Slow Response Means Lost Borrowers

White Paper

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Introduction

In the world of **Merchant Cash Advance (MCA)**, slow responses mean lost borrowers. Potential borrowers expect a rapid evaluation and decision. If lenders aren't fast, borrowers look elsewhere.

A firm that is not set up to quickly approve and finance deals will likely see their potential borrowers getting snapped up by the competition. In the end, response times are one of the key differentiators between the most successful MCA firms, and the ones who struggle.

Merchants need money *fast*. Whether it's to cover payroll, invest in equipment or improvements, or to simply boost cash on hand, businesses applying for a Merchant Cash Advance generally don't have weeks to wait for funding approval.

While big banks and traditional loans can often take months for approval, Alternative Lenders need to turn around deals in a few short days. **Speed** is one of MCA's biggest advantages over traditional loans, but that advantage can easily be lost.

Most individuals or businesses looking for a Merchant Cash Advance will apply to multiple brokers and funders at the same time; looking for the best deal terms and quick turnaround. Statistics show though, that the first lender to approve the deal, is usually the one to close the deal. Thus, fast response times mean more funded deals.

Which leads to the **million-dollar** question:

> **How can MCA Companies improve response times and keep from losing potential borrowers?**

Well, before talking about how to go faster, we need should look at the areas that are holding us back. While there are many factors that can lead to a slow response time, the biggest drain on deal making speed, hands-down, is an **in-effective Loan Management System.**

In this paper we will be going over some of the specific pain points that slow down the funding process and negatively affect a lender's ability to approve deals, and then discuss how to avoid some of these problem issues.

Slow Deal Applications

Some MCA firms get left behind right at the starting line.

Most merchants apply for funding from an online application system. As the first point of contact with a potential borrower, MCA firms should look at this as a critical opportunity to get ahead.

The solution is to make the funding application process **simple** enough, so that even the busiest of merchants can complete it quickly and not get scared away by mountains of forms.

While large banks may take weeks or months to process an application, agile lending firms can turn around an answer within a **day or two**. If the application is too complicated or too lengthy, and it stop the deal before it even gets started.

However, online funding application systems **doesn't** stop there. Once the deal information has been entered, what happens to that application data on its way to getting approved? Is it sent to the Sales team in a cryptic or poorly formatted email? Does Sales have to then manually dig up the

details and put them into the system one at a time?

Smart forms with **built in automations** can bypass this data entry step and jump start the funding process. The basic details of the deal can be automatically populated to an account profile in the system as soon as the application is received through email integrations. Notifications can be sent to the sales and underwriting teams with quick links that enable the team to access the new account immediately and begin the evaluation process in minutes.

> *According to [a study by Harvard Business School](#), most major alternative lenders offer full loan applications online that take an average of 30 minutes to complete.*

Data Scattered Across Multiple Systems

For any company processing large amounts of data, having a decentralized system leads to significant slowdown, risk and disorganization. While it can seem like a daunting task to centralize all of your data, (and frankly, not one that many people look forward to) storing and sharing everything from a single location has **big time benefits**.

Data Entry Errors

Does your data need to be entered *multiple* times for a single deal to pass through the different parts of your funding process? This is common on older systems and leaves a lot of room for error. Even simple errors like **punctuation** or **capitalization** mistakes can cause misalignment of data and stop the process in its tracks. The older the system, and the less the different parts of it are connected, the **bigger** the risk.

Once a data error has been made, someone has to comb through the various accounts and data points in order to locate where the data matching error has occurred.

This is lost **time** and lost **resources**.

However, this can be avoided through well connected systems. Well connected and synchronized data sharing systems allow your team to enter deal info **once** (and only once) and have that info attach to the application and auto populate throughout the underwriting process.

Efficiency and Organization

A lending system that utilizes multiple locations for storing your data, say Excel

Sheets, ledgers and digital account pages, suffers from serious practical slowdown.

If your team has to manually sort between different data sets, in multiple locations, to find what they need, you are **losing time**.

What if one database gets out of date? Maybe someone forgets to enter an important data point? What if an error is made in one or more databases and the data isn't matching up? Your team will again be **manually** sorting through records to

rectify the mismatched data and find the missing pieces.

The efficiency of a single location to store all information becomes even clearer when compared with traditional systems of hand written notes.

