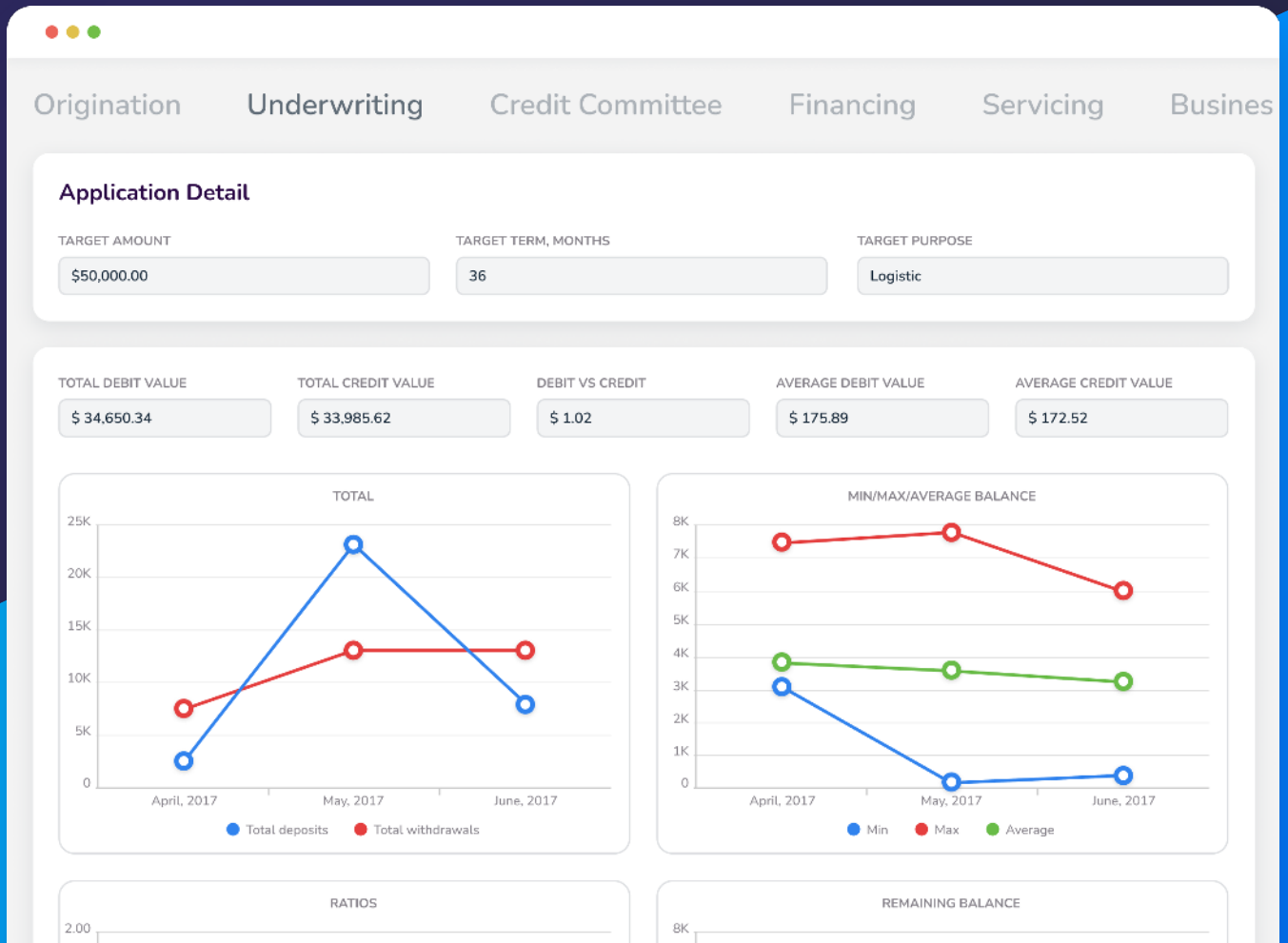


# HOW TO AUTOMATE EVERY PART OF THE COMMERCIAL LENDING PROCESS

## WHITE PAPER



The World Bank has done the math – the international B2B lending market has an unmet demand of approximately **\$5.2 trillion** a year. With **\$1.4 trillion** of that the US alone.

