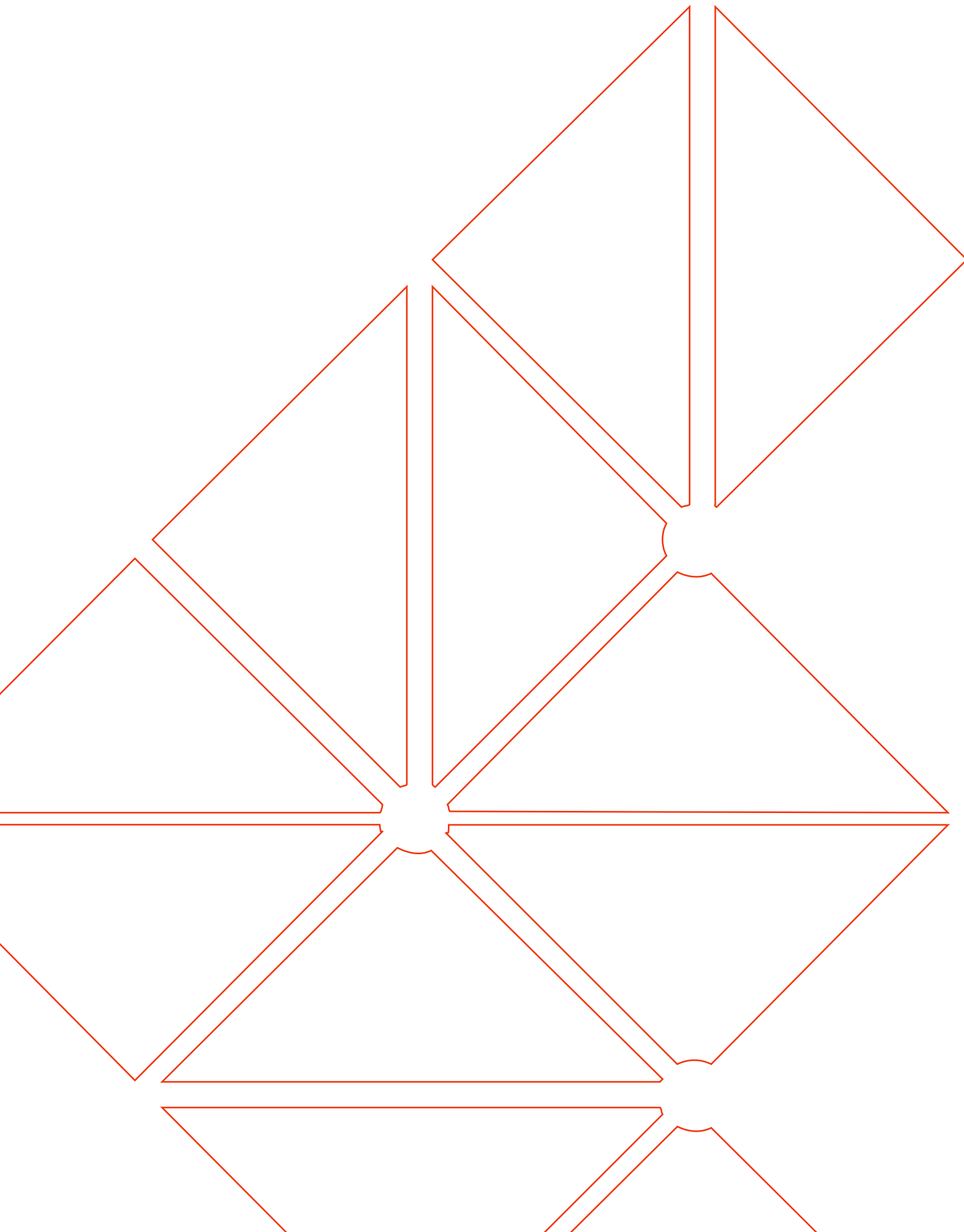


# Meeting the Needs of Small Business Borrowers During (and After) Covid-19



# Agenda

1. Small businesses in the US
2. Impact of Covid-19
3. 5 tips for better small business lending
4. Q&A



How big is small  
business?

and what are their  
capital needs?

# 99%

of businesses in the U.S.

# 48%

of American workforce

# 43%

of U.S. GDP



43%

Sought external funding


53%

Experienced a financing shortfall

2018

2020

100%



We all know small businesses  
need capital. But how can  
lenders deliver it **effectively**?

