Responsible Fintech Small Business Lending

Moderator:
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Speakers:
Bernardo Martinez (U.S. Managing Director, Funding Circle)
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Sam Taussig (Head of Global Policy, Kabbage)
“I hear these stories constantly, about a small business in particular getting into a situation where they didn’t quite know what they signed up for, and then they walk into their community bank and say, ‘I’ve gotta get out of this deal, it’s killing me.’ And so, there are good actors and bad actors… That is the role of the regulators, not just at the federal level.”

-President Harker, Federal Reserve Bank of Philadelphia, Sep 29, 2017
Launched August 2015 to respond to:

1. Obfuscation of very high financing costs
2. Product structures that misalign incentives between lenders and borrowers
3. Double-charging borrowers when loans are renewed by “double dipping”
4. Mismatch between financial product’s design and actual use behavior encouraged by the lender
5. Hidden prepayment charges
6. Broker’s misaligned incentives to steer small businesses into expensive products
7. “Stacking” of too much debt
8. Lack of legal protections in collections
9. Need for financial inclusion
Establishes Six Rights: The Rights To...

1. Transparent Pricing and Terms
2. Non-Abusive Products
3. Responsible Underwriting
4. Fair Treatment from Brokers
5. Inclusive Credit Access
6. Fair Collection Practices
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Signatories
These lenders, brokers, and marketplaces have taken a stand for small businesses by attesting that they abide by the BBoR.

Endorsers
These organizations do not lend but they care deeply about responsible business lending and actively support the BBoR as endorsers.
This tool is provided to help you understand and assess the cost of your small business financing.

The calculations below involve certain key assumptions about this loan, including that the loan is paid off in its entirety according to the agreed payment schedule and that no repayments are missed.

<table>
<thead>
<tr>
<th>Metric</th>
<th>Metric Calculation</th>
<th>Metric Exploration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Cost of Capital</td>
<td>$16,875</td>
<td>This is the total amount that you will pay back in total, including interest and any other fees.</td>
</tr>
<tr>
<td>Annual Percentage Rate (APR)</td>
<td>40.46%</td>
<td>This is the annual interest rate on the loan. The monthly payment is calculated based on this rate.</td>
</tr>
<tr>
<td>Average Monthly Payment</td>
<td>$7,656.25</td>
<td>This is the average payment you will make each month.</td>
</tr>
<tr>
<td>Coats on the Dollar (including fees)</td>
<td>22.5c</td>
<td>This is the cost of the loan as a percentage of the loan amount.</td>
</tr>
</tbody>
</table>

Example Loan Amount: $75,000
Disbursement Amount: $75,000
Repayment Amount: $91,875
Term (in months): 12
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The calculations below involve certain key assumptions about this Loan, including that the Loan is paid off in its entirety according to the agreed payment schedule and that no repayments are missed.

Example Loan Amount: $75,000
Repaid Amount: $91,875
Term (repaid monthly): 12 Months

Total Cost of Capital: $16,875

Average Monthly Payment: $7,656.25

Loan Amount: $75,000
Loan Fee: $16,875.00

Specific Monthly Schedule:
Months 1-6: $8,125.00
Months 7-12: $7,187.50

Interest Expense:
- Loan Fee: $16,875.00
- Other Fees: $6.00

Total Cost of Capital: $16,875.00

Cents on the Dollar: 22.5¢

Prepayment
- Does prepayment of this Loan result in any new fees or charges? No (see Section 5.5 of the Loan Agreement)
- Does prepayment of this Loan decrease the total interest or Loan Fees owed? Yes (see Section 5.5 of the Loan Agreement for the Interest or fee reduction amount)

Interest Rate Overview

Interest Expense or Loan Fee:
- Loan Amount: $75,000.00
- Other Fees: $6.00

Your Loan will have monthly payments of:
- See Specific Monthly Schedule Below

APR: 40.46%
California passes historic truth in small-business lending law — Congress should take note

BY CAROLINA MARTINEZ AND HEIDI PICKMAN, OPINION CONTRIBUTOR — 10/05/18 09:35 AM EDT
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