deBanked

March/April 2020

THE FRONT LINE OF PPP LENDING

Can Amazon and Goldman Sachs Win with SMB Lending?
By Thad Rueter

Canadian Banks Embracing Fintech at a Growing Pace
By Cheryl Winokur Munk

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Letter From the Editor

BY
SEAN MURRAY

This issue was printed a bit late. A lot of the content we had been preparing was sourced in January when the world was quite different. So much of what was slated to appear had become completely irrelevant. Some companies that had hyped up recent hirings and expansions had engaged in massive layoffs and closures by the time we were wrapping up. As editor, I had to make the tough call of scrapping months of hard journalistic work that we had already paid for and set off to present information that would be more applicable to the current environment. That has been exceedingly challenging as circumstances have changed by the day.

That led to the Economic Injury Disaster Loan (EIDL) rush and Paycheck Protection Program (PPP) frenzy, of which the details changed at the whim of government administrators as they dealt with unfathomable demand. By the time the first wave of online lenders achieved PPP-approved lender status, the federal government stated that all of the PPP money had already been allocated and was gone. Imagine that. Now a new round of stimulus is needed. This all before we even submitted this issue to print. The whole thing had to be rewritten once more.

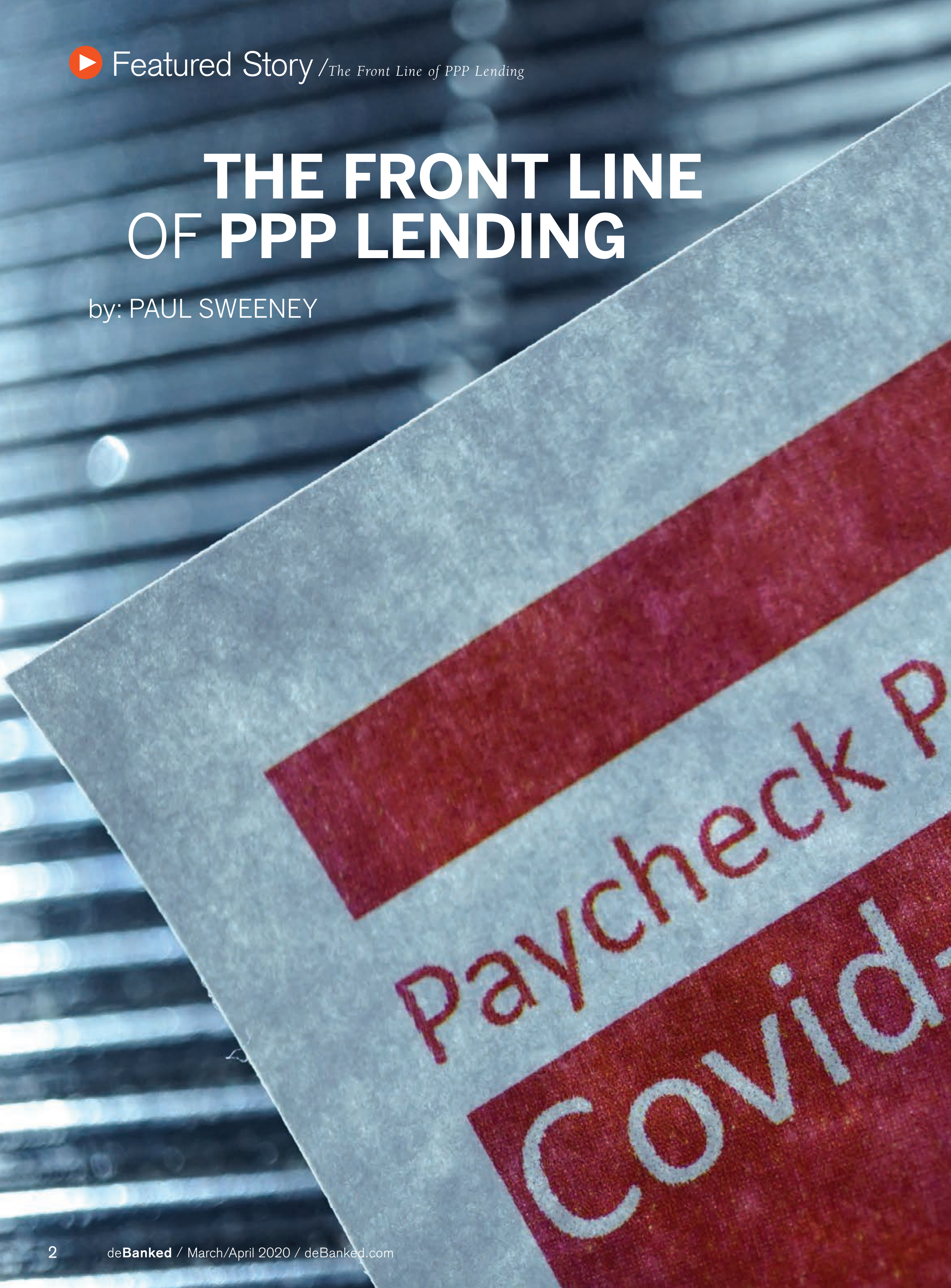
These are interesting times. In this issue we'll try to stick to what is unlikely to change by the time you receive it. I hope it serves as a helpful guide.

Be well, safe, and healthy

–Sean Murray

THE FRONT LINE OF PPP LENDING

by: PAUL SWEENEY



Susan Lyon, managing director at an independent commercial film company in Solana Beach, California, can't say enough good things about the quick action her bank took to help her secure emergency government funding during the current pandemic.

