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# Local/Business

FRIDAY, AUGUST 1, 2008, LANCASTER, PA.

## Local man unveils microfinance dream

BY PATRICK BURNS  
 Intelligencer Journal Staff

Muhammad Yunus of Pakistan pioneered a microfinance system that has provided small loans to more than 100 million people living in poverty.

Chuck Waterfield of Lancaster is an internationally known microfinance expert who is determined to

foster Yunus' dream in growing non-profit, humanitarian banking.

Yunus, who won a Nobel Peace Prize for his work, met Waterfield in Bali, Indonesia, Monday at Microcredit Summit Campaign to discuss strategies to halt a movement that would shift microfinancing into an entrepreneurial enterprise.

"If you are making profits, you are moving into the same mental mindset

as loan sharks," Yunus said Monday.

At the summit, Waterfield unveiled MicroFinance Transparency, a new self-monitoring organization aimed at policing the industry.

"As the industry has matured and grown, there are some small percentage of MFIs that are starting to pursue very high-profit strategies, made



Chuck Waterfield



Muhammad Yunus

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## Dream: *Microfinancing is the method*

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possible through charging high interest rates in a very confusing manner," Waterfield wrote in an e-mail sent from Bali Tuesday.

Yunus helped provide an exit from poverty through microfinancing and the Grameen Bank he founded in 1983, through which he loaned small amounts of money to poor people without collateral or contracts.

Yunus' Grameen Bank has loaned small sums to more than 6 million people in Bangladesh, most of them women.

Inspired by his hands-on lending and advocacy, more than 100 million people, using 2,500 branches in more than 100 countries, have borrowed more than \$6.8 billion and benefited through various microfinance initiatives.

But Yunus' success has drawn the interest of for-profit lenders, who are charging borrowers in the developing world as much as 90 percent interest.

Waterfield, who has worked for about a year on MicroFinance Transparency, headed the drive to put the conference together.

Helped by Yunus' endorsement, 11 microfinance groups that together serve nearly 26 million people agreed to publicly report their annual interest rates in conjunction with MicroFinance Transparency.

Waterfield said some microfinance businesses operate the way banks did in the United States before Congress in 1968 passed the Truth in Lending Act, which requires lenders to tell customers the annual percentage rate they would pay.

"For example, a quoted interest rate of 3 percent per

month can result in an APR (annual percentage rate) between 36 percent and 96 percent and beyond," Waterfield said.

Microfinance, for profit or not, is booming.

According to Deutsche Bank, the volume of microfinance loans hit \$25 billion in 2007, up from \$4 billion in 2001, and an additional \$250 billion is still needed.

The bank expects that private investors will pour \$20 billion into microfinance institutions in 2015 — 10 times more than they did in 2006.

Waterfield said the presentation in Bali was planned on April 30, when Yunus came to Lancaster to speak at the Lancaster Chamber of Commerce & Industry's annual dinner.

"He and I arranged to meet for two hours to go through the issues and implications of commercialization," Waterfield

said.

Yunus believes interest rates should be set to cover costs, not maximize profits.

He fears the microcredit movement is losing its soul, prioritizing investors over the world's farmers, shepherders and street vendors, many of whom struggle to get by on less than a dollar a day.

"Microcredit is about helping poor people get out of poverty," Yunus said Monday.

Grameen charges a maximum interest rate, noncompounded, of 20 percent a year. Beggars pay no interest, and total interest payments can never exceed the principal of the loan.

Waterfield is still cementing funding and plans to start publishing country-specific data on his Web site in October.

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