

STATE OF SMALL BUSINESS ONLINE LENDING AND THE IMPACT OF PREDATORY LENDING ROUNDTABLE DIALOGUE

ACCION

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Accion: Our mission is financial inclusion ...

Client Breakdown



GENDER

58%..... MALE
42%..... FEMALE



INDUSTRY

37%..... SERVICES
14%..... RETAIL
13%..... MANUFACTURING &
CONSTRUCTION
9%..... FOOD & BEVERAGE
9%..... ARTS, MEDIA &
EDUCATION
8%..... TRANSPORTATION
5%..... WHOLESALE
5%..... BEAUTY & SALON



ETHNICITY

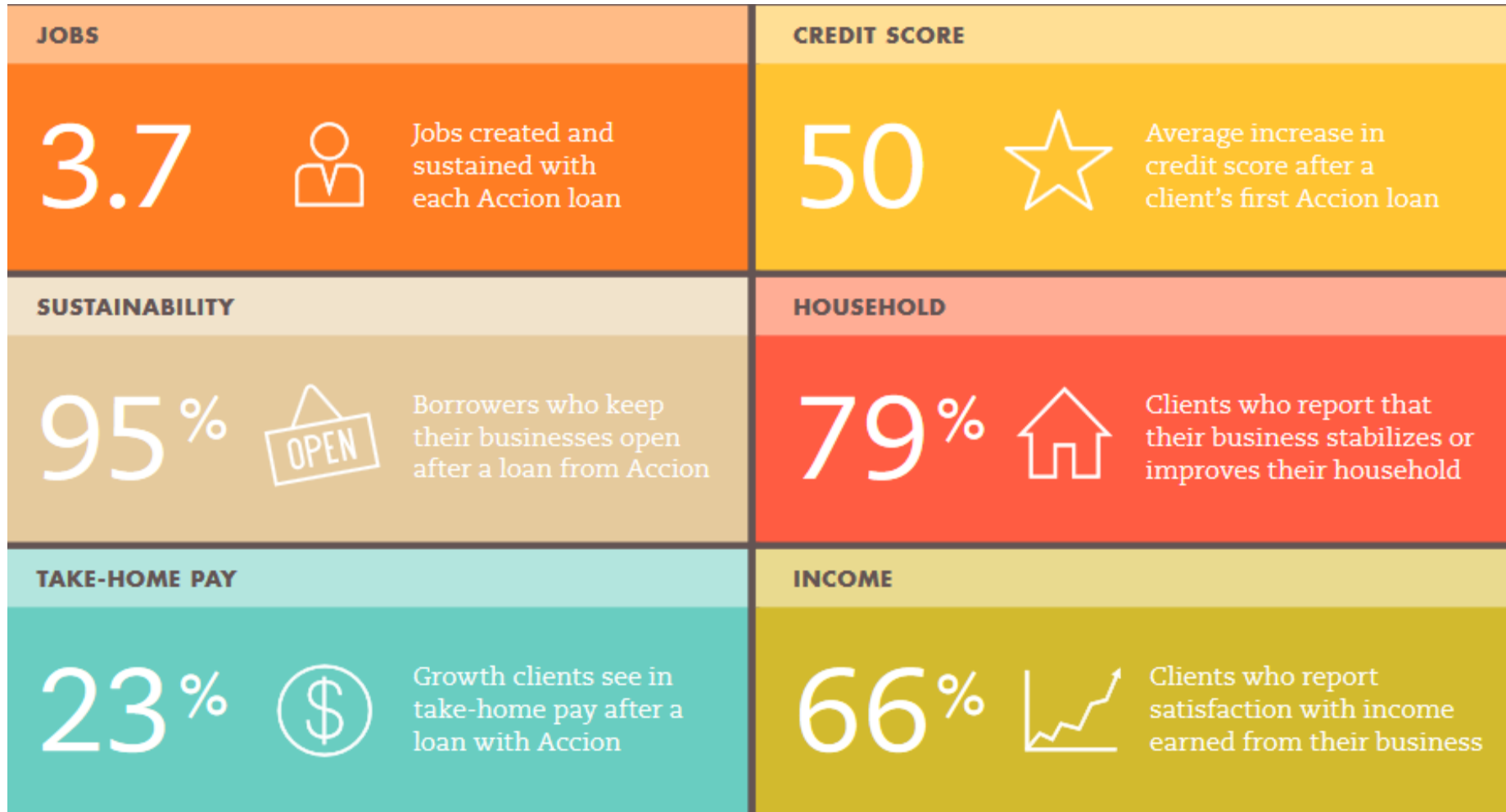
42%..... LATIN AMERICAN
26%..... CAUCASIAN
20%..... AFRICAN &
AFRICAN AMERICAN
9%..... MULTI-ETHNIC &
OTHER
3%..... ASIAN



LOCATION

33%..... NEW YORK &
NEW JERSEY
29%..... FLORIDA
18%..... NEW ENGLAND
8%..... ATLANTIC COAST
6%..... MIDWEST/CENTRAL
5%..... PACIFIC COAST

...and Community Impact



Accion: we stand by every small business owner

Flexible Requirements

Limited credit or financial docs,
Established biz in high-risk industries,
Start-up < two years in business, most
industries qualify

Trusted & Affordable Products

SBA certified w/ 25 years experience,
Over 500,000 small biz nation-wide,
Transparent products with a fixed rate &
no pre-payment penalty.

