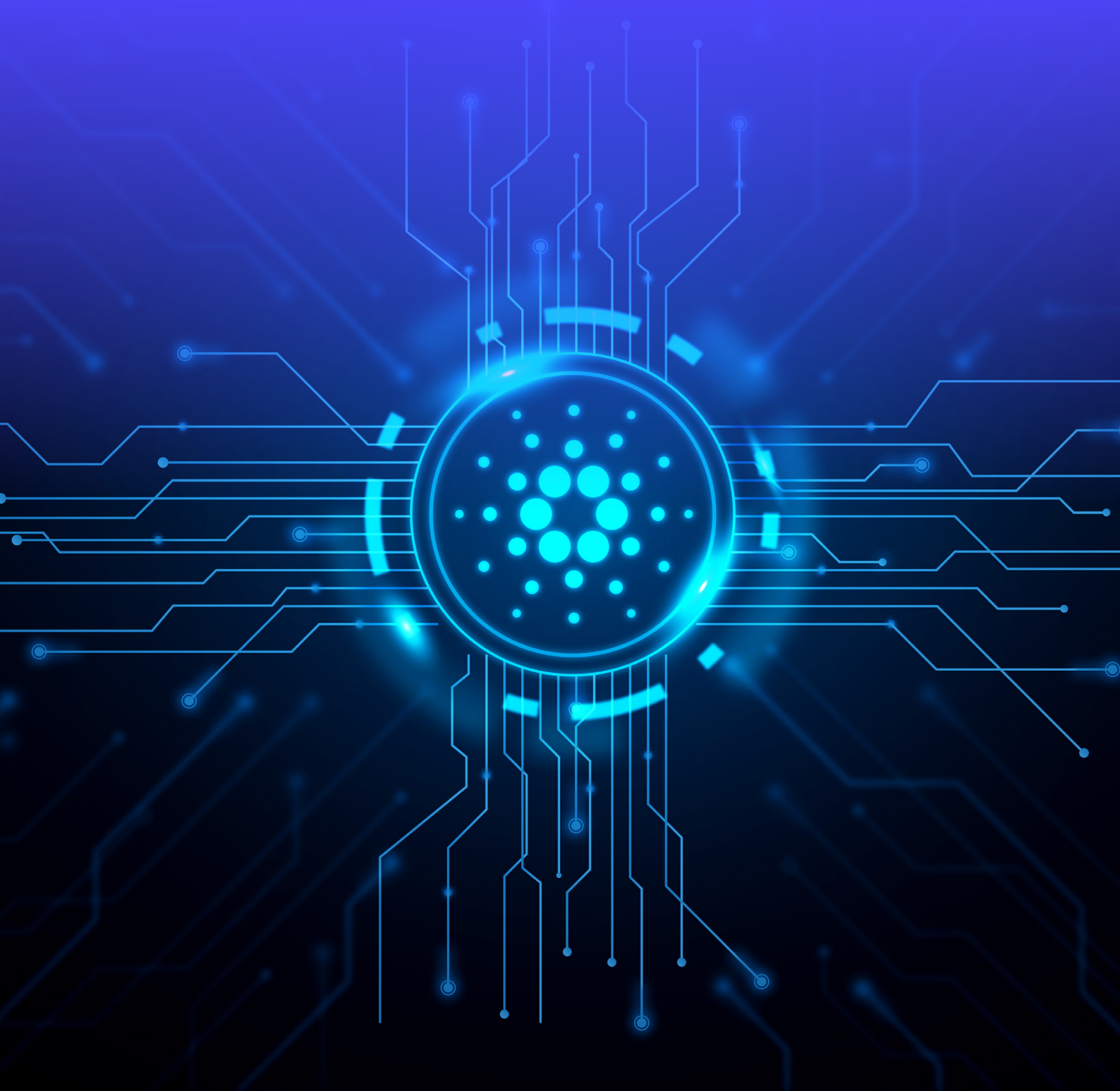




Supercharge **Small Business Lending** With Loan Intelligence Systems





Introduction

Small business lending is the key battleground for community bank and credit union growth. Driven by surging business formation, decreasing interest rates, and new government programs, lenders face a critical question: how can they profitably compete in this space without sacrificing personalized service or incurring unsustainable costs?¹ Traditional Loan Origination Systems (LOS), while essential for processing and booking loans, weren't designed for the dynamic nature of modern lending—particularly in the small-dollar space where margins are tight and efficiency is paramount. These systems of record force guide lenders toward binary approve-or-deny decisions, leaving billions in potential revenue from millions of underserved small business owners on the table. The result is a fragmented process, where institutions must choose between a patchwork of automated systems in the hunt for efficiency or high-touch service that won't scale.

