



Strategic Lending Plan

ACCION

Final document
September 2011

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Contents

- **Executive summary**
- Strategic initiatives
- Appendix

Over the last six months, ACCION has participated in a joint strategic planning process

Objectives

- **Develop 5-year lending strategic plan** (i.e., initiatives and a detailed plan that enables ACCION to achieve its mission and goals)

Participants and roles

- **ACCION:** Define key strategic questions, conduct extensive market research to answer them and synthesize into action plan
- **McKinsey**¹: Support process using experience in planning, problem solving and data-based decision making
- **Robin Hood**²: Facilitate process using experience in non-profit sector and expertise in non-profit consulting

Timeline 2011

- **February-April:** Review mission, determine key strategic questions and conduct market research
- **May-June:** Complete market research, synthesize research findings and present preliminary findings to Board
- **June-September :** Finalize initiatives required to meet strategic goals and 3-year action plan to implement initiatives, with specific steps and responsibilities
- **October:** Begin implementation

¹ Management consulting Firm serving a variety of leading organizations in both the for-profit and non-profit sectors

² Foundation whose mission is to “End poverty in New York” and provides management assistance to grantees

During this strategic planning process, ACCION sought to answer three key questions

- ① What clients should we focus on and how do we acquire them?
- ② How do we retain clients and mutually benefit from their long-term relationship with ACCION?
- ③ What are the best ways to measure our impact?

To address these questions, we conducted market research

Interviews + questionnaires*

- Clients
 - Repeat clients
 - Withdrawn clients
 - OLA declined
 - Underwriting declined
- Staff
- Partners
- Funders
- Think tanks
- Competitors

Secondary research

- Internal ACCION reports (e.g., Microtest)
- External reports and studies

Issues addressed

- Ways to attract and retain best clients
- Reasons clients refer to others
- Important levers in our value proposition to clients and partners
- How others view impact measurement



**70+ interviews
conducted**

* Select interviewees received questionnaires

In three years, ACCION will...

- Disburse over 1,000 loans a year with existing infrastructure (over 55% increase from 2011 levels)
- Generate \$10 million in annual dollar disbursements (over 100% increase of over 2011)
- Achieve an ending portfolio of \$13 million (over 75% increase over expected \$7 million in 2011)
- Generate over \$1.8 million in annual portfolio revenue (increase of \$760K over current levels)
- Exemplify world class service delivery in each of the markets we serve
- In combination with fundraising, restore our unrestricted net assets to positive position
- Ensure organizational sustainability

...and identified key areas for the organization to address (Page 1 of 2)

Key areas to address	Supporting rationale
Increasing client referrals	<ul style="list-style-type: none">▪ Most clients come to ACCION through word-of-mouth/client referral▪ Most interviewees would recommend ACCION, even if they did not receive financing▪ We could increase client referrals by improving our services to clients▪ Word-of-mouth is a cost effective form of marketing
Stronger focus on partnerships	<ul style="list-style-type: none">▪ Focusing on existing referral partners will drive more leads to increase production▪ Leverage online application system to create stickiness and improved reporting with partners▪ Creating loyalty with these partners would give us a constant stream of potential clients
Increasing lending to established businesses	<ul style="list-style-type: none">▪ Partners, Competitors, and Staff said these were the easiest loans to process▪ There are fewer document requirements for these loans which makes the process faster. Speed of process is important to clients▪ These businesses are generally in a stronger financial position and can verify coverage for a loan. Verified coverage leads to larger loan approvals, another important aspect to clients
Non-lending services that grow client business	<ul style="list-style-type: none">▪ Client interviews suggested that people need services other than a term loan, or additional non-financing services, such as accounting or legal assistance.▪ Repeat clients asked for other services like marketing, web design, financial education, etc.▪ Further exploration required on cause and effect of these services

...and identified key areas for the organization to address (Page 2 of 2)

Key areas to address

Supporting rationale

New products and services

- Developing a turn down product/solution because most declined clients did not end up getting financing through another organization
- Offering funding alternatives other than a term loan given poor credit, high debt and limited cash flow visibility

Improve end-to-end process

- Clients think the process takes too long and is difficult to understand
- By improving end to end process, we can increase our performance and referrals
- Loan amount and interest rate were the most important parts of the loan for our clients. The process should be looked at with this knowledge
- Client retention is extremely low in most markets—need to evaluate whether we want to increase or not. If we do, are there elements of our process that impair retention?

This strategic plan provides the roadmap to ensure ACCION's continued success in the current environment and to take the organization to the next level

Clients

- Your satisfaction as our customer is our top priority.
- Our aim is to make doing business with us easy, over and over again.
- We can help your business grow, whether via our own services, referrals of your business to our other clients, or through our vast network of partners.