Imagine your *essential* deal information is recorded on **scraps of paper** and **notepad scribblings** on your desk. Sorting through each note, adding them one by one, making sure you don't forget anything, reading your own poor handwriting… this is *not* an efficient system. If your system isn't efficient and organized, your response time to borrowers will be **significantly** slower.

Manual ACH Payments

ACH Payments are *essential* for the funding process. They ensure compliance and are the safest way to process lending transactions.

Most small to midsize lending companies submit **hundreds** of ACH transactions a day. Larger firms submit **thousands**. However, if you are still using the processes of yesteryear a.k.a. manually submitting the ACH payment for every transaction, you are spending a lot of unnecessary time and energy on something that the top companies have already automated.

How many hours does this manual process take? What else could your team be doing if they **weren't** processing ACH payments?

Doing all of these transactions **manually** is not sustainable, especially for any firm that wants to grow.

By automating the ACH process via daily batches of ACH payments, MCA firms have been able to re-allocate many valuable resources and grow their bottom line. If you want to scale up your operation, it is essential to have an ACH process where you can simply **"set it and forget it"**.

Poor Renewal Management

The **first** lender to approve a deal is often the one that gets the account.

> *In 2015, Alternative Lenders Financed 71% of the Loan Applications they received.*

The same principle applies to **renewals**. As the date of maturity approaches for a loan or cash advance, the merchant will begin considering options for renewal.

Renewals are an easy form of revenue, because you have already done all the underwriting leg-work. More than that, you already have a relationship and a payment history with the client, so you already know what you will be willing to say **yes** to.

You build your business on **renewals**, so moving slow to approve them is simply not an option.

Old funding systems provide significant challenges and time constraints on the

renewal process. Many firms are still using a Excel sheets for their tracking and managing renewals, and not realizing how much it is slowing them down.

Without a streamlined interface and sophisticated deal tracking, your sales team will move significantly slower. They may have to dig through different databases, contact sheets and deal histories just know who to renew and when to do it. Without a smart system that can track deals for you and send out automated renewal notifications, you are slowing yourself down.

To maximize your renewals, you need to be able to see **real time status updates.** A good system will show you all your deals, and their pertinent details, that are up for renewal, in an easy to use dashboard or screen.

Once you know which deals to renew, another automated process can help you get further **ahead of the game**. You can save your sales reps time and set your system do part of the work by sending out automated messages to customers. You can get the conversation going, and begin the renewal process prior to **any** contact with a live rep.
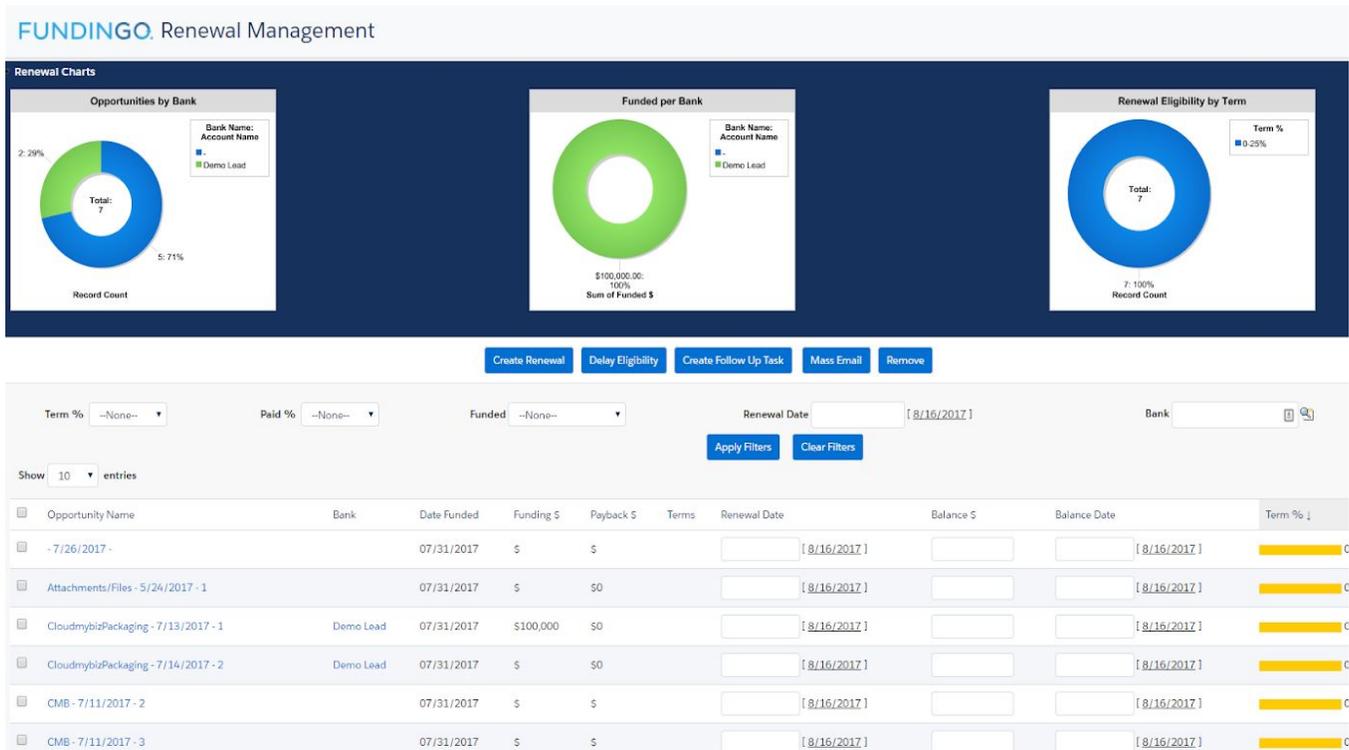
Slow User Adoptions