To compete in modern lending, institutions need more than a system of record – they need an intelligent way to intake, assess and guide small businesses applying for a loan. A Loan Intelligence System (LIS) is a new technology category that transforms how lenders engage with, evaluate, and convert small business borrowers. By significantly reducing manual

processing and delivering a 10x efficiency gain, the LIS harnesses artificial intelligence and real-time analytics to create a truly intelligent lending process. This net new infrastructure enables lenders to meet small businesses where they are, identifying optimal conversion pathways based on real-time capabilities rather than rigid criteria. LIS also surface cross-selling opportunities, allowing lenders to understand future revenue opportunities by calculating total customer lifetime value. By operating alongside the lender's existing LOS, an LIS eliminates costly “rip and replace” implementations while doubling revenue in the first year alone.

For the first time, lenders can achieve true high-tech, high-touch lending at scale. By intelligently automating pre-underwriting activities and surfacing actionable insights throughout the lending process, the LIS enables lenders to focus their expertise where it matters most: building relationships and making informed credit decisions. An LIS supports a scalable loan program while delivering the personalized experience that differentiates community lenders from their competitors. In addition to generating efficiencies, this new approach fundamentally transforms how lenders engage with, evaluate, and grow alongside their small business customers.



Loan Intelligence Systems (LIS) are a game-changer. The improved customer experience for applicants doesn't just simplify a process that is often dreaded—it can actually create loyalty and deliver real value.

- Mike Anderson, Business Owner, Former SVP US Bank and Wachovia

¹U.S. Department of the Treasury, “Small Business and Entrepreneurship in the Post-COVID Expansion,” last modified date (September 3, 2024), accessed November 3, 2024, <https://home.treasury.gov/news/featured-stories/small-business-and-entrepreneurship-in-the-post-covid-expansion>; The White House, “Lower Rates Are Good for Business,” September 30, 2024, accessed November 3, 2024, <https://www.whitehouse.gov/cea/written-materials/2024/09/30/lower-rates-are-good-for-business/>; U.S. Department of the Treasury, “State Small Business Credit Initiative (SSBCI),” accessed November 3, 2024, <https://home.treasury.gov/policy-issues/small-business-programs/state-small-business-credit-initiative-ssbci>.



The Small Business Credit Gap: a Persistent Challenge

Access to capital remains a critical challenge for America's small businesses, despite their vital role in our economy. Less than 50% of small businesses today report that their credit needs are met.² The problem is particularly acute for loans under \$1 million, which represent 93% of small business requests.³ Community lenders have historically evaluated these loans using commercial lending practices, leading to processing times of 2-3 weeks compared to the 24-48 hours offered by online and alternative lenders.⁴ While many banks are now attempting to modernize through technology adoption, organizational challenges persist. The common dilemma of whether to align small business lending under consumer or commercial units often

creates knowledge gaps, resulting in missed cross-selling opportunities and underwriting inefficiencies.

Loan products like the Small Business Administration's 7(a) program emerged to help address these issues by providing government guarantees to de-risk small business loans for lenders. However, despite recent efforts to streamline the program, complex eligibility requirements and documentation challenges persist, hindering their adoption at scale. Traditional LOS, designed for static data collection rather than dynamic decision-making, are necessary but insufficient to address these fundamental challenges, leaving both lenders and borrowers underserved.



²Deloitte, "Small Business Banking," accessed November 3, 2024, <https://www2.deloitte.com/us/en/pages/consulting/articles/small-business-banking.html>.