But despite this enormous opportunity, commercial credit is still viewed by many would-be B2B lenders as something too complex for them to efficiently automate. This is why commercial lending space is dominated to this extent by national and international legacy players.

But just as consumer lending saw a revolution in recent years in terms industry entry barrier, now every part of the B2B finance space is going through the same transformation.

Armed with readily accessible intelligent automation tailored to your processes and decision logic, all common B2B lending models and credit products can run largely on autopilot while you focus on the business development side of your operation.

In this white paper we've gathered the answers we at TurnKey Lender have been gathering since our first commercial lending project. Hundreds of successful lending operations later, here's what you need to know.

### Part I

How to enter the commercial lending space (10 high-growth business lending sectors)

### Part II

All you need to know before you automate your commercial lending process

### Part III

B2B credit automation that cuts operational costs and minimizes credit risk

# PART I: HOW TO ENTER THE COMMERCIAL LENDING SPACE (10 HIGH-GROWTH BUSINESS LENDING SECTORS)

Before we get into the neat and grit of commercial lending automation, let's size up the business opportunity we're talking about.

- 1** The total estimated value of the US small business lending market, according to the [Consumer Financial Protection Bureau \(CFPB\)](#) is **\$1.4 trillion**.
- 2** **International B2B lending market**, according to a [World Bank](#) report, the world's micro, small, and medium-size enterprises have unmet finance needs of approximately **\$5.2 trillion a year**.
- 3** **SME loan sizes** for a large bank average **\$564k**, for a small bank - **\$185k** and for an alternative B2B lender - **\$80k**.

Looks like a market ripe for an innovative lender to take their share, right?

It is.

But at the same time, large, non-local banks are responsible for **89.5% of loans under \$100k** given to small businesses and an even larger proportion of bigger loans.

This disproportion business lending giants leads to statistics like these:

- 1** **About 30%** of business finance applications are declined because of insufficient credit history data. Keep in mind that often legacy global scoring approaches don't apply well to niche SME.
- 2** According to SBA Attorneys, **only 20%** of businesses qualified for the financing they requested and **48%** got any financing at all.

3

According to the [Small Business Lending Index](#), the loan approval rates range from 13% for big banks to 24% for alternative lenders.

Where local or niche businesses could've been financed by specialty lenders or local creditors understanding their needs better, they went to a bank. And most often got declined.

The unserved part of the market remains huge. It used to make sense, because legacy commercial lending automation used to be boutique and therefore expensive that only a mammoth financial institution could afford to maintain it.

But it doesn't anymore.

Even though this status quo was held for a while, the B2B lending technology market has changed dramatically. Making it possible for a wide range of alternative and specialty lenders to automate every part of their commercial lending process in-house achieving lower credit risks, lower margins and operational costs, and therefore, better terms for their business borrowers.

## What kind of commercial lenders are there?

We'll go into more detail as we delve into the topic of commercial credit automation, but on a high level, commercial lenders can be categorized this way.

- **Specialized commercial lenders** - these lenders focus on specific business financing types like equipment leasing or invoice financing. They offer tailored solutions and often show more flexibility than banks.
- **Alternative B2B lenders** - they provide non-traditional financing like peer-to-peer lending and crowdfunding, targeting businesses that may not qualify for traditional loans. Higher risk, perhaps, but with the right scoring, decisioning, and overhead - can be a goldmine.
- **Community banks and credit union** - traditional institutions offering commercial lending products such as term loans, lines of credit, and real estate financing. They cater to businesses with established credit and history, typically requiring collateral and stringent lending criteria.

# Commercial lending verticals with the highest growth potential



## Direct B2B lending

A lender provides lump sum loans to businesses, with repayment over a specific period, used for various purposes like expansion or equipment purchase.