**ONLY**  
**8%**

of loan applications online

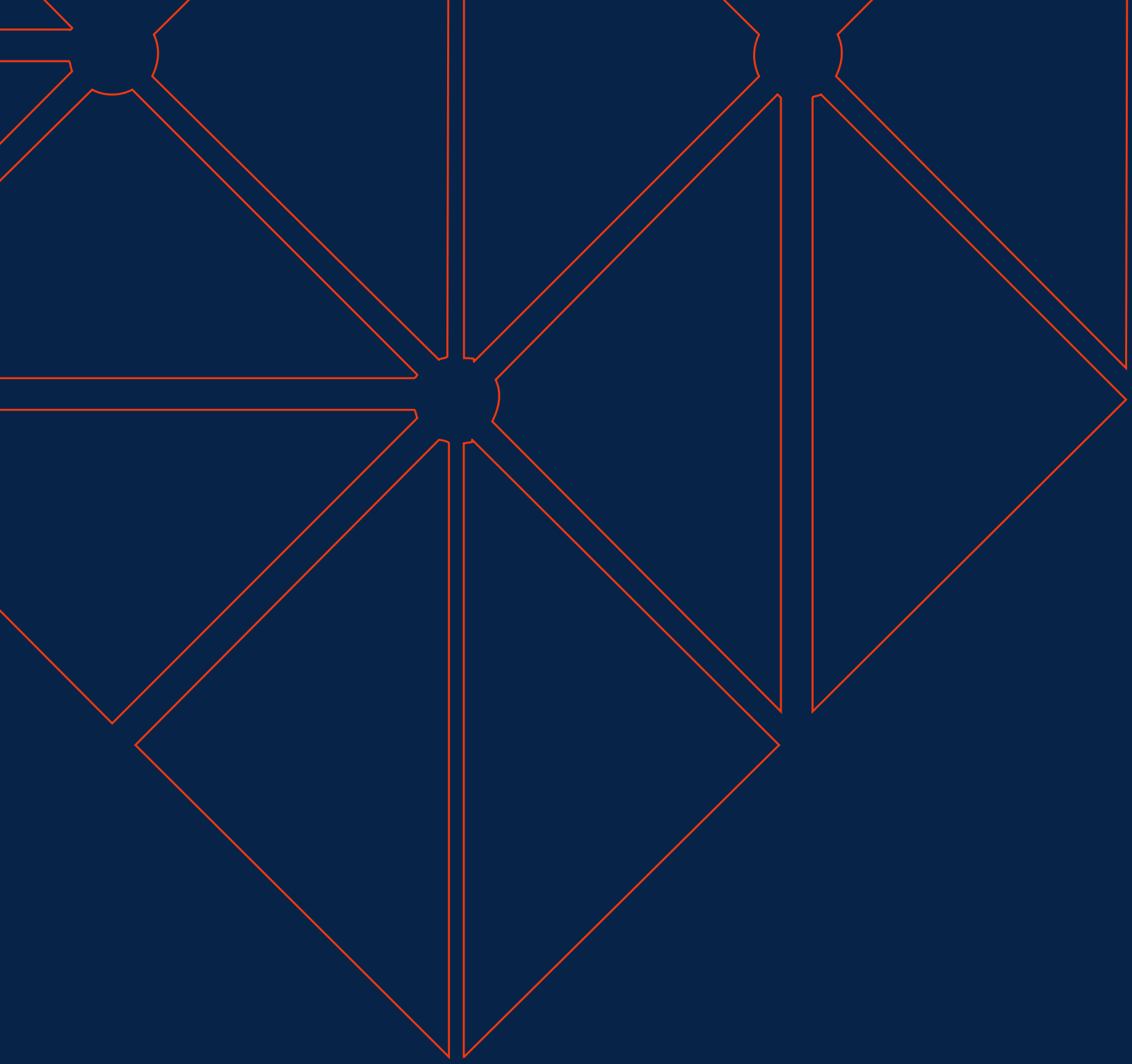


Source: Bain & Company

**ONLY**  
**0.1%**

handled digitally end-to-end

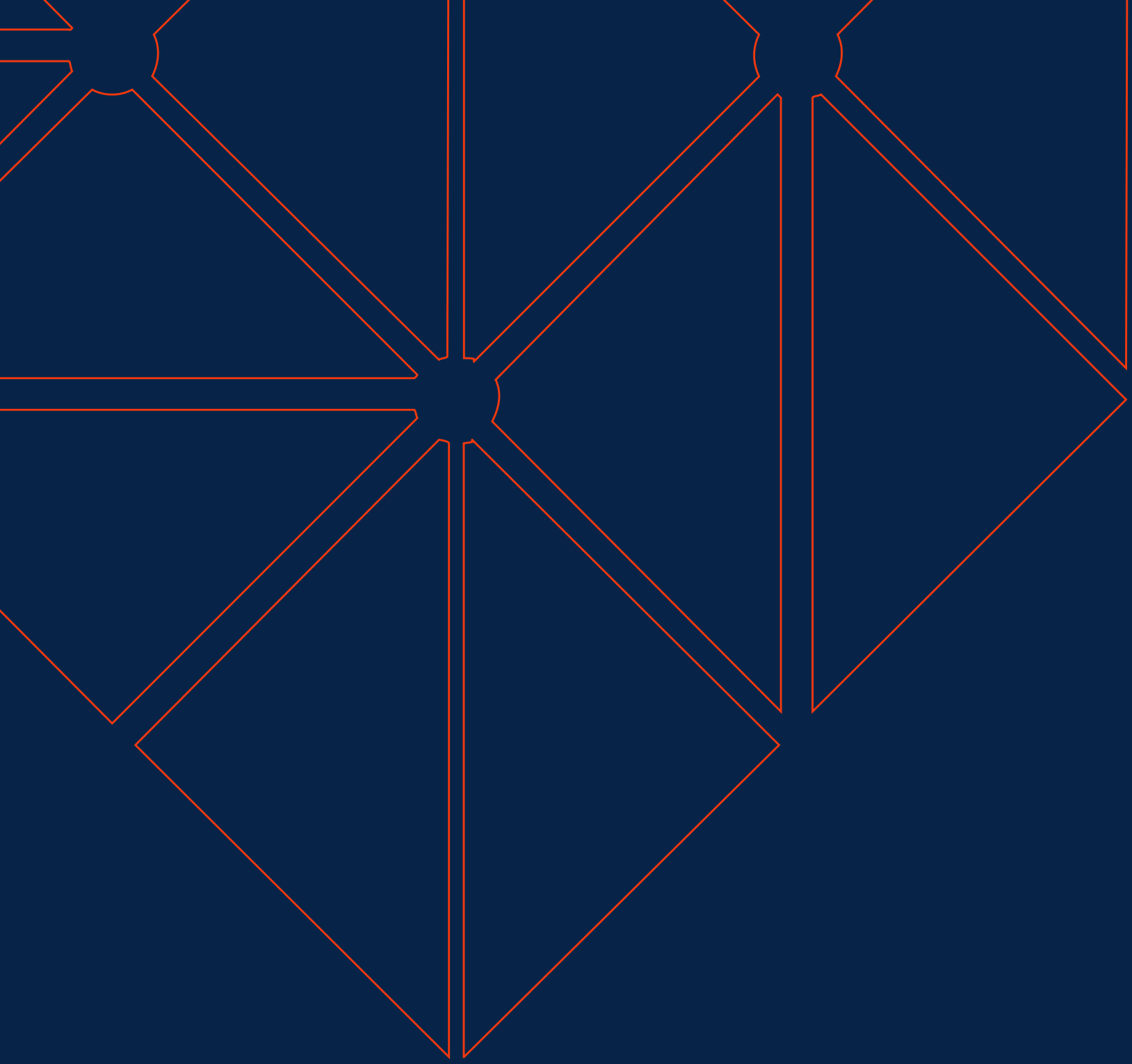




# Financing Gap

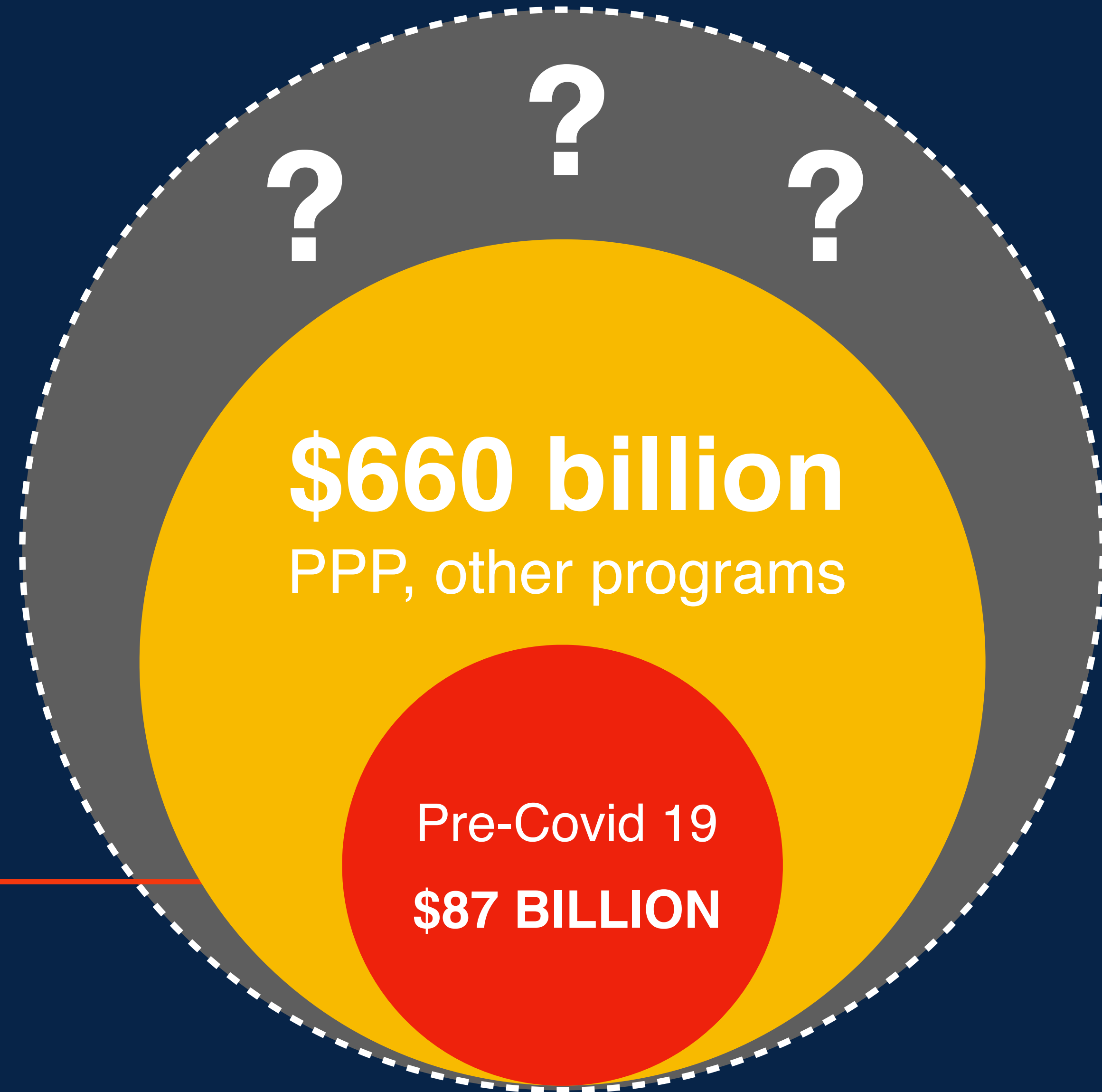
Source: Next Street, Market Street





# Covid-19 has exacerbated it

Source: Next Street, Market Street



How can lenders  
best **prepare** for  
post-Covid reality



and **responsibly**  
provide capital to  
small businesses

# Five

## Powerful Tips...

...for meeting the needs  
of small business  
borrowers during (and  
after) Covid-19

# 1

## INVEST IN YOUR ONLINE CHANNEL

**Business Loan Application**

---

**Borrowing Entity Information**

Business Legal Name \_\_\_\_\_

Mailing address: Street \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Business Phone \_\_\_\_\_ Email \_\_\_\_\_

Contact \_\_\_\_\_ Phone \_\_\_\_\_

Business Description \_\_\_\_\_

Year Established \_\_\_\_\_

Annual Revenue \_\_\_\_\_ Number of Employees \_\_\_\_\_

Were gross annual revenues in the previous fiscal year \$1,000,000.00 or less?  Yes  No

If you answered yes and your application is denied, you have the right to receive written a written statement of the specific reasons for this denial. To obtain the statement, please contact: Opus Bank, Attn: Credit Specialist, 19900 MacArthur Blvd. 12<sup>th</sup> Floor, Irvine, CA 92612 within 60 days from the date that you were notified of our decision. We will send you a written statement of reasons for the denial within 30 days of receiving your request. The notice below describes additional protections extended to you.

