

# Lenders One 2018 Winter Conference

Scottsdale, AZ

**Karen G. Mills**

Senior Fellow, Harvard Business School

Former Administrator of the U.S. Small Business Administration

March 6<sup>th</sup>, 2018



H A R V A R D | B U S I N E S S | S C H O O L

## WORKED FOR PRESIDENT OBAMA AS HEAD OF SMALL BUSINESS ADMINISTRATION (2009-2013)

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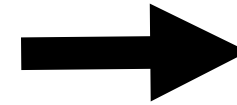
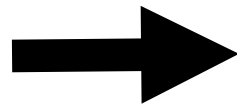
# RESPONSIBLE FOR AMERICA'S SMALL BUSINESSES

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# GUARANTEEING SMALL BUSINESS LOANS



**\$100 billion in loan guarantees**


**Through over 3,000 banks**



# FINTECH: HOW TECHNOLOGY IS CHANGING THE GAME



2014



**HARVARD  
BUSINESS SCHOOL**

**THE STATE OF SMALL BUSINESS LENDING:  
INNOVATION AND TECHNOLOGY AND THE IMPLICATIONS FOR  
REGULATION**

Karen Gordon Mills  
Brayden McCarthy

2016



**HARVARD  
BUSINESS SCHOOL**

**THE STATE OF SMALL BUSINESS LENDING:  
CREDIT ACCESS DURING THE RECOVERY  
AND HOW TECHNOLOGY MAY CHANGE THE GAME**

Karen Gordon Mills  
Brayden McCarthy



# Small Business Loan Application Code 60

Officer Name: \_\_\_\_\_ Store #: \_\_\_\_\_ Officer #: \_\_\_\_\_ Sourced by:  Store

To be completed by Borrower(s)

**DENIED**

- TD Bank  CD
- Marketab
- Equipmer  New
- Vehicle  New
- Account
- Invento
- Owner  Resir  Corr
- Investi  Res  Cor  Mi  Ot

**Purpose**

The following information is needed to better understand the lending needs

Business Improvements  
 Refinance or Debt Consolidation  
 Purchase an Existing Business  
 Purchase of Real Estate  
 Purchase Vehicle (please describe): \_\_\_\_\_  
 Purchase Equipment (please describe): \_\_\_\_\_  
Bank loan #: \_\_\_\_\_

Select all that apply:

- General or Capital Expenditures
- Start-up
- Working Capital
- Other \_\_\_\_\_
- Modification

Charge Requested (please specify): Cash for inventory

Tell us which loan product you are requesting:

- Line of Credit
- SB Home Equity Line of Credit
- Time Loan (up to 90 days)
- Letter of Credit
- ACH Limit Requested: \_\_\_\_\_

Amount Requested: \$ 53,000

Amount Required: \$ 10,000

**Product**

**New**  **Increase**  **Renewal**

- Commercial Real Estate Mortgage  
Fixed Rate (3 or 5 yrs) \_\_\_\_\_ years  
Amortization (10 or 20 yrs) \_\_\_\_\_ years  
Term (up to 5 yrs) \_\_\_\_\_ years  
Term (up to 7 yrs) \_\_\_\_\_ years
- Term Loan
- Express Lease

Automatic Payment Deduction

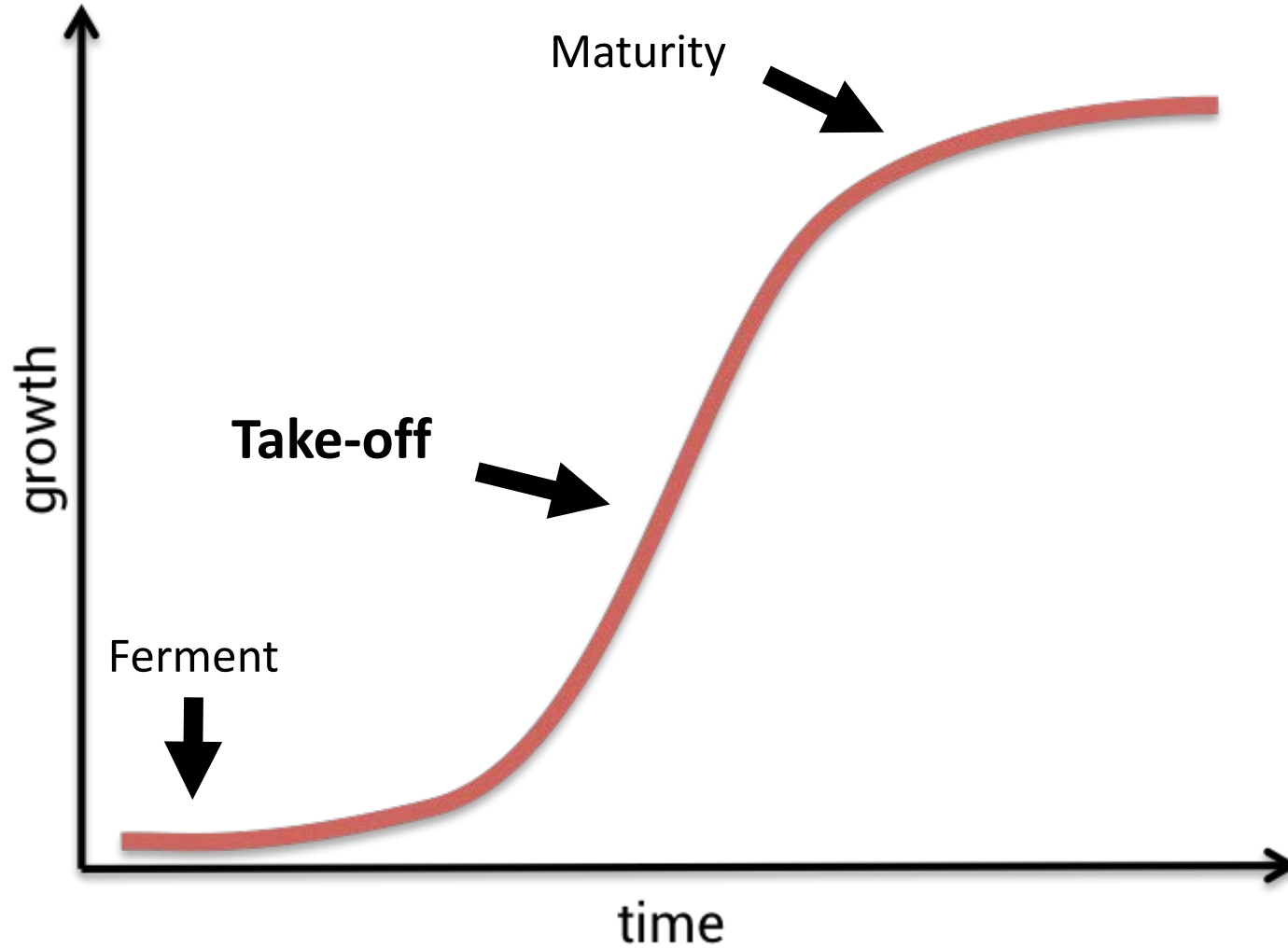
Automatic Payment Deduction will save you time & money by automatically deducting your monthly payment(s) from your checking account.

