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Online exchange pairs local business, local banker Spokane restaurant owner used alternative method to find compatible lender

By Chey Scott

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Larry Vandenburg, of Washington Trust Bank, says BoeFly LLC connected him with a Spokane Valley-based restaurant franchisee, and they were able to complete a refinance.
—Staff photo by Chey Scott

While some commercial lenders here remain more guarded toward prospective borrowers in this challenging economic climate, one Spokane-area business owner recently opted to use a less-traditional route to secure a loan from a lender here for a restaurant franchise he owns in Spokane Valley.

Gary Knudson, who owns a Boston's The Gourmet Pizza outlet at 14004 E. Indiana, near the Spokane Valley Mall, posted a refinance request on an online marketplace intended to simplify the commercial lending process. The website Knudson used is operated by New York City-based BoeFly LLC, which connects prospective borrowers with willing lenders by matching the information on each party's site profiles.

While BoeFly is on the other side of the U.S., the lender Knudson chose ended up being close to home.

Once Knudson had uploaded the required financial documentation for his loan request, BoeFly's team of lending specialists matched his request to the most appropriate lenders and notified those lenders of Knudson's need, says Mike Rozman, New York-based co-president of BoeFly. He says business lenders who use BoeFly's services to find potential borrowers set up profiles stating what types of businesses or borrowers to whom they'd prefer to extend offers.

Twelve different lenders initially requested to view Knudson's loan package, and he chose to negotiate an offer from Spokane-based Washington Trust Bank, headquartered downtown at 717 W. Sprague.

Larry Vandenburg, vice president of commercial banking with Washington Trust, worked with Knudson—who wasn't available to comment on the transaction—to hammer out the details of the refinanced loan. Vandenburg says he might not have known about Knudson's need for financing had he not been paired with the business owner through BoeFly.

"I think the advantage is that it places the (borrower's) financial information out there so people can get access to it quickly," Vandenburg says of BoeFly's service. "Instead of having to go from bank to bank and telling their story multiple times, borrowers can put it out there and banks can see if they have an appetite quickly, and if they do they can proceed from there."

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Vandenburg says he has worked with many business owners who became frustrated and burned out while seeking out a willing lender after being turned down by numerous banks.

"I did a similar deal with another customer who went to six banks in one day," he says.

Vandenburg says once he'd notified BoeFly that Washington Trust would be interested in refinancing Knudson's loan, the process of completing an agreement went smoothly.

Banks like Washington Trust pay a monthly subscription fee to be listed in BoeFly's database of lenders and to be notified by BoeFly when a prospective borrower meets an institution's lending requirements.

Vandenburg says that since he worked with Knudson late last year, he's looked on BoeFly's site for other businesses in the Spokane area needing a commercial loan, but hasn't been able to secure any other similar borrowers yet.

"I did look at one down in Pullman, but I wasn't able to put that deal together," he says. "There are deals around the country, but typically we like to stay within the (Spokane) market area."

Vandenburg says the current atmosphere in the business lending market remains cautious, although many banks have capital they would like to lend.

"There is a lot of money that's chasing good deals, but not as many people are doing deals now because of the economy," he says. "In my 30 years of banking, right now there are the most funds available."

The elevated number of struggling businesses that need funds but that can't qualify for a loan obviously has dampened cautious lenders' willingness to extend financing, despite that extraordinarily high liquidity, Vandenburg says.

On the other hand, he says that if a strong borrower with a good credit history comes along, "they could get 10 banks lined up," he says. "A marginal deal is more difficult to secure because people aren't stepping out and taking chances that they used to."

Vandenburg feels that the services offered by BoeFly will be another useful tool for businesses needing money, as well as for lenders that are looking for the right customers.

"I don't think it will take over, but I think it will be another tool," he says. "In the past, we always had brokers call us and they were representing someone and would ask if we were interested in looking at the deal, and they'd email us a financial summary. BoeFly is the closest thing I've seen to that."

Rozman says BoeFly was founded in 2010 and to date has worked with more than 2,000 financial institutions, from small, local banks to larger national lenders.

He says he's aware of other Inland Northwest-based businesses posting loan requests on BoeFly's website, but he says he's not at liberty to identify them because of privacy agreements. He claims, though, that one prospective borrower in the Spokane area, a daycare, recently received requests from 12 lenders to review its loan package information.

Rozman says the subscription fee for lenders to use BoeFly's services ranges between \$55 and \$165 per month, depending on the services the financial institution uses. Aside from matching lenders and borrowers, he says, BoeFly also can be used by banks or other lenders as a platform to sell loans to a secondary investor.

Fees for a business owner seeking a loan to post their financial information on BoeFly range between \$99 and \$499 a month, Rozman says. He says that while BoeFly helps connect borrowers and lenders, the company doesn't operate like a brokerage firm and thus doesn't charge any fees for the completion of a successful transaction.

Because of the non-brokerage business model, the company isn't always notified by its clients when a deal is finalized successfully, Rozman says. He says it's hard to estimate how many business loans have resulted from the lenders and borrowers that have been connected through BoeFly's services.

Rozman says BoeFly was founded by a group of ex-lenders in New York City who thought the process of finding business borrowers was inefficient.

"You have to sort through lots of applications to find one borrower that would fit a specific lender's preferences, and they thought an online marketplace would be more efficient for both the lender and the borrower," he says.

Another service BoeFly offers is the ability for national and international franchisors to sign up for accounts to allow those companies to facilitate a franchisee's start-up process, including obtaining the necessary financing, Rozman says.

Boston Pizza Restaurants LP, based in Dallas, is a member of BoeFly's franchisor subscription service, and Rozman says that relationship played a role in Knudson's decision to use BoeFly to obtain a refinanced loan for his Spokane Valley restaurant. Because Boston Pizza Restaurants is a member of BoeFly, Knudson also received a discounted price to post his loan request on the site, he adds.

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Franchisors that are subscribed and recommend BoeFly's services to their franchisees also are able to monitor the loan offers from banks and other lenders, Rozman says.