

Nation's Top Online Small Business Lending Platforms Unveil SMART Box™

Industry's first model disclosure from ILPA founders OnDeck, Kabbage, and CAN Capital will empower small businesses to assess and compare finance options

LAS VEGAS, October 24, 2016 — The [Innovative Lending Platform Association](#) (ILPA)—consisting of the nation's three largest online small business lending platforms OnDeck® (NYSE: ONDK), Kabbage®, and CAN Capital—in partnership with the Association for Enterprise Opportunity (AEO), the leading advocate for microbusiness in the United States, today introduced the SMART (Straightforward Metrics Around Rate and Total cost) Box™, a first-of-its-kind model pricing disclosure and comparison tool focused on empowering small businesses to better assess and compare finance options.

The SMART Box tool is a priority initiative for the ILPA, developed in response to a need for common verbiage and standardization in pricing disclosure in small business finance. The SMART Box presents small businesses with a table of standardized pricing comparison tools and explanations, including the total cost of capital (TCC) and annualized percentage rate (APR). The new model disclosure is the culmination of months of engagement with key small business stakeholders, including lending platforms, policymakers, not-for-profit organizations, small business owners, and small business advocates. The ILPA and AEO worked with these stakeholders to unite around a disclosure that includes a third-party validation mechanism (implemented by Navigant Consulting) and allows small businesses to make apples-to-apples comparisons of different finance options.

How the SMART Box works:

There are currently three versions of the SMART Box disclosure—for term loans, lines of credit, and merchant cash advances—that take into account the differences between the products, while still utilizing common pricing metrics and calculations, as well as standardized language.

View more details and images of the three versions of SMART Box here:

<http://innovativelending.org/smart-box/>

The SMART Box disclosure features include:

- The basic elements of the finance option under consideration, including: the amount financed, the funds disbursed, the total repayment amount, the expected term, and the frequency of payback (as applicable).
- Four common pricing metrics, including TCC, APR (estimated for merchant cash advances), the average monthly payback, and the cents on the dollar cost of the financing option.

The TCC metric captures all interest and any other fees that are a condition of receiving capital. This metric states the total dollar cost of the finance option, a crucial source of information for a small business owner.

The APR metric provides the cost of capital—including fees that are a condition of receiving capital, when applicable—expressed as a yearly rate. Note that while APR can be used for comparison purposes, it is not the interest rate applied or used to calculate the total dollar cost of the financing option. Navigant Consulting will be responsible for validating that APR calculation methodologies are consistent with the principles of Regulation Z (implementing The Truth in Lending Act.)

The average monthly payment metric captures the average monthly cash flow impact of repaying the finance option under consideration. Regardless of whether the product requires daily, weekly, or monthly repayment, the average monthly payment provides a common benchmark for assessing monthly cost.

The cents on the dollar metric captures the amount of interest (or Loan Fees, as applicable) paid per dollar borrowed. This metric is exclusive of all other fees to allow for comparison with other common pricing metrics in commercial finance, including the factor rate, simple interest, and total interest percentage.

The SMART Box presents the small business owner with two questions regarding the prepayment policy applicable to the finance option under consideration. The first question asks whether prepayment will result in any new fees or charges not already captured in the SMART Box. If the answer is “yes,” the SMART Box requires a cross-reference to clear and conspicuous disclosure in the provider’s loan documents that describes the incremental fee or charge. The second question asks whether prepayment will result in any reduction in interest or the applicable loan fee. If the answer is “yes,” the SMART Box requires a cross reference to clear and conspicuous disclosure in the provider’s loan documents that states the amount of the reduction. As an enhanced disclosure, the SMART Box helps bring the applicable prepayment policy to the attention of the small business.

Finally, each SMART Box disclosure assumes that the finance option will be repaid in its entirety, according to the terms of the applicable agreement, and that no payments will be missed.

Support for the SMART Box:

Association for Enterprise Opportunity

“The new SMART Box tool is a game changer in driving small business ownership through greater inclusion to capital access,” said Connie Evans, AEO’s president and CEO. “We are proud to be part of a collective cross-sector effort to bring creative solutions to the complex issue of improving capital access to Main Street. It should go far in helping business owners, particularly those in underserved communities, navigate the new frontier of lending options.”

