Business Lending: The Wild West

Opportunity Fund
About Us

$100 Million invested in Small Businesses

- Leading US Microlender
- Offices in SF, LA, San Jose
- Lends in CA, up to $100k
- Run rate ~$50M/y
- $50M Portfolio
- 1% default rate

Goal: Help underserved entrepreneurs grow by providing responsible credit

Melchor and Maria received $100,000 loan to expand their business in San Jose
Alternative Lending Landscape

Online Lenders Differ – It’s a technology, not a loan term

<table>
<thead>
<tr>
<th>LendingClub</th>
<th>Typical business loan from another leading online lender</th>
</tr>
</thead>
<tbody>
<tr>
<td>Repayment Term</td>
<td>1.5 years (means lower monthly payments)</td>
</tr>
<tr>
<td>Type of Rate</td>
<td>Fixed interest rate simple and transparent</td>
</tr>
<tr>
<td>Origination Fee</td>
<td>0.99% - 5.99%</td>
</tr>
<tr>
<td>Early Payoff</td>
<td>$0. You can eliminate interest costs by paying off any time</td>
</tr>
</tbody>
</table>

| Monthly payment per $10,000 borrowed | $327 - $655 | $509 - $3,000 (Daily payments required) |
| Total Annualized Rate | 8% - 32% | 39% - 99% |

1. Your interest rate, APR, and term can vary based on factors like your credit score, borrowing purpose, loan amount, term, and repayment options. For example, the interest rate, APR, term, and repayment options for your loan could be different from those shown in this table.
2. Lenders may charge loan origination fees, including processing fees, application fees, underwriting fees, credit report fees, and loan document fees. These fees may be fully or partially capitalized into the loan amount.
3. Lenders may require you to accept a term and interest rate based on factors other than the information shown in this table. If you do not accept the terms and conditions shown, the lender may withdraw the offer or change the interest rate, term, or other loan terms.
4. Rebate compensation may be provided to you in a single payment or multiple payments. The total compensation may be up to 0.10%
5. Rebate compensation must be paid to you within the earlier of the stated period or 120 days after the date of the loan.
"This is the new predatory lending," said Mark Pinsky, president of Opportunity Finance Network, a group of lenders that help the poor."
Business Financing of $150k or Less

- SBA Loans
- Estimated High-Cost Online Funding

**Bank lending is down**

**High-cost, short-term financing is targeting the gap**


### Southern Girl Desserts

**From TV’s Cupcake Wars to Borrower Battles**

- Business with MCA
- Opportunity Fund refinanced their debt
- $40,000 EasyPay loan

“Opportunity Fund truly cares about the success of our business. It is a relief knowing that we are finally out of the shark-infested waters of cash advances.”

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One Client’s Landscape

Bakery in Southern California, 5 years in business, immigrant owners.

**Withdrawals and other debits - continued**

<table>
<thead>
<tr>
<th>Date</th>
<th>Description</th>
<th>Amount</th>
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<tbody>
<tr>
<td>02/04/14</td>
<td>FORA FINANCIAL, N0252129410100 (1:1): 871-861-2213</td>
<td>-52.46</td>
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<td>LEASE FINANCE OR LEASE-MAN: 02-18379540120</td>
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- Alt Lender # 1
- Alt Lender # 2
- Alt Lender # 3
- Alt Lender # 4: Merchant Cash Advance taking 20% of credit card sales – not shown on bank statement.

- 4 Alt Lenders taking out $620 daily from a business with ~ $2,400 average daily sales – not sustainable.
- None of the 4 “advances”/loans are reported to the credit bureas

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**What abusive practices are we concerned about?**

1. Lack of transparency
2. Unaffordable terms
3. Prepayment Cost
4. Debt Traps
5. Double Dipping
6. Stacking
7. Broker Abuses

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Forbes / Investing

Lenders Voluntarily Create A Bill Of Rights To Protect Small Businesses From Lending Abuses

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2015 OPPORTUNITY FINANCE NETWORK CONFERENCE

The Right to Transparent Pricing and Terms
The Right to Non-Abusive Products
The Right to Responsible Underwriting
The Right to Fair Treatment from Brokers
The Right to Fair Collections Practices
The Right to Inclusive Credit Access

Signed by 37 orgs, Including:

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ANY QUESTIONS?

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