



**CAPIC –
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PART 1 CONTEXTUAL QUESTIONS

This chapter has been completed by every partner successively at a national level in order to compose one general contextual view.

1 Financial exclusion problems, public debate and data

1.1. Financial exclusion overview in Belgium

Financial exclusion is defined as “a process whereby people encounter difficulties accessing and/or using financial services and products in the mainstream market that are appropriate to their needs and enable them to lead a normal social life in the society in which they belong.”

Banking exclusion is a reality but it is quite difficult to estimate it accurately. We are reduced to collect heterogeneous data giving us partial and incomplete information.

- Access to bank account

99% of the French couples have a deposit account (Crédoc 2010, INSEE 2011).

Elements of context → why is there such a high ratio in France?

- There is a right to have a deposit account in the law.
- The historic action of cooperative banks such as the Caisse d'Epargne, the Crédit Mutuel, etc.
- The historical part of the “saving account” which is called “livret A”.

- Access to **instruments of payment**

1% of households, that hold a deposit account, have neither credit card nor cheque book. 7% of the French households have no cheque book and 7% have no credit card (Crédoc 2011). 11% of the households i.e. 5 million people do not have a sufficient access to the absolutely necessary banking services.

Elements of context:

- There exists a central register of cheques (FCC), which centralizes all unpaid cheques. It also provides inventory on credit card withdrawals following a misuse by the owner.
- There is a right to have a deposit account with free basic services.

Difficulties related to accounts and services use

Some difficulties come from having an account and means of payment but suffering negative consequences. One indicator is given by the fact that 29% of social welfare recipients and 28% of households living below the poverty line that possess a card with overdraft facilities never use it (Crédoc, 2010). Access is therefore only formal.

● Access to the **credit**

51 % of the population had at least a credit in 2009 (Crédoc, 2010). However, it does not mean that 49 % of the population is excluded from credit.

A person is considered excluded from the credit, if his/her request has been refused, despite sufficient means to assume the monthly payments. Policis (2004) considers that, for 1,2 million households (that is 4,8 % of all the households), it is difficult or even impossible to obtain a 750 EUR credit.

However, this data is highly questionable and without real scientific justification. To reduce its impact, it has been divided by two and thus the estimation of 600,000 households (2.4% of the population) is the usual quoted figure concerning people excluded from credit despite its serious methodological weaknesses.

Elements of context:

- Regulated framework for consumer credit
- Strict legislation on legal rates interest

Difficulties related to the use of credits

6% of households are unable to repay their loans (often 2% and 4% occasionally) (Crédoc, 2010).

According to the quarterly barometer of indebtedness issued by the Banque de France in late September 2011, 726.041 households were in that situation (more than 2.7% of all households.) However, these data do not identify households in serious difficulties that have not presented a file.

People having difficulties to obtain all banking services (including credits) are particularly those with an “unstable” status, according to the conservative criteria of the banks:

- employees in fixed-term contracts,
- temporary workers
- migrants
- students and apprentices
- social allocations beneficiaries

Aware that they do not meet the traditional criteria of banks, most of these people censor themselves or use loans which are more expensive but delivered more "liberally" (see below).

It is to measure accurately this reality that Secours Catholique with the Red Cross and the National Union of Communal Centres for Social Action, issued a "Manifesto for banking inclusion of vulnerable populations in France" which provides (among other things) the creation of an institute, which will be one of the missions.

- Access to **insurance**

(1) Between 1 and 2%, i.e. 370.000 to 740.000 vehicles are not insured

According to the Guarantee Fund for Insurance (FGAO) studies, driving without license and without insurance is more and more frequent, even if the number of traffic accidents decreases. The uninsured profiles are multifaceted, with an over representation clearly identified by the Road Safety statistics:

- Young people: 4.2% of drivers without insurance at the time of the accident are under 25, which is the double compared to the population aged 25-44 and quadruple compared to more than 44 years

- Two-wheelers (there are 5.1% uninsured mopeds and 3.1% uninsured motorcycles)

The reasons are mainly the cost of insurance and / or important malus. There is however a Central Bureau of pricing (BCT), which drivers can use to force an insurance company to insure them.

- (2) Approximately 6% of the population do not have complementary health insurance. According to the Institute for Research and Documentation in Health Economics (Irdes), in 2008, nearly four million people remained without complementary health in metropolitan France (about 6% of the population).

- Access to **savings**

The historical role played by the “livret A” and other regulated products such as the popular savings passbook (SARA) and the booklet for Sustainable Development (LDD) ensure an adequate access for consumers to these banking products.

1.2.Main reasons and main consequences observed

1.3.Public debate on financial exclusion

1.3.1. High value initiatives for financial inclusion

Frankly speaking, there is no national debate on banking exclusion. This topic was not really discussed during the last national presidential debate even if overindebtedness was briefly approached.

Nevertheless, during the past few years, many initiatives were taken which shows the the different actors' interest on the topic:

- ➔ 2011: manifesto for banking inclusion (Secours Catholique, Croix Rouge, UNCCAS).
- ➔ 2010: Law “loi Lagarde” (name of the minister) which reforms the rules of credit to consumers, strengthens the protection of the public and forces the banks to declare each year the number of microcredits they delivered;

- ➔ 2010: report “Constans Pauget” on banking rates
- ➔ 2010: report issued by CREDOC (public organization) on the conditions of access to the banking services by people living under the poverty line.
- ➔ 2008: setting up of an observatory of regulated saving.
- ➔ 2008: conference with representatives of the government and other public authorities, banks and ONG.
- ➔ 2007: setting up of “regional, social and universal microcredit” in Poitou-Charente (region of France).
- ➔ 2006: setting up of “microfinance observatory”.

1.3.2 Players involved in the country's debate

Among the players involved, there are:

- ➔ The national government
- ➔ Some regional governments
- ➔ Municipalities are not really participating
- ➔ Commercial, financial service providers and their associations
- ➔ Not-for-profit financial service providers
- ➔ Academics
- ➔ Non governmental agencies

1.4. Affordable Personal Inclusive Credit political agenda

Personal microcredit plays a relatively important role in this agenda, given the number of people affected. There is now a structured national policy and a few regional initiatives:

- The French authorities are heavily involved, the Law on Social Cohesion of 2005 created the Social Cohesion Fund(FCS), which guarantees for 50% microcredits delivered by the banks
- Commercial banks have decided that every department will be equipped with a bank or financial institution able to grant personal microcredits.
- Almost all French banks have been approved by the government to deliver microcredit with the guarantee of the FCS.

