



# Say “Yes” to Small Businesses

How Specialty Financing Can Increase Member Acquisition and Reduce Member Attrition



# Agenda

- Alternative, Specialty, Complementary Financing . . .
- Challenges for credit unions and their business members
- Addressing the challenge: Specialty financing for businesses
  - Say YES more often
  - Increase member acquisition and retention
  - No credit or balance sheet risk
- About RapidAdvance
- How to choose the right specialty financing partner
- Partnering with RapidAdvance
- Q&A

# Terminology and Market Definition

- Alternative Finance (Non-traditional)
- Commercial (Not consumer)
- Marketplace Lender (MPL)
- Balance sheet lender (Not P2P/platform)
- Complementary Financing – can **co-exist** with traditional financing
- Specialty Financing - Alternative and Complementary
- RapidAdvance has a financial interest in the success of each business

# Challenges for Small Businesses

## Member has immediate funding needs:



**Unexpected  
opportunity**



**Cash flow  
timing**



**Expansion  
or growth**



**Inventory  
build-up**

- Members may need to supplement traditional financing
- Many are credit challenged due to business or personal issues
- Variety of needs:
  - renovate store or office
  - increase advertising & marketing
  - purchase additional equipment
  - pay taxes
  - open a new location
  - consolidate or pay off debt
  - manage cash flow for seasonal business
  - augment a down payment for CU loan

# Scope of the Challenge for Small Businesses


- Approximately 5.7 million U.S. businesses
- Almost all are small (only about 20K have > 500 employees)
- Approximately 37% will apply for financing this year
- Only about 40% of applicants are approved for requested amount
- Remaining 60% will be denied or only partially funded
  - Therefore, approximately 1.25 million small businesses that request financing in a year are either declined outright or are receiving less than they indicated they need!
- Even worse, 2 in 5 said denial limited their expansion

Source: Small Business Credit Survey, Spring 2014, Federal Reserve Bank of New York

# The Challenges for Credit Unions

- Financial institution where business has relationship is first choice for obtaining financing
- Yet, there are many reasons credit union is unable to assist:
  - Doesn't offer Member Business Loans
  - Challenging industries including restaurants, government contractors, construction
  - Business is unable to meet credit guidelines
  - Regulatory environment makes business lending difficult
  - Small requests <\$100K may not be economically feasible
  - Timing is everything – businesses often need funds in days
- Turning down a loan request may risk losing deposit or entire member relationship
- Member unable to obtain business loan will likely look elsewhere

# The Solution: RapidAdvance



RapidAdvance supports credit unions and their small business members by providing non-competitive specialty financing solutions.

RapidAdvance is a CU Solutions Group lending partner

# About RapidAdvance

- ✓ A leader in Alternative Business Financing since 2005
- ✓ Experienced management team
- ✓ National presence. Based outside Washington, DC.
- ✓ Offices in Detroit, MI and Long Island, NY
- ✓ Acquired in 2013 by Rockbridge Growth Equity
  - Private equity firm of Dan Gilbert. Holdings include the Cleveland Cavaliers (NBA), Quicken Loans, Rock Ventures, Fathead, Rock Connections and many others
  - Unique access to best practices and resources
- ✓ BBB accredited and A+ rating 
- ✓ 100% focused on meeting financing needs of small businesses
- ✓ Well capitalized, direct lender
- ✓ 86 Net Promoter Score



# RapidAdvance Financing Solutions

- Consultative approach
- Match business needs with effective financing solution
- Multiple financing options
  - Term Loan (including Select & Preferred loans)
  - Line of Credit
  - SBA Bridge Loan
  - Business Advance
- Complementary to CU financing: First lien position not required.
- Approval not dependent on collateral
- Does not compete with credit unions (no credit union services, no deposits, no credit cards or credit card processing, etc.)

Flexible  
terms

Up to  
\$1,000,000

Decisions in as little  
as 1 day

Complementary: May  
be subordinated

# RapidAdvance Delivers A Great Member Experience

Member communications and collections handled in-house.

## Proof in the numbers:

**92%**

**Member Satisfaction**  
in 2014 based on member  
surveys

**98%**

of funded deals say they  
would **Highly Recommend**  
RapidAdvance

**75%**

of eligible  
members  
**Renew**

“All my interactions for the 6 loans  
have been very pleasant and not at all  
stressful.”

Christina, **The Boss Cigars and Gifts**

“Love the service! This was our first  
advance and the experience was  
awesome! Look forward to the  
partnership!”

Maven, **Maven's Clothing and Accessories**

# Win-Win for Credit Unions and their Members

## Your Members

- Obtain vital working capital
- Pursue timely opportunities
- Enhance business
- Reduce time seeking financing
- Access short-term funds during credit union/SBA approval process (Bridge Loan)
- Augment down payment for CU loan (Gap Funding)
- Will appreciate having an alternative to “no”

## Your Credit Union

- Say “yes” more often
- Protect member relationships
- Acquire new members
- Reduce risk
  - Resolve over-advance
  - Decrease LTV
- Graduate members to traditional financing
- Position credit union as go-to small business funding resource
- Earn non-interest income with optional referral fee

# RapidAdvance: How We're Doing

Nearly **\$1 billion**  
funded to date

Over **38,000** loans  
made to small businesses

Average member completes  
**3 transactions** over  
**1.5 years**

**75%** of those eligible  
choose to renew with  
**RapidAdvance**

- ✔ Innovative
- ✔ Fast
- ✔ Simple

- ✔ Direct funding source
- ✔ Reliable
- ✔ Trusted

# Choose the Right Specialty Financing Partner

## 1. Will the finance company subordinate to credit union financing?

RapidAdvance does not require a first lien position. As a result, RapidAdvance financing can supplement existing credit union financing.

## 2. Do the finance company's underwriting practices consider the borrower's total debt service and impact on cash flow?

Many finance companies will allow borrowers to have multiple short term working capital loans outstanding, a dangerous practice known as stacking. RapidAdvance does not allow stacking, as it can place undue pressure on cash flow and be harmful to the borrower.

## 3. Does the company provide multiple financing options?

RapidAdvance offers loans, lines of credit and business advances with terms and structures individualized for the needs of each business.

## 4. Will the finance company market other products and services to our borrowers? In short, will the finance company compete with our credit union?

RapidAdvance does not compete with any of its partners. RapidAdvance does not provide consumer lending, merchant processing, treasury management or any competitive product or service.

## 5. Can the financing be paid off early?

With RapidAdvance, yes. Financing can be structured with a prepayment offer. The offer enables the loan to be paid off early at a substantial prepayment discount. Other finance companies do not offer this option to their customers.

## 6. Is the finance company compliant with federal and state regulations?

Yes. RapidAdvance is fully compliant with applicable federal legal requirements including FCRA and ECOA.

# Partnering - Next Steps

- Credit Union: Due diligence
- RapidAdvance and Credit Union: Rollout
- Credit Union and RapidAdvance: Assist more business members that need financing
- RapidAdvance: Credit union & business member support

Financing solutions for your members in less than a week!

# We Can Help Credit Unions...

Say



to more members

# Your RapidAdvance Team

## Ready to get started?

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Thank You!