deBanked
November/December 2020

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Letter From the Editor

BY
SEAN MURRAY

2020 was... interesting. It's uncanny that my 2019 concluding remarks theorized that I would age by 34 years in 2020. I guess I should probably go buy some lottery tickets.

It appears that...after all of that... (and it's not even over), one thing has become abundantly clear: that whatever trajectory we had been on with finance and tech and lending has accelerated significantly. Some of fintech's stalwarts were acquired, some by banks. Others have applied to become banks. Brick and mortar businesses that had otherwise avoided e-commerce, were forced to adopt an e-commerce-first approach. And wouldn't you know it, the e-commerce lenders who were at one time considered niche operators, became the biggest beneficiaries in 2020.

New regulation for lending also came to pass and more is expected in 2021. Regulators seem really set on non-banks becoming banks or else not be able to operate at all. That's my impression anyway. As we know now quite well, anything can happen!

Goodbye 2020. Hello 2021. Whatever you've got in store, we'll be ready to tell your tale.

Sean P Murray

–Sean Murray

Why funders are investing in real estate as their side hustle of choice

by: AUTUMN CAFIERO GIUSTI

After five years in finance, Peter Ribeiro decided to strike out on his own and start US Business Funding in 2008, providing equipment leasing and financing for businesses.

But when the housing market collapsed four months later, Ribeiro saw a second major business opportunity emerge.

Earlier that year, he had purchased a $250,000 home in southern California that appraised for $355,000 at the time he bought it. Within seven months, the home's value plummeted to $95,000.

"I told myself I knew the area really well, so I might as well start buying some properties."

At that point, Ribeiro's fledgling company still wasn't generating much revenue. "I thought, 'Man, I just can't get a lot of loans done right now. I only have three or four employees.' That's how I got into the real estate industry."

Twelve years later and at the height of a global pandemic, Ribeiro is simultaneously running two thriving ventures —US Business Funding, and a portfolio of hundreds of rental properties he now owns.

At a time when fintech startups and other industry innovators are looking for investors, alternative lending execs like Ribeiro are instead choosing to put their money in real estate to beef up their investment portfolios. Although some execs shy away from talking publicly about their real estate dealings, citing the fact that they don't want too much exposure, the consensus is that there's a lot of money to be made in buying, selling and renting property – if you know what you're doing.

"I think real estate is lucrative because when you look at the history of investments, there are two or three ways to really make money: You can put your money in the stock market, or you can put it in bonds. And the other one guaranteed to go up in value is real estate," Ribeiro says.

To Ribeiro, real estate offers a few major advantages: It's a tangible asset. You can leverage it as it appreciates in value.


HOUSE
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Deductions make it so you pay very little in taxes. And it offers significant cash flow.

"It's the best investment you can make," he says.

What makes real estate an especially good fit for alternative lending and fintech execs is that they possess the skills, resources and financial literacy to succeed at it.

"Real estate is a long-term gain," Ribeiro says. "The industry we're in is a cash-flow cow. People who are doing well are printing money. But what can you do with that money? You can put it in the stock market, but you won't control much. Then you pay capital gains on it."

Attorney Paul Rianda, who represents both cash advance clients and real estate investors, says it makes sense that real estate investing appeals to alternative lenders – especially amidst the uncertainty of COVID-19.

"If you're a cash advance guy and COVID happened, then you're not doing very well," he says. "If you diversified your assets by doing real estate and cash advance, you're able to weather these downturns a lot more easily than you would otherwise."

Rianda has not yet counseled any of his own cash advance clients on real estate matters. But based on his insights from working with both areas, he says real estate would be a logical move for MCA executives, and he's seen some of his clients in the bankcard industry buy up properties.

"One of my clients had a portfolio of merchants and sold it for a few million, then flipped over to real estate. So it's a means (to an end)," Rianda says.

'Snowball effect'

Ribeiro has relied on a simple strategy to steadily build his portfolio of residential properties: Buy. Fix. Leverage. Repeat.

"I feel like the portfolio is doubling every couple of years. It's just a snowball effect," he says.

After Ribeiro buys a home, he waits about six months before he has it appraised and fixes it up in the meantime.

"It's the best investment you can make..."

"If you go to the bank within the first six months of purchasing it, they're going to give you the actual market value of whatever you purchased the house for," he says. "If you wait six months, they'll reappraise the home and give its true market value, which could be another 40, 50 or 60 percent. And so now you're going to have a lot more equity in the house, and you're going to get a lot more money when you leverage that home to go buy the next one."

Ribeiro says he sees lots of people making the mistake of buying a home, and then going to the bank a week or two later for a loan.

Constantly maintaining a positive cash flow is Ribeiro's number one rule of

real estate investing. “Your best friend is depreciation,” he says.

Depreciation refers to one of the key tax benefits of real estate. Since owning a rental property is technically a type of business because it generates income, the property is considered a business asset. The IRS allows you to deduct the cost of acquiring that asset – the property – over the span of its useful life. For residential properties, the IRS sets a standard depreciation period of 27.5 years.

So if you buy a $100,000 property with a $20,000 land value, $80,000 of the asset is considered depreciable. Over the course of 27.5 years, you can take an annual deduction of just over $2,900 a year.

The trick, Ribeiro says, is to stick to lower-priced properties with an 80/20 home-to-land value. Most of his properties are single- and multifamily homes between southern California and Las Vegas.

Like Ribeiro, Rianda’s investor clients concentrate on one geographic area to find the best properties. “They look at the area for a long time, understand the area,” he says. “In my neighborhood, three blocks can make a 50 percent difference in the price of a house. You need to focus on a particular geographic area and do a lot of transactions in it.”

Small portfolio, big impact

Real estate investing has provided a way for Jared Weitz to earn more money while being able to focus on his primary job as CEO of New York-based United Capital Source Inc., the company he founded.

“For me, it’s just a really good second income stream and a way to have a secure return of 4.5% to 6.5% a year,” he says.

Growing up, Weitz got a feel for real estate by watching his uncles invest in multifamily properties. At one point, Weitz’s uncle owned 15 different multifamily homes, and Weitz would help do the maintenance on them.

Eight years ago, Weitz invested in his first two-family home and has fixed and flipped eight properties since then. He currently owns two two-family homes and invests primarily in multifamily homes in Long Island, Brooklyn and Queens. Over the next five years, he plans to pick up at least two more four- or eight-family properties. Working with a small portfolio of residences in his home state has allowed Weitz to have full control over managing his properties and to turn a good profit.