NOTICE: The federal Equal Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (provided the applicant has the capacity to enter into a binding contract); because all or part of the applicant's income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The federal agency that administers compliance with this law concerning this creditor is Federal Deposit Insurance Corporation, Consumer Response Center, 1100 Walnut St, Box 11, Kansas City, MO 64106.

**ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, TO EXTEND CREDIT, OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.**

Individual(s)     General Partnership     Corporation     Other \_\_\_\_\_  
 Trust     Limited Partnership     Limited Liability Company    Tax ID # \_\_\_\_\_

*(If Individual or Trust, proceed to Subject Property Information. If Irrevocable Trust, please provide Tax ID number: ( \_\_\_\_\_ )*

List the names of Partners in the Borrower Entity (Partnership), Members of the Borrower Entity (LLC), and Shareholders of the Borrower Entity (Corporation) having a 25% interest or greater. Also list any general partners (Partnership), managers or managing members (LLC), and any directors (corporation) and indicate that such person or entity controls the Borrower. (Use separate sheet if necessary)

Name/Title	Social Security Number	Control	Ownership
A		<input type="checkbox"/>	%
B		<input type="checkbox"/>	%
C		<input type="checkbox"/>	%
D		<input type="checkbox"/>	%
E		<input type="checkbox"/>	%
F		<input type="checkbox"/>	%