## Invoice financing/accounts receivable financing

It's a short-term borrowing where businesses sell their outstanding invoices for immediate cash, improving cash flow and enabling growth.



## Equipment financing

It's a specific loan or lease agreement for businesses to acquire equipment, allowing them to avoid large upfront costs.



## Merchant cash advance

It offers businesses a lump sum payment in exchange for a percentage of future credit card sales, suitable for businesses with irregular cash flows.



## Business line of credit

It's a revolving loan providing businesses with access to funds up to a limit, offering flexibility for managing cash flow and financing opportunities.



## Business capital

It includes a range of funding options providing capital for growth and expansion, such as equity investments, venture capital, or mezzanine financing.



## Employee salaries/payroll financing

It's a short-term loan that helps businesses cover employee wages during cash flow constraints, ensuring on-time payment.



### Digital refinancing

It involves replacing an existing loan with a new one, often with better terms or lower interest rates, improving cash flow and debt management.



### Asset-based credit

It uses a company's assets as collateral for a loan, popular among businesses with valuable assets and strong growth potential.



### Inventory finance

It's a type of asset-based lending using a company's inventory as collateral, helping businesses meet customer demand and take advantage of bulk purchasing discounts.



### Trade finance

It facilitates international trade by providing funding and risk mitigation, including instruments like letters of credit, export credit, and insurance.

## What can you finance as a small business lender?

And while these are the businesses that come to us most often right now, this doesn't mean that other B2B verticals are less well-positioned for rapid growth. So the key for a commercial lender is to find your niche, craft the best offering you can on one or several of these items, depending on your small business customers' current needs.

1 Startup costs

2 Working capital

3 Inventory financing

4 Purchasing equipment and machinery

5 Hiring staff

*With a modern commercial lending platform like TurnKey Commercial, pivoting and adjusting to market changes quickly won't be a problem.*

## Cutting costs and minimizing risks with commercial credit automation

*To carve out your own piece of the commercial lending space, you'll need to serve your existing or emerging industry better than the competitors.*

Large institutions relying on legacy solutions find it very challenging to develop suitable lending solutions for their SME customers while maintaining viable associated service costs.

This allows smaller lenders to use lending tech and take up their new roles in the B2B finance lifecycle. Some do b2b loan origination and underwriting while partnering with banks for loan management. Others handle all aspects of commercial lending themselves.

There are two main approaches, and we'll go over them in more detail in chapter II. But on a high-level, it's:

**1**

Newcomer commercial lenders build custom solutions consisting of several integrated tools. For example, TurnKey Lender Origination module and Decision Engine integrated into your existing banking system.

**2**

Others go for an end-to-end system like end-to-end TurnKey Commercial platform to eliminate any need for data or automation fragmentation.

## Conclusion

Automation unlocks a window of opportunity for commercial lenders including community banks & credit unions, specialized commercial lenders and alternative B2B lenders.

Modern lending automation solutions allow you to set up automated credit scoring and decision-making based on the data you choose which allows to lower the credit risk and improve ROI.

With the average interest rate for a small business loan lying between [2.54%](#) – [7.01%](#), commercial lenders who are agile and informed enough to offer better credit terms while cutting costs, stand to benefit immensely.



## PART II:

# ALL YOU NEED TO KNOW BEFORE YOU AUTOMATE YOUR COMMERCIAL LENDING PROCESS

What is the cost of a mistake or a delay in commercial lending?

Let's put a price tag on every wrong b2b loan decision.

Average [SME loan sizes](#) shed some light. For a large bank an average is \$564k, for a small bank - \$185k and for an alternative B2B lender -\$80k.

And yet, [over 30%](#) of business finance applications are declined because of insufficient credit history data. This means that a business borrower may be viable and good for the money, but the organization simply can't service them because of their outdated processes and scoring methods.

