

COLEMAN REPORT

The SBA Lender's Industry Information Source

P.O. Box 546, La Cañada Flintridge, California 91012

Tel (818) 790-4591

Fax (818) 790-7859

twitter: BobColeman

e-mail: bob@colemanreport.com

www.colemanpublishing.com

October 4, 2010

Volume 18, Number 36--Issue #427

Bob Coleman, Editor

Boefly Surpasses the \$1 Billion Transaction Mark

Providing an Online Marketplace for the Lending Industry Shows the New Role of Technology

Though only launched on March 17, 2010, Boefly, Inc. has already passed the \$1 billion mark for transactions in just six months. Bobby Tannenhauser, President and CEO, recently sat down with Coleman Report editor Bob Coleman to discuss his success and what lenders can do at this time to stay on top.

In This Issue

New Role of Technology

Advice for 2011

Supply and Demand

Coleman Report: So Bobby, what is happening with you? What's new?

Bobby Tannenhauser: Well, our platform is taking off a lot better than we had hoped. It is getting a lot of momentum, we have a lot of happy people on there, and we're looking at doing even more. You may have heard that we recently passed the \$1.1 billion mark for transactions. That has actually exceeded where we expected to be; we had expected a much lower ramp up. But even with a slow down in the economy and the drop off

of the 90% guaranty, we are still seeing high demand.

CR: Whenever an entrepreneur launches a new venture there is a business plan and a direction that the person thinks they are going to go; but always new opportunities and challenges seem to crop up. What opportunities have developed for Boefly that you didn't think was going to be that important six months ago?

BT: There are a couple of new opportunities that we are working on now. We are trying to meet the needs of our customers, both the banks and the borrowers, but also trying to provide a service to the community. In conjunction with the stimulus bill for example, we're offering discounts to borrowers to post, we were originally at \$465 for a borrower to post and now we are down to \$99.

The *Coleman Report* is published every Monday except for the last week in August and December.

Subscription price is \$897 per year. Contact us for multiple subscription and site license rates.

No part of the *Coleman Report* may be excerpted, reproduced, photocopied or faxed in any form without written permission.

© 2010 All Rights Reserved by Robert Coleman.

Coleman Report --- October 4, 2010

We are working on a plan to provide free access to returning Afghan and Iraqi veterans with disabilities that have been injured in the war, and give them free access to get loans. We're also working with the IFA to give a discount to their franchising members and free access to their franchisees.

Supply & Demand

CR: One of the things people have said is the lack of small business lending has created a supply and demand problem. You and Boefly are actually seeing the demand of borrowers coming to your platform as well as also seeing the supply side. How do you see the supply and demand issue as far as 'Main Street' capital?

BT: Basically, the supply is there. There have been close to \$550 million in new loan postings. With each of these postings, you're getting five to six lenders jumping on it and reviewing it. There are lenders that want to lend and there are borrowers that want to borrow. Yes, maybe there are some small businesses that are still afraid to borrow, but there is still plenty of supply out there. It's just a matter of connecting them.

CR: Let's say I'm at a regional bank, maybe even a national bank, and despite shrinking credit boxes, there is an appetite for a certain type of credit. Tell me how successful you feel you've been meeting the supply need of some of these banks and reaching niches that they would not normally have reached out to?

BT: Let me give you an example; we had a

borrower who was opening a start up franchise. His broker and he lived in Texas, but he was moving to Arizona. So, he posted the listing on Boefly, and a small bank in Arizona that actually happened to have an office in the town where he was opening up found him. Now, he is SBA approved and in the closing process. They would have never gotten together before, and that is the type of thing we are seeing.

I posted one of my properties and I got ten responses from it, all at a great rate; but the really fascinating part for me was that one, it was easy to use for me, and two, all of the documents were on there. So, not only does the lender have the documents to evaluate for underwriting, but the attorney has them, the appraiser has them, whoever needs them. This was one place where everyone could increase efficiency, it was unbelievable.

Going Into 2011 and Beyond

CR: As a former lender, what advice would you give those lenders in terms of putting together their plan for 2011?

BT: Well, you want to take advantage of these SBA programs to the greatest extent possible while they are in existence. Hopefully they will be extended past December 31st, but the elections will certainly determine that.