³Federal Reserve, "2024 Report on Employer Firms," accessed November 3, 2024, <https://www.fedsmallbusiness.org/reports/survey/2024/2024-report-on-employer-firms>.

⁴Deloitte, "Small Business Banking," accessed November 3, 2024, <https://www2.deloitte.com/us/en/pages/consulting/articles/small-business-banking.html>.



The Problem Begins With Intake: Why Traditional Systems Fall Short

Intake	Eligibility	Decision	Underwrite	Close	Fund	Book to Core
80% of the manual work required						

The challenges of small business lending begin at the application stage, where friction and complexity lead to staggering abandonment rates. On average, 68% of applicants abandon loan applications during the process, with SBA loans experiencing even higher drop-off rates due to their complex information requirements.⁵ This creates a compounding effect throughout the lending value stream, as lenders cannot efficiently assess eligibility or make timely decisions without complete and accurate data.

The current process puts a significant burden on lending teams. Upfront, loan officers may spend up to five hours per applicant over several months, manually chasing down business owners for required information.⁶ Beyond the data collection burden lies a more fundamental problem: getting small businesses into the right loan products from the start. Lenders must manually decide whether to route applicants toward products like an SBA 7(a) loan, conventional C&I loan, or line of credit, often without complete information to make this assessment.

Many institutions have attempted to solve this by implementing multiple LOS, with different systems handling different loan products. For example, one LOS might specialize in conventional C&I loans while another handles SBA 7(a) loans. This siloed approach can result in qualified applicants falling through the cracks or being forced into the wrong

product pipeline. When applicants need to be moved between systems, this may cause more manual work for the lender and risks extending processing timelines, leading to further abandonment. This siloed approach traps data in different systems, leading to missed insights, increased origination costs, and a poor customer experience.

Even when lenders offer self-service intake portals, these solutions often consist of static workflows that digitize paper applications without addressing the underlying structural challenges. Small businesses must self-select into specific loan products upfront, often without understanding which product best suits their needs. This static approach forces lenders to manually validate applicants against their credit box by checking multiple databases, ordering credit reports, and making binary eligibility decisions based on incomplete information.

The impact on lending operations is substantial. The first three stages of loan origination—intake, decisioning, and conversion—account for 80% of costs, delays, and manual tasks that bottleneck lending teams.⁷ Automation alone cannot solve these challenges, as many applicants struggle with financial literacy and process familiarity. What's needed is intelligent systems that can dynamically assess applicants and guide them to the right products based on their unique characteristics and needs.

⁵Signicat, "The Battle to Onboard 2022," accessed November 3, 2024, <https://www.signicat.com/the-battle-to-onboard-2022>.

⁶Parlay, "Customer Discovery Research with Pilot Customers and Design Partners," notes compiled by Parlay Leadership Team, January-August 2024, unpublished data.

