

# Central Coast Peer-to-Peer Lending Grows



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A small, aging building nearly doomed San Luis Obispo's time-tested food cooperative.

SLO Natural Foods, formerly the Natural Foods Co-op of San Luis Obispo since 1978, didn't have the space or proper equipment to sustain its member-owned nonprofit that sources food from local farmers.

When the co-op didn't have the means to secure a traditional loan from a bank, it turned to peer-to-peer lender Slow Money SLO, said Gwen Schmidt, SLO Natural Foods general manager.

"If it wasn't for Slow Money SLO we would still be in the old location and probably not have survived," Schmidt told the Business Times.

Slow Money SLO provided a group of lenders that pooled the capital the co-op needed to move to a bigger location at 2494 Victoria Ave., buy new equipment and grow its customer base. The peer-to-peer lending service that provides funding and other resources for food-related businesses used its network to expand the co-op's inventory from 20 local food suppliers to 80.

"We fill a gap between friends and family funding, crowdfunding and traditional funding from a bank," Slow Money SLO founder Jeff Wade told the Business Times. "We're seeing a big gap primarily in food businesses."

The peer-to-peer lender is an example of a growing trend. Slow Money SLO is fiscally sponsored by Boulder, Colo.-based nonprofit Slow Money. Slow Money's 23 networks have invested more than \$46 million into 473 small food enterprises throughout the country. In three years, Slow Money SLO has provided more than \$600,000 in peer-to-peer lending. It has coached more than 20 food businesses and provided a financial leg up to more than a dozen.

The largest peer-to-peer player, The Lending Club, issued close to \$2.6 billion in loans in the fourth quarter of last year, an 82 percent increase from the previous year.

Wade describes Slow Money SLO as a mix of lending and philanthropy, where lenders develop relationships with entrepreneurs or businesses they support. When borrowers can't qualify for traditional loans, Slow Money SLO steps in to connect them with lenders who take a look at their financials and develop a plan to "become bankable."

The borrowers repay the loans, typically at rates between 4 and 6 percent, directly to the lenders. It can be a risky proposition but investors are supporting entrepreneurs and initiatives that they can get behind and enhance the food system, Wade said.

"Our main objective is not to make money," Wade said. "There are intangible benefits — the satisfaction of what you're doing, providing jobs, getting a quality product to market that is kind of cool and unique. There's a whole camaraderie to it."

The primary reasons small businesses go under is that they don't plan for the ebbs and flows in cash flow, Wade said. Slow Money SLO also works with incubator Cal Poly HotHouse and business mentor SCORE to provide resources and coaching. While crowdfunding sources like Indiegogo and Kickstarter are helpful, they typically provide a smaller amount of funding and lack a local appeal, he said.

"We want to make these entrepreneurs and businesses bankable," Wade said. "We get their assets and line of credit together, get their books in order and try to form a sustainable path forward."

The food co-op paid off its last loan payment in December. Business has been steadily increasing since SLO Natural Foods moved in summer of 2013. Its new 4,000-square-foot space has accommodated about four times the inventory and close to double the staff. The next step is to continue to upgrade equipment, add more staff and become more visible in the community, Schmidt said.

"Slow Money SLO believed in us. It was a vote of confidence," she said. "They believe in the local movement and we do, too."

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