plaque is in sight.

And this absence says more about the philosophy behind the non-profit organization, which was founded in 1990 to provide interest-free loans to needy Israelis, than almost anything else.

"We don't look upon our clients as poor welfare cases," states IFLA founder and honorary chairman, Prof. Eliezer Jaffe. "They are people taking out a loan which they will pay back. Our loans are a hand up — not a hand-out — to help people out of temporarily difficult economic situations, while preserving their dignity. Anyone could be in the same situation. We follow the advice the Rambam gave nearly a thousand years ago: A loan is better than charity, for it enables one to help himself." Apparently IFLA's donors have also been imbued with the Rambam's eight principles of charity. The great sage felt that

not only is a free loan the highest level of giving, but that doing so anonymously far outweighs public recognition.

"Our donors are very modest. They are not looking for recognition," continues Jaffe, who holds an academic chair for the study of volunteering, non-profit organizations and philanthropy at the Hebrew University. He is also the author of *Giving Wisely*, a guide to non-profit and voluntary organizations in Israel. "Just a few weeks ago, someone gave us a substantial grant for a loan fund. I asked him after whom to name the fund and he said, 'Call it anything you want — name it after Homer Simpson. I don't care.' So now we have the Homer Simpson Free Loan Fund. Established at \$9,000, this loan fund has already given out nine loans."

"Since its founding, the IFLA has provided a total of \$15.5 million in interest-free loans to nearly 11,000 needy Israelis in financial crisis. 70% of the recipients were new immigrants.

Funded entirely by private donations, grants and legacies, without any government money, the IFLA is a registered and approved

non-profit organization, with tax deductible status. It is totally non-political and run by a small paid staff of six, headed by executive director Yona Cohen and 15 regular volunteers. The IFLA belongs to the International Association of Hebrew Free Loan Associations, which includes associations in 25 major cities in the US. The IFLA is the second largest in the world after New York. It also received the prestigious Presidential Award for Outstanding Volunteer Organization in 1996 and the Mayor of Jerusalem Citation for Outstanding Non-profit Activity in 1995.

The IFLA allocates more than 200 loans every month to new immigrants, single-parent and large families, families with handicapped children, students and small businesses, as well as general and emergency loans. Loans range from \$15,000 for small businesses to \$1,000 for personal needs. Applicants must be employed and have two guarantors. The default rate is less than 5 percent. Furthermore, 100 percent of all donations go toward loans. There is no deduction for overhead.

"We do not take overhead from donors' grants," Jaffe explains. "Our overhead is funded by a special grant from a donor explicitly for this purpose. I know that an endowment fund for overhead is a rarity in non-profits, but we have one. We also have a grant to cover salaries. Someone who gives us a donation for free loans knows that 100 percent of the money is for loans, and the money will keep its value because it is tied to the dollar."

In addition, the Rehavia apartment in which the organization's national headquarters is located was purchased for the IFLA by a donor, and is rented to it for \$1 a year. A foundation paid for renovations to the apartment and another foundation for computers and furniture. "There are some really good people out there," Jaffe notes.

While most of the IFLA's clientele are Russian immigrants, its donors come from all over the world, including Israel. They include world-renowned author Herman Wouk, who established a fund in memory of his father, Abe.

"We are a bank of another kind. All our loans are made on the basis of documentation and are confidential. The beauty of our loan fund is that as soon as the money comes back in, it goes right out again," Jaffe exclaims. "It is in perpetuity.

For example, we have someone who gave \$40,000, beginning in 1990, in eight gifts of \$5,000 each. In nine years, this fund has provided 143 loans for general purposes at a value of \$120,000." Donors can designate the kind of loans they want their money to go for. Every file is computerized and includes among other information the amount

owed and the repayment schedule.

If a client runs into problems repaying and the circumstances warrant it, the IFLA is willing to restructure the repayment schedule.

The idea for a free loan association came to Jaffe, a native of Cleveland who has lived in Israel for some 40 years, in 1989, while he was sitting in his living room watching the evening news. "Night after night, I saw the flood of new immigrants entering the country," he recalls. "I thought – you cannot be an Israeli and watch this *aliyah* without getting involved. I believe that Israeli citizens, and not just the government or welfare apparatus, have to help. I thought about what I could do.

