Assumptions Underlying the SHARE Program

In order for communities to combat the loss of local lending sources and funding for innovative small business, a community organization is needed which will join with the banks to provide new funds and community backing. Criteria for making such loans should be established by the community organization in conjunction with the banks.

There are several assumptions behind the SHARE concept:

1. That there exists a considerable number of potentially sound investment loans which are presently not being serviced by conventional financial sources. Many of these investments are potentially of great benefit to the community because they would lead to increasing local self-reliance in such basic needs as energy and food but they are not presently eligible for conventional financing because:
    - They do not meet conventional lending criteria
    - Projects are new and therefore have not established a track record
    - Regulations of financial institutions do not permit some of these loans
    - Funds of financial institutions are limited and therefore go to the conventional borrowers first
    - Interest rates are too high to make a project feasible.

2. That increased savings funds can be attracted from local depositors even at current low rates of interest if:
    - Depositors know that their money is being used for local development (which, after all, benefits the local depositor)
    - Depositors feel that they have some voice in the decisions about where the funds will be placed
    - Depositors feel assured that the funds are being used in socially and ecologically sound ways.

3. That community banks, as local institutions, are best suited for handling and administering loans for the purpose of local or regional self-reliance.

4. That community banks can afford to handle administration of local loans for a reasonable fee—when they are not taking all the risk.

5. That many loans which are presently considered too risky by banks would not be risky if a voluntary association of people were available to provide technical and market assistance.

6. That once a "track record" is established by such businesses, they would be able to tap standard bank credit, releasing the more adventuresome funds to

encourage new starts.

7. That small loans can be very beneficial and productive in rural areas out of proportion to the amount of the loan, but the "risk factor" is often so high that banks either will not make the loans or charge too high interest rates for feasibility.

8. That large investors can be attracted to make direct loans for community development at their own risk (at relatively low rates of interest) if they are fully aware of the risks and the possibilities for such loans.

9. That banks will welcome the SHARE program for several reasons:
   - SHARE should bring in new depositors and increase the bank's collateral base.
   - The SHARE program is good public relations because it shows the bank's interest in the community and willingness to use its resources for increasing community self-reliance.
   - It will make it possible to reduce loan refusals by the number that meet SHARE criteria but seem "too risky" from the present bank standpoint.

10. That a voluntary organization such as SHARE could act as a catalyst to spearhead the development of such a local effort towards regional self-reliance, and that therefore the primary role of such an organization would be to promote, encourage and educate producers and consumers towards greater local self-reliance and not to administer loans.

Schumacher Center for a New Economics
140 Jug End Road • Great Barrington • MA • 01230
www.centerforneweconomics.org