TEG Calculator - GUIDELINES

Used in the Entrepreneurs du Monde 2010 Regional Workshops

Guidelines on filling in the TEG calculator:

- Calculate separately for each loan product,
- If loan conditions are different for first loans and reloans, then calculate separately also.
- Initial loan size: should be the average loan amount of that given product.
- Loan duration: select the “weekly” or the “monthly” worksheet depending on the repayment frequency you apply.
- Up-front fees: which type of expense should be taken into account?

	New loans	***Reloans***
Partnership / Registration fees	YES	-
Initial savings deposit	-	-
Processing fees (required at each loan application)	YES	YES
Passbook fees	YES	-
ID fees	YES	-
Death insurance	Yes, if compulsory	Yes, if compulsory

- Up-front compulsory savings:
  - YES this should be filled in if the partner has go gather this amount and deposit as a lump sum before they can access the loan;
  - NO if the partner was able to build up these savings progressively over time.

Making simulations on several scenarios to see how the effective interest rate evolves

- Look at the differences between Flat / Digressive interest rates => see what is the digressive equivalent of the current “Flat” rate applied.
- Look at impact of modifying compulsory savings: upfront / on-going
- Look at impact of changing processing fees
- Look at impact of changing duration or frequency

How to offset the loss of income incurred by the decrease in effective interest rates? Financial projections (e.g. Microlight) can help the institution decide which way to go.