"They sent out all the forms right away" enabling her to file an application on Friday, April 3 — "the earliest day possible" — she says of the Bank of Southern California. "Then they kept in touch after we sent all the pdf's back, and they started uploading the loan applications when the Small Business Administration's website went live the following Thursday.

"The very next day, which was Good Friday," she adds of the San Diego-based bank, "they e-mailed me at 7 p.m. to say the funds are coming — and two hours later they e-mailed me to say that 'the funds are in your account.' It was a high-touch experience."

Lyon says she will use the bulk of the $130,000, which she received under the government's Paycheck Protection Program, to pay the salaries of the eight full-time employees at Lyon & Associates, of which she and husband Mark own 90%.

Lyon's friend Jennifer Biddle was not so fortunate. Biddle, who operates a flower-growing and distribution business with her husband Frank, has been emotionally devastated, she says, since Torrey Pines Bank dropped the ball on her application for $285,000 to pay employees during the crisis.

"They created an administrative nightmare," Biddle says of her San Diego-based bank, which failed to forward her paperwork to the SBA. "Being disappointed doesn't begin to describe my feelings," she adds.

Based in Vista, California, FBI Flowers has roughly $6 million in annual sales, 40 employees, and a monthly payroll of $114,000. Like her friend Susan Lyon, Biddle also applied for PPP funding on April 3. But she didn't hear back from her bank for several days "and we thought (the application) was processing," she reports. When the bank did get back to her a week later, it was to say, "'We need this other form,'" she says, quoting the bank. "And then they wanted our addendum revised."

By the time the SBA made the announcement on April 16 that the agency had exhausted the $349 billion allocated by Congress, Torrey Pines was still sitting on her application. "To me it's negligence," Biddle says.

"We're in the middle of our growing season and money is hardly coming in," she adds. "Our employees are part of a vulnerable population, We were really counting on our bank to do their part and get the application to the SBA. This was what my kids would call 'an epic fail.'"

Neither Torrey Pines Bank nor its Phoenix-based parent company would comment. "Unfortunately," Robyn Young, chief marketing officer at Western Alliance Bancorporation, told deBanked, "our bankers are not able to share any information about our clients or client transactions." (According to a tagline in the e-mail, Forbes magazine has named Western Alliance to its list of the "Ten Best Banks in America" for the past five years in a row.)

Lyon's and Biddle's accounts are just two stories – one a rousing success, the other an abject failure – emerging from the Paycheck Protection Program, which was created as part of the $2.2 trillion Coronavirus Aid, Relief, and Economic Security Act (CARES Act). Since the bipartisan bill was signed into law by President Trump on March 27, the SBA has approved 1.66 million small business applications.

Under the PPP, small businesses and self-employed individuals must apply for emergency funding through banks and designated non-bank lenders. Congress authorized the SBA to make emergency, low-interest loans of up to 2½ times a business's monthly payroll to pay their employees' wages for eight weeks.

If, after eight weeks, businesses can show they'd spent 75% of the government money keeping furloughed employees on the payroll and covering their health insurance, the loan will be forgiven. The remaining 25% of PPP funding will convert to a grant if it's spent on rent and utilities.

Now, as the program is being rebooted with new Congressional action for a second round of funding totaling more than $300 billion, many applicants fear that they will again be left out in the cold. "We've been hearing that many banks have not been able to handle the torrent of applications," says Gerri Detweiler, education director at Nav, Inc., a Utah-based online company that aggregates data and acts as a financial matchmaker for small businesses.

Detweiler reports that she and her team at Nav have been working 14-hour days since the CARES Act was signed into law fielding calls and responding to e-mails from the company's 1.5 million members looking for assistance in navigating the PPP rules. One common experience for small business applicants has been that "many of the banks have been prioritizing customers with deeper and more longstanding relationships," she says.

One small business owner in Texas, Edward L. Scherer, filed a federal lawsuit in Houston on Easter Sunday charging that Frost Bank, which is headquartered in San Antonio, violated the CARES Act and SBA rules by refusing to accept PPP applications from non-customers. Class action suits alleging illegal favoritism have also been filed against Bank of America, Wells Fargo, J.P. Morgan Chase, and US Bancorp.

For customers and non-customers calling on Bank of America, this would come as no surprise. The Charlotte (N.C.)-based giant makes clear that it will only process applications for regular customers. A notice on the bank's website, declares that only "small business clients who have a lending and checking relationship with Bank of America as of February 15, 2020, and do not have a business credit or borrowing relationship with another bank, are eligible to apply for the Paycheck Protection Program through our bank."

Although the PPP has been heralded as a way to rescue mom-and-pop businesses, national chain restaurants like Ruth's Chris Steak House and hotels operating franchises have benefited handsomely. Ruth's Chris alone received $20 million in crisis funding, according to The Wall Street Journal, which first reported the story.

For the bulk of the country's small businesses "the money has been trickling in very slowly," says Sarah Crozier, senior communications manager at the Main Street Alliance, a Washington, D.C.-based advocacy organization that counts 300,000 members. Even for many businesses that have received funding, there remains widespread uncertainty that the loan will be converted to a grant. "There's not a lot of trust that the PPP loan will be forgiven," Crozier says. "There's a lot of confusion."

That's a major concern for Randy George, owner of Red Hen Bakery in Middlesex, Vermont – a speck of a place off I-89 near Montpelier, the state capital – who does not want to take on extra debt. Until a month ago, George had been running a $4 million (sales) operation which employed 48 employees. He's closed down the café, he says, which accounts for about 60% of annual receipts, while keeping on 20 workers to run the bakery.