“I think for me, it just offers more liquidity,” he says. “It’s an asset I can sell and liquidate at any time. That’s really important for me.”

Ideally, Weitz would like for his investment to build generational wealth that he can pass down to his son. With many people in the U.S. unable to qualify for mortgages, Weitz sees real estate investing as an opportunity to help the economy by giving renters a place to live and put down roots. “Depending on the neighborhood, you can put yourself in a situation where you have good renters for 20 to 30 years. They want to raise their families and have their kids grow up there,” he says.

“Buy. Fix. Leverage. Repeat.”

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Litigation among the pitfalls

Even though Ribeiro has had success with his business model, he cautions that there's considerable risk involved with real estate.

"I love the industry. It's a passion. It's beyond my wildest dreams of the size of the portfolio and how well it performs," he says. "But don't think it's all cupcakes and unicorns. There's a lot to the madness. That's why not everyone can replicate the model."

"Professional litigators" and multiple lawsuits from renters are a major downfall that Ribeiro points to. He sees at least one substantial suit each year and tries to settle outside of court whenever possible.

As an attorney, Rianda says his real estate clients call on him not just for the purchase of the property, but for various issues that occur during the ownership period.

Here's one scenario: A property owner has a tenant who isn't paying rent, so the property owner sues the tenant. But while the lawsuit proceedings are under way, the tenant declares bankruptcy, which puts a stall on further litigation.

"There are people who understand the system and can make it difficult for you to get them out (of the property)," Rianda says, adding that it's important to have legal counsel readily available. "You need someone who has really done this a lot and knows how the system works to get that person out of the rental property as quickly as possible."

To minimize liability, Ribeiro has divided his properties into about 10 different business entities – each with a separate umbrella insurance policy.

Rianda sees his own real estate investor clients follow this strategy by grouping multiple homes under the name of an LLC. "If you personally own all these various assets, there's the potential that if something catastrophic happened at one, it could bleed into all your other properties and potentially put them at risk," he says.

Dual careers

Ribeiro's real estate investments and finance company both serve as full-time occupations for him. Some years, he'll focus more on one area than on the other, depending on market conditions. He spent more time on real estate between 2008 and 2013; then his business needs flip-flopped when real estate prices started going back up. This past year, he's directed more attention to the finance company because of COVID, which necessitated some operational changes and a need to help clients who had been trying to get PPP loans. But he's also started investing in commercial real estate, which has taken a hit because of companies forgoing office space to save overhead costs while employees work remotely.

Ribeiro expects to start seeing more mortgage defaults on lower-level homes in 2021 and 2022, after forbearance periods are over. And he's been leveraging his assets to start buying more properties around the second quarter of the new year. "I think it will be a good time to start buying heavy again," he says.

An attractive investment vehicle

With the pandemic weakening business portfolios, secondary investment options might sound like just what the doctor ordered.

When COVID first hit, some of Rianda's clients started pursuing other investments like personal protective equipment (PPE). Most of his cash advance clients closed up shop for a few months.

"As time goes on, I'm starting to see my clients go back into their lending," Rianda says.

Even as clients start to recoup their business, Rianda sees the wisdom in other investments and says cash advance executives are well suited for real estate. "It's just a way that people who have been successful and spin off a lot of cash for their businesses see as a safe way to diversify their income," Rianda says. "It's something I find that people who are doing well in their business do, regardless of what business they're in. So cash advance guys are just following the things people have done for years."

Ribeiro cautions that people who get into real estate should look at it as a 10-year investment minimum, and not just a two- or three-month stint.

"It's not a lottery ticket, and it's not an overnight race," Ribeiro says. "This is a long-term gain. But it's a very lucrative gain from a cash-flow perspective and a tax perspective. I don't think there's a more attractive vehicle than real estate."

2021: THE YEAR OF UNCERTAINTY

By *CHERYL WINOKUR MUNK*

For alternative lenders and funders, 2021 is starting out with a question mark and will lead (hopefully) to a resounding exclamation point of recovery.

Many industry participants waved goodbye to 2020 with relief, and are welcoming a bounce-back in 2021, despite some trepidation about potential bumps along the way and how long a full recovery will take. While things started to improve somewhat toward the latter half of 2020 after grinding to a halt earlier in the year, the pandemic is still raging, with economic growth highly dependent on the immunization trajectory. Then there's the incoming Democratic administration and the possibility of new rule-making, along with January's runoff elections in Georgia that could change the balance of power in the Senate, and thus impact the new president's law-making abilities.

Beyond these macro issues, the funding industry is also dealing with its own uncertainties. Small business lenders and funders have been hit particularly hard, with underwriting decidedly more difficult in this environment. Some industry players have been forced to find alternative revenue streams in order to ride things out. Not only that, but there are scores of small businesses still reeling from pandemic-induced shutdowns and lighter foot traffic, with some gloomy estimates about their ability to bounce back. Many alternative players are weighing diminished returns against a widely-held bullish outlook for the industry long-term. Many are simply hoping they can hunker down and stick it out long enough and to avoid additional carnage and consolidation that's widely expected over the short-term.

Ultimately things will get better, but it's unclear precisely when, says Scott Stewart, chief executive of the Innovative Lending Platform Association. "It's going to be a bumpy ride for the next year to figure out who is going to be able to survive," he says.

Here's a deeper dive into how industry participants see 2021 shaping up in terms of the challenges, competition, M&A, regulation, changing business model, expansion opportunities and more.