The government has commissioned the Caisse des Dépôts et Consignations (CDC) to ensure consistency and monitoring of the microcredit policy.

All associations active in the framework of people inclusion are involved in the microcredit scheme.

2 Personal consumer credit legal framework and regulation

2.1 Regulations for credit institutions

According to the Monetary and Financial Code, a credit may only be granted by credit institutions: it is a "banking operation".

However, there were exceptions organised by the Banking Act 1984 for non-profit associations lending their own funds.

These exceptions have been enlarged to a few associations allowed to borrow on the free market: (Article L511-6 of the Monetary and Financial code), ADIE and CreaSol are some examples.

Money lending is possible within the rules of the Civil Code, (art. 1892 and following), but occasionally: remuneration is free (within the limits of usury rate), and over an amount of 760 €, a contract has to be signed specifying the instalments (Monetary and Financial Code: art L313/1.L511/6).

2.2 Law enforcement / effectiveness

There are informal practices of credit (usury practices or tontines for example), but they seem marginal (or at least unfamiliar). These practices seem to occur within some communities or neighbourhoods.

Consumer credit operations are strictly controlled in France. The Authority which controls the banks (ACP) is now (2011) in charge of trade practices control. Article L. 612-1 of the Monetary and Financial Code specifies that "the supervisory authority has to ensure the stability of the financial system and the protection of customers".

The ACP, in the frame of this new mission, works in 3 directions, it:

1. controls the business practices of banking institutions and insurance companies and their brokers;
2. answers the requests of customers and analyses the complaints received;
3. monitors and controls the advertising campaigns, contracts, products and services.

Concerning usury, Article Article L313-5 of the Consumer Code states that "Whoever consents to another person [...] a shark loan will be punished by imprisonment for a term of two years and a penalty of 45.000€, or one of these two sentences".

2.3 Consumer credit legislation and exceptions

2.3.1 Interest rate cap applicable to personal consumer credit

There is in France a legal rate of interest defined by law (art. L.3.13.3.of Consumer Code).

"A shark loan, is a loan granted with a percentage rate that exceeds, when it is granted, more than one third of the average APR charged during the preceding quarter by credit institutions for similar transactions with similar risks as defined by the administrative authority after consulting the Advisory Committee of the financial sector. . ". So, there is a legal rate of interest for each category of loan. They are fixed each quarter by the Banque de France and published in the official gazette.

For the first quarter of 2012 (J.O. from 24/03/2012)

- ➔ Loans to private individuals (within the scope of Articles L.312-1 to L312-36 of the Consumer Code)

- Fixed rate loans 6.32%
- Variable rate loans 5.88%
- Bridge loans 6.48%

➔ Loans not concerned by Articles L312-1 to L312-36 of the Consumer Code (treasury loans)

- Loans of 1.524 € or less: 20.56%
- Overdrafts, revolving loans and financing purchases or sales of with instalments exceeding 1.524€ but lower than 3.000€: 19.15%
- Personal loans and other loans of an amount exceeding 1.524€ and lower than 3.000€: 15.27%
- Overdrafts, revolving loans and financing purchases or sales with instalments of an amount exceeding € 3,000 and lower than 6000€: 17.15%
- Overdrafts, revolving loans and financing purchases or sales with instalments exceeding 6.000€: 14.81%
- Personal loans and other loans of more than 6.000 €: 10.93%

Exceeding the legal rate of interest is an offence punishable by imprisonment, for a term of two years and a fine of 45,000 EUR, or one of these penalties.

Microcredit is considered as a consumer credit and is subject to the laws on usury. The legal rate of interest of a microcredit depends on its amount:

- Loans under 1.524 EUR
- Loans > 1.524 EUR and \leq 3.000 EUR
- Loans > 3.000 EUR and \leq 6.000 EUR
- Loans > 6.000 EUR

2.3.2 Illustration

1) Credit amount: € 200

- Annual maximum legal rate of interest: 20.56%
- Monthly maximum legal rate of interest: 1.57%
- Duration: 18 months
- Monthly payment: € 12.84
- Total credit cost: € 31.15

2) Credit amount: € 500

- Annual maximum legal rate of interest: 20.56%
- Monthly maximum legal rate of interest: 1.57%
- Duration: 18 months
- Monthly payment: 32.10€
- Total credit cost: 77.88€

3) Credit amount: € 1 000

- Annual maximum legal rate of interest: 20.56%
- Monthly maximum legal rate of interest: 1.57%
- Duration: 18 months
- Monthly payment: € 64.21
- Total credit cost: € 155.76

2.3.3 The specifics of legislation concerning credits

The consumer credit legislation has been reformed in-depth by the Law No. 2010-737 of July 1st, 2010 Lagarde Law (named after the minister who presented it).

2.3.4 Special regulation of hire purchase in comparison with personal consumer credit

Hire purchase and lease purchase are subject to the Code of consumption, as well as other credit operations, which are similar (see art.311.1/ L311-2 and 311.8). The main provisions regarding this kind of credit are specified in the code (calculation of interest rates, compensation in case of contract failure...)

2.4 Risk assessment, financial capacity assessment, responsible practices

2.4.1 Regulation on credit risk and/or creditworthiness assessment

First of all, the Consumer Code obliges the lender to inform the consumer (but not that the borrower has understood the terms presented to him/her).

Moreover, the lender has to check the borrower's creditworthiness, according to the two below articles.

Article L311-9 (Amended by Law n ° 2012-387 of March 22, 2012 - art. 116)

"Before concluding the credit agreement, the lender has to check the borrower's creditworthiness from a sufficient number of information, including information provided by the applicant at the request of the lender. The lender has to consult the file referred in Article L. 333-4, in accordance with the order referred to in Article L. 333-5, except in the case of a transaction referred in §1 of Article L. 511-6 of the Monetary and Financial code."

Article L311-10 (Amended by Law n ° 2010-737 of July 1, 2010 - Art. 6)

"When credit transactions are concluded on the point of sale or through a technical communication, a separate documentation is given by the lender to the borrower. This documentation, in writing or on another durable medium, includes elements relating to resources and expenses of the borrower and, if applicable, outstanding loans contracted by him/her. This document is signed by the borrower or its contents need to be confirmed electronically and it contributes to the assessment of creditworthiness by the lender. The information contained in the document must be certified on honour by the borrower. If the amount of credit is greater than a threshold fixed by decree, the document must be supported by documentary evidence which the list is defined by decree (law).

