



- Trends in SMB Lending
- Fundera's Role





TRENDS IN SMALL BUSINESS LENDING



Multiple financing products on offer



SBA Loan



Short-term Loan



Term Loan



Merchant Cash Advance



Equipment Financing



Startup Loan



Invoice Financing



Business Charge Card



Business Line of Credit



Personal Loan

Lender partnerships ensure Fundera can provide full SMB credit optionality

Short-Term Loan



Medium-Term Loan



SBA Loan



Short-Term Line of Credit



Medium-Term Line of Credit



Invoice Financing



Personal Loan for Business



Equipment Loan



Wide eligibility and APR ranges by loan product

Eligibility & APR Ranges by Loan Product

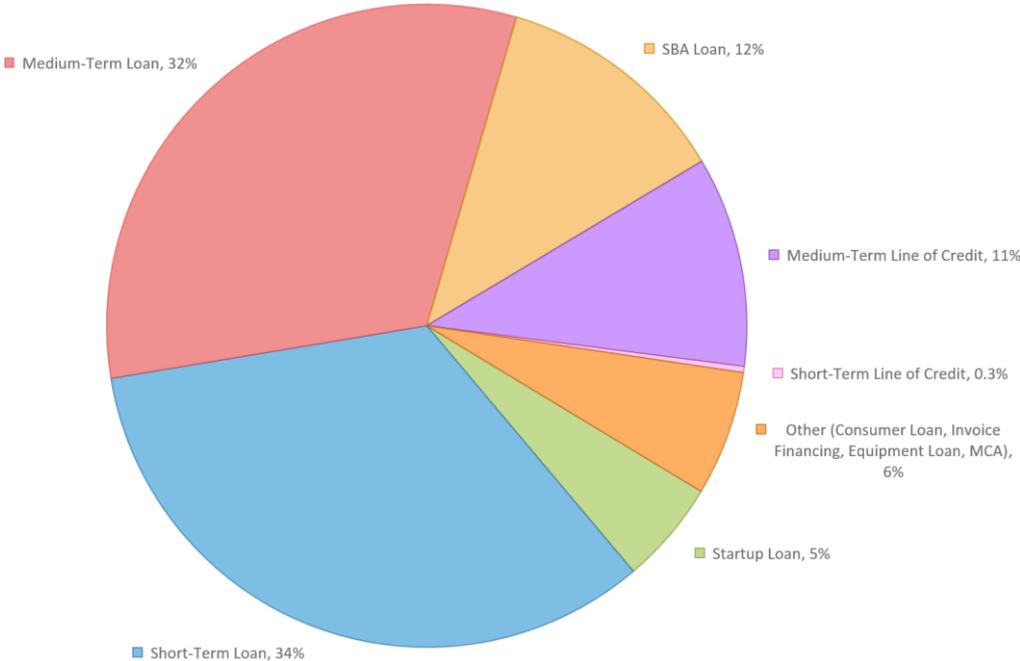
CREDIT SCORE	<550	550-600	600-650	650-700	700+						
Short-Term Loans											
Short-Term LoC											
Medium-Term Loans											
Medium-Term LoC											
SBA Loan											
ANNUAL REVENUE	<\$100k	<\$200k	<\$300k	<\$400k	<\$500k	<\$600k	<\$700k	<\$800k	<\$900k	<\$1M	\$1M+
Short-Term Loans											
Short-Term LoC											
Medium-Term Loans											
Medium-Term LoC											
SBA Loan											
APR	<10	10-15	15-20	20-25	25-30	30-35	35-40	40-45	45-50	50+	
Short-Term Loans											
Short-Term LoC											
Medium-Term Loans											
Medium-Term LoC											
SBA Loan											

Source: [State of Small Business Lending, Q2 2016](#)



Fundera's platform driven by SBA, medium-term credit

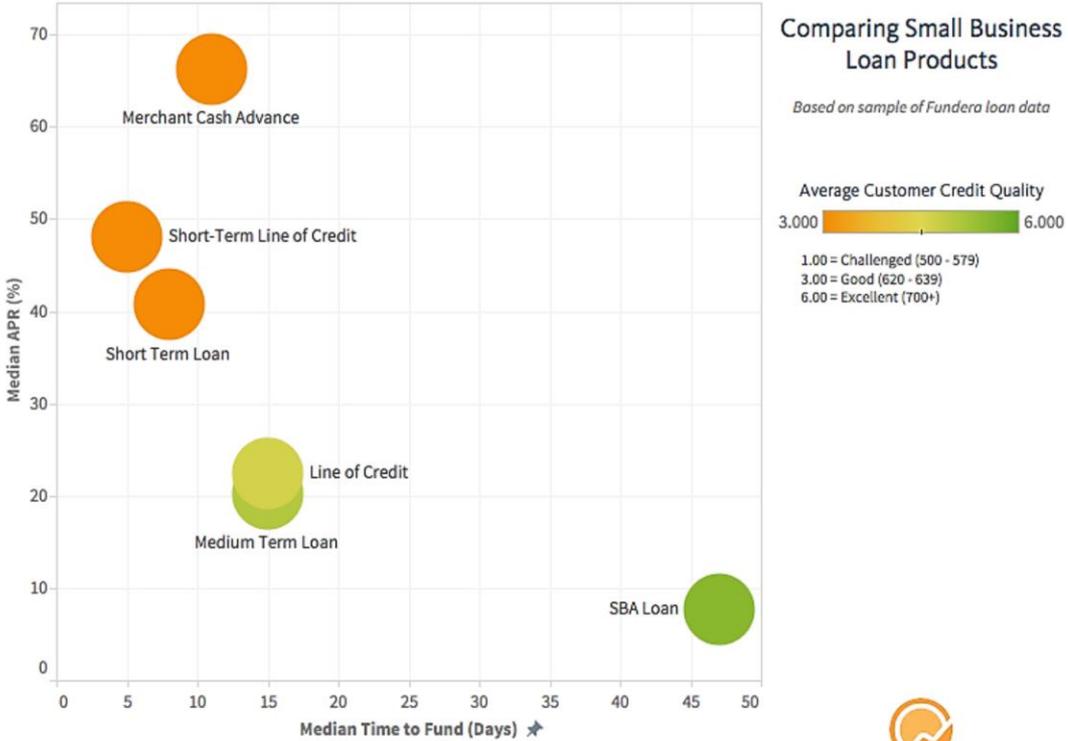
Fundera Network \$ Volume by Product Type, Q3 and Before



Source: [State of Small Business Lending, Q2 2016](#)



APR, time to funding may be inversely correlated



All calculations based on actual sample of anonymized Fundera data. Some filtering was conducted to remove incomplete entries and product categories with insufficient volume.

