



GUIDE TO IMPLEMENTING LOANS

FOR THE ANGEL INVESTOR

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INTRODUCTION

There is a critical transition in the 1K Churches process between completing the five-session 1K Churches Bible Study and diving into the exciting work of finding a small business aligned with your chosen mission focus and making your loan. We assume that this is the point where you find yourselves right now or in the near future. This guide is designed to help you take the next steps thoughtfully, confidently, and creatively. You will be expressing your faith through the economic action of making a small loan. In turn, this simple action begins to shape the economy in small ways and fuels your imagination about how God's economy might work.

It is important that your group takes time to complete the Bible Study before plunging into the loan process. Together you have pondered and discussed God's economy as reflected in the original household and garden in the story of creation. You have thought about sin in economic terms as a failure of relationships and lack of interdependence. We see sin reflected in our economy that clearly does not work for all. You have rejoiced in God's love that not only forgives and restores you to wholeness, but also works for the restoration of all things, including the economy. You have gained courage and confidence to believe that we can do better, that by God's grace we can mend relationships and co-create a more just economic system. Finally, you have celebrated the hope of God's kingdom, a realm of abundance, where hunger and oppression are no more.

The Implementation Guide builds on that important theological grounding. The key now is to apply those faith commitments as the process moves forward into the practicalities of making a loan. How do we build economic relationships that reflect our understanding of God's will for the world and God's call to each of us as players in the economy?

We assume that those who shared the study and reflection experience will form the core of the group that will implement the loan, even as others may join the group at this point. The participants in the Bible Study were asked to make four decisions regarding the loan, before completing their study and beginning this next phase.

Those decisions were:

1. The source of the capital you will be lending, whether it is from an established congregational fund, from contributions of members of your group, or some other source.
2. The amount of capital you are prepared to offer as a loan. Criterion recommends a loan between \$500 and \$5,000, because a loan in that range is large enough to be significant but not so large as to cause anxiety that might complicate decision making.
3. The mission focus you want to further through a loan to a small business. That might be anything from food security, to health, to environmental concerns. It might focus on the wellbeing of veterans, women, immigrants, former prison inmates, etc. Your identified mission concern may be an on-going focus of the congregation as a whole or the special interest of this small group.

4. The loan model you will pursue, chosen from the five investment pathways introduced in the Bible Study and listed below.

- **ANGEL INVESTOR.** A direct relationship with a borrower, in which you set the terms, choose the borrower, and administer the loan.
- **PAY IT FORWARD.** A direct relationship with a borrower, in which you set the terms, choose the borrower, and administer the loan which is paid back through goods and services donated to the community at twice the value of the initial loan.
- **PEER LENDING.** A relationship with a community of business leaders who come together and select who from among their number receives the loan.
- **JUSTICE PARTNER.** A partnership with a local lending organization as an intermediary which approves the loan application and administers the loan according to its standards and procedures.
- **PUBLIC WITNESS.** A direct relationship with a borrower chosen by you with Kiva serving as an intermediary in approving the loan application, administering the loan, and raising capital for the loan through on-line crowd funding.

Your group has chosen to follow the Angel Investor pathway. The fuller description of this pathway from the Bible Study is provided below:

YOUR INVESTMENT PATHWAY: "ANGEL" INVESTOR

As an **"Angel" Investor**, your group makes a direct investment in a business in your community at a point of opportunity, creating a reciprocal relationship of lending and repayment. There are many ways a loan can make a difference to a business. They may want to purchase a new piece of equipment or simply have the capital available in their checking account to build their credit and avoid bank charges. You can choose a person who you either know well or is recommended by a community or social ministry organization, and make the loan decision based on the person's character rather than a credit score. The direct and intimate nature of this path allows for the joys and challenges of meaningful economic relationship-building to be experienced by both the congregation and the business owner.

Sourcing of the Loan (how to find the business): Work through a local community organization, such as the Chamber of Commerce or a community center, which can identify existing businesses for you to approach

Due Diligence (how to evaluate the business): Collect tax and bank information that verifies the viability of the business and its ability to manage the loan

Interest Rate: 5% or lower, amortized

Collection Practices: Congregation responsible for monitoring the loan and the repayment process

Term of Loan: One year, with extensions possible based on conversation with borrower

Documentation Required: Simple loan agreement (examples included in this Implementation Guide). No personal guarantee by the business owner required

Example: A congregation member, an experienced nanny with her own small day care center, needs to increase her income to help her stay on the path to citizenship. Anna needs a \$500 loan for materials to help her market her services and get more clients.

The Angel Investor pathway offers rich opportunities for you to form a personal relationship with the borrower and to make significant decisions about the terms and administration of the loan within certain broad guidelines. This implementation guide will walk you through the steps of making a loan of \$500-\$5,000 to an established (at least two years) small business (five or fewer employees) in your

community. You will set your own interest rate (between 0 and 5%) and determine a repayment plan (usually for one year).

The intent of the 1K Churches campaign is not simply to get money out the door to deserving businesses. The deeper intent is to engage congregations in reflecting on their economic relationships. It is a starting place for imagining, discovering, and practicing God's economy. This is not a guide to put a full lending program in place. To efficiently and effectively put out larger amounts of money requires a different kind of planning. The guide includes:

- Tools that can facilitate the process of making the loan
- Recommended processes
- Templates and sample communications
- Stories and lessons learned
- Questions for theological reflection
- Ideas for rituals and celebrations

The tools and practices recommended in this guide build on four essential principles:

1. STAY GROUNDED IN RELATIONSHIP

Most of us look at our financial lives as a series of transactional experiences, distilled in documents like contracts, bank statements, and mortgage agreements. We don't imagine our financial interactions as the economic relationships that they are.

As in any developing relationship, it's important to demonstrate compassion and respect and to remember the common goals you share. Have conversations that center on what each person seeks to gain in the relationship. This will set the stage for open communication and support from all involved.

There is a saying: "You don't have money problems; you have relationship problems showing up as money problems." If you get the relationship part right, then the money part will be easier. You truly can't make the money part work, without the relationship part working.

2. REFLECT TOGETHER IN FAITH

When you link back to the important work done in the Bible Study, you are reminded that it is real, human relationships you are seeking to build through your investments. You learned how interdependent our world was meant to be and what harm happens when that interdependence breaks down. The Angel Investor model focuses on the intimacy of our economic bonds within God's household. Continue to reflect and pray on these and other important theological insights whenever you come together to make decisions and move forward in the investment. In the process, you will be creating a safe place to practice economic relationships grounded in our faith.

3. MOVE TOWARD ACTION IN THE COMMUNITY

Keep action and reflection in dynamic tension. We have intentionally designed this process so that there is time for study and reflection. But then it is time to take action and move into the community. To live faithfully in economic relationships, you actually need to engage. That means you have to be willing to risk some failure.

Once you are clear about what kind of loan you are prepared to offer and have gathered a pool of potential borrowers, act quickly and decisively. Give the process of actually making the loan a timeline of a month or less. That pace will help keep you focused as a group. It also reflects the timeliness that businesses need when receiving funds. A business owner might need help with a cash flow situation in the very short-term or ready cash to take advantage of a growth opportunity right now. Remember, the loans you offer are alternatives to the rigid and drawn-out processes that microbusinesses face in dealing with banks and other lenders. By remaining fast and flexible, you can also build the type of trust and frequent communication that will be critical for the duration of the loan.

4. KEEP THE LOAN ITSELF SIMPLE

Don't over think implementation. Discipline yourselves not to get bogged down in all of the worst case scenarios. What if the loan is not repaid? What if the business ultimately fails? What if the relationship doesn't develop as you hoped? We often add layers of complexity to make sure that the loan gets repaid. It is best to keep the loan itself as simple as possible. That way you can stay more focused on the relationship, which is not likely to stay simple or predictable. Relationships come with all the complexities and failings we share as individuals and communities.