Small Business
Community
Lender*

Access to High-Profile Partnerships

Access to best minds and resources in
the industry like Sam Adams, Tory
Burch, & the SBA.

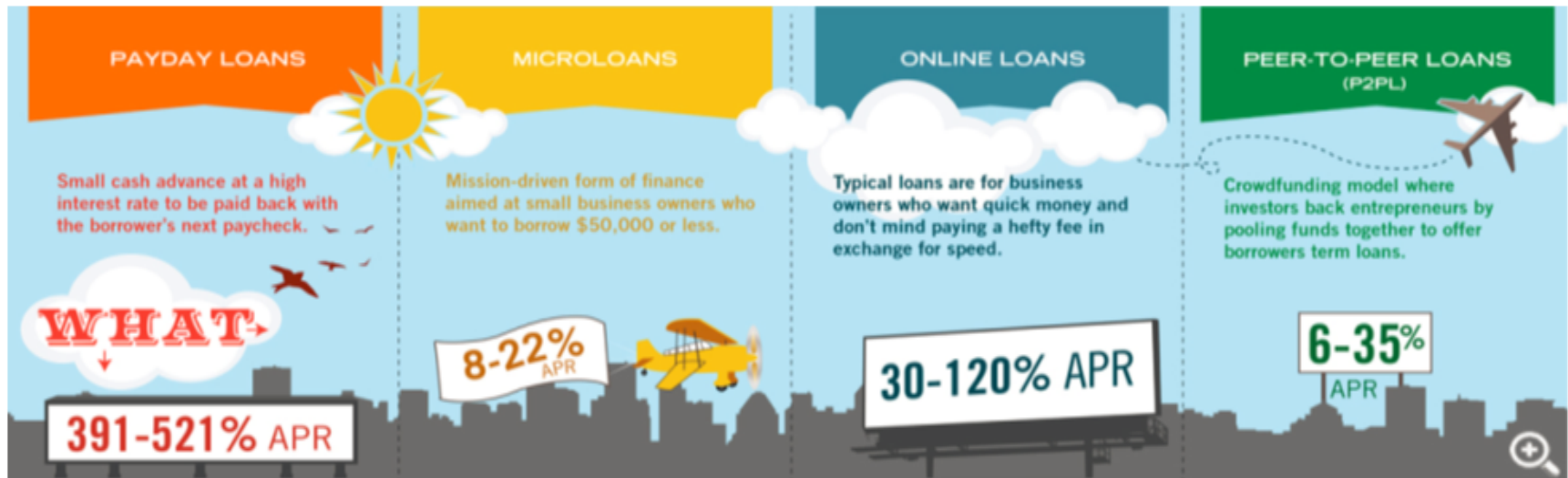
Free Small Business Consulting

One-on-one consulting,
In-depth financial analysis,
Future access to traditional financing.

* SBA certified, CDFI by the US treasury,
nonprofit 501(c)3

Accion & Online lending

With the increase of internet banking, there have been new lenders available online as well.



Often times, online clients choose online lending options based on how fast the application process is; however, it may not be the best financing option for their business.

At Accion, we tailored our online application process to better meet online borrowers expectations and help them to identify the most appropriate and sustainable product.

How Accion conduct its online lending?

At Accion, we are not only focused on the business transaction, our main goal is to educate our clients about the loan benefits and obligations:

- Inform the borrower about the loan terms and structure (APR, Length of loan, Servicing fees).
- What does it mean to put up collateral or have a cosigner?
- How will the loan affect your cash flow?

We aim to be HIGH TOUCH, not just HIGHT TECH.

However, we continue to invest in technology to make our process faster and borderless for our clients.



