

Slow Response Means Lost Borrowers

Alternative Lenders Need an Efficient Loan Origination Process

Prepared by **FUNDINGO**



Introduction

In the world of **Alternative Lending**, slow responses mean lost borrowers. Potential borrowers expect a rapid evaluation and decision. If lenders aren't fast, borrowers look elsewhere.

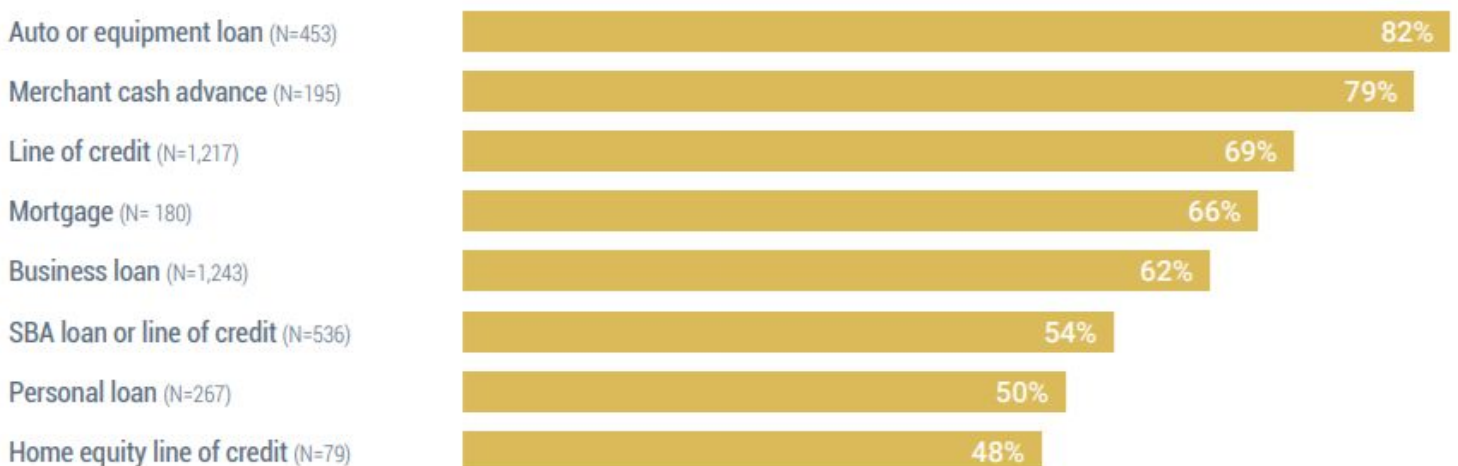
A firm that is not set up to quickly approve and finance deals will likely see their potential borrowers getting snapped up by the competition. In the end, response times are one of the key differentiators between the most successful Alternative Lending firms, and the ones who struggle.

Merchants need money *fast*. Whether it's to cover payroll, invest in equipment or improvements, or to simply boost cash on hand, businesses applying for a loan or merchant cash advance generally don't have weeks to wait for funding approval.¹


While big banks and traditional loans can often take months for approval, Alternative Lenders need to turn around deals in a few short days. **Speed** is one of Alternative Lending's biggest advantages over traditional loans, but that advantage can easily be lost.

Most individuals or businesses looking for a loan or merchant cash advance will apply to multiple brokers and funders at the same time; looking for the best deal terms and quick turnaround. Statistics show though, that the first lender to approve the deal, is usually the one to close the deal. Thus, fast response times mean more funded deals.

APPROVAL RATE BY TYPE OF LOAN/LINE OF CREDIT OR CASH ADVANCE^{2,3} (% of loan/line of credit and cash advance applicants)



¹ Source: The [2017 Small Business Credit Survey](#) by the Federal Reserve



Which leads to the **million-dollar** question:

How can Alternative Lending companies improve response times and keep from losing potential borrowers?

Well, before talking about how to go faster, we need should look at the areas that are holding us back. While there are many factors that can lead to a slow response time, the biggest drain on deal making speed, hands-down, is an **ineffective Loan Management System**.

In this paper we will be going over some of the specific pain points that slow down the funding process and negatively affect a lender's ability to approve deals, and then discuss how to avoid some of these problem issues.

Slow Deal Applications

Some Alternative Lending firms get left behind right at the starting line.

Most merchants apply for funding from an online application system. As the first point of contact with a potential borrower, Alternative Lending firms should look at this as a critical opportunity to get ahead.

While large banks may take weeks or months to process an application, agile lending firms can turn around an answer within a day or two. If the application is too complicated or too lengthy, it can stop the deal before it even gets started.

