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SMALL BUSINESS FUNDING ALTERNATIVES SOUGHT WHEN THE BANK SAYS “NO”

Survey Results Show Banks Missing Opportunity to Satisfy and Retain Valuable Customers

ATLANTA – July 21, 2008 – The results of a recent survey of small business owners reveals a desire for banks to offer other options when a loan application is denied. The Spring/Summer 2008 edition of the Capital Access Network (CAN) Small Business Barometer uncovered that 87 percent of rejected small business loan applicants were not offered any alternative by their bank after they were denied a traditional lending product. However, 69 percent said they would consider an alternative offered by their bank, highlighting an opportunity for banks to satisfy customer need by providing other funding options and ideas.

An overwhelming 87 percent of small businesses surveyed indicated that it is important to have access to a readily available and predictable source of capital, a reflection of today's credit conditions. These results indicate that banks may have a compelling marketing opportunity to provide additional value, secure customer loyalty and responsibly meet demands for working capital even as credit conditions tighten. The survey was conducted online; respondents consisted of 276 small business operators who accept credit cards as a form of payment in their business.

What Happens When the Bank Says No?

An April 2008 survey released by the Federal Reserve found that approximately half of U.S. banks are tightening their small business loan standards, compared with approximately 30 percent that reported doing so earlier this year. Loan decline rates of 70 percent or more are common. What happens to the small businesses that are turned down for traditional financing, and where can they turn next?

Is Your Bank Still Your Best Source?

Even amidst the documented “credit crunch”, 76 percent of respondents believe that banks are still one of the most trusted sources of capital, despite perceptions that banks are struggling financially. Yet 42 percent also place strong importance on having an alternative or back-up source of capital readily available. A total of 69 percent of the survey respondents said “yes” when asked if they would consider an alternative offered by their bank if the bank was unable to provide a loan or offer the full amount of required capital directly.

Life After “Decline”: Benefits to Offering Alternative Working Capital Solutions

A new value enhancing strategy for banks to consider is alignment with an alternative provider of working capital. Through a well-crafted referral program, banks can create revenue from what would otherwise be a dissatisfied customer. Working with alternative capital providers can be a benefit for both the financial institution and the small business customer in what could be dubbed the “antidote” to the credit crisis.

“Working capital referral programs have the potential to support banks and their loan officers in acquiring, retaining and even expanding small business relationships by providing working capital to businesses that fall outside the bank's regular lending parameters, all without cannibalizing existing credit revenue,” notes Nick Miller, president of Clarity Advantage, a consulting group specializing in sales acceleration engineering for the financial services industry.

Companies who provide alternatives to small business loans and other forms of business financing are experiencing increased interest in their products.

A Merchant Cash Advance is an increasingly popular solution for banks that want to retain the profitable small business checking accounts of small business customers rejected for loans or other bank financing. The product can be delivered through white labeled, co-marketed or referral programs at the time the loan is declined. Training of bank personnel is minimized, because the offer is made through a centralized communication mechanism.

Merchant Cash Advance providers are able to approve requests that banks deny because they focus less on consumer-oriented measures of viability like credit scores and place greater emphasis on the business's track record of success when making funding decisions. Plus, personal collateral is not required and money can be delivered in as few as 3 days.

"Banks are constantly seeking ways to provide value and increase revenue without negatively impacting customer satisfaction. Partnering with a credible, responsible provider of alternative working capital solutions achieves both objectives while highlighting the bank's focus on innovation. Early adopters of these kinds of programs will have a significant first mover advantage," said Glenn Goldman, Chief Executive Officer of Capital Access Network, Inc. the parent company of AdvanceMe, Inc., a provider of Merchant Cash Advances based in Kennesaw, Georgia.

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Capital Access Network Small Business Barometer

The CAN Small Business Barometer is commissioned by Capital Access Network, Inc. with the purpose of capturing and reporting data that will continue to support the growth and viability of small businesses across America.

About Capital Access Network

Capital Access Network, Inc. serves the small business market through its wholly owned subsidiaries. CAN is engaged in the business of generating and maintaining high yielding assets by leveraging leading edge data, systems and technology that is married to a unique, highly effective collection methodology. Founded in 1998, CAN and its subsidiaries currently employ 300 people in five main locations in New York, Georgia, Massachusetts, Minnesota and Costa Rica.

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