That operation – which turns out baguettes, croissants, sticky buns and other baked goods for wholesale distribution – has actually ramped up. With most restaurants temporarily shuttered, more New Englanders are eating at home, resulting in the bakery's nearly doubling its sales to regional grocery stores and supermarkets.

Meanwhile, George has received $411,000 in PPP funding, which he applied for through Community National Bank, located in Barre, Vt., and he's paying many of his 28 furloughed employees to remain idle. Because of the way the CARES Act program is structured, he says, it's in his interest to convince laid-off employees not to collect unemployment compensation which includes an extra $600-a-week federal benefit and lasts longer than the eight-week PPP.

"I just called one of my fulltime employees and told him he'll get to keep his health care if he stays on the payroll," George explains. "But for part-time people it's awkward. I'm incentivized to get people back to work and they're incentivized to go on unemployment."

At the Portland Hunt & Alpine Club, a bar and restaurant in Maine with the reputation for having the tastiest cocktails in town, if not the entire Pine Tree State, the PPP is not working out for owner Andrew Volk. He secured funding "in the low six figures," he says, but so far he's keeping his powder dry. Instead of paying out-of-work employees, he's letting them collect employment insurance and using a portion of PPP funding for rent and utilities. As for the remaining PPP funds, the question is whether to return the money or keep it as a loan.

Volk says the government program has done little to help him with his most pressing needs. For starters, he was forced to toss out "thousands upon thousands of dollars" worth of perishable foods since his establishment went dark on March 16. All meat, cheeses, sauces, citrus fruit, shrimp, fish and, of course, Maine lobster, went into the dumpster.

Because of a force majeure clause in his insurance policy that explicitly denies indemnification for an "act of God" – "Almost every business interruption insurance policy has a virus and pandemic exclusion," Volk adds – he will have to eat those losses. "As a small business," he adds, "we really need support beyond payroll."

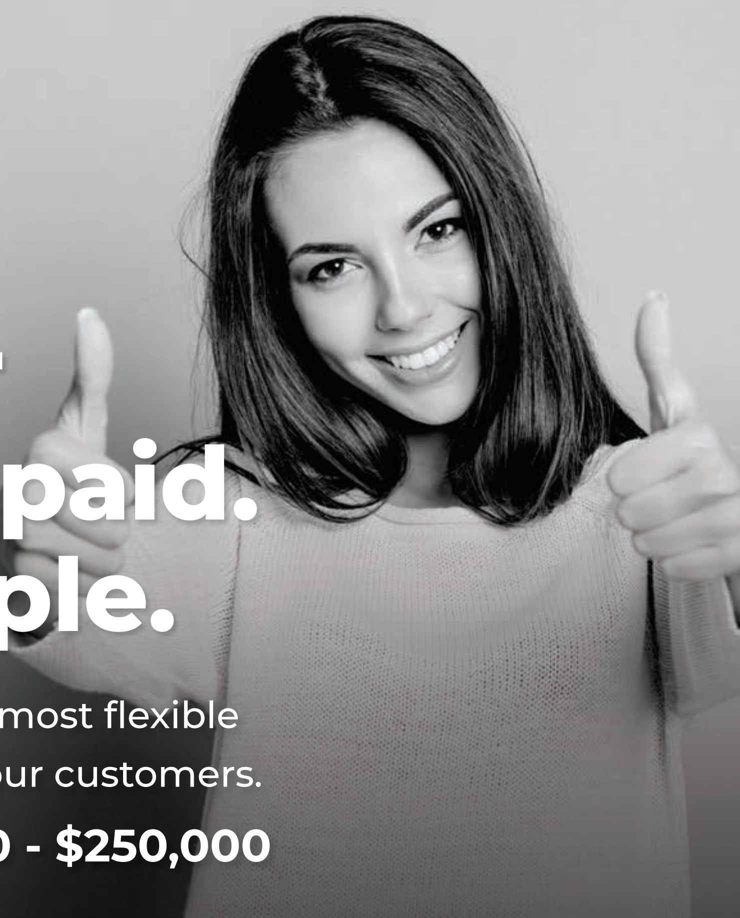
Even many qualified business people who have been approved for PPP funding are still waiting for their funds. Charles Wendell, president of Financial Institutions Consulting, a one-man operation in Miami, applied for funding "in the five figures," he says, through Citibank on April 4. That was nearly three weeks ago. "If I were a guy who really needed this money, I'd be screwed," he says.

In the next round of PPP funding, those who missed out now hope they will be approved quickly by their banks or lenders and that the coronavirus pandemic is brought under control. Meanwhile, the massive unemployment and shutdown of small businesses nationwide are reshaping the contours of the U.S. economy. "Ultimately," warns Crozier of the Main Street Alliance, "the result of this will be more corporate consolidation and monopolization. That's what we saw coming out of the 'Great Recession' in 2008."

CAN AMAZON AND GOLDMAN SACHS WIN WITH SMB LENDING?

By *THAD RUETER*

B2B e-commerce dwarfs the value of retail online transactions — by some estimates, those B2B transactions top some $1 trillion per year in the U.S., which compares to about a half billion dollars of revenue for the B2C side. And B2B e-commerce keeps on growing as more companies — especially small- and medium-sized operations — look to online marketplaces and other channels for daily suppliers, and otherwise shift toward fully digital and mobile operations instead of relying on paper invoicing and other analog supply chain processes.