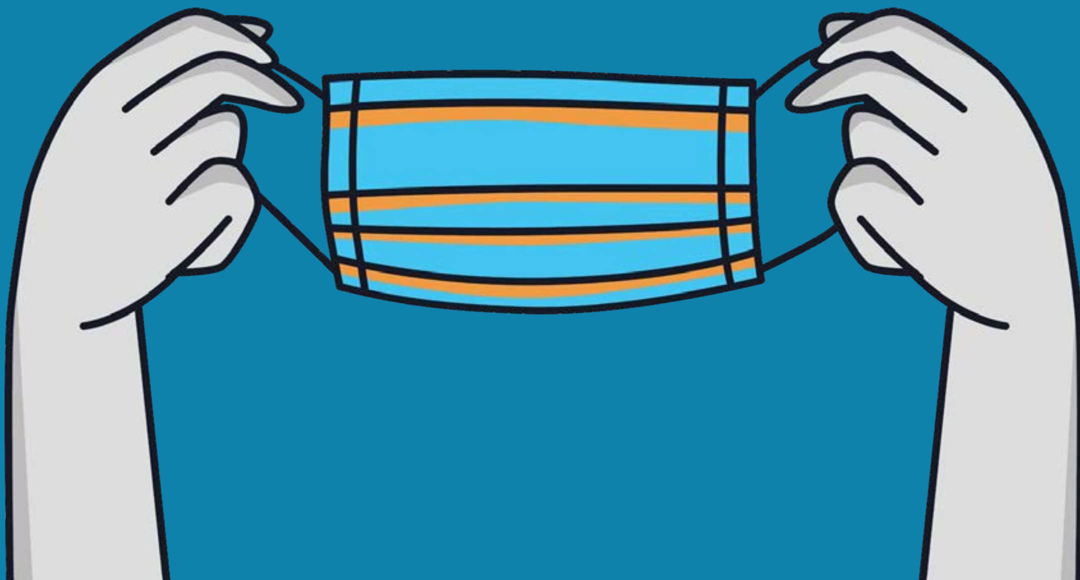
SPECIFIC CHALLENGES FOR SMALL BUSINESS FINANCERS

Companies that focus on consumer financing haven't struggled quite as much amid the pandemic as their small business brethren, and they could continue to see demand grow in 2021. Even amid high unemployment rates, many consumers still need loans for home repairs or as a stop-gap to pay necessary expenses, helping to mitigate the impact on firms that focus on personal loans.

Small business financers, however, got pummeled in 2020 and the situation remains precarious, especially given the prognosis for small companies broadly. Consider that 163,735 Yelp-listed businesses closed from the beginning of the pandemic through Aug. 31—at least 97,966 of them permanently. Further underscoring how dire the situation is for small businesses, 48 percent of owners feared not earning enough revenue in December to keep their businesses afloat, according to a recent poll by Alignable, an online referral network for small businesses. What's more, 50 percent of retail establishments and 47 percent of B2B firms could close permanently, according to the poll of 9,204 small business owners.

A SHRINKING COMPETITIVE LANDSCAPE

For many lenders and funders, the latter part of 2020 proved more successful for originations, though business is still a far cry from before the pandemic. A number of players who suspended or reduced business operations for a period of time during the first wave of the pandemic have dipped their toes back in and are elevate | FUNDING



It's Been a Weird Year, Huh?

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elevatefunding.com 888-382-3945 support@elevatefunding.com in the process of trying to adapt to the new normal. For some, though, the challenges may prove too great, industry observers say.

Given that many brokers and funders that were on the fringe have been hurt by the pandemic, more shake-out can be expected, says Lou Pizzileo, a certified public accountant who advises and audits alternative finance companies for Grassi in Jericho. N.Y.

And, with fewer competitors, there will be more of a need for those who are left to pick up the slack, says Peter Renton, founder of Lend Academy.

Beyond being a lifeline for many alternative financers, PPP loans helped open the eyes of many small businesses who hadn't previously considered working with anyone but a bank. In the beginning, when it was so difficult for small businesses to get these funds, they looked beyond banks for options and some found their way to online providers. This could be a boon for the industry going forward since alternative providers are now on the radar screen of more small businesses, says Moshe Kazimirsky, vice president of strategic partnerships and business development at Become.

He predicts that larger, stronger players will gradually ease some of their lending and funding criteria early on in 2021, but no one is expecting a quick revival, with some predicting it could be well into 2022 before the industry is on truly stable footing. "I think it's going to be a very slow recovery," Kazimirsky says.

M&A

In 2020, the industry saw bellwethers like Kabbage and OnDeck get swallowed up, and with so many businesses pinched, there are likely to be more bargains ahead from M&A standpoint, Pizzileo says. "The damage from Covid is palpable; we just haven't seen the real impact of it yet," he says.

No matter what product you are providing, if you're a smaller player who can't find your way, you're going to have a hard time staying in business," says Stewart of the Innovative Lending Platform Association. "There will be some collateral damage going into next year," he predicts.

In terms of likely buyers, Renton says he expects other fintechs to step in, and possibly even mid-size community banks snap up some alternative providers. If you can buy something for "a song" it's compelling, he says. "I expect to see a few more offers that are too good to refuse," he says.

CHANGING BUSINESS MODELS

Pizzileo, the CPA, predicts there will be ongoing opportunities in the year ahead for well-positioned, strong businesses with available capital. In some cases, however, this may require tinkering with their existing ways of doing business.

Before the crisis, some lenders applied the same or very similar lending model across industries. "That is going the way of the dinosaur. That's not going to be a successful model going forward," Renton says. Lenders will focus more on having a differentiated model for the businesses they serve. "I think the crisis created this necessity to treat each industry on its own merits and create a model that has some level of independence, he says.

The year ahead is also likely to be one in which e-commerce lending continues to thrive. According to the third quarter 2020 report from the U.S. Census Bureau, U.S. retail e-commerce stood at $209.5 billion, up 36.7% year-over-year. E-commerce accounted for 14.3% of total retail sales in Q3. Because it's such a high-growth area, and many businesses that didn't have this vertical before are moving in this direction and more lenders are focusing on it and growing that part of their business, says Kazimirsky of Become.

It will also be interesting to watch how lenders and funders continue to reshape themselves. Sofi, for instance, is continuing to pursue its goal of receiving a national bank charter. Other lenders and funders may also seek to reinvent themselves as they attempt to stay afloat and compete more effectively.

"Monoline lenders that rely on a single product will have more difficulty supporting customers in the wake of Covid," says Gina Taylor Cotter, senior vice president and general manager of global business financing at American Express, which purchased Kabbage in 2020. "Small businesses need multi-product solutions to not only access working capital, but also real-time insights to help them be more prudent with their cash flow and accept contactless payments safely to encourage more business," she says.

CHANGES IN RISK MODELING

Another pandemic-driven change is that lenders have had to tweak their risk modeling. Everyone understands the economy is not in the greatest spot, but their challenge in 2021 will be developing a way to assess future losses in the absence of a baseline, says Rutger van Faassen, head of product and market strategy for the benchmarking and omnichannel research group at

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Consumer behaviors have changed, for instance. So even though the pandemic will end, it's too soon to say what the structural impacts on an industry will be and how that affects the desirability of lending to especially hard-hit businesses, such as restaurants, cruise lines and fitness centers. "Clearly the behavior that everyone is showing right now is because of the pandemic. The question is: how will people behave once the pandemic ends," he says.