In some cases, the Bible Study leader was the one who pulled the group together and kept it on track; in others you had what we call a 1K Churches "Steward" handling the organizational work. To implement the loan, you will need to either re-form the original planning team or convene a new group to serve as the Implementation Committee. This committee will select the borrower and maintain a relationship with him or her through the life of the loan. It is highly desirable that there be strong representation of people who have experienced the Bible Study on the Implementation Committee.

1. FORM (OR RE-FORM) AN IMPLEMENTATION COMMITTEE

Before you started the Bible Study, you had to form some kind of planning team to convene the study group and to make some initial decisions. Perhaps the Bible Study leader was also the coordinator. Many groups have found it helpful if someone with organizational skills agrees to serve as the 1K Churches Steward, who pulls the group together and keeps it on track. To implement the loan, you will need to either re-form the original planning team or convene a new group to serve as the Implementation Committee. This committee will select a business owner to sponsor for a loan and will maintain a relationship with him or her through the life of the loan. It is highly desirable that there be strong representation of people who have experienced the Bible Study on the Implementation Committee.

A FEW GUIDELINES IN SETTING UP THE IMPLEMENTATION COMMITTEE:

INVITE INTENTIONALLY

The implementation process creates an opportunity for the congregation to enlarge the circle of people who are participating directly in making the loan and reflecting on what that means in terms of their faith. If there has been a positive buzz in the congregation about the Bible Study, you may find people eager to participate in this next phase. In one congregation, a microbusiness owner who had not been able to join the Bible Study was honored to be personally invited to join the implementation committee and empowered by this opportunity to help another business.

You might consider inviting particular people with relevant skills or experience to join the Implementation Committee itself or to serve in a more targeted advisory capacity. For example, if immigration is your mission focus, you might invite someone who can help with translation.

KEEP THE GOOD OF THE WHOLE CONGREGATION IN MIND

If you are seeking to involve the congregation as a whole and to make micro-lending part of the congregation's identity in the community, then it is a good idea to invite new people to join the Implementation Committee and to enlarge the circle at each stage in the process. If, on the other hand, you are content to have this be a special project of a self-selected segment of the congregation, then keep the Implementation Committee small, but find creative ways to stay connected and appropriately accountable to the congregation as a whole.

SET CLEAR EXPECTATIONS OF ROLE AND TIME COMMITMENTS

The Bible Study is designed to fit within a fairly concentrated five-session period of time. The full implementation of the loan is going to extend over more than a year and calls for regular engagement

throughout. Clarifying the terms of your loan, selecting the borrower, and finalizing the contract will be a concentrated set of work at the beginning of the implementation process. Loan repayment will take place over the course of a year and in some cases more.

CREATE AN EXPECTATION OF SUSTAINED FAITH FORMATION



As you form or re-form the Implementation Committee, make sure that the new people share the expectation that faith formation will continue. The Implementation Committee is likely to attract doers who want to get to work and get that money out the door where it will do some good. It will not serve well in the long term, however, if the lessons of the Bible Study are left behind as the focus moves to doing. Action alone is not enough. Reflection on the simple action of making a loan is the key to deeper theological understanding and lasting change in how we understand our economic relationships. The Service of Blessing at the beginning of the loan process and the Service of Thanksgiving and Reconciliation at the end help to connect action and

reflection. Both are provided in the 1KChurches Resource section of the Criterion Institute website. (criterioninstitute.org/our-church-work/1kchurches/bible-study-resources).

CLARIFY AGAIN WHO HAS THE FINAL SAY IN DECISION-MAKING

If members of the group made commitments to raise or contribute their own money for the loan, make sure those funds are actually in place. Also be sure you agree in advance about a process for deciding the mission emphasis the loan will advance and the business that will receive the loan. It is not helpful for people to vote with their money or withdraw their support if their preferred borrower is not finally selected.

If there is a congregational governing body (such as a church council or a vestry) that authorized the money for the loan, confirm the amount of the loan that has been approved and clarify that the Implementation Committee is authorized to make the final decision about who receives the loan. If the governing board insists that it takes the final action of approving the loan recipient on the recommendation of the committee, that should be well understood in advance. When you are in the midst of building a relationship with potential borrowers, you want to be able to clearly communicate what they can expect and to move through a clear decision-making process without confusion or unanticipated complications.

EMBRACE THE FREEDOM TO IMAGINE NEW KINDS OF ECONOMIC RELATIONSHIPS

While you will want to take advantage of all the resources available to you, it is important that the Implementation Committee itself takes responsibility for deliberating and making decisions that reflect their vision of God's economy. It is natural for us to turn to the lawyers and the bankers in the congregation to tell us how to implement the loan. They know how it is usually done. This program, however, is meant to be a place to imagine new kinds of economic relationships, not just to live within the existing ones.

Some professional business or finance people in the congregation will be eager to make connections between their work and their faith, to reflect theologically on the way business works, and to explore alternatives to the rules of business as they have experienced them. If these members usually find themselves in functional roles as financial secretary or treasurer, they may welcome this opportunity to engage in a discussion about fundamental values and mission.

MANAGE THE RISKS

What is the right amount of money to risk? We consistently suggest that congregations keep their loans in the \$500 to \$5,000 range. If the amount is too small, the loan itself may be trivial to both the borrower and the lending group. If it is too large, concern about risk may become paralyzing to the congregation.

The participants in the Bible Study were encouraged to decide on the size of the loan before the implementation phase even began. It was their job to determine how much they would risk, and why. The Implementation Committee begins with a clear idea about the amount of capital available and then sets about finding a borrower who can benefit from such a loan. If you wait until you find out how much money your preferred borrower needs and try to match that need, you may wind up risking more than the group or the congregation can comfortably afford.

***Vignette:** The committee made a decision to make a loan to a business in the community. Several members of the leadership of the church have had interactions with the owner of the business that were not positive. What is the pathway that gives the Implementation Committee permission to forge a new relationship with the business leader and at the same time honor the challenges and potential discomfort that the leaders in the congregation will have in this association?*

Making a loan will be a new experience for most of you. Taking this action is meant to be a place to practice. It is important to keep the risks within bounds that the congregation can accept, so that there is freedom to experiment, explore, and reflect on what you are learning. How does the process of assessing risk

challenge your understanding of economic relationships? Is it right to step back from a relationship just because it might be challenging? Be sure that the committee and the congregation know that there is room for failure and that those who are willing to take the risk can count on support without recriminations. It is in the “failures” that we test what it means to be in economic relationships grounded in our faith.

SAMPLE WORK PLAN

We have developed a rough plan for how the Implementation Committee might accomplish its oversight of the process of making a loan and maintaining a relationship with the loan recipient through the course of the loan period. As you will see, this is far more than a list of tasks to check off the list. Each step involves you in thinking through economic relationships and how they might more closely reflect God’s economy.

STEP 1: ORGANIZING THE COMMITTEE (GOAL: 1 MONTH)

- Invite a leader to organize and convene the committee
- Extend invitation to potential committee members, building on Bible Study group, but open to others who have interest or bring specific gifts
- Make this Implementation Guide accessible to committee members
- Set times for the first three meetings of the committee, hopefully within no more than six weeks, and additional meetings as required

STEP 2: PREPARING TO OFFER A LOAN (GOAL: 1 TO 3 MONTHS — OR HOWEVER LONG IT TAKES)

Important to complete this work before beginning to publicize loan opportunity or invite applicants.

- Review and confirm decisions already made by the Bible Study group about loan model to pursue, the amount and source of the proposed loan, and the mission interest it is to further
- Clarify the terms of the loan and any restrictions or other expectations in advance of contacting potential borrowers
- Communicate regularly with the congregation
- Develop plan for identifying potential borrowers

STEP 3: ENGAGING WITH POTENTIAL BORROWERS (GOAL: NO MORE THAN 1 MONTH BETWEEN INVITATION AND SELECTION)

- Invite potential borrowers to apply
- Initiate conversations and gain necessary information from potential borrowers
- Select the borrower
- Plan an occasion for a Service of Blessing of the Loan

STEP 4: CARING FOR THE LOAN RELATIONSHIP (GOAL: 1 YEAR OR WHATEVER THE TERMS AGREED TO FOR LOAN REPAYMENT)

- Formalize the relationship with the borrower
- Sustain the loan relationship and collect repayments
- Set practices for staying in relationship
- Set date for Service of Reconciliation
- Exit the loan relationship and transition

2. CLARIFY THE INVITATION THE CONGREGATION WILL OFFER

In the course of implementing this loan, you will be making a very personal invitation to one or more small business owners in your community. You are inviting them to apply for a loan. Invitations have great power. They set the tone for the whole relationship you hope will develop. It is important, therefore, that you give careful thought to what you will include in your invitation long before you deliver it.