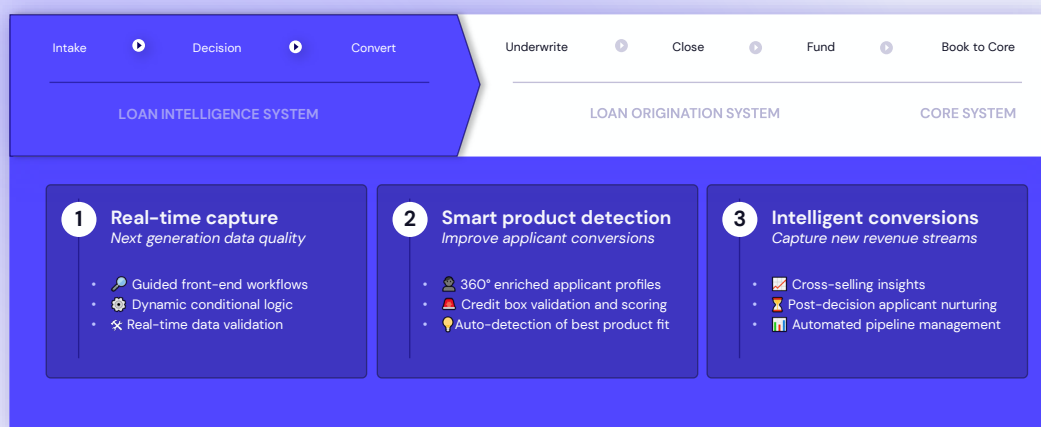


A New Category: Loan Intelligence Systems



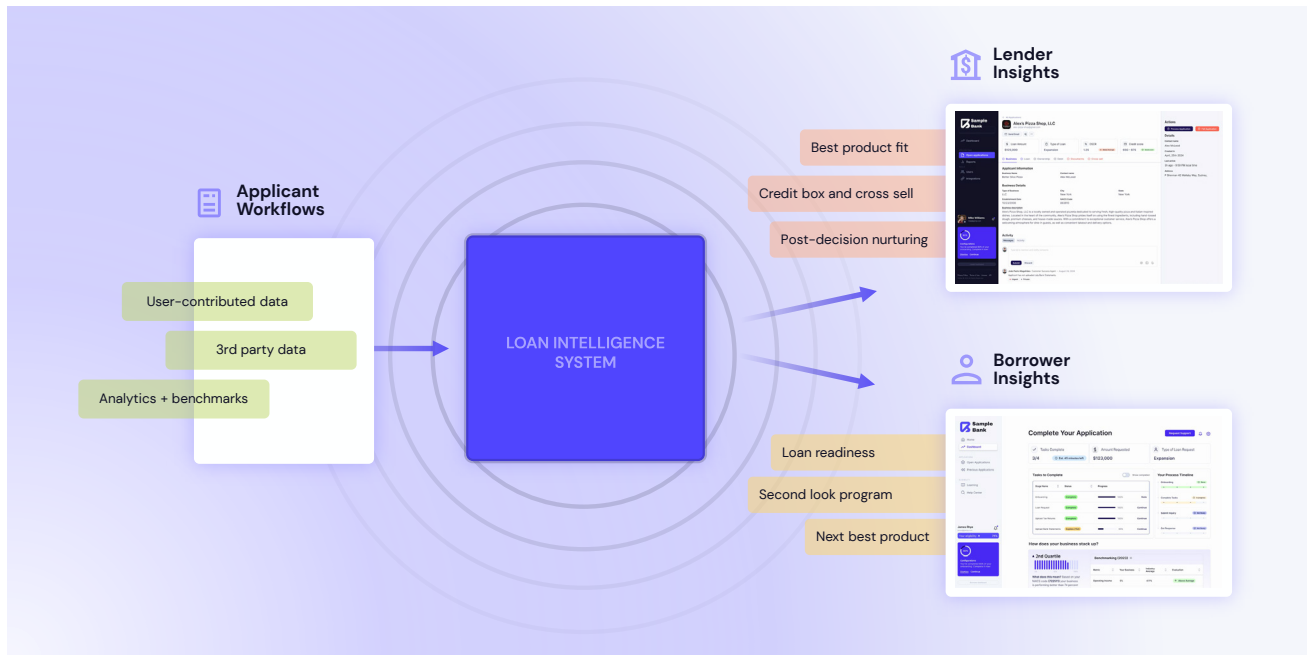
Community banks need to adopt new technology solutions that amplify authentic human approach. For example, an LIS gives the bank real intelligence to scale personal service while meeting modern lending demands without throwing more people at the problem.

- Marc Rehberger, SVP, Sr. Managing Director,
Head of Tech Enabled Banking at Customers Bank



An AI-powered LIS sits on the front end of the origination process and feeds data to the system of record. By focusing on the first three steps – intake, decision, and conversion – an LIS can double loan volume without additional headcount by validating applicant data in real-time and automatically determining optimal product fit for each small business. When standard approval pathways aren't available, lenders guide businesses to risk-adjusted alternatives—transforming “no” into “not yet”.

The LIS delivers automated insights about applicant-product fit and cross-selling opportunities to loan officers, while providing small businesses with clear visibility into their financial health and borrowing options. Seamless integration with a lender's existing technology stack creates a powerful feedback loop that enables more approvals over time. This approach transforms lending economics by reducing customer churn and acquisition costs while delivering a superior user experience that drives growth for all parties. These capabilities decrease the costs and risks of serving small business borrowers, allowing lenders to unlock new market segments.



