Small Business Financing Initiative

Lending Life Cycle-Part Two: Lending Life Cycle and Technology
May 26, 2016

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 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

Small Business Financing Initiative:
Multi-faceted program to increase the scale of small business lending by mission-driven lenders

2016
- Collaborative
- Webinars
- TA Memos
- Forum
- OFN Conference
- Leader Award

2015
- Collaborative
- OFN Conference
- Leader Award

2014
- Workshops
- Forum
- OFN Conference
- Leader Award
Small Business Lending Webinar Series

<table>
<thead>
<tr>
<th>Topic</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small Business Landscape</td>
<td>February 11</td>
</tr>
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</tr>
<tr>
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</tr>
<tr>
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</tr>
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</tr>
<tr>
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</tr>
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<td>June 16</td>
</tr>
</tbody>
</table>

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

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?

- 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 are the greatest barriers your organization faces in adopting new technology?

- 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
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

Strong Team  Know who you are  Execute and Deliver
Intentionality

Question on everyone’s mind:
That can’t be all – what else is needed?

Scenario Mapping  User-Centric Design  Process Mapping
Off-the-shelf-tools  Shadowing  Feedback

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

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

Systems Integration  Typically in the Cloud
3rd Party Data  Actionable Insight  Pick up in productivity
Once I find one I like, how do I operationalize it?

- Designate a Sponsor
- Designate a Champion
- Involve Staff
- Build a SMART Project Plan
- Plan for the impact

Questions?

- Any questions so far?

Lending Life Cycle & Technology

Greg Henderson
Yvonne Fung

2015 Lending Results

- 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%

September 2013 IT Infrastructure

2014 Salesforce Deployment Areas of Focus
Workflows: Before vs After

Implementation Stages
- 2013 Q4: Feasibility Study and evaluation of options
- 2014 Q1: Engaged Phase I development partner for 6 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, Q3, Q4: Ongoing development

Key Performance Indicators

<table>
<thead>
<tr>
<th>Apps Received</th>
<th># Loans Made</th>
<th>Dollars Lent</th>
<th>Average Loan Size</th>
<th>Conversion Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sept 2014</td>
<td>1754</td>
<td>896</td>
<td>$8,801,942</td>
<td>48%</td>
</tr>
<tr>
<td>Sept 2015</td>
<td>3525</td>
<td>1178</td>
<td>$13,768,096</td>
<td>33%</td>
</tr>
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<table>
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<tr>
<th>Loans per FTE</th>
<th># Loans per LO</th>
<th>$ Lent per LO</th>
<th>Presto Turnaround Time</th>
<th>Large Loan Turnaround (Days)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sept 2014</td>
<td>28.37</td>
<td>74.26</td>
<td>$791,507</td>
<td>1.5 Days; 07:34 mins</td>
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<tr>
<td>Sept 2015</td>
<td>33.00</td>
<td>70.71</td>
<td>$1,375,030</td>
<td>0 Days: 11:06 mins</td>
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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 management

Keys to Success
- 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
- Truly end-to-end client management system
- Solving for inefficiencies
  - Loan servicing
  - Collecting
  - Len 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?

A Conversation with Accion NM & CRF

- Any questions from the audience?

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