Just like an invitation to a party or other event, your invitation gives the potential borrowers the details they need so they can determine how they should respond. Think about how you relate to those details in the invitations that come your way. If it is a party at a lake and you don't know how to swim, do you go? Or if it is not clear what is going to happen, do you feel anxiety about whether you will be able to participate or what clothes to wear?

Think through what allows you to feel good about receiving an invitation. What does it take for an invitation to be truly "inviting"? Is it thoughtful? Does it fit you? Does it make you feel honored? Is it attractive? Does it create a connection? Build community? Are you free to decline? Is it clear what is expected of you? Does it tell you what you need to know to participate?

Invitations about money are often complicated both practically and emotionally. They intersect with our assumptions about money. Debt makes us vulnerable. There are parts of our economy set up to exploit that vulnerability. An invitation to a relationship where one will be the lender and another a debtor could invoke experiences of shame and helplessness, even though it is not meant that way. The offer could be seen as exploitative in and of itself.

DO YOUR HOMEWORK FIRST

As the Implementation Committee, you will need to spend time early on becoming absolutely clear about what you are offering to a small business owner and what kind of relationship you are inviting him or her into. This work needs to be completed before you begin publicizing the loan program or inviting people to apply.

As you work towards clarity, you will learn new things and you will likely change your mind about certain things. Even so, try to be consistent in your conversations with the potential borrower. There will be anxieties on your end about the risk you are taking in making loan. It is important, however, for you to keep in mind that the lender is the one with the power and the borrower is more vulnerable by definition. You can help reduce anxieties by being clear about where you stand, what you expect, what kind of return you are going to need to feel whole. You will put others at ease if you do not project an anxious presence, but maintain a calm and reasonable manner.

Offer an invitation that is clear, easy to understand, and free of anxiety-producing complexity. Every layer of complexity you add increases the potential for miscommunication. Have no fine print. Offer full transparency, and then live up to it.

As a committee, make sure you know what your process will be, so that you can help potential borrowers understand what will be involved if they choose to participate. Nothing feels worse than being invited and showing up... and then realizing it wasn't at all what you expected.

Once you are clear about expectations, make sure you are prepared to meet them on your end. Don't promise what you cannot deliver. If you say you are going to have a meeting in a month to make a decision, have the meeting and make the decision.

CLARITY ON SPECIFICS

Make sure you are in agreement as a committee about the specifics of the loan so that you can communicate truthfully and give people straight answers. We suggest the following rules of thumb. If you want to structure things differently, talk about it and be clear what rules you will follow.

THE LOAN RECIPIENT meets the following criteria:

- Business is located in your community
- Business is aligned with your chosen mission focus
- Business has at least a two-year history, rather than being a start-up
- Business has five or fewer employees

THE LOAN is structured within these constraints:

- The amount of the loan may range from \$500 to \$5,000; you decide on an amount within that range
- The interest on the loan may range from 0 to 5%
- The time length of the loan is usually one year
- The repayment schedule may be monthly, but we suggest allowing the flexibility of full repayment by the end of the year, both to save paperwork and to give the loan recipient the use of the capital for the full year

PRACTICE HOSPITALITY

Our Christian understanding of hospitality encourages us to welcome the stranger, knowing the stranger will change us. We are seeking to be changed in our relationship with the borrower in ways that deepen our faith and bind ourselves more deeply to our community. If we are truly open, we will also be changed in ways that we cannot anticipate. Be prepared to be surprised!

THE NEED IS REAL



We do not recommend that you conduct an extensive needs analysis in the community to determine who really needs a loan or who is worthy. Of course there are risks in such open-endedness. For this amount of money, however, extensive analysis is unnecessary. You can learn more by watching how people respond to a first invitation. And there is good data already available about what kind of money microbusinesses need in general. We refer you to following articles which you can find in the 1K Churches Resources section of our website.

- *Bigger Than You Think: The Economic Impact of Microbusiness in the United States*, prepared by AEO, Association for Enterprise Opportunity
- *In Search of Solid Ground: Understanding the Financial Vulnerabilities of Microbusiness Owners*, prepared in 2014 by CFED, the Corporation for Enterprise Development

“Microbusinesses represent 92% of all US businesses”

— *Bigger than You Think: The Economic Impact of Microbusiness in the US*, Association for Enterprise Opportunity (AEO)

“If one in three Main Street microbusinesses hired a single employee, the United States would be at full employment.”

— *Bigger than You Think: The Economic Impact of Microbusiness in the US*, Association for Enterprise Opportunity (AEO)

“Lower-income business owners are more likely to report no or bad credit as a barrier to their ability to borrow. When lower-income businesses are able to borrow, they are face high interest rates.”

— *In Search of Solid Ground: Understanding the Financial Vulnerabilities of Microbusiness Owners*, Corporation for Enterprise Development (CFED), April 2014

COMMUNICATING WITH THE CONGREGATION AND THE COMMUNITY

A small group within in the congregation participated in the Bible Study. Now the loan implementation process presents an opportunity to amplify the message and expand the conversation. There is a positive story to tell. The whole congregation and the wider community can share in the excitement and participate in various ways.

CONGREGATIONAL CONNECTIONS

It is important from the beginning of the Bible Study and throughout the whole loan process for the group immediately engaged in the process to share how what they are doing fits within the larger goals and life of the of the congregation. Their learning through action and reflection should be seen as part of the overall faith-formation program of the congregation and not simply as another social ministry project.

Making a loan to a small local business is a good way for a congregation to become more visible and connected in the community. The congregation as a whole should be helped to understand this process as a key strategy for community outreach. Share with the congregation ideas you may have to maximize the wider impact and solicit their ideas as well.

If you have decided that your loan will go to a business that advances a social outreach goal that the congregation identified, make sure the congregation is aware of that connection. That concern might be immigration, youth, aging, veterans, ecology, food security, or living wage. It doesn't matter what it is. What matters is that you are bringing a new strategy to help address a shared concern. Others in the congregation associated with this mission concern might be helpful in identifying possible loan recipients or additional contributors to the loan fund. They may see synergies beyond what you have imagined.

PUBLIC COMMUNICATIONS

The timing of public communication can be sensitive. Don't rush public communication before the committee has come to consensus and is clear about plans and priorities. If the committee is still struggling, it should be allowed work things out privately. Once the Implementation Committee has done the basic work of clarifying the specifics of the loan and their criteria for potential borrowers, they can begin to go public with their communications.

Here are some key opportunities to get the word out in the congregation and in the community.

In the congregation:

- Share what you are looking for in potential borrowers and enlist the help of the congregation in spreading the word and identifying possibilities.
- Announce the business selected to receive the loan and encourage the congregation to support through prayer, friendship, and patronage.
- Plan a Service of Blessing for the loan and borrower in the context of Sunday morning worship or invite congregational members to attend the ritual in another context.

In the community:

- Meet with financial, civic, and business groups to share your intent to invest in local businesses and solicit their help in identifying potential borrowers. You may be surprised by how excited they are to see the church reaching out in this way.

- If the borrower is willing or even enthusiastic about going public, this might make a good story for a local newspaper or TV channel. Or they might put up a small sign in their place of business recognizing the partnership with your church.
- Share what you are doing with other congregations in your community and encourage them to begin the 1K process in their context.

