

Blue Bridge Financial, LLC provides liquidity To the underserved small business market



Mark DeBacker
Founder & Chief Executive Officer

Blue Bridge Financial, LLC
www.BlueBridgefinancial.com

Contact:
Mark DeBacker
716.204.8467
mdebacker@bluebridgefinancial.com

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Lynn Fosse, Senior Editor
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- Mark DeBacker

CEOCFO: Mr. DeBacker, what is your vision for Blue Bridge Financial?

Mr. DeBacker: I founded the company back in 2009 in the midst of the economic meltdown in the financial markets. My vision was to create an entity to provide necessary liquidity to the small business community, in that I saw a fairly significant gap with respect to the willingness or ability of financial institutions to provide capital to small businesses. To date, we have funded over \$130 million of transactions. The vision has not changed from what the core mission was back in 2009. Small businesses are often unable to access the capital that they need to grow, and we remain committed to filling that void.

CEOCFO: What do you understand on a basic level about small business lending?

Mr. DeBacker: My background is in community banking, having served as the CFO of a couple different financial institutions for over 10 years. The institutions I have worked with were generally a billion dollars or less in total asset size. These institutions should be in a position to understand small businesses within their communities. However, as I found out as a bank executive and as an auditor and consultant with Deloitte & Touche, banks have the same regulatory requirements underwriting loans to a small business that needs perhaps \$50 thousand to \$75 thousand in funding – which is our sweet spot from a lending perspective – as they do for larger transactions. This is due to both regulatory scrutiny as well as profit pressures. Considering the amount of time and effort that is required, a financial institution is just more likely to gravitate towards that larger transaction. Additionally, there is a disconnect with respect to the capacity and ability of the small business borrower to tell their story and to communicate that they are a credit-worthy borrower to a financial institution. It is a very difficult and time-consuming process for a small business owner to prove their credit worthiness to a bank.

CEOCFO: How do you help that process?

Mr. DeBacker: We understand both small business credit and the scale issues of financial institutions. We provide the small business with a loan and then turn around and package the loans for sale, creating a more meaningful proposition for our institutional partners. Through our experience working in the space, we have developed a number of different philosophies and tools that we utilize to determine the credit worthiness of small business and make the entire financing process less obtrusive for them. We use tools such as Paynet, Dunn and Bradstreet, and cash flow analysis to determine whether or not a business really is credit worthy. We have developed a proprietary credit underwriting model that provides us with a pretty accurate assessment of whether or not we will be repaid on the transaction.

CEOCFO: Would you share with us one item that you might look at that is not normally in the mix?

Mr. DeBacker: There is no one magic factor that comes into play. Each loan is underwritten individually by one of our credit experts who has experience in underwriting small businesses. The significant difference between our approach and

that of a fintech company is that a fintech simply takes data elements and throws them into a model to create an algorithm that kicks out a score. We, too, have certain data-based criteria of that nature, but we rely on the expertise of an individual to make every credit decision. In our opinion, if you are to pick one item, common sense is the most important factor with respect to underwriting small business.

CEOCFO: *What types of businesses turn to you?*

Mr. DeBacker: The businesses that come to us are typically businesses that have a necessity to acquire a piece of equipment and need a quick and efficient decision. We are capable of providing credit decisions in as little as two-hours from a credit submission, although typically decisions take more like four-to-six hours. As long as we have all the necessary information, we can fund the transaction the next day. More typical industry participants, including banks, are generally a week to two weeks, at best, from being able to make a credit decision.

CEOCFO: *That is an incredible difference!*

Mr. DeBacker: It is certainly a benefit to the small business community. As an independent company, we cannot compete with the capital depth of financial institutions, but speed to market is what differentiates us.

CEOCFO: *Do small businesses in general tend to look for money at the last minute?*

Mr. DeBacker: I believe the bigger challenge is that small businesses can't access capital markets as efficiently as middle market businesses can. They do not have access to efficient banking, debt or equity markets. As a result, they are just required to be more nimble on their feet and look at more opportunistic sources of funding.

CEOCFO: *How do companies find Blue Bridge?*

Mr. DeBacker: There are a number of channels. We have a substantial web presence that attempts to introduce us to businesses at the point of purchase of a product. We also place loans through our vendor sales channel, which works with manufacturers, distributors and suppliers of products. We help them to sell more product, because if customers can't pay for their entire piece of equipment in cash, they have a financing option through Blue Bridge. We also operate through a number of independent third-party originators that have similar arrangements but do not have the funding capability that Blue Bridge does. They bring us or refer us to businesses that fit our credit criteria.

CEOCFO: *Are the lower interest rates reflected in what you are able to offer?*

Mr. DeBacker: We risk-rate all of our credits. Cost is tied to the risk of a transaction. Certainly as a result of the continued availability of cheaper funding within today's economic environment, we are able to offer a competitively priced product to the market.

CEOCFO: *Are there types of businesses that you would like to see come to you that are not doing so currently?*

Mr. DeBacker: We cross a wide swath of industries and collateral types. Information that has come from the FDIC in particular shows that the small business borrowers are under-banked as of today. I view it as a larger educational process for small businesses, letting them know there are providers out there that are willing and capable of providing financing to them. I believe some small businesses either do not know that there are options available to them, or just might not have the time and/or resources from a financial management perspective to be able to access those markets. That being said, there are some underserved niches in which we look to creatively place our product as well.

CEOCFO: *Are companies that apply to you sometimes a little leery because it is so simple and so quick?*

Mr. DeBacker: As a born and raised New Yorker, skepticism is part of my composition. We receive questions from people just kicking the tires. Really what you find in us is a transparent process. What you see is what you get. We are very open and honest with our business borrowers and all of our partners as to what they are receiving and what to expect. What you find in us is not much different from what you would find in the final stage of a typical bank transaction. The difference is: it is a simpler and more efficient process which, over time, we hope the macro financial services industry starts to follow because small businesses continue to be underserved.

CEOCFO: *What has surprised you as the company has evolved?*

Mr. DeBacker: It surprises me that the banks and other large service providers haven't figured it out. The fact is that we are sitting seven or eight years past the dregs of the economic recession, but data continues to indicate that small businesses are still significantly underserved and unable to access capital markets. That surprises me because we have found significant opportunity within the small business space. It is unfortunate that the financial markets at large are not serving our small businesses – which are significant drivers of the overall U.S. economy and job growth – to the extent that they need to be supported.

CEOCFO: *What is ahead for Blue Bridge?*

Mr. DeBacker: We are in the middle of a capital raise now which is a secondary stage capital raise from the initial capitalization of our company. It should provide us the opportunity to provide significantly more liquidity to the small business community. We are excited, because we have grown and matured and set up our company to be a scalable organization that is capable of meeting the needs of small business borrowers.

CEOCFO: *Why pay attention to Blue Bridge?*

Mr. DeBacker: We believe we are serving an important facet of the financial services market by providing access to capital for U.S. small businesses – a space that is underserved by traditional banks. We have been successful in funding over \$130 million of transactions to date. We believe that in the near term we will be funding more than \$130 million of transactions each year. We believe we have created an organization that is capable, scalable, willing and able to lend, and very efficient at doing just that. When I continue to see statics about how underserved nature the small business market is, it only reinforces that we are providing an important service to fund the big dreams of American small businesses.