A B2B lending operation that isn't automated efficiently, isn't only losing money due to poor digital experience for the borrowers. Even though, business borrowers do deeply appreciate smooth and effortless experience and will pay extra for usability. But in addition:

- **Lack of agility to deploy new products lets the competitor capitalize on a market opportunity.**
- **Every wrong credit decision because of poor scoring and decisioning costs a fortune. And credit decisions not backed by streamlined scoring of relevant data aren't going to be accurate.**
- **Spending too much on overhead and staff leads to higher costs for the borrower, which again scares them off and lowers your own margins.**

# Key parts of the commercial lending process that require automation

First, let's get a clear shared vision of the important elements of any commercial lending business that will require automation.

1

## Commercial loan origination process

business lending vertical. You need the capability to configure pre-qualification, loan application, underwriting, and approval processes.

2

## Credit risk management

Credit scoring and loan decision quality make or break commercial lenders. You need to make sure your solution can perform accurate credit scoring based on both traditional and alternative scoring factors.

3

## B2B loan management/servicing

The process of overseeing the entire lifecycle of a commercial loan. This includes the ongoing administration of the loan such as tracking repayments, managing interest calculations, adjusting loan terms if necessary, etc.

4

## Debt collection

The process of pursuing payments of debts owed by individuals or businesses.

5

## Reporting and analytics

Generating and analyzing reports on loan performance, portfolio risk, and financials.

6

## Document management

Handling the generation, collection, and storage of necessary loan documents.

7

**Client communication**

Automating notifications, reminders, and updates sent to borrowers.

8

**Compliance checks**

Ensuring adherence to regulations and standards in the lending process.

9

**Loan servicing**

Managing loan schedules, payment processing, and balance tracking.

10

**Security and auditing**

Implementing and maintaining cybersecurity measures and performing regular system audits.

## How to automate commercial loan origination and credit scoring

Commercial loan origination and credit scoring are notoriously complex processes. And what commercial lenders need to pay most attention to too when choosing their lending technology provider.

Flexibility of the scoring model and decision rules, as well as granularity with which you can build credit products and loan origination flows define a b2b lending business.

Once the loan is analyzed, processed, and approved, there shouldn't be anything for you to worry about, because you are confident in the gatekeeping that is your origination and underwriting.

However, with the modern automation tools it is now possible to configure a commercial origination and underwriting processes intuitive for the borrower as well as reliable and stress-free for the lender.

Many lenders use the fully automatic loan decisioning process in TurnKey Commercial. But you can also set business rules that send loan applications to manual decision process. In this case, your loan officer gets all the data and insight we have on the borrower and their business in an easily consumable form.

## How to choose the right commercial lending automation for your b2b lending business

Whether you start a commercial lending business from scratch or manage an existing one, the need for meaningful digitalization is clear to everyone.

However, stakeholders may be anxious about the changes to the status quo the new technology will bring and how their role will change. But without an all-encompassing centralized lending infrastructure, it's not feasible to keep track of all incoming data and use it to make informed decisions automatically on all stages of the B2B loan's lifecycle.

## Choose your approach to commercial lending automation

1

### Fragmented Automation Tools

These are standalone software solutions that automate specific tasks or processes within the commercial lending workflow, such as loan origination or collections. While they can improve efficiency in certain areas, the lack of integration can lead to data silos and operational inefficiencies.

2

### Boutique Solutions

Custom-built and often expensive, these solutions are tailored to a lender's unique needs. However, they can be hard to maintain, update, and scale. Over time, their legacy code could become a burden, demanding additional resources and slowing down operations.

3

### Single end-to-end commercial lending infrastructure

TurnKey Commercial, as a prime example, provides comprehensive automation across the entire lending lifecycle, from loan origination, scoring, and decisioning to loan management collections and reporting. These system offers seamless integration, data consistency, and scalability, improving operational efficiency and decision-making capabilities.

*TurnKey Commercial is a proven one-stop platform that grows your loan portfolio while cutting operational costs and risks. Over the years, we've condensed the most efficient and optimized ways to automate commercial lending and packed it in a solution with the record time-to-market. TurnKey Lender platform has a proven track record of credit automation for lending businesses in 58 countries who currently service over 50 million borrowers.*

## What commercial lending automation can help you achieve

Most commercial lenders that come to us, look for a combination of these three main things:

1

### Lower operational costs

B2B credit, if done incorrectly, can be an extremely costly operation to maintain. And the higher these costs, the worse for the SMB loan terms you can offer and experience you can provide B2B borrowers.