KEEP THE MESSAGE POSITIVE

As you communicate, focus on the mission more than the loan. The loan is made not for its own sake, but to further the overall mission of the congregation, to build meaningful relationships within the community, and to strengthen those communities. Talk about what this business makes possible in the world and how that aligns with the values of the congregation. Reinforce the importance of relationships in the community

Be careful in your communications not to create the impression that the return of the loan money is guaranteed. That would only increase the pressure to eliminate the small but real risks involved in ways that are not necessary or helpful. It also sets up a framework where this use of the money is not seen as worthy in and of itself, but as a way to retain the money for some other worthy cause later.

It is important to be clear, even if it seems obvious, that this loan program is not meant to replace other forms of engaging in the community. But rather to be another way of being in relationship in the community.

DEALING WITH DIFFICULT CONVERSATIONS

Not everyone will share your enthusiasm for involving the congregation in a local business. You should anticipate that some church members will want to keep business relationships outside of and separate from the life of the church itself. The reality is that this is not possible. The church hires lawyers, contractors, professional and support employees. The church rents space and buys supplies. All those business arrangements are actually relationships that work for good or for ill. Think of ways that this process of getting involved in a small business can inform how the congregation handles the everyday conflicts and opportunities that develop within their existing economic relationships.

The Implementation Committee and those who participated in the Bible Study have been through some serious exploration of how economic relationships connect to our call from God. Make use of the wisdom of this group by giving them a role in helping the congregation sort out issues related to how it conducts its own business, handles its investments, and resolves employment issues.

As we know, conversations about money at church can be hard. You probably encountered awkward moments or conflicts within the context of the Bible Study. Here are a few of the more explicit negative comments we have collected from participating congregations:

“Look at that sign outside. That says church. Not bank.”

“I don’t see or want to see businesses as part of our community as a church.”

“There are people in poverty throughout the world; there is no reason our church’s money should go to support a business who is just looking to get rich.”

“Our banking system is corrupt. It will infect our church if we bring its practices into our life.”

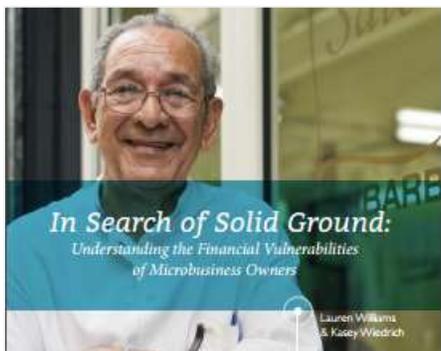
Those comments were made in the relative safety of small group discussions where trust had been developed. They likely continued in coffee hour and beyond. We all have a lot to learn about how to have these conversations within church. This work will test and stretch our ability to respond and engage in ways that help us become a more honest and caring community.

This program is fundamentally about our faith formation. Your small loan will not solve the challenges of small businesses in your community. It won’t even solve all the challenges for one business. Taking this simple action is a way for us to practice being in specific economic relationships in the context of our faith. We don’t need to turn this into an argument, but rather to humbly walk a path, seeking to learn how we can be in better relationships with God and with one another.

Remember that you have access to Criterion staff and a network of other congregations doing this work. Contact **info@critterioninstitute.org** with questions or requests for help. We can walk you through any situations that might arise or put you in touch with other congregations dealing with the same issues. Make use of your own resources and take time within the Implementation Committee to support each other.

3. FIND A POOL OF BUSINESS OWNERS TO BE POTENTIAL BORROWERS

Through the Bible Study and ongoing conversations within your congregation, you have made a shift. While people tend to see businesses as a place of disembodied financial transactions, you are more likely now to regard businesses as groups of human beings working to earn a living and create something of benefit to the larger community. You have a new level of empathy for business leaders and more interest in understanding what makes their world work. You have come to the place where you are actively seeking to loan capital and form a relationship with a small business owner in your community.



You know now that microbusinesses need the kind of money that you are offering. Low interest and unsecured lending opens a whole set of possibilities that do not exist within the formal banking systems. These small businesses will welcome your investment, as long as the invitation works for them. For further information about whether your loan is really needed, see the article, “In Search of Solid Ground: The Financial Vulnerability of Microbusiness Owners,” in the 1K resources section of our website.

Now, how do you find these small business owners? And even more important, how do you find them in a way that will lead to a good relationship? Use your creativity and ingenuity to connect with small businesses aligned with your mission priorities and in need of your investment. They are out there waiting. You will most likely discover them by working through existing organizations in your community and by activating your own informal networks. It is easy for congregations, even highly motivated congregations, to get stuck at this point. But it can also be an energizing time, because it is basically the work of relationship-building. While Christians value relationship, we do not always know how to make new ones beyond the congregation. Finding potential loan recipients through personal and civic networks forces the congregation out of its familiar and often inward-looking circle and becomes the occasion for real community engagement.

Consider using one or more of the following techniques to get to know the businesses in your community and how they are organized.

WORK THROUGH EXISTING RELATIONSHIPS

Identifying potential microbusinesses to invest in may seem like a daunting task at first. But if you don't know where they are, you know people who do. Just as we ask friends and neighbors for referrals when we are looking for a doctor or mechanic, it's best to work through the relationships we already have.

Members of your church may know a business owner who could benefit from a small loan. Reach out to them! For example, if your mission focus is single mothers, ask members of the congregation to submit the names of business owners they know who are also single mothers. They can help you identify a good group of potential business owners in your community that you can get to know.

USE COMMUNITY CONNECTIONS

Another option is to connect with individuals who are already well connected to the community. They may be strangers to you, but they are known by the community and can help you build relationships with local businesses. Or get recommendations through the local business association, community center, or agency that works with microbusinesses or entrepreneurs.

RELY ON LISTS OF AREA BUSINESSES

Draw from your local yellow pages or pull a list of businesses from the local chamber of commerce for your zip code(s). You can screen based on a mission focus or by the type of business. Once you've screened, create an action plan to contact them. Try simply walking into the businesses for introductions and conversations. You are doing the work of evangelism here as you offer yourselves as a welcoming presence and a potential resource in the community.

CONNECT THROUGH NATIONAL OR STATEWIDE NETWORKS

Organizations with wider scope can also lead you to the small business in your town that needs your loan. These might include business associations like the Chamber of Commerce, the Christian Business Association, or organizations related to your mission concern: immigration, food security, environmental concerns, gender and women's issues, prison justice, elderly and aging concerns, children and youth, etc. The internet will be a ready resource for local and national organizations with some simple searches.

MAKE IT PUBLIC

Post in your weekly program, newsletter or church website that your church is seeking to build relationships with local businesses. Give contact information and specifics about what types of businesses you would like to attract so that you end up with those that relate to your mission focus. For example, if you want to address unemployment in the area, you can announce that you are looking to get to know businesses in the area that have fewer than five employees and looking to expand in the near future. Use your own judgment in deciding how public to go with your announcement. Overall, as you a practicing, you might want to practice in a bit more private environment.



A congregation in Napa, California, wanted its loan to benefit Latin immigrants in the community. Their search for potential borrowers took them to the Napa Valley Hispanic Chamber of Commerce and to the Diversity Advisory Committee of the local hospital, where they made public presentations to sizable groups. They invited those present to consider applying for a loan for their own businesses and to help spread the word among others they knew who might be interested in a loan. At these meetings they also distributed a flier that laid out what was involved in a clear and inviting way, so people could take it home and think about it or pass it on to a neighbor or friend. The flier included information about who to call to ask further questions and to request a loan application. Helpfully, they also provided a Spanish version of the flier. A copy of their flier is included in the 1K Resources section on the Criterion website.

USE YOUR IMAGINATION

Open your eyes to the small businesses that are already part of your life or are connected to people you know. Start engaging in conversations when you are visiting businesses. Don't make it a forced interview, but in a casual way draw out the stories of how businesses got started and what it takes to keep them going. Ask how the business was initially funded. Has the community helped you build your business? What is hardest? It is like asking someone how they came to meet their husband or wife. It is through conversations like this that many businesses are financed. Friends talk to friends and the need comes out.

Over dinner with my mother at a local restaurant, we started up a conversation with our server. It became clear she was the owner. We asked her who helped her build her business. She talked about how hard it is to get loans to get through the low times. Now we had the start of a relationship. So we told her about our church and our desire to make micro-loans in the community. Would she be interested in such a thing? Did she know others who might be?

