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## 1K Churches Project - 2015

**Purpose:** Local congregations enter into a process that leads to each congregation's making a micro-loan to a small business in its community. (A micro-loan is defined as between \$500 - \$5,000; and a "small business" is one employing fewer than 10 persons.)

**Process:** Congregational members take part in a five-session Bible study to help decide what type of loan they will undertake. Napa Valley Lutheran Church (NVLC) has chosen the "Public Witness" model, which uses Kiva Zip, an internet-based micro-financing site. The congregation has set aside up to \$5,000 to provide a loan. <https://zip.kiva.org/>

**Next stage:** Identify a small-businessperson to become our loan recipient. NVLC shares a commitment to become more of a "neighborhood church", fully connected to the life of our community. Our 1K focus is an immigrant focus – seeking out a loan partner who either is from the immigrant community or is providing services to immigrants in our community.

*We are hoping you can help find some candidates for this loan.*

*We need leads for borrowers.*

NVLC becomes a trustee for an entrepreneur who may not be seen as worth the risk by traditional funding systems. Using the online platform of Kiva Zip, NVLC publicly provides a loan for the business and encourages others in the community to do the same in small dollar amounts. The congregation chooses a person whom it knows well or who is recommended by a community or social ministry organization, and makes the decision based on the person's character rather than a credit score. This "Public Witness" path is all about re-valuing the worth of a person and redefining whom we see as risky or safe.

### Continuing process of implementing the loan:

Inviting borrowers	Service of Blessing
Initiating conversations with borrowers	Sustained engagement and collections
Selecting the borrower	Exiting loan relationship & transitioning
Formalizing the relationship	Service of Celebration/Reconciliation

What the Kiva Zip loans look like:

- 0% interest
- Business loans
- Small size - first loan can be up to \$5k; subsequent loans up to \$50k
- Up to 24 months term
- Grace periods available for some loans
- Repayment made in regular weekly or monthly installments
- Disbursals and repayments made electronically via PayPal®
- Posted and 'crowd-funded' online

Kiva Zip Assessment:

*Kiva Zip leaves it up to trustee (NVLC) to make a judgment call in these areas.*

- Do you deeply trust that they are the kind of person who will commit to repaying their loan?
- Do they have a viable business or business plan?
- Do you know what they will use the loan for and how it will impact their business?
- Will this loan have a positive social impact?
- Do they meet the minimum criteria for a Kiva Zip loan?

Kiva Zip Minimum requirements:

*Must be met unless there are exceptional circumstances*

- The borrower's debt: income ratio must be less than 35%
- The borrower cannot have past-due debt
- The borrower cannot currently be in foreclosure or bankruptcy
- The borrower's annual income must be less than \$100,000
- The borrower must be over 16
- The borrower must have a PayPal Account

Since we are using the Kiva Zip model, there will probably need to be a process by which we introduce this tool to a potential borrower, and perhaps help them put their web page together. We will become the endorsing agency for the person, vouching for their "worthiness" so that their page will attract other lenders.

In addition, NVLC will:

- Request personal/fiscal references for loan candidates
- Require a criminal background check
- Provide translation services, as needed, for conversations between business owner and congregation
- Pray for the business owner