

North Carolina Financial Community Uniting to Bring Grameen America's Successful Lending Program for Low Income Residents to North Carolina in 2009

At a time when most lower-income North Carolinians cannot obtain loans to pursue small businesses, Grameen America is poised to provide just such a service. Grameen America delivers small loans to low income entrepreneurs who want to start or expand their businesses. The company has achieved major success with its initial operations in New York and is now being encouraged to bring its operations to North Carolina.

A variety of financial community representatives are supporting this effort, including leaders of the Self-Help community development organization, the North Carolina State Employees Credit Union (SECU), the North Carolina Bankers Association, and regulators like the Commissioner of Banks and the Credit Union Division of the North Carolina Department of Commerce. Subject to board and regulatory approvals, these organizations have offered financial and other support that will be key to the creation of a Grameen America operation in North Carolina. Grameen America will begin lending services in North Carolina once that support is finalized.

Grameen America's North Carolina branches will be established in locations where the company has obtained local financial support for funding its lending operations. Current plans are to establish the first branch in the Raleigh Durham area within four months after the company obtains all the necessary regulatory and board approvals and funding.

Grameen America is the only microfinance organization in America directed and managed by leaders from the renowned Grameen Bank, which pioneered microfinance and shared the 2006 Nobel Peace Prize with its founder, economist Muhammad Yunus. Established in Queens, New York, Grameen America has just completed its first year of lending. The company has attracted hundreds of borrowers and has achieved a remarkable 99.5% loan repayment rate. With this initial success, Grameen America is poised to expand to other states and North Carolina offers a compelling opportunity.

Professor Yunus will visit Chapel Hill, Durham and Fayetteville on Feb. 5 to promote the North Carolina initiative and to discuss his latest book, "Creating A World Without Poverty". He will be in Fayetteville at the invitation of the above organizations and a number of universities, including the Center for Entrepreneurship at Fayetteville State University. He will speak in Durham at North Carolina Central University, and then join leaders from the region for a dinner hosted by the Fayetteville-Cumberland County Chamber of Commerce and the FSU Center for Entrepreneurship.

Outstanding Repayment Rate Drives Expansion

Since January 2008, Grameen America has lent over \$1.2 million to 440 women in Queens, New York. These women are all self-employed, and have no assets or credit rating. The loans have been made using no legal documents other than simple receipts,

yet 99.5% of the loans have been repaid on time. In addition, each of the 440 women has opened a savings account — for most, their first such account — and together they have deposited \$80,000 in savings to date. If these first borrowers continue to pay on time and have no adverse credit reporting, each of them will soon have a credit score of 650 or higher, which eventually will help them qualify for credit from mainstream financial institutions such as retailers and banks.

In 2009, Grameen America plans to expand its operations as quickly as it can obtain the capital necessary to fund these operations. “There are plenty of qualified, low-income borrowers with promising business endeavors. The basis for solid economic growth is apparent and ready to be developed throughout New York City and North Carolina,” says Grameen America President Vidar Jorgensen. “We are seeing growing interest in funding for Grameen operations in California, Nebraska, Arkansas, North Carolina and other states. Grameen will expand to where there is support.”

Keys to Successful Lending

Given the world economy’s current woes, it is worth noting that Grameen America’s unsecured and virtually undocumented loans to low income women have performed far better than the secured and heavily documented housing loans that were given to wealthier individuals who are currently defaulting at rates of 7% or higher. The differences between the two types of loans and their performance point to remedies for key problems underlying the credit crisis.

For one thing, Grameen America holds all the loans it issues and its representatives meet with the borrowers in their homes before making loans. After the loans are made, a Grameen representative meets the borrowers in groups of five every week in person to look them in the eye, inquire about how things are going, and observe for themselves.

Another critical feature is that Grameen loans rest on a simple foundation -- the trust among individuals from the same community. Each new Grameen client joins a group of five borrowers. Loans are the responsibility of each individual borrower, not the group, but group members all help find, evaluate, monitor, and support other borrowers in their borrower group. If one member falls behind, the other members of that group cannot borrow more money until everyone is current on their loans. Because everyone in the group is aware of one another’s loan status, each member is strongly motivated to “do the right thing” for each other, and the borrowers work hard to repay their loans in a timely fashion.