4. INVITE BUSINESS OWNERS TO APPLY FOR A LOAN

As we have said, invitation is a powerful form of interaction. Relationships begin with invitation. Invitations have the power to expand, strengthen, and deepen pathways to meaningful participation. The invitation itself makes a difference regardless of what the eventual response may be. Invitation is a form of power that does not coerce, but opens a door that allows the other to take a step they might not have otherwise. Because invitations have this kind of power, it is important that we extend them with care, with respect for the recipient, and with regard for the relationship we hope to create.

Much was said in Section 2 about the importance of the committee's work in coming to agreement about the particulars of the loan agreement and the nature of relationship you want to invite a potential borrower into. You need to reach this clarity well before you begin to extend the invitation. You do this for the sake of the potential borrower, so that your uncertainty doesn't create unnecessary confusion or anxiety for them. With this preparation completed, your invitation can be simple and clear and genuinely inviting.

Section 4 of this guide gave you some ideas about how to find the businesses that you are now ready to invite to apply for a loan. Through personal connections, exploratory conversations, and interaction with networks in your community, you have identified a pool of business owners whose small enterprises are aligned with your mission priority. Maybe you have just one or two in your pool. Or it could turn out to be a long list. These business owners may or may not know about your micro-loan initiative yet. They may or may not be actively seeking a loan. In some cases, you will have a pre-existing relationship with the person; in some, you will have had some initial conversation; in still others, there has been no direct contact. The next step is to reach out to them with a concrete invitation for them to consider applying for a loan.

You will want to make direct contact in person or by phone to invite these business owners to apply. Even though this step might feel awkward, resist the temptation to just send an invitation through the mail or by email. As a church investing in a local business, you are doing something new, creative, gracious, and completely unexpected. You will catch people by surprise. A personal invitation is always best.

How do you have these conversations? At a practical level, you will first need to have the actual names and contact information for each person in your pool. Then you should take time to think through what is going to make this conversation easy and inviting for the business owner. Consider sending one or two of the members of your committee to visit them at their place of business or at a local coffee shop. That is probably going to be more successful than asking them to come to the church. Unless the business owner is already known to you, a home visit may feel intrusive. Think through possible barriers from

their perspective. Will it help to have someone available to translate? Is child care going to be an issue? Be respectful of their work pressures and busy times in their day or week.

Approach each potential applicant as a neighbor and business leader who is enriching the community through his or her enterprise. The invitation needs to be both affirming and authentic for it to be inviting. You don't want to come across like another credit card company going after their business. Think through parallels to your own experience of someone offering you money or inviting you to take on debt.

You honor these business owners with your genuine interest and curiosity. Give them a chance to tell you about themselves and their business. How did the business get started? What makes them passionate about it? How does it benefit the community? Who are their customers? How is it going? What are their hopes and dreams? What makes their work hard?

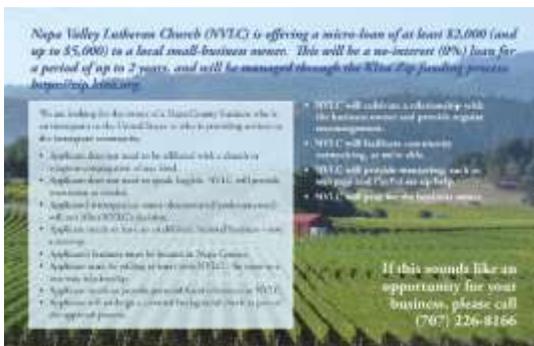
As you extend the invitation, remain open to hear from them: Do they need money for their business? What kind of money do they need? What do they need the money for? In some cases, a business owner may value the visibility the business receives in the loan process even more than the cash itself. In some cases, the loan will allow a business to expand; in others, it will simply provide the security of easing cash flow. Growth tells a good story, but peace of mind is also of great value.

On a visit to Sewanee, Tennessee, I was talking to a store owner. Everyone was congratulating him on reopening a store in town. I asked him how he financed his opening. He said he and his partner pooled some money. Then the local bank gave a loan. Then a bunch of alumni from the university came together to top it off. It made me want to go talk to the owner of the grocery store in my town with half empty shelves. Now I was curious to find out their story and ask, "How can we help?"

— Reflection from a 1K participant

Leave space for them to ask their questions:

What is the loan process? What would they be getting into? How much interest are you charging? What if it doesn't work out? Why is a church getting involved like this anyway? Do I have to belong to your church? Do I have to be a Christian? And again, remember to respect their time. These are busy people, but they may not feel like they are in a position to end the conversation.



While personal communication is always best when you are building relationships, it is a good idea to reinforce the oral communication with a written invitation. You can leave the invitation with the business owner or send it with a follow-up note or email. The people of Napa Valley Lutheran Church not only developed a flier for their public presentations when they were building a pool of potential borrowers, they also created an attractive

written invitation in the form of a large postcard. Their sample invitation is provided in the 1K Resources section of the Criterion website.

Give prospective borrowers a timeframe and clear directions for how to respond to your invitation. At some point you want to know which of the businesses you have contacted are interested in applying for a loan. A sample Invitation Response Form is also included as 1K Resources section of the Criterion website.

Don't rush it. At this point you are simply engaging these business owners in a conversation that will let you get to know one another. Your first invitation to a potential spouse is not a proposal of marriage! You are more likely to propose a cup of coffee first. Inviting people into this process is not the same thing as offering them money. You build relationships step by step as you spend time together, learn about each other and establish a basis for trust.

You can extend the invitation broadly, without promising anyone money. You are giving them an opportunity to apply for a loan. While they may be disappointed if they are not chosen in the end, they won't see it as a betrayal or as inconsistent as long as the invitation was clear. You may only be able to make a loan to one business owner of all those you invite into the process. But, if you reach out with care and integrity, each person you connect with through the invitation can become a friend and create a positive connection between the church and the community.

5. LEARN ABOUT POTENTIAL BORROWERS

Through the initiatives you have taken to find appropriate business owners and invite them to apply for a loan, you probably already have enough information to confirm that they meet the general criteria that the committee decided upon in the beginning. For example:

- Their business is aligned with your identified mission priority
- It qualifies as a small business with five or fewer employees
- It is already up and running as a business (preferably for at least two years)
- It is part of your local community

How much more do you need to know about potential borrowers before your committee will feel ready to invest in them with a small loan? You will want to do some due diligence. There is a balance to maintain, however, between your need to know and the cost of collecting information both for you and for the potential borrower. That is one of the key reasons that small loans like these are not cost effective for banks. They would lose money doing the due diligence on the loan before it was made. The interest on such a small loan would never cover the costs of making it.

It might help to keep in mind that you are not trying to become a bank. You are a church. You are not offering this loan to make money, but to build relationships and help good businesses thrive. You are practicing what it is like to participate consciously in the local economy from the perspective of faith. No matter what, you will learn important lessons.

Here are six steps for you to consider as you gather information in preparation for deciding which business owner will be your borrower:

1. A VISIT TO THE BUSINESS TO EXPERIENCE WHAT IT IS ALL ABOUT AND TO HAVE INITIAL CONVERSATIONS WITH THE BUSINESS OWNER

Take the time to have one or two representatives visit the businesses in person at the physical place of operation. Have a conversation with the owner. Patronize the business if feasible. Get a sense of how they operate, the size of the business, and any challenges they may be facing. In some cases, members of the committee will have already visited when they invited the business owner to apply for a loan. This visit continues to build the relationship, and also begins the evaluation process.

2. AN INVITATION RESPONSE FORM COMPLETED BY THE POTENTIAL BORROWER

This basically gives you their contact information, a description of their business, and an indication of their interest in a loan. A sample Invitation Response form is included as in the 1K Resources section on the Criterion website.

During your visit to the business or at another point, give the business owner a copy of the invitation and a response form to fill out. Let him or her know that this brief form will help you get to know

them and is a first step in possibly obtaining a loan from your church or group. Let them know the amount or range of the loan you plan to lend and the general terms, without going into technical detail. They may already have this information from earlier conversations or written materials.

