



The Changing Small Business Lending Landscape

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What Should You Expect?

- ▶ What do Financial Institutions use to evaluate small business credit worthiness?
- ▶ What is happening today to change traditional lending habits?
- ▶ What are future possibilities in lending?



What Data is Used in Credit Decisions?

Traditional Data Sources

- ▶ Consumer Bureaus to Score Guarantors/Principals
 - ▶ Equifax
 - ▶ Experian
 - ▶ TransUnion
- ▶ Business bureau data sources
 - ▶ Dun & Bradstreet – Paydex score
 - ▶ Equifax Business - Equifax Business Credit Risk Score
 - ▶ Experian Business – Intelliscore Plus
 - ▶ PayNet - MasterScore
- ▶ Business Data Repositories – Data Consortia
 - ▶ SBRI - Small Business Risk Insight - D&B
 - ▶ SBFE - Small Business Financial Exchange

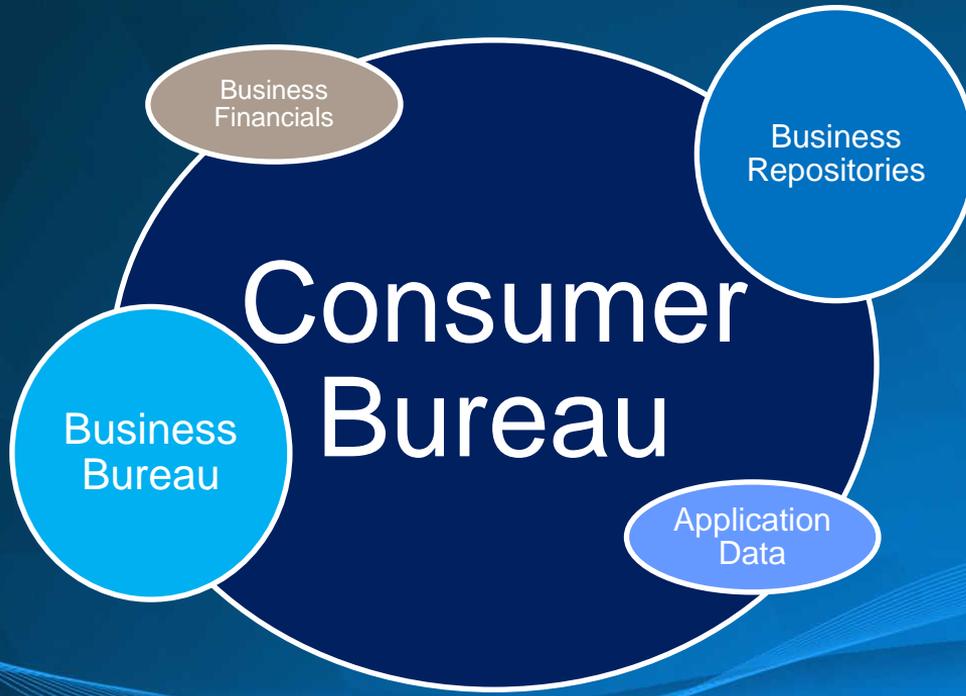
Financial Statements

- ▶ Banks will ‘spread’ financials to evaluate credit
 - ▶ Income Statement
 - ▶ Balance Sheet
 - ▶ Cash Flow
- ▶ ‘Spreading’ means predicting the future in regards to the financial statements
 - ▶ Looking at total sales/revenues and total assets allows the banks to predict future performance
 - ▶ Time consuming for the business owner and the FI

Small Business Administration

- ▶ The SBA uses a FICO small business score called SBSS
 - ▶ Small Business Scoring Service
- ▶ They have set a low cutoff of 140 for approval
 - ▶ Score ranges from 0 to 350
 - ▶ Top scorers will score from 250 to 310
 - ▶ Most banks set low cut offs at between 170 and 190

Impact of additional data sources on models



What is changing in today's market?



When Do Small Business Owners Have Time to Apply for Credit?



New 'Banking Hours'

- ▶ “Small business loans”
 - ▶ Who can give me what I need?



Google small business loans

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Quick Small Business Loan - headwaycapital.com
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4.4 ★★★★★ rating for kabbage.com
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Rated as Best Provider Of Short-Term Loans in 2013 – fit-small-business
Kabbage has 800 followers on Google+
Loan Calculator - Business Credit Line - \$500-\$100k in 7 Minutes

Small Business Loans | The US Small Business Administrat...
www.sba.gov/.../loans.../small-business-loa...
Small Business Loans. Most small businesses rely on lenders to provide the capital they need to either open a business or to finance capital improvements.
SBA Loan Programs - Find Small Business Loans - What SBA Offers to Help Small ...

Find Small Business Loans | The U.S. Small Business ...
www.sba.gov/...
Federal, state and local governments offer a wide range of financing programs to help small businesses start and grow their operations. These programs include ...

SBA Loan Programs | The US Small Business Administration
www.sba.gov/...
Financing section of U.S. Small Business Administration site includes information on its various loan programs, forms, studies, workshops, shareware and other ...

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New 'Banking Hours'

- ▶ "Small business loans"
- ▶ Approval Speed

Pre-Approval in Minutes

24 Hour Approval

Same Day Approval

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New 'Banking Hours'

- ▶ "Small business loans"
 - ▶ Approval Speed
 - ▶ Loan Amount

\$5,000–\$250,000

\$10,000–\$500,000

Up to \$750,000

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New 'Banking Hours'

- ▶ “Small business loans”
 - ▶ Approval Speed
 - ▶ Loan Amount
 - ▶ Qualify Requirements

\$10k/Mo. in Gross Req.

\$10k+/Mo. in Sales Is a Must

\$9K/Mo. in Sales Required

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Industry Trends

- ▶ Automated decisioning in small business lending
 - ▶ Government is helping lead the charge
 - ▶ ^^ Not a typo
 - ▶ Blending relationship banking with scoring
- ▶ Traditional Banks segmenting decisions by \$ size
 - ▶ Change forced by non-traditional lenders
 - ▶ Banks/Credit Unions still constrained by traditional regulations
- ▶ More and more start up lending
 - ▶ Traditional banks tend not to lend in this segment
 - ▶ Non-traditional lenders feasting here

Types of lenders

- ▶ Lending hub models
 - ▶ One applications, many lenders
- ▶ Crowdsourcing lending/funding
 - ▶ Many sources of lenders, website organization acts as a marketplace
 - ▶ Paying your lenders may include coffee cups, t-shirts or birthday party appearances
- ▶ Social media micro lending/funding
 - ▶ Facebook/Twitter/LinkedIn requests for funding



Future of Lending

Is it here???

Next Generation Lending

- ▶ Niche lenders to Internet based businesses
 - ▶ Data will be obtained from website rankings
 - ▶ Feedback will be analyzed – text analysis of social media
- ▶ Decisions will become ‘more instant’ as data becomes more available
 - ▶ Lenders will know their exposure limits for your organization at all times
 - ▶ Constantly churn data that is publicly available or unregulated
- ▶ Oddities:
 - ▶ Package pick up data indicates revenue trends
 - ▶ When you use credit vs debit in the month indicates credit worthiness



Questions



Thank You

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