Bank Director.

## Breakout V: **Gaining a Competitive Edge in Business Lending with Data-Driven Decisioning**

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Company



# Gaining a Competitive Edge In Business Lending With Data-Driven Digital Decisioning

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VP, Sales

#### Agenda

- Building a more efficient, consistent, and profitable business lending operation
- Leveraging technology and rich data to make smarter credit decisions, faster
- Enhancing the customer experience while delivering additional value
- How to jumpstart your digital business lending program in 90 days or less



#### We Understand Financial Institutions

#### **Experience**

**20+ years** of lending supporting thousands of businesses





#### **Tried & Tested**

200+ financial institutions have used StreetShares to provide loans and lending products to small businesses

#### **National Lender**

Loans, LoCs, unsecured & asset backed, contract & invoice financing, SBA PPP nationwide





#### **PPP Response**

81K PPP loan applications processed on the Atlas Platform with \$4.5B approved SBA relief funds for small businesses



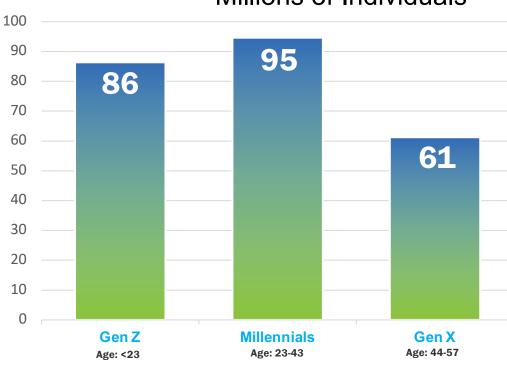


The future of lending will be dominated by Millennials and Gen Z who increasingly expect their banking providers to deliver seamless experiences. These borrowers want a fullycontactless digital lending process — from streamlined digital applications, to fast, automated loan decisions.





#### Millions of Individuals



- There are over 180 million Millennial and Gen Z individuals in the US in 2020
- These two groups represent 55
   percent of the US population, and each
   exceeds all previous generations in
   size, including Baby Boomers
- Millennials are driving the current real estate boom while Gen Z are just beginning to make their presence felt economically

Source: Knoema com

## Digital Banking Preferred

# Digital Banking Preferred



4 in 5

Consumers prefer managing finances digitally



Source: Chase Digital Banking Attitudes Study

## **Loyalty Declining**

#### **Loyalty Declining**

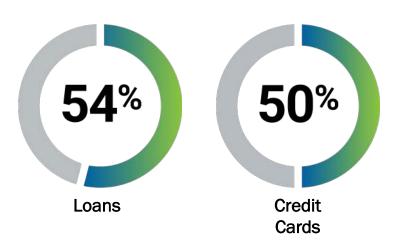




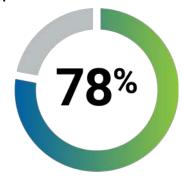
Source: Foresight Research

Financial Institutions Need to Innovate How They Engage Customers

**54%** of loans and **50%** of credit cards are opened with providers that consumers consider not their primary financial institution in the U.S.



But 78% of those surveyed who received a direct offer from a competitive institution would have purchased from their financial institution if they received a similar offer



Would have purchased from their financial institution

SOURCE: Bain & Co.
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## Modern Lending Process





Then: Days







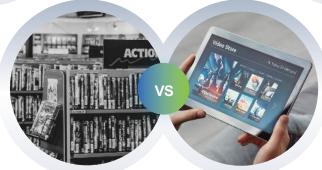
# Digital-First Experiences Dramatically Evolved Consumer Expectations

## Technology Empowers Speed









Better Consumer Experience with Less Operational Effort



#### **Average credit score by AGE**

20-29 (662)

30-39 (673)

40-49 (684)

50-59 (706)

60+ (749)

#### **Average credit score by ECONOMIC CLASS**

Lower (664)

Middle (716)

Upper middle (753)

Upper (775)

#### **Average credit score by GENERATION**

Silent generation (730)

Baby boomers (700)

Gen X (655); Millennials (634)

Gen Z (631)

Source: Shift Processing

**More Target Applicants Resulting in More Profitable Loans** 

#### **Technology Enables Demand Creation**



# **New Consumers and Deeper Customer Relationships**

#### Challenges In Business Lending

Manual and paper-based loan approval procedures are now out of step with a digitized world. Decision times are slower than what borrowers want. Data management creates more work for lenders.



Too many manual processes spread across multiple systems



The borrower application and backand-forth are inefficient



Document collection, management, and storage difficult



Expensive, wet signature

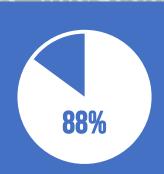


You want to book larger loans, most customers want smaller ones



#### Fintechs Grew & Large Incumbents Entered





Financial institutions who believe that part of their business will be lost to standalone fintech companies in the next five years

Source: PW

## 200+ FINTECH UNICORNS IN 2021\*

"...that's almost twice as much as what the sector collected in the entirety of 2020."

Source: Forhe

lobal FINTECH ECHNOLOGIES arket ORTUNITIES AND FORECAST, 2021-2030 FINTECH lobal Fintech Technologies Growing at a arket is expected to reach 698.48 Billion by 2030 CAGR of 20.3% (2021-2030)

Allied Market Research



\*Unicorn is a startup company with a value of over \$1 billion.

#### SMB Market Outlook



An ecommerce platform with a 25% market share in the US, Shopify has recently launched a free business account for merchants.



Over 2 million merchants
use Square. In the
summer of 2021, Square
launched fee free
checking and savings
accounts. Over the years,
Square has evolved from
a standalone payment
processor to a
full-fledged neobank.

