



# Fintech and the New Financial Landscape



November 13-14, 2018



## Responsible Fintech Small Business Lending

Moderator:

**Ami Kassar** (Founder and CEO, Multifunding LLC)

Speakers:

**Bernardo Martinez** (U.S. Managing Director, Funding Circle)

**Louis Caditz-Peck** (Director of Public Policy, LendingClub)

**Sam Taussig** (Head of Global Policy, Kabbage)

“ I hear these stories constantly, about a small business in particular getting into a situation where they didn't quite know what they signed up for, and then they walk into their community bank and say, 'I've gotta get out of this deal, it's killing me.' And so, there are good actors and bad actors... That is the role of the regulators, not just at the federal level. ”

*-President Harker, Federal Reserve Bank of Philadelphia, Sep 29, 2017*







# SMALL BUSINESS BORROWERS' BILL OF RIGHTS

Launched August 2015 to respond to:

1. Obfuscation of very high financing costs
2. Product structures that misalign incentives between lenders and borrowers
3. Double-charging borrowers when loans are renewed by “double dipping”
4. Mismatch between financial product’s design and actual use behavior encouraged by the lender
5. Hidden prepayment charges
6. Broker’s misaligned incentives to steer small businesses into expensive products
7. “Stacking” of too much debt
8. Lack of legal protections in collections
9. Need for financial inclusion



# SMALL BUSINESS BORROWERS' BILL OF RIGHTS

Establishes Six Rights: The Rights To...

1. Transparent Pricing and Terms
2. Non-Abusive Products
3. Responsible Underwriting
4. Fair Treatment from Brokers
5. Inclusive Credit Access
6. Fair Collection Practices

## The Right to Non-Abusive Products

- No Debt Traps
  - If a borrower is unable to repay an existing loan, extend new credit only if due diligence indicates that the borrower's situation has changed, enabling them to repay a new loan.
- No "Double Dipping"
  - Do not double-charge the borrower. When refinancing or modifying a loan with a fixed-fee as the primary financing charge, no fees are charged on the borrower's outstanding principal unless there is a tangible cost benefit to the borrower.
- No Hidden Prepayment Charges
  - If a borrower receives no savings, or limited savings, in early payoff, this information is disclosed in the original loan term sheet or offer summary, and again at the time of payoff. For financing with a fixed term, if a prepaying borrower owes a fixed repayment amount or a certain percentage of that amount regardless of when they pay off the financing, this information is disclosed as a prepayment charge. This charge is equal to the remaining financing charge owed at payoff, which is the cost the borrower is paying for the unused portion of the loan.
- Appropriate Product
  - Match loan product design and loan product use. If presenting a loan product as designed for one use, do not encourage borrowing behavior contrary to that use. For example, short-term products may be well suited for short term use, but not for long-term recurring use. Long-term products with prepayment penalties may be well suited for long-term use, but not for short-term needs.
- Pressure Free
  - Allow potential borrowers to consider their credit options free from pressure or artificial timelines.
- Prompt Prepayment Assistance
  - If a borrower seeks to prepay a loan, provide any information required for the prepayment within two business days of the borrower's request.
- Responsive Complaint Management
  - If a borrower complaint is submitted, provide a confirmation of receipt in writing within five days when possible, and research and resolve the issue in a timely manner.

Acorn, The US Network  
Organization Name  
[Signature]  
Chief Executive Signature  
Gina Harman  
Chief Executive Name  
2-2-17  
Date



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# SMALL BUSINESS BORROWERS' BILL OF RIGHTS

## Signatories

These lenders, brokers, and marketplaces have taken a stand for small businesses by attesting that they abide by the BBoR.



## Endorsers

These organizations do not lend but they care deeply about responsible business lending and actively support the BBoR as endorsers.







## Capital Comparison Tool

This tool is provided to help you understand and assess the cost of your small business financing.

The calculations below involve certain key assumptions about this Loan, including that the Loan is paid off in its entirety according to the agreed payment schedule and that no repayments are missed.