Business Information (Applicant/Borrower)



# INNOVATION PHASES

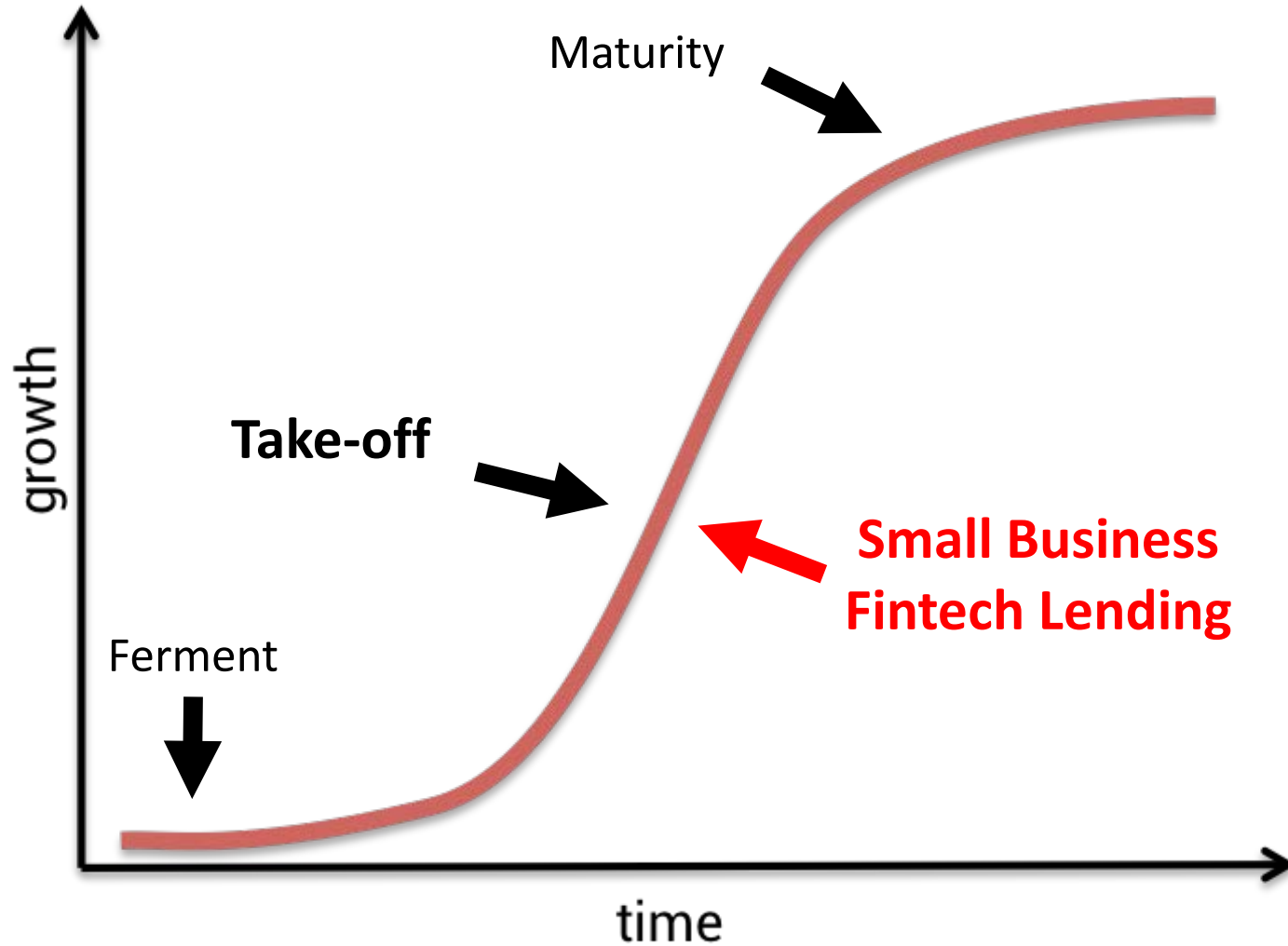
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# INNOVATION PHASES

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# FINTECH TOOK OFF

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**ondeck**

 **LendingClub**

**FUNDATION**

 **fundera**

 **Funding Circle**



SoFi

**Biz2Credit**

 **Kabbage**

 **Square**

**Raiseworks**

 **PROSPER**

**CAN CAPITAL**

 **CapitalSource**

**finmar**

 **LINKED FINANCE.COM**

 **lendio**

 **avidxchange**

 **FOLK 2 FOLK**

**zazma**

 **BOND STREET**

 **Dealstruck**

 **Funding Wonder™**

 **Funding Empire™**

## ONLINE LENDING: WILL DAVID SLAY GOLIATH?

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# DON'T COUNT OUT THE BANKS AND TRADITIONAL LENDERS

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**Borrower  
Acquisition**

**INCUMBENTS**

JPMorganChase 



WELLS FARGO

**COMMUNITY BANKS**

**DISRUPTORS**

OnDeck 

 Funding Circle

CAN CAPITAL







 FUNDBOX

 fundera











# DON'T COUNT OUT THE BANKS AND TRADITIONAL LENDERS







	Borrower Acquisition	Borrower Experience & Satisfaction
<b>INCUMBENTS</b> JPMorganChase   WELLS FARGO	✓	✗
<b>COMMUNITY BANKS</b>		
<b>DISRUPTORS</b> OnDeck   Funding Circle CAN CAPITAL  FUNDBOX  fundera	✗	✓

# DON'T COUNT OUT THE BANKS AND TRADITIONAL LENDERS

	Borrower Acquisition	Borrower Experience & Satisfaction	Cost of Funds
<b>INCUMBENTS</b> JPMorganChase   WELLS FARGO	✓	✗	✓
<b>COMMUNITY BANKS</b>			
<b>DISRUPTORS</b> OnDeck   Funding Circle CAN CAPITAL  FUNDBOX  fundera	✗	✓	✗

