

Small Business Financing Initiative



Lending Life Cycle-Part Two: Lending Life Cycle and Technology

May 26, 2016

Agenda

- Small Business Financing Initiative Overview
- Webinar Series
- Today's Topic: Lending Life Cycle and Technology
- Conversation with the Panelists



Goldman Sachs 10,000 Small Businesses is a \$500 million investment to help small businesses in the United States create jobs and economic growth by providing entrepreneurs with a practical business education, access to capital and business support services.

The program is based on the broadly held view of leading experts that greater access to this combination of education, capital and support services best addresses barriers to growth.



Small Business Financing Initiative:

Multi-faceted program to increase the scale of small business lending by mission-driven lenders



Small Business Finance Collaborative

- 24 leading mission-driven small business lenders nationally
- Intensive two-year program of peer learning, training, and technical assistance
- Goal: Aggressive growth in small business lending
- Promotion of best practices and collaboration that support scale



Finance Collaborative Participants

- Access to Capital for Entrep...
- Accion AMAZ/COFIN
- Bridgeway Capital
- Bridge Cooperative Federa...
- California Coastal Rural Dev...
- CDC Small Business Finance
- CDFI
- Colorado Enterprise Fund (C...
- Community First Fund
- Community Reinvestment F...
- CDFIF
- Entrepreneur Fund
- Executive Growth Fund
- Growth Capital Corporation
- Kentucky Highlands Investm...
- LRFund, formerly known as ...
- Montana CDC
- National Economic Inclusive...
- Pacific Community Ventures
- PFCO Community Capital (P...
- The Support Center
- TriNet
- VESC
- Virginia Community Capital



Small Business Lending Webinar Series

Topic	Date
Small Business Landscape	February 11
Business Model Canvas	March 3
Value Proposition	March 24
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Lending Life Cycle – Efficiencies	May 5
Lending Life Cycle – Technology	May 26
Talent Management	June 16

To learn more, sign up, and access recordings:
ofn.org/small-business-financing-initiative

Today's Presenters



Amanda Joseph
 VP, Strategic Consulting
 Opportunity Finance Network



Greg Henderson, CFO
 Accion | NM-AZ-CO-NV-TX



Nick Elders
 Vice President of Technology
 Solutions and Services
 Community Reinvestment
 Fund, USA



Yvonne Fung, Dir.
 Organizational Systems
 Accion | NM-AZ-CO-NV-TX

The Lending Life Cycle in a Rapidly Changing Environment

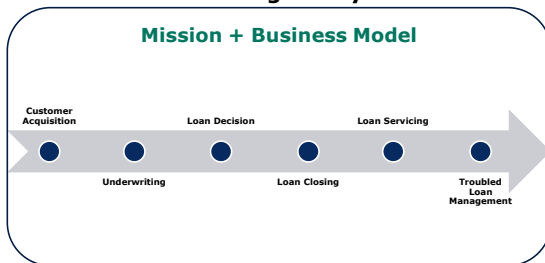
- We are faced with unprecedented change in the small business lending landscape
- We know that to survive, we need to change how we do the business of small business lending – in small ways and sometimes in big ways

The Lending Life Cycle

- The Lending Life Cycle starts with the first contact with a potential borrower and continues through their final loan payment
- Identifying where technology can support and advance our lending process will be key to our success

Lending Life Cycle

Mission + Business Model



Internal Processes

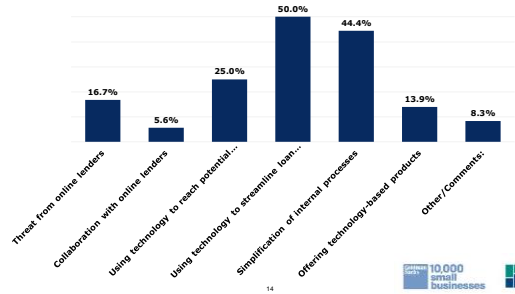
Context for Lending Life Cycle and Technology

- In order to meet the needs of both external (customers) and internal (staff) stakeholders, and to stay competitive in a changing marketplace, increasingly we need new and efficient processes to do – and grow – our lending business.
- Today, an increasing array of technology tools can offer a range of solutions to small business lenders—if deployed appropriately.
- The process by which you evaluate the options that best fit your CDFI's needs is critical.

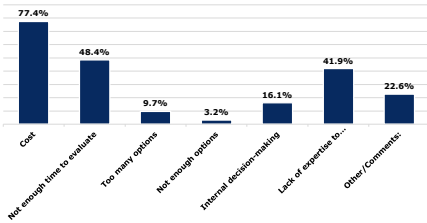
Technology and Intentionality

- Technology provides critical support – or represents a serious barrier – to efficient internal processes necessary for effective lending, throughout the lending life cycle
- Clearly define the **processes** you want to affect and how new technology will ultimately have a positive effect on your business objectives

2015 Survey Findings: What is the most significant technology issue facing your organization?



2015 Survey Findings: What are the greatest barriers your organization faces in adopting new technology?



Preview: OFN 2016 Technology Survey

- What's in Your Technology Toolbox?
- Revisiting February 2012 software survey
- Includes loan management, accounting, outcomes/outputs tracking, and client relationship management software used by CDFIs
- Survey will launch in June, and findings to be published in September
- For more information: Seth Julyan, sjulyan@ofn.org

Using Technology to Create Operational Efficiencies along the Lending Life Cycle

- What problem could be solved using technology?
- How can current capacity be improved?
- What investments are needed for future growth?

