

Critical Gap Between Credit Demand & Supply

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AEO *Association for
Enterprise Opportunity*
THE VOICE OF MICROBUSINESS

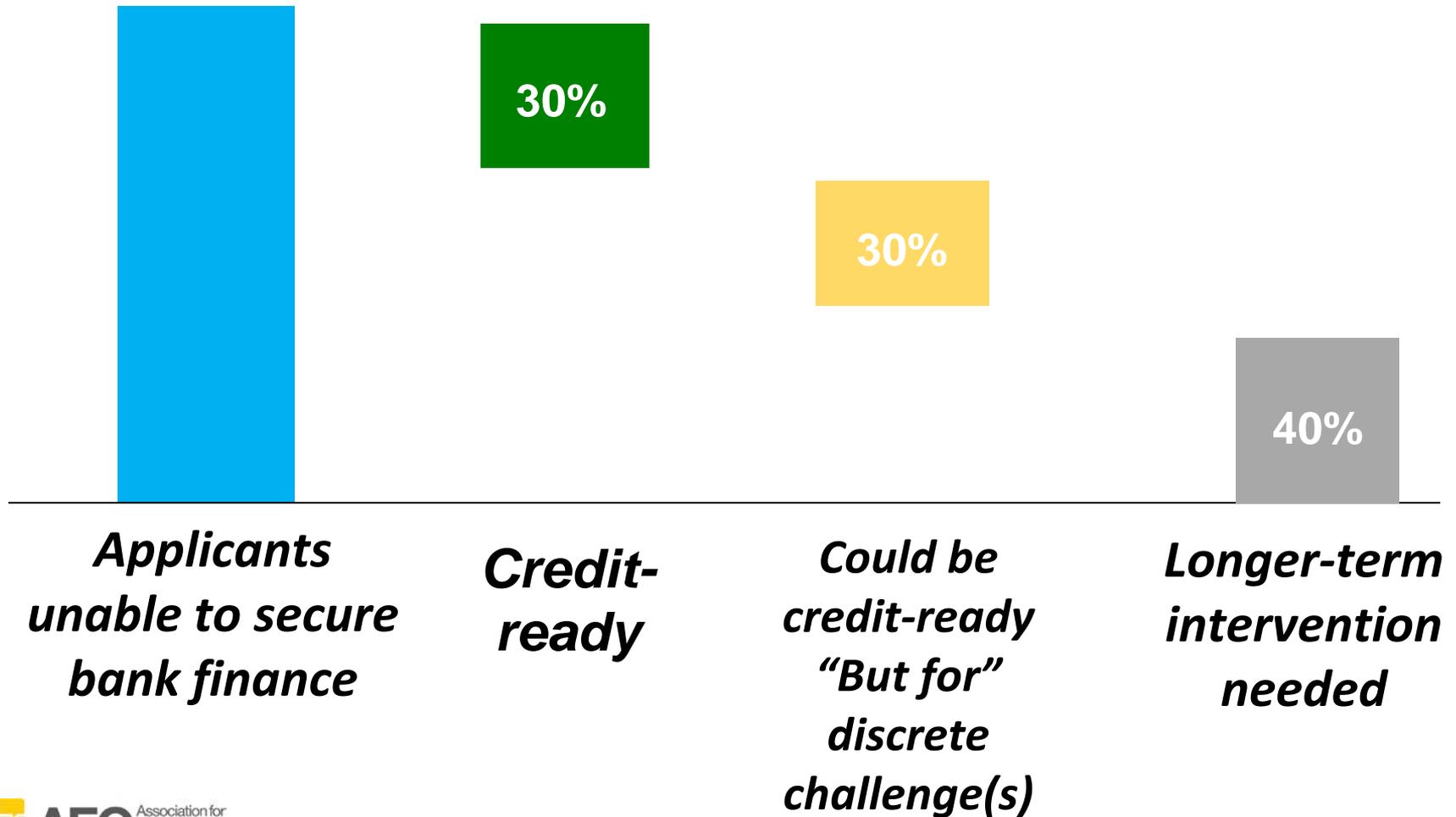
The Market Failure: Capital Gap to Main Street

8,000 DECLINES
REQUESTS FOR CREDIT
FROM BANKS
EACH DAY

\$52 BILLION
CREDIT GAP
TO MAIN STREET

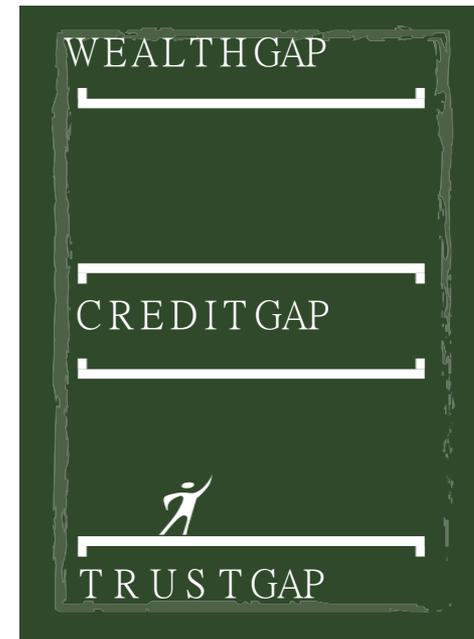
2.2 MILLION
SMALL BUSINESS
IN LOW WEALTH COMMUNITIES
STRUGGLE

Business Owner Needs: Support on the Path to Capital



Black-Owned Business Owners Especially Affected by Credit Gap

- *Low Starting Wealth,
Fewer Assets*
- *Credit Scores*
- *Higher Demand*
- *Higher Denial Rates/Bias*
- *Un- & Under-banked*