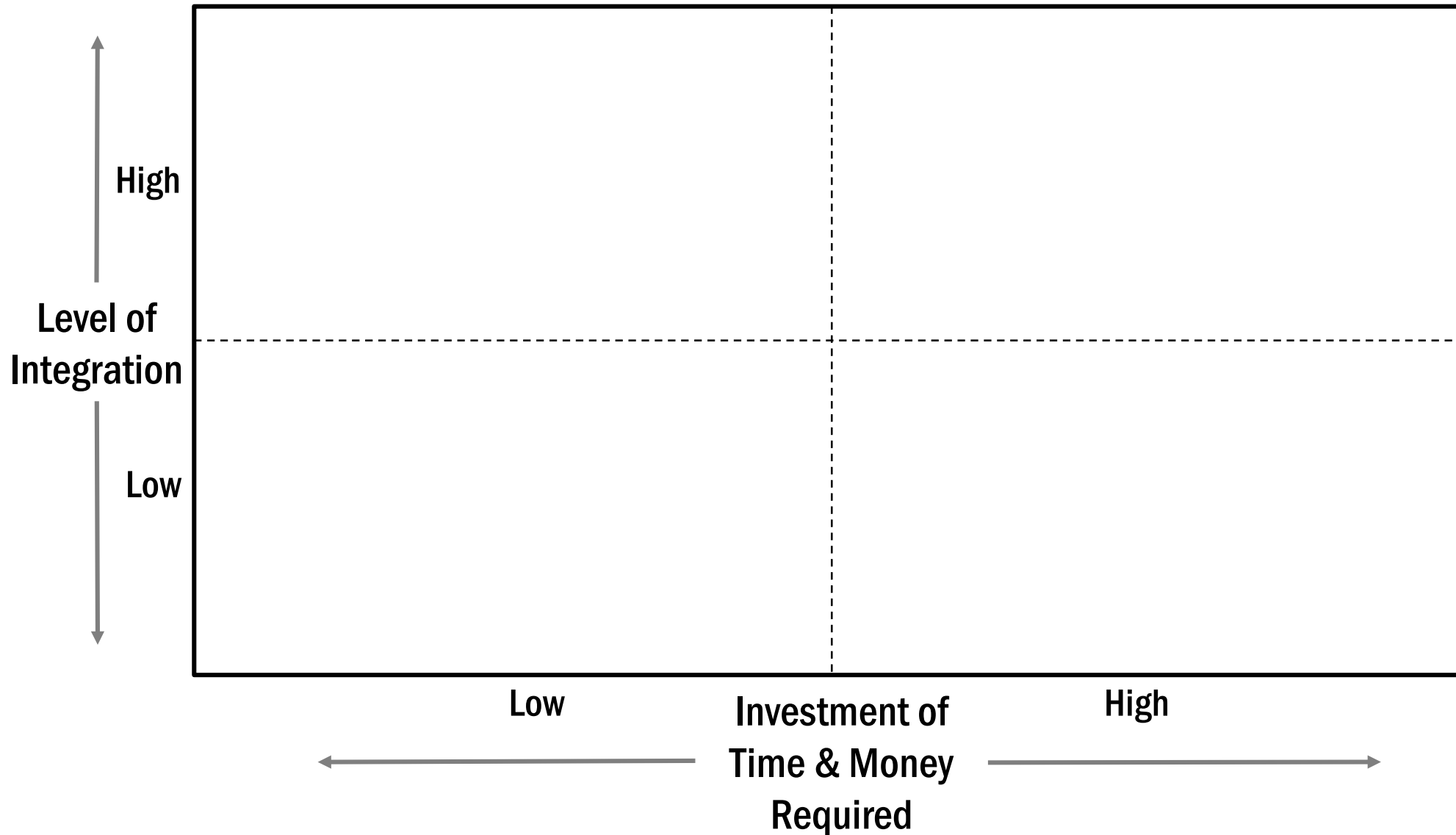
Source: Author's analysis and "The Brave 100: The Battle of Supremacy in Small Business Lending." QED Investors and Oliver Wyman. 2015.

# DON'T COUNT OUT THE BANKS AND TRADITIONAL LENDERS

	Borrower Acquisition	Borrower Experience & Satisfaction	Cost of Funds	Underwriting & Compliance Costs
<b>INCUMBENTS</b> JPMorganChase   WELLS FARGO	✓	✗	✓	✗
<b>COMMUNITY BANKS</b>				
<b>DISRUPTORS</b> OnDeck   Funding Circle CAN CAPITAL  FUNDBOX  fundera	✗	✓	✗	✓

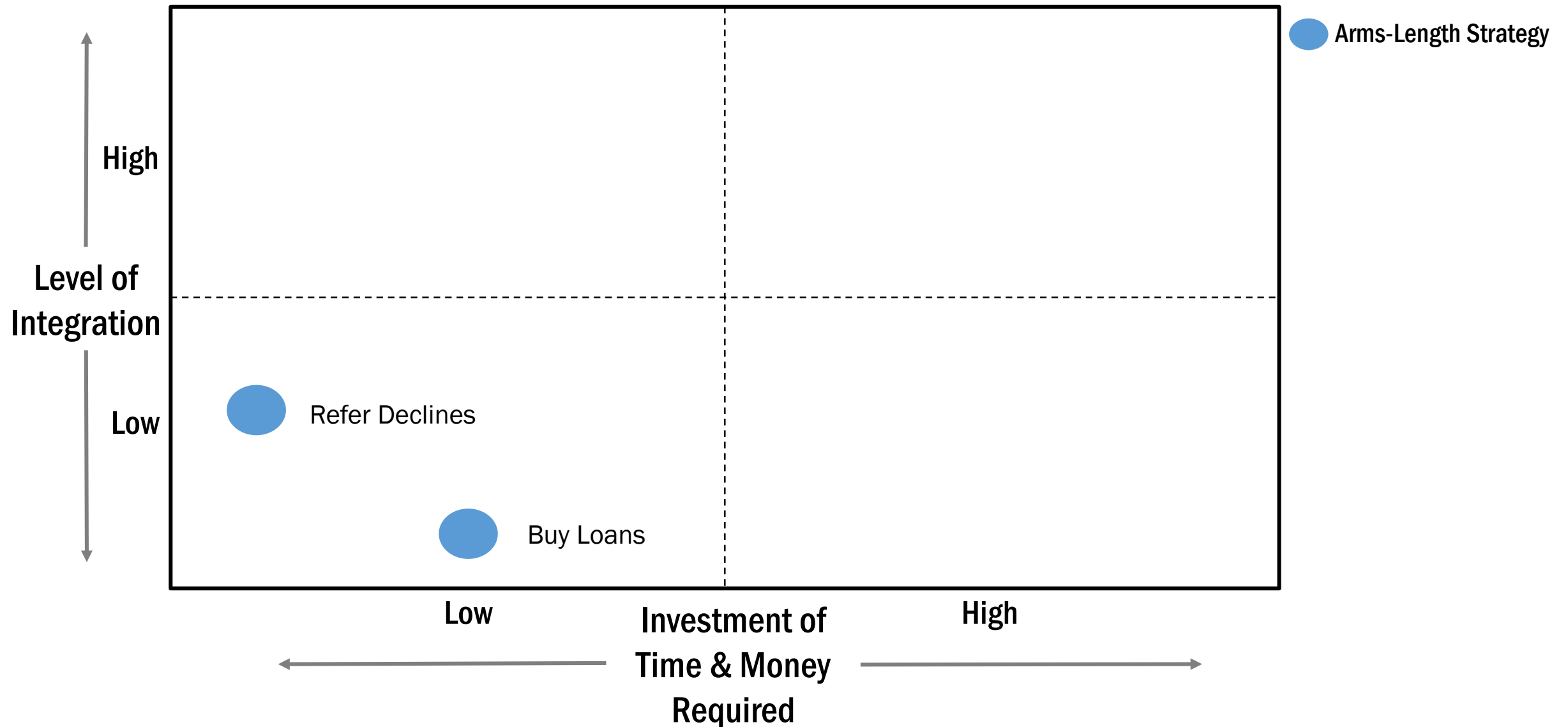
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# BANKS AND INCUMBENT LENDERS: OPTIONS FOR STRATEGIC RESPONSES