2

### Minimizing credit risk

Since analyzing businesses is way harder than analyzing people, B2B lenders need sophisticated credit scoring and decision-making tech on their side.



### Growing quality portfolio

Reaching more high-quality business borrowers and being able to offer them transparent and easily accessible finance where and how they need it.

And we excel in making all of those a reality for any kind of B2B lending business.  
[Book an intro call with us](#) to try it on.

## PART III:

# B2B CREDIT AUTOMATION THAT CUTS OPERATIONAL COSTS AND MINIMIZES CREDIT RISK

Demand for digital b2b credit is growing and each day more small, midsize and large lenders will enter the market with specialized credit products tailored to the needs of specific borrowers.

Better quality of decisions is no longer ensured by more underwriters doing paperwork. All due diligence and analysis are done on autopilot. With modern automation, B2B credit marketplace becomes truly competitive where before it was controlled by large players now slowed down by legacy solutions.

## Success predictors of a commercial lending business

We frequently help commercial lenders extend accessible, affordable, and personalized finance options to their customers. And in our experience, these factors are the biggest B2B lending project success predictors.

- **Better rates through credit scoring accuracy and lower operational costs**
- **Fully digital and simple loan application process**
- **Quick decision-making based on real business data**
- **Holistic end-to-end automation of the lending process**
- **Payment/schedule flexibility that account for business specifics**
- **Industry-specific credit products tailored for specific business sizes and types**
- **Borrower portal to manage payments, communication, and loan applications**

- Sensitive info protection with robust data security measures
- Optimized (largely automated) communications

We've made sure TurnKey Commercial excels in every one of these areas.

## Top 5 commercial lending automation challenges (and how we solve them)

Over the year, TurnKey Lender has solved lending process automation challenges for hundreds of businesses worldwide. And during each of the discovery calls, the potential customers, are voicing specific challenges.

### 1. Lead the charge in efficiency and intelligence

Commercial lenders need to be able to innovate on par with traditional and startup competitors. This means a fully digital lending infrastructure that supports the flexibility required for big-ticket deals and quick time-to-market for new offerings.

B2B lenders and SME borrowers need a platform that ensures a modern level of user experience and intelligence.

#### How TurnKey Commercial does it

TurnKey Lender offers a comprehensive platform that enables commercial lenders to automate their lending process out of the box. With 98.5% satisfaction rate and praise from leading market researchers, TurnKey Commercial is based on digital lending best practices from over 50 countries.

The platform provides a configurable experience for lenders and a smooth, intuitive flow for borrowers. It is created with the needs of commercial lenders in mind so the credit products, borrower evaluation and scoring, origination process, and other B2B specific areas are flexible enough to meet your specific demands and grant you complete autonomy.



## 2. Underwriting and business credit scoring in b2b lending

To lower credit risk and attract high-quality borrowers, commercial lenders need to gather more relevant data about each business applying for finance. They need to be able to parse and understand this data consistently to use it in automated processing, credit scoring, and decision-making. Credit decisions for business loans are a lot harder because business data is a lot harder to interpret and analyze based on unified procedures, so automation is much more complex.

### How TurnKey Commercial does it

At TurnKey Lender we have solved this challenge and offer preconfigured and custom scoring models and personalized decisioning flows which allow to keep your staff informed and assist automated credit decisions no matter the complexity of the industry and data.

But for 90% of the cases, the Decision Engine scoring is ready to tackle your underwriting and decisioning out of the box.

Decisions made by TurnKey Commercial are based on the specific data you've chosen to collect. Thanks to configurability of the scoring factors and decision rules the automated processing is razor-focused on your business case and borrower specifics. TurnKey Lender's self-learning Decision engine uses proprietary AI in underwriting and scoring. It analyzes data from bank statements, credit bureau, loan application, and other sources to help you make better loan decisions faster.