Different obligations are imposed on the lenders since the adoption of the Lagarde law:

- Duty to explain the main dispositions of the credit;
- Obligation to propose a refundable advance instead of a revolving credit;
- Obligation to check the economic situation of the borrower and consult the national register of payment incidents.

Civil and criminal penalties can be applied in case of non-compliance by the lenders of their obligations: breaches of the rules governing the information of borrowers are punished by deprivation of the right to interest; the same logic is applied concerning the obligation of explanation and the obligation to check the creditworthiness of the customer; the lenders are responsible towards the borrowers to fulfil these obligations.

A first assessment of the implementation of this law should be presented in September 2012 by the Athling, which was mandated by the COSEF.

2.4.2 Positive or negative credit check databases

The FICP is a computer database managed by the Bank of France.

The FICP records the following elements on private individuals:

1. If someone is late to repay a credit which was granted for personal needs (not professional needs). The registration is then done by the credit institution that had that person signed the credit. People are registered in the following situations:
 - If they did not pay two terms of payment for a monthly refundable credit
 - If their late payment exceeds 60 days, for a refundable credit with terms other than monthly;
 - If they still owe at least 500 € 60 days after a formal request of repayment from the lender, for a credit without fixed terms (overdraft, for example);
 - If a credit institution commits a legal procedure against someone or declares the " revocation of the terms", which means that the borrower has to repay his/her credit immediately and in totality.

In all these situations, the lender has to inform the borrower. The latter then has 30 days to settle the problem. If it is not done during these 30 days, the lender will then ask the Bank of France to register the faulty borrower in the FICP database. This registered lasts 5 years.

2. If the borrower refers to an “excessive debt Commission” as soon as the case is presented, he/she will be registered in the FICP database by the commission, from the presentation of case and through the whole examination period. The borrower then remains registered for a variable duration which depends on the result of the procedure:
 - For a maximum duration of 8 years 1) if a conventional plan of recovery is approved or 2) if it's a decision of the commission or 3) if it's a judge's decision.
 - For a duration of 5 years when the borrower was the subject of a procedure of personal restoring (PRP) or of a civil bankruptcy sentence in the departments of the Bas-Rhin, Haut-Rhin and Moselle.

Information collected in the FICP database

It details the amounts of the listed incidents. It concerns all the credit institutions, which have the obligation to register incidents (article L333-4 of the Code of consumption).

Access to the FICP data

- The FICP can be consulted by credit institutions before granting a credit;
- By anyone who wants to know if he/she has a record and to check if the information is correct. It is an individual right.

Negative record length

- When it concerns a registration at the request of a credit institution (late payment of a credit), the borrower must have paid the amount of the unpaid amount. In case of revocation of the term, the borrower must have paid off all the amount which he/she owes. Then, the concerned credit institution will ask to the Bank of France to delete the registration in the FICP database.

- When the registration is a decision of the excessive debt commission, the borrower has to repay all his/her to all his/her creditors. They will certify the person has paid by writing and the person will then have to transmit this document to the Bank of France which will then cancel the registration in the FICP database. The registration in the FICP database is cancelled at the end of a 5-year period, if no new incident is registered during the period of execution of the conventional plan of repayment.

Registration impact on credit access

The registration in the FICP database is not, as a rule, a reason to deny the benefit of a credit. Nevertheless, it is the criterion which credit institutions consider frequently as motivation to refuse a credit.

Secours Catholique has always militated to consider the registration in the FICP database not as a systematic obstacle to credit but does not support a “right to credit” in any circumstance.

2.4.3 APIC and overindebted people

Personal microcredit (PM) cannot be an instrument of credit repurchase.

In situation of overindebtedness, it is possible to obtain a PM, but with the prior authorization of the Bank of France and on the condition that the PM contributes to the go back to or to maintain a job.

2.5 Risk assessment, financial capacity assessment, responsible practices

The microcredits are subjected to the legislation on consumer credits, and thus to the modifications brought by the law Lagarde. The banks will have to indicate in their annual report their activity regarding microcredits.

Several specificities have to be underlined:

- A banking sector with a robust retail network:
 - ✗ By law, the Post Bank has a mission to ease the banking accessibility;
 - ✗ Saving banks played an historic role and still have an important part in banking accessibility.

- Cooperative banks have 60 % of the market share

These elements are favourable to develop personal microcredit. Moreover, different observatories (Observatory of regulated savings and Microfinance Observatory) were created to monitor financial inclusion. Each year they publish an annual report regarding the topic.

2.6 Final conclusions and lessons learned from the legal environment

The legislation relative to the PM does not call particular remarks to this day. In France, there is a relatively favourable legal framework for financial inclusion:

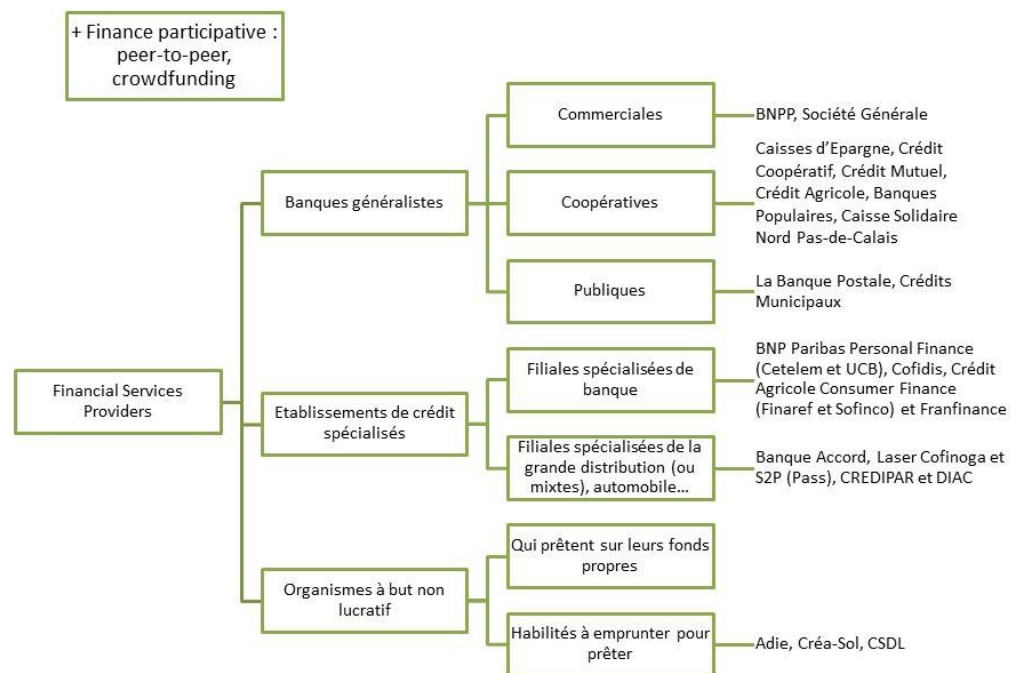
1. The right to have a bank account and basic banking services;
2. The Law on the consumer credit (and a consumer legislation), which establishes a relatively protective frame for the customer (information, solvency check,...)
3. Clear dispositions to prevent or to settle overindebtedness (recovery plan / personal bankruptcy / "procedure of personal restoring", with or without judicial liquidation);
4. Provisions regarding personal microcredit, and specially the creation of Social Cohesion Fund and the requirement for banks to publish the number of microcredits they deliver.
5. Two observatories monitoring financial inclusion under the supervision of the Bank of France

