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Microfinance site expands to U.S. businesses

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When Shane Alan and Erik Mantsch couldn't get a bank loan for their San Francisco board game store, they remembered the woman in Cambodia.

In 2007, Alan used the microfinance Web site Kiva.org to loan her \$25 so her husband could buy a trailer for his motorcycle taxi service.

Never did they imagine Kiva could help them start a business, too.

Today, Alan and Mantsch are among the first 36 U.S. entrepreneurs who will request community microloans on Kiva.

Prompted by the economic downturn, the San Francisco nonprofit group known for helping poor entrepreneurs overseas will start doing the same for people at home.

Just like the loans that go for seeds or cows in developing countries, visitors to the Kiva site can scroll through the U.S. loan requests and choose those they want to fund with bite-size loans as small as \$25.

In a pilot program, 18 borrowers were chosen from the Bay Area and 18 from New York - many who were turned down by banks that no longer loan as freely as they once did.

"We're hearing all these stories of layoffs and shutdowns, and people want to help but don't know how," said Kiva spokeswoman Fiona Ramsey.

"Everyone needs a hand up, not a handout - this way just like someone in Manhattan can make a loan to someone in Nairobi, now someone from Nigeria can make a loan to someone in Queens," she said.

Alan and Mantsch are seeking \$7,500 to cover air ducts in their ceiling and buy more games for their Noe Valley store, Just Awesome.

Jeremy Sowers, a former paramedic with a San Carlos catering business, Emergency BBQ, wants \$10,000 to get a second barbecue pit and fix his vans. In San Jose, Amanda Keppert needs \$6,500 to buy a generator and ice machine for her hot dog stand, and Carl Applebee is asking for \$5,000 to hire his first employee and advertise his California Window Cleaning business online.

Larger loans

While overseas loans are capped at \$3,000, the U.S. loans can be as much as \$10,000 to match the higher cost of living. They are no-interest loans, and 90 percent of Kiva borrowers pay back in full, the majority within one year. Once lenders get their money returned, they can loan to another person in need, donate it to Kiva, or withdraw their funds.

If the pilot program succeeds, Kiva plans to add more U.S. borrowers.

"I like the idea of the community helping us instead of a bank or the government," said Mantsch, a veteran of Operation Iraqi Freedom in 2004, who is still smarting after being rejected for the U.S. Small Business Administration's new Patriot Express Pilot Loan set aside for former military members who want to start businesses.

Kiva got help selecting the first borrowers from two nonprofit microfinance lenders: Opportunity Fund in San Jose and Accion USA in New York.

Since 1995, Opportunity Fund has loaned \$100 million to 800 low-income Bay Area borrowers. The payback rate is 98 percent.

"This is a great way to participate in the economic recovery," said Eric Weaver, CEO of Opportunity Fund. "Small and microbusiness is the only category of business that is creating jobs right now - large companies are shedding workers. This is a tangible way to be part of the economic stimulus, instead of going out and buying a new TV."

Microfinance is already on the national agenda. The Obama administration has directed more than \$100 million toward programs that make loans to low-income individuals, and former President Bill Clinton has become one of Kiva's most ardent promoters.

Enormous growth

Kiva, which now facilitates \$4.5 million in loans per month to developing countries, has seen enormous growth since it started nearly four years ago. About \$1 million was loaned in Kiva's first year, \$10 million in year two, and more than \$30 million in the third year.

All in amounts of about \$25, coming from lenders in 100 countries.

"We're expected to hit \$100 million before the end of this year," Ramsey said. "We didn't predict this would happen, but the Web site is something that's incredibly powerful and it caught us somewhat by surprise," she said.

For Alan and Mantsch, it could mean the difference between staying in business and walking away from a dream.

"The community has been great, coming to our game night and buying games, but sometimes people want to help without necessarily buying something - this is a way to do that," Mantsch said.

Microlenders

For more information or to lend money, go to:

-- www.kiva.org

-- www.opportunityfund.org

-- www.accionusa.org

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