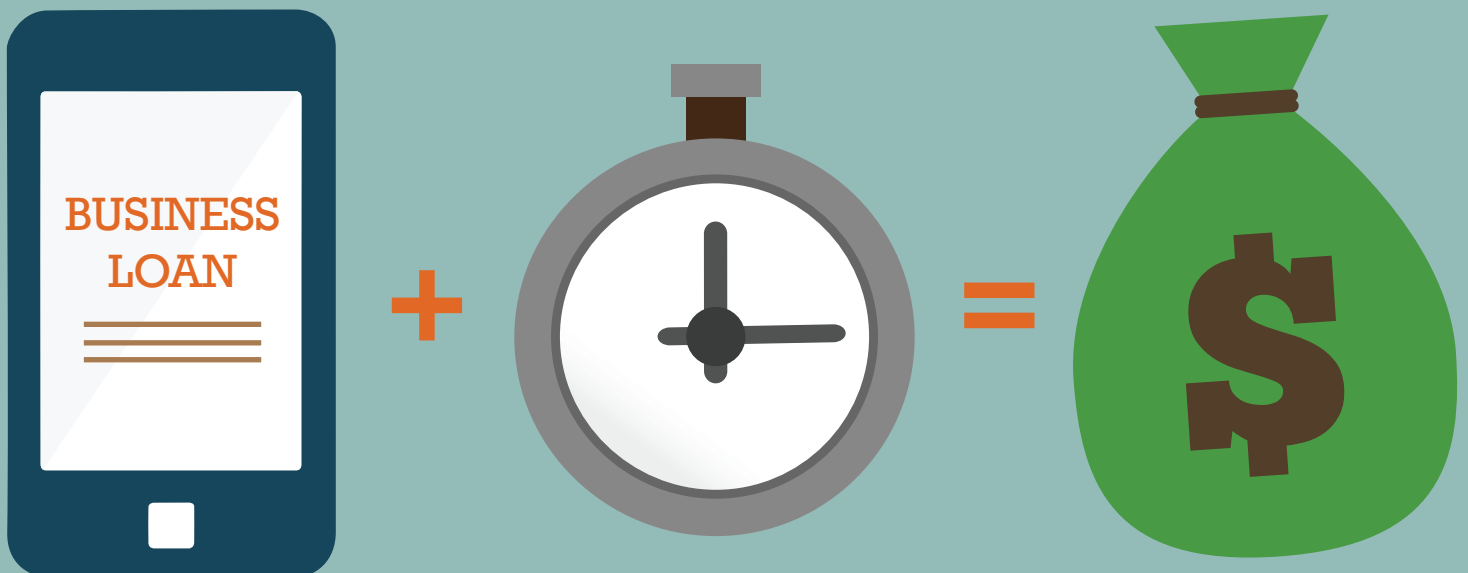
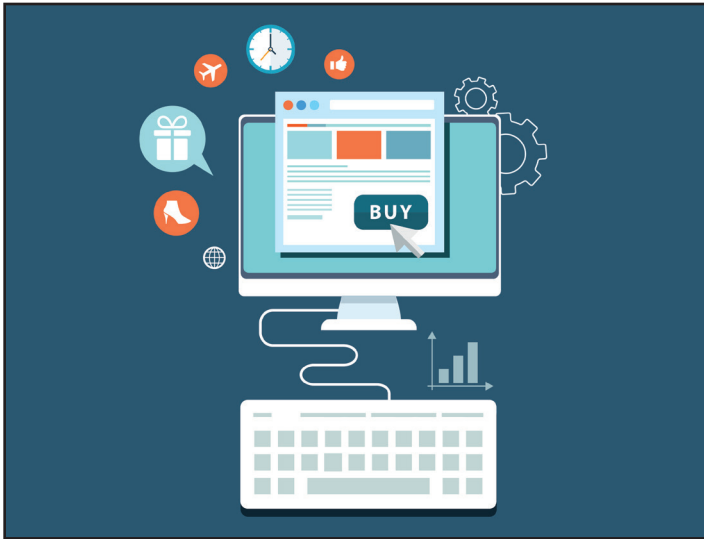


How Technology Is Changing Small Business Lending

Faster, Easier Business Loan Solutions Are Online

Whitepaper Brought to You By Balboa Capital





The year was 1994. The first major Internet browser was only a year old, dot-com companies were moving the Nasdaq index to new highs, and the first e-commerce websites launched. The “information highway” was revolutionizing shopping, banking, communication, news, entertainment, and more. 1994 was also the year that Microsoft co-founder Bill Gates said “retail banks are dinosaurs, they can be bypassed” in a Newsweek interview.

