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Building better debtors

For businesses needing microloans, EasyPay offers an alternative

Ana Poe enjoys plenty of interest in the handcrafted leather dog collars she sells as owner of Paco Collars in Berkeley, Calif., but none of that interest comes from banks. That's typical for a business considered too small, too new or in need of a couple grand to grow. So to build her business credit, Poe turned to Opportunity Fund, a nonprofit microlender headquartered in nearby San Jose, for a $1,000 loan. When she landed a major order from a big-name retailer, Poe went back to Opportunity Fund seeking $10,000 to spend on materials and subsequently became the first user of its EasyPay service, which lets small businesses pay back loans directly from credit- and debit-card sales.

Good terms: Eric Weaver's EasyPay allowed Ana Poe to grow her business.

Unlike a traditional monthly, lump-sum loan payment, Opportunity Fund collects only when a credit or debit card is swiped. (The payment is set up through the company's merchant-card account.) Based on the loan amount and terms, and a small business's average monthly sales, the microlender takes between 6 and 12 percent of every card sale as payback until the loan is paid in full. On a bad sales day, with no customers coming through the door, the business pays nothing—although it is expected to meet a small minimum each month.

Opportunity Fund CEO Eric Weaver created EasyPay, which currently serves businesses in the Bay Area and Los Angeles, as a friendlier alternative to merchant cash advances, which are typically structured as a fixed percentage of daily card sales, and often with APR interest rates of more than 100 percent. His fund, which grants loans of up to $100,000, charges a maximum annual rate of 12 percent.

> "I LOVE HOW I CAN PAY THE LOAN SOONER WHEN WE'RE KICKING ASS ON SALES."
> —ANA POE, PACO COLLARS

Weaver says EasyPay is a great fit for small restaurants and storefront merchants that handle most sales through card swipes and have irregular cash flow. "Being on the hook for the same amount every month isn't a great thing for them, so this tool ties the loan structure to their sales," he explains.

Poe is committed to covering a monthly minimum of about $363 through August 2014, and she expects to be able to pay back more with holiday sales. That will make it less stressful for her to get through February, her slowest month. "I love how I can pay the loan sooner when we're kicking ass on sales and won't be dinged for not paying as much later, because they're basing the loan on our average monthly sales," she says.

If a business repeatedly fails to meet the minimum, Opportunity Fund will work with the owners to restructure or extend the note. "We want to help people figure out the right payment terms for them, not make their business suffer," Weaver says.

With $100,000 in seed capital from Wells Fargo, Weaver is expanding EasyPay to other California markets; his goal is to make it available nationwide. "We hope to license it to other nonprofit lenders and grow it that way," he says, "because we really think this has the ability to transform microlending." —Vanessa Richardson

PHOTOS: EVA KOLENKO