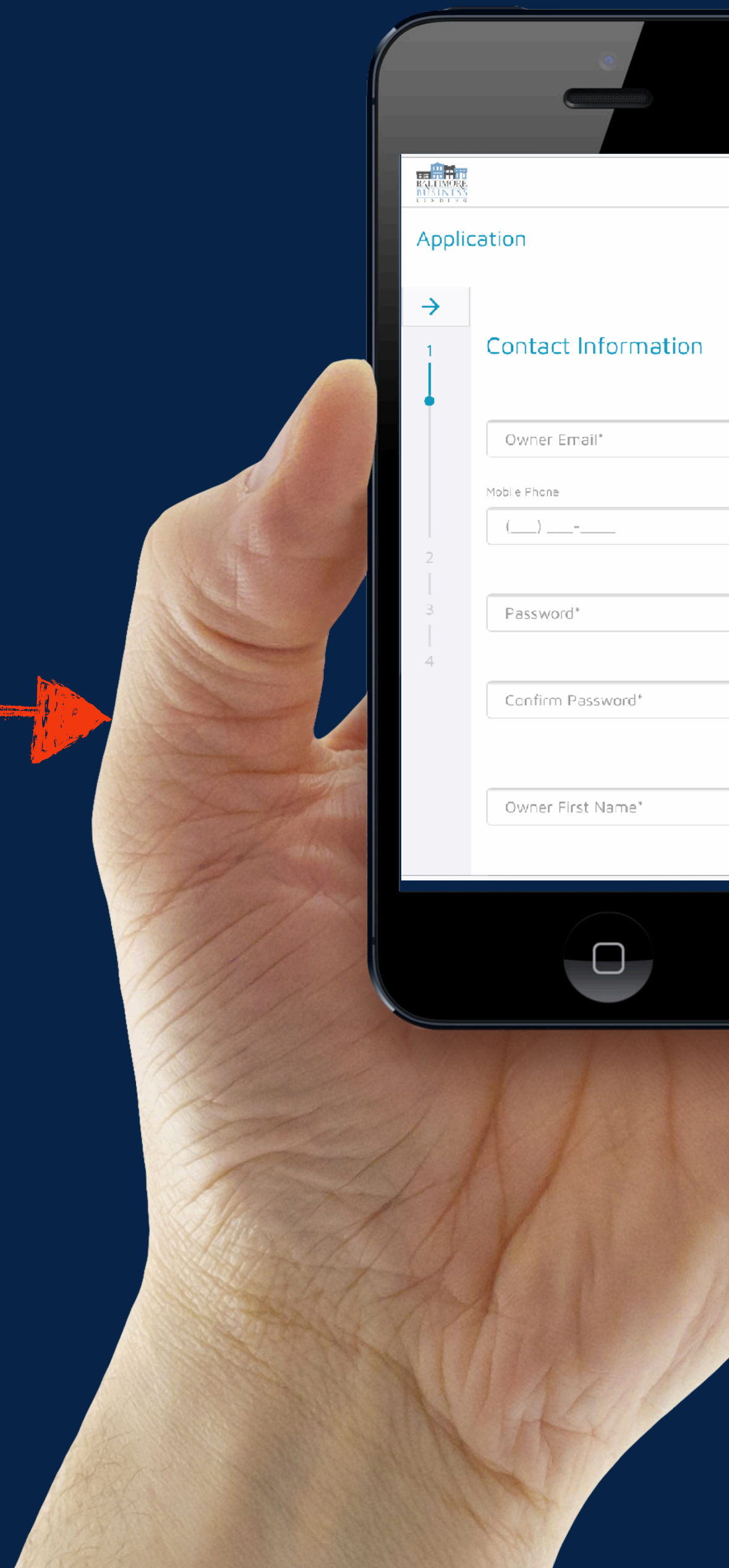
**Banking Relationships**

Name of Financial Institution(s)	Account Type/Number	Average Balance(s)

**Existing Loans**

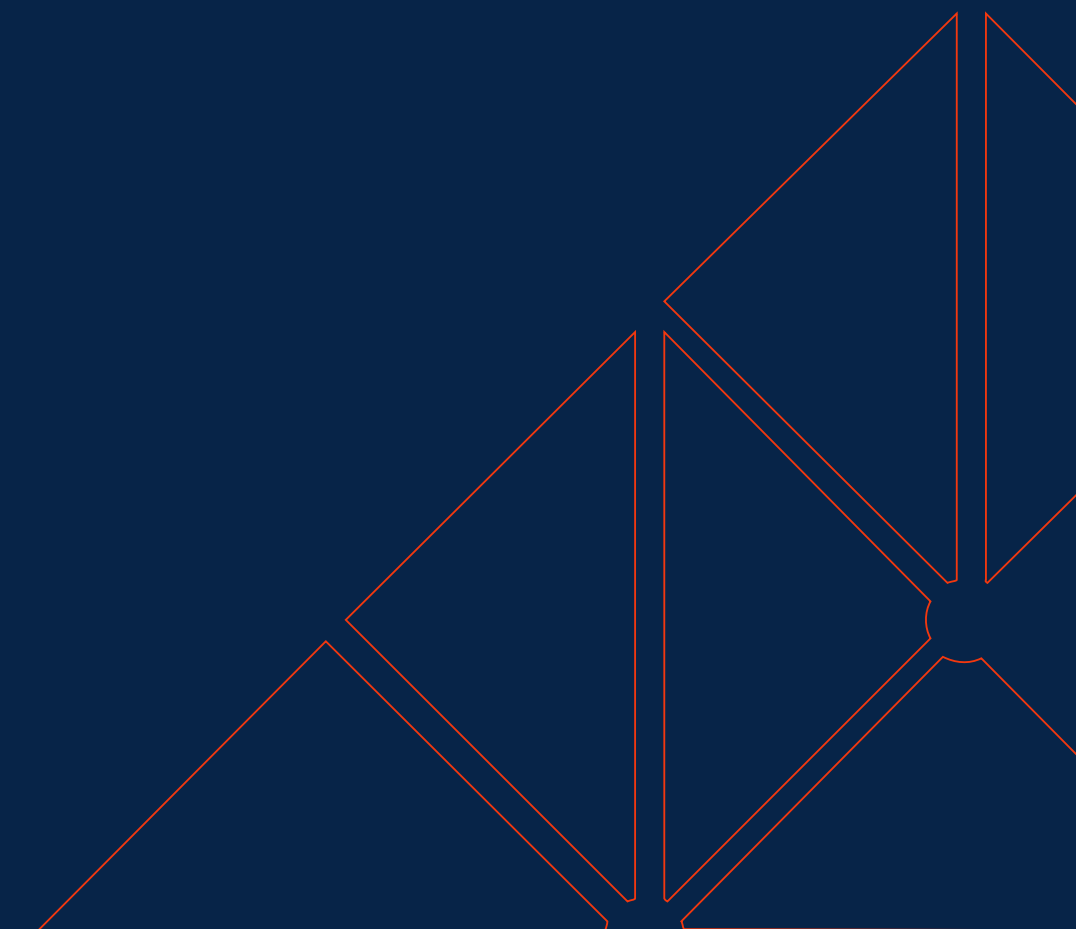
Financial Inst	Loan Type	Orig loan/ line Amount	Current Balance	Maturity Date	Monthly Pmnt	Collateral Pledged

Page 1 of 3 CBB Form 101 11-2011



1

# Online **means more** than just origination





**People**



- Focus resources where needed
- Build relationships

Online doesn't replace lenders.  
It makes them **more efficient**.

**USE RELEVANT, TIMELY DATA**



**SCHEDULE C (Form 1040) Profit or Loss From Business (Sole Proprietorship)**

OMB No. 1545-0074  
**2011**  
 Attachment Sequence No. 09

Department of the Treasury Internal Revenue Service (IRS) For information on Schedule C and its instructions, go to [www.irs.gov/schedulec](http://www.irs.gov/schedulec). Attach to Form 1040, 1040NR, or 1041; partnerships generally must file Form 1065.

Name of proprietor: John Stephens Social security number (SSN): 465-00-0001

**A** Principal business or profession, including product or service (see instructions): Tax Preparation Service  
**B** Enter code from instructions: 541213

**C** Business name, if no separate business name, leave blank: Stephens Tax Service  
**D** Employer ID number (EIN), (see instr.):

**E** Business address (including suite or room no.): 821 Union Street  
 City, town or post office, state, and ZIP code: Hometown, IA 52761

**F** Accounting method: (1)  Cash (2)  Accrual (3)  Other (specify):

**G** Did you "materially participate" in the operation of this business during 2011? If "No," see instructions for limit on losses:  Yes  No

**H** If you started or acquired this business during 2011, check here:

**I** Did you make any payments in 2011 that would require you to file Form(s) 1099? (see instructions):  Yes  No

**J** If "Yes," did you or will you file all required Forms 1099?:  Yes  No

**Part I Income**

<b>1a</b> Merchant card and third party payments. For 2011, enter -0-	<b>1a</b>		
<b>b</b> Gross receipts or sales not entered on line 1a (see instructions)	<b>1b</b>	34,280	
<b>c</b> Income reported to you on Form W-2 if the "Statutory Employee" box on that form was checked. <b>Caution.</b> See instr. before completing this line	<b>1c</b>		
<b>d</b> Total gross receipts. Add lines 1a through 1c	<b>1d</b>		34,280
<b>2</b> Returns and allowances plus any other adjustments (see instructions)	<b>2</b>		
<b>3</b> Subtract line 2 from line 1d	<b>3</b>		34,280
<b>4</b> Cost of goods sold (from line 42)	<b>4</b>		
<b>5</b> Gross profit. Subtract line 4 from line 3	<b>5</b>		34,280
<b>6</b> Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	<b>6</b>		
<b>7</b> Gross income. Add lines 5 and 6	<b>7</b>		34,280

