September 30, 2015

David G. Clunie, Executive Secretary
Attention: Marketplace Lending RFI
US Department of Treasury
1500 Pennsylvania Ave NW, Room 1325
Washington, DC 20220

Dear Mr. Clunie,

Thank you for the opportunity to respond to the Marketplace Lending RFI. We are pleased to see the interest in developing policy around the online lending practices changing the lending landscape.

As a true marketplace for lending, Connect Lending, LLC has over 2,000 lenders across the US that offer over 40 different funding types supporting everything from startup financing to alternative lending to traditional bank loans. We use our advisor network to help small business owners establish relationships with their local lenders for a community driven lending marketplace, proving we are the connection to business lending. Our platform supports a marketplace of small business owners, advisors and lenders to help business owners find the right funding solution to suit their needs.

Our vested interest in the lending marketplace is to connect borrowers with the right lender to secure funds to support their business. Unfortunately, due to the differences in lending underwriting, a lack of common vocabulary and uninformed business owners, we see business owners attempting to secure funding for a loan they are obviously not qualified for. The advisors in our network are taught to advise the business owner on lending practices in order to set expectations accordingly.

With our unique perspective as a marketplace driven lending platform, we are pleased to offer our comments to help shape the regulatory policies for lending outside of traditional banking. Our specific responses to the Marketplace Lending RFI are addressed on questions 1, 3 and 5, which are related to our business model. More importantly, our responses reflect a core factor driving policy: A need for small business owners to be properly educated when they make a lending choice.

Rick Burgess

Founder & CEO - Connect Lending, LLC

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1. *There are many different models for online marketplace lending including platform lenders (also referred to as "peer-to-peer"), balance sheet lenders, and bank-affiliated lenders. In what ways should policymakers be thinking about market segmentation; and in what ways do different models raise different policy or regulatory concerns?*

   With our vast network of lenders spanning the alternative lending and traditional banking practices, we see a wide variety of information presented to small business owners. For example, there is a vast difference between an annual percentage rate (APR) and a discount or buy-rate. The buy-rate is a creative way to present lending terms to a customer, but it does not allow a small business owner to do a true apples-to-apples comparison, nor are they educated on how this rate translates into terms they may be familiar with. Due to differences in the loan terminology, rate of repayment and fees, there is confusion among small business owners.[1]

   Banks have a highly defined vocabulary because of their regulatory mandates, and have the appropriate oversight for financial management practices built into their processes. The new, unregistered commercial lenders may change their products and policies to suit demand instead of gauging the long-term impact of their lending practices. This practice leads to even more creative ways to present products to the market. While this is an advantage in providing access to capital that business owners might not have, it presents another problem – business owners making uninformed decisions about how a loan may affect their business cash flow.

   We would recommend policy makers establish a peer-oversight group, similar to the US Commodity Futures Trading Commission (CFTC), specific for "alternative" commercial lending. The focus of this group would be to establish common practices to ensure consistency within commercial lending. The responsibility of a peer-managed group would be to:

   1) Provide education in lending practices
   2) Audit lenders to identify inappropriate practices
   3) Establish definitions of market segments for how a company raises capital
   4) Create a set of common terminology lenders must use to present fees and rates

1 https://www.clevelandfed.org/en/Newsroom%20and%20Events/Publications/Special%20Reports/sr%2020150825%20alternative%20lending%20through%20the%20eyes%20of%20mom%20and%20pop%20small%20business%20owners.aspx

3. *How are online marketplace lenders designing their business models and products for different borrower segments, such as:*

   - *Small business and consumer borrowers;*
   - *Subprime borrowers;*
   - *Borrowers who are "unscoreable" or have no or thin files;*

   Depending on borrower needs (e.g., new small businesses, mature small businesses, consumers seeking to consolidate existing debt, consumers seeking to take out new credit) and other segmentations?

The backbone of the US economy is driven by small businesses, which help support community development. Unfortunately, with declines in small business lending starting in 2006[2] many small businesses have had to secure funding through firms outside of their local banking structures. Numerous 'alternative lending' companies have sprung up to support this underserved market, serving businesses with little-to-no credit, marginal credit or newly established (less than 6 months) businesses. These lenders are establishing a new paradigm for commercial business lending by specifically developing products to support borrowers previously deemed 'not creditworthy'.

Connect Lending's founder recognized that banks were declining business owners due to their increasingly restrictive underwriting practices. Additionally, as small business owners would typically rely on their local bank for funding, introducing a way to connect borrowers to lenders that fit their credit and company profile was advantageous. Our business model includes all types of lenders, and borrowers, offering loans, cash advances, and even credit repair to help support the business owner.

While traditional lending practices focus on minimizing risk, there is a paradigm-shift in this new lending philosophy by taking on risk with these new practices.

[2] STATE OF SMALL BUSINESS LENDING: CREDIT ACCESS DURING THE RECOVERY AND HOW TECHNOLOGY MAY CHANGE THE GAME, Karen Gordon Mills, Brayden McCarthy, 15-004, July 22, 2014

5. *Describe the customer acquisition process for online marketplace lenders. What kinds of marketing channels are used to reach new customers? What kinds of partnerships do online marketplace lenders have with traditional financial institutions, community development financial institutions (CDFIs), or other types of businesses to reach new customers?*

   Connect Lending's unique approach markets to professionals and organizations whom have relationships with businesses looking for funding, commercial borrowers who come to our site directly and alternative and traditional lenders looking to provide commercial funding to borrowers. Our business model utilizes the already established relationships to support a community-driven lending solution.

   The professional organizations we market to range in size. We provide services to small organizations such as regional commercial real estate firms, local chambers of commerce and individuals with several representatives to large insurance, financial and insurance firms numbering over 30,000 members each. This model provides small business owners with the personal support they are looking for, and maximizes their chance for funding in the local or regional community. The traditional lending market is one that is very relationship driven and so we have brought together the traditional relationship driven lending practices with our online marketplace platform to support a hybrid approach to lending.