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That's one of the important factors to keep in mind when considering the prospects of Amazon potentially working with Goldman Sachs to offer SMB lending options by adding the investment bank to the Amazon platform. The possibility of such a business offering — pairing up one of the world's leading retail, delivery and one-button payment operations with the venerable investment bank — was floated early in 2020 and is already casting a shadow across the B2B and lending community. The backing and brand strength of Goldman Sachs could help unleash a new SMB lending force — one that is also fueled by Amazon's treasure chest of consumer data and Goldman Sachs' underwriting expertise.

But let's not get ahead of ourselves just yet.

Significant pitfalls come along with the anticipated opportunities. Not only that, but nothing has yet gotten off the ground, at least not officially. Here's the idea, culled from previous reports and conversations with experts who know the lending space, along with keen observers of retail and Amazon: The e-commerce operator, eager to build a stronger ecosystem around its already robust B2B marketplace and related operations, would team on SMB lending with Goldman Sachs, itself eager to break into new product lines and add some new fat to its margins.

Amazon and Goldman Sachs aren't saying too much about that idea and did not comment for this story. The rough outlines of the plan appeared in the financial press in February. But it's no secret that the two companies are indeed looking for new financial products and new consumer segments.

Amazon has built its B2B business into a unit whose growth has recently outpaced its retail side and even its powerhouse Amazon Web Services. As well, Amazon was on track in 2019 to invest some $15 billion in new tools for small- and medium-sized business, according to company documents and officials.

Granted, much of that explosive growth comes about because B2B is relatively new for Amazon, but such growth demonstrates how well Amazon is gaining — and even keeping — new B2B customers. Many of them are attracted to the digital and mobile efficiency of the Amazon platform, to say nothing of the speed of Amazon deliveries as the Seattle-based company continues to pour massive investment into trucks, warehouses, fulfillment robotics and other logistical areas. Just consider this data point: SMB third-party sellers tend to make up more than 55 percent of sales in Amazon stores, according to company financial documents.

Loans offered by Amazon and Goldman Sachs would help those Amazon customers fund purchases of supplies without having to seek out another creditor — or leave the Amazon online and mobile ecosystem.

"If the SMB is already using Amazon to sell and distribute their product, it makes sense they would also accept a loan from them," Julie Stitzel, the vice president, Center for Capital Markets Competitiveness, U.S. Chamber of Commerce, told deBanked. "Amazon is already a trusted partner of their business operations and integrating the

financial component is convenient—it saves time because you don't have to deal with two separate entities."

The move also would make sense, at least on paper, for Goldman Sachs, Joe Ganzelli, Sr., a Senior Director for Cornerstone Advisors, told deBanked. "They are not in the small business space, and this is a space that, frankly, would be challenging for them to compete in without a partner," he said. Additionally, this potential SMB lending partnership with Amazon could come as Goldman Sachs executives seek to meet their goals of diversifying their business in 2020 and beyond, according to Ganzelli, previous comments from those executives and other reports. "Small business is such a big driver of our economy," he said.

Those are among the main opportunities. But just because Goldman Sachs and Amazon are involved doesn't mean the SMB lending offering would succeed. For instance, both companies have had bouts of recent or high profile failure. Who, for instance, has forgotten the massive stumbles of Goldman Sachs leading up to the 2008 financial crash? And while Amazon has gained ground with fashion and apparel, the company has had a relatively hard slog selling trendy clothes to consumers. Could SMB lending become another pothole for those two companies?

Well, certain obstacles would have to be overcome. For Goldman, the learning curve to gain expertise on SMB lending would be severe, according to Ganzelli — even though all that Amazon customer data that's already been acquired by the e-commerce giant would certainly help with that education. Still, "anytime you enter a new niche, it's challenging," he said. As for Amazon, the main — and perhaps only real downside visible at this point — comes from the commitment that comes with SMB lending. "Amazon will be contractually tied to this arrangement if it's not a success or does not meet growth objectives," he said.

All that said, this stands as an appealing time for these two heavyweights of the U.S. economy to see if they can make good money via SMB nonbank lending. "While the majority of small and medium size business lending comes from banks, alternative lending products are an increasingly popular option for SMBs," said Stitzel. "Allowing you to work with one entity to streamline business operations and mitigate economic volatility in a cost effective way, frees a SMB owner to focus more on building their business and less on administration. Companies like Square and Intuit are already successfully doing this for SMBs using their platforms."

That's not the only wind behind the sales of this growing trend of alternative SMB lending, of course. Millennials still might take all kinds of scapegoating heat for various consumer, cultural or economic trends — unfairly or not — but the fact is that those younger people are growing up, and starting to take more responsibility for B2B operations, including supply chain and invoicing tasks. As that happens, millennials are playing a growing force in anchoring more B2B companies to mobile and digital platforms. In general, millennials prefer one-stop shopping with trusted outlets. That would certainly benefit Amazon and Goldman Sachs in any SMB lending offering they launch — as that is now helping such alternative lending offerings as Kabbage and some of the newer PayPal products.

"Millennials are the folks who grew up with the expectation of seamless digital experiences," Ganzelli said. Those B2B consumers are willing to pay the often "hefty" premiums that come with such experiences, too, he said. "The delivery experience and the speed-to-close just blows banks out of the water."

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PPP SUCCESS

Utah-based Lendio grabbed the nation's attention during the nation's pandemic crisis by becoming the largest fintech facilitator of Paycheck Protection Program (PPP) loans.

1,661,367 loans for a total of $342,277,999,103 were approved by the SBA when the program's initial limit was reached. Lendio, which was not a lender in the program, but rather an agent, facilitated 70,322 of those loans for $5.7 billion. These figures equate to 4.2% of all PPP loans in the United States and 1.67% of all dollars approved.

Had Lendio been a lender of such loans directly, it would've been the largest PPP lender in the country by loan volume and the 8th largest PPP lender in the country by dollars.

