

Small Business Financing for Entrepreneurs and Owners



Thomas Gazaway - CEO

CEOCFO: *Mr. Gazaway, your website indicates that small business financing is complicated and LenCred makes it simple. Why is it complicated and how do you simplify?*

Mr. Gazaway: When you think about it from a small business owners' perspective, there are 28 million small business owners out there in the United States. If you think about it, most people when they need funding for their business probably think they can go to the bank, and then 90 percent of the time the bank says no and then it becomes complicated. Where do you go after that? When you go online, it becomes potentially even more confusing, and often times the knowledge of the various bank and non-bank lending options as well as the cost and terms associated with those thousand plus lenders can be very daunting. Hopefully that makes sense as to why it is a little bit complicated.

CEOCFO: *Does it surprise you that most small businesses do not understand that banks for the most part are not too interested in them?*

Mr. Gazaway: I think that it is becoming more common knowledge, but at the end of the day I think most of us are spending so much time in our industry and in our business doing what we need to do to make our products and services excellent. It is probably a big ask to think that the knowledge would extend for a normal wholesaler or mainstream business owner to any really great understanding of those options, but you are probably correct that since the recession there has been a large amount of people who have said that it is not even worth their time going to the bank. The next step of where to go and what to do about that is probably where the confusion lies.

CEOCFO: *How do you work with your clients?*

Mr. Gazaway: We have three capacities that we work with our clients. We operate as consultants, as brokers, and as lenders all in different situations and capacities. Consultant means we can put together a funding plan and get paid based on the success of that plan or not get paid if those plans are not as successful. We can act as a broker, where we obviously have a large network of bank and non-bank lenders who compensate us for placing those deals or funding transactions with them, so when we act as a broker we get compensated by the lender. Probably one of the misnomers out there and one of the things that is probably not well understood is that when the borrower does not have to pay a fee to a middle man, broker, or third party, when it is a broker transaction where that broker is getting paid by the lender, you are normally talking about higher cost-loan solutions. Sometimes it is a misnomer to think that you do not have to pay any fees to anybody because they are not charging me anything, not only are you paying for it through the loan product, but you are probably paying more than you would in a consulting environment a lot of the time. That is the second area, and then the third area would be last year we started lending our own money, and we have some of our client base and a sector of our lead flow that qualifies for the type of lending that we do. We do that through a separate entity and not through LenCred.

CEOCFO: *Why was last year the time to start that?*

Mr. Gazaway: You have a lot more risk. We had to learn the market and about our lead flow and the kind of people who came through, so it took us five years to make that decision to say let us take the risk of lending some of our own money. You begin to see the world a little differently when it is your own money that you are lending.

CEOCFO: *What do you understand fundamentally about the whole process that enables you to provide superior service?*

Mr. Gazaway: Clearly, there are two levels to that. The first level is that there are only so many people out there who know and have relationships with a wide variety of both bank and non-bank lenders. At the beginning of that conversation

is clearly anyone who wants to spend the time. We can all look up banks and find non-bank lenders, and if we have enough volume to build relationships there, that part is not necessarily secret sauce or anything like that, and it does not necessarily create large amounts of differentiation. It does require time and effort, so that is the first level. For us, we do have access to all the bank and most of the non-bank lenders, but then on top of that there is our six benefits. What is different about us and what we have done to create differentiation in the market is that we look to accomplish six specific benefits for our clients. It is one of our most popular ebooks on our website, so when a small business owner works with us, they are going to be able to take advantage of six specific benefits or the majority of those depending on the options that they have. Those 6 Benefits boil down to two primary benefits that are at the hub of our offerings, and that is that we look to help all of our clients separate their personal and business credit as they borrow money, and that should not just happen when you think you are getting a business loan; it should happen by design and with intent. The second thing that happens very rarely in the marketplace is that we help our clients to protect, preserve, and improve their credit profiles as they are borrowing money. That requires a pretty involved or decent level of knowledge and understanding about how credit works so that the dynamics of the loan and the funding solution that is put together for our client is mindful of that, and it puts us in a role where we try to act as a fiduciary on behalf of our clients.

“When somebody does not have some good credit then the options that they will have, which are fewer, will certainly be higher cost... When you are in a hurry and you need the money fast, you probably are not going to get as good funding as you would get if you would have had a little bit of planning and had a plan in place.” - Thomas Gazaway

CEOCFO: How do you reach out to clients or for prospective clients and how do they find you if they are looking?

