

A man in a blue shirt is seen from the back, looking out at a city skyline. The sun is shining brightly, creating a large, warm flare that dominates the right side of the image. The buildings are tall and modern, with many windows reflecting the light. The overall mood is one of optimism and forward-looking vision.

deBanked

May/June 2021

REAL ESTATE INVESTING FROM THE EXPERTS

The Bachelor Meets PPP

Oz Konar on Why People
See Opportunities in the
Alternative Lending Industry
After Covid

With Sean Murray



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Letter From the Editor



BY
SEAN MURRAY

Alternative finance performed exceedingly well during the dark days that tried men's souls and now we've turned the corner in this country. People are back outside, socializing, and trying to regain their sense of normalcy. In this issue we explore opportunities ahead, whether it be brokering business loans from home, investing in real estate, or preparing to go to the next major industry conference. Thanks for reading.

—Sean Murray

REAL ESTATE INVESTING FROM THE EXPERTS

TWO NYC-AREA REAL ESTATE INVESTORS TOLD
DEBANKED HOW THEY FOUND SUCCESS.

Ralph DiBugnara is President of Home Qualified and VP at Cardinal Financial. (Instagram: debug)

Erin Sykes is the Chief Economist at Nest Seekers.
(Instagram: sykesstyle)

On how to get started

Ralph DiBugnara: If you're from New York or New Jersey, go buy a multifamily that you can live in and earn on. That's a good way to enter the market where you can make a lot of mistakes and not completely lose your investment. It leaves you a lot of room for error.

Erin Sykes: I think it's important to know what's your end use for any property. Are you going to live there yourself? And then look to renovate and flip out at the same time? Are you looking to have rental income and investment income? Are you looking for a long-term tenant, VRBO, an Airbnb situation? And in that case, are you even looking at buildings where that's allowed. So, there are a lot of buildings between New York and Miami where it's just, it's not an option. So, ask about the condo rules. Or maybe you start looking at single family homes where you have a bit more control over the type of rental usage you're going to go forward with.

Ralph DiBugnara: Look for somebody in this business that can mentor you that made all the mistakes. When I went through the market crash of 2007, 2008, I didn't know anybody else outside of my company. There was no such thing as podcasts and audio books and all this information out there or social media to network myself. Now you're in an arena where it's so easy to access people who have the information. Find somebody that can give you the information to help you avoid the years and years that would take you to get up and running.

Erin Sykes: It's a case-by-case basis, but you do need to make sure you have the 20% down. And right now you're going to want to take a mortgage, even if you could do everything in cash. Rates are still so low that you're better off mortgaging for the most part. So, if you have the 20% and then six months carrying costs, that would be a sound investment, you want to make sure that even if you don't get it rented right away, that you could afford to carry the property and not get financially hurt.

How they are approaching the market right now

Ralph DiBugnara: My philosophy kind of changed a little bit when this year started, where I was really all long-term investments. And I was into multifamilies and properties that I can rent long term, whether it was large scale multi or single family too, I really had to start exploring the short-term rental market, which is Airbnb and VRBO, and things like that. That kind of exploded this year. So, it was something that I really said, okay, what is this? How do I pivot towards this? And that's **when** I started pivoting. And I think if you're looking to do it, it's a really, really good option, because it's a much higher return on your money, in my opinion, but it's a lot more work.

Erin Sykes: So, I started investing in New York City in 2019, which seems like an awful time to start investing because we saw the pandemic come through in 2020. But I was very guided in terms of what I was doing, and I actually paid under market value. So my apartment held its value throughout the pandemic. And if I did need to flip out of it at any time, it still would have shown appreciation. When I purchased it, it was listed at, I believe, high nine hundreds. I paid 905 and it was less than \$900 per square foot, which is a terrific price here in Manhattan, particularly for a location that is close to Tribeca and Soho, etc. So, I put about \$100,000 of renovation in. Basically I built a wall, added in a 10 foot by 10 foot closet, did wallpaper and different types of finishes, we did the kitchen, all new appliances, and in total came out to about \$100,000. So, all in I was \$1,005,000. And right now, in terms of what it would rent out for it'd be about \$6,000 a month if I were to rent it out. My carrying costs per month are about \$4,000 **and** my mortgage is 1.8%.

What's the future?

