

## We're okay with a little risk!

Micro-finance organizations like the NEO Fund measure risk using a calculation called **PAR — Portfolio at Risk**. NEO uses the PAR>30 method, which means that when a borrower payment is greater than 30 days late, the loan changes status—from green to red. The loan has become statistically risky.

It is commonly known that risk is bad. At NEO, over the past 13 years, our PAR>30 has ranged from about 2 – 15% depending on a host of factors. This year the number is about 7%. Lower would be better, but this is acceptable for a small micro-finance organization working in the places we do among a clientele like ours. Nevertheless, risk is widely considered bad.

But this week I met a borrower who helped me think about our PAR in a different way, reminding me that a little risk is okay.

Olga has been a great borrower in the village of Cristo Rey for a long time. Bright, cheerful, energetic, and hardworking, she leveraged our loans [four since 2020] into a thriving pulperia she runs with her daughters. The store is clean and bright, with a remarkable array of merchandise – pretty much any grocery store item you might need if you live in a several-block radius.

*“...the expenses related to my mom have affected my ability to pay!” Olga cried, covering her face with her hands.*

But when Byron, our credit officer, and I stopped by for her payment last Saturday, tears spilled down her cheeks as her story tumbled out. Eleven days before, Olga's mom Yvonne, who lives 40 miles away in the city of Masaya, had a massive stroke. She remains partially disabled, unable to speak or recognize her daughter, and dependent on round-the-clock care. With a family and business in Cristo Rey, and a gravely ill mother in Masaya, Olga has been back and forth on the bus, helping with doctor's appointments, paying for care and medication, trying to keep all the pieces of her life afloat.



*Olga has been a NEO Fund borrower in Nicaragua for 4 loan cycles! She runs a tienda (store) with her two daughters*

And when we showed up to visit, Olga's first worry was that she didn't have the cash to make her loan payment. Her status was shifting to red. She was now part of our PAR. After telling us about her mom, she said “God is giving me strength, but...all the expenses related to my mom have...have affected my ability to pay.” And she burst into tears again and covered her face with her hands.

At that moment I realized that in some cases our PAR is not a measure of our weakness in failing to recover loan payments, it's a measure of our kindness and humanity, our compassion and grace. Byron immediately reassured Olga that they would renegotiate her loan payment schedule after the crisis was over. And for the rest of the visit we focused on her and her family, seeking to offer words and expressions of help and support.

We even thought of dispersing some funds from our Emergency Fund for Urgent Needs to a local church so they can assist Olga with some of the expenses related to her mom.

When the visit was over Olga ran behind the counter and came back with ice cold bottles of watermelon soda. I reached for my wallet, but Byron gestured no – it was important for her to give us a gift. And as we left, Olga said, “I am so grateful to the NEO Fund because of your patience and grace.”

Our PAR is a hair higher than it was last week, but my visit to Olga reminded me, a little risk is okay with me. ■■■



## Welcome, Araceli!

As our team in Nicaragua continues to grow and evolve, we realized the time had come to hire a General Manager able to navigate growth and bring us in line operationally with other microfinance organizations. We desperately needed Human Resource knowledge and the business acumen necessary to establish a strong core foundation to carry us into the future.

Araceli Useda answered our call! She comes to us with an impressive resume of positions held in various notable finance and microfinance institutions across Nicaragua.

From our initial interviews with her we found not only the talent and skillset we were looking for to strengthen our office environment and lend support in the field, but also the heart and mind of a compassionate humanitarian necessary to keep our **Vision** and **Mission** strong. ■ ■ ■

## In Their Words

Recently we sat down with members of the NEO Nicaragua team and listened to them talk about the question: "What is the NEO Fund all about?" Here are some excerpts from the conversation.

### **Byron, Credit Officer**

"In the beginning, the NEO Fund seemed odd to me. NEO had a totally different vision from other micro-finance institutions I knew: **to benefit the borrowers first, and not just the institution.** Over time I have seen the difference we can make in a borrower's life. Our loans give them the opportunity to change their own lives. **As I visit borrowers over time, I see their conditions improve, and this is our vision – to improve the quality of life for our borrowers.**"

### **Carlos, Accountant**

"Financial institutions in Central America do not serve the most vulnerable people. But we do. Who is the beneficiary of the financing? For us it is the most vulnerable people. Our goal is to improve the quality of life for our borrowers – first for the families and then for the communities.