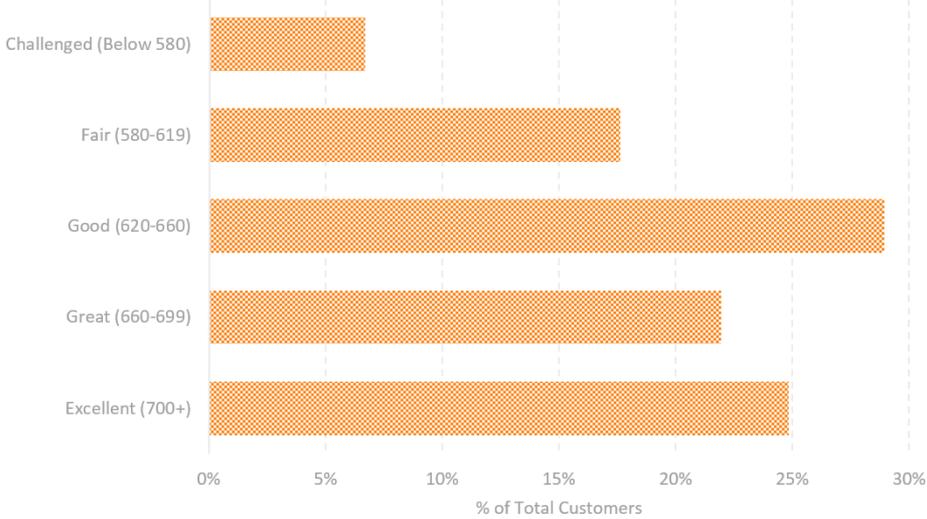


Fundera, Inc. | fundera.com

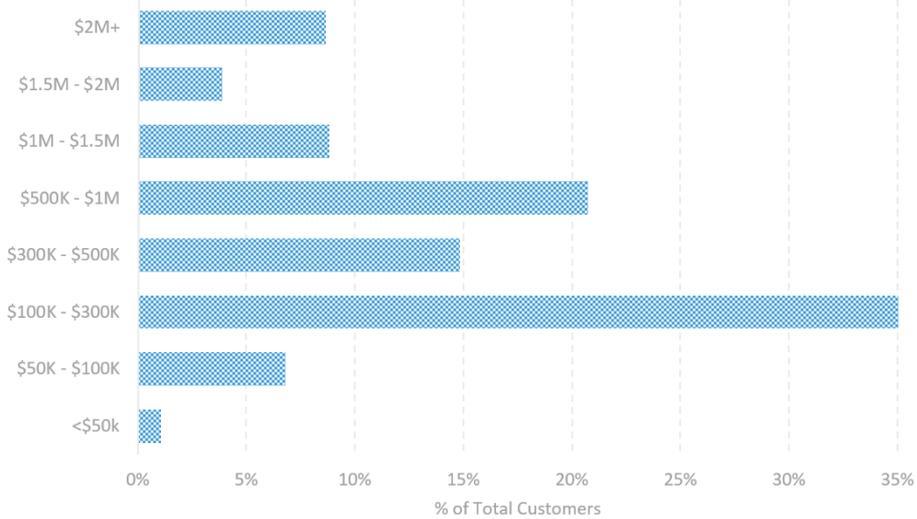


Small businesses going online for credit tend to be sub \$500K revenue and sub 700 credit score

Distribution of Funded Customers by Credit Score



Distribution of Funded Customers by Annual Revenue

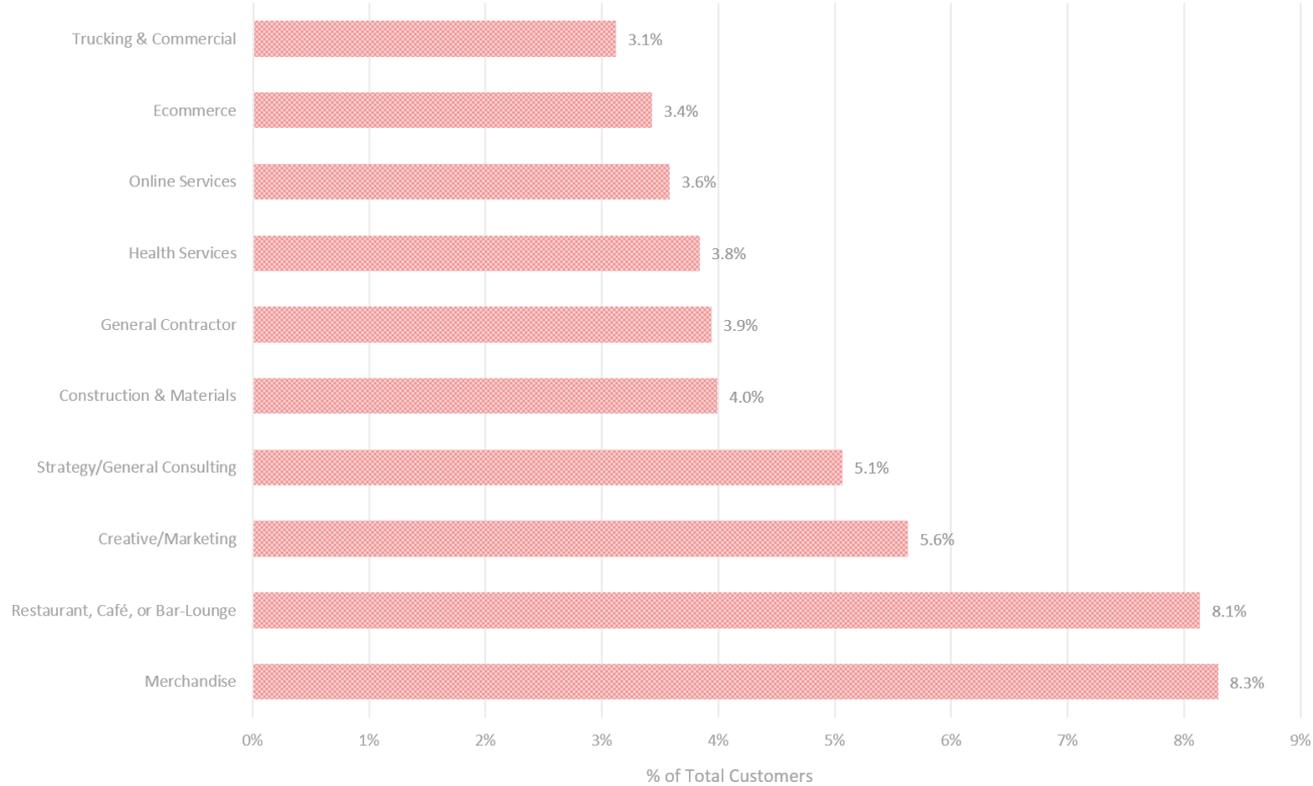


Source: [State of Small Business Lending, Q2 2016](#)



