- Trends in SMB Lending
- Fundera’s Role
TRENDS IN SMALL BUSINESS LENDING
Multiple financing products on offer

- SBA Loan
- Term Loan
- Equipment Financing
- Invoice Financing
- Business Line of Credit
- Short-term Loan
- Merchant Cash Advance
- Startup Loan
- Business Charge Card
- Personal Loan
Lender partnerships ensure Fundera can provide full SMB credit optionality.
### Eligibility & APR Ranges by Loan Product

<table>
<thead>
<tr>
<th>CREDIT SCORE</th>
<th>&lt;550</th>
<th>550-600</th>
<th>600-650</th>
<th>650-700</th>
<th>700+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-Term Loans</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-Term LoC</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medium-Term Loans</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medium-Term LoC</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SBA Loan</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ANNUAL REVENUE</th>
<th>&lt;$100k</th>
<th>&lt;$200k</th>
<th>&lt;$300k</th>
<th>&lt;$400k</th>
<th>&lt;$500k</th>
<th>&lt;$600k</th>
<th>&lt;$700k</th>
<th>&lt;$800k</th>
<th>&lt;$900k</th>
<th>&lt;$1M</th>
<th>$1M+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-Term Loans</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-Term LoC</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medium-Term Loans</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medium-Term LoC</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SBA Loan</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-Term Loans</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-Term LoC</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medium-Term Loans</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medium-Term LoC</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SBA Loan</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: [State of Small Business Lending, Q2 2016](#)
Fundera’s platform driven by SBA, medium-term credit

Source: State of Small Business Lending, Q2 2016
APR, time to funding may be inversely correlated
Small businesses going online for credit tend to be sub $500K revenue and sub 700 credit score.

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

- Trucking & Commercial: 3.1%
- Ecommerce: 3.4%
- Online Services: 3.6%
- Health Services: 3.8%
- General Contractor: 3.9%
- Construction & Materials: 4.0%
- Strategy/General Consulting: 5.1%
- Creative/Marketing: 5.6%
- Restaurant, Café, or Bar-Lounge: 8.1%
- Merchandise: 8.3%

Source: State of Small Business Lending, Q2 2016
Spans all 50 states, though all are not created equal

Source: State of Small Business Lending, Q2 2016
Spans all age ranges, though 25-59 represent overwhelming majority

Source: State of Small Business Lending, Q2 2016
Desktop submissions represent vast majority, but mobile is growing

Breakdown by Loan Application Device

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

Source: State of Small Business Lending, Q2 2016
Women are more likely to qualify for only the most expensive credit products

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

50% Of SMBs get declined from Community Banks

72 hours spent applying for SMB loans

2-4 months to receive funding

Funding Gap: $418B

Addressable Loan Amount: $388B

Bank Funded: $179B
Many alternative lenders have surfaced to fill the funding gap.
Multiple financing products on offer, making it difficult for SMBs to evaluate the right fit for their use case.

- SBA Loan
- Term Loan
- Equipment Financing
- Invoice Financing
- Business Line of Credit
- Short-term Loan
- Merchant Cash Advance
- Startup Loan
- Business Charge Card
- Personal Loan
The internet will transform SMB lending from a seller’s market to a buyer’s market.

- Travel Agent: priceline.com
  - Transparent Pricing
- Stock Broker: E*TRADE
  - Increased Competition
- Real Estate Agent: Zillow
  - Automated Processes
- Loan Broker: fundera
  - Customer Service
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.
Empowering borrowers with tools to make informed decisions

Distribution Partners
Fundera has 25+ partnerships to distribute its financial and lending literacy to SMBs
Universal disclosure empowers borrowers to comparison shop.
Customer success program further strengthens the customer experience through 1-on-1 customer assistance

- Trained professionals
- Advice for graduating to next level
- Assistance with loan process

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

“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

<table>
<thead>
<tr>
<th>Feature</th>
<th>Fundera</th>
<th>Direct Lenders</th>
<th>Classic Brokers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single point of contact</td>
<td>✓</td>
<td>❌</td>
<td>✓</td>
</tr>
<tr>
<td>No hidden fees or terms</td>
<td>✓</td>
<td>❌</td>
<td>❌</td>
</tr>
<tr>
<td>Shop several offers at once</td>
<td>✓</td>
<td>❌</td>
<td>❌</td>
</tr>
<tr>
<td>Lowest rates, guaranteed</td>
<td>✓</td>
<td>❌</td>
<td>❌</td>
</tr>
<tr>
<td>Long-term relationship</td>
<td>✓</td>
<td>❌</td>
<td>❌</td>
</tr>
<tr>
<td>Unbiased education and tools</td>
<td>✓</td>
<td>❌</td>
<td>❌</td>
</tr>
<tr>
<td>Bank-level security</td>
<td>✓</td>
<td>✓</td>
<td>❌</td>
</tr>
</tbody>
</table>
FUNDERA’S COMMITMENT TO TRANSPARENCY
Fundera’s longstanding commitment to bring transparency to lending

- **March**: Launches “one for all” common app to empower borrowers with choice in loan process
- **October**: Launches “Know Before You Owe” tools to cultivate lending literacy
- **January**: Releases onsite loan calculators, universal APR disclosure
- **May**: Launches site for borrower reviews for each lender, product
- **TODAY**: Launches model disclosure box with op-ed American Banker

- **April**: Releases online loan product guides
- **September**: Forbes op-ed calling for industry to rein in predatory loan brokers
- **February**: Calls for lenders to coalesce on Small Business Borrower Bill of Rights in Forbes op-ed
- **July**: Calls for CFPB to collect complaints, data from small businesses
- **September**: Launches report on challenges female SMBs face when getting credit
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**
- LendingClub
- BancAlliance
- Opportunity Finance Network
- THE ASPEN INSTITUTE
- Funding Circle
- CMI Community Investment Management
- ACCION
- Small Business Majority

**Culmination of Fundera’s Call to Action**

**Forbes**
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

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.”

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.

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.”

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.”

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.”

Self-Policing Shouldn’t Replace Common Sense Regulation
Brayden McCarty, VP of Strategy
“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

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

“All good 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.

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

The pledge is 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