Black-Owned Business Owners AEO Survey Insights

- More likely to say financial issues were extremely problematic in start-up phase
- Single biggest obstacle is “applying for a loan” (43%)
- Black business owners lack “runway” capital
- Only Black business owners in our study said they contacted an on-line lender (3%)

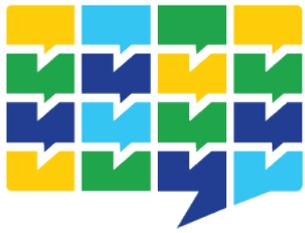
Market Failure Creates Opportunity

- *For FinTech to fill the gap...*
- Need
 - Technology-led solutions
 - And cross-sector collaboration



Solutions Must...

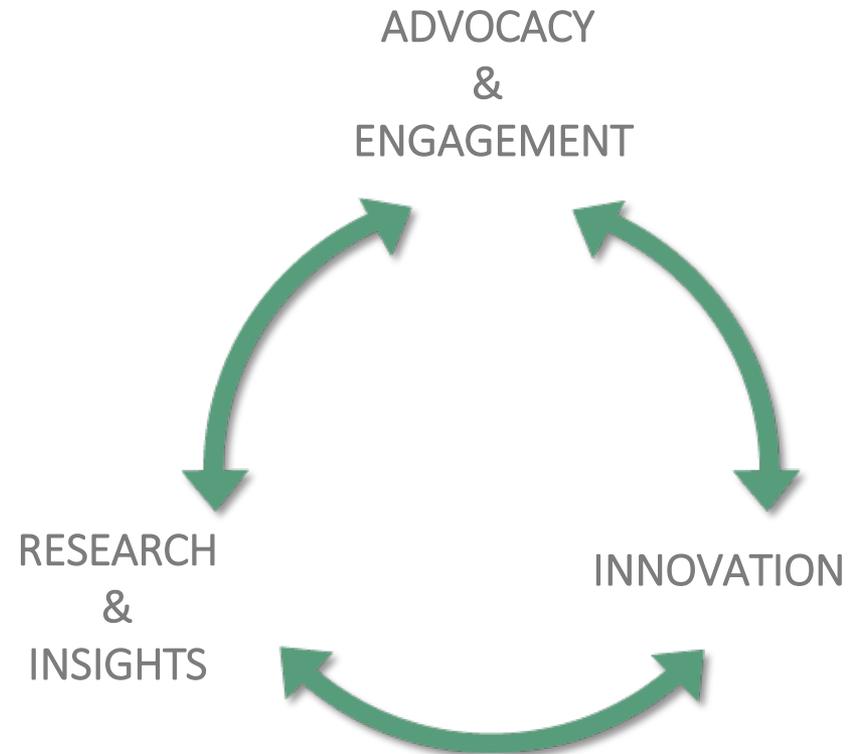
Meet Needs of All Players



WHO WE ARE

- National trade association for US microfinance & microbusiness
- **Mission:** create economic opportunity for **under-served** entrepreneurs
- 400+ members/partners

WHAT WE DO



AEO Innovation(s): Technology for Financial Inclusion

Infra- structure

- **Project CUE:** Customer referral program for CDFIs and providers of “path to capital” products/services
- **DreamFund:** Liquidity Solutions for CDFI Lenders

Ideation & Testing

- **TILT Forward Network:** CDFIs and non-profits committed to innovation and testing

Project CUE: Customer Referral Marketplace

Connecting

Referral solution for bank and non-bank lenders



Bank Referral Partners

+

Underserved

Qualified Leads for CDFIs & “Path to Capital” Service Providers



Community Lenders

=

Entrepreneurs

Capital Access for Small Businesses



Small Business Owners

Project CUE: Value Proposition

CDFI receivers get...

- Expanded reach @ low cost
- Customer leads
- Improved customer assessment
- Advanced reporting capabilities
- API integration options for efficiency

Business owners get...

- Opportunities
- Choices
- Guidance

DreamFund: Value Proposition

CDFIs get...

- Improved target market coverage via more tools / products
- Operating income
- Liquidity solutions to recycle capital

Investors get...

- Safety and security of SPV structure inside 501(c)3
- Options to target investment
- More efficient / effective use of scarce subsidy

Business owners get...

- More “yes”
- “Same product, lower price”
- Guidance

Smart Box Initiative



Capital Comparison Tool

- Innovative Lending Platform Association
- AEO Collaboration
- 3 Largest Online Lenders
- First pricing disclosure model

empowering small
businesses to more fully
understand and assess their
small business finance
options

The Digital Divide

- Rural populations lag behind
 - 63% Broadband
 - 67% Smartphone
 - 43% Tablet
 - 70% Computer
- Income drives the divide
 - 84% of rural high-income homes have broadband
- African Americans less likely to have high speed broadband
- Parity with respect to mobile platforms, but behind broadband
- Parity is also reached for African Americans with 75k+ incomes

**If Fintech is a Remedy to the Market Gap,
More Lower Income Entrepreneurs Must Get
Connected**

Thank you