Spans every major industry, with no one industry constituting 10%+

Distribution of Funded Customers by Industry Type

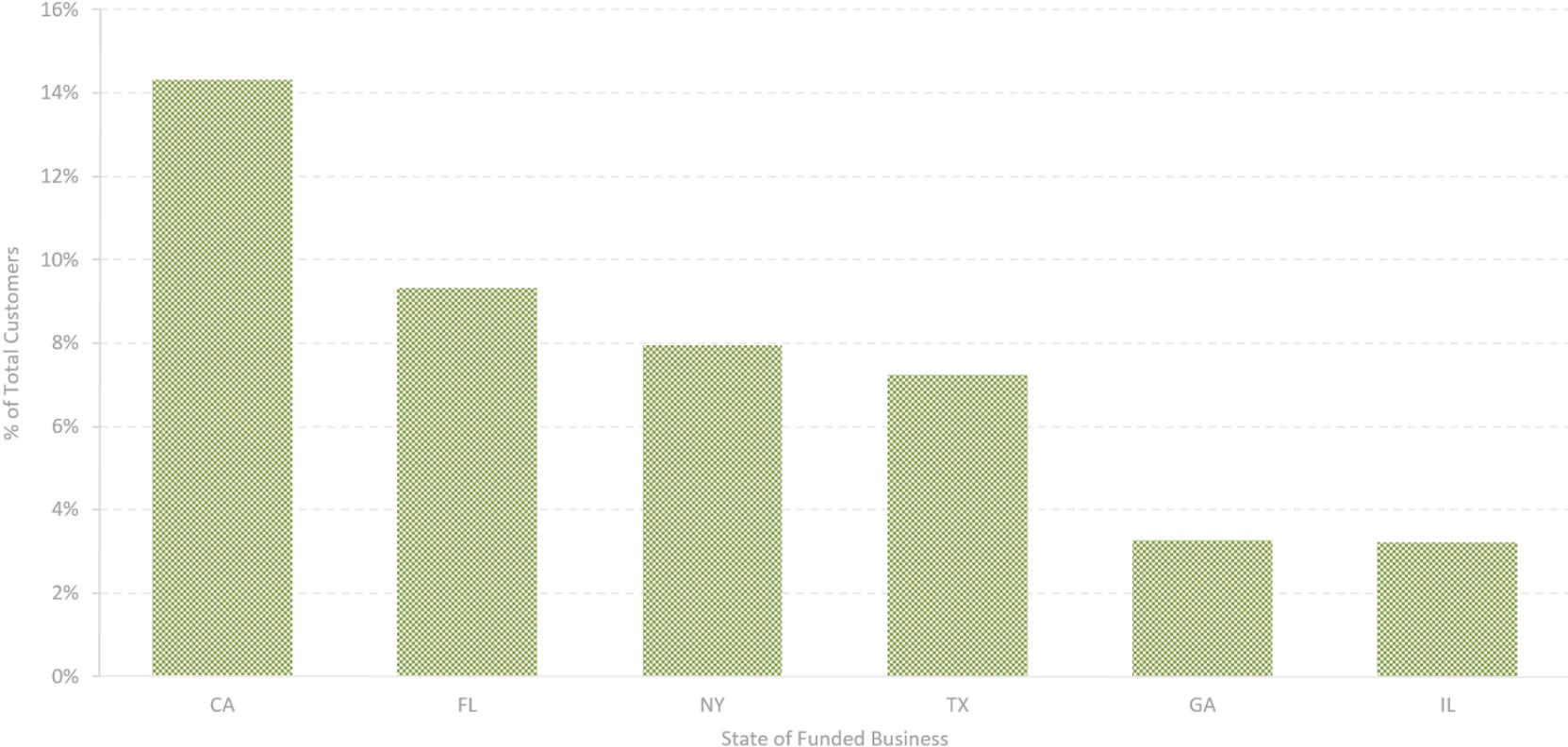


Source: [State of Small Business Lending, Q2 2016](#)



Spans all 50 states, though all are not created equal

Distribution of Funded Customers by State (Top 6)