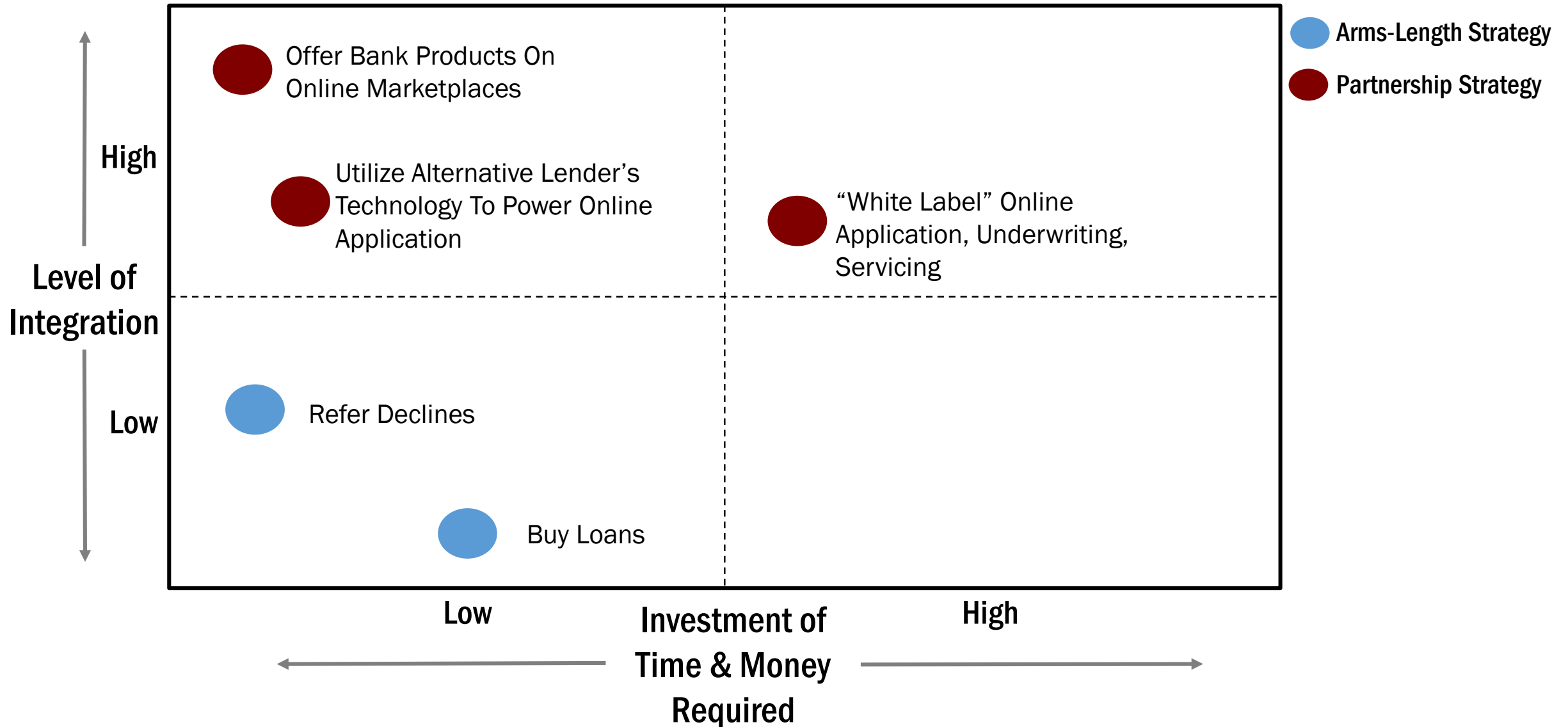




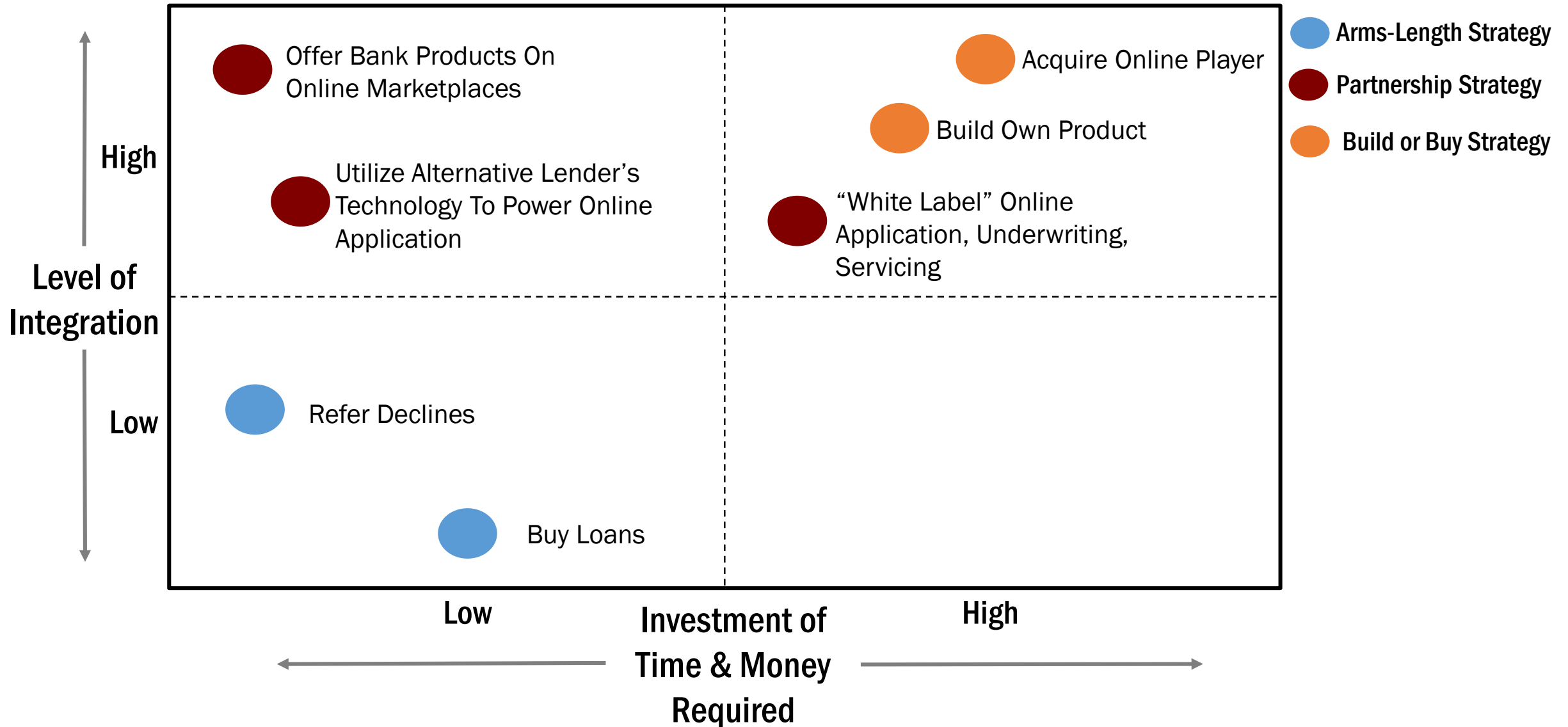
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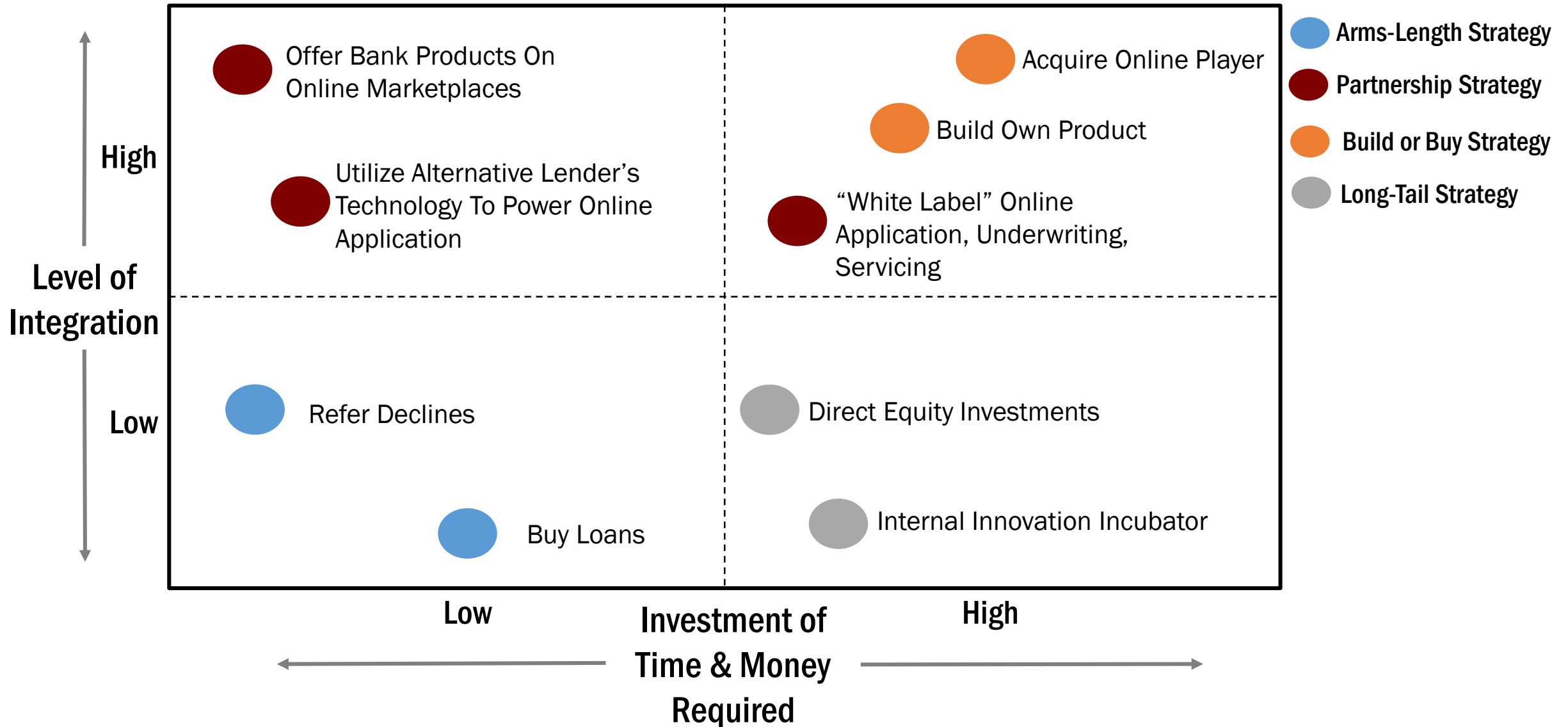
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# BANKS AND INCUMBENT LENDERS: OPTIONS FOR STRATEGIC RESPONSES