Ralph DiBugnara: You're going to see values that continue to rise in one way, shape, or form because of bidding wars, because there's a lack of supply and you're going to pay a premium. So, I think if you're going to buy, you have to look at it as a long-term investment and have to look at something and be like 'in five or six years is this is where I want it? Is this still where I want to be?' I don't think you can look at it as a year-two or three market because even if you could buy a property and make a profit on it really quickly if you're buying your primary residence, because where are you going? Because unless you're moving to a different state, then you're going to pay a premium. So even selling for **a** premium, you still have to pay a premium. So unless you're looking to sell in one high value state and move to another state where it's lower cost you're kind of in the same position everybody else is. So, I think you have to more than ever look into something over the long term. [...] You have to have enough foresight to run in when everybody's running out just like anything else as the market is a roller coaster. Let's try to be diversified. Don't be in one thing or the other and don't run away when the market starts to dip because you're going to have reactive markets where you can have waves.

Erin Sykes: It's absolutely the time to invest in New York City, really, the last six months have been the time to invest in New York City. And that's when we're seeing the biggest incentives and biggest discounts. And we really got through q4 2020 and saw prices almost flat to pre pandemic. So that said there are those pockets of opportunity within the city. So, you're going to really go on a more case by case basis if you want those COVID discounts. You need to look to Midtown to Chelsea. Actually, Brooklyn and Queens have been just doing so well because there's tons of new development opportunity. And you can still get in at a cost that's below that of Manhattan. But that said, the trend is so steep and the curve is so steep for increasing prices, that you might have a better option in midtown Manhattan than Brooklyn at this point.

The BACHELOR MEETS PPP



Closeted Bachelor TV fans Sean Murray and Johny Fernandez have at times joked about the reality romance show on social media. They hadn't realized there would be actual crossover with small business finance.

"ABC'S The Bachelor has come up during our live deBanked TV segments a few times," Murray said. "We thought it made for light sidebar conversation. It hadn't occurred to me that the contestants were running businesses and they'd come up in the mainstream context of where the nation's PPP money went. I'm bummed that I didn't discover this first."

In June, media outlets determined that PPP funds were approved for the businesses of some of the show's stars.

Tayshia Adams' business, Tayshia Adams Media LLC, for example, received \$20,833. No wrongdoing is alleged with the funds she received, but perception is everything. Were these the type of "struggling businesses" that the government intended the funds to

be used for? Fans and critics of the show have voiced their own thoughts on social media. Adams, for example, was a central star of the reality franchise in 2020 and is currently a host on the 2021 season of the Bachelorette.

Confronted by TMZ, a rep for Adams said that she had used the money to hire someone.

Tayshia Adams Media LLC was organized in 2019, well before the pandemic, deBanked determined.

"I'm not a reality star but deBanked works in the media space," Murray said. "I don't think there's anything wrong with her or others applying for it if in fact they were statutorily eligible. There's way too much actual fraud out there to get upset just because they're famous."

"PPP was meant to be used for small businesses," Johny Fernandez added. "[Tayshia's] a legit small business owner," he opined.

It looks like the deBanked TV duo will continue to smell the roses as the show goes on.

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OZ KONAR ON WHY PEOPLE SEE OPPORTUNITIES IN THE ALTERNATIVE LENDING INDUSTRY AFTER COVID

(PARAPHRASED FROM A DEBANKED INTERVIEW)

WITH SEAN MURRAY

I always believe that good is the enemy of great. A lot of people assume their situation is good. 'I'm doing fine, I got this job and I get my pay every single week. It's not that bad after all.' But they're sacrificing the potential of being great. Every one of us has the potential to build something, it's just sometimes, especially after our 20s, we kind of give up on that idea and kind of buy into this corporate mentality of 'Hey, we can just settle, why push so hard?' type of thing. I think the pandemic reminded people that they're really not that safe on what's going on.

People have seen that potential now, that being good is not really enough. So, they've got to do something to be prepared, have some money saved up or be able to do something from home, even through a recession.

It's not so much about 'oh I want to become a business loan broker,' It's about what they want to do with their life now, where do they see themselves in 5-10 years and what happens in times of chaos like this?

Certain products in the alternative lending industry slowed down, but others still did okay. Other industries totally stopped or died off, right? So, when you do the comparison of this industry to others and recognize that this industry also survived the 2008 recession and came out strong, we know that the same thing is going to happen after the pandemic.

Oz Konar is the Founder of Business Lending Blueprint.

Watch his full unedited interview at:
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All-In For Broker Fair

“You take the red pill, you stay in wonderland,” I said to myself as I retreated down the steps to of my in-laws’ basement. I prayed that what I did next would work.

By: Sean Murray

“Let’s go all in,” I told my team during the Fall of 2019 about the next Broker Fair that was planned for New York City in May 2020. “Everything’s going to go great assuming the world doesn’t end or something.”

Momentum was on our side. We put on four events in 2019, including our first-ever show in Canada. All the American shows sold out and had lengthy waiting lists. It was a dream come true.