**Part II Expenses** Enter expenses for business use of your home only on line 30.

<b>8</b> Advertising	<b>8</b>	250	<b>18</b> Office expense (see instructions)	<b>18</b>	600
<b>9</b> Car and truck expenses (see instructions)	<b>9</b>	1,266	<b>19</b> Pension and profit-sharing plans	<b>19</b>	
<b>10</b> Commissions and fees	<b>10</b>		<b>20</b> Rent or lease (see instructions):		
<b>11</b> Contract labor (see instructions)	<b>11</b>		<b>a</b> Vehicles, machinery, and equipment	<b>20a</b>	
<b>12</b> Depreciation	<b>12</b>		<b>b</b> Other business property	<b>20b</b>	
<b>13</b> Depreciation and section 179 expense deduction (not included in Part III) (see instructions)	<b>13</b>	3,879	<b>21</b> Repairs and maintenance	<b>21</b>	
<b>14</b> Employee benefit programs (other than on line 19)	<b>14</b>		<b>22</b> Supplies (not included in Part II)	<b>22</b>	253
<b>15</b> Insurance (other than health)	<b>15</b>	750	<b>23</b> Taxes and licenses	<b>23</b>	
<b>16</b> Interest:			<b>24</b> Travel, meals, and entertainment:		
<b>a</b> Mortgage (paid to banks, etc.)	<b>16a</b>		<b>a</b> Travel	<b>24a</b>	310
<b>b</b> Other	<b>16b</b>	200	<b>b</b> Deductible meals and entertainment (see instructions)	<b>24b</b>	256
<b>17</b> Legal and professional services	<b>17</b>	350	<b>25</b> Utilities	<b>25</b>	347
<b>18</b> Total expenses before expenses for business use of home. Add lines 8 through 27a	<b>18</b>		<b>26</b> Wages (less employment credits)	<b>26</b>	
<b>19</b> Tentative profit or (loss). Subtract line 18 from line 7	<b>19</b>		<b>27a</b> Other expenses (from line 48)	<b>27a</b>	267
<b>20</b> Expenses for business use of your home. Attach Form 9829. Do not report such expenses elsewhere	<b>20</b>		<b>b</b> Reserved for future use	<b>27b</b>	
<b>21</b> Net profit or (loss). Subtract line 20 from line 19	<b>21</b>		<b>28</b>	<b>28</b>	8,728
<b>22</b> If a profit, enter on both Form 1040, line 12 (or Form 1040NR, line 13) and on Schedule SE, line 2. If you entered an amount on line 1c, see instr. Estates and trusts, enter on Form 1041, line 3.			<b>29</b>	<b>29</b>	25,552
<b>23</b> If a loss, you must go to line 32.			<b>30</b>	<b>30</b>	1,481
<b>24</b> If you have a loss, check the box that describes your investment in this activity (see instructions):			<b>31</b>	<b>31</b>	24,071
<b>a</b> If you checked 24a, enter the loss on both Form 1040, line 12, (or Form 1040NR, line 13) and on Schedule SE, line 2. If you entered an amount on line 1c, see the instructions for line 31. Estates and trusts, enter on Form 1041, line 3.					
<b>b</b> If you checked 24b, you must attach Form 6196. Your loss may be limited.					

**32a**  All investment is at risk.  
**32b**  Some investment is not at risk.

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 11334P Schedule C (Form 1040) 2011

Earnings and losses in 2019  
 (vs. 2020)

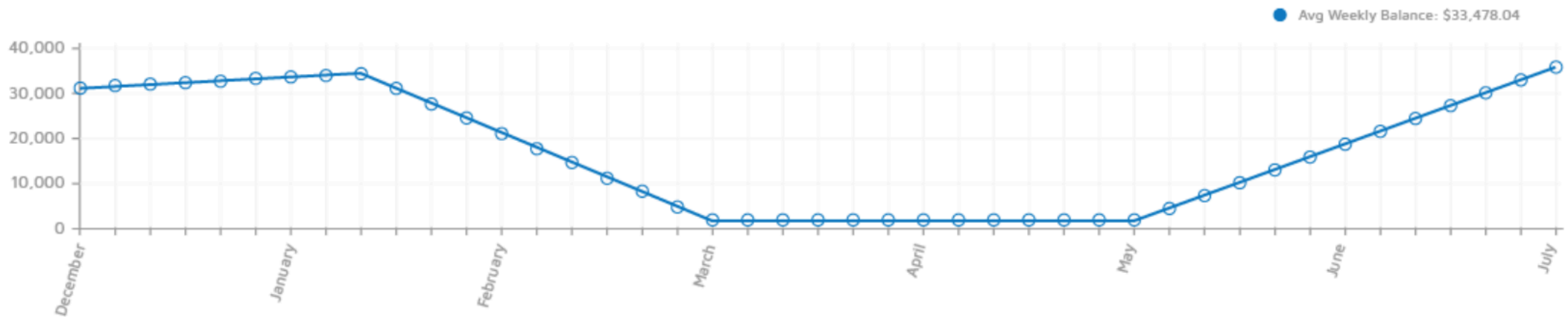


## FOCUS ON CURRENT CASHFLOW

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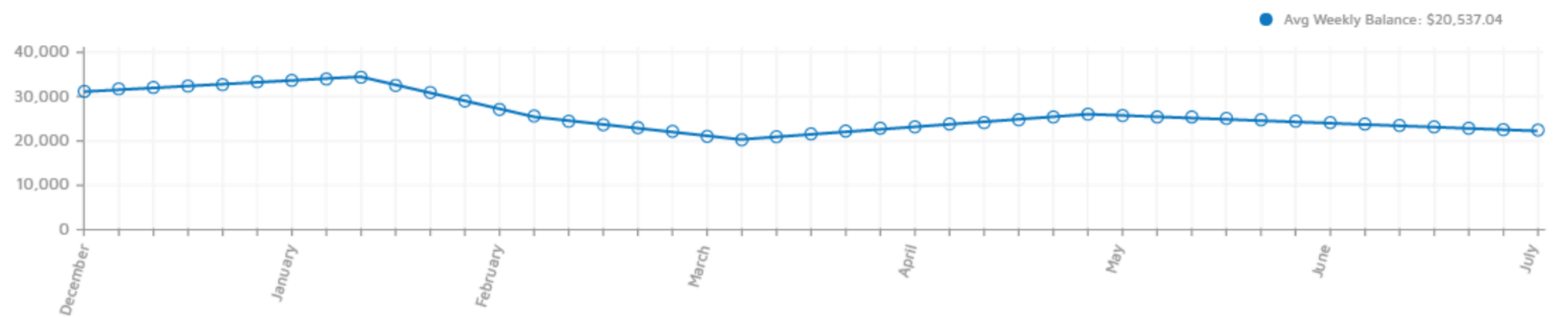
- Post Covid-19, cash is how to identify *growth* vs. *survival* vs. *irreversible decline*.
- Examine
  - How much is coming in
  - How much is going out
  - Where is it going