All of that is already realized in pre-configured platform and takes from days to a few weeks to calibrate credit scoring and configure the solution to your exact business scenario.

It all comes down to who can use available tools and data to come to better credit decisions and reach better clients with better offers.

You can see a demo of how TurnKey Commercial handles loan origination and decisioning in this [step-by-step business loan application process demo](#).

### 3. Minimizing credit risk and operational costs in commercial credit

Running a lean and efficient commercial lending operation requires minimizing overhead, paperwork, and operational expenses while providing a modern digital lending experience on par with market leaders.

#### How TurnKey Commercial does it

TurnKey Lender streamlines commercial lending operations with its unified, AI-driven platform. By automating crucial processes such as loan origination, underwriting, servicing, and collection, it significantly reduces overheads and paperwork, making operations lean and efficient.

Simultaneously, TurnKey Lender delivers a superior digital lending experience. It aligns with the standards set by industry leaders, ensuring your business stays competitive in the fast-paced, technology-driven lending market.

### 4. Tech partner for the long run

The commercial lending space is constantly changing, and commercial lenders need a tech partner that maintains the platform, regularly upgrades it with industry's newest trends, and supports new integrations, origination, scoring, servicing, and collection methods.

#### How TurnKey Commercial does it

TurnKey Lender is the only true end-to-end lending automation platform that meets modern market requirements. Our platform is iteratively developed based on our research, direct feedback, and successful practices of lending businesses globally. It automates all elements of the borrower's lifecycle, including loan application, processing, origination, underwriting, scoring, servicing, collection, reporting, audits, KYC&AML, and more. Our solution is the most unified, streamlined, holistic, and intelligent platform to automate any kind of credit, B2B or B2C, compared to all serious competition.

## 5. Creating processes that scale

Managing commercial lending finances is complicated. It's impossible to scale an operation that does this manually. Any data or payment falling through the cracks can cause an avalanche of issues.

### How TurnKey Commercial does it

TurnKey Lender is a digital lending technology powerhouse that eliminates paperwork, automates repetitive tasks, saves operational costs, and reduces credit risk and approval time. Our constantly improving platform allows commercial lenders to compete on a level playing field with the most resourceful lenders.

## What TurnKey Commercial brings to the table

1

#### Maximize the ROI on your B2B lending operation

TurnKey Commercial is a cloud-based infrastructure that has all the tools necessary to operate and scale a B2B lending business. Issues and analysis that used to take staff hours or days - now handled on autopilot. Instead of 3-5 conflicting solutions, you rely on an end-to-end platform optimized to cut credit risk and boost efficiency. TurnKey Commercial is the ultimate solution that answers the real-life challenges of a B2B lender in a sophisticated manner.

2

#### Turn-key automation for every element of the commercial lending process

Commercial lenders worldwide use this platform to extend B2B credit to SMEs. It is built to house your entire commercial loan's lifecycle, from tailor-fit application process and credit scoring to loan management, debt collections, and reporting. Whether you use the end-to-end platform or stand-alone modules, TurnKey Commercial offers the fastest time to market and the most agility in managing lending operations.

3

**Make commercial loan decisions in minutes (if not automatically)**

Precision and speed during origination and underwriting define your future with every business borrower. TurnKey Commercial gives you a game-changing boost during business onboarding. The platform easily conforms to any loan application logic and uses data from sources indicated by you to automate credit scoring and decisioning. It is flexible, scalable, and configurable enough to support organizations that want to scale and quickly adapt to the market.

## Final thoughts

To this day, the commercial lending space is largely dominated by giant financial institutions who are unable to service specific industries and business types with credit product they require on the terms that are fair.

At the same time, commercial lending technology has caught up with consumer finance and with automation challenges out of the way, it is now easier than ever to become a commercial lender.

TurnKey Lender has been automating commercial lending processes since 2014 and has now released a dedicated solution for B2B lenders, TurnKey Commercial. Book an intro call with our team to talk about your business lending project today.