Over two decades have passed since Bill Gates made that statement, but the Internet has helped change the banking landscape remarkably. Consumers can now conduct a wide variety of bank-related transactions from the comfort of their computers, tablets and mobile devices. These include making deposits, transferring funds, paying bills and managing stock portfolios.

The Internet has also transformed banking for small business owners, particularly when it comes time to apply for business loans and other financing products. This Balboa Capital whitepaper explains how online tools and technology are making it easier and faster for small business owners to secure the funding they need.

Small Business Loan Overview

There are close to 30 million small businesses in the United States that, collectively, employ more than half of our nation's working population. Small businesses are the backbone of our nation's economy; they produce \$6 trillion in gross domestic product each year. Starting a small business, and keeping it running smoothly, requires capital. Traditional banks have helped fuel business and economic growth by providing small business owners with startup loans, general business loans, lines of credit and refinancing programs, to name a few. However, acquiring a conventional business loan from a bank can be a time-consuming and involved process.

Steps Involved

Business owners have to drive to the bank, consult with a business loan specialist, and fill out a seemingly endless amount of paperwork. In addition, business owners will need to provide some basic documentation prior to having their loan applications submitted for approval. Financial statements, income tax returns, bank statements, legal documents, and a business plan are typical items that banks ask for.

The Waiting Game

Once the initial steps have been completed, business owners will need to be patient while their loan applications are being reviewed. The time between submitting a loan application and receiving a credit decision will vary on several factors, but business owners can expect an answer in about one week.

Difficult Loan Approval Process

One of the biggest hurdles facing business owners who need an infusion of capital is the difficult loan approval process. Small and medium-sized banks approve only half of their business loan requests, which means a significant number of business owners are not getting the funds they need to grow their companies. The Harvard Business School reported that small business loans have decreased 21% from their pre-recession peak in 2008. Increased regulation and stringent loan approval standards are two of the main reasons why banks aren't lending as much to small businesses.

Get Online or Get Left Behind

Anna Whitnack-Baird is an entrepreneur who opened a coffee shop in Roy, Utah back in 2000. Last year, she needed additional capital to purchase a new point-of-sale (POS) system. Ms. Whitnack-Baird's bank likely would have asked for more collateral than she could produce, so she went to the website of a leading alternative lender. After submitting a simple online application, Ms. Whitnack-Baird was approved quickly, and the funding she needed for her POS system was provided just two days later.

100% Growth

Success stories like these are taking place every day in the United States. More and more business owners are turning to non-traditional lending resources when they need capital. Bill Phelan, president of small business ratings company PayNet, estimates that alternative lending companies, which provide billions of dollars in loans annually, grew 100% in 2014.

Filling a Need

Corporate business loans, commercial loans, and secured lines of credit can help banks and credit unions achieve bigger profits. So, it is

only natural for these institutions to focus their efforts on larger transactions. In doing so, they are presenting alternative lenders with an opportunity to seize market share from banks and credit unions and provide more loans to Main Street business owners.

Alternative lenders have created a digital bridge between business owners and business loan products. The simplicity, efficiency and fast turnaround times associated with online lending are huge benefits for business owners. Online calculators provide instant loan estimates, loan applications can be completed and submitted in a matter of minutes, and sophisticated web-based technology helps accelerate the credit decision process.

Innovative Approval Processes

Today's alternative lenders use sophisticated data-driven algorithms to assess borrowers' creditworthiness and provide instant credit decisions. FICO credit scores, business cash flow and business debt are being joined by cash-flow reports, direct deposit data and, in some cases, social media reviews and metrics during the approval process.

Loans at the Speed of Today's Business World

The Internet has changed the business world dramatically. Thanks to websites, social media and email marketing, small businesses like yours are no longer dependent on a local customer base. These applications help increase brand awareness nationwide and open the door to new sales opportunities. The Internet has also increased the speed at which small businesses operate. It allows you to purchase inventory, pay bills, and communicate with your customers and vendors without ever picking up the telephone.

Creating a Competitive Advantage

Small businesses that use state-of-the-art Internet applications, software systems and related technologies are operating at the speed of today's business world which, ultimately, can be a competitive advantage. Inventory is always in stock, orders are fulfilled on time, packages are shipped promptly, and customers and suppliers are provided with the fast, responsive service they expect. A growing number of small business owners are also using web-based technology to secure loan capital at the speed of today's business world.



How it Works

You can apply for a business loan from an alternative lending company from your computer, laptop, tablet or smartphone. Most lenders' websites have simple applications that don't require a lot of information because their short-term loans are unsecured and don't require extensive collateral. Once you submit your loan application, it will be reviewed immediately, and you will receive a credit decision promptly. Each non-bank lender has its own unique approach to the loan approval process, but most of them offer same-day approvals and provide funding in several days.