However, some weaknesses are to be underlined:

1. Scattered measures without global strategy
2. Sometimes differences in the application according to the banks (e.g. Obligations of information transparency and publication)
3. A relative disconnection of the ongoing discussions on the bank reform (Basel 3).

3 French credit market structure overview

3.1 Credit providers diversity



3.2 Deprived consumers – purchase resources for low income consumers

In France, there is no mechanism linking savings to consumer credit (except concerning the acquisition of real estate).

To face unforeseen expenses, low-income households use overdraft facilities in their bank (if they have an authorization) or revolving credit with all the risks it holds or the classic depreciable credit. In some cases, they can access emergency funds that can be mobilized locally by municipal centers for social action, benefit funds or family associations.

3.3 Existing credit available to/used by low-income people

3.3.1 Specific dynamics of the low-income market

The distribution channels for consumer credits are the point of sale (general stores, super or hypermarkets ...). This kind of credit is offered through loyalty cards (giving right to special rebates), which are also credit cards but dedicated to the concerned store.

It is also fairly easy to access to this kind of credit online when you buy on internet.

Revolving credit loans are available online on the sites of the financial companies;. They also regularly dispatch information via mailings or advertising.

3.3.2 Bad practices / toxic products which create a high level of use difficulties

Revolving credits were usually granted by financial companies, without real control of the financial situation of the potential beneficiaries, and at rates very significantly higher than those the banks propose for depreciable credits. As we have seen above, the Lagarde law aims to modify this situation.

Loyalty card holders must now be offered the opportunity to pay their purchase in cash, this measure is a real progress but it is too early to draw definitive conclusions. In this respect, the report requested to the Athling cabinet should shed some light on the topic.

The revolving credits considering the ease with which they were granted, contribute to a large extent to overindebtedness issues. The overindebtedness files presented to the excessive debt commission of the Bank of France include on average 5 credits of this type.

3.4 Credit and saving culture / practices / data

3.4.1 Savings

Regarding savings, the Bank of France publishes each year the Observatory of the regulated savings' report (www.bank-france.fr), which follows the evolution of saving products with a specific tax regime.

The “Livret A” or booklet A which is tax-exempt is by far the most popular placement with more than 60 million of French people holding one. Considering that the French population is 65 million, its detention ratio is over 91% even if the majority of these booklets have a very low balance.

Indeed, 47% of them (figures 2010) have a balance of less than 150 € and they represent 0.5 % of the total assets under management. These figures illustrate the large dissemination of this instrument and the role it plays in accessibility banking for the most vulnerable people.

3.4.2 Credits

Out of all the microcredits paid out in 2011, here are some figures in France on 31/12/2011.

Financed projects:

- Mobility: (car or driving licence): 72%
- Education: 4.5%
- Home renovation: 2.5%
- Health: 1%
- Other: 10%

3.5 Impact of loan interest rate on credit supply in low-income communities

Considering the small amount of the money borrowed in the framework of the personal microcredit, the amount of interest paid by the borrower is very low. Their existence is, therefore, not a matter of debate with the potential beneficiaries. Nevertheless, the activity is carried at loss by the banks, which slows down the development of personal microcredit.

Secours Catholique considers normal the perception of interest; it contributes to the accountability of the people who borrow, and it is a first step towards inclusion. It should be noted that some local authorities reimburse at the final maturity of the credit the interest paid, if the credit had been repaid normally.

3.6 Responsible credit practices illustrations based on legal history

Most of the banks, financial companies and professional organizations hire independent ombudsman to find amicable solutions to the disputes with their clients.

These ombudsmen publish each year their activity report which can be consulted on these organisms' sites.

The Lagarde law, which imposes to banks an information obligation regarding credit characteristics to their customers or future customers, should normally help to reduce poor practices. The law also provides civil and criminal sanctions. However, this law is too recent to clearly draw conclusions on its efficiency.

3.7 National specific research

There is no comprehensive study on the behaviour of fragile populations regarding credit or savings.

3.8 Final conclusions

- Personal microcredit is a suitable tool (small amounts, tailored to the needs, low interest rates, beneficiary follow-up).
- However, the product is not well-known by its potential beneficiaries.
- The cost of the follow-up is high for associations which do not have volunteers, consequently, due to this cost some associations are slowing or stopping their activity in the field.
- The administrative cost for the bank is too high, as the volume of personal microcredit is not relevant, they still accept the situation (it is good for their image) but they will certainly be reluctant to develop it in a near future, if the demand, tailored to the needs, grows.
- Levels of consumer credit are relatively less important than in other European countries. Trends are also in decrease due to the Lagarde Law (2010) and the economic crisis, which leads to a reorganization of the competitive landscape.
- An informal market poorly known and documented, but that suggests that practices remain local

4 Other external relevant elements that impact the CAPIC project or APIC activities

The French government is very active, it settled a guarantee fund (social cohesion fund - FCS), which ensures the banks (at 50%) for their final loss in a personal microcredit. The management of the FCS is entrusted to the Caisse des Dépôts. Some local or regional authorities are also active in the field, but it is much more an exception than a rule. The Caisse des Dépôts is currently conducting a study on the impact of personal microcredit. The results will be delivered end 2012.

5 APC integration in the local environment

5.1 The dissemination plan

There is no real communication to the public regarding personal microcredit, but, in any case, this kind of communication is not adapted to the product. Credit Municipal de Paris launched a few years ago an information campaign around personal microcredit. They had thousands of requests but very few were really serious. This is in fact the real problem of microcredit.