The profitability of SBA lending, I think, is unmatched by any other lending field. Remember, collateral values have finally been re-priced to reasonable levels now. The

Coleman Report --- October 4, 2010

businesses that have survived in all likelihood will continue to survive.

CR: Economic Darwinism.

BT: Exactly. Have we hit the bottom? I don't know. Some people say the recession is over, so I assume like all cycles we are starting to come out of this.

And now is the time to get in there. You can get the good loans, you can get the good pricing, the margins are great, and the cost of funds for lenders is at historic lows.

CR: One of the things that has come out of this recession is the impact of technology on all of us, and more specifically the small business lending community. You've harnessed a technology to adapt and I'd like you to comment on that and where you see technology taking us in our niche and our industry.

BT: Like anything else, I think what this recession has taught us all is that we have to be more efficient. And the easiest way to be more efficient is to use the technology that is out there.

In the financial services industry, historically, this has not been the case. What we see on Boefly, is that we're able to provide that efficiency for both the borrower and the lender. When the lender comes in, all of the

information is there for them. All of the gathering they had to do, is done. Today our online marketplace is extremely efficient. You push a button, its there, your document is done, how much easier could it get?

CR: Tell me what you've seen in terms of analysis. The days of the national franchise lender: the CIT's, the GE's, Bank of America; that has gone away.

First of all, do you see the reemergence of the national lender? Or do you just see the community banks picking up that slack?

BT: I do think that there will be large lenders that move into and out of particular niches,

but nobody wants concentration. Nobody has any great concentration now, so it gives the borrowers a better chance at getting the best rate when you have many people bidding for it.

CR: We've seen tremendous change in the last five to ten years in terms of the SBA lender manager's desk. How do you see their job evolving? In the past, lenders tended to be in a cocoon, now they're evolving into a new situation with the use of the internet and technology. How fast will the acceleration of that be in the next five years?

BT: I think it is going to be explosive. As Thomas Friedman said, "The world is flat". Lending is flat, and I think it is good. With

We all know politics has become fairly hostile these days. It's not a question about getting reelected, it's a question about doing what is right for the country and I think we need both parties to follow that.

*Bobby Tannenhauser
CEO & President
Boefly, Inc.*

Coleman Report --- October 4, 2010

the consolidation we are seeing in the lending industry and the number of troubled bankers last reported at over 800, it is important that the small community banks continue to survive.

If it is just the national banks, the small business borrower is not going to get the attention they need. The fact we are able to use technology and the internet to get to everyone out there, I think is a good thing and I think it is going to increase. The challenge is getting these smaller banks to realize they can use this technology and utilize it to their benefit.

Impact of Midterm Elections

CR: If the Republicans take the house, how does that affect this program?

BT: There were times, and we all remember, when there was the deadlock in Congress, nothing ever got done and the SBA suffered. My hope is that this doesn't happen again and they are able to work together if the Republicans take the house. I don't know if they will or won't, but historically it has not been such a good thing for small businesses.

We all know politics has become fairly hostile these days. It's not a question about getting reelected, it's a question about doing what is right for the country and I think we need both parties to follow that.

CR: I think the moral of the story is: just because we got the bill signed on Monday, doesn't mean the world is going to be like this for the next five years. This world is a constantly evolving, changing animal.

As Thomas Friedman said, "The world is flat". Lending is flat, and I think it is good. With the consolidation we are seeing in the lending industry and the number of troubled bankers last reported at over 800, it is important that the small community banks continue to survive.

*Bobby Tannenhauser
CEO & President
Boefly, Inc.*

BT: But, I think both parties recognize the need to support small business. I believe there is a strong advocate for small businesses.

CR: I agree with you, there is a bipartisan support for 'Main Street' out there. These are good times for 'Main Street' and for the lenders who support it. But, who knows how long it will last.

BT: Hopefully both parties will recognize that this is something that needs to continue, we are not out of the woods yet. We need to encourage entrepreneurship in this country, we need to be producing things, and we need to be manufacturing things; that takes financing. We can't just be a service country, because that too can be replaced very easily overseas. Hopefully our leaders will recognize they need to be thinking five, ten, maybe even twenty years out.