"In the meantime, a lot of lenders will have to do more in-the-moment decision-making, until we get to a point when we're truly in a new normal, when they can start recalibrating models for the longer-term," he says.

OPPORTUNITIES TO HELP SMALL BUSINESSES

One certainty in the year ahead is the need to help existing small businesses with their recovery, says Cotter of American Express. "Small businesses represent 99 percent of all jobs, two-thirds of new jobs and half of the non-farm GDP in America. Our country's success depends on small businesses, and financial institutions have a great opportunity to meet their needs to recover and return to positions of growth in 2021," she says.

> **OUR COUNTRY'S SUCCESS DEPENDS ON SMALL BUSINESSES, AND FINANCIAL INSTITUTIONS HAVE A GREAT OPPORTUNITY TO MEET THEIR NEEDS TO RECOVER AND RETURN TO POSITIONS OF GROWTH IN 2021...**

How to make this happen is something many alternative financers will grapple with in 2021.

Another opportunity may exist in providing funding solutions to new businesses or those that have pivoted as a result of the pandemic. Cotter points to the inaugural American Express Entrepreneurial Spirit Trendex, which found 76% of businesses have already pivoted their business this year and 73% expect to do it again next year.

"New-business applications have reached record heights as entrepreneurs pivot and adapt, indicating a surge of new ventures that will require financial solutions to build their business," Cotter says.

REGULATORY WATCH

Several regulatory issues hang in the balance in 2021, including state-based disclosure laws, expected rules on third-party data aggregation and demographic data collection, and the status of a special purpose charter for fintechs, says Ryan Metcalf, head of U.S. public policy, regulatory affairs and social impact at Funding Circle. With a new administration coming in, the regulatory environment could become more favorable for measures that stalled during Trump's tenure.

Armen Meyer, vice president of LendingClub and an active member of the Marketplace Lending Association, says he's hoping to see a bill pass in 2021 that requires more transparency for small business lending. He would also like to see more states follow the lead of California and Virginia and make the 36% interest rate standard of Congress's Military Lending Act, which covers active-duty service members (including those on active Guard or active Reserve duty) and covered dependents, the law of the land. "We're calling for this to be expanded to everybody," he says.

CANADA

Meanwhile, our neighbors to the North have their own challenges and opportunities for the year ahead. The alternative financing industry in Canada originated out of the 2008 recession when banks restricted their credit box and wouldn't lend to certain groups. While conditions are very different now, "this period of economic uncertainty is going to be an incredible fertile period of time for fintechs to come up with new and interesting and creative credit products just like they did entering the last financial crisis," says Tal Schwartz, head of policy at the Canadian Lenders Association.

Open banking continues to be on the Canadian docket for 2021 and how the framework shapes up is of utmost interest to fintech lenders in Canada. Schwartz says he's also hopeful that alternative players in Canada will have a role to play in subsequent government-initiated lending programs. He's also expecting to see more growth in the e-commerce area, particularly when it comes to extending credit to e-commerce companies and in financing solutions at checkout for online shopping.

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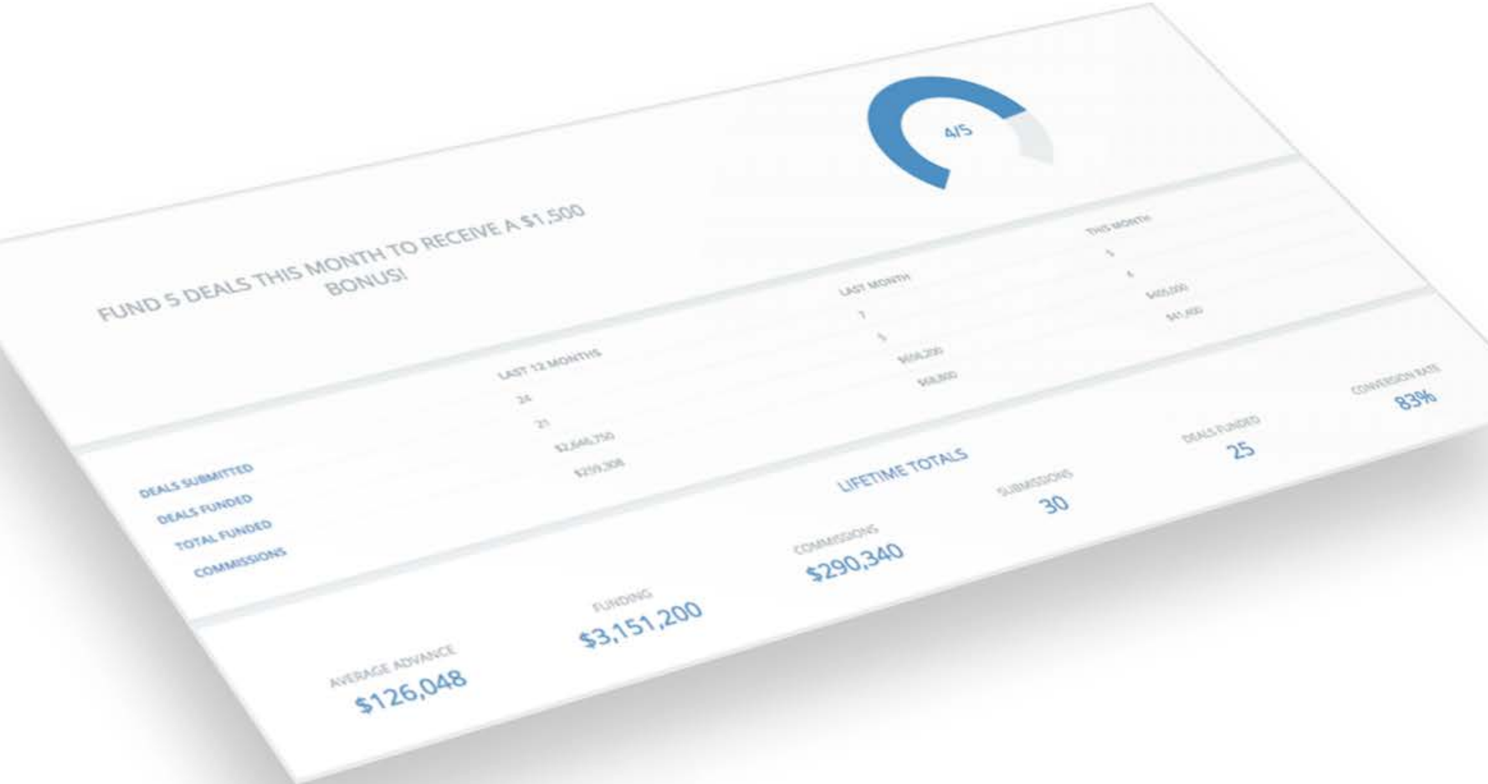

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LOVE OF SALES TURNED SHY STUDENT INTO LA REAL-ESTATE YOUTUBE POWERHOUSE

By *KEVIN TRAVERS*

"When the Pandemic first started, a lot of the classes we worked with just canceled, everything went downhill," Loida Velasquez, an LA-based real estate broker, said. "But starting in June until now— everything turned around. Inventory is so low, and there are so many buyers, most houses are selling in 24 hours. I've never seen a market like this before."