The LIS optimizes pre-underwriting activities, focusing on two key pillars:

01

Generating efficiencies



Pipeline management: Intake, engage, and manage small business applicants with ease



Eligibility assessment: Evaluate applicant eligibility based on the lender's credit criteria and other requirements



Ideal product fit: Identify optimal lending product for the small business applicant (e.g., SBA 7(a) versus conventional term loan)



Seamless data sharing: Leverage modern application programming interfaces (APIs) to send data directly to the Loan Origination System

02

Grow revenue and profitability



Intelligent conversions: The AI-powered system identifies the optimal conversion pathway for each small business



Retargeting top-of-funnel: Re-engage leads that have dropped off or churned, boosting pull-through rates



Cross-sell products: surfacing cross-selling opportunities at the point of loan application



Nurture marginal applicants: Provide actionable loan readiness insights, improving conversion rates for marginal applicants



Refer ineligible applicants: Refer ineligible applicants to other lenders for "second look" opportunities



The LIS in the Origination Process

1.	Intake and engagement	Loan Intelligence System (LIS)	System of Intelligence – capture real-time data, generate insights for lenders based on third-party and proprietary data, efficiently action insights
2.	Decision		
3.	Conversion		
4.	Underwrite	Loan Origination System (LOS)	Systems of Record – capture static data, primarily utilized for transaction processing. Enable retrospective insights on credit and portfolio risk.
5.	Close		
6.	Fund		
7.	Book to core	Core System	

An LIS revolutionizes the pre-underwriting process, transforming small business lending from a binary decision into a dynamic, multi-dimensional set of profitable options. By analyzing the entire applicant pipeline, an LIS uncovers nuanced insights that allow lenders to grow their core customer base more strategically and profitably. These include actionable introspective and prospective insights for the lender. Introspective insights help answer questions like: “Who in my current pipeline is eligible for this specific loan product right now?” On the other hand, prospective insights address questions like: “What alternative products might better suit my applicant now or in the near future?” Leveraging these insights allows lenders to execute a high-tech and high-touch customer acquisition strategy, enhancing both immediate lending opportunities and long-term customer value.




Lenders can provide access to their LIS in two ways: through direct website links for borrowers and brokers, or on an individual basis for relationship-focused lending. The system allows lenders to track borrowers’ progress throughout the application process, enabling them to offer timely assistance if applicants encounter difficulties. Most importantly, these systems help lenders improve borrower eligibility, reduce customer dropout rates, and maintain consistent engagement throughout the lending pipeline.

As lenders engage with the LIS, its AI models continuously learn and evolve, providing increasingly impactful recommendations. This “human-in-the-loop” system enhances, rather than replaces, human judgment. By integrating external data sources—such as industry benchmarks, CRM data, and internal loan performance metrics—the LIS creates comprehensive customer profiles, expanding a lender’s capacity to scale their loan programs. This empowers lenders to identify, convert, and retain core customers more effectively while increasing their share of each customer’s wallet.





Key Features of Loan Intelligence Systems

PHASE	FEATURE	OUTCOME
 Intake and engagement	<ul style="list-style-type: none"> Intuitive user workflows powered by conditional logic transform complex banking forms into seamless experience for applicants 	Significantly reduces applicant abandons
	<ul style="list-style-type: none"> Generates unique first-party data from proprietary workflows and in-platform behavioral analytics Validates data accuracy in real-time using third-party data calls 	Validates applicant data in real-time
	<ul style="list-style-type: none"> Eliminates manual work by automating follow-ups Identifies application drop-off points through platform analytics and behavioral insights 	Efficiently manages pipeline for lenders
 Decision	<ul style="list-style-type: none"> Orchestrates and aggregates data into one platform (e.g., credit, KYB, AML, tax data) to generate holistic and prospective customer insights 	Generates a 360-degree view of the customer
	<ul style="list-style-type: none"> Automatically evaluates applicant against credit policy, credit box, and loan eligibility requirements 	Efficient eligibility validation
	<ul style="list-style-type: none"> Auto-detects optimal product fit based on user data, credit policy, and existing bank products 	Minimizes silos and rework in origination
 Conversion	<ul style="list-style-type: none"> Enables a conversion pathway for all applicants, including marginal and ineligible loan candidates 	Converts more of existing pipeline
	<ul style="list-style-type: none"> Surfaces customer lifetime value insights to enable lender to cross-sell at the point of application 	Maximizes profitability and lifetime value
	<ul style="list-style-type: none"> API-forward architecture sends LIS-generated data to system of record for underwriting 	Eliminates silos and streamlines workflows
	<ul style="list-style-type: none"> Surfaces insights for marginal applicants to help them improve their loan readiness Integrates with CRM to enable lenders to reconvert applicants without altering risk profiles 	Nurtures marginal candidates
	<ul style="list-style-type: none"> Facilitates second look program for ineligible candidates at the point of application, enabling more applicants to be approved for loans 	Eliminates silos and streamlines workflows