Navigant Consulting

“Navigant’s Consumer Finance practice looks forward to working with the ILPA on this important self-regulatory initiative focused on customer transparency by providing a quality assurance mechanism and compliance validation,” said Mike Jones, director, Financial Services, Navigant. “We are happy to be able to bring our expertise to this effort.”

National Small Business Association (NSBA)

“Access to capital is a top priority for NSBA and we appreciate how SMART Box allows small businesses to more fully assess and compare lending options. This type of price transparency, along with best practices like the ones adopted by the Coalition for Responsible Business Finance (CRBF), will help solidify the trust between non-bank lenders and small businesses,” stated Todd McCracken, NSBA president and CEO, and an advisory board member for CRBF.

Small Business & Entrepreneurship Council

“Finding funding to start or grow your business can be an onerous challenge for small business owners. The growth of online lending platforms has provided small businesses with access to many more options in this tight lending climate,” remarked Kristie Arslan, Small Business & Entrepreneurship Council’s entrepreneur-in-residence. “As a small business owner, allowing the vital information of a funding opportunity, such as the monthly payments, total repayment amount, cost of capital, fees, and much more, be pulled out of the fine print and presented with the SMART Box tool will greatly help me and other business owners compare options and make the best funding choice for our businesses.”

Coalition for Responsible Business Finance

"The disclosures developed by OnDeck, Kabbage, and CAN Capital for ILPA are a positive development in enhancing price transparency to the Non-Bank Small Business (NBSB) finance sector and the CRBF welcomes ongoing dialogue with the ILPA on advancement of industry-wide best practices," said longtime small business advocate and Coalition for Responsible Business Finance (CRBF) Executive Director, Tom Sullivan.

Electronic Transactions Association (ETA)

“ETA believes that industry-driven standards designed to benefit small business customers demonstrates a commitment to responsible innovation and industry leadership,” said Scott Talbott, senior vice president, ETA Government Affairs. “We applaud the SMART Box initiative for taking a forward-thinking approach to addressing a perceived challenge in the market and advancing the depth of the public discussion.”

LendingTree

“With the growing number of financial products and services becoming available to small businesses, borrowers can benefit from greater transparency in the financing process,” said Doug Lebda, founder and CEO of LendingTree. “The ILPA’s SMART Box empowers small business owners to easily evaluate and compare available financing

options, helping businesses make smarter, responsible, and more informed financing decisions.”

Lendio

“The SMART Box is an important tool in our industry that empowers small businesses to better understand and contrast the cost of capital according to four standardized pricing metrics. At Lendio, we work with over 75 lenders across every type of small business loan product. While it is nearly impossible to create a one-size-fits-all metric that compares all business loan options, the SMART Box is a strong step in the right direction,” said Brock Blake, founder and CEO of Lendio. “We’re excited to share the same vision as the ILPA and be a part of this new initiative.”

Breakout Capital

“As a long-standing proponent of greater transparency and the industry-wide adoption of best practices, Breakout Capital is proud to provide our endorsement of the SMART Box,” said Carl Fairbank, founder and CEO of Breakout Capital. “Since our founding, Breakout Capital has consistently advocated for enhanced disclosure and cost transparency for small business borrowers, and we view the SMART Box as an important step forward for our industry in advancing this key mission.”

The Development of the SMART Box:

Today’s introduction of the SMART Box by the ILPA follows an in-depth analysis of the small business marketplace that began in 2015 and is informed by small business survey data, including [recent findings from an Electronic Transactions Association study](#), which underscores small businesses’ preferences and priorities with regard to pricing disclosure.

In June 2016, the ILPA, with support from AEO, began a 90-day national engagement period to solicit feedback on the SMART Box initiative from other lending platforms, financial institutions, small business borrowers, policymakers, small business advocates, and not-for-profit organizations. The ILPA then designed and tested the SMART Box tool for implementation across the platforms of the three founding members of ILPA. The ILPA plans to encourage those interested in promoting the responsible development of the small business lending industry to voluntarily adopt and license the model disclosure.

Together the three founding companies of the ILPA have provided access to more than \$12 billion dollars in capital to small businesses to help drive growth and hiring. The ILPA will continue making enhancements to the SMART Box over time based on usage, customer feedback, and input from interested parties.