Example Loan Amount	Disbursement Amount (minus fees withheld) <sup>1</sup>	Repayment Amount	Term (repaid monthly)
\$75,000	\$75,000	\$91,875	12 Months

  

Metric	Metric Calculation	Metric Explanation
<b>Total Cost of Capital</b> <b>\$16,875</b>	Interest Expense: \$0.00 Loan Fee: \$16,875.00 Origination Fee: \$0.00 Other Fees: \$0.00 <hr/> Total Cost of Capital: \$16,875.00	This is the total amount that you will pay in interest or Loan Fees and other fees for the Loan.  The amount does not include fees and other charges you can avoid, such as late payment fees and returned payment fees. <sup>2</sup>
<b>Annual Percentage Rate (APR)<sup>3</sup></b> <b>40.46%</b>	Your Loan will have monthly payments of: <b>See Specific Monthly Schedule Below</b>  APR: 40.46%	This is the cost of the Loan - including total interest or Loan Fees and other fees - expressed as a yearly rate. APR takes into account the amount and timing of capital you receive, fees you pay, and the periodic payments you make.  While APR can be used for comparison purposes, it is not an interest rate and is not used to calculate your interest expense or Loan Fee.
<b>Average Monthly Payment</b> <b>\$7,656.25</b>	Repayment Amount: \$91,875.00 Term (in months): + 12 Months <hr/> Average Monthly Payment: \$7,656.25  Specific Monthly Schedule Months 1-6: \$8,125.00 Months 7-12: \$7,187.50	This is the average monthly repayment amount of the Loan, which does not include fees and other charges you can avoid, such as late payment fees and returned payment fees. <sup>2</sup> This is an estimate for comparison purposes only.
<b>Cents on the Dollar (excluding fees)</b> <b>22.5¢</b>	Interest Expense or Loan Fee: \$16,875.00 Loan Amount: + \$75,000.00 <hr/> Cents on the Dollar: 22.5¢ (excluding fees)	This is the total amount of interest or Loan Fee paid per dollar borrowed. This amount is exclusive of fees.





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<b>Prepayment</b>	Does prepayment of this Loan result in any new fees or charges?	<b>No</b> (see Section 1.5 of the Loan Agreement)												
	Does prepayment of this Loan decrease the total interest or Loan Fees owed?	<b>Yes</b> (see Section 1.5 of the Loan Agreement for the interest or fee reduction amount)												





# California passes historic truth in small-business lending law — Congress should take note

BY CAROLINA MARTINEZ AND HEIDI PICKMAN, OPINION CONTRIBUTOR — 10/05/18 09:35 AM EDT  
THE VIEWS EXPRESSED BY CONTRIBUTORS ARE THEIR OWN AND NOT THE VIEW OF THE HILL

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**Marketplace Lending Association**  
Members: Lending Club, Prosper, Funding Circle, Avant, Marlette Funding, Affirm, Common Bond, Upstart, Peer Street, Lending Point, College Ave, and SoFi

**RBLC Members:** Action, Community Investment Management, Funding Circle, Lending Club, Opportunity Fund, Small Business Majority, and the Aspen Institute

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▲ AGUIAR-CURRY	▲ COOLEY	▲ HOLDEN	▲ O'DONNELL
▲ ALLEN	▲ COOPER	▲ IRWIN	▲ PATTERSON
▲ ARAMBULA	▲ CUNNINGHAM	▲ JONES-SAWYER	▲ QUIRK
▲ BAKER	▲ DAHLE	▲ KALRA	▲ QUIRK-SILVA
▲ BERMAN	▲ DALY	▲ KAMLAGER-DOVE	▲ REYES
▲ BIGELOW	▲ EGGMAN	▲ KILEY	▲ RIVAS
▲ BLOOM	▲ FLORA	▲ LACKEY	▲ RODRIGUEZ
▲ BONTA	▲ FONG	▲ LEVINE	▲ RUBIO
▲ BROUGH	▲ FRAZIER	▲ LIMON	▲ SALAS
▲ BURKE	▲ FRIEDMAN	▲ LOW	▲ SANTIAGO
▲ CABALLERO	▲ GABRIEL	▲ MAIENSCHIN	▲ STEINORTH
▲ CALDERON	▲ GALLAGHER	▲ MATHIS	▲ STONE
▲ CARRILLO	▲ GARCIA, C.	▲ MAYES	▲ THURMOND
▲ CERVANTES	▲ GARCIA, E.	▲ MCCARTY	▲ TING
▲ CHAU	▲ GIPSON	▲ MEDINA	▲ VOEPEL
▲ CHAVEZ	▲ GLORIA	▲ MELENDEZ	▲ WALDRON
▲ CHEN	▲ GONZALEZ FLETCHER	▲ MULLIN	▲ WEBER
▲ CHIU	▲ GRAY	▲ MURATSUCHI	▲ WOOD
▲ CHOI	▲ GRAYSON	▲ NAZARIAN	▲ MR. SPEAKER

Senate Third Reading  
SB 1235 Glazer

FILE:80  
▲ AYE 56 ▼ NO 0 VOTE:Majority