Benefits of Loan Intelligence Systems for Borrowers and Lenders

An LIS creates value for both sides of the lending relationship, transforming the traditional lending process into an efficient, transparent experience. For small business owners, it removes the uncertainty and friction typically associated with loan applications while providing valuable insights into their financial standing. For lenders, it enables scalable growth and deeper customer relationships while reducing operational costs.

Benefits for Applicants



- Intuitive, guided application process
- Real-time financial health insights and industry benchmarking
- Insight into eligibility requirements
- Alternative options when standard approval isn't possible
- Faster decisions and funding

Benefits for Lenders



- Streamlined, scalable loan program
- Increased pipeline of eligible applicants
- Enhanced data quality and automated validation
- Lower customer acquisition costs
- Stronger regulatory compliance
- Higher customer lifetime value





Business Impact for Lenders Utilizing a Loan Intelligence System



Efficiency is the start, but the cross-selling opportunity is untapped and will drastically improve both top and bottom line. People forget how fast you underwrite, but they remember how well you did it.

- Jon Zanoff, Founder, Empire Startups and Fintech Investor

An LIS transforms lending economics through automated efficiency and revenue optimization. The application vastly reduces manual processing, delivering a 10x efficiency gain and more than doubling additional revenue in the first year alone. Consider a typical bank that originates 15 eligible SBA loans annually. With an LIS, that same bank can scale to 30 eligible SBA loans using existing resources, while capturing additional revenue. Lenders can generate ROI across the following tenets:

Hold loans



- Increased net interest income
- Increased origination fee
- Increased annual servicing
- Business banker savings (time)
- New cross-sell revenue
- Capital cost savings

Sell loans on secondary market



- Increased net interest income
- Increased secondary market premium on guaranteed portion of loan (~75% of loan value)
- Increased ongoing interest on retained portion of loans (~25% of loan value)
- Increased origination fee
- Increased annual servicing
- Business banker savings (time)
- New cross-sell revenue
- Capital cost savings

Beyond these direct benefits, an LIS also acts as a force multiplier for existing systems of record, enhancing their ROI by providing cleaner data, reducing manual entry errors, and enabling more intelligent use of core banking platforms. Given the compelling economics and operational advantages, implementing an LIS should be viewed as a strategic imperative for banks and credit unions seeking to improve their fundamental performance metrics. The technology not only drives revenue growth but delivers measurable improvements in Return on Assets (RoA) and Return on Equity (RoE) through increased operational efficiency and optimized capital utilization.



