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HIDDEN JEWELS

**Australia's best non-bank lenders,
as discovered by you**



BREXIT
How and why it
affects your business

JANELLE PEARCE
Westpac's third-party
commercial push

AGRIBUSINESS
Broking far from the
bright lights

UNSECURED LENDING

WHEN SPEED MATTERS

Technology is opening up the hitherto clunky area of unsecured business lending. MPA has partnered with fintech lender Prosopa to find out how brokers can make it into an ongoing revenue stream

BROKING IN the era of diversification is supposed to mean an ability to lend for all of a customer's needs, whether they be residential, commercial, vehicle finance, aged care or any other. For most brokers in 2016, however, that's still an unattainable goal. Unsecured lending remains a void that lenders and brokers have seemed unable or even unwilling to fill until now.

Indeed the typical application process for an unsecured loan is a deterrent in itself, recalls Beau Bertoli, CEO of Prosopa. "The traditional banking system really hasn't provided solutions that work for small business owners... the application process was pretty atrocious and still is to this day." After multiple forms and years of business history – often involving a trip to the accountant – and two to four weeks waiting, an approval was far from guaranteed. If it did arrive, the conditions could be offputting. "If the answer was yes, they'd want the family home as security. We're talking about a \$30,000–\$40,000 business loan, which is absurd."

Bertoli's company, Prosopa, is one of the emerging stars of Australia's fintech boom; it was a finalist in Telstra's Business

Awards and winner of Deloitte's Fast 50 award. Prosopa uses technology to radically speed up unsecured lending – down to 24 hours to approval – and use digital sources of information to do the entire process online.

But while the technology is impressive, that's not actually what this article is about; it's about how a quick turnaround can make unsecured lending a viable income stream for your brokerage.

Andrew Browne is director of TAG Financial Group, based in Como, WA, and has been dealing with small business owners for years. Given TAG was and still is a 'solutions-based company', unsecured lending "was always a bit of a void for us...quite often it wouldn't suit the mainstream lenders, or the loan size wasn't efficient enough to whet their appetite and quite often the client didn't have adequate security".

Moving into new areas of lending can be burden on a brokerage's infrastructure, says Browne, but this was negated as the lender (Prosopa) was providing the marketing collateral and IT support. Technology greatly aided set-up; in Browne's case Prosopa provided a link that



actually embedded an online application form into TAG's website. This had huge commercial advantages, Browne recalls. "Within 48 hours we had an iframe built into our website, which meant our clients could make applications and we were getting responses back within 48 hours."

In essence, all small businesses may have a need for quick, unsecured capital. Browne has a typical example: "We had a client early on who set up their restaurant and possibly 14 months after they opened their doors, unbeknown to me, the business was going so well that they decided to take over the lease next door and expand into that space. I believe it happened fairly quickly and they looked at the opportunity to grow without thinking 'how are we going to fund it?'" The loan was small – only \$50,000 – but enabled them to quickly get back in business after the expansion.

According to Prosopa boss Bertoli, there are numerous other ways businesses use this capital: as working capital during lulls, to take advantage of short-term stock discounts; for marketing campaigns and hiring and training staff. Key industries include retail, hospitality, building and trade and professional services, healthcare, gyms and fitness. However, capital

WHY SMALL FINANCE MATTERS



33% of entrepreneurs want to grow their business (67% for those aged 18–29)



40% of budding entrepreneurs need less than \$50,000 to get their business off the ground



Banking support was cited as the second biggest requirement to get a business off the ground (49%), after business planning

Source: NAB Group Economics' The Lure of Entrepreneurship survey report, July 2016



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“Ask a business owner, ‘If I gave you \$25,000 right now, could you find a good use for it in your business?’ And the overwhelming answer is yes, of course they can”

Beau Bertoli, Prospa

is always in demand, insists Bertoli. “A really good exercise I do is to ask a business owner, ‘If I gave you \$25,000 right now, could you find a good use for it in your business?’ And the overwhelming answer is yes, of course they can.”

With typically small loan amounts, it’s important to ask yourself whether unsecured business lending is worth your while. The commission splits can be relatively generous: Prospa pays 1-4%, depending on the features of the loan and the strength of relationship, which shouldn’t be underestimated given they lend up to \$250,000, although the average loan size is much lower, at \$25,000.

Realistically, for most brokers unsecured lending must be treated as an additional revenue stream, albeit one, Browne points out, that you currently don’t have. Unsecured lending is also an additional service for your

existing customers. This is making a difference to TAG’s finances, says Browne: “It really supplements it, and it’s a tough market here in WA at the moment, so it’s really helpful.”

Furthermore, this is an ongoing revenue

stream. The above-mentioned restaurant client of Browne’s has since returned for another loan, as do 70% of TAG’s settled unsecured lending clients. That need for capital is not going to go away, as Prospa’s Bertoli points out. “If you ask small business owners what the biggest obstacle is to growing their business, they’ll near universally say access to capital.”

For Browne, it’s an example of technology making an immediate and concrete contribution to his business. “I just think with the fintech guys, who are using technology to provide a solution for clients, partnering with brokers is certainly a thing of the future.” **MPA**

PUMP MARKETING TOOL

Launched in late June, the Prospa Uplift Marketing Portal (PUMP) is an online platform that enables brokers to:

- ☒ download printed application forms and fact sheets
- ☒ send customised emails and direct mail pieces to their clients – all with their own brand (logo and colour palette) and contact details (phone, email, website)
- ☒ download images for use on social media

With the exception of direct mail campaigns, Prospa covers the cost of marketing, including image rights. The platform also tracks customer analytics, with the data being available only to the broker and not Prospa. Broker Andrew Browne has used the tool to engage his current clients. “We’ve spent a lot of time circulating it around our database and letting them know that we can fill that void that maybe we were not always able to,” he says.