# EASTERN BANK

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**Bob Rivers, CEO of Eastern Bank**



# EASTERN LABS

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**Bob Rivers, CEO of Eastern Bank**



**Dan O'Malley, Head of Eastern Labs**





# SPIN OUT

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**Bob Rivers, CEO of Eastern Bank**



**Dan O'Malley, CEO of Numerated**



# THE INNOVATION JOURNEY: REVERSE ENGINEER SUCCESS

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- 1. Define the outcome you want to achieve. Where in the process do you want to introduce technology?**



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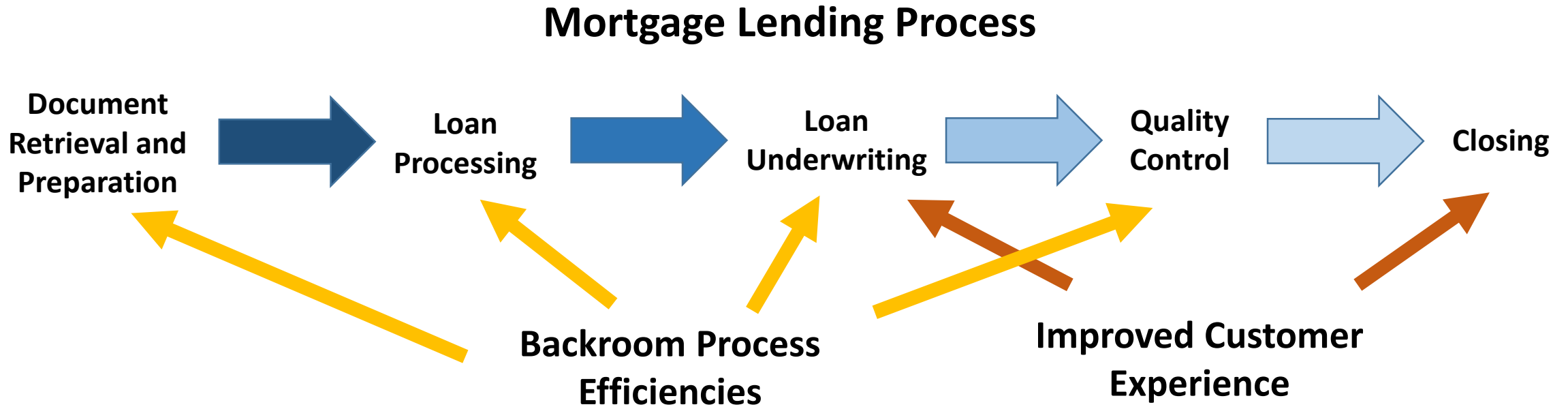
## Mortgage Lending Process



# THE INNOVATION JOURNEY: REVERSE ENGINEER SUCCESS

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1. Define the outcome you want to achieve. Where in the process do you want to introduce technology?



# THE INNOVATION JOURNEY: CHOOSING THE PATH

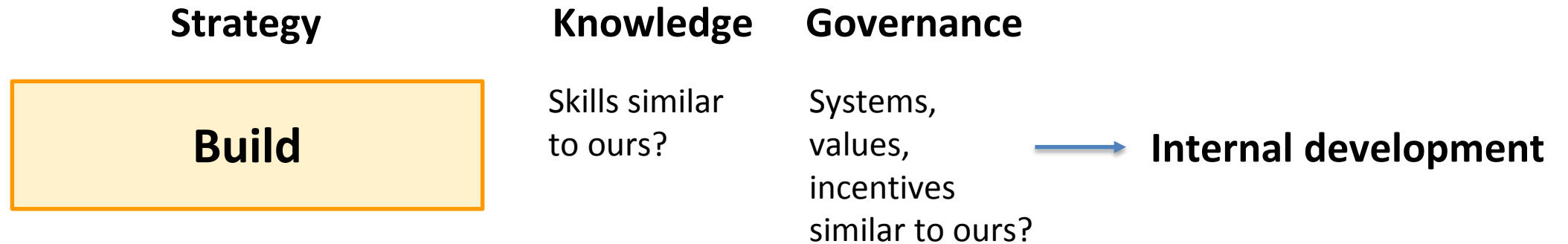
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**2. What is the path? How do you bring innovation into your organization?**