Board

- We will ensure that you are well informed so that you can provide the feedback, support and governance needed for us to be successful.
- We are focused on fulfilling our mission and achieving our goals.
- We intend to accomplish this in a manner that is fiscally responsible.

Staff

- We will develop processes, training and the support you need to do your job well. Together, we can make lending easier!
- Your satisfaction as an employee is a top priority of the company.
- Each of you is a valued member of the ACCION family.

Funders

- We will do our best to maximize the impact of every dollar of funding to ensure a high return on your investment.
- We will improve the means by which we gather data so we can report to you the impact of our work in concrete measures, short and long-term.

Partners

- We look forward to working with you to create a long-term, and mutually beneficial relationship.
- We will treat referred clients with the utmost respect and do our best to provide them excellent service.
- We aim to always improve communication and keep you well informed on the status of your referrals

INCOME STATEMENT (Accion East Organization)	Base Case	Projections			
	2013	2014	2015	2016	2017
REVENUE					
Unrestricted fundraising revenue	\$900,000	\$900,000	\$900,000	\$900,000	\$900,000
Temporarily restricted fundraising revenue	2,600,000	2,600,000	2,600,000	2,600,000	2,600,000
Total Support Revenue	\$3,500,000	\$3,500,000	\$3,500,000	\$3,500,000	\$3,500,000
Interest on Loans	\$916,496	\$1,364,558	\$1,889,856	\$2,345,456	\$2,694,579
Program Fees	393,897	533,229	650,754	697,368	743,551
Interest on Cash	13,541	9,489	6,483	6,483	6,483
Contract Revenue	83,900	83,900	78,900	78,900	900
Recoveries	96,651	168,789	260,686	356,910	420,448
Other	20,000	30,000	40,000	50,000	60,000
Total Earned Revenue	\$1,524,484	\$2,189,965	\$2,926,680	\$3,535,118	\$3,925,961
TOTAL SUPPORT AND REVENUE	\$5,024,484	\$5,689,965	\$6,426,680	\$7,035,118	\$7,425,961
Interest and fees	\$380,081	\$435,201	\$589,808	\$742,537	\$822,526
Retrofit equipment expense	587,838	0	0	0	0
Loan loss provision	452,878	790,898	1,221,499	1,672,380	1,970,098
Total Lending Expenses	\$1,420,797	\$1,226,099	\$1,811,307	\$2,414,917	\$2,792,623
OPERATING EXPENSES					
Salaries	2,355,011	\$2,402,111	\$2,450,154	\$2,499,157	\$2,549,140
Incentives	25,000	25,000	25,000	25,000	25,000
Payroll related expenses	706,503	720,633	735,046	749,747	764,742
Total personnel costs	\$3,086,514	\$3,147,745	\$3,210,200	\$3,273,904	\$3,338,882
Professional fees and marketing	273,400	278,868	284,445	290,134	295,937
Office and occupancy	614,500	626,790	639,326	652,112	665,155
Travels and conferences	65,920	67,238	68,583	69,955	71,354
Depreciation & amortization	138,350	142,761	156,437	177,630	198,823
Other expenses	20,000	20,400	20,808	21,224	21,649
Total Operating Expenses	\$4,198,684	\$4,283,802	\$4,379,799	\$4,484,959	\$4,591,799
TOTAL EXPENSES	\$5,619,480	\$5,509,901	\$6,191,107	\$6,899,876	\$7,384,422
OPERATING INCOME (LOSS)	(\$4,094,996)	(\$3,319,936)	(\$3,264,427)	(\$3,364,758)	(\$3,458,461)
Unrestricted fundraising revenue	\$900,000	\$900,000	\$900,000	\$900,000	\$900,000
Plus: Release from temporarily restricted net assets	4,565,000	2,750,000	3,125,000	2,600,000	2,600,000
CHANGE IN UNRESTRICTED NET ASSETS	\$1,370,004	\$330,064	\$760,573	\$135,242	\$41,539
Plus: Temporarily restricted fundraising revenue	\$2,600,000	\$2,600,000	\$2,600,000	\$2,600,000	\$2,600,000
Less: Release from temporarily restricted net assets	(4,565,000)	(2,750,000)	(3,125,000)	(2,600,000)	(2,600,000)
CHANGE IN TOTAL NET ASSETS	(\$594,996)	\$180,064	\$235,573	\$135,242	\$41,539