The **solution** is to **simplify** the funding application process.

Even the busiest of merchants should be able to complete the application quickly and not get scared off by mountains of forms or lengthy procedures

FUNDINGO. Funding Application

Funding Application Stripe (0) Open Balances (2) Bank Statements (4) Merchant Statements (3) Tasks (1) Attachments (0)

Quick Save Save Cancel

BUSINESS INFORMATION			
Account Name ABC Pizza Shop	Stage Application Sent	Close Date 12/31/2016 [1/17/2018]	
Legal Name ABC Pizza Shop	Type of Entity LLC	Federal Tax ID# 111111111	Industry Food & Beverage
Billing Street 555 Nash Street	Billing City Tarzana	Billing State/Province California	Billing Zip/Postal Code 91403
Shipping Street	Shipping City	Shipping State/Province	Shipping Zip/Postal Code
Account Phone (818) 457-6399	Account Fax	Website www.abcpizzashop.com	Years in Business 5
Amount Requested 50,000.00	Use of Proceeds Equipment	Gross Monthly Sales 110,000.00	Monthly Credit Card Sales 900000
BROKER INFO			
ISO 3 Day Funding		ISO Sales Rep Mike Rosenblatt	
OWNER INFO			
Select Contact Chaim Abenaim	First Name Chaim	Last Name Abenaim	% Of Ownership

From Application to Sales

However, the funding application process doesn't stop there. Once the deal information has been entered, what happens to that application data on its way to getting approved? Is it sent to the Sales team in a cryptic or poorly formatted email? Does Sales have to then manually dig up the details and put them into the system one at a time?

Smart forms with **built-in automation** can bypass this data entry step and jump start the funding process. The basic details of the deal can be automatically populated to an

account profile in the system as soon as the application is received. Notifications can be sent to the sales and underwriting teams with quick links that enable the team to access the new account immediately and begin the evaluation process.

According to a study by Harvard Business School, most major alternative lenders offer loan applications online that take an average of 30 minutes to complete

Data Scattered Across Multiple Systems

For any company processing large amounts of data, having a decentralized system leads to significant slowdown, risk and disorganization. While it can seem like a daunting task to centralize all of your data, (and frankly, not one that many people look forward to) storing and sharing everything from a single location has **big time benefits**.

Data Entry Errors

Does your data need to be entered *multiple* times for a single deal to pass through the different parts of your funding process? This is common on older systems and leaves a lot of room for error. Even simple errors like punctuation or capitalization mistakes can


cause misalignment of data and stop the process in its tracks. The older the system, and the more disconnected different functions are, the **bigger** the risk.

Once a data error has been made, someone has to comb through the various accounts and data in order to locate where the data matching error has occurred.

This is lost **time** and lost **resources**.

However, this can be avoided through well-connected systems that share data from one





stage in the process to the next.. They allow your team to enter deal info **once** (and only once) and have that info attach to the application and auto-populate throughout the entire underwriting process.

Efficiency and Organization

A lending system that utilizes multiple locations for storing your data, say Excel spreadsheets, ledgers and digital account pages, suffers from serious slowdowns.

If your team needs to manually sort between different data sets, in multiple locations, to find what they need, you are **losing time**.

What if one database gets out of date? Maybe someone forgets to enter an important data point. What if an error is made in one or more databases and the data isn't matching up? Your team will again be **manually** sorting through records to rectify the mismatched data and find the missing pieces.

Manual ACH Payments

ACH Payments are essential for the funding process. They ensure compliance and are the safest way to process lending transactions.

Most small to midsize lending companies submit hundreds of ACH transactions a day. Larger firms submit thousands. However, if you are still using the processes of yesteryear a.k.a. manually submitting the ACH payment for every transaction, you are spending a lot of unnecessary time and

The efficiency of a single location to store all information becomes even clearer when compared with traditional systems of hand written notes.

Imagine your *essential* deal information is recorded on scraps of paper and notepad scribbles on your desk. Sorting through each note, adding them one by one, making sure you don't forget anything, reading your own poor handwriting... this is *not* an efficient system. If your system isn't efficient and organized, your response time to borrowers will be **significantly** slower.

***In 2015, Alternative Lenders
Financed 71% of the Loan
Applications they received.***

energy on something that the top companies have already automated.

How many hours does this manual process take? What else could your team be doing if they weren't processing ACH payments?

**Doing all of these transactions
manually is not sustainable,
especially for any firm that wants to
grow.**

By automating the ACH process, MCA firms have been able to re-allocate valuable resources and grow their bottom line. If you

want to scale up your operation, it is essential to have an ACH process where you can simply “**set it and forget it**”.

