

How Kiva Works, The Long Version

Adapted from: <http://www.kiva.org/about/how/even-more>

Kiva connects with a Field Partner

Kiva works with many organizations to find borrowers and give out loans. We call these organizations Field Partners because they work at the local level, where people need the loans. Most of the Field Partners are microfinance institutions, but we also work with schools, NGOs, social enterprises and more. They all have one thing in common: the social goal to reduce poverty and improve people's lives.

Field Partners give out loans and post stories on Kiva

Our Field Partners give out loans to borrowers, sometimes before the loan is even posted to Kiva. This is called "pre-disbursing". Pre-disbursing loans means that borrowers don't have to wait for their loans to get funded on the Kiva website. This is helpful when borrowers need money immediately. The Field Partner then gathers stories and photos from these borrowers and posts them on Kiva to be reviewed by our volunteer editors and translators, and then published.

Lenders look at profiles and choose borrowers to help

Kiva gives anyone with an internet connection the opportunity to make a loan as small as \$25 to someone else to start or grow a business, pay for school, build a house, switch to clean energy and much more. Kiva put together all of these small amounts of money (this is called "crowdfunding"), and give out loans to borrowers or give the money to Field Partners for the loans they have pre-disbursed. Lenders take the risks for the loans they choose to give out: if a borrower doesn't pay back, the lender loses his/her money.

Field Partners receive Kiva lenders' funds via wire transfer

If Field Partners can pre-disburse the money for loans, why is it important for Kiva to help these Field Partners? It is important because Kiva provides Field Partners with capital at 0% interest. This way, Kiva helps these organizations to:

- Increase their lending programs;
- Reach new, even more marginalized borrowers (very poor or isolated for instance);
- Increase the number of other services they offer, like health care, child vaccinations, financial literacy classes and more.

Borrowers repay their loans

Field Partners receive payments made by borrowers. The payments include interest. Since 80% of the Kiva's Field Partners are non-profits, they charge interest just to cover their operating expenses. In other words, Field Partners are not making money out of the loans.

Kiva does not charge any interest to its Field Partners and does not provide interest to lenders - if you make a loan of \$25 on Kiva, you get \$25 back; as a lender you don't make money either.

Kiva returns repayments to lenders

When lenders receive repayments, they have the following options:

- Take out the money into a PayPal account;
- Donate it to help Kiva cover its operating expenses;
- Lend it to more borrowers to make an even bigger impact.