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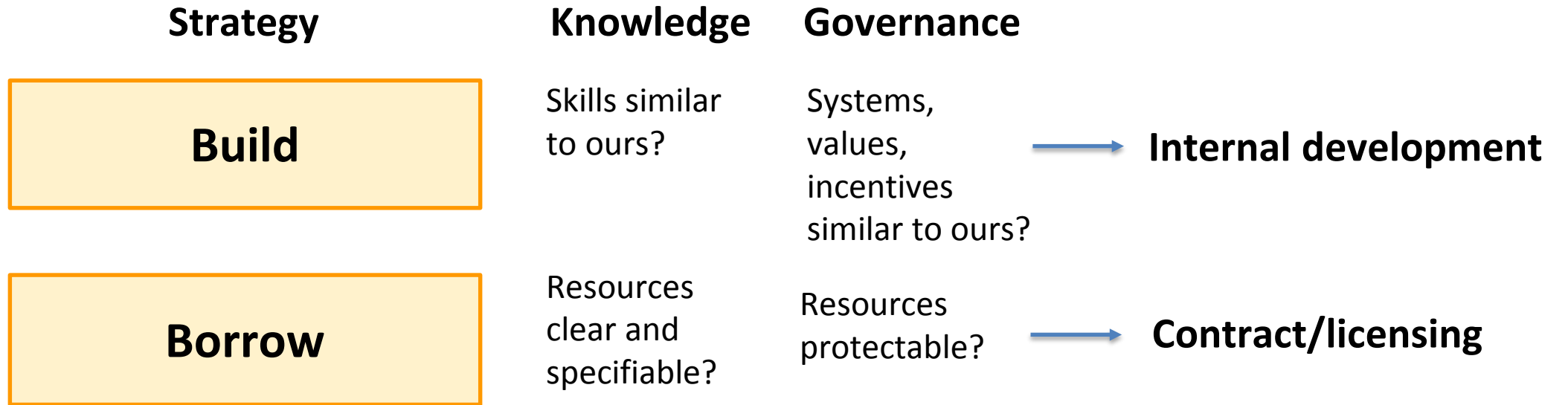
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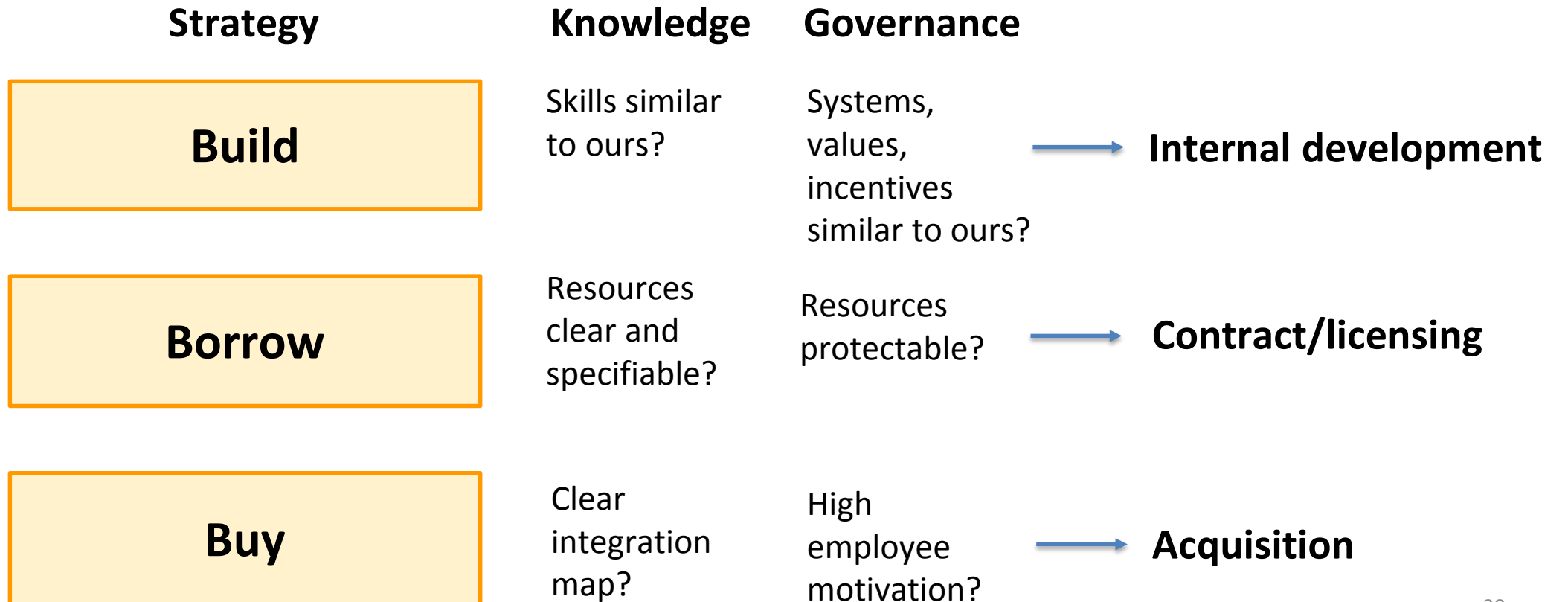
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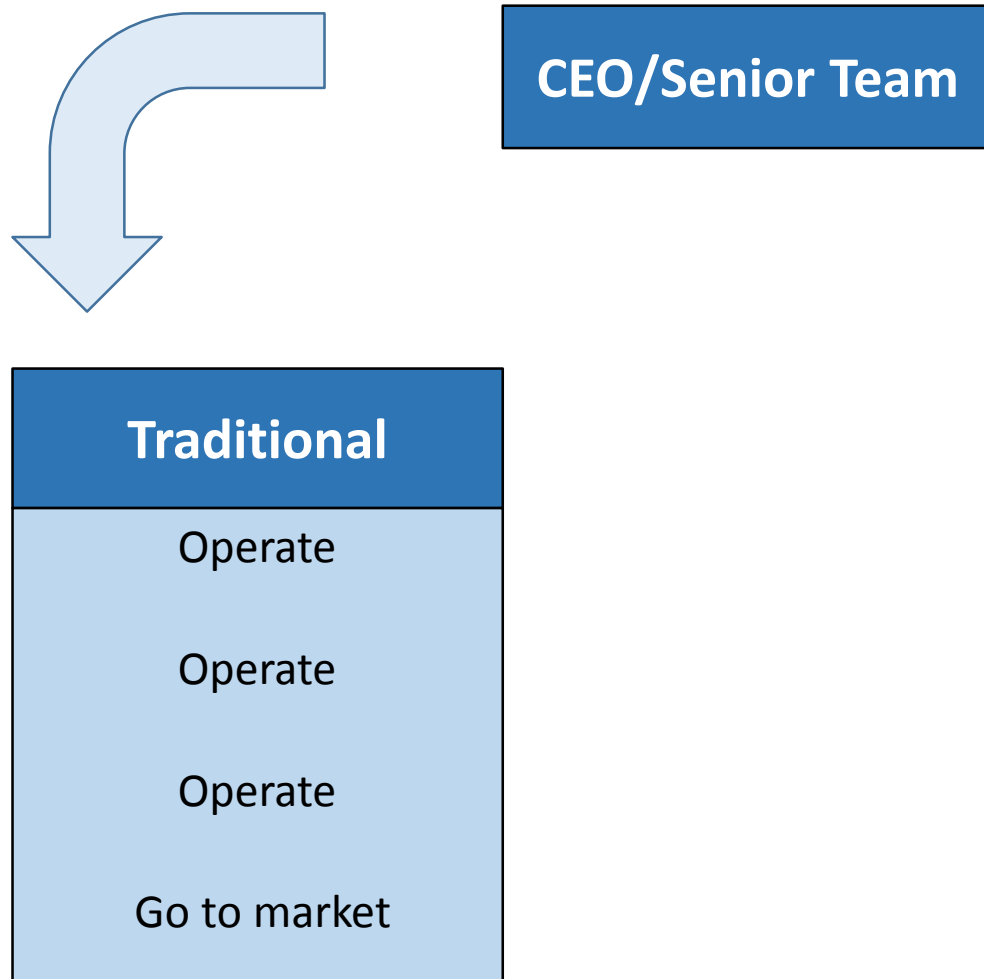




