

Strengthening Small & Emerging CDFIs

Opportunity Fund

www.opportunityfund.org

Opportunity Fund is a not-for-profit social enterprise helping thousands of California families build financial stability. Its strategy combines microloans for small businesses, IDA microsavings accounts, and community real estate financing. Opportunity Fund's mission is to advance the economic well-being of working people by helping them earn, save, and invest in their future. Since making the first loan in 1995, Opportunity Fund has provided over \$235 million in financing and is helping more than 14,000 California families build economic security.

This case study demonstrates **expansion by adding a new product.**

Action:

Opportunity Fund introduced an innovative loan product called EasyPay™ for small business owners that ties repayment to credit and debit card sales to preserve cash flow. Unlike a traditional loan, which requires a small business to make the same loan payment at the same time each month, EasyPay™ collects repayment only when a credit or debit card is swiped as a percentage of the sale. This simple method of repayment makes it affordable for the borrower and efficient for the lender. Since repayment is tied to the cash flow of the business and payments are being made daily, there are almost no delinquencies and no need to renegotiate a loan or follow up with the borrower regarding missed payments. The purpose of the loan is for working capital, tenant improvements, inventory, equipment, and machinery.

Process:

- EasyPay™ was developed by Financiera Confianza, a for-profit microlender that Opportunity Fund acquired in October 2012. Financiera Confianza had a track record of using the product for more than five years in Greater Los Angeles to provide credit to small businesses.
- Prior to the acquisition, Opportunity Fund created and test-marketed the EasyPay™ loan product with 30 small businesses in Greater Los Angeles in partnership with Financiera Confianza.
- In 2012, Opportunity Fund received a capital award to introduce its innovative EasyPay™ loan product throughout California. The product is now offered in Northern and Southern California.
- Most businesses can use their existing point of sale terminals for transactions. Payments as well as data are automatically sent to Opportunity Fund. As long as loans are processing normally and the minimum payment is reached each month, no follow up is required.
- If the business experiences an issue such as a technical problem with the terminal, a seasonal change in cash flow, or a need to temporarily close for renovations, the remaining amount of the monthly minimum payment simply adjusts the final payment amount at the end of the loan. If there is an issue with the business's ability to make payments, then the Easy Pay™ loan is serviced as a delinquent term loan.



Outcomes:

- The EasyPay™ loan is an affordable alternative to a merchant cash advance and can be approved within one week.
- The loan is set up as a fully amortizing loan, which allows Opportunity Fund to report to the credit bureaus, thereby building credit for the borrower.
- All 30 of the businesses that participated in the pilot in Greater Los Angeles reached 100% repayment rates. Since then, Opportunity Fund has originated more than 200 Easy Pay™ loans totaling more than \$2.5 million, with a 95% repayment rate.
- With the EasyPay™ loan, Opportunity Fund is better able to meet the needs of its current borrowers with seasonal businesses. Additionally, the product has enabled Opportunity Fund to lend to new borrowers that would not have qualified for a traditional term loan due to low credit or lack of collateral but compensate by demonstrating strong cash flow and character.

Organization Profile:

Founded:	1995
Type of CDFI:	Loan Fund
Target Market:	Individuals, Small Business Owners, and Affordable Housing and Community Facilities Projects in Northern and Southern California (Office Locations in San Francisco, San Jose and Los Angeles)
Types of Lending:	Housing, Business, Community Facilities, Microenterprise
Loan Products:	Small Business, EasyPay™, Equipment & Vehicles, Microsavings, Real Estate-Community Facilities and Affordable Housing
Asset Size:	\$45,173,655 (FY 2012)
No. of Employees:	52 (FY 2012)