ACTUAL SMALL BUSINESSES

The numbers also tell another story, an average loan size far below the nation's average PPP loan size of $206,000.

While Lendio stole the spotlight in the first round of PPP funding, the following fintech companies got approved to become direct PPP lenders shortly before the $342B limit was reached:

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- **OnDeck**
- **Funding Circle**
- **PayPal**
- **Intuit**
- **Square**

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Though years behind the U.S., Canadian consumers have been embracing fintech more readily in recent years, spurring greater partnership—and in some cases competition—between banks and fintechs.

Canadian Banks Embracing Fintech at a Growing Pace

By Cheryl Winokur Munk

The shift to becoming more fintech-focused is a big move for Canadian banks, some of whom weren't particularly gung-ho about partnering with fintechs as little as five years ago. But that's changing amid heightened market demand, an ongoing shift in consumer sentiment and legislative changes. While in the U.S., fintech is regularly viewed as a competitive threat, the animosity isn't as pronounced in Canada, where fintech is often seen as an enabler for banks.

"This is not a negative disruption at all," says Vlad Sherbatov, president and co-founder of Smarter Loans, which helps Canadians find loans and financing. "In fact there's been a great deal of partnerships formed between banks and fintechs and lots of cooperation. This is really great for everyone, because it will lead to better products and service for Canadians everywhere," he says.

Indeed, there's a growing recognition among financial professionals that major Canadian banks are trying to be as progressive as they can be given their bulk. A recent blog post by the Canadian Bankers Association notes that fintech "is a tremendous opportunity for Canada's financial industry." Banks, the blog post continues, "are finding ways to improve collaboration between the banking sector and innovative [fintechs] to the benefit of both parties and, importantly, their customers."


INTERNET


REAL LIFE

SLOW OUT OF THE GATE, BUT GAINING GROUND

To be sure, Canada is about a decade behind the U.S. from a fintech adoption perspective, says Tal Schwartz, who leads strategy and operations for the Canadian Lenders Association, Canada's largest consumer and business lending association.

Because consumers in Canada have traditionally been more conservative, there hasn't always been incentive for the handful of large banks—who dominate the Canadian financial services market—to put their best technological foot forward. That of course, is starting to change, for several reasons.

For starters, consumer sentiment has been shifting. Consider an EY survey that found fintech adoption in Canada has climbed to 50% from 18% since 2017. The reasons cited for the shift include better rates and fees (42%), account setup ease (19%) and more innovative products and services (10%), according to the 2019 EY Global FinTech Adoption Index.

Another factor is the rise of big tech giants that have the potential to steal banks' lunch. Banks are much more afraid of the big tech companies—Google, Amazon, Facebook, Apple—coming after their business than they are of smaller fintechs, says Ellis Odynn, executive director and chief AI officer at the Digital Finance Institute, a think tank for fintech, AI and blockchain.

Banks have recognized that Canadian consumers want easy online access to digital products, and if everything can be offered through one mobile app, customers will be happy. That's a primary reason partnerships with fintechs are appealing, she says. "If they are able to partner with a smaller fintech and provide really awesome services, than they are much less likely to lose business to a large technology company," she says.

Legislative changes have also paved the way for greater collaboration. In 2018, amendments to the Bank Act, which governs how banks operate in Canada, removed barriers that restricted certain types of relationships between banks and fintechs, according to the Canadian Bankers Association.

As a testament to the growing importance of fintech in Canada, the Digital Finance Institute last year produced a list of the country's top 50 fintech companies. The list includes companies such as Borrowell, a credit education and financial services marketplace; KOHO, which offers a full-service account with no hidden fees, a reloadable Visa Card and integrated app to help Canadians budget and save; and PayBright, a provider of instant financing for e-commerce and in-store purchases. These companies, and others on the top 50 list, either compete with banks, partner with them in some fashion, or do a little of both, in their quest to provide services to Canadian consumers and businesses.

More broadly, here's a look at the fintech landscape, based on the latest publicly available data. There are 995 fintechs in Canada, 182 of which are operating in the country, as opposed to just being headquartered there, according to a 2019 report from FinTech Growth Syndicate, which collects data on Canadian fintech. Of the total, the majority—831—are considered startups (86 of whom were operating in the country). The remaining 164 are considered incumbents (96 of whom are operating in Canada). These companies are those who have a large portion of the existing financial services market and are predominately providing tech to banks and not offering alternative financial services, according to the report.

FINDING WAYS TO PARTNER

As fintech becomes more entrenched in Canadian financial services, the big banks have been more actively pursuing third-party technology solutions that suit their needs. In addition, they are starting to acquire or partner with fintech companies that are providing services they don't offer or don't offer in-house as well as the partner could provide, says Sue Britton, who heads FinTech Growth Syndicate.

These partnerships come in various forms. Some banks, for example, are collaborating with fintechs as incubators, while others are providing working capital to fintechs, using technology developed by the fintech, or participating in referral relationships. It's a trend that's only expected to increase over time. "The opportunity in Canada is about to explode," Britton says.

Of course, not all the bank-fintech partnerships formed thus far have been successful. One reason some efforts have failed is that banks' existing technology doesn't always make it easy to partner with a fintech, says Odynn of the Digital Finance Institute.

The big banks are huge and a small fintech company is not necessarily equipped to provide service to such a vast customer base. "Sometimes their technology can't scale to the proportion that the bank needs," she says.