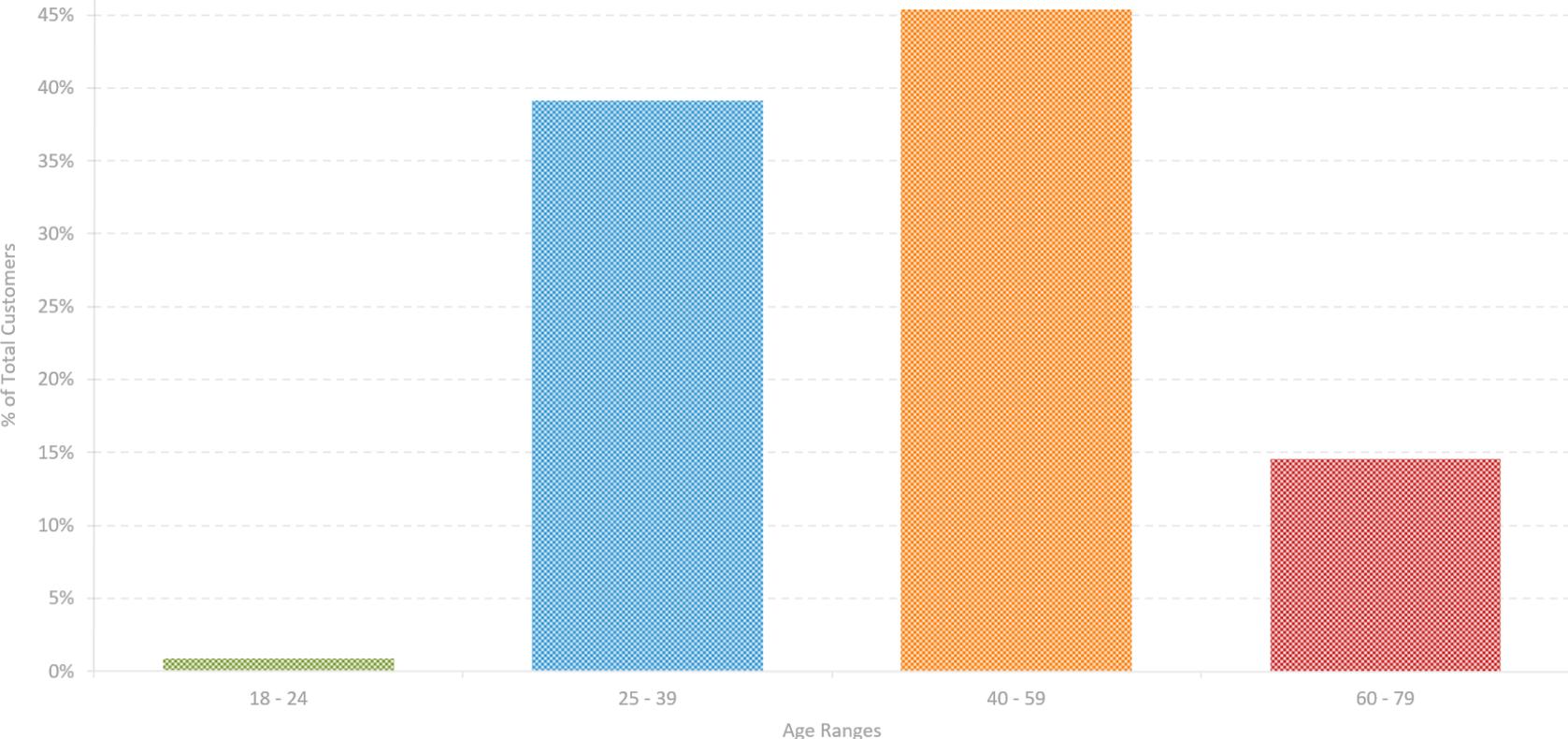


Source: [State of Small Business Lending, Q2 2016](#)



Spans all age rages, though 25-59 represent overwhelming majority

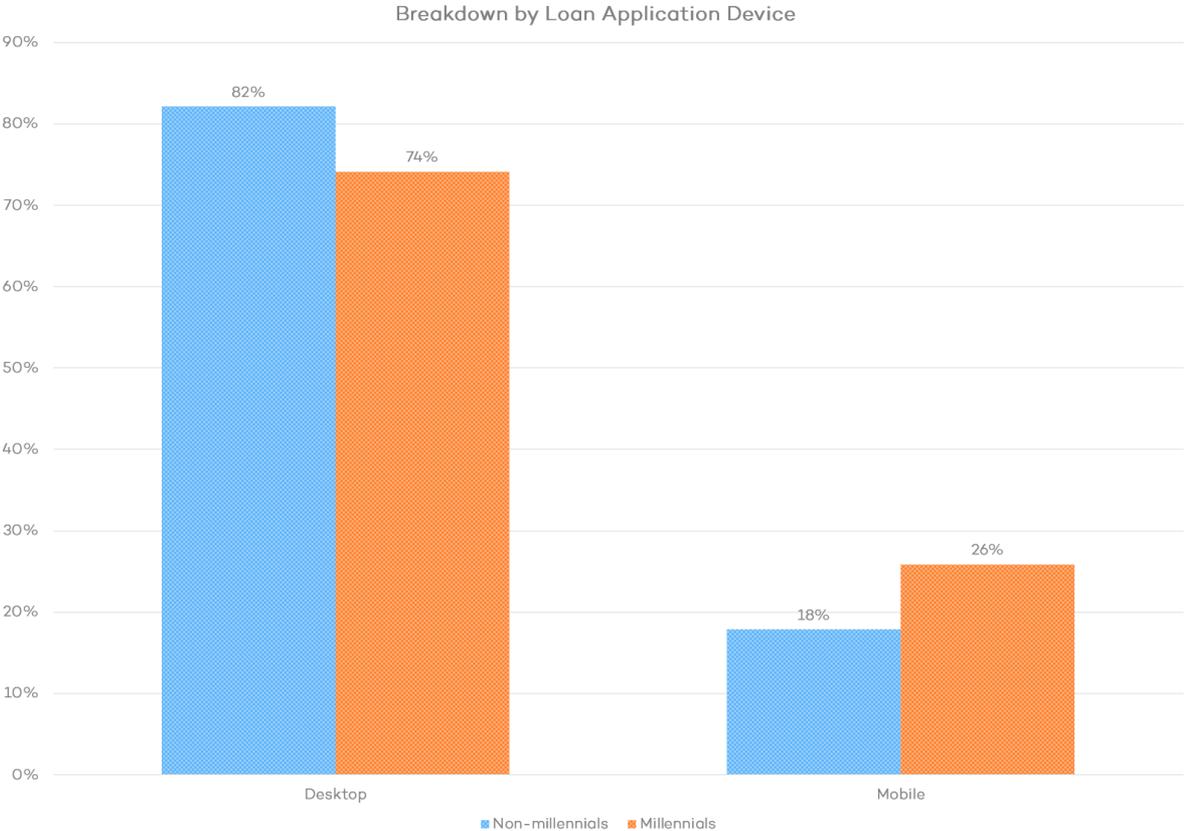
Distribution of Funded Customers by Age Range



Source: [State of Small Business Lending, Q2 2016](#)