No matter how good your system is, training new users and getting quality user adoption takes time. However, doing it on a poor system can be exponentially worse.

On a poor system, processes don't always lead intuitively from one to another and ad hoc workarounds have become **"the way things are"**. This can leave new users scratching their heads as they struggle to understand the **"why"** behind each process.

You end up training new users on how to work **around the system** as much or more as you train them on **how to use it**.

Of course, if your system is anything like this, onboarding will be slow and challenging. The last thing you want to do is significantly slow down the train so a new person can get on board.

In a world where **slow responses mean lost borrowers**, you can't afford to hit the brakes on your momentum and spend significant resources to train new people. However, if your system is intuitive, streamlined, easy to use and features quality user support, new hires can quickly get on board and start helping you grow.

Conclusion

Every possible advantage is needed for a business to thrive in the Merchant Cash Advance and Alternative Lending industries. The difference maker for most firms? **Quick response times** to funding applications.

The key to a quick response time is a **Loan Management System** that speeds up the funding process rather than slowing it down.

Do you really know the total cost of lost borrowers?

Costs of Lost Borrowers

Short Term Losses

- Lost time and effort that was spent on the failed deal
- Lost potential revenue from other deals that weren't closed due to occupied resources
- No potential for renewals or repeat business.

Long Term Losses

- Missed opportunities for positive recommendations and referrals.
- Increased costs of attracting new customers.
- Negative word of mouth hurting your reputation.

How much can negative reviews hurt your business?

- A 2009 Convergys Corp. Study found that a single negative online review can cost the average business the loss of **30 customers**.

- A 2011 Cone Online Influence Report says that 80% of people interviewed said negative online information changed their mind about purchasing a product or service.

> *On average, an actively disengaged customer will tell 3 more people to avoid a company and its services.*

So with all of these costs of slow responses due to poor, in-efficient or outdated **Loan Management Systems,** we come back to our original question**:**

How can MCA companies **improve** response times?

The FUNDINGO Loan Management Solution

FUNDINGO is a **Loan Management Solution** created by industry experts and designed specifically for Merchant Cash Advance companies. It streamlines the entire process of originating, underwriting, and servicing Merchant Cash Advances.

Unlike a hodge-podge of outdated and unconnected systems, each handling only a single element in the funding process, the FUNDINGO solution helps MCA firms attract and close more deals, accelerate the underwriting process, generate more pricing options, reduce errors, and ensure greater consistency.

With FUNDINGO powering their processes and ensuring speed, accuracy and consistency, these funders also earn a more **professional** reputation among borrowers, brokers, and syndication partners.

The FUNDINGO solution, developed and created by CloudMyBiz, is built on the **Salesforce.com platform** and can be closely integrated with a company's CRM, finance, document management and other systems. Supported by experts in MCA funding management, FUNDINGO has been successfully implemented in leading firms across the U.S.

Interested in learning more?
Visit our website, www.fundingo.com, to see what FUNDINGO can do for you.

Have specific questions or want to talk to a FUNDINGO consulting expert?
Contact us at info@fundingo.com

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