It's a seller's market like you can't believe right now, said Velasquez, and that's what she specializes in: running a cold-calling, door-knocking real estate firm that jumps on expired listings, revamps properties, and sells them on the open market.

After five years of rapid success, Velasquez has taken her charisma to social media, creating a series of Youtube videos to help other brokers find the success she has in the real estate world.

"When I started my real estate career, I remember trying to find videos of people sharing their experience, but most of them were men: I didn't find many women," Velasquez said. "So I told myself, 'you know what, I'm going to start creating videos to put out my journey so people can see what it's like not only as a real estate agent but as a younger woman in this business.' And that's how my channel started."

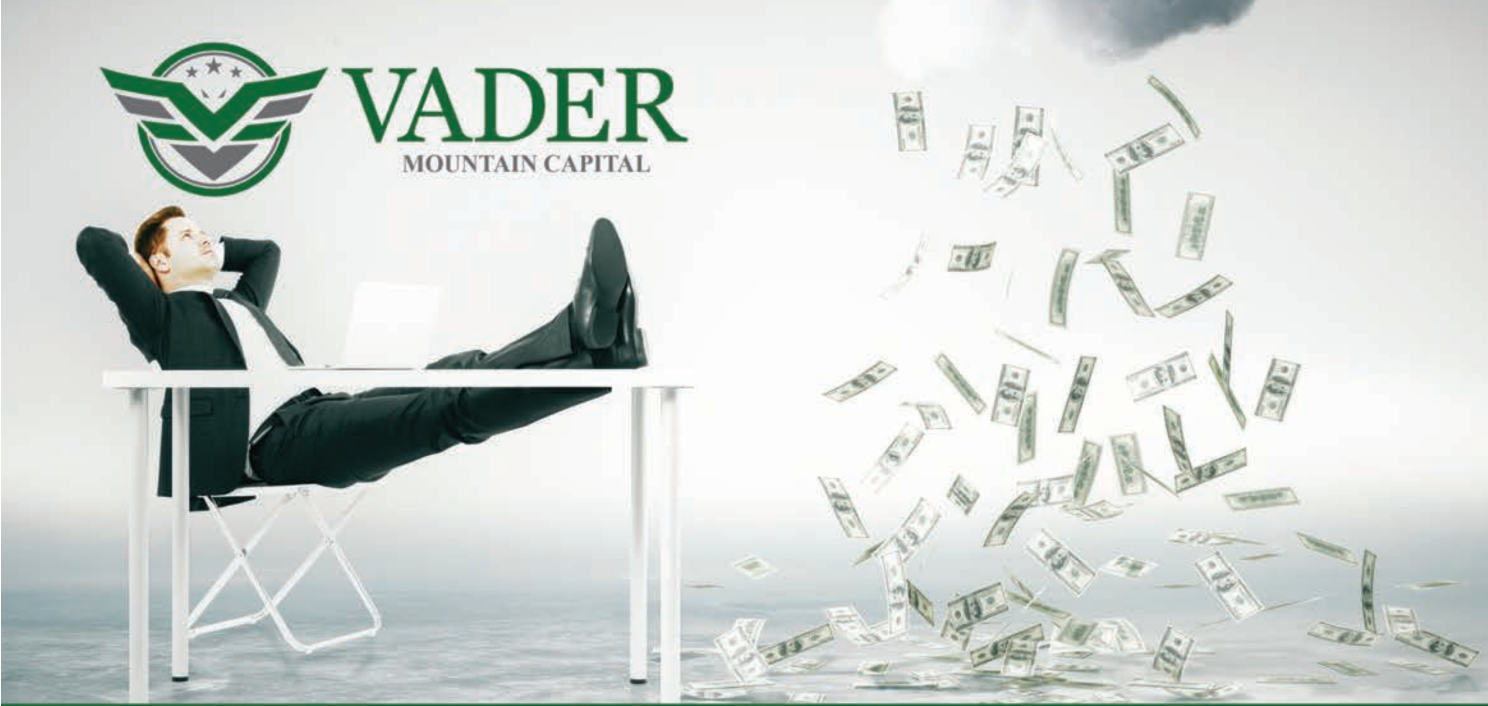
Velasquez has also begun teaching online courses for brokers who need help developing their skills. She offers an all-encompassing approach, including cold calling and knocking on doors, that she said many modern brokers don't use anymore, even though they never became any less viable.

"I knew that the old school approach of cold calling and door knocking was something that a lot of agents don't like to do," she said. "So if I became very good at it, I knew that I was going to become successful a little faster than someone who doesn't incorporate that type of prospecting."

> ***I KNEW THAT THE OLD SCHOOL APPROACH OF COLD CALLING AND DOOR KNOCKING WAS SOMETHING THAT A LOT OF AGENTS DON'T LIKE TO DO.***

It has set her apart, and part of why she launched online classes: her videos on real estate were so successful other agencies were telling their trainees to watch her work. Many agencies don't offer adequate training, Velasquez said, some give out unethical advice. When newly licensed brokers find Velasquez, she said she stands out as an agent with standards and knowledge of the industry.

That knowledge comes in the form of hard-earned experience, one that includes making slip-ups along the way, something she said ocassionally still happens. It's all part of the game, she explains. Many of her leads come in from her online networking now, but her techniques are still honed to reach out to sellers looking



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"A lot of my business comes from social media, whether it's from agents that watch me and send me referrals, or just consumers that are trying to learn what it takes to buy or sell a house," Velasquez said. "But aside from that, I still cold call a lot of 'for sale by owners' and expired. Many of them still want to sell, but they had to pull their home off the market. Many of them didn't have a good relationship with the last agent and want to find someone else who can do a better job."