Nonetheless, banks and fintechs are continuing to look for ways to work together. And it's not just the country's largest banks that have been taking fintech more seriously. Canada is home to a sizeable credit union market and several dozen smaller banks that are scattered throughout the country. Some of these players are also looking for partnership opportunities with fintech players, recognizing that it could be an important long-term grab for market share.

REAL-LIFE PARTNERSHIP EXAMPLES

Lending is one in which there's starting to be more collaboration between banks and fintechs. There's more financing being offered and other types of partnerships being considered as well.

"Banks who five years ago said, 'We don't extend credit to lenders who operate in subprime' are now

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opening up the pocket books and syndicating huge portions of fintech lenders' books," says Schwartz, of the Canadian Lenders Association.

Bank of Montreal, for instance, is the senior lender for OnDeck Canada, providing the capital for OnDeck to lend to merchants across the country, says Neil Wechsler, chief executive of OnDeck Canada.

OnDeck has also forged a relationship with Coast Capital Savings Federal Credit Union, one of the largest credit unions in Canada, allowing the credit union's small business members to apply for term loan financing from OnDeck of up to CAD $300,000 online, in branch or through the Coast Capital Contact Centre and receive approval and funding in as little as one day.

For their part, alternative players are increasingly seeking out bank partnerships as a way to leverage and build their own customer base.

One example of this is Lendified, an alternative small business loan provider in Canada. Lendified is in talks with a smaller Canadian bank about a mutual referral partnership where they are both referring customers to each other based on product need and eligibility, says Kevin Clark, co-founder and president of the alternative lender and past chair of the Canadian Lenders Association,. These types of partnerships are still few and far between, but Clark says he hopes they will grow over time.

It is "regrettable" that the larger Canadian banks haven't moved to create these partnerships as well as they could, he says. "I think it's disappointing, because I think the loser is the small business owner."

Some fintechs predict more explosive growth in the area of bank-fintech partnerships, encouraged by changes happening within Canada and globally. Andrew Graham co-founder and chief executive of the Canadian fintech Borrowell points to Visa's $5.3 billion agreement to buy fintech player Plaid as an indication that financial services companies are taking fintech seriously. "I think that's starting to take hold in Canada, but I think we want to see even more partnerships between fintechs and banks," he says.

It can be hard for consumers to figure out which products they can qualify for, which is where Borrowell and its bank partnerships come in, Graham says. The fintech, which has been in business for about six years, has partnered with banks such as EQ Bank, Motus Bank and Bank of Montreal. In exchange for a referral fee, Borrowell provides recommendations to consumers for personal loans, auto loans, investing accounts, savings accounts, insurance, mortgages and credit card products. This is an addition to the credit education and digital prime loan product it also offers.

Another example of collaboration between banks and fintech is Mylo, a goal-based saving and investing app that allows Canadians to round up purchases and invest their spare change.

Initially when the company was looking for investors, prior to launching in 2017, the banks weren't so interested—they were more interested in building something themselves, says Mylo chief executive and founder, Phil Barrar. But once the product was ready to go and started gaining traction that position changed, he says.

Desjardins Capital, a Canadian cooperative and subsidiary of Desjardins Group that is the largest federation of credit unions in North America, provided $4 million of seed money in 2017. And NAventures, the corporate venture capital arm of National Bank of Canada, recently led a $10 million Series A funding in 2019, which Desjardins Capital also participated in, Barrar says. In addition, Mylo is having ongoing conversations with banks regarding financing. "The environment has definitely changed. Financial institutions are becoming more and more collaborative and seeing how fintechs can fit into their overall strategy," Barrar says.

In a number of cases, fintechs play a dual role of partner and competitor. Take, for example, Mogo, which describes itself as a "digital challenger" to Canada's banks, offering personal loans, identity fraud protection, mortgages, a Visa Prepaid Card, and credit score monitoring.

Based in Vancouver, the company has evolved from a retail-based consumer lending company to the goal of offering all the products and services a company would use a bank for, says David Feller, Mogo's founder and chief executive.

Even so, Mogo maintains bank relationships. For instance, as a mortgage broker, some of its mortgages are funded by banks. Also, the company, which has been acting as an on-balance sheet lender, plans to move to an off-balance sheet model. Mogo expects this year to announce one or two prime lending partners—most likely a smaller bank or credit union, Feller says. "By partnering with us they will be able to fund loans through our platform and put their capital to work. A few years ago, they weren't as interested in partnering. But that's changing," he says.

Here's why. Almost everybody in the space is looking for mobile-first digital distribution. Smaller players can't compete at the same level as big banks. The smaller banks don't have the same capital as bigger banks to evolve their digital experience. And the credit unions don't have the expertise to do it in-house either. As digital becomes more important, if they don't partner with fintechs, they'll be left behind, Feller says.

Eventually, banks that have resisted embracing fintech will have to adjust their business model and/or acquire fintech players, he says. Consumers who can get a better experience elsewhere aren't likely to stick around for the long-term. "Everybody is still trying to figure out how this is going to evolve," he says.

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SMALL BUSINESS CREDIT SURVEY PROVES ITSELF TO BE A BLAST FROM THE PAST

By: Brendan Garrett

Over a month into a nationwide lockdown and it can prove hard to remember what things were like before this. The ease of going to a restaurant and sitting in, the buzz of attending a packed concert, or even the unappreciated experience of not having to maintain six feet between yourself and whoever is beside you.

As well as these small joys, for many small business owners the prospect of growth is a memory, as the latest Small Business Credit Survey highlights. Released in March, the report is a summary of how small business owners acted and felt towards credit in 2019, as well as how they viewed their future in 2020.