Banking Activity - Monthly Credits (\$)



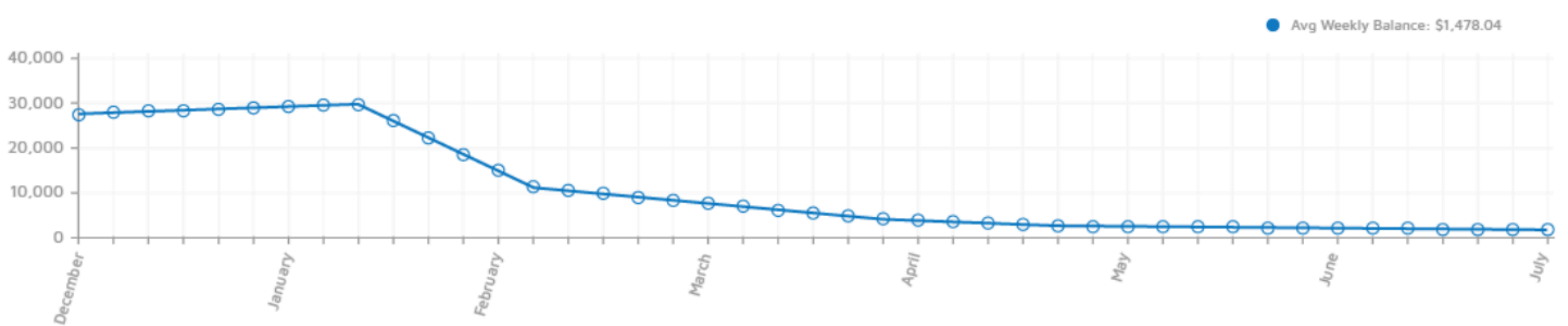
DEEP HIT / FAST REBOUND

Banking Activity - Monthly Credits (\$)



SURVIVAL

Banking Activity - Monthly Credits (\$)



IRREVERSIBLE DECLINE

## OFFER SHORTER TERMS

- Risk is proportional to time
- 6-12 months may be appropriate
- Let businesses demonstrate they can pay back, then reconsider



LONG-TERM

SHORT-TERM

# CONSIDER PAYMENT FREQUENCY



- Weekly or daily payments reduce risk, enable quicker response
- Smaller payments that are consistent, predictable for business

## CONSUMER SENTIMENT

---



- People who vote with their *reviews* vote with their *wallets*
- Was this a good business, with a loyal following, before Covid-19?



LENDINGFRONT

# LendingFront's modular, cloud-based platform supports the entire small business credit workflow

- Supports PPP applications (though 2 weeks to launch new client)
- Could activate PPP referrals to existing bank client very quickly





“

**In light of the COVID-19 crisis, our selection of LendingFront has proven a good choice once again. When the crisis forced us to close our offices and begin working from home, BBL's small business loan program did not miss a beat. As a cloud-based platform, we could easily continue working from home while maintaining security.”**

***~ Bonnie Crockett, Director, Baltimore Business Lending ~***





# DISCUSSION

Noah Smith

Business Development  
noah@lendingfront.com

# Exhibits



# LendingFront

## Overview

### Platform

- Complete small business lending and credit solution
- Integrated or stand-alone modules for:
  - ▶ Receiving and processing applications
  - ▶ Managing partner/broker/ISO relationships
  - ▶ Credit underwriting
  - ▶ Documentation and closing
  - ▶ Servicing, monitoring and collections
  - ▶ Syndicating loans and managing relationships with loan investors

### Advantages

- Tailored, consultative approach
- Proven, scalable, versatile software platform
- Team with deep experience in small business credit and technology at OnDeck, Equifax, Chase, CapitalOne, American Express and others

### Demonstrated Success

- Processing thousands of loan applications and tens of \$millions in funded loans each month for existing clients
- Clients include banks, CDFIs, merchant payment processors, specialty finance companies and online-only small business lenders
- Backers include banks and leading fintech and venture capital investors



# Customer & Partner Portals

- Client-branded online application & digital communications
- Applicants & borrowers can manage accounts directly
- Partner Portal supports broker/agent/account rep interactions

The image illustrates a digital application process. A hand holds a smartphone displaying a mobile app interface with a progress bar and a 'Contact Information' form. The desktop background shows a similar form and a 'Select Offer' table.

## Application

1 Application  
2 Contact  
3 Business  
4 Owner

### Contact Information

Owner Email\*  
Mobile Phone  
Password\*  
Confirm Password\*  
Owner First Name\*

Do you do business under a different name?  
 Yes  No

## Select Offer

Please select one of the offers below:

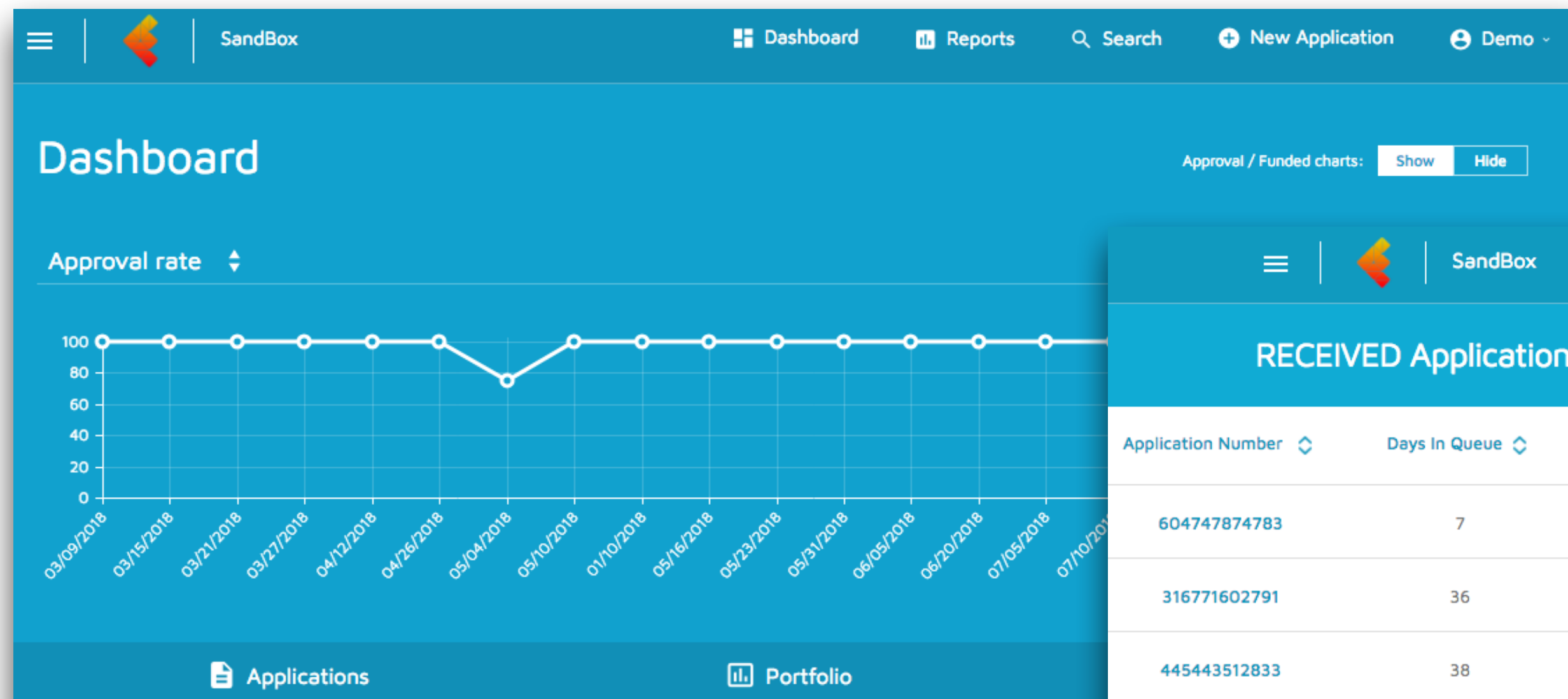
\$250,000.00  
Loan  
ACH

	Offer 1	Offer 2	Offer 3
Annual Interest Rate	8.25	9.75	11.25
Payback Amount	\$261,312.19	\$269,739.16	\$280,343.95
Term (Months)	12	18	24
Monthly payment	\$21,776.02	\$14,985.51	\$11,681.00

Select Select Select

# Application & Data Processing

- Seamlessly gather credit and financial data on businesses and owners
- Supports integrations with any digitally enabled data provider
- View and act on applications in real time; set automated triggers



RECEIVED Applications table screenshot showing application details:

Application Number	Days In Queue	Create Date	Business Name
604747874783	7	07/03/2018	Flavors - BNP Partner Portal
316771602791	36	06/04/2018	Flavors - Sand Hill Test
445443512833	38	06/01/2018	Check Plaid
107825052051	89	04/12/2018	Lego Corp

Northern Cafe credit report screenshot showing Experian Blended score and Intelliscore Plus V2 model results.

**Northern Cafe**  
Creation Date: 01/30/2018

Experian Consumer | Experian Business | **Experian Blended** | PayNet

**Northern Cafe**  
**EXPERIAN BIS - NET CONNECT**

**Blended Model** ✓

Model Title: INTELLISCORE PLUS V2

INTELLISCORE PLUS V2 predicts the likelihood of serious credit delinquency within the next 12 months based on business credit score indicate lower risk

Intelliscore Plus: **43**

Based on your credit this business falls into a **MEDIUM RISK** category

(High Risk) 0 | Based on business and owner credits | 100 (Low Risk)

Percentile Ranking: 42

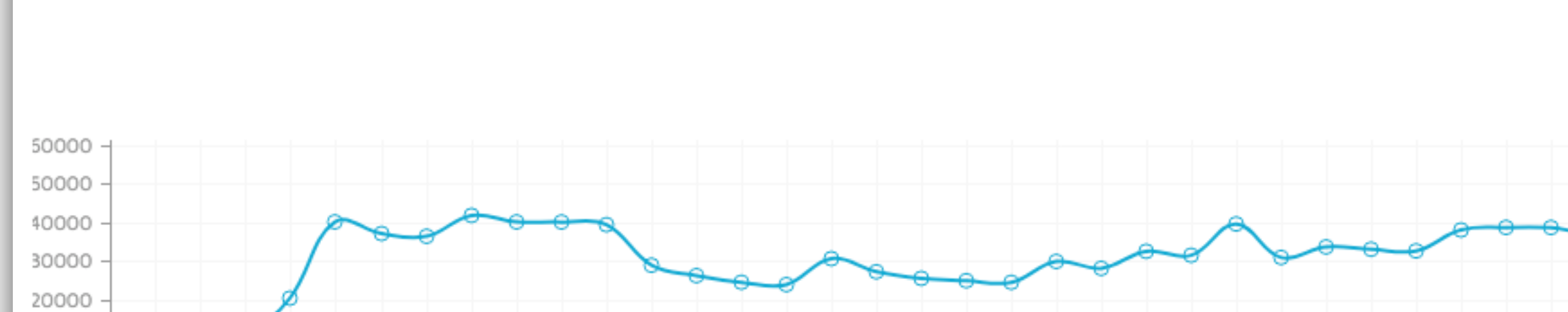
**Score Factors**

## Applications

Work queues	Count
Application Received	82
Application Incomplete	6
Waiting For Bank Account Info	8
Underwriting	134

Final application queues	Count
Total processed	253
Funded	215
Unfunded	11
Declined	27

## Bank Account Balance



# Underwriting & Decisioning

- Configurable underwriting and decisioning tools, scorecard and credit memo templates
- Set rules for automated approvals, declines, and manual reviews

The screenshot displays a comprehensive loan underwriting and decisioning interface. The main header identifies the applicant as 'Lego Corp 152937977858' with a creation date of 06/18/2018. The interface is divided into several key sections:

- Application Details:** Includes DBA (Lego1529379779550), Application Number (440536197556), Application Count (1266), Application Type (NEW), and Owner (John Smith).
- Channel and Status:** Channel is Direct, and Status is UNDERWRITING.
- Offer Configuration:** A 'Loan Amount' of \$25,000 ACH is selected. A table below allows for configuring various terms:

Annual Interest Rate	8.25	9.75	11.25	12.50
Months	12.00	18.00	24.00	36.00
Payback Amount	\$26,131.22	\$26,973.92	\$28,034.4	\$30,108.27
Monthly Payment	\$2,177.61	\$1,498.56	\$1,168.1	\$836.34
- Decision Panel:** A red-bordered box highlights the 'DECISION' section, which shows a 'Recommendation: APPROVE'. Below this, it lists scores: Scorex PLUS Score - Owner 1 (766), Scorex PLUS Score - Owner 2 (714), Experian Risk Level - Rank (LOW RISK - 91), and PayNet MasterScore® v2 (750). Other fields include Payment Frequency (Monthly), Payment Day (1), Loan Amount (0), Annual Interest Rate (0.00), Term (Months) (0.00), and Payback Amount (0).
- Scorecard Summary:** Shows a Risk Score of 91, Risk Level of Low, and a Recommended Loan Amount of 25,000. It also displays 'Section Points: 21' and 'Credit Inputs 10/11'.
- Decision Checklist:** A table listing various underwriting criteria and their status:

Criteria	Status
Articles of Incorporation	FAIL
Suppression File	PASS
Restricted Naics	PASS
Time in Business Restrictions	PASS
SBA Data Merch	FAIL
Lexis Nexis Fraud Point All principals	PASS

# Origination & Closing

- Communicate offers & closing requirements to clients electronically
- Offer presentation, acceptance & document signing

The screenshot shows the LendingFront application dashboard. At the top, there is a header with the SY business LOANS logo, contact information (Call us: (123) 456-7890, Email us: info@lendingfront.com), and a user profile for Noah, Customer. Below the header, there are three summary cards: Application Number (896103960621), Creation Date (04/26/2018), and Approved Amount (\$25,000.00). The main content area features a vertical navigation menu on the left with steps: APPLICATION (checked), REQUIRED DOCUMENTS (checked), APPLICATION SUBMITTED (checked), SELECT OFFER (checked), PREPARING CONTRACT (5), CLOSING (6), and FUNDED (7). The 'CLOSING' step is expanded to show 'Sign Contract' as the active step. The main content area displays the 'Sign Contract' page with a HELLOSIGN integration. The page includes a 'LOAN AGREEMENT' section with 'TERMS AND CONDITIONS' and a 'GET STARTED' button.