# THE INNOVATION JOURNEY: CULTURAL CHANGE

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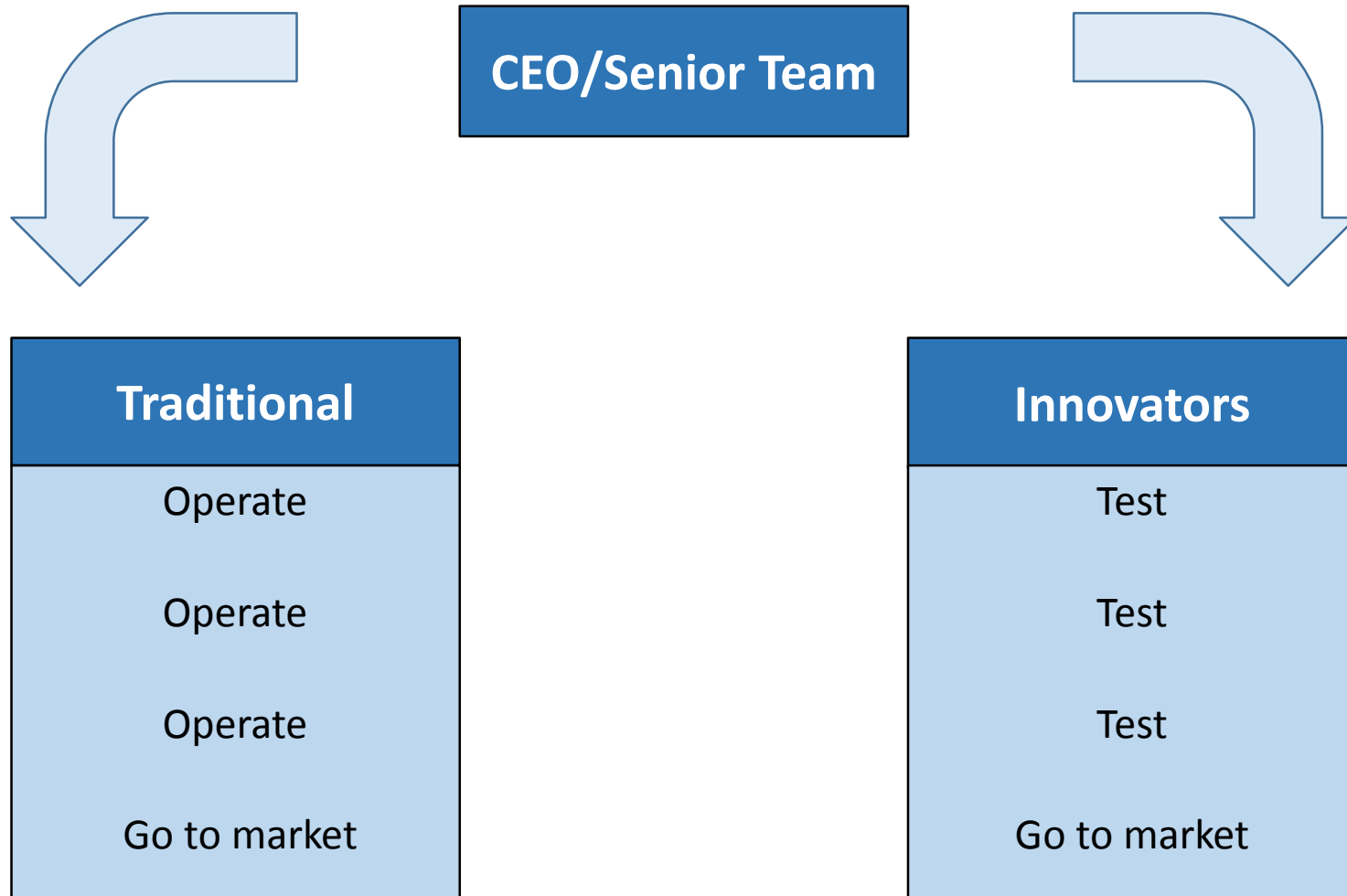
## 3. Create the right culture