Types of Alternative Business Loan Products

There is no “one-size-fits-all” loan program for small businesses like yours. Each company’s financial needs are as unique as the products and services they sell. Unexpected slow periods, a slump in the economy, and seasonality can affect the bottom line of any small business. That is why it so important to maintain an adequate amount of capital at all times. You would be putting your small business at risk if you didn’t have enough capital to pay for operating expenses such as employee salaries, inventory, rent, taxes and insurance. Two widely used alternative business loan products that can be used for these and many other business uses are working capital loans and merchant cash advances. Both are available online from most non-bank lenders.

Working Capital Loan

This type of short-term business loan is not guaranteed by any type of collateral. However, you will need to meet specific income requirements and have a good credit score. These will be the deciding factors when it

comes to getting your working capital loan approved. The working capital loan programs offered by non-bank lenders typically range between \$5,000 to more than \$250,000. You can choose a term length that works best with your budget, anywhere from 90 days to 24 months.

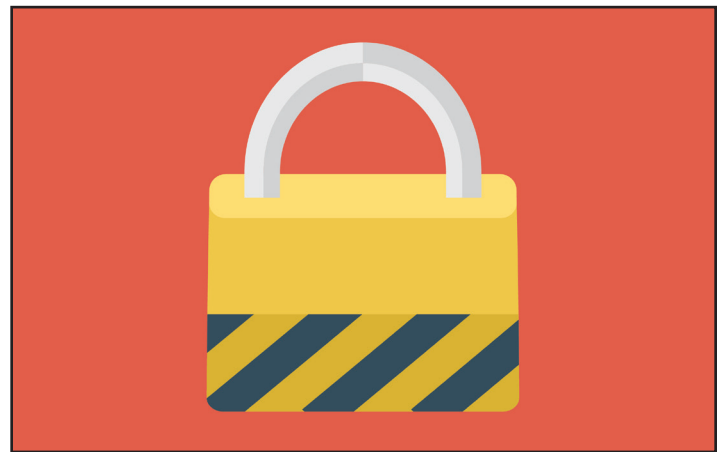
Merchant Cash Advance

With this loan option, which is also called a business cash advance, a lump sum of money is given in exchange for a specific percentage of your business’ future sales (revenue you have yet to receive). You can apply for a merchant cash advance without having to provide any collateral. Once approved, your lender will directly collect a fixed percentage of your daily credit card receipts until the total amount of your merchant cash advance and premium are met. Merchant cash advance programs are available from \$5,000 to \$250,000 or more, with flexible terms ranging from 90 days to 24 months.

Is My Personal Information Safe?

Now that you've learned how fast and easy it is to secure an alternative business loan product online, you might be asking yourself this question: Is my personal information safe? As you know, a number of high-profile security breaches occurred last year at some of the largest retailers, technology companies and entertainment companies in the country. Because of this, online security should be your primary concern. It is also a key concern of today's leading alternative lending companies.

Their business model is vastly different from that of your local bank or credit union. It involves web-based products and services that you can access online, anytime. You can feel confident knowing that most of these companies utilize state-of-the-art encryption technology and a secure sockets layer (SSL) to protect your important information when it is being transferred through the Internet.



What to Look For

Check the websites of alternative lenders you are considering to see if they have a section devoted to their security measures. Some lenders' websites have achieved certification by TRUSTe and/or Verisign, which means they meet or exceed the highest online security and privacy standards. Lastly, never submit any personal information unless you see an "s" after the "http" in the navigation bar. This indicates a secure web page. And depending on the Internet browser you are using, a closed padlock or key icon will appear next to the "https."

Summary

Selecting a Loan Program

The most successful small businesses have a strong business acumen; they take the time to plan their budgets and maintain the amount of capital required for their daily operational needs. Prior to moving forward with an alternative loan program, a good rule of thumb is to consult with your accountant or financial advisor to determine how much working capital you need. Then, research the various non-bank lenders that offer working capital loans, unsecured business loans and merchant cash advances so you can an informed decision based on your individual needs.

The web-based business lending market is still relatively new, but non-bank lenders are developing technologies to address the financing needs of small businesses across the United States. It all adds up to a faster, easier way to secure an alternative business loan product.

About Balboa Capital

Balboa Capital is a technology-driven financing company that provides business owners with fast, hassle-free solutions to fuel their growth and success. The company specializes in small business loans, equipment financing, commercial financing, equipment vendor financing, and franchise financing.

Balboa Capital developed an intuitive online platform that simplifies the entire financing process. Calculators provide instant estimates, applications can be completed and submitted in a matter of minutes, and sophisticated credit scoring technology provides instant decisions. Visit <http://www.balboacapital.com> to learn more.

