A Technology to Simplify Business Lending Through an Online Marketplace

Federal Reserve Bank of New York
Summit on Small Business Credit Innovations
May 15, 2014
THE MARKET OPPORTUNITY

$2.2 trillion small business loans outstanding today.
- Up to 4.5 million new business loans annually

Demand
- 27.5 million small businesses in the U.S.
- 550,000 new small business start annually
- 22.4 million small business loans < $1 million

Supply
- 7,000 banks (community, regional, national)
- 7,900 credit unions
- 1,000 non-bank financial institutions

A Simple Solution
- REPLACE INEFFECTIVE

VISION: To be the marketplace for small business lending
THE PROBLEM

The old process is extremely INEFFICIENT for borrowers and lenders, both from a cost and time perspective.

Summary of Inefficiencies

<table>
<thead>
<tr>
<th>Borrowers</th>
<th>Lenders</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Marketing</strong></td>
<td><strong>Lenders</strong></td>
</tr>
<tr>
<td>• Difficult to find matching lenders</td>
<td>• Need to pay brokers/originators</td>
</tr>
<tr>
<td>➢ Lenders aren’t transparent with criteria</td>
<td>➢ Excessive rates for proprietary flow</td>
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<tr>
<td>➢ Little access to lenders outside of local area</td>
<td>➢ Incentive systems causes distrust</td>
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<tr>
<td>• Costly to pay a broker to assist</td>
<td>• Time intensive and costly to screen applications</td>
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<tr>
<td>• Difficult to find a high-quality broker</td>
<td>➢ Most do not meet criteria</td>
</tr>
<tr>
<td>• Limited opportunity to generate an auction amongst lenders</td>
<td>• Limited ability to go outside of local footprint</td>
</tr>
<tr>
<td><strong>Underwriting</strong></td>
<td><strong>Closing Results</strong></td>
</tr>
<tr>
<td>• Not clear what information is required</td>
<td>• Higher cost per loan originated</td>
</tr>
<tr>
<td>➢ Each lender has separate requirements</td>
<td>➢ Pay brokers/origination team</td>
</tr>
<tr>
<td>➢ Diligence request are inconsistent</td>
<td>➢ Cover expenses for failed deals in underwriting</td>
</tr>
<tr>
<td>➢ Process can be distracting and harmful to business</td>
<td>➢ Time delay of funding (time value of money)</td>
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<td><strong>Closing Results</strong></td>
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<tr>
<td>• Higher cost per closing</td>
<td>• Higher cost per loan originated</td>
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<tr>
<td>➢ Unable to effectively shop rate and term</td>
<td>➢ Pay brokers/origination team</td>
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<tr>
<td>➢ Longer time to close (time value of money)</td>
<td>➢ Cover expenses for failed deals in underwriting</td>
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<tr>
<td>• Process pushes clients into more expensive products</td>
<td>➢ Time delay of funding (time value of money)</td>
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</table>
BoeFly is a secure online platform that efficiently connects borrowers (demand) with lenders (supply).

**HOW WE SOLVE THE PROBLEM**

**A Simple Solution**

1. Complete an online universal loan application
2. Securely add and store key supporting documents
3. Control lender access

**INEFFICIENT**

**EFFICIENT**

**Borrowers**

1. Specify lending criteria
2. Browse deals based upon substantive information
3. Request access, engage directly with the borrower

**Lenders**

1. Increase flow of worthy borrowers, reduce load of unworthy borrowers,
2. Reduce dependence on brokers, cutting cost and distrust issues
3. Reduce time to gather documents, underwrite and close
4. Meaningfully lower cost of acquisition

**How it Works**

**Benefits**

- Clearly understand data required
- Build a complete package once
- Greatly increase access to an array of lenders
- Create an auction among bankers
- Reduce time from application to funding
To be successful as a marketplace, BoeFly needed to secure DEMAND and SUPPLY. Our level of initial adopters has exceeded our expectations.
bQual™ - Incorporating FICO’s Small Business Scoring Service℠ (SBSS)

bQual™ delivers:

- FICO SBSS Score
- FICO Credit Score
- Equifax Credit Report(s)
- Fundability Assessment & Education
- Potential Prequalification Offers from BoeFly Lenders