Conclusion



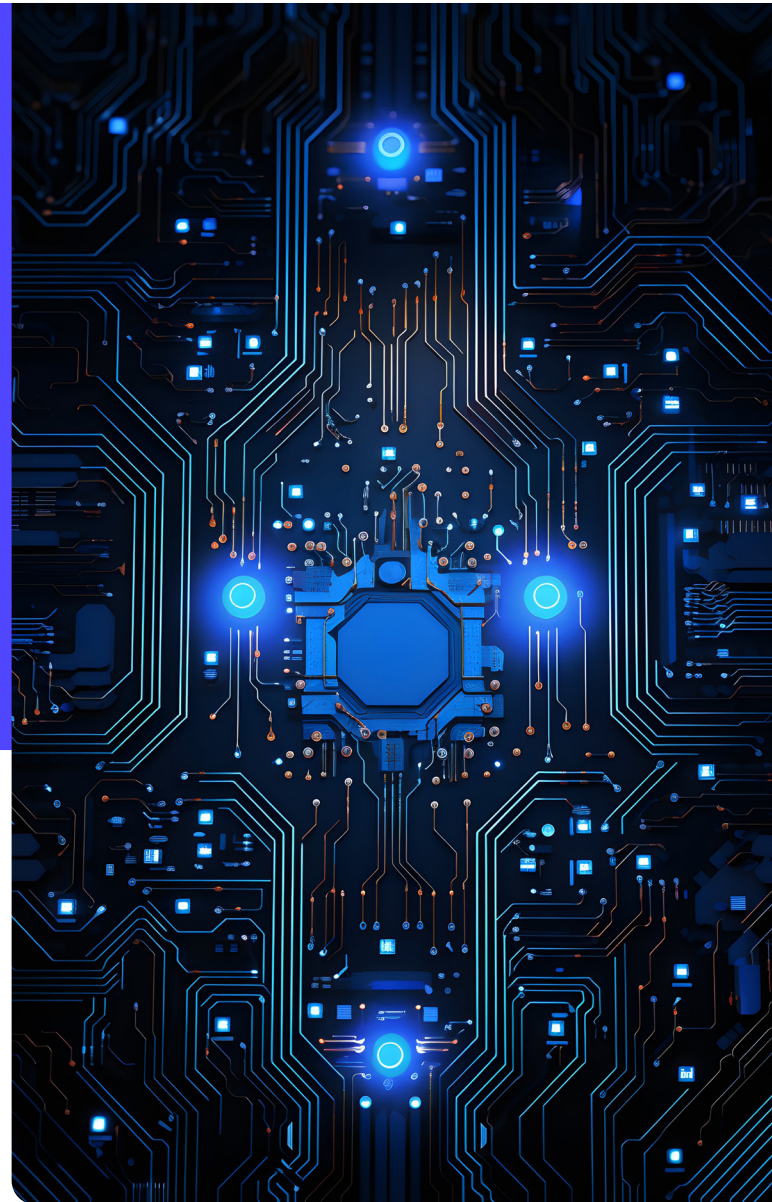
Community lenders need more than traditional tools to thrive and remain competitive in today's small business lending market. With Loan Intelligence Systems (LIS) and insight rich 3rd party data, lenders can streamline their operations, reduce abandonment rates, and make data-driven decisions that unlock trapped capacity and drive growth.

- Yuri Nelson, CTO of Lumos Technologies

To compete profitably while serving their local communities, banks and credit unions must evolve beyond traditional systems of record to meet the dynamic needs of small businesses. As small business demand continues to grow, lenders can meet this demand without replacing existing infrastructure, utilizing real-time data analysis and predictive analytics to optimize loan origination. By complementing existing systems of record, LIS technology streamlines pre-underwriting processes and maximizes approval rates.

The application significantly reduces manual processing while more than doubling revenue in the first year alone, allowing lenders to scale without additional headcount. Even when applicants don't qualify for their initial request, intelligent routing creates opportunities to cross-sell ancillary services under conditions of trust, rather than losing potential revenue through immediate declination.

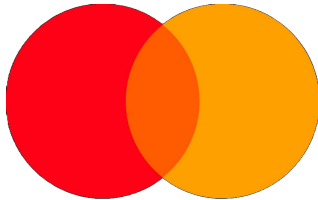
The time for incremental improvements has passed. As non-bank lenders seek to compete by expanding their technological advantage, community lenders



must act decisively to maintain their competitive position. By implementing LIS technology now, institutions can leverage their relationship banking strengths while achieving the operational excellence of larger competitors. Those who move quickly will capture oversized returns in their markets, positioning themselves as leaders in the next generation of community banking. The question is no longer whether to adopt an LIS, but how quickly lenders can implement this essential technology to secure their future in small business lending.



Partners



Contact information

✉ contact@parlay.finance

☎ (888) 330-0731