And that relationship comes in the form of Velasquez calling out of the blue, flipping the house successfully in a matter of weeks, sometimes two or three sales every month.

"I was the shyest person ever, and I was terrified of talking in group projects," Velasquez said. "If people from my past saw me, they would never guess I would be doing public speaking events and would have never known this is what I would become."

Velasquez was a sociology major before getting a side job as a brand ambassador, traveling to conventions and selling face to face to customers. Everything changed. "Telling people about the product, getting paid to talk to people, helped me get myself out of my shell and comfort zone," She said. "I don't know why I was scared of talking to strangers, but it helped me get out there, and I switched my major to marketing."

After she went back to get an MBA in 2015, she

Things were not this easy for what outwardly looks like a charismatic, polished agent; Velasquez attests that she was quiet and anxious even to present a school project before she found her love of sales.

I was the shyest person ever, and I was terrified of talking in group projects," Velasquez said. "If people from my past saw me, they would never guess I would be doing public speaking events and would have never known this is what I would become."

Velasquez was a sociology major before getting a side job as a brand ambassador, traveling to conventions and selling face to face to customers. Everything changed.

started making Youtube videos and found her passion. She said that with determination, anyone could get over hurdles and find success. Selling real estate is not what it looks like on TV, but Velasquez noted the hard work is worth it for the payoff.

"After the turning point, I started to see people responding 'because of this video, I got my first listing.' I said, if I need to get myself out of my comfort zone to help people, this is something I know I need to do," Velasquez said. "If you stay focused and surround yourself with the right people, you'll make it. There will be many times you will doubt yourself, and it is not like what you see on TV."

INDUSTRY *NEWS*

12/30/20 -Bitcoin nearly tapped $29,000 just before the new year.

-Thomas Sandoval from Missouri is suing Coinbase in a California district court for selling the Ripple XRP token. Sandoval alleges in the complaint the exchange sold XRP for profit as an unregistered security.

-In preparation for the incoming PPP round, Lendio, an online loan marketplace that facilitated $8 billion in PPP funds over the summer, reopened the application floodgate.

12/29/20 -Coinbase said it would suspend trading Ripple's XRP after a suit last week from the SEC alleged the coin was an unlicensed security. Users will still be able to withdraw, but Coinbase, aiming for an IPO soon, will wait for the legal situation to clear up before making XRP tradeable again.

-Lendio reopened its digital PPP application to expedite the approval process for small businesses. Lendio was one of the largest PPP players, facilitating $8 billion in approvals.

12/28/20 -Traders pushed the stock market to all-time highs after confirmation of the fiscal relief bill signed by President Trump.

-President Trump signed the government funding and covid relief package. The package includes $600 payments to every adult and child, unemployment benefit protection, $284 billion for PPP, and $68 billion for vaccines.

12/26/20 -The price of Bitcoin passed $26,000 and sat around $27,000. Investors cite fears of inflation, to which bitcoin is considered a hedge, and government stimulus for the rising price.

12/23/20 -NY Governor Cuomo Signed the Truth in Lending Act into law, making it mandatory for companies engaged in small business finance to comply with complicated disclosures.

12/22/20 -LendingPoint, a digital credit platform, closed on its tenth securitization transaction.

-The SEC officially sued Ripple for selling unregistered securities. According to the complaint, Ripple co-founders raised more than $1.3 billion to finance the company's business.

12/18/20 -Creditas, a Brazilian lending business, raised $255 million in a fifth round. The firm is now valued at over $570 million from outside financing.

12/17/20 -Coinbase filed a Confidential S-1 in anticipation of an IPO

-The SEC charged Robinhood Financial LLC for failing to disclose to users that they generate income by selling stock orders to firms for execution, generating unfair trade prices. Robinhood settled, paying $65 million.

-GoDaddy Inc. entered an agreement to acquire Poynt, an online point of sale platform.

12/16/20 -Upstart, known for its AI lending, went public.

-Massachusetts securities regulators accused Robinhood of engaging in aggressive tactics and failing to prevent outages on its trading platform. Robinhood allows inexperienced customers to make an unlimited number of trades, the complaint alleges.

-Bitcoin broke $20,000 for the first time in history.

12/15/20 -Borrowell, a Canadian free credit score provider, is acquiring Refresh Financial, a credit provider. Together the two businesses will provide users a way to build their credit history and access payment products.

-The SEC announced charges against three sales agents for illegally selling securities of 1 Global Capital, LLC in unregistered transactions to retail investors while acting as unregistered brokers. The SEC previously charged 1 Global, its owner, and others.

-Money360, a commercial real estate lender, hired three new regional managing directors to support its growing network.

-LendingFront, an SMB financial service, announced a new SBA PPP application platform.

-Hudson Cook Partner Catherine M. Brennan was recognized with a national ranking in the Chambers FinTech 2021 USA Guide for Corporate, Securities & Financing. Chambers FinTech is a comprehensive guide to leading Fintech professionals across the world.

-The San Diego Business Journal recognized National Funding CEO and Founder David Gilbert in its annual most influential people in San Diego. Gilbert was featured in the financial section of the list on November 30, for the third year in a row.

-SmartBiz Loans, an online SBA loans platform, welcomed Jeff Thormann as Vice President of Sales. Thormann brings over 20 years of experience in the banking and financial services industry.

12/11/20 -New York City will halt indoor dining on Monday due to COVID-19, Andrew Cuomo said. Because hospitalization rates have not stabilized, Cuomo said it's back to Outdoor dining and takeout.

-After Yardline Capital burst into the growth capital space for e-commerce sellers, two fintech vets Seth Broman and Dennis Chin, announced they would be moving to the company. Broman, former VP of Business Development at Kapitus, will become CRO, while Chin, formerly in capital markets for OnDeck, will become Head of Strategic Initiatives.

-Tink, a Swedish open banking platform, raised $824 million in a new investment round. Tink aggregates data from thousands of banks for developers to create new products.

12/10/20 -Massachusetts Mutual Life Insurance Co. is putting down $100 million in bitcoin and a $5 million equity stake in NYDIG. NYDIG is an institutional crypto fund with $2.3 billion under management.

12/9/20 -The FTC sued Facebook, alleging the company monopolizes the social network industry through anticompetitive conduct. An investigation by the attorney generals in 46 states and territories found a systematic strategy to eliminate competition, exemplified by the 2012 and 2014 acquisitions of Instagram and WhatsApp.

-Airbnb went public. The IPO valued the company at $47 billion.

