



TAKING THE RISK OUT OF
SMALL BUSINESS LENDING

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New PayNet Study Highlights Optimism for Double-Digit Originations Growth in 2015

Lenders Facing a Single Digit Growth Economy Can Add Credit Process Improvements as a Source of Added Volume

(SAN DIEGO, CA — October 21, 2014) — A new study by PayNet, the leader in small business analytics and risk management solutions, shows that equipment finance lenders can achieve double digit growth through a smarter application process. Although credit approval rates vary by lender and market segments, PayNet's recent study addressing small ticket lenders showed an 86% approval rate.

ELFA forecasts the industry to grow originations volume 5.5% in 2014 with sluggish growth continuing in 2015. This is against a backdrop of the S&P 500's recent 6.5% fall and zero growth in Europe. However, most equipment finance executives face expectations for double-digit growth in originations in 2015. The challenge for executives is to construct a business plan that can deliver double-digit growth.

This study centered on the approval rates for A and B quality credits, which although high, still provide room for more expansion. Many of the declines in A and B quality approvals are due to a lack of information from "thin" information or insufficient analytics to assess the applicant's credit quality. This study found that 2,363 additional credit applications could be approved as a result of thicker, more robust credit information and smarter analytics, producing a 6% increase in originations volume from their current credit application process. Combining growth achieved through a smarter application of their credit process with the organic growth of 5.5% means double-digit plans are viable for 2015. Hence, lenders facing a single digit growth economy can employ credit process improvements as a source of added volume.

PayNet MasterScore® Version 2 formed the basis to increase approvals without going outside their credit box. PayNet MasterScore V2 is the newest empirically derived and statistically sound credit score developed specifically for commercial finance lending. In the development sample, MasterScore V2 has been shown to deliver 17.7% more approvals of credit applicants for the same amount of credit losses. MasterScore V2 is able to deliver more approvals at the same loss rate because of its segmentation into 29 different industries and borrower sizes.

"PayNet MasterScore V2 does a good job of delivering more credit approvals at the same risk profile. Our customers can buy deeper and buy smarter with this technology," said William Phelan, President of PayNet.

PayNet will be showcasing PayNet MasterScore Version 2 at Booth # 11 at the Equipment Leasing and Finance Association's Annual Convention October 19-21, 2014, in San Diego. PayNet will be part of an exclusive panel with leading risk management professionals and top industry leaders to present *Balancing the Demands for Growth, Regulatory Pressure and the Beginning of Irrational Exuberance* at the convention on Tuesday, October 21, 2014.

For more information please visit PayNet at the ELFA Annual Convention at Booth #11.

PayNet Inc. is the leading provider of credit ratings on small businesses enabling lenders to achieve optimal risk management, growth and operational efficiencies. PayNet maintains the largest proprietary database of small business loans, leases and lines of credit encompassing over 23 Million contracts worth over \$1.3 Trillion. Using state-of-the-art analytics, PayNet converts raw data into real-time marketing intelligence and predictive information that subscribing lenders use to make informed small business financial decisions and improve their business strategy. For more information visit paynetonline.com or PayNet Risk Insight Suite at sbinsights.net.

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