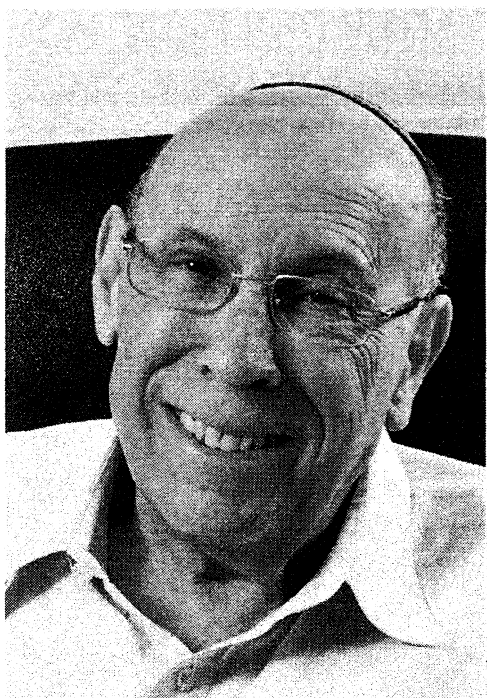


THE LOAN YOU NEVER KNEW ABOUT

Did you know that there is
an organization in Israel
that provides to people
in need loans of up to
20,000 New Shekels
without interest?



"not the grey market" - Prof Eliezer Jaffe

In accordance with the Rambam

What does someone in desperate need of a loan for say, 20,000 New Shekels, do after he has already used up his authorised credit line from the bank? In desperation he might turn to the grey market and sink into the quagmire. There is, however, an alternative, both sensible and honorable: a reasonable loan without interest. Did you know that in Israel an organization operates that provides to people in financial need loans like this, of up to 20,000 New Shekels? Did you know that same organization has provided until now approximately 700 million shekel in loans to 50,000 applicants?

Perhaps you did know; I did not. I was therefore surprised when two, not-so-young Israelis presented me with the details of their association: "The Israel Free Loan Association". Its President, Professor Eliezer Jaffe, and its Chairman Edward Cohen told me that it has operated since 1990, funded mainly by donors from abroad. Professor Jaffe, Emeritus Chair for the Research of Philanthropy at the School of Social Work and Social Welfare at the Hebrew University: "I had the idea when I encountered the enormous waves of immigration from the former Soviet Union and I looked for a useful way to ease the immigrants' difficulties".

Professor Jaffe got others excited about his idea and began to solicit donations. "We scraped together \$20,000," he tells me with an American accent which has not diminished despite the fact that he made Aliya more than 50 years ago,"and we began to distribute loans of a few hundred dollars each". During the course of time more and more donors joined, headed by the Gottesman Family of New York. Donors who have given more than \$7,500 are offered the opportunity of establishing a named Loan Fund in perpetuity in their name or in the name of a member of their family or friends, from which loans will be provided and to which the repayments are returned, so that each dollar donated "is constantly recycled". So far over 300 Named Loan Funds have been opened. One Fund bears the curious name of Homer Simpson, the television comedy cartoon character. Why Homer Simpson? Because the donor requested to remain anonymous, and the Association's constitution does not provide for anonymous Funds, so it was decided to name it "The Homer Simpson Fund".

The ultimate purpose of IFLA is to enable working Israelis to "keep their heads above water". Therefore, any family that has a net income between 3,000 - 15,000 New Shekels is entitled to receive a loan. The receipt of the loan is dependent on signing two guarantors "that present salary slips". The monthly repayments are between 300 -500 New Shekels but "when a borrower finds it very difficult to meet the scheduled repayment, we accommodate him and reschedule the repayments for a longer period so that he might repay only 150 or 100 New Shekels a month. We are not the grey market, we do not profit from misery". Defaulting on loans is rare: of the 700 million New Shekels of loans distributed to date, only 0.22% have been written off as lost debts, less than one quarter of a per cent.

IFLA also provides interest free loans to single parent families, large families, for adoption , for physically challenged people, for residents affected by the security situation, and for Ethiopian immigrants. About 2,000 loans have been granted to students for their tuition fees.

In recent years IFLA has also lent to small businesses whose monthly turnover does not exceed 150,000 New Shekels A small business can obtain a loan for up to 90,000 New Shekels, distributed in two installments with very favorable repayment terms. The business has to demonstrate the ability to meet the repayment schedule and present a convincing business plan which is reviewed by professional staff and the management of IFLA (12 paid staff and a board of volunteers). IFLA has to date provided about 4,300 small business loans.

As a principle IFLA does not maintain financial reserves. "When we accumulate significant sums of monies from repayments, we advertise for people to apply for loans. We do not want to be sitting on undistributed monies," says Professor Jaffe. How do people apply? Edward Cohen: "Information about us is passed through the grapevine and personal contacts. We once advertised on the radio and were immediately inundated with applications".

IFLA operates from a very pleasant office which was purchased for it by donors, uses a sophisticated computer system and has experience of over 20 years. Jaffe: " Our infrastructure could sustain volume far in excess of our present activity. We are only scraping the surface". Since the beginning of the year IFLA has distributed approximately 5 million New Shekels a month. Professor Jaffe and Edward Cohen are interested in expanding the scope of its activities. It is currently preparing a special program for supplementary mortgage loans for young couples. Professor Jaffe: "After a young couple has already received all the assistance from their parents and taken bank mortgages it often becomes apparent that they are still missing the last 100,000 New Shekels for the purchase. We want to cover this deficiency with our loan". These loans, once again without interest and without a lien, would be for ten years. Starting when? "We still have not succeeded in raising sufficient donations for the supplemental mortgage loans," says the chairman Edward Cohen sadly. He is sad about it, but I am angry. How much would the wealth of the very substantial Israeli families be depleted if they were to donate to IFLA a good few million Shekels. "Good" in both senses of the word.

Despite its anonymity, "The Israel Free Loan Association" has been awarded prizes and public accolade: The President's Prize, The Speaker of the Knesset's Prize, The Sderot Conference Prize. Periodically it is checked by the authorities for the avoidance of money laundering and by the tax authorities. Auditors Kesselman and Kesselman sign off on its annual financial reports. The Commissioner of Non Profits supervises it, not the Bank of Israel: "We are not a bank," Jaffe and Cohen repeat frequently, "and we do not wish to be a bank. We make every effort to respect our borrowers. When a person in need requests charity he may feel that he is a failure. When he requests a loan, even if it is interest free, he feels that he has maintained his dignity". IFLA's motto is taken from the Rambam: "The giving of a loan is a great merit, and there is none higher than it".



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www.free loan.org.il