

SCALING ACCESS TO CAPITAL WITH TECHNOLOGY-DRIVEN APPROACH FOR SMALL BUSINESS LENDING



ABOUT THE CLIENT

Our client is a leading nonprofit Community Development Financial Institution (CDFI) and Community Development Corporation (CDC). They offer small business loans, technical support, and mentorship to entrepreneurs and small business owners with limited access to capital. They create a robust support system and network for their clients by collaborating with community leaders, lending institutions, governments, foundations, and small business organizations. As an SBA preferred lender, they provide direct capital to clients across 15 states in the USA, offering SBA microloans, SBA Community Advantage loans, SBA 504 Loans, and EDA Loans. Their comprehensive support includes capital infusion, advisory services, mentoring, and technical assistance to enhance the chances of success for both established businesses and startups.

BACKGROUND

The small business loans and microloans market in the USA is a critical driver of economic growth, providing essential financial support to entrepreneurs, startups, and small business owners who face challenges accessing traditional financing. As the market evolves, alternative lenders have emerged, offering streamlined processes, faster funding, and greater flexibility. Additionally, government initiatives play a significant role in supporting small business lending. Nonprofit organizations, community development financial institutions (CDFIs), and mission-driven lenders, such as our client, actively serve underserved communities.

KEY REQUIREMENTS

Our client faced challenges with their in-house Loan Origination System, which was becoming increasingly difficult to maintain and scale. They encountered issues such as multiple layers of APIs, fragmented communication channels with borrowers, information falling through the cracks, and limited visibility. The system lacked automated triggers or predefined rules to facilitate decision-making and guide the progression of applications through different stages. Additionally, the borrower portal had a simplistic and non-interactive user interface, with limited information provided for viewing purposes only.

- 1 Highly Configurable Application Form:** A dynamic and configurable application form capable of capturing comprehensive borrower information at various stages.
- 2 Integration Capabilities:** Seamless integration with CRM systems and other lead sources through exposed APIs.
- 3 Third-Party Integrations:** Integration with multiple third-party applications for identity verification, credit checks, fraud detection, due diligence, e-signatures, contract management, and bank account verification.
- 4 Decision Engine Integration:** Integration with the client's in-house Decision Engine to automate loan decision-making processes.
- 5 Loan Servicing System Integration:** Integration with the client's existing Loan Servicing System to ensure a smooth transition and data synchronization.
- 6 Single-Sign-On Integration:** Integration of a single sign-on solution to streamline user authentication.
- 7 SBA Integration:** Direct integration with the Small Business Administration (SBA) to submit applications and access funding for government-sponsored programs.
- 8 Configurability and Document Management:** Configurable product programs, document-based verifications, and the ability to upload and verify documents.
- 9 Role-Based Permissions and Actions:** Role-based access controls and actions for different users within the back-office system.
- 10 Automated Application Assignment:** Automatic assignment of applications within teams based on workload distribution.
- 11 Managerial Dashboard:** Dashboard for managers to track application assignments and monitor movement across stages.

PROPOSED SOLUTION

To address the client's requirements effectively, our experts proposed the following comprehensive solution:

- **Dynamic Application Form:** A dynamic application form tailored to each borrower's needs and dynamically adapting based on the information provided
- **Streamlined Integration:** A single API integration to consolidate data from various systems and lead sources, simplifying maintenance and enabling quick root cause analysis
- **Third-Party Integrations and Rules Engine:** Integration with multiple third-party applications, incorporating rules and logic to trigger the automatic movement of applications to the next stage
- **Automated Processing and Visibility:** Rules-based triggers enable rapid automated processing of applications, providing underwriters with application information within seconds of borrower submission. Enhanced borrower visibility through the borrower portal
- **Seamless Borrower Experience:** Seamless borrower intake with auto-login functionality, eliminating the need for profile creation. Borrowers can interact with the lender through the borrower portal for relevant actions and stages
- **Configurable Workflow and Actions:** A comprehensive menu of configurable actions to manage the workflow manually, catering to different roles within the back-office system
- **SBA Integration and Financial Module:** Direct integration with SBA Capital Access Financial System and an in-built financial module to underwrite borrowers using financial data from balance sheets, profit and loss statements, tax forms, and bank account transactions obtained through third-party integrations
- **Notifications and Communication:** Automatic email notifications to borrowers based on loan events and stages. Integration with meeting schedulers and chat plugins for seamless communication
- **Customized Borrower Portal:** A borrower portal tailored for existing borrowers, enabling access to loan information from the Loan Servicing System



Some of the key benefits realized by the client include:

The implementation of the proposed technology solution resulted in significant benefits for our client:

- **Enhanced Workflow Control:** Automatic triggers and manual actions provided better control over the loan application workflow
- **Improved Borrower Visibility:** Borrowers gained increased visibility into each stage of the application process, enabling seamless online interaction with the lender
- **Streamlined Operations:** Application tracking and effective action-taking were streamlined, reducing information gaps and ensuring efficient loan processing
- **Easy Maintenance:** Highly configurable features eased maintenance efforts, reducing dependency on multiple platforms
- **Increased Efficiency:** The solution enhanced the efficiency of loan processing, ensuring faster turnaround times for borrowers
- **Uniform Information Flow:** Seamlessly transferring information across various portals unified data flow, improving data consistency and accuracy

By implementing this technology solution, our client transformed their small business lending operations, empowering them to better support entrepreneurs and small business owners in their

ABOUT LENDFOUNDRY

LendFoundry is the next-generation, cloud-based, SOC1 and SOC2 Type2 compliant, full stack technology platform to enable digital lending.

Available as a SaaS offering on AWS, LendFoundry is built using a micro-services architecture and is highly customizable and scalable. Powered by API integration with 80+ traditional and alternate data providers and platforms, it can help digitize a lender's entire loan lifecycle to deliver faster loans and also add new customer segments.

Key Modules: Borrower Portal, Broker Portal, Dealer Portal, Merchant Portal, Lender Portals, Loan Origination System, Loan Servicing System, Loan Management System, Business Analytics.



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