"It's important to remember that technology simply cannot make up for poor processes."

- John Wandishin, Vice President of Marketing at Brother International

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Lending Life Cycle & Technology

Nick Elders

Powered by

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Question on everyone's mind:

What does it take to build advanced technology systems?

Cohesive Vision

Buy-in

Appropriate Dev Method

Commitment

Willingness to Fail

Investment

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Question on everyone's mind:

That can't be all – what else is needed?

Strong Team

Know who you are

Execute and Deliver

Intentionality

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What are some of the tools developers have available to them?

Scenario Mapping

User-Centric Design

Process Mapping

Off-the-shelf-tools

Shadowing

Feedback

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Once you've built something – then what?

Time to Roll Out

Time to Train

Time to Support

Pick Your Battles

Know What's Next

Count on Change

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How do I know an advanced/valuable technology system when I see one?

Systems Integration

3rd Party Data

Typically in the Cloud

Actionable Insight

Pick up in productivity

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Once I find one I like, how do I operationalize it?

Designate a Sponsor

Designate a Champion

Build a SMART Project Plan

Involve Staff

Plan for the impact

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10,000 small businesses

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Questions?

- Any questions so far?

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10,000 small businesses

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Lending Life Cycle & Technology

Greg Henderson
Yvonne Fung

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10,000 small businesses

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2015 Lending Results

Hector Rodriguez, Topline Paint & Repair, Albuquerque, NM

Kayla Webster, Kracken Cafe, Las Vegas, NM

- Percent Low-to-Moderate Income, Minority, or Female Borrowers: 83%
- Businesses Receiving Loans: 1,372
- Dollars Lent: \$18.2 million
- Jobs Created/Sustained by Accion's Client Businesses: 3,965
- Percent Start-up Businesses: 35%
- Repayment rate for the year: 97%
- Self-sufficiency rate: 65%

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10,000 small businesses

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September 2013 IT Infrastructure

ACCION M&A CO
SYSTEMS CONSULTING
(SME) 9/18/2013

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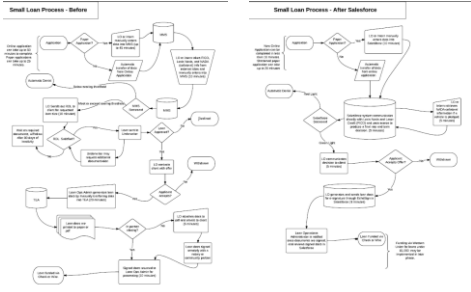
2014 Salesforce Deployment Areas of Focus

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10,000 small businesses

Workflows: Before vs After



Implementation Stages



Vanna and Chorvy Khun, Daisy Coin Laundry, Aurora, CO



Michael Olmos, Michael's Upholstery, Phoenix, AZ

- 2013 Q4 – Feasibility Study and evaluation of options
- 2014 Q1 – Engaged Phase I development partner for 5 sprints (10 weeks)
- Q2 – First data migration and initial launch (May 2014)
- Q3 – Engaged Phase II development partner for ongoing improvements
- Q4 – Second data migration and legacy system cut-off
- 2015 Q1 – Final data migration
- Q2,3,4 – Ongoing development

Key Performance Indicators

	Apps Received	# Loans Made	Dollars Lent	Average Loan Size	Conversion Rate
Sept 2014	1754	846	\$ 8,881,962	\$10,499	48%
Sept 2015	3525	1178	\$ 13,788,096	\$11,705	33%

	Loans per FTE	# Loans per LO	\$ Lent per LO	Presto Turnaround Time	Large Loan Turnaround (Days)
Sept 2014	29.37	75.20	\$789,507	13 Days: 01 hrs 41 mins	50
Sept 2015	33.09	104.71	\$1,225,608	6 Days: 11 hrs 04 mins	32

Key Learnings

- Project took longer and cost more than initial SOW estimate
- Difficulty integrating with some third party vendors
- Complexity of scorecard development
- Our implementation did not yet solve "back-office" inefficiencies
- Vendor selection and change



Kathy Jackson, Ms. Kathy's Electric, Las Vegas, NM

Keys to Success



Mario Valdez, Maxim Tires, Denver, CO

- Clear directive from CEO
- Support from VP of Lending
- Project Manager who was singularly focused on driving the process forward, and had decision-making authority
- Not everyone was involved in every decision
- Honest and transparent change management
- Iterative development / Agile methodology

What's Next: AMP



Anita Telki, Precious Moments Childcare, Albuquerque, NM

- Truly end-to-end client management system
- Solving for inefficiencies
 - loan servicing
 - collecting
 - lien tracking
 - reporting
- Allows for ability to significantly increase the scale of our services

Questions?

- Any questions so far?

Technology: The Bottom Line

- How does this technology investment
 - Advance your business objectives
 - Solve problems and increase efficiency
 - Support growth – and innovation – in your small business lending
- How would you articulate your own criteria for technology evaluation and decision-making?
- Who else needs to be at the table?

A Conversation with Accion NM & CRF

- How have the new processes and tools you've deployed changed the way to you do business?
- What have you learned from your successes and failures in making these choices?
- Can you offer any guidance to your CDFI colleagues about how to evaluate the best technology tools to address needs and challenges?
- Any insights for the industry?

Tool for Thinking about Technology and the Lending Life Cycle

A Conversation with Accion NM & CRF

- Any questions from the audience?

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