"I have always liked the idea of free loans. So, I suggested the idea to a number of friends and they agreed to join me in setting up this association." But it was an article Jaffe wrote in *The Jerusalem Post* about the need to help with the mass *aliyah* that got the ball

rolling. "People starting calling to ask how they could help. I said – how about a free loan? This resulted in the first grant of \$20,000," he relates.

Even though every one of the IFLA's clients has a story to tell, some of the most heart-rending concern handicapped children living at home, or children with terminal illnesses.

"These parents are doing everything possible to make their children comfortable at home and striving to give them a life with content," Jaffe says. "Yet, the state does not really support them. If they put their child in an institution or in foster care, the state would pay for their care in full. But if they keep the child at home, the state does not cover the expense. These people are really in a bad financial situation and in outstanding need of help. We loan them money for computers, for electric wheelchairs (for which the National Insurance Institute does not pay the full cost) and for renovating their apartments to make them wheelchair accessible. Many parents do not know what their rights are. We also give them counseling."

Isaac Shavit of Maaleh Adumim is a member of the IFLA's committee for approving loans for the families with handicapped children. The father of Roi, who has progressive muscular dystrophy, Shavit is well-versed in the problems families with handicapped children encounter. "We have a great number of expenses of which only a few are covered by the state. The loans we give out help people to cover these expenses. For example, we needed to get Roi a new wheelchair. We wanted something a bit more esthetic but the NII wouldn't cover it. Our son has to spend his whole day in that chair. He should be able to sit in a pleasant and comfortable chair. The loan we got from the IFLA helped us to pay for the kind of chair we wanted. I feel that my experience as a father of a handicapped child helps me to evaluate the needs of others."

In addition to Shavit, the voluntary committee is composed of a physician, orthopedist, social workers and staff members who review and approve loans for handicapped children living at home. These have included loans for swimming lessons for a boy with Down Syndrome, a special hearing aid for a deaf child, the purchase of a van for a family with two children suffering from a debilitating genetic disease and the purchase of a computer and programs for a boy with developmental retardation.

Large families, those with four or more children, is another group in great need.

"We give them up to \$1,500. And do you know what this money is most often for?

"The overwhelming majority – 99 percent – borrow money from us to buy school books or to help finance some aspect of their children's education. It is not for bar-mitzvahs or weddings," Jaffe emphasizes.

The loans to Ethiopian immigrants are mainly to help them purchase apartments and move out of the government financed caravan sites. Although government mortgages cover 98 percent of the total apartment cost, many Ethiopian families find it very difficult to raise the extra two percent. The IFLA's interest-free loans are often the crucial difference between owning an apartment and remaining stuck in the caravan sites.

Many new immigrants are recipients of small business loans. "We give money for

immigrants to get started or to expand. Usually when they expand, they hire others – often more new immigrants," Jaffe states. "We have given out several millions in small business loans. Most of the clients are referred to us by MATI – the Small Business Development Centers. A loan of \$15,000 is really substantial, and this category has the best rate of repayment." Lelea Chak immigrated from St. Petersburg eight years ago. The loan she got from the IFLA has enabled her to manufacture the Judaica items she designs.

"The money helped me make the things I design in quantity. Before that, I could only design samples for shows. Now, I have deals with factories and can sell my items in galleries."

The association's newest category for loan funds is for adoptions and surrogate mothers. "We believe in trying to create a family. If money is the only thing stopping a couple from having children, then we want to be able to help them." Jaffe explains.

"I see the IFLA as a lesson in civic responsibility," he continues. "Many new immigrants had no idea what a loan was, but they have learned that if they repay, they can get another one. Our philosophy, and mine in particular, is that life is basically a loan which we will have to return one day. I believe that the reason for this loan is to make the world a better place in which to live. And although we are here on loan, our loan is not interest free. The interest we pay is to make the world a little better than when we entered." ■

For more information on the Israel Free Loan Association, contact: tel. 02-5630248, or email: ifla@freeloan.org.il or website: www.freeloan.org.il