

## FSC ANNOUNCES PLANS TO IMPROVE AND DIVERSIFY MICROFINANCE SERVICES

The FSC announced plans to expand and diversify microfinance opportunities for individuals with low credit backgrounds on March 30 as a follow-up to the announcement on the revised maximum legal lending rate that is scheduled to go into effect from July 7.

### **KEY DETAILS**

#### **I. EXPANDING MICROFINANCE OPPORTUNITIES**

- Temporarily provide KRW300 billion in alternative lending options for those who currently use loans with interest rates above the twenty percent threshold<sup>1</sup>
- Provide a two percent reduction in interest rates for Sunshine Loan 17<sup>2</sup> and expand incentives for those paying back diligently
- Increase the availability of Sunshine Loan Youth by KRW100 billion and temporarily provide KRW5 million in lump-sum payment to new users
- Improve the employment-based microloan product for individuals with low credit standing and low income

#### **II. INTRODUCING NEW MICROFINANCE OPPORTUNITIES**

- Expand the contribution base (which is currently limited to mutual finance and savings banks only) and establish a steady fundraising structure for microfinance services by opening up the scope of contributors to all financial sectors including banks, insurers, credit finance firms, etc.<sup>3</sup>
- Launch a new banking sector-based microloan product ("Sunshine Loan Bank") which will help build a bridge to the mainstream finance sector through credit score improvements, etc.
- Launch a new credit finance sector-based microloan product ("Sunshine Loan Card") which will help improve convenience for those with low credit standing

#### **III. IMPROVING EFFECTIVENESS OF MICROFINANCE**

- Strengthen connection between microfinance and welfare, employment and debt adjustment programs
- Strengthen connection between microfinance and financial education, credit & debt management consulting, etc.
- Strengthen connection between microfinance and the automatic dormant account inquiry system, etc.

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<sup>1</sup> Maximum legal lending rate of 20% to take effect from July 7. Click [here](#) to see the relevant press release.

<sup>2</sup> Will be renamed as Sunshine Loan 15.

<sup>3</sup> Amendment to the Microfinance Support Act needed.