In late February 2020, everyone at deBanked sat silently as we watched the news on TV from the office.

Apparently, the world was actually ending. I couldn’t believe it.

In the events industry, nobody has the luxury of time. Venues and vendors typically have to be booked an entire year in advance. Simply re-scheduling an event for 1,000 people on a whim to the Summer or Fall for example, was communicated as virtually impossible. Those months were already fully booked well in advance by other shows.

In March 2020, there was a lot of optimism that “15 days to slow the spread” would permit massive events to resume business as usual by June 2020. We bemoaned our original timing of May and wondered how we could be so unlucky. “Why me? Why now!” I called out in self-pity.

Competitively, conferences that were scheduled in the Summer and the Fall saw an opportunity to capture audiences that normally would’ve attended Spring events put on by rivals. We were one such Spring conference that was suddenly at a strong disadvantage against the Fall shows.

While we renegotiated a new date, emails were blasted out to our prospective attendees by rivals, informing them that their shows were still proceeding as planned while ours was postponed. Our bad luck was their opportunity.

In the deBanked office, right before we all went home for a while (some for good), I was convinced that within two weeks, everything would somehow work itself out. “See you all in a couple weeks,” I said as we locked the doors and headed home for the evening, maskless, because that wasn’t even a thing yet.

Within days, I would leave New York City altogether and stay in a remote location for more than 3 months. In May of 2020, we rescheduled Broker Fair to March of 2021, a time frame that many felt was extremely overconservative.

“2021, really? Why not the Fall of 2020,” I was asked repeatedly in May of 2020 when we made the announcement. At some point on a deBanked Zoom conference call, we came to believe that the Fall events wouldn’t be happening either, no matter how confident those companies were. Some dates opened up during that time frame but we passed and arrived at a March 2021 date. In the interim, while our ticket holders waited, Broker Fair held a complementary virtual conference on June 11, 2020.

I tried to pull out all the stops, going so far as to dress up as Morpheus from The Matrix to record a video from my in-laws’ basement in which I tried to tell the world, “WE ARE STILL HERE!” I still remember their bewildered looks as I made my way through their kitchen, wearing a full-length black trench coat and sunglasses as I practiced the lines out loud.

“Call me Morpheus,” I said, nodding my head in their direction.

Such was Broker Fair 2020 virtual. I was all in. The virtual conference opened up with a 3-minute video of me in full-on Matrix character. The rest of the day went exceedingly well.

But it wasn’t the same as in person.

I can’t comment on the circumstances of other shows, but we fared quite well. We were capitalized well-enough to bear the extreme inconveniences and delays, but we did lose some members of our team. It was disappointing. Our venue, Convene at Brookfield Place in Manhattan, was adequately equipped to stick around as well.

When the first round of emails went out by Fall 2020 shows, announcing that their conferences were regrettably cancelled, I felt no sense of advantage that our show wouldn’t be until March 2021. Everyone was in the same unfortunate situation together, a perpetual lockdown, an endless Covid, and a landscape of uncertainty. Nobody had an upper hand over anybody.

We rescheduled the show again, while we still had plenty of time, to December 6, 2021. It was the right call.

Naturally, I was eager to assess the in-person networking experience when it did finally return to the world. In-person events came back in May 2021, just in time for my vaccination to have fully taken effect. deBanked started by live-streaming from the Southeast Acquirers Association show in Bonita Springs, Florida on May 24th and 25th, an event that had nearly 1,000 attendees.

Candidly, the atmosphere felt almost as it had if it were 2019. It was awesome. That sentiment continued with smaller events we attended since, both in New York and Miami.

Both metropolitan districts heavily represent the Broker Fair and deBanked audiences. Business as usual has returned in each, according to my own assessments.

Full speed ahead?

In the deBanked offices, the team gathered around to discuss Broker Fair 2021 for December. Some of the faces were different from the last time such a serious conversation had taken place in the office.

“Ladies and gentlemen,” I started off. “We are going all in for Broker Fair 2021!”

Everyone waited for the catch. There wasn’t any. We’re going all in.

See you there!