Mr. Gazaway: Our marketing plan is pretty simple and basic, and we get most of our business from a couple different channels. We do have a network of over 1,000 referral partners around the country who are either individual one and two man teams who are out there helping small business owners get financing, and sometimes it is a group or organization or a company that might help someone in the small business sector. We are very active and we do a lot in the startup space, which is another thing that is unique about us. Very few companies want to work in that space, so we have a lot of referral partners who send us business, and we also have our own call center and a pretty active website. Our call center does primarily outbound calling to leads that we acquire through different lead purchase agreements that we have, and then we do have probably 20 to 25 percent of that call volume as inbound or website related where we create a lot of content on our website and try to generate lead flow that way. That website traffic of ours is very valuable because it is higher profit margin transactions for us, and those are prospects who we get to set the expectation for them and help them know when they are ready to talk to us. We have a model where we give away all our content without anyone needing to speak with someone, so if you are just not ready or you do not want to be bothered with a sales call, you can hopefully have a great experience on our website and never have to talk to anybody if you are just not ready yet.

CEOCFO: How do you evaluate companies? What might you look at that other companies in your position do not take into consideration?

Mr. Gazaway: One of those six benefits is that we want to help people minimize the interest expense or the cost of the money that they are borrowing, so we look primarily at credit-based solutions because when somebody does not have some good credit then the options that they will have, which are fewer, will certainly be higher cost. We talk a lot about this concept of treating your credit as an asset and helping people to learn and understand what that means. For us, we are primarily filtering our lead flow and the people looking for funding through credit, and we are looking at different aspects, not just credit scores but the data within the report that tells us whether our network of lenders who are offering lower-cost solutions that do not require collateral would be a match based on the credit profile. There are other aspects, such as industry and geography and things like that that also come into play as secondary filters. Hopefully it answers your question but primarily we are initially scrubbing and looking for business owners who either have good credit, or there is a large group that do not have good enough credit to necessarily get approved tomorrow, but with some corrections to errors or some basic credit strategies, we can either hand them off to a third party or they can do that on their own. They are all of a sudden now in three weeks or four weeks getting a much lower-cost funding solution because of correcting an error or two on a credit profile.

CEOCFO: Do you find that the people are coming to you because you can often provide a lower-cost solution or are often pleasantly surprised that you are doing a better job?

Mr. Gazaway: We are a little bit conflicted in that sense because there is a large appetite for people to get their money fast and not be bothered. That is wonderful and I get it, but the downside to that is that banks are not fast and banks have the lowest rates and cheapest money. When you are in a hurry and you need the money fast, you probably are not going

to get as good funding as you would get if you would have had a little bit of planning and had a plan in place. We are trying to do a good job of balancing those factors. I think we always try and we are always trying to improve at that. I hope it is the nature of what you wanted me to address with your question, but it is a balancing act where we want to educate all of our prospects and all of our clients. It's unrealistic to think that a small business owner would have an understanding not only of the various bank and non-bank options that are out there but also important factors such as the impact on a credit profile both personal and business on their cash flow with one loan over another loan. Sales people are not normally going to tell you that there is a better widget down the street, so the ability to find all that, see all that and truly understand your options is kind of what is lacking right now in the small business finance sector. Everybody they are talking to is trying to sell their widget rather than say here is what the options are based on your credit, revenue, industry, location and those kinds of things. Which of those one to five options do you think is best for your situation? That is what we are trying to do, but we think it's very lacking in the small business finance space right now.

CEOFCO: *Is word of mouth a big factor for you?*

Mr. Gazaway: I would say that it is very important, and we love the word of mouth referrals that we get. I hope that never goes away, but a lot of times to depend on word of mouth advertising is almost like saying I do not have a marketing plan. We love our word of mouth referrals that we get from clients and people who know about us and follow us, but it will probably continue to be a small percentage of our overall leads and clients, but we do love those referrals.

CEOFCO: *Put it all together for our readers. Why use LenCred?*

Mr. Gazaway: At LenCred, we can not only help a prospect to understand what their options are. When I say options, we can help them to understand the various bank and non-bank funding solutions that are available to them and in addition to that, our system, process and company has been built to not only help them understand those options but to make sure that the funding solution that we recommend and put in place for the client is one that allows them to take advantage of six specific benefits that we talk about, build our plans around, and that are tangible benefits so that you do not just get the money today and solve today's problem, but you also are better positioned in the future to have additional funding options in the future and lower cost funding options in the future as you continue to grow your business.

Interview conducted by: Lynn Fosse, Senior Editor, CEOFCO Magazine



LenCred

**For more information visit:
www.lencred.com**

**Contact:
Thomas Gazaway
888-783-1503
info@lencred.com**