



## Round 2 of SAFE Fund Now Open



The [Support for Afghan Financial Empowerment](#) project - or SAFE – is a nationwide, evidence-based initiative designed to help 70,000+ Afghan humanitarian parolees build a financial foundation in their new communities. SAFE is a collaboration between the International Rescue Committee (IRC) and IRC’s Center for Economic Opportunity (CEO) and offers:

- Credit education and 1:1 financial counseling in Pashto and Dari, accessible in-person and online from IRC
- Access to the SAFE Fund, which offers 0% APR auto, consumer, and credit-building loans to participants in 15 states from CEO

SAFE launched in March 2022. Through May 2022, the project has directly reached more than 2,700 Afghan evacuees. Highlights of the first quarter of SAFE can be found below.

### SAFE FUND OVERVIEW

- The SAFE Fund seeks to ensure that newly arrived Afghans have access to the capital, financial tools, and credit-building services they need to succeed in the United States.
- CEO is a non-profit lender that has made [thousands of low-cost, flexible business, consumer, and education loans](#) to refugees and other underbanked families for more than 10 years. Most of our expert staff are themselves immigrants or former refugees. We know the market and we care.
- Each applicant to the SAFE Fund receives in-language credit education and 1:1 counseling provided by [a national team of certified IRC financial coaches](#), at no cost to persons who meet eligibility requirements.
- SAFE is expected to reach up to 25,000 Afghan arrivals and make more than 2,500 0% (APR) loans through the SAFE Fund. Services are available to any Afghan who arrived in the U.S. under a humanitarian status/program between August 2021 through September 2022. Eligible clients will have access to SAFE loans for a period of three years, starting 3/2022.
- Funding for operations and loan servicing are being raised in parallel to the SAFE Fund and sourced to traditional philanthropy.



Loan Type	Total Loans	Dollar Amount
Auto	33	\$587,906
Personal	7	\$25,120
Credit Building	31	\$3,100
<b>Total</b>	<b>66</b>	<b>\$616,126</b>



The first round of the SAFE Fund closed with \$2M in capital. CEO raised the funds at 0% from a cohort of impact investors and used them for on-lending at 0% to SAFE participants.

Through May 2022, the SAFE Fund has deployed more than \$600,000 in 0% APR financing to help clients build credit, buy cars, pay for training, or help with initial expenses.

*\*Data above from first 75 days of SAFE Fund\**

## NOW OPEN – SAFE FUND ROUND 2

Due to surging demand, we’re seeking commitments for Round 2 of the SAFE Fund. CEO seeks a total of \$4M in Round 2 subdivided into two segments: \$3.5M for ‘core capital’ and \$525k for 1<sup>st</sup>-loss.

### Key Terms

- Mechanisms: grants or recoverable grants for ‘1<sup>st</sup>-loss’; recoverable grants or unsecured installment loans for ‘core capital’
- **Rate: 0%**
- Term: 6 years, quarterly payments starting in year 5 and spread evenly over final 8 quarters.
- Minimum commitment: \$200,000
- Closing Date: August 30, 2022
- Use of Funds: Capital raised will be used to make 0% loans directly to Afghan evacuees using CEO’s established model and underwriting criteria.
- Security: The \$525k 1<sup>st</sup>-loss segment serves to protect investors in the ‘core capital’ segment. SAFE investors will not have recourse to CEO in the event of loan defaults from the SAFE Fund beyond the 15% 1<sup>st</sup>-loss.





## Risks

- Borrowers can default on individual loans, which could impact the total funds available to recover funds.
- CEO's historic loan loss rate is **2.0%**, though this has been impacted due to COVID flexibility for borrowers. Additional financial and performance information will be made available upon request.
- 'Core capital' investors are shielded by the 15% 1<sup>st</sup>-loss segment; only losses above 15% would impact the recovery of core capital investments.
- Investors in each segment (core capital and 1<sup>st</sup>-loss) are treated *pari-passu* within their respective segment.
- SAFE funders will not have recourse to CEO in the event of loan defaults from the SAFE initiative.

Illustrative examples:

**Example 1:** The SAFE Fund deploys \$1.5M in loans to Afghan parolees and experiences a 7% default rate. In this example:

- 'Core capital' investors would recover 100% of their corpus.
- 1<sup>st</sup>-loss contributors would recover 53% of their contribution (7% represents 47% loss of the 15% tranche)

**Example 2:** The SAFE Fund experiences a 20% default rate. In this example:

- Core capital investors would absorb 5% of the losses as the other 15% are covered by the 1<sup>st</sup>-loss segment.
- 1<sup>st</sup>-loss investors would not recover funds as losses on the overall portfolio exceed 15%

## Contact

Potential investors interested in learning more should contact [Joshua.Geary@Rescue.org](mailto:Joshua.Geary@Rescue.org). We are also seeking support for other cost centers, including grants to cover CEO loan servicing and IRC's financial capability services. For more information on grants to CEO or IRC, contact [Kasra.Movahedi@Rescue.org](mailto:Kasra.Movahedi@Rescue.org) or [Erica.Bouris@Rescue.org](mailto:Erica.Bouris@Rescue.org)