

>> FINTECH

Next-level lending

Some community banks are teaming up with fintech companies to speed the small-business loan application and decision-making process.

By Phil Britt



As more aspects of people's lives move online, they expect speed and ease of use in business, too. That's why some community banks are turning to fintech platforms to facilitate the loan application and decision-making process for small-business loans. These platforms can help community banks expand their reach while meeting customer expectations for the same online and mobile application capabilities that pure fintech companies and larger financial institutions offer.

One such community bank, Fresno First Bank, a \$350 million-asset institution in California, has been using the ProfitStars fintech platform for about a year to extend its reach beyond its single location to the wider Fresno community.

"It fits into our philosophy of taking the bank out to the customer," says Craig DeShields, the bank's senior vice president, commercial lending. "It provides soft leads that we can

follow up on in areas where we don't have a brick-and-mortar location. It allows us to easily prescreen the application for the appropriate product and loan structures before meeting with the applicant."

Allowing an applicant to apply electronically also enables Fresno First to virtually expand its hours to meet customer needs, DeShields says.

Fresno First is just one of the community banks that have begun using fintech to marry the advantages of technology-aided business loans with traditional customer service over the past year or so.

David Boswell, head of new lending products at D+H, says the economic cycle has improved but the regulatory environment remains a challenge; hence the opportunity is attractive for community banks if they have a fintech provider that can help with technology to aid with the regulatory challenges. In turn, this provides an attractive opportunity to the fintech providers that work with them. "New,

more tech-savvy small-business owners are looking to partner with banks to help grow their businesses," Boswell says. "This has been a natural gap in community banks' portfolios."

D+H launched Total Lending Small Business, a cloud-based, mobile-first small-business lending platform, in March. Also in March, D+H announced it would be acquired by Vista Equity partners and merged with Misy's, another fintech provider that recently launched peer-to-peer commercial lending software.

Win-win?

There can be benefits on both the bank and the customer side. Banks and their small-business customers want the convenience of online applications, which enable faster applications and decision making than the traditional process, according to Mike Horrocks, senior director of

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solutions management at Baker Hill, which offers the Baker Hill NextGen Small Business Lending application and decision-making platform.

Small-business owners see these technologies from the consumer level, as well as from pure fintech loan providers such as Kabbage and OnDeck, so they expect these capabilities from their community banks too, according

to Terry Renoux, group president of ProfitStars Lending Solutions. “Pure fintech lenders like Kabbage have little to no customer touch; that’s where the relationship of the community bank comes in,” Renoux says.

There’s flexibility in terms of credit risk management, too. Community banks might rely on third-party technology to facilitate application onboarding, inbound marketing and decisions, but they go a step further than pure fintech lenders by taking second looks at applications that fall just short of a lending platform’s approval guidelines, says Doug Johnson, Baker Hill’s director of product management. With pure fintech lenders, applicants that don’t meet the scoring parameters are automatically denied, even if they are close.

If an applicant using ProfitStars’ platform doesn’t meet the bank’s

lending parameters, ProfitStars will place the loan with its alternative lending network, with the loan rerouted to the originating community bank if and when the applicant’s finances meet the bank’s criteria.

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LENDING SOLUTIONS

Horrocks says unlike community banks, pure fintech providers market nationally and don’t have knowledge of local communities.

Beyond customer service, community banks have the deposit and other ancillary financial products that the pure fintech providers don’t offer.

After working with customers on business loans through ProfitStars’ Commercial Lending Center Suite, Fresno First works on developing deposit and other relationships, DeShields says.

Better rates

Rates are another community bank advantage. Applicants expect speed and convenience when it comes to loan approval and are willing to pay for it. Renoux says the pure fintech lenders tend to charge higher interest rates. Horrocks and Johnson agree, saying that community bank loans will be at lower rates and will therefore be more attractive to local business owners.

Now that community banks can offer the same speed and convenience using online lending platforms, customers can enjoy lower rates and banks can attract customers.

Community banks offering SBA loans are also taking the fintech route. One provider is SmartBiz, which offers community banks an online platform for government loan applications; approved borrowers can get funding in as little as a week. Ann Marie Mehlum, founding CEO of the approximately \$300 million-asset Summit Bank in Eugene, Ore., and a SmartBiz board member, says, “SBA loans have special requirements due to the government guarantee, and most small businesses don’t have the capacity to stay on top of the requirements. SmartBiz streamlines and automates the process in a way that is cost effective for its lending partners and small-business borrowers.”

As small-business owners trend younger, they’ll expect the same technological capabilities from community banks’ services as they do in other parts of their business and personal lives. **EB**

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