-Doordash went public. The IPO valued the company at $32.4 billion.

12/8/20 -Clearbanc, an e-commerce startup investor, and Silicon Valley Bank partnered to create a growth fund for US-based early-stage technology companies. Clearbanc hopes to set aside $50 Million in non-dilutive capital to SVB's US-based Startup Banking software and e-commerce clients.

-The CFPB filed a lawsuit against online lender LendUp Loans for allegedly violating the Military Lending Act. The MLA protects military borrowers from certain usurious consumer credit practices, including annual percentage rates above 36%.

12/7/20 -SoFi is rumored to be exploring an IPO, speaking with SPAC "blank-check" acquisition firms. Last year the company was valued at $4.8 billion in a private funding round.

-Ready Capital, a real estate finance firm, and Anworth Mortgage Asset Corporation reached a merger agreement. The combined company will have a capital base of more than $1 billion.

-Tricolor, a Community Development Financial Institution, announced Kabbage co-founder Kathryn Petralia to its Board of Directors.

12/4/20 -The House approved a bill to decriminalize and tax marijuana at the federal level.

-Aspiria, a digital lender targeting underbanked SMEs in Mexico, has completed an important Series A funding round with participation from social impact investor and worldwide cooperative, Oikocredit.

12/3/20 -Fintech startup Stripe announced a product called Stripe Treasury. The firm is partnering with banks to offer a banking-as-a-service API, providing bank accounts to Stripe customers.

-Affirm will acquire PayBright, a Canadian installment payment provider. The combination of the firms will create a payment solutions platform with expanded scale and reach.

-The Small Business Forum (www.small-business-forum.net) added additional functionality to its PPP loan querying tool. The tool now enables users to query every single EIDL borrower as well.

12/2/20 -Applied Business Software launched The Loan Office Web, an online platform for small lenders. Lenders can collect payments, manage loans, and pay investors using the platform.

-Amount, a fintech service, announced an $81 million Series C investment led by Goldman Sachs Growth and existing investors, including August Capital, Invus Opportunities, and Hanaco Ventures.

-LendUp Global created a new subsidiary called Ahead Financials, LLC, as a financial health platform. The new firm will serve middle-class customers in the U.S. and globally.

12/1/20 -Adam Nash, a Silicon Valley operator, and investor announced he started a consumer fintech company. The firm received some start-up funding from Ribbit Capital and Box CEO Aaron Levie.

11/30/20 -Enova International announced the appointment of James J Lee to the position of Chief Accounting Officer. The new role went into effect on November 23rd. Lee was previously the Controller of Life & Health of Kemper Corporation.

11/28/20 -Alterna Bank and the fintech Thinking Capital relaunched online SMB funding in Canada with loans up to $300,000. Thinking Capital will continue to supply funding to SMBs, while Alterna will continue to offer online bank accounts to small businesses.

11/25/20 -Square agreed with Credit Karma to absorb its tax business to Cash App. For $50 million, Square will acquire Credit Karma Tax to offer free do-it-yourself tax filing to millions of users.

-Intuit was cleared to acquire Credit Karma by the DOJ who had halted it over anti-trust fears

-The California Department of Finacial Protection and Innovation (previously known by the shorter title 'Department of Business Oversight') ordered Allup Finantial to cease lending in the state until licensed and refund "usurious loans."

11/23/20 -Oportun Financial Corporation submitted an application with the OCC to establish Oportun Bank, N.A. The bank will serve consumers in 50 states with consumer lending and deposit services.

-Vancouver based Merchant Opportunities Fund closed a revolving debt facility with the Bank of Montreal.

-Fountainhead, an SMB lender, made the top 100 list of SBA lenders in the country.

11/20/20 -QED investors welcomed Sandeep Patil, former CEO of Truecaller India, to the team. The fintech venture capital firm announced it would be launching into Southeast Asia with the new experienced financial operator.

11/18/20 -Affirm Holdings Inc. filed an S-1 to raise $100 million in an IPO, a placeholder amount. The alternative credit company posted a $509.5 million net revenue in the fiscal year 2020.

11/17/20 -The cloud banking platform Mambu partnered with online banking solutions firm Alchemy to offer loan products with greater speed. Banks and credit unions will use Mambu's back-end processing and Alchemy's front-end platform to secure products in 60 days.

11/13/20 -Fora Financial, an SMB lender appointed two chairman directors, Stefanie Shelley and James Mitchell, Jr., to the Board. Shelley and Mitchell bring a combined 60 years of experience in fintech, business, and government leadership.

11/12/20 -Yardline Capital Corp. a provider of capital for e-commerce sites launched. Ari Howitz and Tomo Matsuo, two e-commerce vets founded the firm, which will begin supplying online shops with funds and coaching.

-The price of Bitcoin broke the $16,000 mark for the first time since Jan 6, 2018.

11/11/20 -loanDepot, a California-based mortgage lender announced that it filed for an IPO.

-Newegg, a tech-focused online retailer, will use Behalf, Inc. for extended financing for business customers. Behalf, Inc. is an alternative finance and payments solution that will be featured as an option on the Newegg site.

-Thinking Capital, a digital SMB lender, announced it had completed Ario's acquisition. Ario is a finance-as-a-service platform.

-Opportunity Fund, a nonprofit SMB microlender, announced partnerships with both Funding Circle and Lendio. Opportunity found will integrate the two firms' loan offers into its digital platform, increasing customer credit access.

11/10/20 -Lendio announced Mastercard selected the firm to join the Start Path program, a startup acceleration program that connects 40 small companies a year in a network of Mastercard experts. The program allows startups to develop at scale alongside other winning applicants.

11/10/20 -Better.com, an online lending startup, closed a $200 million Series D round, valuating the company at roughly $4 billion. The round was led by L Catterton, a private equity firm based in Greenwich, Connecticut.

11/9/20 -Lendified, a Toronto-based online small business lender, announced a private placement of up to $785,412.78

11/8/20 -The Federal Reserve lowered the minimum loan amount for the Main Street Lending Program for a third time, to $100,000. The change was intended to broaden the underused Cares Act aid facility. To date of $600 billion, the Fed has made available for business loans, only $3.7 billion has been utilized.

11/7/20 -The company announced that its Board of Directors had authorized a share repurchase plan for up to $50 million of its common stock.

11/5/20 -The Department of Justice filed a civil antitrust lawsuit to stop Visa Inc.'s $5.3 billion acquisition of Plaid Inc. over antitrust concerns.