WARNING SIGNS *of* POSSIBLE PREDATORY LENDING

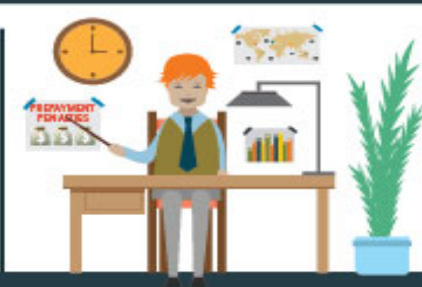
1 UNCLEAR PRICING AND TERMS



2 AGGRESSIVE OR ABUSIVE BROKER PRACTICES



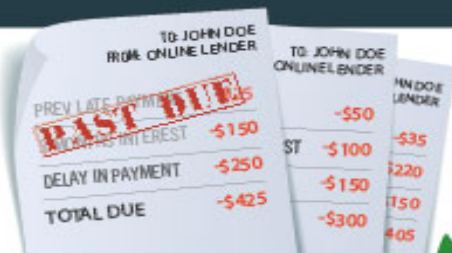
3 PRE-PAYMENT PENALTIES



4 APPROVAL IS TOO EASY



5 ABNORMAL PAYMENT STRUCTURES



6 SHORT TERM LOANS



7 NOT WILLING TO ANSWER QUESTIONS



ACCION

For full information, visit us.accion.org/predatorylending

Unclear Pricing And Terms

- Inadequate or False Disclosure
- Risk-Based Pricing
- Inflated Fees and Charges
- Abnormal Prepayment Penalties

Accion recently created a new role called “closing specialist” to answer all of those questions clearly and completely.

We recommend that our clients sign their contracts only after they clearly understand the terms of the loan.

Aggressive Or Abusive Broker Practices

- Brokers who don't disclose extra interest or fees or push clients into accepting a loan they are not fully comfortable with.
- Find out whether a client is paying a kickback to the broker
- Brokers should be upfront and honest about fees.

At Accion we require that brokers disclose their fee for service and provide the signed contract with their clients referred to us. Accion does not permit the use of its logo or website without written consent.

Pre-Payment Penalties & Abnormal Payment Structures

- Penalties for paying the loan off early, fees for extra items like insurance

Accion doesn't have any prepayment penalty and we educate our clients about the incentive to pay off the loan early to save money.

Many lenders discourage early pay off or refinancing so the client pays as much interest as possible.

We also designed our refinance program to reward clients with a good payment history. We offer lower interest rates and larger loan amounts.

Approval Is Too Easy

- Offers fast and easy approval with little or no required documentation. If a lender approves a client for a loan without performing proper due diligence, it may be a sign that it's not a scrupulous organization.

At Accion we require documentation, including business plans and existing finances, before offering financing. We also provide assistance on our website and in person to clarify:

- ***WHAT documents we need***
- ***WHY we need these documents***
- ***WHERE these documents can be found.***

Short Term Loans

- Loans that must be repaid in a very short time (such as “Payday Loans”, “Car Title Loans” or “Tax Refund Anticipation Loans”):

These lenders are betting that clients will not be able to pay them back on time, so they will get stuck racking up expensive interest charges and fees.

Accion loan officer’s ultimate goal is to help borrowers and make sure the payment plans are within their means (requiring a minimum coverage ratio 2:1) and accommodate the term of the loan to their individual needs.

Not Willing To Answer Questions

- Hard to contact, dodge questions about cost and terms

At Accion we want to achieve financing that will boost the future of their business, not burden it. We also want to work with borrowers by providing on-going technical assistance (often times in person) in order to:

- ***help them achieve their goals***
- ***understand their business***
- ***be able to repay the loan.***

What we can do?

Accion and the responsible business lending coalition launch a **Borrower's Bill of Rights.**

Promote:

- More inform way to borrow money for small businesses.
- Increase access to credit in underserved communities.
- More transparency, fairness putting the rights of the borrowers at the center of the lending process.



The Small Business Borrowers' Bill of Rights

Greater transparency and accountability across the small business lending sector throughout six key rights:

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

Accion Success Story..



"My Loan Consultant actually did what he said he'd do. It's hard to find someone you can actually trust. He spent a whole day with me."

Tom Tran of *Simply Nails and Spa* in Boston, MA on his experience with Accion

Impact 2016

CLIENTS REPORT FEELING MORE FINANCIALLY SECURE & MORE IN CONTROL OVER THEIR FINANCES AFTER WORKING WITH ACCION.

- **JOBS**
An average of **3.7 jobs were created and sustained** with each Accion loan.
- **TAKE-HOME PAY**
Clients experienced a **23% increase in take-home pay** after receiving a loan.
- **SUSTAINABILITY**
95% of borrowers were still in business one year after receiving a loan.
- **CREDIT SCORE**
The average increase in credit score after a client's first Accion loan was **50 points**.
- **SATISFACTION**
95% of clients said their Loan Consultant **helped them improve** their business.
- **SCALABILITY**
42% of clients would have had to reduce growth plans without an Accion loan.
- **HOUSEHOLD**
79% of clients reported their households **improved/stabilized** after their loan.
- **REVENUE**
67% of clients experienced an increase in sales within six months.

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