In practice, even if the offer and the organisation are the same, from one region to another, some are doing very well and some have no results. An analyse of this situation was carried out and concluded that it depends of the motivation of the people in the field (bank officers and association volunteers). Unfortunately there is no rule. Finally, the word of mouth is most probably the best communication model for personal microcredit.

5.2 The CAPIC origin of the demand

Theoretically, anyone to whom a classical loan has been denied and who, however, has a repayment capacity, can ask for a personal microcredit. Practically, the “candidates” are extremely diverse; they are in general people living alone with the minimum social standards and for half of them, women. These people are most of the time sent to associations by the social workers of territorial communities.

Of the various impact studies carried out, it emerges that microcredit is mostly used for mobility projects (vehicle purchase / driving license funding) in more than 70% of cases. The people, who have benefited from PM, have mostly experienced a

positive interest. One out of two unemployed borrower managed to find a job, and three quarters of the active borrowers have been able to maintain themselves in employment (Fédération Nationale des Caisses d'Epargne (FNCE) Study).

5.3 Links with the other financial inclusion initiatives

The microcredit project staff is not very linked to other issues relevant to the financial inclusion (right to a bank account ...). There are however gateways with the procedures of indebtedness and financial education and budget. Personal microcredit is part of the answer to the problem of banking exclusion, but this latter remains a larger phenomenon.

5.4 Actions implemented to detect credit applications and promote the project

Even if it is not yet systematic, social workers are more likely to consider personal microcredit as one of the answers to the problems that low-income people meet. Nevertheless, this observation must be nuanced:

1. Financial and budgetary problems are not part of the initial training of social workers,
2. There is a certain reticence among many social workers towards the credit, which is sometimes associated with the overindebtedness.

The success of personal microcredit is mainly linked to the commitment and motivation of local (decision-makers) and national (heads of associative networks) structures. Training sessions on personal microcredit have been offered to professionals of social assistance.

5.4 Actions implemented to detect credit applications and promote the project

Today, personal microcredit is based on the detection by the associative networks of people in situation of exclusion. In its delegations, Secours Catholique welcomes each year nearly 1.000.000 people. They are mainly people in deep distress who come to ask a moral support or an immediate aid. As soon as the volunteers detect that the person has a project (life project or more simply a short-term project) and that the person is able to manage a budget, they orient the person toward internal

specialized microcredit teams. However, this detection is not yet systematically organized; it all depends on the delegation of Secours Catholique concerned, of personalities and volunteers' training.

Here below the list of major associative networks which, as Secours Catholique, are in charge to assist personal microcredit beneficiaries:

- Association for the right to economic initiative (Adie)
- Association nationale des directeurs de mission locales (ANDML)
- Comité national de liaison des régies de quartier (CNLRQ)
- French Red Cross
- Fédération des familles rurales
- Fédération française des associations Crésus
- Fédération nationale des associations de réinsertion sociale (FNARS)
- Restaurants du coeur
- Union nationale des centres communaux d'action sociale (UNCCAS)

On the French territory, many associations, which do not belong to a national network, are also involved in microcredit.

5.5 Promotion of the project

It is not always possible to help people in real and deep difficulty with microcredit (which must be based on a minimum creditworthiness of the borrower).

Success is based on 3 elements:

1. To work with a partner who is in close contact with this type of population and know the public benefits these population can obtain beyond microcredit ;
2. To conduct a detailed analysis of the financial situation of the beneficiary;
3. To assist the beneficiary during the credit life, help him/her during the different steps to realise the project (for example, help him/her to purchase a vehicle).

Secours Catholique has delivered approximately 1.800 personal microcredits since 2005, for a total amount of 1.836K€, the average amount of each loan is 1.700€ for a loss ratio of 7 %.

5.6. Social audit analysis of the CAPIC project impact

- 2010: An impact study was conducted by the FNCE, on more than 800 borrowers → http://www.fnce.fr/etude_microcredit_personnel.pdf
- Caisse des Dépôts is currently conducting an impact study on microcredit whose results will be available end 2012.

PART 2 NATIONAL CAPIC PROJECT

6 Description

6.1 CAPIC direct environment / CAPIC size

The CAPIC project (personal microcredit) is a national project. It involves:

1. The major national banks
2. The most important associative networks involved in the assistance of people in difficulty
3. And on behalf of the State, the Caisse des Dépôts et Consignation

6.2 Description

A full description of the services (credit) offered:

- Type of loans

Short-term cash credit.

- Purposes

Any project to improve inclusion and living conditions of the beneficiaries. It may concern the acquisition of a used car or finance a family meeting for example.

- Amounts

Maximum amount: 3.000€; maximum duration: 36 months.

- Interest rate

There is no legal rate for personal microcredit. These credits are subject to the legislation on usury. Nevertheless, the banks are committed to practice lower rates than those applied to conventional loans.

- Fees

There are no fees.

- Access conditions

No income conditions are required. It is sufficient to have a legalised identity document. The process is very flexible. The person justifies its resources and present a provisional budget.

- Requirements to complete a credit application

As mentioned below, the documentation requested is very simple; nevertheless, to study the financial situation of a potential client, at least the last three banks statements are required.

- Treatment process of the application

The case is studied by a volunteer and presented to the bank committee (see below the process description).

- Credit risk analysis

The analysis is based on the seriousness of the project, the capacity of repayment but obviously, this analysis is less severe than for a “regular” credit.

- Credit reference agencies

We check if the person is registered in the FCC and/or the FICP database (see supra), but even if the result is positive, it is not a reason not to consider the case and to deny the loan.

- Social purpose validation

The impact for the borrower in term of sustainability for his/her budget → the monthly repayment must not exceed 100€