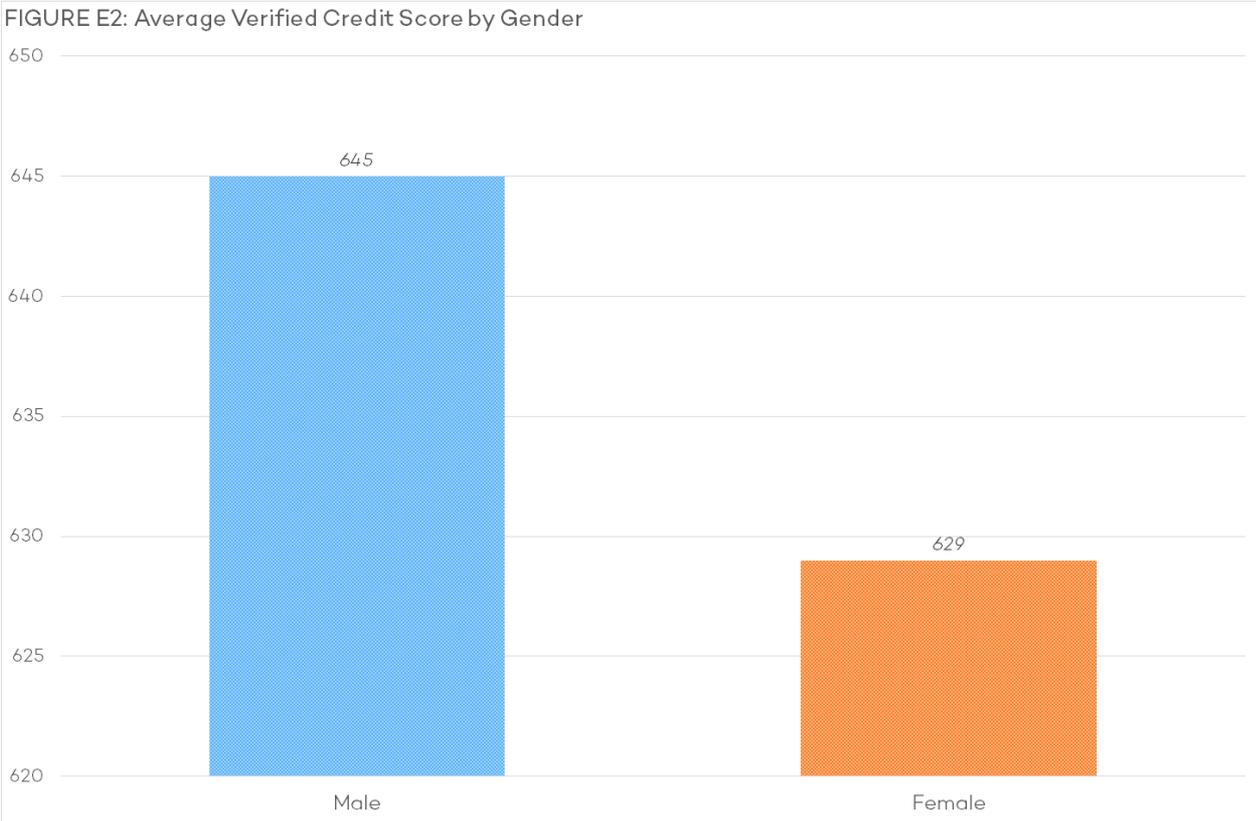
Desktop submissions represent vast majority, but mobile is growing



Source: [State of Small Business Lending, Q2 2016](#)



Women have lower average credit scores than men

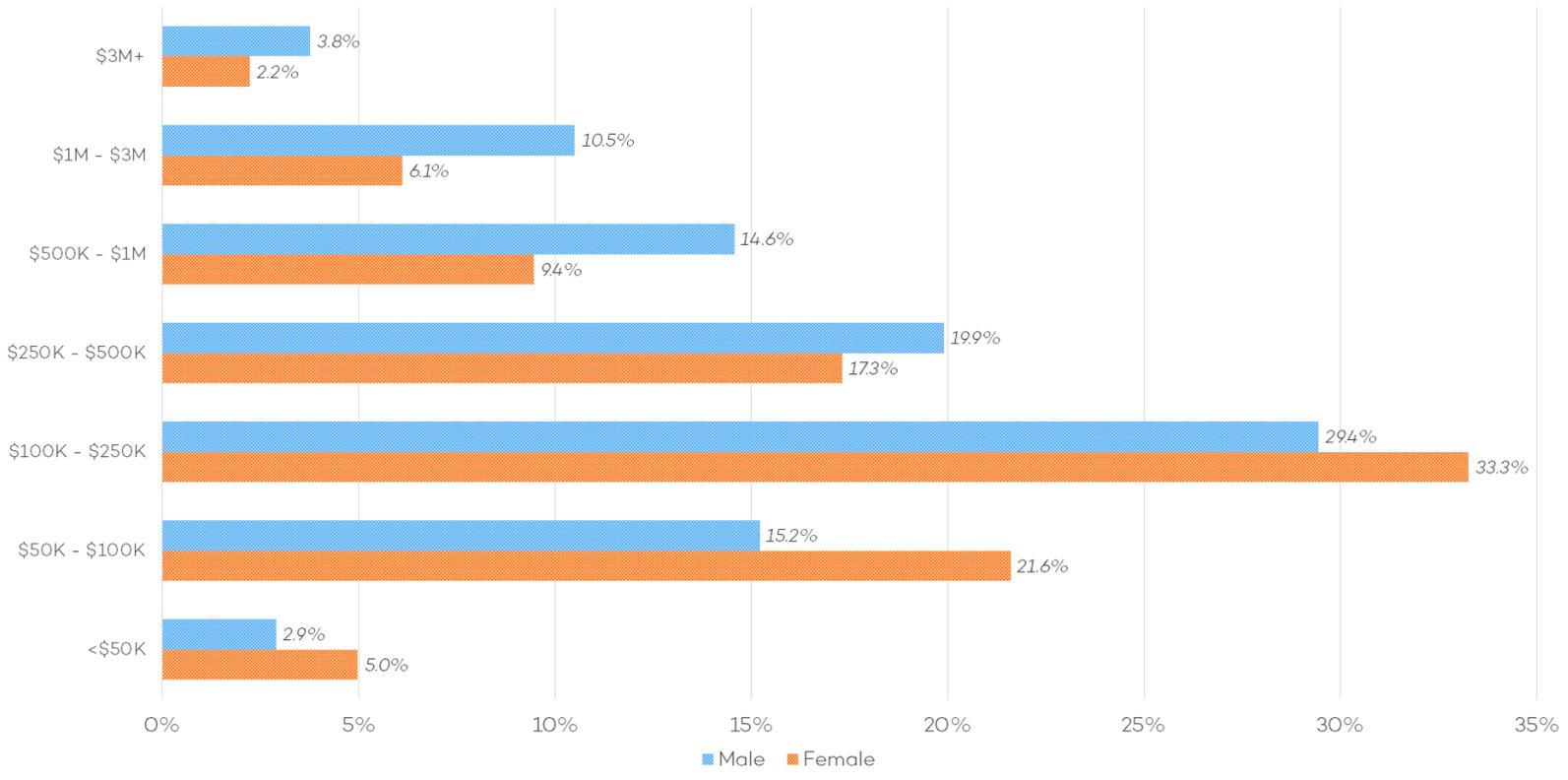


Source: [State of Small Business Lending, Q2 2016](#)