Do you really know the total cost of lost borrowers?

Short Term Losses

- Lost time and effort that was spent on the failed deal
- Lost potential revenue from other deals that weren't closed due to occupied resources
- No potential for renewals or repeat business.

Long Term Losses

- Missed opportunities for positive recommendations and referrals.
- Increased costs of attracting new customers.
- Negative word of mouth hurting your reputation.

Poor Renewal Management

The **first** lender to approve a deal is often the one that gets the account.

The same principle applies to renewals. As the date of maturity approaches for a loan or cash advance, the merchant will begin considering options for renewal.

Renewals are an easy form of revenue, because you have already done all the underwriting leg-work. More than that, you already have a relationship and a payment history with the client, so you already know what you will be willing to say yes to.

You build your business on **renewals**, so moving slow to approve them is simply not an option.

Old funding systems provide significant challenges and time constraints on the

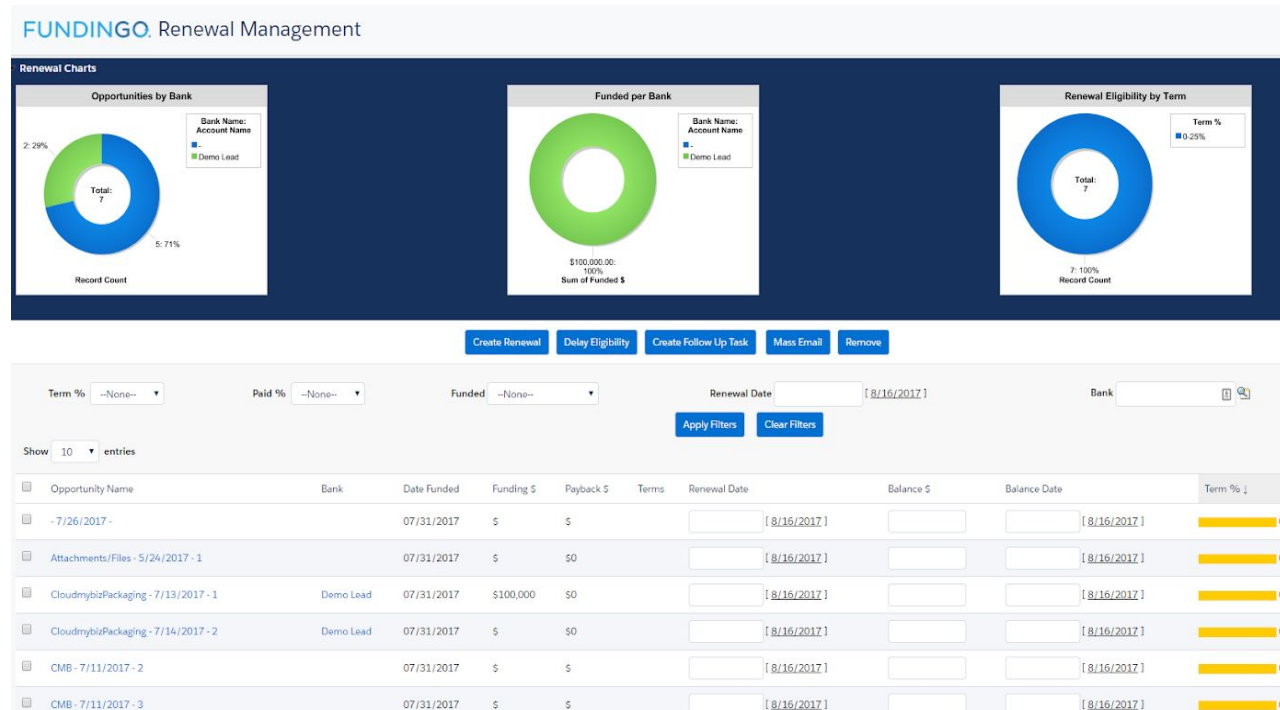
renewal process. Many firms are still using Excel spreadsheets for tracking and managing renewals, and not realizing how much it is slowing them down.

Without a streamlined interface and sophisticated deal tracking, your sales team will move significantly slower. They may have to dig through different databases, contact sheets and deal histories just to know who to renew and when to do it. Without a smart system that can track deals for you and sends out automated renewal notifications, you are slowing yourself down.

To maximize your renewals, you need to be able to see **real time status updates**. A

good system will show you all your deals, and their pertinent details, that are up for renewal, in an easy-to-use dashboard or screen.

Once you know which deals to renew, another automated process can help you get further ahead of the game. You can save your sales reps time and set your system to do part of the work by sending out automated messages to customers. You can get the conversation going, and begin the renewal process prior to any contact with a live rep.