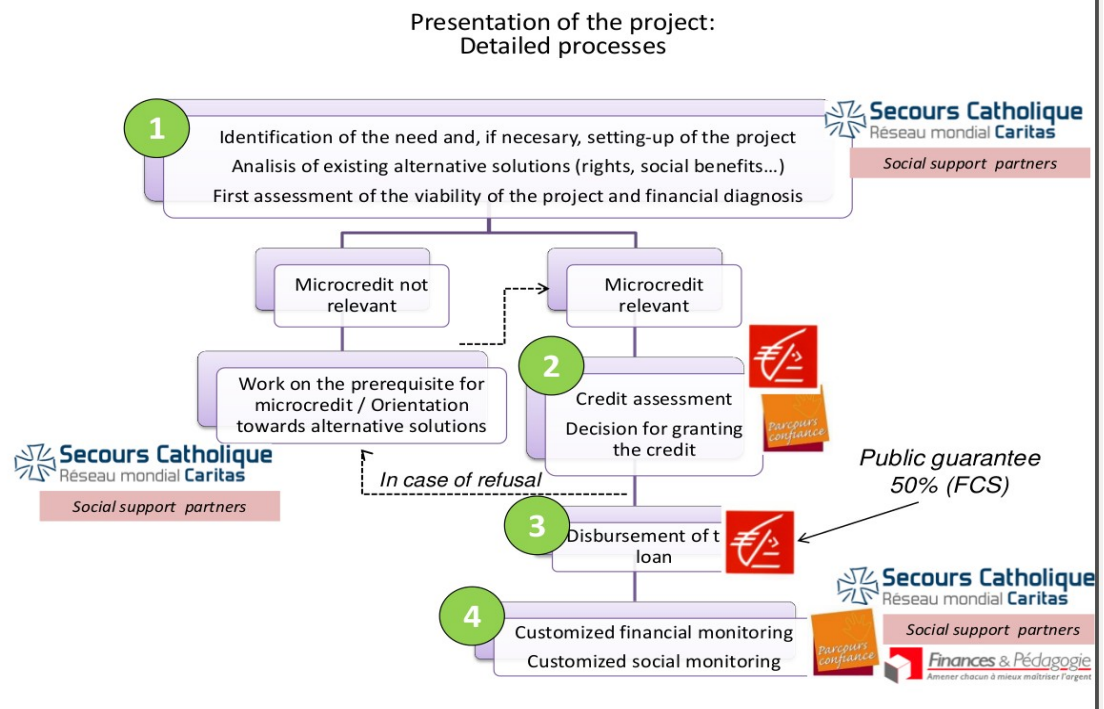
- Details on credit decision process and credit provision

There is a classic credit committee with bank and Secours Catholic representatives, both having the same power

- Social follow-up

See the remarks on the assistance in the association section.

6.3 Workflow diagram



7 Average procedure timeline illustration

It is difficult to give an average duration of the process. All depends on the level of maturation of the project; very often, the meetings with the volunteer allows to precise it. It can take a certain time. As the project is completed, it can be slowed down by the time the beneficiary needs to collect supporting documents: rent proof, wage slips or other evidence of social allocations... As soon as the credit committee gives a favourable decision, the time to release the funds is approximately 15 days.

8 Outputs, performance and reporting

- Expected results originally planned: no information available.
- Outputs (quantitative data): no information available.

- ✗ Number of 1st contacts, number of interviews, number of completed files, number of abandons: this information is not available. CDC is trying to centralise them, but it will certainly take time due to the different statistic tools (when they exist) of each bank or association.
- ✗ Number of signed contracts: see document “Bilan T1 2012”
- ✗ Number of loans delivered: see document “Bilan T1 2012”
- ✗ Number of contracts with a minimum of 3 months arrears: see document “Bilan T1 2012”
- ✗ Number of contracts with “amicable” debt collection procedures: no information available.
- ✗ Number of contracts with “non amicable” debt collection procedures: no available information, but due to the small amounts concerned, the banks do not institute proceedings. Secours Catholique decided to do the same for human motivations.
- ✗ Number of repaid loans: see document “Bilan T1 2012”
- ✗ Other “qualitative” evaluation: no information available.
- Economic performance

The only information available is in the document “Bilan T1 2012”.

- The partners' role in the project extension

Secours Catholique considers that microcredit is only a temporary answer to banking exclusion. For that reason, Secours Catholique promotes its “Manifeste pour l'inclusion bancaire”.

9 Balance Sheet and Annual Income Statement (consolidated accounts)

No information available.

PART 3 NATIONAL CAPIC PROJECT ACTIVITIES ANALYSIS

10 Secours Catholique

10.1 Description

10.1.1 Legal entity status

Secours Catholique is a non-profit association governed by the law of 1901; it is declared of public utility and is authorised to receive donations and legacies from the public.

10.1.2 Business model

Secours Catholique is tightly linked to the Catholic Church. It is a "service to the church". It receives its means from its donors, mainly in the form of donations as a national collection (82M€) or legacies and donations (31ME). It also receives grants from public authorities (11M€).

10.1.3 Link between pre-existing and APIC activities

Secours Catholique has initiated its activity in 1946. It was, as mentioned above, essentially a charitable activity. The microcredit activity has been initiated at the end of the years 90 (see below). It was initially professional microcredit in a few delegations, with the creation of a dedicated fund named FSI (solidarity fund for initiatives).

Based on this first experience, it launched, in 2004, personal microcredit with the creation of another guarantee fund named FSG (social fund of guarantee).

This fund guarantees the banks at 50% for the risk on the microcredits made in the framework of the agreements.

10.1.4 Budget description

The microcredit activity is marginal in the budget of Secours Catholique. It is placed under the responsibility of the platform "Employment / Social business", which is staffed with 6 people. However, only one member of this staff is dedicated to microcredit, and it is only a part of his job; he is helped by a volunteer.

In financial terms, Secours Catholique has established its funds with 150K€ for the FSG and 460K€ for the FSI.

10.1.5 Human resources available

The Delegations of Secours Catholique do not have permanent employees dedicated specifically to microcredit. The commitment level of each local Delegation is variable. It depends on their sensitivity and their will to develop this form of assistance, which is relatively innovative.

The microcredit activity is animated by a small team of specialised volunteers (generally former bankers), which investigate the cases transmitted by the volunteer who welcomes the potential beneficiary. Since the beginning of the experiment, the Secours Catholique has granted 1.800 microcredits.

The decision scheme is the following:

1. The delegation receives the applicant.
2. It studies the file with him/her in a personalised meeting
3. The delegation presents the file to the bank with which it has signed an agreement (each delegation is linked by a convention to a local bank)
4. The committee (representatives of the bank and Secours Catholique) decides to grant the loan or not;
5. The bank provides the cash loan with the warranty of 50% delivered by the Secours Catholique.
6. The Secours Catholique volunteer provides the assistance to the beneficiary and intervenes in case of difficulties.

10.1.6 IT and other material necessary to support APIC activities

Non-significant concerning Secours Catholique.

10.1.7 Organisation's institutional position

The reputation of Secours Catholique, in the fight against all kinds of exclusion, is particularly well established in France. Its commitment to microcredit (activity in which it is a pioneer in France) has allowed to broaden the scope of the public concerned. The Secours Catholique acquired very quickly legitimacy from banks with which it has agreements and this convinced them to accept files they would have naturally declined.