Women entrepreneurs make about \$30K less on average than men

FIGURE F1: Distribution of Applicants by Annual Revenue & Gender

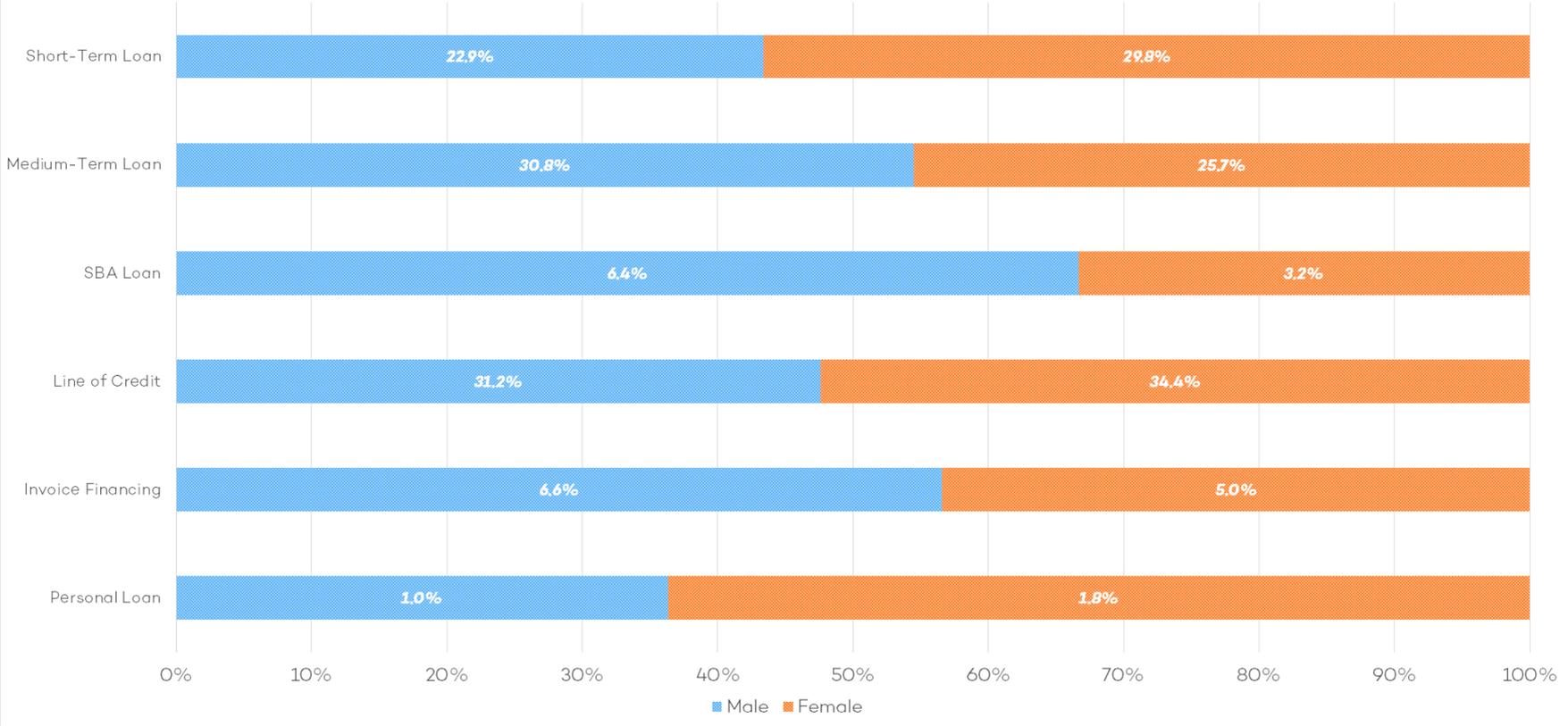


Source: [State of Small Business Lending, Q2 2016](#)



Women are more likely to qualify for only the most expensive credit products

FIGURE G: Funded Product Type by Gender



Source: [State of Small Business Lending, Q2 2016](#)





FUNDERA'S ROLE



Banks have struggled to lend to SMBs since '08, leading to supply gap

82%
Of SMBs get declined from Banks



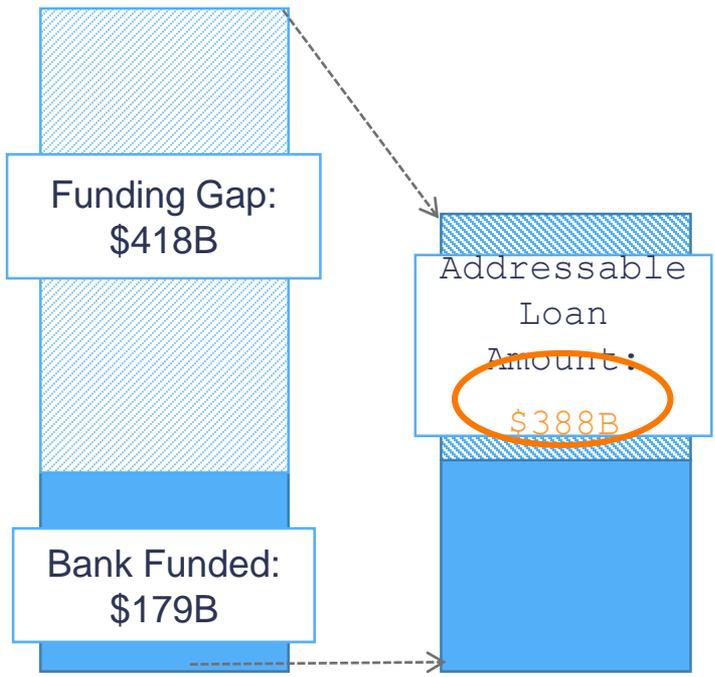
72 hours
spent applying for SMB loans



50%
Of SMBs get declined from Community Banks



2-4 months
to receive funding



Many alternative lenders have surfaced to fill the funding gap

<p>Brokers</p> 	<p>Medium Term Loans</p> 	<p>Bank Loans</p> 	<p>Franchise Loans</p> 	<p>Invoice financing</p> 	
<p>Equity</p> 	<p>Short Term Loans</p> 	<p>Aggregators</p> 	<p>401k Business Financing</p> 	<p>Line of credit</p> 	<p>Crowdfunding</p>
	<p>Merchant Cash Advance</p> 	<p>SBA</p> 	<p>Startup Credit Card Lines</p> 	<p>Equipment Loans</p> 	
<p>Data Providers </p>					



Multiple financing products on offer, making it difficult for SMBs to evaluate the right fit for their use case



SBA Loan



Short-term Loan



Term Loan



Merchant Cash Advance



Equipment Financing



Startup Loan



Invoice Financing



Business Charge Card



Business Line of Credit



Personal Loan

The internet will transform SMB lending from a seller's market to a buyer's market



Making the process of finding a loan faster, easier and more transparent



Fill out a brief questionnaire.