Founding ILPA Member Quotes:

“OnDeck is 100% focused on responsibly serving small businesses and we are exceptionally proud of this collaborative effort to establish industry-wide transparency best-practices that benefit our customers,” said Noah Breslow, chief executive officer,

OnDeck. “It is our belief that the SMART Box will become the national model for small business lending disclosure.”

“Since Kabbage’s founding, we’ve been fully committed to empowering small business growth by providing customers with access to the capital they need and with the deepest level of data insights,” said Kathryn Petralia, co-founder and president, Kabbage. “The SMART Box is the next step in advancing transparency within lending. We’re confident it will enable small businesses everywhere to make informed decisions that can drive new levels of success.”

“Since CAN Capital was founded 18 years ago by a small business owner, it has been our mission to help small business owners succeed by providing them with access to the working capital they need to grow,” said Daniel DeMeo, chief executive officer, CAN Capital. “We’re proud to work with the ILPA to provide small business owners with additional transparency to help them better understand the options our industry offers to support them.”

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About the ILPA

The Innovative Lending Platform Association (ILPA) is focused on advancing small business online lending education, advocacy, and best practices. To promote common disclosure verbiage and standardization, the group’s first priority—launched in partnership with the Association for Enterprise Opportunity (AEO), the leading advocate for microbusiness in the United States—is an initiative to create a model small business lending disclosure called the SMART Box™. Together the three founding companies of the ILPA—CAN Capital, Kabbage, and OnDeck—have provided access to more than \$12 billion dollars in capital to small businesses to help drive growth and hiring. Organizations seeking to learn more about the ILPA’s mission. Please visit: www.innovativelending.org.

About OnDeck

OnDeck (NYSE: ONDK) is the leader in online small business lending. Since 2007, the company has powered Main Street’s growth through advanced lending technology and a constant dedication to customer service. OnDeck’s proprietary credit scoring system—the *OnDeck Score*®—leverages advanced analytics, enabling OnDeck to make real-time lending decisions and deliver capital to small businesses in as little as 24 hours. OnDeck offers business owners a complete financing solution, including the online lending industry’s widest range of term loans and lines of credit. To date, the company has deployed over \$5 billion to more than 50,000 customers in 700 different industries across the United States, Canada and Australia. OnDeck has an A+ rating with the Better Business Bureau and operates the educational small business financing website www.businessloans.com. For more information, please visit www.ondeck.com.

About Kabbage

Kabbage Inc., headquartered in Atlanta, GA, has pioneered a financial services data and technology platform to provide automated funding to small businesses in minutes.

Kabbage leverages data generated through business activity such as accounting data, online sales, shipping and dozens of other sources to understand performance and deliver fast, flexible funding in real time. Kabbage is funded and backed by leading investors including Reverence Capital Partners, SoftBank Capital, Thomvest Ventures, Mohr Davidow Ventures, BlueRun Ventures, the UPS Strategic Enterprise Fund, ING, Santander InnoVentures, Scotiabank, and TCW/Craton. All Kabbage U.S.-based loans are issued by Celtic Bank, a Utah-Chartered Industrial Bank, Member FDIC. For more information, please visit www.kabbage.com.

About CAN Capital

CAN Capital, Inc., established in 1998, is the pioneer and market share leader in alternative small business finance, having provided access to over \$6 billion in capital for small businesses in a wide range of locations and different business types. As a technology-powered financial services provider, CAN Capital uses innovative and proprietary risk models combined with daily performance data to evaluate business performance and facilitate access to capital for entrepreneurs in a fast and efficient way. CAN Capital, an Inc. 5000 fastest-growing company, makes capital available through its subsidiaries: Merchant Cash Advances by CAN Capital Merchant Services, Inc., and business loans by CAN Capital Asset Servicing, Inc. For more information, please visit: www.cancapital.com and follow the company on Facebook, LinkedIn and Twitter.

About AEO

The Association for Enterprise Opportunity (AEO) is the leading voice of innovation in microfinance and microbusiness in the United States. For twenty-five years, AEO and its more than 450 member organizations have helped millions of entrepreneurs contribute to economic growth while supporting themselves, their families and their communities. AEO members and partners include a broad range of organizations that provide capital and services to assist underserved entrepreneurs in starting, stabilizing and expanding their businesses. Together, we are working to change the way that capital and services flow to under-served entrepreneurs so that they can create jobs and opportunities for all.

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