

California Small Business Lending Report

Lendistry Embraces Technology to Enhance Small Business Loan Products.

As is true with any business, smaller organizations need to constantly think about growth. However, when it comes to lending, they don't necessarily have access to the kind of "traditional" collateral that a larger or more experienced business would have.

That's one of the many factors that makes California small business lending such an interesting topic - not just in the mechanics of it all, but in terms of the current landscape as we collectively begin to recover from the events of the last few years and move further into this "new normal" that we're now firmly entrenched in.

Small Business Lending in California: Why Innovation Matters

Recently, Everett Sands - the CEO of industry leader Lendistry - was interviewed by Bob Coleman - founder of Coleman Report - on Coleman Report Live! where he gave his thoughts on the importance of partnering with small businesses so that they can have more responsible, long-term capital with reasonable interest whenever possible.

Lendistry prides itself as being a minority-led CDFI with a mission of "responsible lending" while providing capital to underserved urban and rural small businesses. The lender is also a national SBA 7(a) lender, holding one of the 17 SBLC non-bank licenses acquired by Hana Bank last year.

In his conversation with Bob, one of the things that has always interested Everett about the industry, and one of the things that he believes Lendistry is doing that is important, has to do with the specific brand of customers they keep.

He and his colleagues are always considering new and innovative ways to acquire customers, along with ways to think about scalable lending that helps better support those communities that have historically been underserved and under capitalized.



Everett Sands and Bob Coleman

Given how quickly everything moves these days, you can't get to that point without the right technology at your side. Financial technology is critical to make fast calls so that you can always get the right finance in front of the right business at exactly the right time.

But Everett and his team at Lendistry are certainly no strangers to taking a unique, tech-driven approach to lending. In 2020, as a result of the pandemic, they partnered with Amazon. At the time, the online retail giant had approximately 1.8 million customers who were not getting what they would consider responsible access" to capital. At the time, Amazon didn't have a partner that they could turn to in order to provide it. With Lendistry, they found that partner.



Everett is clear about the fact that financial technology was key during that time. You can see how long someone has been on the Amazon platform. You can see where the majority of their activity is coming from and what volume of returns they're dealing with. With traditional banking, all you really have to draw from to make decisions is revenue, cost of sales, and ultimately gross profit. Now, you can drill down in a far more specific way than that in real-time - leading to more accurate and informed decisions for everyone involved.

Originally, the partnership between Lendistry and Amazon was set to be a six-month pilot program that would eventually dole out \$10 million in loans. They ended up doing \$35 million in loans, far exceeding expectations. The program itself was extended three years and, as per Everett, continues to blossom to this day.

The Action of Today Gives Way to a Brighter Tomorrow

Not too long ago, Everett and the team at Lendistry created a grant program for small businesses that were directly impacted by the COVID-19 pandemic. The state of California indicated that a lot of organizations in the arts and entertainment industry in particular suffered throughout this period. One example he used was that of a small nonprofit dance study. Somehow, there needed to be a way to keep these types of programs going when they were having a hard time doing so on their own.

With that, Lendistry was able to launch a new grant program with the California Office of the Small Business Advocate - essentially, California's own version of the Small Business Administration. Yes, it's a potential opportunity to bring in future loan customers. But more critically, it's a way to help out those communities that we all live and work in!

Presently, Lendistry has a supplemental grant program aimed at California small businesses with between 26 and 49 employees. By participating in the program, businesses could get roughly \$1,000 per employee, up to \$50,000 total. The Small Business Advocate is essentially the middle between those businesses that are truly bankable and those which are starting out or that are possibly still in a weakened state due to the pandemic.



Speaking to the overall landscape of California small business lending, Everett indicated that resources are being allocated in a number of interesting directions at the moment.

Clean energy is obviously a high priority and will continue to be so moving forward. For the first time ever, the United States has spent more money on clean energy than on fossil fuels. The country spends approximately \$1.7 billion per day on clean energy versus \$1 billion on fossil fuels.

Everett believes that as lenders, his colleagues in the industry need to be paying close attention to this and asking themselves a number of key questions. Who are the suppliers? Where are the vendors? What could we as lenders do with financial resources to help out each party? You don't have to be an energy expert to understand what is going on and see it as the opportunity it truly is.



In the end, California has an economy of over \$3.1 trillion - making it one of the largest in the world. Small businesses have made it possible to get to this point. **Most experts agree** that California is one of the most favorable places in the country to open such an organization thanks to the access of multiple sources of capital funding. Lenders are actually required by law to fulfill transparency criteria as of 2018, all so that entrepreneurs know exactly what they're signing off on and what their loan arrangement will mean moving forward.

He also sees a major opportunity for those who want to get into construction lending. The issue is that while "we can't invent more land, but we keep adding more people," said Everett. Based on that, a lot of existing buildings will likely soon be retrofitted by people who have the wherewithal to do so today. 30 malls and similar places in the state of California have already been turned into affordable housing and that is likely just the tip of the iceberg considering the way things are going.

All this is to say that if the climate seems favorable to small businesses, that's because it is. This is true because of the critical role that these enterprises play in both California and the country as a whole.

Coleman
Critical Information For Today's Small Business Lender



Bob Coleman
Publisher
Coleman California Small
Business Lending Report
bob@colemanreport.com

**COLEMAN ANNUAL SUBSCRIPTION:
\$997 for unlimited distribution
at your institution**

**Send subscription questions or orders
to marie@colemanreport.com**