Give each business owner a week to respond to your invitation by filling out the Invitation Response Form and mailing it back to you or dropping it off at the church. Provide self-addressed envelopes. Some businesses may self-select themselves out of the process by not completing the form. In effect they have declined your invitation to apply for a loan. This becomes a first screen and helps you learn who is really interested. Not every business owner needs cash now, is able to take on more debt, or is comfortable entering into a financial relationship with a church.

Review the Invitation Response Forms that you receive to gather important information about the history of the business and future plans and about the owner's interest in building a relationship with your group or church. We recommend you focus on businesses that have an operating history of at least two years, and have fewer than five employees. Also, they should have a positive cash flow and be able to report their estimated annual revenues. The business should have, or be in the process of attaining, all the legal and required licenses for its industry. Further selection criteria may depend on your mission focus.

3. A LOAN APPLICATION

This asks for additional information about the history and financial status of the business. This will help you assess whether the business is sustainable and therefore worth your risk of investing. A sample Loan Application Form is included in the 1K Resources section of our website. The business owners can fill it out on their own or with a member of your group. This form completes their application.

A sample Loan Application Form with various fields for business information, financial data, and contact details. The form is titled "LOAN APPLICATION FORM" and includes sections for "Business Information", "Financial Information", and "Contact Information". It contains numerous lines of text and checkboxes for data entry.

The form we've provided is designed to be much less complicated and cumbersome than the traditional bank loan applications, yet allows you to understand more about the business' past record and future goals. Along with the form, collect either two years of historical tax returns or two years of bank statements for the business. Since these often contain sensitive information, designate two people from your group to examine the documents and report back with a summary to the larger group. This way you can assure the business owners that their personal financial information will not be shared with everyone in the church.

4. REFERENCES

These attest to the integrity of the business owner. We suggest two references should be sufficient, one from a client and one from a vendor with whom the applicant does business. It is rare, but the risk exists that even the most appealing applicant may turn out to be a fraud. You will want to be confident that you did what you could within reason to check on his or her record.

5. AN INTERVIEW WITH THE APPLICANT

This should be conducted by the whole committee or a sub-committee. Based on the information you received, you will determine which of the business owners to invite for an interview. Presumably at this point all the businesses you select meet your basic requirements. They are qualified on paper. The purpose of the interview then is twofold. First, it allows you to fill in any missing information. More importantly, it gives you an opportunity to consider the fit with the congregation and its mission priority, to gauge the promise and excitement about the business, and to experience the potential for a real relationship. The interviews then can be an energizing time of mutual sharing rather than a grueling ordeal. Imagine if every interview led to a new relationship, whether or not you gave them a loan.

The interview could happen at the church or at the applicant's place of business. Care should be taken to make this as comfortable and inviting as possible for the applicant. The power differential, the church context, possible language challenges can all be intimidating. Talking about money and debt may well be awkward for both the committee and the applicant. Remember this interview is mutual. The applicant is also trying to learn about you and determine whether this is the kind of relationship and obligation he or she wants to enter.

Create a list of interview questions, starting with questions that put the applicant at ease and draw him or her out. Here are a few suggestions:

- Tell us about your business
- How does your business make a difference in this community? Give a real-life example
- What makes you interested in a loan from us at this time?
- Tell us about a time when you felt like you made good use of a loan you received or an investment that was made in your business
- What tethers you to this community?
- What are possible reasons you might not repay this loan?

If you are interviewing several candidates or find you have additional questions after your first round of interviews, you may find it necessary to schedule a second interview with finalists. But try to keep things moving forward quickly at this point and not make the process drawn out or onerous for either the applicant or the committee. Also be sure to communicate with applicants who were not chosen for an interview, so they know where they stand. No one likes to be turned down, but it is worse to be left hanging.

INFORMAL CONVERSATIONS

Chatting with the potential borrower and general feedback from the various networks you have consulted have helped you form impressions of the applicants you are choosing among. These should be shared in confidence within the committee.

6. SELECT YOUR BORROWER

So far you have gathered names of potential businesses and their owners. You have invited them to apply for a loan and some have indicated in writing or informally that they want to be considered. You have reviewed a range of information about these applicants, drawn from personal interaction and written forms. Even if your pool has narrowed down to one, you need to assess the information you have and make a clear decision whether or not to go ahead.

Begin this phase of the process with prayer. Take time with the Implementation Committee to talk through each member's reasoned assessment and intuitions regarding each applicant. Weigh the information in light of your goal to build a successful relationship. We suggest you maintain a dual focus on the technical indicators of financial success and on the softer indicators of compatibility:

COMPATIBILITY FACTORS

- Does the borrower's business further your mission concern?
- Is this business community-minded?
- Is the business owner a person of integrity with whom we want to build a relationship?
- Do you believe in the potential of this business and the capacity of the owner to realize this potential?

FINANCIAL FACTORS

- Is this business viable?
- Does the value of business's assets exceed the amount of current debt?
- Does the business model make sense? That is, is the loan you are offering provide enough capital for what the borrower needs? If not, do they have other sources for capital?
- Are there sufficient sources of revenue to repay the loan? A loan should not be more than 10% of business' total annual revenue
- Is the business or its owner in bankruptcy or foreclosure?

In the previous section on Learning about Potential Borrowers, we intentionally left out some questions that would normally be included in lists of loan requirements. It's up to you to determine whether to exclude applicants because of their immigration status, previous prison record, or possession of a business license. If some questions might be sensitive but aren't a determining factor, we suggest you don't ask them.

Some aspects of this conversation can be challenging. Keep the process simple and work for consensus. Once you make a decision as a group, it is very important that individual members all get on board, particularly in support of the borrower. There is no perfect pick; there are too many intangibles in this kind of interaction. Leave room for the Spirit. This is about building a relationship and making it work.

7. FORMALIZE THE RELATIONSHIP

Remember that the signed piece of paper with the terms of the loan is not what will make this work. It is the quality of the relationship, the communication, and the clarity about expectations that will ensure a good outcome. So as you formalize the loan in legal terms, continue to reflect on God's economy and the human dimensions of the relationship you are building. The loan agreement will focus on the money. Balance that focus by making sure the next communication with the business owner is about something other than money. To assist you, this guide includes advice on how to draw up the agreement and how to formally call down God's blessing on your actions.

CREATING THE CONTRACT

You will need a formal document, however simple or complex, for the lender and the borrower to sign. A sample Promissory Note is provided for your convenience in the 1K Resources section on the Criterion website. A significant portion of a standard promissory note is about what happens in the event of a



lawsuit. For a loan of this size and of this nature, that is not relevant. As in much of business, it is the relationship that will make it work. In addition, this loan is not secured by the possessions of the borrower or the business. For those reasons, we recommend you use a simpler form, like the sample Loan Agreement, also included in the 1K Resources section.

You're not restricted to these resources. Lawyers and bankers on your committee or in your congregation can advise or provide alternative contract templates. Draw them into the process and discuss what the document needs to include to assure clarity for all parties and a level of comfort regarding risk.

Also take time to indicate how this agreement may differ from business as usual.

RITUALIZING THE RELATIONSHIP

We suggest that the signing of the note occur in the context of prayer that invokes blessing on the



action of making and receiving a loan and on the relationship this action represents. You might devise a simple ritual, such as a pause for free prayer before the agreement is signed. Or it might be a more formal service held on its own or embedded in Sunday morning worship.

A sample Service of Blessing for the Granting and Receiving of a Loan is provided in the 1K Resource section on the Criterion website. You are invited to use it, adapt it, or select portions to use. If your group wants to create its own ritual, you may consider including the following elements:

- Clear and simple statement of what is being celebrated and formalized
- Stories from the perspective of the congregation and the loan recipient
- Signing of the note

- Presentation of the check
- Expressions of intention regarding the relationship
- Prayers of gratitude and blessing
- Announcement of a ceremony of Thanksgiving and Reconciliation one year hence

You will want to give careful thought to what is the best setting for this blessing ritual in your context. As you begin this relationship, pay special attention to what is going to feel comfortable and hospitable to your loan recipient. Will she feel honored by being included in a Sunday service and receiving the blessing of the whole assembly? Will he be more comfortable in a small, simple ceremony with the committee? Is church a place that feels familiar and safe to this person? Is language going to be a challenge?

