Organization Overview:

**Pathway Lending** is a statewide CDFI that provides loans and technical assistance to economically underserved businesses and communities across Tennessee.

**Founded:** 1999

**Mission:** Providing underserved small businesses with lending solutions and educational services that result in job creation and economic development.
Portfolio Overview:

Loans Outstanding:
$29.1 M Outstanding (8/31)
179 Loans to 129 Businesses

- Microloans – 20%
- Energy Efficiency – 30%
- Real Estate – 12%
- Business – 38%

Product Expansion

Accounts Receivable Loan Product
- A loan product based on AR not Cash Flow
- A flexible product that can grow with the client
- A scalable product for Pathway Lending

*Appropriate for businesses that are:*
- Experiencing growth
- Limited by slow-paying customers
- Limited by cash flow and borrowing limits
- Losing prompt payment/volume discounts
Why Market Analysis?

Growing Demand
• Low-cost Accounts Receivable loan product
• Traditional banks were not financing

Limited Flexibility in Current Model
• Existing LOC was cash flow dependent

Prove Need to Board of Directors
• Analysis to provide concrete facts to support expansion

Need: Determine True Nature of Demand

Who Is the Target Client?
• What is the basic level of demand?
• What type of businesses need this product?
• What amount of financing do they require?

What Market Conditions drive this demand?
• Do similar products exist in the market?
• Why are traditional banks not providing this product?
How was it Funded?

**NEXT Planning Grant**
- Supported Product Expansion Initiatives
- Explored the feasibility of a small-dollar accounts receivable loan product in our current market

What Was The Process?

**Engage**
- Engaged FUND Consulting to conduct independent third-party research

**Plan**
- Collaborated to develop research questions, identify participants, and set project agenda

**Investigate**
- Conducted online surveys, key informant interviews, and general market research

**Report**
- Created final report based on research findings
What Was The Methodology?

**Surveys**
- Identified 30 target clients
- Online survey (20 questions, 10-15 minutes)

**Interviews**
- Identified 10 key stakeholders
- Phone Interviews (10 questions, 20 minutes)

**Secondary Data**
- Identified additional data needs
  - Target Market demographics
  - Lending History

What Was The Timeline?

*Concurrent with the NEXT Award Application*
- January – April 2012
  - Month 1: Planning
  - Month 2-3: Conduct Research
  - Month 4: Assemble Report

- Weekly briefing meetings between Pathway Lending and FUND Consulting
What Were the Outcomes?

**Identified a Demonstrated Gap:**
— Many large financial institutions do not offer this type of financing

**Substantiated Demand:**
— Small Businesses overwhelmingly responded this type of capital is not available to them

**Clarified Target Market Businesses:**
— Business size, not industry sector, determined demand for this product

How Were the Results Used?

**Used In 3 Primary Ways:**
- Build a business case for product expansion
- Gain the support of the Board of Directors
- Provide data in grant applications
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