10.1.8 Conclusion: Key elements that make APIC possible

The starting-up of microcredit in France is the result of the collaboration between:

1. The banks who are indispensable to realise the loans technically (because of the legislation, they are the only organisations authorised to lend)
2. The associations which are in touch with the individuals who need microcredit and that can assume the follow-up of the beneficiaries
3. And the public authorities by setting up the “Social Cohesion Fund”, which delivers a state guarantee on 50 % of the loans, then giving a strong boost to the project.

10.2 Organisations' experience/knowledge on APIC needs and from APIC practices

10.2.1 Lessons learned from the pre-existing activities

The Secours Catholique is a charity organisation that addresses the most disadvantaged public. This vocation, associated with the expertise of some volunteers (former bankers), helped to identify other needs, connected with finding an employment and ways to manage that goal. This is how the experimentation of professional microcredit by the Secours Catholique in the Parisian region began.

10.2.2 Key elements / reasons for the organisation in deciding to participate to an APIC project

It was the AZF factory disaster, in Toulouse in 2001, that brought the Secours Catholique to evaluate the extreme difficulty for the very small firms to obtain financial means to revive their activity. The experimentation carried out in the Parisian region (see above) helped to answer this specific situation, but also rose awareness on the difficulties for private individuals to obtain credits from banks. That's why after the microcredit activity was initiated with professionals, it was continued with the personal microcredit.

10.2.3 Main lessons learned from the APIC practices

Microcredit has certainly modified the temporal characteristics of our action, Secours Catholique now operates:

- More upstream than in our charity activity, because we study the beneficiary's project, help him/her to finalise it and to build the credit file which will be submitted to the bank,
- More downstream, because we maintain the contact with the beneficiary during the total credit duration.

10.3 Complementary views

10.3.1 Progress remaining to be done

The follow-up (downstream) of the beneficiaries of microcredit is certainly the point which must be improved by associations involved in microcredit.

At this stage, the reasons for this relative failure are -in our opinion- the following:

- Poor implication of Secours Catholique volunteers, who do not find always the just balance between support and risk of intrusion in the private life of the beneficiaries;
- Will of many beneficiaries to have no relationship with the association
- The relation with the beneficiaries is taken by the bank, which grant the credit, but which has no reflex to involve the association in case of difficulty.

10.3.2 Cost and risk dispatching

As regards to the final microcredit risk, the scheme existing in France (with share of the final risk between banks and public authorities) can be considered sustainable. On the other hand, the economic model remains the main issue. If the final cost of the risk (considering the reduced loss ratio) is not the real problem for the banks, the implementation of microcredit still cost them too much.

10.3.3 To what extent can some costs (activities) be outsourced?

The assistance of microcredit beneficiaries is realized by associations. For some of them (those who do not have volunteers) the problem is the cost, which in some cases, oblige them to withdraw from the microcredit project.

11 Caisse des Dépôts et Consignations

11.1 Description

11.1.1 Legal entity status and business model

The “Caisse des dépôts et consignations and its subsidiaries constitute a State-owned group at the service of the public interest and the country’s economic development. The said group fulfils public interest functions in support of the policies pursued by the State and local authorities, and may engage in competitive activities.”

(Article L. 518-2 of the French Monetary Financial Code)

11.1.2 Link between pre-existing activities and APIC activities

Caisse des Dépôts :

- Manages funds held in regulated savings accounts and invests these on a secure basis in projects in the public interest, particularly social housing,
- Acts as public banker to the judicial and social security systems,
- Manages public and semi-public pension schemes,
- Invests in regional and local development alongside local authorities,
- Acts as a long-term investor in the French economy,
- Participates in national economic development via its subsidiaries.

11.1.3 The budget description

In 2005, the French government appointed the Caisse des dépôts et consignations to manage the “Social Cohesion Fund”, a fund dedicated to provide partial guarantee of microcredit for businesses and personal life projects. To activate this guarantee, banks must organise an effective social follow-up in partnership with social structures. The objective is to create or re-create relations between banks and the targeted public which has been excluded.

The management and coordination of the Social Cohesion Fund is handled by Caisse des Dépôts as the animator between the social actors, the banks and the financial institutions.

The microcredit activity is managed, coordinated and evaluated at national level. At local level, it is carried by local partnerships ensured by interregional directorates and regional directorates in order to harmonise supply.

In financial terms, the total amount of agreements (amount of Social Cohesion Fund allocated to the guarantee of the microcredit) reaches 4 971 750 € at December 31, 2011.

11.1.4 Human resources available

The microcredit activity is managed, coordinated and evaluated at national level. At local level, it is carried by local partnerships ensured by interregional directorates and regional directorates in order to harmonise supply. At national level, a staff of five people is responsible for the microcredit activity.

11.1.5 IT and other material necessary to support APIC activities

Non-significant for Caisse des Dépôts.

11.1.6 Organisations' institutional position

For Caisse des Dépôts, the activity of microcredit is part of its public interest functions in the fight against banking and financial exclusion.

11.1.7 Conclusion: Key elements that make APIC possible

The starting up of the microcredit in France is the result of the collaboration between:

- The banks who are essential to technically grant the loans (because of the legislation, they are the only organisations authorised to lend,)
- The associations that are in touch with the private individuals in need of microcredits and that can undertake the follow up of the beneficiaries
- And the public authorities by setting up the “Social Cohesion Fund (which deliver a state guarantee on 50 % of the loans), and then giving a strong boost to the project.

11.2 Organisation's knowledge about APIC needs

11.2.1 Lessons learned from the pre-existing activities carried out

In order to learn from the pre-existing activities, Caisse des Dépôts is currently conducting a study on the impact of personal microcredit.

11.2.2 Key elements / reasons for organisations' participation to an APIC project

Caisse des Dépôts is appointed by the State to develop and promote the microcredit activity.

11.2.3 Key elements learned

The Caisse des Dépôts is currently conducting a study on the impact of personal microcredit. The results will be delivered in February 2013.

11.3 Complementary views

11.3.1 Progress remaining to be done

- Reinforce collaboration between banks and associations
- Professionalize the associative networks involved in microcredit
- Increase the structures that are involved in the prescription of personal microcredit

11.3.2 Cost and risk dispatching

The Social Cohesion Fund guarantees the banks at 50% for the final loss of a personal microcredit granted. Therefore the final risk is shared between banks and public authorities. However the economic model remains the main issue; if the final

cost of the risk, (considering the reduced loss ratio) is not real problem for the banks (it should be noted however that we don't have enough long-term data on loss ratio to better understand it taking into account the very low volumes during the first years). On the other hand the implementation of microcredit falls still in deficit for them. As long as the volumes remain modest they do not raise the problem of the profitability of the product. What will be their attitude if the volume came to increase significantly?