-Pearl Capital Business Funding, LLC announced that it had resumed funding merchant cash advances for U.S. small businesses after suspending funding for a period of time due to the COVID-19 crisis.

-LendingClub announced in its Q3 earnings report that delinquency rates for their personal loan portfolio continue to outperform pre-Covid levels. The company ramped loan originations back up to $584M in Q3. Prior to Covid, the company was lending $2.5B to $3.5B a quarter.

11/1/20 -Billionaire hedge fund manager Steve Cohen bought a controlling share of the Mets for $2.4 billion.

10/30/20 -NerdWallet, an online financial info site, acquired Fundera, a U.S.-based online SMB financing marketplace. The acquisition is NerdWallet's second acquisition of 2020 after the firm bought U.K. based Know Your Money financial info site.

10/29/20 -The NJ cities of Hoboken, Newark, and Paterson announced lockdown restrictions. Nonessential businesses were ordered closed to curb an alarming spike of COVID cases.

-U.S. GDP accelerated at a 33.1% annualized pace in Q3, the fastest comeback ever after the worst quarter in U.S. history. The previous record was a 14.7% rise in the first quarter of 1950.

10/28/20 -SoFi, previously advertised as an anti-bank service, received preliminary support for an application for a national bank charter. The firm also launched a credit card platform.

10/27/20 -Old Hill, an asset-based lender, provided an $8 million credit facility to a specialty finance company that provides working capital to small businesses through merchant cash advances.

-BlueVine announced the arrival of BlueVine Business Banking to all users of the BlueVine platform. The full service will give SMBs access to online check depositing, fund transfer, billing, and vendor payments.

10/23/20 -StreetShares secured a $10 million round of funding from Motley Fool Ventures, Ally Ventures (the strategic investment arm of Ally Financial), and individual angel investors. The firm launched a digital small business lending technology for banks and credit unions in 2019.

10/22/20 -The Securities and Exchange Commission today announced charges against The Goldman Sachs Group Inc. for violations of the Foreign Corrupt Practices Act (FCPA) in connection with the Malaysia Development Berhad (1MDB) bribe scheme. It has agreed to pay more than $2.9 billion, which includes more than $1 billion to settle the SEC s charges.

-JPMorgan Chase is rolling out a checking account that is paired with a new fintech-inspired service called QuickAccept, QuickAccept lets merchants take card payments within minutes, either through a mobile app or a contactless card reader, and users will see sales hit their Chase business accounts on the same day.

-The majority of burrowers in the SME Credit Realisation Fund s (SCRF) portfolio are now making full payments but the investment trust has said there is still uncertainty over future arrears. An SCRF update has shown that as of 30 September, in the US, more than 82% of non-defaulted borrowers were making full payments, while in continental Europe, more than 96% were making full payments.

10/21/20 -Paypal announced it will allow customers to buy and store bitcoin and other cryptocurrencies in its online wallet. Paypal is joining Robinhood and Cashapp as the largest U.S. companies to provide access to cryptocurrencies and promises to expand cryptocurrency to the Venmo app next year.

-Lendio announced today that Lendio Gives, its employee-contribution and employer-matching program, has provided more than 20,000 Kiva microloans to entrepreneurs in the developing world. Launched in 2016, the program has now provided over $500,000 in microloans to business owners worldwide, 98% of whom are female.

10/19/20 -VOX Funding was granted a credit facility with a major commercial bank. The facility will be used to fund small to medium size enterprises with short term bridge capital, as small businesses struggle to access capital from traditional bank loans.

-CircleUp Co-founder and CEO Ryan Caldbeck stepped down, giving way to President Nick Talwar.

-Greenbox Capital announced it is serving as a Small Entity Representative to the CFPB's panel on Section 1071.

NEW YORK'S NUMBER IN THE BOX / SB5470B

By *SEAN MURRAY*

It's being called New York's "Small Business Truth in Lending Act." Regulators want non-bank finance companies to put a number in a box on their contracts.

Sounds simple. It's not.

S5470B, a bill that was signed in the wee morning hours on Christmas Eve, is likely the most consequential piece of legislation to come out of 2020 for the small business finance industry. That's because the law puts non-bank lenders, factors, and merchant cash advance companies under the purview of the Department of Financial Services (DFS), New York's financial regulator.

Proponents of the bill argue that the law was about creating a uniform standard of comparison across the financial product spectrum. That standard is apparently an Annual Percentage Rate, a widely used metric in consumer lending.

Factors and MCA companies argued that their products, which are structured as sales, could not meet the mathematical criteria to calculate an APR.

No problem, the law says, just estimate one.

Several complexities arise out of such an endeavor, in that precision is instrumental to an APR calculation. The concept of estimating in this regard is a slippery slope. If the basis for the estimation is deemed incorrect by DFS or if the actual resulting APRs deviate too far from the estimates after the fact, DFS has the sole authority to assess penalties in the form of fines or injunctions.

The concept of transparency has found many a sympathetic ear among providers of capital in New York State. Perhaps potential small business customers will find the new information helpful or perhaps not. What's the harm in just doing this, letting the market decide and just moving forward? they argue.

The catch lies in the number, as in will this estimate exceed 16% or 25% APR? For years, journalists have tried to boil down the APRs charged for services like factoring and merchant cash advances and they always conveniently (to make their points) seem to arrive at figures that exceed 100%.

New York law deems a loan with an annual interest rate in excess of 25% to be a… crime.

And therein lies the point of conflict that is sure to burden the court system in 2022 and beyond. What happens when the number in the box is higher than 25%?

Rumor also has it that the loosely written law could be interpreted to mean that it applies to any small business capital provider that is located and doing business in New York even if that company abstains from providing capital to New York businesses.

That would mean that firms sitting in Manhattan, Brooklyn, Long Island and beyond may find themselves suddenly subject to the whims of DFS even for transactions that don't involve New York-based businesses.

I am not an attorney, but these questions are sure to be contemplated by the legal field in the ensuing years. Hint… hint… you should probably consult with them.

Notably, there are virtually no opponents to "transparency" or being "truthful" in a contract with a small business. Obviously, there are disagreements on the formula and format.

S5470B was supposed to settle that matter. It's APR with DFS sprinkled in, along with many other nuances that require compliance departments and lawyers. There are plenty of reasons to be concerned by it.

Perhaps, of course, the fears are overblown. Maybe S5470B will just mean every company has to put a number in a box that customers can choose to use or not use and that will be the end of that.

We'll see!