The screenshot shows the loan details and stipulations section. The top part is a blue header with the following information:

Loan Amount:	\$25,000.00
Term (Months):	36.0
Payment Amount:	\$8,363.41
Annual Interest Rate:	12.5%
Payback Amount:	\$301,082.63

Below the header, there are two sections: 'STIPULATIONS' and 'CLOSING REQUIREMENTS'. The 'STIPULATIONS' section is titled 'Received (0 of 4)' and includes a list of items with checkboxes and upload icons:

Electronic Bank Enrollment	<input type="checkbox"/>	
Articles of Incorporation	<input type="checkbox"/>	↑
Balance Sheet	<input type="checkbox"/>	↑
Business License	<input type="checkbox"/>	↑

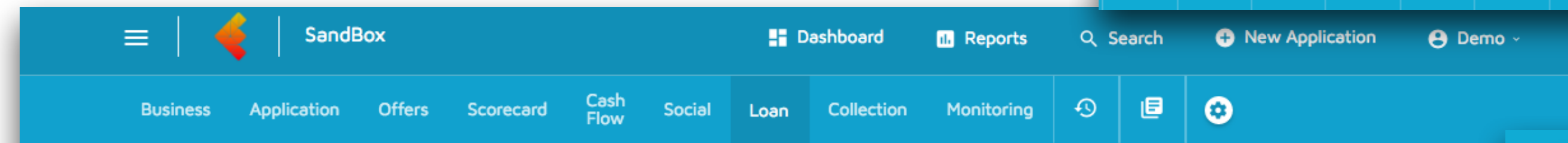
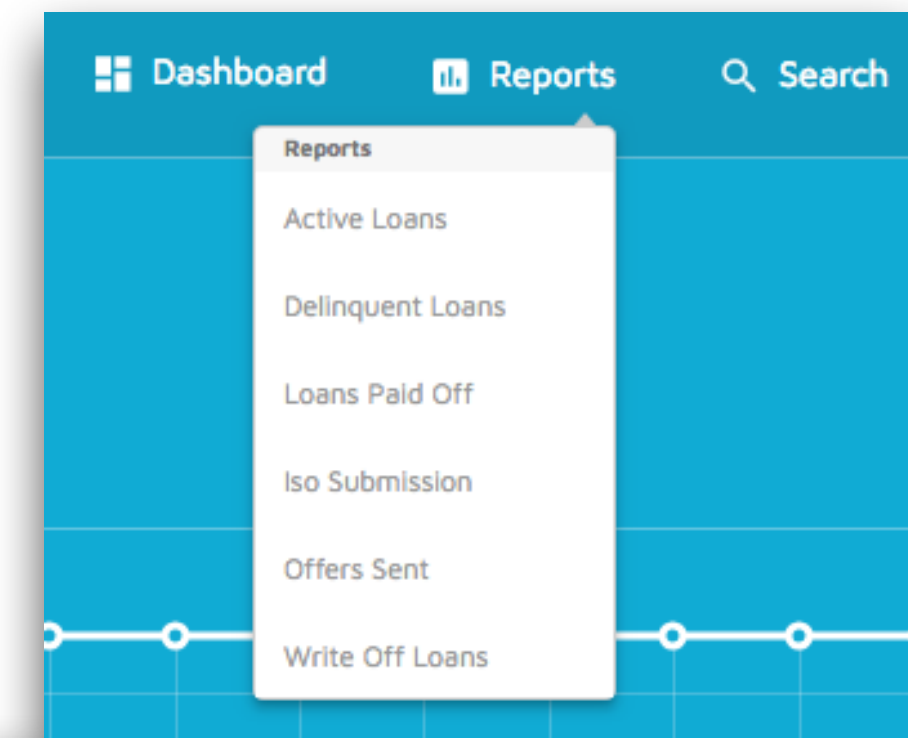
The 'CLOSING REQUIREMENTS' section is titled 'Received (0 of 2)' and includes a list of items with checkboxes and upload icons:

Merchant Interview	<input type="checkbox"/>	↑
Landlord Interview	<input type="checkbox"/>	↑



# Servicing & Monitoring

- Payments managed and tracked via ACH integration
- Full set of tools to manage & modify loans and payments
- Real-time metrics & configurable reports



## Dig Inn Seasonal Market

Loan (883883050375)  
Active

Product:	ACH - Loan
Application number:	497997163472
Loan Count:	8
Loan Type:	NEW
Expected # Payments:	256
Payments Collected:	28
Payment Amount:	\$191.89
Percent Paid:	8.40%
Should be Collected:	\$130,101.42
Annual Interest Rate:	80.55%
Total Loan Interest:	\$11,625.00
Payback Amount:	\$49,125.00

Loan Amount:	\$37,500.00
Principal Balance:	\$34,351.28
Remaining Interest:	\$9,400.67
Total Fees:	\$0.00
Total Balance:	\$43,751.95
Amount Paid Back:	\$5,373.05

# Payments Past Due:	0
Amount Past Due:	\$0.00
Payment Frequency:	Daily
Funded Date:	10/25/2015
Bank Name:	CITIBANK NA
Bank Account:	XX0500
Routing Number:	021000089

- Action
- Payments & Adjustments
  - Fees
  - Write Off
  - Put On Hold
  - Modify
  - View Statement
  - Send Statement
- CITIBANK NA

Trans. #	Status	Amount	Principal	Interest	Fee	Loan balance	Fee Balance	Paym. Type	Paym. Method	Created	Cleared
1	✓	\$37,200.00	\$0.00	\$0.00	\$0.00	-	\$0.00	FUNDING	ACH	11/23/2015	11/24/2015

### Portfolio

Work queues	Count
Pending to release	50
Released	32
Active	1
Ready For Renewal	0
Rejected	171
Paid off / Closed	49

### Portfolio metrics & ratios

Total dollars funded	\$5,429,300.00
Total payments collected	\$321,465.08
Total balance outstanding	\$199,727.24
Avg loan amount	\$50,285.44
Avg loan balance	\$49,555.12
Avg loan duration (Days)	224.63

### Collections

Collection queues	Count
Hold	4
Delinquent	6
1-5 Days	0
6-15 Days	3