

How can cities design a favorable environment,  
that local banks are more active?

# 'Ostpol-Credit'

of

## Savings Bank Offenbach am Main

FIN-URB-ACT Work Meeting III  
Edinburgh 9 - 10 February 2010

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### *City of Offenbach am Main*

- a city in Hesse, located on southside of the river Main.
- population of 116,923 (2006).
- is part of the Frankfurt/Rhine-Main metropolitan area.
- was a center of the leather industry, which has declined in the last decades.
- popular location for especially from the transport sectors.



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## ***Who are the Partner of 'Ostpol-Credit'?***

- **City of Offenbach**  
(Department Employment Promotion, Statistics and Intigration)
-  **gGmbH** (Non-profit project company)
-  **Savings bank Offenbach** (Business Client Department)
- **IHK Offenbach** (Chamber of Commerce and Industry)
- **HfG Offenbach** (University of Art and Design)
- **GBO Offenbach** (non-profit-making Building society)
- **DMI** (German Microfinance Institute)
- **German Microfinance Fund**

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## ***,'Ostpol-Credit' Sparkasse Offenbach Conditions:***

- **Prerequisites:**
  - o persuading business concept and submission online-application,
  - o voluntary disclosure of confidential information,
  - o latest disclosure of business information (Schufaauskunft),
  - o business location within the inner city of Offenbach (urban development).
- Presentation of the business concept to the loan allocation committee which than immediately takes a decision on commitment
- Savings bank provides the credit after recommendation of the committee of allocation

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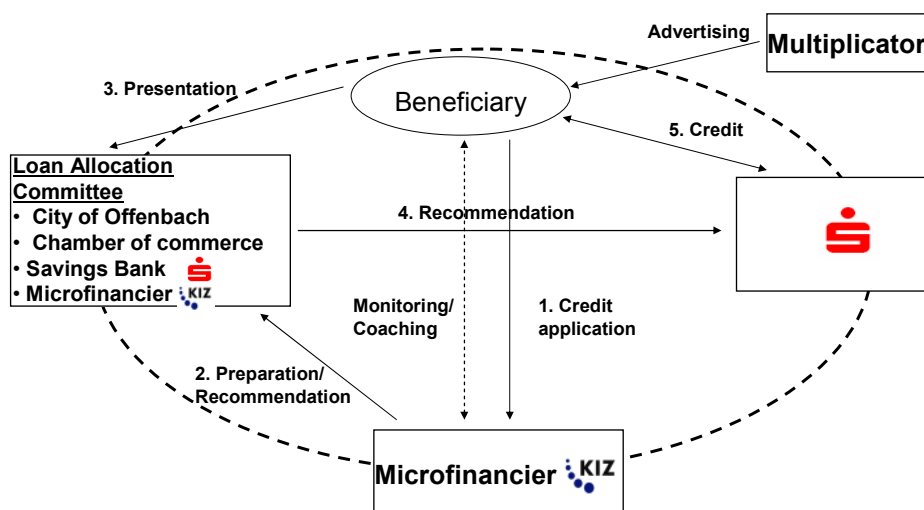
## **,Ostpol-Credit‘ Sparkasse Offenbach Conditions:**

- **Duration:** 12 – 24 months
- **Grace period:** No
- **Interest rate:** 10% p.a.
- **Bank charges:** 90 € per hour, max. 270 €
- **Other charges:** No
  
- **First credit between € 1.000 - € 5.000**
  - o interest rate nom. 10% p.a.
  - o duration max. 36 months
  
- **Follow-up loan of maximum € 10.000 can be granted**
  - o if enterprise has repaid the first `Ostpol loan`
  - o amount of financing + 50 %