Answer a few questions and, in just a few minutes, see which loan products you qualify for.



Review matches on one site.

We reach out to walk SMBs through the products they match with, and help them learn the ins and outs of each before applying.



Apply to multiple lenders with one application.

SMBs then pick which option they want to apply for and complete one application – no matter how many lenders and products they choose.



See offers on on site.

With multiple offers in hand, SMBs can shop for the right product and best rate. We help them do the math and decide what's right.



Get funded.

Within days or just a few weeks, SMBs get financing to grow their business.



Graduate to the next level.

After funding, we map out a plan to get SMBs less expensive loans over time

Lender partnerships ensure Fundera can provide full SMB credit optionality

Short-Term Loan



Medium-Term Loan



SBA Loan



Short-Term Line of Credit



Medium-Term Line of Credit



Invoice Financing



Personal Loan for Business



Equipment Loan



Empowering borrowers with tools to make informed decisions

KNOW BEFORE
YOU  WE

Your Guide To Successfully Finding and Securing a Small Business Loan



[Business Loan Calculators »](#)



[Lender Reviews »](#)



[Tools & Templates »](#)



[Guides »](#)



[Fundera Ledger »](#)



[Videos »](#)



[Financing Glossary »](#)



[Policy & Advocacy »](#)

Distribution Partners

Fundera has 25+ partnerships to distribute its financial and lending literacy to

SMBs

**BUSINESS
INSIDER**

Inc.

AB
AMERICAN BANKER.

Forbes

Entrepreneur



THE
HUFFINGTON
POST

Universal disclosure empowers borrowers to comparison shop

Offer Amount
\$50,000

[Claim Offer](#)

Loan Product **Short Term Loan**

Factor Rate **1.12**

Repayment Term **6 Months**

Repayment Frequency **Daily**

[Hide Offer Details](#)

[Final](#)

Loan Details

Daily Payment ⓘ
\$424.24
[Calculate Monthly](#)

True APR ⓘ
54.28%

Prepayment Penalty? ⓘ
Yes

The Math

Amount Deposited Into Your Bank Account

$$\mathbf{\$49,000} = \mathbf{\$50,000} - \mathbf{\$1,000}$$

Offer Amount ⓘ Origination Fees ⓘ

Total Amount You'll Pay Back

$$\mathbf{\$56,000} = \mathbf{\$50,000} + \mathbf{\$6,000}$$

Offer Amount ⓘ Interest Accrued ⓘ



Customer success program further strengthens the customer experience through 1-on-1 customer assistance

Trained
professionals



Advice for
graduating to
next level



"Thanks to Abbey we were able to secure our first ever commercial line of credit..."

Assistance
with loan
process



"As a first time entrepreneur... Manny really helped me navigate the confusing world of business loans."

"Who knew it would be fun to take out a loan...I look forward to continuing our relationship when other needs arise."

Fundera is a borrower's first call when looking for a loan

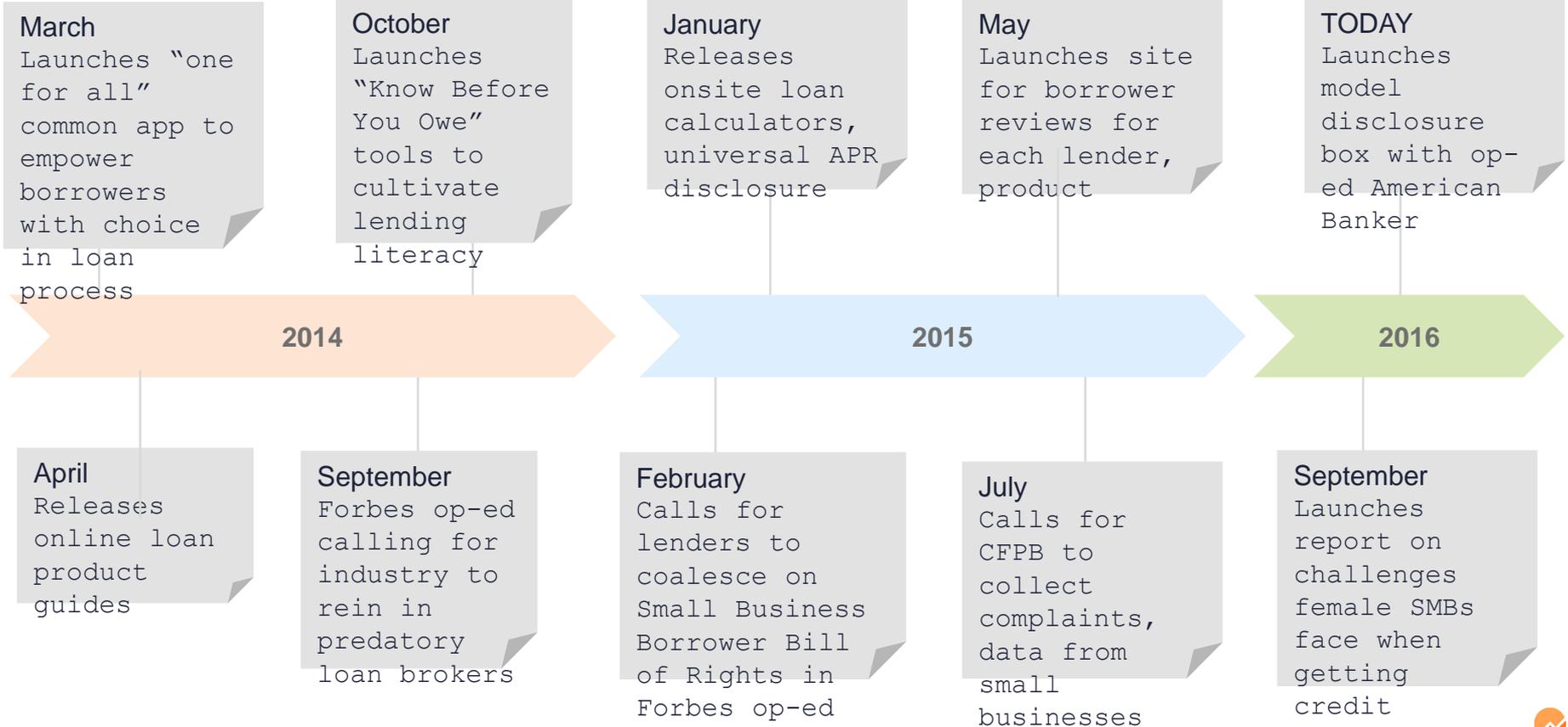
		Direct Lenders	Classic Brokers
Single point of contact	✓	✗	✓
No hidden fees or terms	✓	✗	✗
Shop several offers at once	✓	✗	✗
Lowest rates, guaranteed	✓	✗	✗
Long-term relationship	✓	✗	✗
Unbiased education and tools	✓	✗	✗
Bank-level security	✓	✓	✗