Across the globe, Grameen’s simple foundation of community-based trust has proven to be more dependable and more “credit worthy” than collateral, security agreements, the implied guarantee of the U.S. government, and the mounds of legal documentation used in mortgages and asset-backed securities.

“Grameen America’s success in 2008 comes at a perfect time, when many people are wondering what went wrong and how to improve financial performance,” says Yunus. “In Queens, New York, a very simple Grameen lending operation built on the

trust, reliability, and hard work of lower income individuals is thriving and growing small businesses through loans that currently average just \$2,000. We are looking forward to coming to North Carolina.”

“Grameen will continue to invest in the income-producing activities of low income but trustworthy borrowers,” Yunus says. “We will also build sustainable health care and education programs to support our borrowers. If we can even slightly improve the productivity and incomes of 4 billion or so of the lowest income people in the world, we can help to recover much of the recent losses with growth that is solid and sustainable.”

A Culture of Savings and Hard Work

“The Grameen America borrowers in Queens, New York, have shown their willingness and ability to take control of their lives and their futures. Together, these borrowers are creating a culture of trust, savings, and hard work and building a better world for themselves and their children,” says Steve Vogel, CEO of Grameen America. The performance of the company’s first loans in Queens reflects the fundamental “non-negotiable” Grameen belief that every single person, without exception, has the skill, motivation, and ability to take care of themselves and their families and to contribute to their communities. Grameen America simply provides access to small, low-interest loans needed to start or expand small business activities. The borrowers themselves do all the work necessary to grow their businesses and improve the lives of their families.

Grameen America’s customers are largely mothers. “There is no stronger motivation or more reliable and productive investment than a mother seeking to support her children,” says Jorgensen. “Grameen America’s borrowers are less daunted by the recession and more willing to continue to take thoughtful risks to start or expand a business.” Lower income people, after all, are used to adversity, and must constantly push past the skepticism and bureaucracy that they have faced all their lives and that will continue to get in their way.

The unique characteristics of the Grameen America approach were illustrated recently when Desiree Small handed carnations to Emily Medina, her Grameen America banker, to thank her for helping to expand Ms. Small’s gift-basket business. Ms. Small acknowledged that not many people are giving their bankers flowers these days, but she pointed out that her Grameen America banker was uniquely helpful and “like family.”

Grameen America President Jorgensen feels North Carolina is ideal as the next state for Grameen America. “Grameen America will work to bring low cost financial and ultimately other services like health care wherever it goes. With its great universities, the Research Triangle Park, the commercial banking leadership, and leadership from the State Employees Credit Union and Self Help, North Carolina can be a national and world leader in enabling lower income people to use small microfinance loans to become entrepreneurs and improve their lives”.

About Grameen America:

Grameen America is a microfinance organization dedicated to serving low-income communities throughout the United States by loaning funds for income-producing activities. Professor and Nobel Peace Prize winner Muhammad Yunus is chairman of the organization, and local operations are led by Shah Newaz, a 27-year veteran of the Grameen Bank. Grameen America is committed to building a full self-sustaining organization that will expand across the United States to assist low-income people in building better futures for their families. The organization's overarching goal is to build a culture of individual responsibility, savings, and prudent use of credit for income-generating activities throughout the United States. Once a substantial base of about 10,000 borrowers and savers has been established, Grameen will add larger loans, such as those for education, and additional services including sustainable health care delivery.

The bank's initial lending operations are in Queens, New York, where Mr. Newaz has recruited a team of bilingual managers from the largely Latino community. Shah Newaz was selected personally by Professor Yunus to head this project from among the best of over 27,000 Grameen employees in Bangladesh.

Vidar Jorgensen is President of Grameen America and graduated from Shelby High School in North Carolina in 1965.

More information is available at www.grameenamerica.com.

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