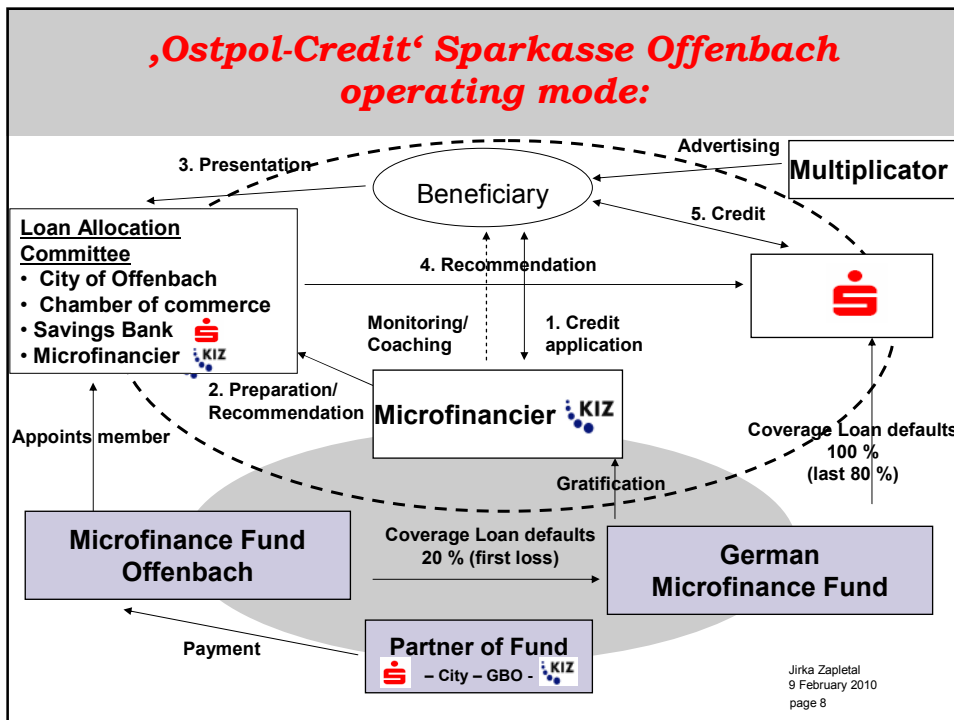
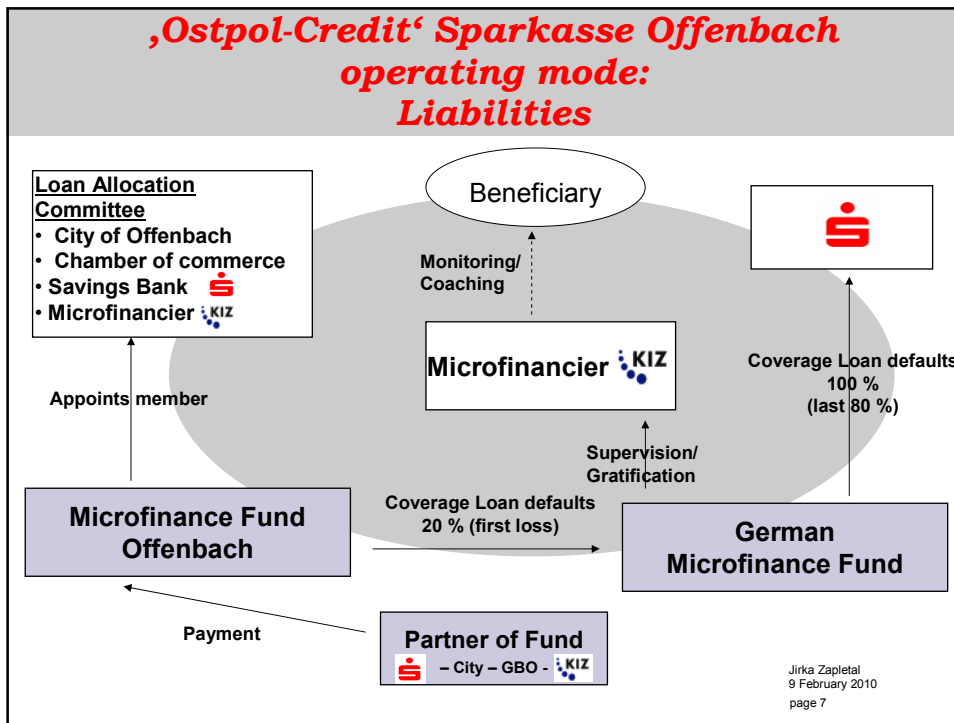
 Savings bank Offenbach as financial services provider at local level

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## **,Ostpol-Credit‘ Sparkasse Offenbach operating mode: Credit providing**



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## **,Ostpol-Credit‘ Sparkasse Offenbach Conclusion:**

- Founder of a new business get access to microcredit loans
- Microfinance as an add-on-product for savings banks
- Microfinance as a crucial element for urban development
- Savings bank as regional financier fulfills the role as financial service provider at local level and ensures banking transaction

### To sum up:

It is of utmost importance to hold people in the banking system whenever it is possible and to avoid downgrading customers to „non-bankables“.



**This is an important part of the mission of local banks!**

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## **,Ostpol-Credit‘ Sparkasse Offenbach Stories of Success:**

Spiridon Panagoulis (Greece): Mobile trade service  
(Fruits/Vegetables)

*Investment: second-hand truck*



Sayed Khalil Hosseini (Afghanistan): Tailor



*Investment: first basic equipment, e.g. working table, washing machine, electric iron, cashpoint, cloths rails and clothes hanger*

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## **,Ostpol-Credit‘ Sparkasse Offenbach Stories of Success:**

Bettina Urbas (Germany): ‚Ostpol‘-Café

*Investment: renovation and basic equipment*



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 **Finanzgruppe**  
Deutscher Sparkassen- und Giroverband