**What do we give our borrowers? The opportunity to choose. And when their lives improve, they know that they did it, we were just facilitators."**

### **Araceli, General Manager and Business Trainer**

"When I started in this industry a long time ago the first pillar was that profitable borrower businesses benefit the lending institution.

What makes us different? We don't just seek out borrowers with profitable businesses, we serve the most vulnerable people and allow them to change. **If we don't help them, they find other ways to survive which are less healthy. We help them turn from vulnerability to strength and health."**



Carlos (left), Araceli (center), and Byron (right) on a recent visit to our borrowers in Cristo Rey.



# Then, and Now!

The village of Cristo Rey was initially established as a refugee camp following a disastrous flood. Destitute families were relocated there and given sheets of tin for building temporary shelters and a bag of rice for emergency sustenance. The NEO Fund has worked in Cristo Rey from the beginning, and Paola was one of our first borrowers. We were thrilled to see her again on a recent visit. Afterward, we checked our past records to see just where she started!

## 2016

### Paola, Cristo Rey

**Loan Amount:** \$100

**Business Plan:** Paulita is a retired nurse but needs extra money to get by and to help care for her grandchildren. She took a loan to start a business making fresh juice, which she sells in the neighborhood. In this way she earns a living for herself and provides a healthy alternative to soda.

**Past Loan History:** She has already paid off 1 loan. She used the money to buy more raw materials to grow her business.

**How this loan will benefit her:** Paulita imagines greater financial freedom and the ability to care for her children and grandchildren better.

**Quote:** *My loans have been a blessing from God!*



Paola then (top, 2016) and now (bottom, 2022, with Byron our Credit Officer). Her home, business, and her quality of life have changed drastically in the 7 years she has worked with us!

## 2022

Now, Paola has now taken and repaid 12 NEO Fund loans over 7 years. Her first few loans were to start her juice stand. Over time, she was able to use future loans to build, and expand not only her business, but her modest but functional cement block home. Araceli, NEO's General Manager in Nicaragua was on our recent visit and whispered, "Paola is an excellent client!"

On this visit, we hardly recognized her enlarged, comfortable home she has diligently improved and expanded.

Paola says, "With help from God and from you guys, my life has improved so much. Thank you for your support all these years, and may God bless you!"

## The NEO Fund

*"Empowering indigenous people to transform their own communities is the most effective weapon against global poverty." — Jen Hatmaker*

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*Sustainable Community Development for the Poorest of the Poor*

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## 2022 Giving Season is Here!

Low rates, free coaching, and accessibility to the very poor set The NEO Fund apart from other organizations. It's what microlending **should** be about! As Dr. Francisco Barquero, our Director of Microfinance explains, *"In the beginning, when Mohamad Yunus first introduced the idea of micro-lending in Bangladesh, the intent was to make small loans that would have a big impact in the lives of the poor. As the industry grew, big micro-finance institutions and giant development organizations like the World Bank ... lost the spirit of the initial vision. The beneficiary shifted from the poorest of the poor to the institutions themselves. We have to go back to our roots. That's what the NEO Fund is all about."* Your gifts to NEO have accomplished important work!

- 1) **Guatemala.** We are preparing to launch a pilot lending program in Guatemala next year in partnership with ABPD — a largely-indigenous organization empowering rural Mayan villages to address the devastating effects of poverty and disadvantage. **Please consider a gift toward our \$10,000 budget for free business training in Guatemala.**
- 2) **Community Fund.** In the course of our work we routinely learn about personal crises and urgent needs our borrowers have. While we cannot give money to them directly, we disburse benevolent aid via one of our partners on the ground. Please consider a gift to help us solve some of these urgent needs.
- 3) **Loan capital.** We are so close to reaching sustainability in our loan programs, where income meets operational cost. Investments in our pool of loan capital continue to serve poor neighborhoods repeatedly over time. Please consider a gift to help increase our capital pool in Guatemala, India or Nicaragua.

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