FUNDERA'S COMMITMENT TO TRANSPARENCY



Fundera's longstanding commitment to bring transparency to lending



Fundera is leading the online lending industry to adopt commonsense rules

In August 2015, Fundera launched the Small Business Borrowers' Bill of Rights alongside former SBA Administrator Karen Mills and in partnership with leading lenders, investors and think tanks

Borrower-First Principles

The Right to Transparent Pricing and Terms

The Right to Non-Abusive Products

The Right to Responsible

Underwriting

The Right to Fair Treatment from Brokers

The Right to Inclusive Credit Access

The Right to Fair Collection Practices

Partnership with Industry Leaders



Culmination of Fundera's Call to Action



Feb '15 Op-Ed
Brayden McCarthy
VP of Strategy

We Need a Small Business Borrowers' Bill of Rights

"The industry should work together to align on a Small Business Borrowers' Bill of Rights... Putting the principles we outlined above at the center of our industry will help us create shared value for all stakeholders as we continue to scale, and ultimately advance a fairer and more efficient small business lending market."



Building a disclosure box for the digital age

Building on Fundera's BBOR leadership, we're continuing to bring transparency to SMB credit by creating a 'first of its kind' disclosure box guided by these core principles

1

Conspicuous

Displayed in boldface type at the top of loan documentation, so that borrowers do not have to waste time searching for the information.

2

Comparable

Empowers borrowers to make straight-up, side-by-side comparisons among options by showing same metrics across product, incl. APRs.

3

Contemporary/Interactive

Goes beyond static snapshot of "Schumer Box" with fully interactive tools that empower SMBs to make informed financing decisions.

4

Clear

Written in plain English that cuts through complexity and eschews mouse traps or fine print.

5

Comprehensive

Captures all relevant info needed to make credit decision., incl. total repayment, monthly and daily repayment, origination fee, prepayment penalty.

6

Correct

Balances aforementioned principles where needed to avoid oversimplifying or overcomplicating a credit product's terms to the point of inaccuracy.



Fundera is driving the online lending industry's dialogue on transparency

Forbes

It's Time to Rein in Shady Small Business Loan Brokers

Brayden McCarty, VP of Strategy

"Better oversight could keep small business owners safe from some of the most egregious traps, and make sure that as the alternative lending industry matures, predatory brokers don't lead us down the wrong path."



What's the Average APR for Small Business Owners?

Jared Hecht, CEO & Founder

"This data shows how higher credit scores match up with less expensive loans—like an SBA loan with a median APR of about 7%—while the lowest credit scores tend to pair with short-term loans with 40% APRs."

AB
AMERICAN BANKER

Small Business Loan Brokers Need a Code of Ethics

Brayden McCarty, VP of Strategy

"Since brokers wield enormous influence over a borrower's financing decision, it's imperative to establish rules of the road that compel all brokers to respect the trust of borrowers. As a first step, lenders and brokers should agree to a broker code of ethics, keeping these principles in mind."



Shine a Light on Predatory Online Lenders

Brayden McCarty, VP of Strategy

"...CFPB ought to require online lenders disclose, by loan product, average Annual Percentage Rates (APRs), default rates, as well as demographic and geographic characteristics. Requiring public disclosure of such data would help name and shame worst offenders."

Inc.

5 Red Flags of a Business Loan Scam

Jared Hecht, CEO & Founder

"...A growing number of illusory individuals and companies operating both within the United States and abroad aim to take advantage of vulnerable small business owners, stealing money or personal information by posing as legitimate lenders, loan brokers, or other "helpful" small business funding services.."

Inc.

Self-Policing Shouldn't Replace Common Sense Regulation

Jared Hecht, CEO & Founder

"Putting small business borrowers' rights at the center of the online lending industry will help foster greater transparency and accountability. That's important because right now the industry is falling short.."



Fundera's commitment to transparency is getting noticed

The
New York
Times

Can't Get a Bank Loan? The Alternatives Are Expanding

Alternative lending has filled a gap left by risk-averse banks... "The Internet is doing to this industry what it's done to every other industry - create efficiencies, competition and price transparency," said **Jared Hecht, chief executive of Fundera**, another website that matches businesses with lenders.

Fundera, Funding Circle and Others Introduce Small Business Borrowers' Bill of Rights

"Some things take time," said **Fundera co-founder and CEO Jared Hecht**. "This won't solve everything over night but it's a unified step toward accelerating that timeline. We recognize the challenges that lie ahead and have reasonable expectations about the process. This is step one."

Borrowers Baffled by Online Small-Business Loans

"Some lenders deliberately obfuscate a loan's total cost, refusing to disclose an APR, interest rate or tools like a loan calculator," **Brayden McCarthy, head of policy and advocacy at Fundera**, a website that aggregates small business loan offers, said in an email. "There's no question that borrowers are getting into loan products they don't fully understand or can't reasonably repay," added McCarthy, .

TC
TechCrunch

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WSJ

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BUSINESS
INSIDER

LiveOak: An Online Bank With a Personal Touch

Live Oak's growth "is a harbinger of what's to come" as small-business lending gets more sophisticated, said **Brayden McCarthy, the head of policy at Fundera**, an online site that matches small-business borrowers with lenders, and a former policy adviser at the SBA and the National Economic Council.

Lenders Unveil 'Bill of Rights' for Small-Business Borrowers

As the brainchild of former Small Business Administration and National Economic Council aide **Brayden McCarthy, who is now the head of policy and advocacy at Fundera**, a website that aggregates small business loan offers. In an interview earlier this week, McCarthy and his former boss, Mills, [formerly head of the SBA], argued that self-regulation should not supplant oversight by state and federal governments.

A 20-something sold his first company for \$80 million in 370 days - now he's raising \$11 million for his new startup

After leaving Skype, **Hecht** launched a new venture in early 2014 - a startup called Fundera. Fundera helps other founders get their businesses off the ground by offering a credit marketplace for small businesses.