11.3.3 To what extent can some costs (activities) be outsourced?

Associations are in charge of the follow-up of the beneficiaries; for those who do not have volunteers, the cost is problematic raises issues that lead to withdraw the microcredit from their program.

11.3.4 Other partners

The development of microcredit relies on partnership at national level with associative networks and banking networks. More than 20 banking partners and 9 associative networks are partners of the microcredit project at December 31, 2011.

12 Fédération Nationale des caisses d'Epargne (FNCE)

12.1 Description

12.1.1 Legal entity status and business model

Caisse d'Epargne (Savings Banks)

The first Caisse d'Epargne was founded in Paris in 1818 to promote, collect and manage popular savings. Recognized as "private institutions of public utility," the Caisses d'Epargne have pursued missions of general public interest since 1895. In 1950, they were authorized to grant loans to local authorities. In 1999, they became cooperative banks.

Nowadays, 4.3 million customers share this commitment and are cooperative shareholders of local savings companies.

Thanks to their strong presence deeply rooted in the local social fabric, the [Caisses d'Epargne](#) rank among the foremost banking institutions in their regions. In their capacity as multi-business savings banks, they accompany all types of customers with the help of complementary businesses and specialized subsidiaries.

Social solidarity is one of the essential founding principles of cooperative banks. It forms the very heart of the business activities pursued by the Caisses d'Epargne, as a *raison d'être* and a state of mind. In particular, the Caisses d'Epargne have developed innovative solutions to combat exclusion from banking and financial services and to prevent over-indebtedness, with the creation of the Finances & Pédagogie association (1957) and the Parcours Confiance support program (2005).

FNCE

The FNCE is an association whose members are the 17 Caisses d'Epargne. Its core missions are:

- contribution to the Caisses d'Epargne network's strategy
- coordination of the relations between the Caisses d'Epargne and their cooperative shareholders
- organization of the training courses for the cooperative shareholders representatives
- setting up, coordination and promotion of the Corporate Social Responsibility (CSR) actions of the Caisses d'Epargne
- representation and promotion of the Caisses d'Epargne interests
- promotion of the debate on strategic issues inside the Caisses d'Epargne
- contribution to the international cooperation.

APIC project: Parcours Confiance

The APIC project consists in Parcours Confiance program, launched in 2005. Parcours Confiance are associations created by each Savings Banks, with dedicated loan officers, which provide:

- family budget diagnosis
- personal microcredit and appropriate banking services (on Caisse d'Epargne's balance sheet),
- training sessions with « Finances & Pédagogie », a non profit organisation created and supported by the Caisses d'Epargne
- cross services with social partners (among which Secours Catholique): housing, job search...

Through Parcours Confiance and Finances & Pédagogie, the Caisses d'Epargne:

- Analyses and participates to credit granting decisions,
- Manages the money delivery and credit back-office,
- Follows-up the repayment and
- Proposes financial education workshops for beneficiaries.

The unique approach of French APIC project is its strong emphasis on coaching for those who need it, both from a social and from a banking point of view.

Since the launching of the program, in 2005, the activity has grown continuously: Savings Banks now grant between 3,000 and 4,000 personal microcredits per year.

12.1.2 The budget description

The APIC budget mainly consists in payrolls, as main infrastructures and IT are pooled with savings banks “mainstream” activity.

12.1.3 Human resources available

70 loan officers work in Parours Confiance (this figure does not take into account back-office staff, which has been pooled with Savings Banks); some Savings Banks also mobilize volunteers, most of them being bank’s retirees.

12.1.4 IT and other material necessary to support APIC activities

Parours Confiance relies on Savings Banks IT for the credit chain; there is also a dedicated microcredit application, developed specifically for microcredit (family budget analysis, social performance...)

12.1.5 Conclusion: Key elements that make APIC possible

- Strong CSR identity of the French Savings Banks, in particular regarding financial inclusion
- Top management implication in developing APC program, along with a coherent corporate culture
- Controlled costs through a close pooling with Savings Banks infrastructure
- External drivers: Fonds de Cohésion Sociale, mandatory microcredit reporting...

12.2 Organisations' experience/knowledge about APIC needs / practices

12.2.1 Key elements / reasons for organisations' participation to an APIC project

In our societies, there is a growing precarisation and job insecurity, an erosion of the Welfare State, that affects our clients: there is a need, for deeply territory-rooted banks, for securing clients paths, and to be in capacity to respond to the need of clients that face difficulties.

It is about **corporate culture and values, innovation** and most of all about finding a **sustainable business model in the long term**.

12.2.2 Key elements lessons learned from the APIC activities

- Personal microcredit or APC has a proven social utility, not only about helping people to access the labour market (as defined in the initial criteria of the Fonds de Cohésion Sociale), but also in terms of improving housing conditions, solving family difficulties, improving self-esteem...
- Nevertheless, it may be difficult to target the ones who most need it, or the ones for whom APC has the highest social added value (e.g. working poor). There is a need to deepen our knowledge of APC clients.
- Working with social networks such as Secours Catholique has useful indirect impacts: making possible the dialogue between entities that were not used to cooperate (useful for banks and for partners). This dialogue and “co-construction” has to be developed both at a national and regional level, as closely as possible to the field.

12.3 Complementary views

12.3.1 Progress remaining to be done

At our level, the priorities are:

1. Improving the efficiency in order to respond to more demands
2. Better addressing the needs of our vulnerable clients, by detecting them in our portfolio
3. Better assessing the economic and social impact of APIC

12.3.2 Cost and risk dispatching

The French APIC project is based on a “shared” costs and benefits approach. It means that each partner takes part of the expenses related to the APIC, according to its fields of expertise. It is a strength but also a challenge as each stakeholder has to be fully involved to make the model sustainable.

More specifically:

- **Public support** has been decisive, at a national level (guarantee fund, communication to the general public, coordination for mutual learning and

best practices exchange, regulation, grants...) but **also at a local level** (communication to the general public, grants, coordination...).

- **Banks' implication** have tangible advantages (pooling of the resources, scaling-up, consumer protection, expertise in risk management and credit assessment...).
- **Social partners' commitment** is necessary to detect potential beneficiaries of APC, to analyse their situation, to orient them and to have a good quality social follow-up.