Think also about what will work best for your congregation. Including the ceremony within the regular Sunday morning service allows the whole congregation to experience this high point in the loan process. At worship that morning they can be

A memorable loan signing celebration occurred in a large classroom at Christian Theological Seminary in Indianapolis. An enriched version of the 1K Churches Bible Study was offered as a seminary course, resulting in four loans made to local businesses. At the final class, the loan recipients were invited to participate in worship and a celebratory meal. One, a dance school owner, performed a liturgical dance as part of the service. Another, a soul food caterer, provided refreshments. At the reception a third recipient committed to do the Bible Study at her church and make a loan to someone else.

enlisted to patronize the business, to pray regularly for the business and its owner, or contribute to a crowd-funding effort through Kiva Zip. If the congregation hasn't been kept well informed, however, it may be hard for them to understand and participate. Time constraints may not allow for a full and meaningful ceremony. There are also good reasons for keeping the blessing ceremony in the intimacy of the group that has gone through the Bible Study and implementation process, have participated in choosing the loan recipient, and have a sense of responsibility for maintaining the relationship.

If your blessing ceremony is part of a larger Sunday morning service or a stand-alone event, set the date well in advance and open the invitation for congregational members and others in the community to attend if they choose. Having someone from the local chamber of commerce or town council or the mayor's office could be a breakthrough in community relations. Whether individuals choose to attend or not, they have received a hospitable invitation and intriguing information about something exciting going in their congregation or community.

Plan now to extend an invitation to a service of Thanksgiving and Reconciliation one year into the loan experience to this same circle of people. This is one more signal that you are committed to relationship.

8. SUSTAIN ENGAGEMENT THROUGH REPAYMENT

The Implementation Committee has worked hard to find and select a loan recipient, shape and sign a loan agreement, and get the money out the door. You may feel like your work is done. In fact, the opportunity has just begun to develop a meaningful relationship that grows through the ordinary ups and downs of business and of life.

In the end, this guide is about how to build caring economic relationships in the context of communities of faith. It is not always easy translating the desire for relationships into the practical realities of being in relationship. How do we build trust throughout the loan process? How does that experience extend into the congregation as a whole?

TRUST, ACCOUNTABILITY, AND THE AMAZING POWER OF GRACE

Your relationship with your chosen business owner now includes a loan. Promises have been made. Reasonable due diligence has been done. Expectations and terms are clear. You have signed a contract and shaken hands. You are dealing with a business owner you trust. You have every reason to anticipate full repayment of your loan on time and with interest, if you charged interest.

In your ongoing relationship with the business owner and the business itself in the months and maybe years to come, proceed in a spirit of trust. Assume that any anxieties you may have about whether you will ever see this money again are not nearly as great as the concern on the part of the business owner about keeping his or her promise. You have some money at stake, but not more than you can afford to risk. Your new partner, the business owner, has his or her reputation and honor at stake.

In this spirit, make building the relationship your first concern in your communications with the business owner and employees. Use the regular give and take of payment reminders as an opportunity for building relationships, not just a mechanism for getting your money back. Think about how you can word the repayment notice so that it actually comes across as a helpful reminder and not as an implied threat. Include words of encouragement. Keep informed about how the business is moving forward on its plan and express appreciation for the progress that is being made or even for the hard work that is being done before progress begins to show.

A congregation in Connecticut regretted not staying in closer touch with their loan recipient. "Our monthly payments were coming in steadily. Therefore, we thought everything was all right. But not for our borrower. He had lost his business and was in personal crisis. We shouldn't have stopped praying for him and caring for him, just because the loan payments were on time. We recognized the crisis long after he experienced it, because we hadn't kept up the relationship. We weren't there to help. Our relationship had been reduced to a loan payment."

If things are not moving forward according to plan, stay open to the possibility of renegotiation. Whatever the terms of the repayment plan you have agreed to, it is best for the Implementation Committee to have the understanding that, if need be, the borrower has the use of the money for the full year. You can adjust the repayment timetable to reflect the natural business cycle or the point at which the investment is likely to result in increased revenue for the business. In some cases, you may offer a period of grace that goes beyond the scheduled conclusion of the loan period. It is not just a coincidence that this extra bit of time goes by the name of grace. Leave yourselves room to be gracious.

BEYOND THE MONEY

Your relationship with this business owner includes a loan, but it is not all about the money. There are ways to show mutual support that go way beyond the capital. During the loan period and even when it is done, you and your partner can help one another in ways you may not have thought about:

- Patronage. Encourage members of your congregation to buy goods and services from your partner and have them tell their friends to do the same.
- Advertising. You have avenues in your newsletter, website, weekly bulletin, radio spots to give the business some free advertising.
- Sharing skills. You have business skills to share, and the small business owner may welcome mentoring, as long as you do it in a way that doesn't come across as bossy or controlling. The business owner may also welcome the gifts of the youth group to paint or clean their place of business. The youth can also help with information technology. The property committee could do some repairs. Share the gift of home baked cookies with employees at break time or a warm meal at the end of a long day's work.
- Invite stories of how the business is doing and serving the community. Publish the stories in the church newsletter. Some might be worthy of sharing with the local newspaper. Spread good news about how this business serves the community and your mission concern.
- Prayer. Pray for the business and business owner by name in Sunday services along with prayers for the community, commerce, and the general economic good. Add concern for this business to prayer lists in the congregation. Encourage individuals to remember this business in their prayers during the week. Let the business owner and employees know you are praying for them.

The business owner may also be looking for ways to build the relationship and show appreciation. One loan recipient asked if he could have a small sign posted on the window of his restaurant, acknowledging the support his business had received from a local church. When the owner of a landscaping business

came to express his thanks to the congregational council, he brought with him shirts for the pastor and the chair of the Implementation Committee, like the ones his workers wear, embroidered with their names and the business logo. Stay open to all the ways the relationship can be mutual.

DEALING WITH CONFLICTS OR UNMET EXPECTATIONS

While we proceed in a spirit of trust and hope everything will go well, we shouldn't be all that surprised when things don't go exactly as planned. We are human beings. We make mistakes. We miss deadlines. We overestimate what we can accomplish. We make comments that hurt, often unintentionally. We misunderstand one another. In our anxiety, we become impatient. We sin. All of us. Lenders and debtors. That's who we are. How do we stay in relationship?

Sometimes when things don't go according to plan, it is not really anyone's fault. People get sick. Accidents happen. Valuable employees leave for reasons beyond anyone's control. Hailstorms and drought ruin the crop. What was a promising economic environment slows down. All of these factors can affect the ability of the business owner to realize the anticipated growth and repay the loan according to schedule. How do we share the risk?

It is also true that there are people who will try to take advantage of us. We can be fooled by a clever con artist who says all the right things, all the while intentionally deceiving and defrauding us. It is to protect against such fraud that we have encouraged you to choose established businesses as your loan recipients, check references, do some measure of due diligence. But you should not be controlled by the fear that someone is out to cheat you. How do we keep trusting?

Disappointments are hard to swallow and conflict can be painful. But as Christians, we should not be afraid of getting involved in the messiness of life. Jesus never shied away from mixing it up with all kinds of people and meeting danger head on.

The whole of scripture is a testimony to God's enduring promise and unfailing love toward people who disappoint him again and again and again. God's way is to reach down and lift up the weary and the wayward. God's way is to enter the fray, to meet people where they are, with compassion and also with the truth about who they are. God's way is to name the sin and love the sinner and stay connected. God doesn't hide from sin and evil. God's way is the way of forgiveness and new beginnings.

We like to think of church as a conflict-free zone where everyone is "nice". We also know that isn't true. Conflict is never fun, but it can be constructive when it is dealt with openly and with love and the ever present promise of forgiveness. We can bring this confidence to our economic relationships, knowing that conflicts will come and that we can deal with them.