Self Sufficiency *

27.1% 39.7% 47.3% 51.2% 53.2%

* = Total Earned Income / Total Expenses

BALANCE SHEET	Base Case	Projections			
	2013	2014	2015	2016	2017
ASSETS					
Cash and cash equivalents	\$1,600,000	\$1,600,000	\$1,600,000	\$1,600,000	\$1,600,000
Cash restricted for loan funds	1,211,953	345,000	345,000	345,000	345,000
Contributions and grants receivable, net	1,950,919	2,171,404	1,796,404	1,796,404	1,796,404
Loan interest receivable	43,712	64,431	85,343	100,538	113,012
Other receivables	-	-	-	-	-
Microenterprise loans receivable, net	9,191,922	13,873,334	18,559,862	21,893,892	24,576,403
Investments	936,321	-	-	-	-
Property, plant and equipment, net	86,484	1,605	44,270	65,742	66,021
Other assets	308,333	308,333	308,333	308,333	308,333
TOTAL ASSETS	\$15,329,645	\$18,364,108	\$22,739,213	\$26,109,910	\$28,805,173
LIABILITIES					
Accounts payable and accrued expenses	\$294,374	\$300,341	\$307,072	\$314,445	\$321,935
Other liabilities	55,990	55,990	55,990	55,990	55,990
Notes payable	11,012,286	14,360,718	18,493,519	22,321,601	24,967,835
Subordinated debt	1,100,000	600,000	600,000	-	-
Total Liabilities	\$12,462,650	\$15,317,049	\$19,456,581	\$22,692,036	\$25,345,760
NET ASSETS					
Unrestricted	\$1,054,492	\$1,384,556	\$2,145,129	\$2,280,371	\$2,321,909
Temporarily restricted	1,812,503	1,662,503	1,137,503	1,137,503	1,137,503
Total Net Assets	\$2,866,995	\$3,047,059	\$3,282,632	\$3,417,874	\$3,459,412
TOTAL LIABILITIES AND NET ASSETS	\$15,329,645	\$18,364,108	\$22,739,213	\$26,109,910	\$28,805,173

Check

Debt / Net Assets (x)

4.22x 4.91x 5.82x 6.53x 7.22x

Net Assets / Total Assets (%)

19% 17% 14% 13% 12%

	Budget	Projections			
	2013	2014	2015	2016	2017
Portfolio					
NY	\$5,096,079	\$8,337,938	\$11,630,149	\$13,849,018	\$15,473,873
FL	2,156,505	2,839,587	3,349,273	3,793,208	4,225,169
MA	1,471,404	2,196,298	3,018,653	3,620,021	4,142,855
GA	94,733	59,070	36,242	21,873	13,202
Internet	1,209,693	1,348,833	1,544,982	1,781,244	2,071,876
Portfolio	\$10,028,414	\$14,781,726	\$19,579,299	\$23,065,364	\$25,926,974
Change %		47.4%	32.5%	17.8%	12.4%
Production (Units)					
NY	312	478	576	576	576
FL	216	216	216	216	216
MA	144	180	216	216	216
Internet	108	108	108	108	108
Production (Units)	780	982	1,116	1,116	1,116
Change %		25.9%	13.7%	0.0%	0.0%
Production (Dollars)					
NY	\$3,350,250	\$5,435,951	\$6,882,071	\$7,226,174	\$7,587,483
FL	1,692,169	1,798,185	1,978,003	2,175,804	2,393,384
MA	1,001,258	1,376,730	1,817,283	1,999,012	2,198,913
Internet	786,786	865,464	952,011	1,047,212	1,151,933
Production (Dollars)	\$6,830,464	\$9,476,330	\$11,629,368	\$12,448,201	\$13,331,713
Change %		38.7%	22.7%	7.0%	7.1%
Average Loan Size					
NY	\$10,738	\$11,379	\$11,948	\$12,545	\$13,173
FL	7,834	8,325	9,157	10,073	10,073
MA	6,953	7,648	8,413	9,255	9,255
Internet	7,285	8,014	8,815	9,696	9,696
Average Loan Size	\$8,757	\$9,653	\$10,421	\$11,154	\$11,946
Change %		10.2%	8.0%	7.0%	7.1%
Business Loan Productivity (Monthly Loans/Lending Staff)					
NY	3.3	5.0	6.0	6.0	6.0
FL	6.0	6.0	6.0	6.0	6.0
MA	4.0	5.0	6.0	6.0	6.0
Internet	9.0	9.0	9.0	9.0	9.0
Average Loans/Lending Staff	3.2	4.0	4.5	4.5	4.5
Lending Staff (excl. Director of Lending)					
NY	8.0	8.0	8.0	8.0	8.0
FL	3.0	3.0	3.0	3.0	3.0
MA	3.0	3.0	3.0	3.0	3.0
Internet	1.0	1.0	1.0	1.0	1.0
BDO	0.5	0.5	0.5	0.5	0.5
LOA	3.0	3.0	3.0	3.0	3.0
Intake	2.0	2.0	2.0	2.0	2.0
Total	20.5	20.5	20.5	20.5	20.5