INDUSTRY NEWS

4/15/21	Ethereum surpassed \$2,500 for the first time	5/18/21	AI-powered financial analytics firm Vise, raised \$65M in a Series C
4/19/21	GameStop CEO George Sherman announced he was stepping down		Springbig, a cannabis marketing company, announced a partnership with credit platform Lendica
4/20/21	Andrew Tezna, a senior exec at NASA, pled guilty to PPP and EIDL fraud	5/19/21	Funding Circle announced an expected £40M profit for the first half of 2021
	Cryptocurrency exchange Binance hired former OCC head Brian Brooks as CEO of Binance US	5/20/21	Sunbit, a Buy-Now Pay-Later firm, raised \$130M in a Series D
	Small business lender Credibly announced an offering of \$65M in new ABS notes	5/26/21	Paysend, a UK-based international payments processor, raised \$125M in a Series B
4/22/21	The Supreme Court of the United States ruled that the FTC does not have the power to seek monetary relief for cases it pursues under Section 13(b) of the FTC Act	5/27/21	Wayflyer, a merchant cash advance company in Ireland, raised \$76M in a Series A
4/26/21	Enova revealed that OnDeck was planning its first ABS sale since the small business lender was acquired		CAN Capital surpassed \$7.5B in small business funding originations since inception
4/28/21	Shopify Capital surpassed \$2B in SMB funding originations	6/1/21	SoFi went public on the Nasdaq and closed up 12% on its first day
4/29/21	IOU, a small business lender, revealed it had originated \$84.9M in 2020	6/4/21	Targeted Lease Capital secured \$25M from Bridge Bank
5/3/21	Ethereum surpassed \$3,000		Unemployment dropped to 5.8%
5/5/21	The CEO of Zoom publicly said that he is sick of Zoom		Square CEO Jack Dorsey said on twitter that Square may develop a Bitcoin hardware wallet
5/7/21	Clearco, a Canadian small business lender, announced a planned expansion to The Netherlands	6/8/21	Bloom, a digital underwriting platform, raised \$15M in a Series A
5/9/21	OneMain acquired Trim, a financial wellness fintech firm	6/9/21	El Salvador became the first country to make bitcoin legal tender
5/11/21	After SCOTUS restricted the FTC's 13(b) power, the agency appeared to be pivoting toward relying on the Gramm-Leach-Bliley Act		Marqeta went public on the Nasdaq, raising \$1.2B
5/12/21	Youlend partnered with eBay in UK		Balboa Capital raised \$50M through corporate note financing
5/13/21	Quicken Loans announced they were officially rebranding to Rocket Mortgage	6/10/21	Marlette announced a new Visa credit card.
	Digital asset company Tether revealed that less than 3% of their stablecoins are actually backed by cash		United Capital Source, a small business finance brokerage, surpassed \$1B in originated deals
	Flippa, an online marketplace to buy and sell businesses, partnered with Yardline to provide capital for acquisitions, growth, and more		Avant closed a \$200M securitization
5/15/21	Marqeta filed for an IPO	6/14/21	deBanked acquired the peer-to-peer lending forum once hosted on lendacademy.com. It's now at debanked.com/p2pforum/
5/18/21	Digital banking technology firm Amount, raised \$99M in a Series D	6/16/21	Stearns Bank acquired South End Capital and its digital SMB lending platform

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FUNDERS VS. LENDERS



Everyone presumably understands what a loan is. The party extending the funds is the lender and the party paying it back is the borrower.

In business, various arrangements enable one party to give capital to another in exchange for something other than the money to be paid back in return. One can purchase stock in a company, for example. The buyer and seller are both getting value, but the relationship itself is not a loan.

Enter merchant cash advance, a product one might be less familiar with unless they operate in the small business finance space. The party extending funds in such a transaction is buying a fixed portion of future revenue that is collected at a pace consistent with the revenue being generated. The recipient of the funds doesn't necessarily "owe" anything, but they are responsible to deliver the purchased revenue as it comes in.

It's a unique relationship that certainly wouldn't bestow the buyer with a title like "lender" and it would probably send a confusing signal to the seller if the broker on such a transaction called the buyer that.

The colloquial term to describe a merchant cash advance company is "funder." They *fund* businesses by buying up their future sales. That is a pretty well-established term in the small business finance industry that can help avoid confusion with a business owner.

"I need to speak in the language that my client understands," is a common rebuttal presented by freshmen brokers over the use of industry jargon. "It would be easier to just tell the customer that the money's coming from a lender even if it's an MCA," they say.

Easier is debatable, but what will happen come closing time when the contract presented states in big bold letters "THIS IS NOT A LOAN"?

The nature of the agreement is best explained sooner rather than later, especially since once the contract is consummated, the buyer isn't going to act like a lender, they're going to act like a buyer in accordance with the very specific contract they entered into.

Most brokers work with both lenders and funders and that is great.

The best way for a broker to build up a good book of business is to be resourceful. Being informative about the pros and cons of each product and being able to explain the distinct features of each will foster success.

So, educate the customer and correct them if they get it wrong.

MCAs come from funders. Loans come from lenders. Now say this 100 times in a row. Good luck!

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