TENDING THE RELATIONSHIP THROUGH STRUGGLES

Here is a real-life example of struggle, starting with a simple conversation at coffee hour. You can imagine something like this happening at any of our churches. A participant in the 1K Churches Bible

Study was deeply committed to being engaged with the borrower no matter what loan process was chosen. She wanted people from the church to be hands-on and actively helping to build the business. Once the loan was made, she visited the business intending to build the relationship. When she came back to the church, she shared her concerns about the product and the behavior of staff at the business with the leadership. She said she would likely never return to the business again. The relationship was broken.

What might have been a better way for her to start a conversation with the business owner about her concerns? How do we build the practices that allow us to stay engaged? In the Bible Study we discussed the reality of our alienation from God and from one another. What do we do when we experience that alienation with one another or with this new partner? Where did it begin: In the negotiation of the interest rate? In the practice of collections? In that awkward gap when the loan is not being paid back as we expected? It is in the nitty-gritty of relationships that we sense the alienation creeping in. It is also in those moments of stress and frustration and humiliation that we can find each other at a deeper level.

The minister called the congregation together when she learned that their loan recipient had left town with the \$1,000 they had lent him. She checked with the police and discovered he had been charged with nine counts of fraud. The members of the congregation were disappointed, but not shocked. "We were aware of the risks," one member said. "If this were a gift instead of a loan, we would never have known what happened to it," one woman observed. "We should have done a better job checking on him," said another. "It wasn't fair to put all this on the minister to do. We should have more lay people doing the leg work next time." And they decided at that meeting there would be a next time. The minister made plans to visit the loan recipient in jail.

What is really important in the midst of all this noise? How can you navigate objections and challenges as you move into implementation? This is not about getting money out the door. It is not really about the loan, in and of itself. It is about how we are called to be in economic relationships and how we explore those relationships together in our worshiping communities.

9. EXIT THE LOAN AND REDEFINE THE ONGOING RELATIONSHIP

The loan period will come to an end. Hopefully the relationship between your church and this business will not end, but will transition into a sustained connection with continued mutual interest, patronage, encouragement, care, and prayer. We tend to regard our economic relationships in strictly utilitarian terms and let them go once the economic exchange is done. We can do better.

The chances of making this shift in the relationship graceful and enduring are much better if you are intentional about it. You want to be clear about the ending of the loan relationship and your hopes for an ongoing bond. In some cases, it is as simple as celebrating and giving thanks for the experience you have shared. In other cases, a successful transition is going to take some honest sharing, forgiveness, and reconciliation. In most cases it will be a blend of the two.

If you really have no intention of continuing the relationship given other priorities, don't raise those expectations. Don't promise more than you can realistically deliver. Close the relationship with words of thanks and blessing.

SERVICE OF THANKSGIVING AND RECONCILIATION



As you navigate a graceful transition to an enduring relationship with the business owner beyond the loan, we encourage you to make use of the ritual resources of our faith. A Service of Thanksgiving and Reconciliation, provided in the 1K Resource section of the Criterion website, creates a context for thanksgiving, celebration, honest sharing, and reconciliation at the end of the loan period.

Plan ahead to hold a service of Thanksgiving and Reconciliation one year after finalizing the loan. Whether or not the loan is paid back by then, have a public service to commemorate and celebrate the relationship with the local business or businesses you have supported. Having the date for the service on the calendar is a reminder to give thanks at the end, just as you asked for blessing in the beginning. Through this year you will have learned a lot and loved a lot. You will have made new friends. Hopefully you will also have seen a business strengthened to serve the community in ways that you value. It is time to celebrate.

Scheduling this service in advance is also a powerful way to communicate the central importance of the relationship and the intention to stay in relationship even when things don't all play out as hoped and expected. In fact, it assumes that there will be disappointments in any human interaction, because none of us is perfect. We cause harm and let people down both intentionally and unintentionally. We call this sin. It is part of the human condition and we are right to anticipate it. In our Christian tradition we ought

to be able to talk about sin and disappointments, because we know firsthand the reality of forgiveness. In honesty and love we can resolve conflicts without breaking relationship, forgiving one another as God forgives us.

The sample service of Thanksgiving and Reconciliation in the Resource section is for you to use as is or adapt to fit your context. Elements that seem particularly meaningful include:

- Report on progress toward the fulfillment of the loan agreement
- Naming and giving thanks for the good things that have happened
- Naming and confessing possible hurts and disappointments
- Announcement of forgiveness.
- Prayers for empowerment to do better

As you plan how to do this ceremony, use the same care you exercised in the earlier Service of Blessing. Will it be formal or informal? Small or large? In the regular service or at a special time? Include in the invitation to this service the same people who were invited to the Service of Blessing. Don't limit your invitation to those who attended the earlier service. This is another opportunity to share what is going on and help people feel a part of it in some way.

DECISIONS ABOUT USE OF THE CAPITAL THAT IS REPAYED

Whatever the highs and lows of your relationship with this business and its owner, chances are very good that at the end of the loan period the borrowed money will have been repaid. You now have the money to use again. This is an opportunity to make some new decisions. What do you do with the capital now that it has done its job one time? Here are some possibilities for you to think about:

- You might want to make another loan. Think about how you would do it differently based on your experience. Is there more expertise you would like to gain if you were going to continue making loans on a regular basis? Can you see this as an ongoing ministry of your congregation? Is this a ministry you feel called to? Are there others you would like to invite to join the group?
- You might want to start another Bible Study group and have them make a loan. The new group could take the loan money you used and loan it to another business which furthers the same or maybe a different mission concern. Do you think this is an experience more people in your congregation would benefit from? Would the congregation and the community benefit from more people thinking in new ways about God's economy?
- In some cases, what becomes of the money once it is repaid may not be yours to decide. If the capital for the loan came from a congregational fund or endowment, you may be obliged to return it so that it is available for whatever purposes are determined by those in charge. Based on your experience, you could make a compelling case for them entrusting it to your group to invest for another year.
- You may decide to expend the funds as a gift or one time grant that furthers your mission concern.

10. EXPLORE YOUR MISSION THROUGH OTHER ECONOMIC RELATIONSHIPS

Congratulations! You have taken on this grand 1K Churches adventure of discovering God's economy and have followed all the steps from searching Scripture to making a loan to a small business in your community. You've probably had some frustrations along the way and some sense of satisfaction in reaching out into your community in a new way, in making a difference in the life of a business owner and all the people that business touches. And you've forged a relationship that hopefully will last long beyond the repayment of the loan. Perhaps you'll make another loan or invite a new group into the Bible Study and start again.

Now you are invited to pause and think about what you have learned. Take a break to reflect on:

1. What did you learn...
 - About yourselves, your congregation, your community?
 - About the role of finance and economics in our lives and in our relationships?
 - About how God is at work in our world?
2. How did you grow...
 - In your faith?
 - In your relationships?
 - In your sense of empowerment to make a difference as a person of faith?
3. How will this experience inform the work of your church moving forward...
 - In the way you think about finance and conduct your business as a church?
 - In the way you relate to businesses in your community?
 - In your ongoing reflection on the church's role in shaping how the economy works?
4. Where do you want to challenge yourselves more?
 - Study more deeply? Criterion can point you to some resources for further reading.
 - Try a different lending pathway on your next loan and see what more you can learn from that? For example, you might partner with a local credit union or other financial institution that shares your values.
 - Get involved with other organizations working for a just and compassionate economy?
 - Share your experience with other congregations or denominational leaders to encourage their participation and transformation.

The loan was just one way to practice living our call to be in relationship as we seek to discover God's economy. Go out and seek more.

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A handwritten signature in black ink, appearing to read 'Joy Anderson', with a long horizontal line extending to the right.

Joy Anderson
Founder and President, Criterion Institute

CONNECTING TO CRITERION INSTITUTE

May God walk with you as you explore these questions within your community and your congregation.

Contact us to request the following additional resources:

Getting Started Guide
1K Churches Bible Study Guide
1K Churches Prayer Book

And most importantly, please contact us to tell us your stories.

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