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Press Release

September 17, 2009

EXPANDED MICROCREDIT FOR LOW-INCOME HOUSEHOLDS

Following the 31st Emergency Economic Meeting, the government revealed its “Miso Credit Foundation” (previously named the Microfinance Foundation) plan to provide extensive support in microcredit loans to low-income households, which will be enforced in December.

The Foundation is expected to provide KRW 2 trillion over the next 10 years, in excess of 13 times the previous amount over the last 10 years, made possible through contributions from the private sector exercising their corporate social responsibility.

The Miso Credit Foundation plans to open 20 to 30 branches at the first stage and expand up to 300 nationwide branches to carry out operation in order to maximize accessibility. The branches will be independently incorporated and operated, receiving operational guidelines, consulting and education from the main office.

The branches will be staffed mostly by volunteers, including the branch managers, which will be non-paid positions given to ex-financiers and retirees. The regular employees will be paid less than KRW 1 million a month, and student volunteers will be paid a minimum for their daily allowances. The funding support structure for the branches will be flexible and determined according to the regular examination of their performances.

In terms of funding the Foundation, the member corporations of the Federation of Korean Industries have committed to donating up to KRW 1 trillion over the next 10 years. The other KRW 1 trillion will be contributed by financial institutions, including the KRW 700 billion withdrawn from dormant accounts currently managed by the Microfinance Foundation, KRW 200 billion initially and KRW 50 billion annually over the next 10 years.

The target beneficiaries will include petty business owners, traditional market business owners, viable startup franchise store owners, regular startup businesses, startup partnership businesses, and verified non-profit organizations.

The interest rates will be set below the prime rate, currently expected to be around 5%, and the individual loan amounts will be between KRW 5 to 100 million with maturity of 1 to 5 years. Unlike current practice, the grace periods will be applied with zero interest rates.



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The financial institutions and organizations designated and deemed as branches of the Miso Credit Foundation will receive allocated funds and run their operation independently, and will be given special tax exemptions. The government will treat the Foundation as a special charity organization under the tax law.

The Foundation is expected to be incorporated in October; designation and establishment of its branches will be carried out through September to November; volunteers will be recruited and trained within October and November. The first stage of opening 20 to 30 branches will be done from December '09 to May '10.

We expect about 200 to 250 thousand low-income households will benefit from the Foundation over the next 10 years, while companies will be given opportunities to carry out their corporate social responsibilities, at the same time, address the financial blind spots previously been ignored.

But more importantly, we hope the project will arouse public sentiment towards charity and sharing their wealth, as well as expand the network of volunteer services.

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