

# Community Banks, You Don't Need Capes to be Heroes

*Your local small businesses need you now*

Akouba™ by Velocity Solutions

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In a time when small business owners are facing the greatest financial challenge of their lives and desperately need funding to stay afloat, the big banks are pulling back! Lending restrictions are tighter than ever, and it seems the only ones getting business loans are big businesses, from the big banks. PPP funding certainly helped many small business owners, but the program was plagued with problems from the initial rollout. Many of the small businesses who needed assistance never received it, the program was difficult to understand in terms of loan forgiveness, and since a good portion of the funding was intended strictly for payroll, it didn't help the huge credit chasm faced by many small businesses.

There are several forces working against small businesses in our current pandemic climate:

- Lenders have further pulled back during the pandemic due to financial uncertainty, tightening underwriting standards for small businesses to a degree unseen since the last financial crisis, according to a Federal Reserve survey of loan officers. Many small businesses don't maintain the type of detailed records required by big banks, and often can't prove potential growth or revenue history required by traditional underwriting.
- Nonbank lenders and financial-technology companies, go-to funding sources for small businesses in recent years, have scaled back as well.
- Many community banks have disappeared or consolidated over the past decade (the main source of credit for small businesses).
- Profit – bankers say it costs the same to process a \$100,000 loan as it does to process a \$1 million loan.

*Source: <https://www.wsj.com/articles/small-businesses-hit-hard-by-pandemic-are-being-starved-of-credit-11608476400>*

## How can community banks help?

Traditionally for many community financial institutions, the obstacles involved in launching small-business loan products were daunting, even seemingly insurmountable. Smaller institutions lacked the technical resources, expertise and budgets to implement such programs in-house. Fortunately, there is the immediate option of partnering with a fintech. Vendors in this space can help banks streamline loan processing time, increase profits of even the smallest loan and vastly improve the loan experience for their business borrowers—conveniently and safely through the digital channel.

Akouba™ by Velocity Solutions is just one vendor that provides an efficient, convenient digital platform for small business loans. As a provider in this space, we know exactly what types of questions community financial institutions should ask before partnering up with a fintech. Here are the Akouba team's top 12 questions to ask a potential fintech about their small-business loan platform.

## Top 12 Questions to Ask a Fintech About Their Lending Platform

1. Do you offer a white-labeled borrower website, branded with our bank's colors, graphics and messaging?
2. What is the time it takes for business borrowers to complete and submit a full loan application? (Aim for 20 minutes or less.)
3. Is the application process straightforward and intuitive for the borrower, maximizing application quality?
4. Do you have methods in place to ensure that the borrowers are selecting the right loan product?
5. Does the application pre-fill data from earlier parts of the application to avoid duplication in entry?
6. What types of fraud detection and prevention do you utilize?
7. Can your system automate the spreading process and instantly convert tax returns into financial analysis?
8. Can your program support complex entity ownership structures?
9. Is your program compliant with all federal regulations that impact small businesses and lending practices?
10. How does the program manage form submission/document collection?
11. Can your program incorporate my bank's specific lending policies?
12. Can you assure me that this lending platform will not jeopardize my bank's risk profile?

As a community financial institution, are you prepared to support your local businesses when the megabanks and government relief programs let them down? The impact of this pandemic will likely continue to cause shockwaves in the small business community for many years to come. As a community financial institution, you can take steps now to support your local salons, fitness centers, theaters, restaurants and all the other businesses that need solid lending options.

### **About Akouba by Velocity Solutions**

Akouba™ by Velocity Solutions is a secure, cloud-based digital lending platform for retail and commercial lending. The Akouba platform was built to reduce end-to-end time of loan origination, increase profits and give both borrowers and financial institutions a streamlined experience. Akouba is the only small business loan origination platform endorsed by the American Bankers Association (ABA).

Founded in 1995 and servicing the transaction accounts of over 30 million consumers and business owners, Velocity Solutions is the leading provider of revenue-driving solutions for community banks and credit unions. Our Velocity Intelligent Platform™ powers Akouba and all of Velocity's solutions, using machine-led intelligence that delivers powerful analytics and drives revenue, loans, account holder engagement and non-interest income to our client financial institutions. For more information, please visit:

<https://www.myvelocity.com/akouba>