While that's certainly a grim reminder, the report featured an interesting question which appears prescient in the wake of the impacts of covid-19. "What actions would your business take in response to a 2-month revenue loss" was put to the 5,514 respondents, which were composed of owners of businesses that employed between 1 and 499 employees (coincidentally the same range for PPP loan eligibility). And the answers highlight the extent of the trouble which many small business owners currently find themselves in.

33% said they would lay off employees, 34% reported that they would rely on debt, and just 37% stated that they would reduce salaries of the owner(s) or employees. As well as these hypothetical decisions, 17% of respondents said they would shut down and 47% noted that they would use the owner's personal funds to ride out the storm, worrying numbers given the current situation.

And while these responses prove eerie in light of what was to come, other answers reflect the optimism that 2019 yielded. 69% of firms expected revenue to increase in 2020, 44% expected their number of employees to grow, and 56% reported revenue growth on from 2018.

Outdated as the report is, it acts as an artifact of sorts: reminding the industry of what can come before the fall, and how even when things are good, many businesses are a few steps removed from serious trouble.

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Five Tips for Working from Home

While working from home brings with it many benefits, it also comes equipped with plenty of cons. All that money you saved on lunches is great, but how do you get anything done if there are kids running around? As such, we've put together a brief list of little things to do to help get the most out of each work day:

1 Make use of your commute time

While it may be tempting to arise five minutes before you clock in, it may be better to wake up closer to your usual pre-corona time. Giving yourself some time to physically and mentally prepare yourself for a day of work, be it by conversation with family, exercise, or some entertainment, may set you up better to tackle the rest of the day.

2 Failing that, working from bed may not be as good an idea as first thought

So if you've chosen to ignore the first tip, you might at least want to rethink the temptation to work from bed or a sofa. Obviously not as good for your back and neck, using your living room or bed for professional purposes may lead to difficulty switching off and treating those spaces as somewhere to relax. Set aside a dedicated work space, be it your personal office or an oddly placed desk to yourself. Your spine will thank you.

3 Watch your time

Having carved out some space to work, it's important to remember to leave the desk. It can be easy to work more than usual when your home becomes an office. Try to keep a schedule of when you take lunch and for how long. Full breaks, multiple smaller ones, whatever works for you. And be sure to sign out of any professional accounts at the end of your day if you're using a personal device, or at least mute the notifications.

4 Learn the rules of remote communication

With everyone Zooming, Skyping, or Hangoutsing, it's important to remember that the etiquette of talking in person doesn't quite translate to the online counterpart. Muting your mic while you're not talking may save your colleagues from hearing a loud dog or child, facing a window or other source of natural light will do wonders for how you appear, and do be vigilant of when your camera is turned on. Numerous examples of people forgetting to switch off before running to the restroom while continuing a meeting have already floated around on Twitter, you don't want to join them.

5 That said, do keep in touch

With the office setup and atmosphere no longer an option, it's easy to fall out of touch with that colleague you chatted to while coffee brewed. Don't be afraid to reach out over Slack, Teams, or whatever app is being used. Overcommunication is often the best practice when you're not directly in front of someone, and you're definitely not the only person missing the sporadic conversation an office provides.

INDUSTRY NEWS

1/23/20 - OnDeck named Scott Totman as Chief Product and Technology Officer. Totman was previously the Head of Engineering and Product Development for DivvyCloud.

1/27/20 - Funding Circle's UK CFO Sean Glithero stepped down after more than 2 years in the role

1/28/20 - Funding Circle closed a $252M securitization of US small business loans

1/29/20 - Become, a fintech lending marketplace, surpassed $200M in loans facilitated to small business lenders

- Enova reported $345M in Q4 revenue, up 25% year-over-year. Net income was $30M.

- A devastating trial court decision for MCA companies in New York from years past, *Volunteer Pharmacy*, was overturned by the Appellate Division, 2nd Department

- FIS Working Capital (NYSE: FIS) partnered with Liberis, a London-based small business financing provider, to provide funding solutions to US-based businesses

- goPeer, a Canadian p2p consumer lending platform, announced that it had received its registration as an exempt market dealer in Ontario and Quebec.

1/31/20 - The United Kingdom exited the European Union, making Brexit official

2/1/20 - WeWork named Sandeep Mathrani as its new CEO

2/3/20 - OnDeck announced that its survey revealed that support for Bernie Sanders was growing among small business owners and narrowing the gap with Joe Biden

2/4/20 - BFS Capital CEO Mark Ruddock joined the board of the Canadian Lenders Association

- Kabbage introduced a custom short-term loan program with repayment terms of 3-45 days

2/5/20 - CAN Capital announced Edward Dietz as Chief Compliance Officer and General Counsel. Dietz previously provided legal expertise to Marlin Business Services.

- Online lender Avant spun off a new company, Amount, and was reportedly considering an IPO for as early as 2021

- Ponzi scheme king Bernie Madoff sought early compassionate release after doctors broke the news to him that he was dying of kidney disease

2/7/20 - The Maryland state legislature introduced a bill to prohibit Maryland-based businesses from selling their future credit and debit card receivables, dubbed Merchant Cash Advance Prohibition.