# Thank you for your attention!

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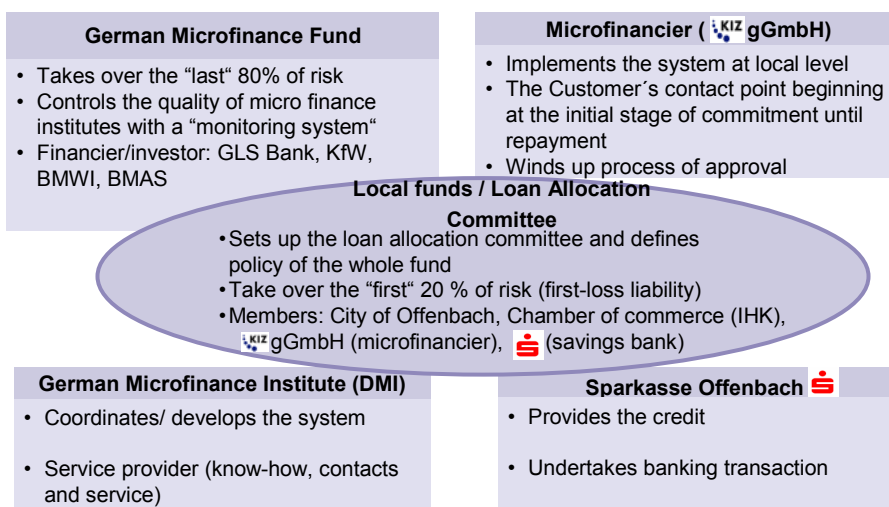
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## Current microcredit situation in Germany

- 80 % of loan defaults are taken over by German Microfinance Fund
- 20 % of risk are taken over by regional MFI (old initiative)
- Loans are provided with an interest rate of 10 % (5 % to the MFI and 5 % to the involved bank)
- Average credit engagement:                      about 8.000 €
- Average loan default:                                about 7 % (source: DMI)
- New business expected in 2010:                about 300 contracts with a magnitude of 3 Mio € (source: DMI)

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## ‘Ostpol-Credit‘ Sparkasse Offenbach Operators:



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## Who are we in the „Sparkassen-Finanzgruppe“?

- 438 independent **savings banks** with decentralised **decision power** basing their business and refinancing on the **regional economy**
- **Market share** of financial group in **credits to enterprises: 43.3%**; in the business segment of **craft enterprises: 68.6%** (2007)
- **Unit in head association** with **no operative business** and **no authority to issue directives** to member institutions, but
  - **Coordination** of members' activities and interests related to **national promotional finance** (by KfW Bankengruppe)
  - **Development or improvement of new products and processes** with **KfW**
  - **Direct advice to clients** on (European) promotional finance through **EuropaService** (affiliate member of the **Enterprise Europe Network**)
  - **Interface** to host's departments dealing with **savings banks' own financing products and processes** (e.g. related to start-ups)

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## German microcredit offers (from national programmes)

- No specific category, various forms of providing „microcredits“
- Irritating **variety of programme offers** on national, regional and even local levels – often co-financed by **CIP**, **ERDF** or **ESF**
- Promotional loan programmes (national) as proxies:
  - **„KfW-StartGeld“ (new in 2008, co-financed by CIP)**
    - Maximum amount **50,000 EUR**, **80 %** exception from liability
    - 5 years w/ 1 yr grace period or **10 years** w/ 2 yrs grace period
    - Fixed interest rate of **6.3 resp. 6.7 %** p.a. nominally (Nov. 2008)
  - **„Mikrofinanzfonds Deutschland“ (co-financed by ESF)**
    - Maximum amount **10,000 EUR**, **100 %** exception from liability
    - Maximum term **3 years**, average term < 2 years
    - Fixed interest rate of **10 %** p.a. nominally

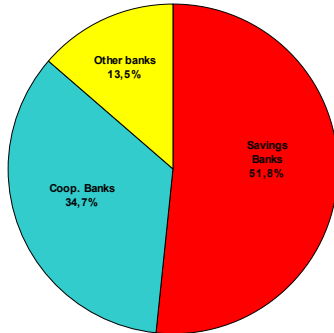
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## ***KfW micro loans: market shares of banking groups***

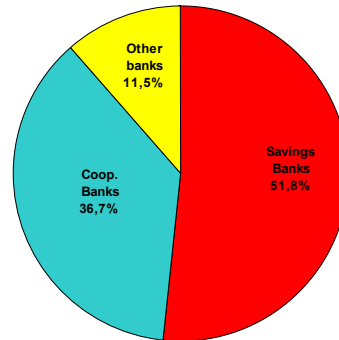
### **2006:**

- 1,370 loans (< 25,000 EUR)
- total amount 22.0 mill. EUR
- average amount 16,100 EUR



### **2007:**

- 2,370 loans (< 25,000 EUR)
- total amount 37.8 mill. EUR
- average amount 15,900 EUR



Source: KfW

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