Slow User Adoption

Training new users on the loan application system takes time. However, doing it on a poor system can be exponentially worse.

On a poor system, processes don't always lead intuitively from one to another and ad hoc workarounds have become **“the way things are”**. This can leave new users scratching their heads as they struggle to understand the **“why”** behind each process.

You end up training new users on how to work **around the system** as much or more as you train them on **how to use it**.

Of course, if your system is anything like this, onboarding will be slow and challenging. The last thing you want to do is significantly slow down the train so a new person can get on board.

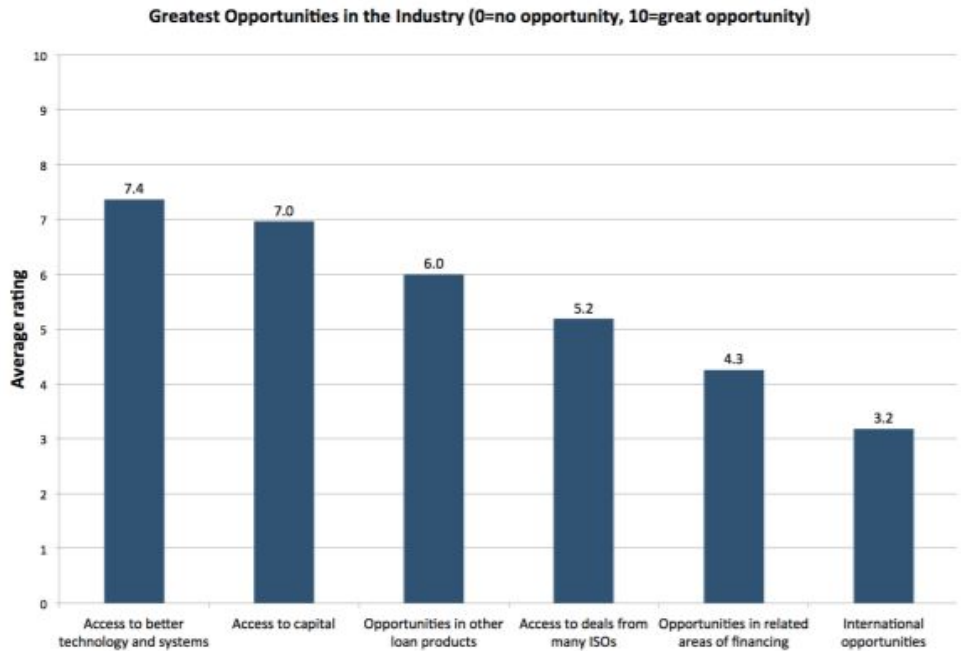
In a world where slow responses mean lost borrowers, you can't afford to hit the brakes on your momentum and spend significant resources to train new people. However, if your system is intuitive, streamlined, easy to use and features quality user support, new

hires can quickly get on board and start helping you grow.



ACCESS TO BETTER TECHNOLOGY AND SYSTEMS IS THE GREATEST OPPORTUNITY IN THE INDUSTRY

Based on responses from participants asked to score the importance of opportunities on a scale of 0–10, with 10 being the highest.



2. Chart Source: [DeBanked Small Business Financing Report](#)

Conclusion

Every possible advantage is needed for an Alternative Lender to thrive. The difference maker for most firms? **Quick response times** to funding applications.

The key to a quick response time is a **Loan Management System** that speeds up the funding process rather than slowing it down.

The FUNDINGO Loan Management Solution

FUNDINGO is a **Loan Management Solution** created by industry experts and designed specifically for Alternative Lending companies. It streamlines the entire process of originating, underwriting, and servicing loans.

Unlike a hodge-podge of outdated and unconnected systems, each handling only a single element in the funding process, the FUNDINGO solution helps lenders attract and close more deals, accelerate the underwriting process, generate more pricing options, reduce errors, and ensure greater consistency.

With FUNDINGO powering their processes and ensuring speed, accuracy and consistency, these lenders also earn a more **professional** reputation among borrowers, brokers, and syndication partners.

The FUNDINGO solution, developed and created by CloudMyBiz, is built on the **Salesforce.com platform** and can be closely integrated with a company's CRM, finance, document management and other systems. Supported by experts in alternative lending, FUNDINGO has been successfully implemented in leading firms across the U.S.

Interested in learning more?

Visit our website, www.fundingo.com, to see what FUNDINGO can do for you.

Have specific questions or want to talk to a FUNDINGO consulting expert?
Contact us at info@fundingo.com