2/10/20 - A survey by Square revealed that Joe Biden was the top choice for the Democratic nomination among small business owners

- The OCC awarded preliminary approval to Varo, a mobile banking app, for a bank charter

- LendItFintech partnered with NYC Fintech Women on a mentorship program for tri-state area women

2/11/20 - OnDeck reported net income of $9.3M for Q4

- Community Reinvestment Fund, USA, a non-profit lender, debuted its Connect2Capital small business lending platform

- The Federal Reserve Bank of New York announced that household debt had climbed to $14.15T, far above the peak of $12.68T in the third quarter of 2008

2/12/20 - Numerated, a bank technology company, added new digital front-end business banking features for banks to use that include account opening, credit card underwriting, and more

2/18/20 - YieldStreet, a digital platform that offers alternative investments, partnered up with BlackRock to offer high-yield investments

- HSBC announced plans to cut 35,000 jobs as profits dropped 33%

- President Trump granted clemency to legendary junk bond king Michael Milken

- Lending Club announced it would acquire Radius Bank for $185M

- New York Governor Cuomo proposed an expansion of the New York Department of Financial Sevice's powers

2/20/20 - Morgan Stanley bought E-trade for $13B

- Fifth Third Bancorp announced it would begin offering digital small business loans through its partnership with Fundation.

2/21/20 - Fora Financial, a small business financing provider, announced Andrew Gutman as the company's new president. Gutman was previously the CFO.

- United Capital Source announced a partnership with Brex to offer customers a corporate credit card

2/23/20 - Intuit announced an acquisition of Credit Karma for $7.1B

2/24/20 - Revolut raised $500M in a Series D round at a $5.5B valuation

2/25/20 - LendingPoint announced the pricing of two securitizations, one for $200M and another for $45.8M

- BFS Capital named Patricia Korth-McDonnell as Chief Marketing Officer and Sheri Chin as Chief People Officer

2/26/20 - Luxury Asset Capital acquired and relaunched Borro, the online pawn-shop lender

2/27/20 - Lendio closed on a $55M Series E round led by Mercato Partners

INDUSTRY *NEWS CONT'D*

3/2/20 - Members of Congress called for a plan to provide interest-free loans to small businesses affected by the novel coronavirus.

3/3/20 - The Federal Reserve announced an emergency rate cut of 50 basis points in response to the growing economic threat from the novel coronavirus.

3/4/20 - CAN Capital announced 23% year-over-year growth and that it would be expanding its operations to a new direct sales office in Mount Laurel, NJ
- Funding Metrics announced a new $100M credit facility

3/9/20 - OnDeck appointed Mark Torossian as SVP, Finance. Torossian was previously CFO of the Asset Servicing business in the Americas for BNY Mellon.

- OnDeck, Lending Club share prices were battered by market turbulence. OnDeck closed at $2.55 and Lending Club at $9.62.

- OnDeck announced that its Chief Accounting Officer, Nicholas Sinigaglia, would be leaving the company on May 1st

3/10/20 - OnDeck announced a sponsorship of No. 8 Chevrolet for JR Motorsports and driver Daniel Hemric in two races during the 2020 NASCAR Xfinity Series season

3/11/20 - President Trump pledged immediate support for an SBA-backed low interest loan initiative to help small businesses affected by the novel coronavirus

3/12/20 - Funding Circle announced it would lay off 125 workers in Amsterdam and Berlin

- BFS Capital hired its first Chief Revenue Officer, Peter Ng. Ng was head of BlackBerry's global Independent Software Vendor partnerships as Senior Director, Global Alliances and Business Development.

3/17/20 - Members of the Marketplace Lending Association told Congress they were taking measures to help borrowers affected by the coronavirus pandemic.

3/18/20 - The FDIC approved Square to become a de novo industrial bank

3/19/20 - Gun sales around the country surged as nationwide panic over the novel coronavirus began to set in

- California enacted a Shelter-in-place policy, a drastic measure to contain the spread of the virus

3/20/20 - Small business finance company Pearl Capital Business Funding announced employee furloughs

- New York and Connecticut ordered all non-essential businesses to close

- Toronto-based Lending Loop reported that Canadian small businesses had experienced an average revenue decline of more than 63% amid the COVID-19 pandemic

- Canadian Lenders Association announced a working group of fintech companies to engage with the Canadian government

3/21/20 - New Jersey enacted a stay-at-home order

3/22/20 - Delaware enacted a stay-at-home order

3/23/20 - Shares of OnDeck hit an all-time record low of 70 cents

3/24/20 - Dozens of fintech companies wrote letters to Congress to offer their technological support as a crisis loomed

3/25/20 - Revolut launches in the US

3/26/20 - Stripe invested $20M into Fast, a startup building platform-agnostic login and checkout service

3/30/20 - Kabbage furloughed a significant percentage of its staff and stopped all lending

- StreetShares posted a six-month period net loss ending Dec. 2019 of $5.18M

3/31/20 - Goldman Sachs predicted that US unemployment could surge to 15%

- US Treasury and SBA announced a $349B Paycheck Protection Program (PPP) to keep workers employed at small businesses

- Lendio announced plan to hire 200 agents to help facilitate PPP lending

4/2/20 - Unemployment claims hit 6.6M in one week, bringing the two-week total to 10M

4/6/20 - California's financial regulator posted a bulletin to small businesses advising them that they may not have to make payments towards their merchant cash advances

4/7/20 - SoFi acquired banking and payments platform Galileo for $1.2B

4/8/20 - Bernie Sanders suspended his campaign, paved way for Joe Biden to become nominee

- The SBA released the official application form for fintech lenders to become PPP lenders

4/9/20 - US reported another 6M in new unemployment claims, bringing the 3-week total to 16M

4/10/20 - Fintech lenders rushed to obtain approval by the US Treasury to be direct PPP lenders

4/14/20 - Ocrolus partnered with Brace to help mortgage servicers handle the impending loss mitigation tidal wave

- Several fintech lenders announced PPP lender status approval

4/16/20 - Another 5.2M unemployment claims were filed

- All $349B of PPP funds ran out, despite there being 800,000 applications still pending in the pipeline

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