## stripe

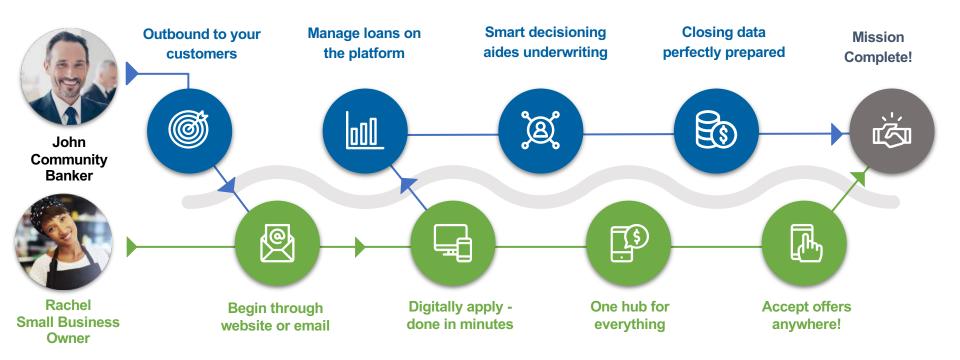
With over <u>3 million users</u>,
Stripe software enables
merchants to accept,
process, and manage
payments. Recently,
Stripe has partnered with
Novo to offer SMB
checking and
savings accounts.



Over 24 million small businesses use PayPal.
Although PayPal is not an official bank, it is developing the apps and functionality for neobank partners, like Chime and Varo.



## The Business Lending Experience



#### **Business Credit Framework**

Credit analysis can be built to consume **thousands of data points** that are seamlessly integrated, analyzed and verified

Expansive and deep analysis of firmographic data, credit performance and cash flows

**Dual business and guarantor risk rating** models utilized to underwrite with a holistic risk view, resulting in superior credit performance

Specialized decisioning with **industry specific** decisioning metrics, insights, and analytics

# **Business** & Guarantors **Firmographics Cash Flows**

**Credit Profile and History** 



#### Credit Risk Has Not Changed



#### **Tools To Manage Risk Have:**

#### **Data and Analytics**

- Macroeconomic Factors
- Industry Trends
- Firmographics
- Digital Presence
- Credit Performance Data
- Business Credit Reports
- Financials
- Bank Accounts
- POS Transactions

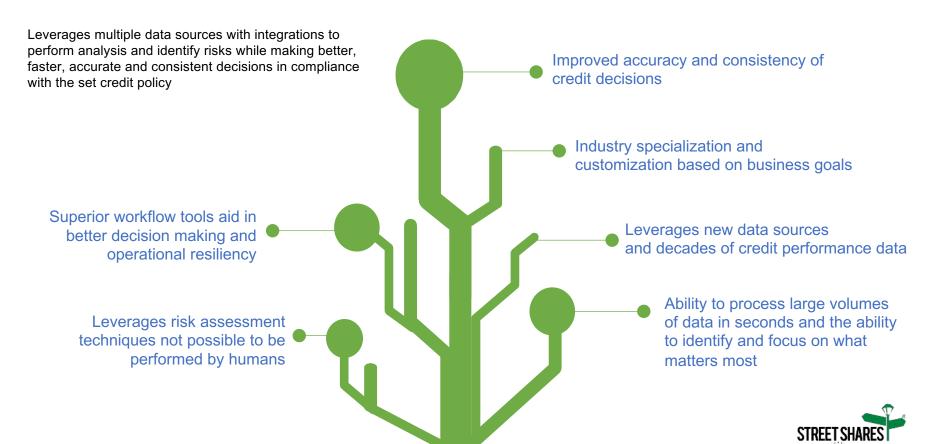
## Risk Measurement Methodologies

Advancements in machine learning techniques have transformed risk analysis to consume thousands of data points leveraging insights & learnings from decades of loan performance data



## Credit Decisioning and Technology

meridianlink



Enabling banks to optimize business lending processes, digitally engage borrowers, and leverage advanced technology for smart decisioning.



## Fully Digital

From initial interaction with small business customers to closing, everything is digital customized



## Smart Decisioning

Solid experience underwriting hundreds of data points on small business borrowers



#### Rapidly Enabled

Cloud-based, so banks can be up and running in 90 days or less



## How It Works

Proprietary algorithms
assist with guarantor and
business risk analysis for
quick decisions with
flexible loan closing
options and process for
boarding



2

3

4

5

## Adapt & Thrive

Your customers and competitors are going digital. Banks must adapt to stay competitive.

### Customer Satisfaction

Digital Platforms
enables banks to
deliver a frictionless
business lending
experience to
borrowers.

#### We've Been There

We've been in your shoes. When it comes to digital business lending, we know what's important to your success.

## Smart Decisioning

Smart decisioning technology is critical for running an efficient and profitable digital lending operations.

## Get Started Fast

Implementation is quick. You can be delivering loans to your customers digitally in 90 days or less.



Learn More

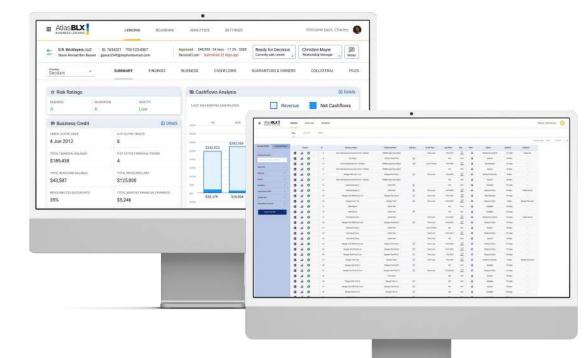
meridianlink

Learn how to access powerful digital business lending tools for your business borrowers in a few simple steps.

Learn more:

meridianlink.com/products-business

Request a demo by email: cal.steinhoff@meridianlink.com





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