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Microlender Focuses on Hospitality Businesses

By **DIANE CARDWELL**

Four years ago, Riccardo Romero could not find a bank to finance his first restaurant, so he ended up opening the Arepas Cafe in Astoria, Queens, with money from friends and a \$10,000 loan from Acción, a nonprofit microlender that has seeded small businesses across the country.

Now, Mr. Romero, a former truffle salesman, is expanding the cafe into a space next door with a second loan provided through Acción, bringing him one step closer to his dream of dotting the country with Arepas Cafes.

But this time, the \$10,000 loan came with an unusual pedigree: a program — reserved for food, beverage and hospitality businesses — started by the [Boston Beer Company](#), which makes Samuel Adams. It is almost like a special bank for artisanal pickles and beer, courtesy of a town New Yorkers love to hate.

“We’re not going to do any microlending to the New York Yankees, so that’s O.K.,” Jim Koch, the company’s brewer and founder, said, laughing. And helping other small businesses — even other craft brewers — keeps his company in the mind-set of a start-up and close to its entrepreneurial roots, he said.

Although microlending is a well-established practice, focusing on hospitality alone is unusual. But the need is great: food and beverage ventures can have trouble finding financing from conventional banks because they are risky, and aspiring owners often lack collateral.

Acción, said the chief executive, Paul Quintero, considers factors like projected cash flow and how applicants have handled credit in the past — both the highs and lows — but not collateral. And in working with Boston Beer, the lender hopes to double the proportion of its loans that go to the hospitality sector, to 30 percent from 15 percent.

The program, called Brewing the American Dream and started in New England in 2008, is now expanding to New York City, as well as to Pennsylvania and Ohio.

Thus far, 53 businesses have received a total of \$540,000, and officials hope to lend at least \$250,000 throughout the five boroughs by the end of this year. The loans generally range from

\$700 to \$25,000, and are to be paid back between seven months and five years at an interest rate of 8.99 to 15.99 percent.

“In today’s world, people know one thing about banks: They say, O.K., they’re not lending, so they assume that no one’s lending, and that’s false,” Mr. Quintero said. “What’s coming to New York is a program that we know has been effective, it’s had success, it resonates with entrepreneurs, and we’d like to have the New York City entrepreneurs be as competitive and have just the same access to capital as what we’ve been doing in New England.”

Mr. Koch was inspired both by his difficulties raising capital for a craft beer company 27 years ago — back when the idea of a microbrewery “was a little bit crazy, and you just could not get a loan” — and his frustration with standard corporate philanthropic activities, like spending a day painting a community center near his offices.

Given the expenditure of resources, he said — maybe \$1,000 worth of painting and \$5,000 worth of time and expertise — the result did not seem worth it.

“I’m supposed to be creating value,” he said. “I’m a business, I’m supposed to make two and two equal eight, not two and two equal one.”

So in addition to lending money, the program offers seminars that are open to recipients as well as other small businesses needing advice on the nuts and bolts of operating their companies, like where to find specialty grains or how to develop a marketing plan. Staff members from Boston Beer, including Mr. Koch, plan to begin holding the “speed-coaching” sessions in June.

In the meantime, Mr. Romero, the first business owner in New York to receive a loan under the program, has big plans.

He celebrated the grand opening of his new Arepas Cafe space on Friday, which will add 15 or 20 seats to the 35 he already has. He hopes that will increase his revenue by 40 percent and allow him to open a cafe in Manhattan.

The loans are important, Mr. Romero said, but so is the coaching and advice that come along with them.

“I didn’t know exactly how to put the money or where to put the money correctly,” he said of when he started out. “But now I feel more comfortable putting the money in expansion and making a better place for my customers.”