# THE INNOVATION JOURNEY: CULTURAL CHANGE

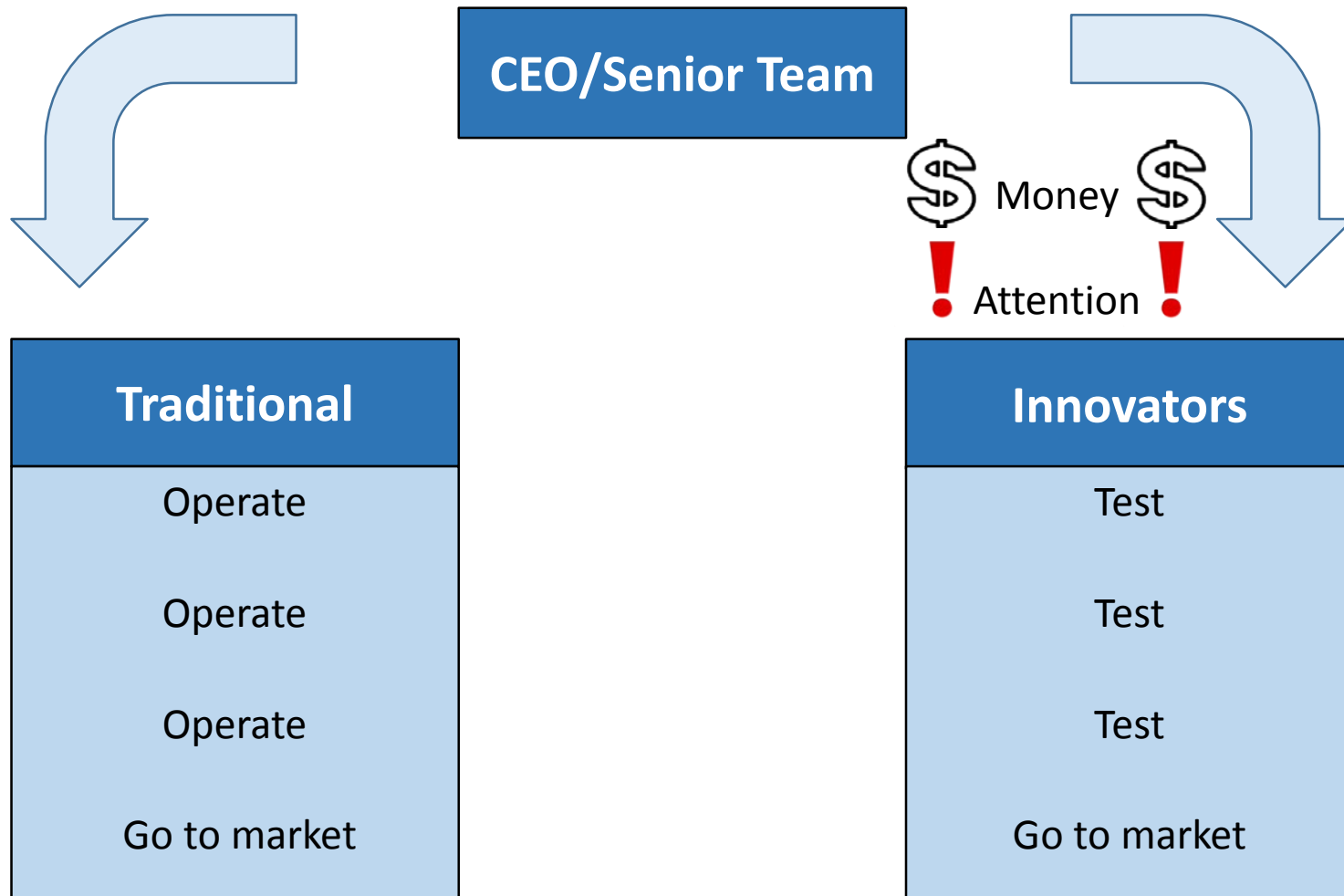
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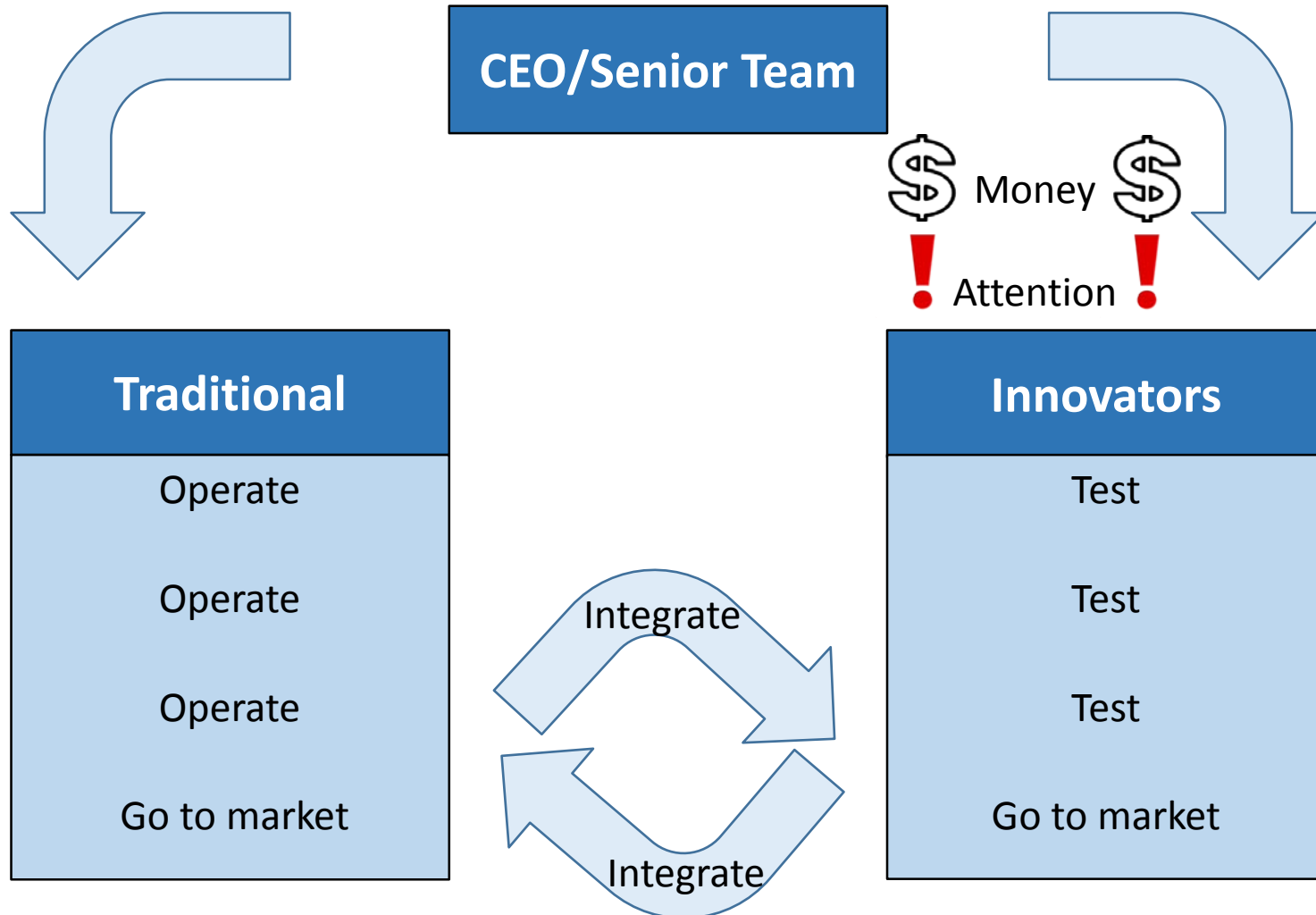
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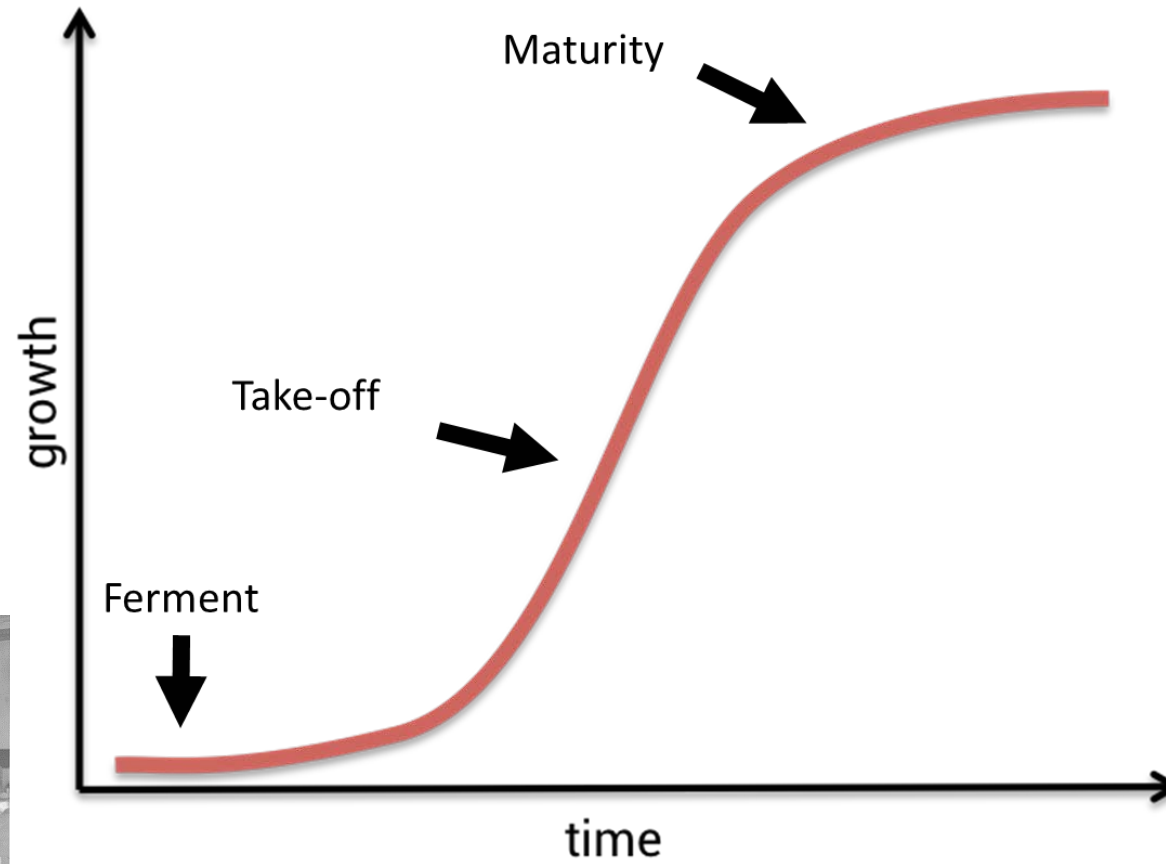


# THE INNOVATION JOURNEY: CULTURAL CHANGE

## 3. Create the right culture



# INNOVATION IS COMING



# INNOVATION IS COMING

