

December 27, 2016

## **MEMORANDUM OF UNDERSTANDING (MOU)**

*between*

***Lenders Without Borders Ltd***

*and*

***Community Microfinance Ltd***

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This is an agreement between Lenders Without Borders Ltd hereinafter called LWB and Community Microfinance Ltd, hereinafter called CML.

### **I. BACKGROUND**

A problem for small microfinance institutions such as CML is to raise enough capital. In 2015, Moses Nsereko, founding manager of CML, came up with the idea to look for funding abroad; more precisely through setting up a platform where individuals from all over the world could invest directly in Ugandan small scale businesses. The platform; Lenders without borders, was developed during 2016 by Moses Nsereko together with Sandra Attermo and Bill Batko. Since April 2016 it is registered as its own entity.

### **II. PURPOSE & SCOPE**

The purpose of this MOU is to clearly identify the roles and responsibilities of each party as they relate to the investment platform [www.lenderswithoutborders.com](http://www.lenderswithoutborders.com).

In particular, this MOU is intended to:

- Attract capital to CML at a relatively low cost and thereby increase the outreach of CMLs financial products.
- Provide investors from all over the world with investment opportunities that are both profitable and socially beneficial.
- Create international network opportunities for Ugandan Microfinance institutions and small scale business owners.

### **III. LWB'S RESPONSIBILITIES UNDER THIS MOU**

LWB shall undertake the following activities:

- i. Present CML at the website [www.lenderswithoutborders.com](http://www.lenderswithoutborders.com).
- ii. Create profiles for a selection of CML's borrowers at [www.lenderswithoutborders.com](http://www.lenderswithoutborders.com). In average, the number of profiles up on the website shall be at least 20. The minimum number shall be 10.
- iii. Market the website [www.lenderswithoutborders.com](http://www.lenderswithoutborders.com) to potential lenders.
- iv. Create loan agreements between CML and each investor.
- v. Provide investors with regular updates about their investments at least three times per year. The updates shall contain information about loan disbursement date, loan terms and repayment performance.
- vi. Provide investors with yearly information about CML's performance by publishing CMLs annual report on the website.
- vii. Provide investors with yearly information about the social impact of the loans by sending out a yearly monitoring and evaluation report to the investors.
- viii. Intermediate in the contact between the investors and CML and the borrower and support the investors throughout the investment process.

### **IV. CML'S RESPONSIBILITIES UNDER THIS MOU**

CML shall undertake the following activities:

- i. Select borrowers to be profiled on the website. The selected borrowers shall be enough in number for LWB to fulfill its responsibility in paragraph III.ii.
- ii. Provide LWB with information and pictures to be used in the profile.
- iii. Ensure that each borrower that has a profile on the website has given consent to have his/her profile and photo up on the site.
- iv. Administer the entire loan process including:
  - a. Assess potential borrowers
  - b. Set up loan agreements and repayment schedules
  - c. Disburse loans
  - d. Manage repayments

- e. Take appropriate actions in case of late repayment and defaults
- v. Ensure that the terms for loans funded by LWB's investors are in accordance with the standards set by LWB. These standards are as follows:
  - a. The interest rate charged to borrowers shall not exceed 36% per annum.
  - b. The maximum effective interest rate including fees and other costs shall not exceed 40% per annum (excluding fees for late repayments)
  - c. Training in business skills, financial management and book keeping shall be provided for free as a compliment to the loan.
  - d. The entire loan process shall be designed in accordance with the *Smart Campaign Client Protection Standards* that is attached to this MOU as appendix A.
- vi. Provide LWB with information about loan repayments, business performance of the borrowers and social impact of the loan. The information shall be provided through the software Akello banker. CML shall give LWB access to the software by providing LWB with login details to CMLs account.
- vii. Provide LWB with information about CMLs performance by sending CMLs annual report to LWB each year.

**V. IT IS MUTUALLY UNDERSTOOD AND AGREED BY AND BETWEEN THE PARTIES THAT:**

i. Modification.

The terms of this MOU should be reviewed by both parties every six months. Any possible modifications of the MOU should be agreed upon by both parties.

ii. Duration

This MOU shall remain in force for a period of five (5) years after signed by both parties.

iii. Termination

The partnership covered by this MOU shall terminate upon completion of the period agreed upon in paragraph V.ii. The agreement may also be terminated with a written six months notice from either side. In the event of non-compliance or breach by one of the parties of the obligations binding upon it, the other party may terminate the agreement with immediate effect.

iv. Extension

This MOU can be extended through a formal consent that shall be communicated two months before the end of initial duration period.

## **VI. FUNDING**

- i. LWBs shall seek for investors willing to lend to CML but shall not guarantee any funding.
- ii. The funds that are raised goes in full to CML.
- iii. The interest rate that is earned on the funds raised by investors of LWB shall be used for covering the costs of each part. The interest rate should be divided as follows:
  - a. 8% goes back to the investors
  - b. 4% goes to LWB and shall be used for covering the costs of administering the website and the investment process. All costs of transferring money that is not covered by the investor shall also be covered by these funds.
  - c. 24% goes to CML and shall be used partly for covering all operational costs associated with the loan and partly for setting up a loan provision fund.
- iv. CML shall be responsible for paying the funds to the investors in case the borrower defaults.

## **VII. EFFECTIVE DATE AND SIGNATURE**

This MOU shall be effective upon the signature of CML's and LWB's authorized officials. It shall be in force from (date) \_\_\_\_\_ to (date) \_\_\_\_\_.

CML and LWB indicate agreement with this MOU by their signatures.

### **Signatures and dates**

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Moses Nsereko, managing director of CML

Sandra Attermo, managing director of LWB