



Traveling The Competitive Highway with Facebook

🔗 technology small business lending

Summary: Facebook emerges as a new competitor for banks as it partners with Clearbanc. What community banks should know.

Researchers have found an unusual ocean phenomenon of twin eddies (underwater tornadoes) that move both east and west like a two-lane underwater highway. This highway transplants sea life travelers both far and fast. Though eddies are not unusual, twin eddies in opposite directions have not been observed before.

New cross currents are also starting to impact the competitive world of banking too. For instance, Facebook announced a partnership with Clearbanc, a fintech based in Canada. This new synergy directly focuses on capturing small business activity through cash advances.

The new service, which has been dubbed Chrged, will allow businesses that have been advertising through Facebook to connect their Facebook Ads account and their payment processor to Clearbanc. This will then trigger an offer for cash advances of up to \$500,000 for up to 8 months in maturity. For businesses that qualify, advances will be underwritten within minutes and funding provided within 24 hours.

Under the structure, Clearbanc gets a portion of the revenues within a customer's account until the cash advance is repaid. This is in addition to a fee of between 5% and 10%. The fees that each small business is charged will be determined based on an analysis of their ability to repay the cash advance.

This new Facebook service has already been used by roughly 1,000 small businesses during a trial period that began in the beginning of last year, so community bankers should be aware of this new and formidable competitor for your business customers.

For its part, Facebook is not taking any fees for the service and instead says that its goal is to cement the relationship it has with small businesses and grow this customer segment to the next level. However, it doesn't hurt that one of the things businesses do with the cash advances is increase their ad spending on Facebook. In fact, one metric used to determine whether or not a business is eligible for a cash advance is its past performance on Facebook. Other things the cash advances can be used for, of course, include managing cash flow, purchasing additional inventory, launching new products or hiring additional employees.

For community banks, Facebook's move into cash advances for business customers marks yet another competitor in the game. Given how rapidly Clearbanc is able to approve cash advances, compared with loans from banks and even many online lenders that require credit checks, personal guarantees and business audits, Facebook's partnership is likely to prove attractive to small businesses looking for quick cash.

As if this weren't enough, this offering is in addition to other non-traditional lenders, such as Amazon that have also entered the lending game. Beyond the ease of cash that such online lenders offer, they also have the advantage of being able to mine large quantities of data to broadly market their services to a wider base of potential customers than traditional banks.

The reality is that there is competition coming from all corners of the playing field this year so community banks will have to remain nimble. To respond to such competition, keep reading, stay on top of new competitors and monitor changes in your customer behavior to best prepare.

At the same time, keep talking inside the bank about any and all options to streamline lending, provide business-friendly mobile apps and continue engaging your customers.

Doing these things helps ensure that your customers don't get caught up traveling in the other direction at a high speed.

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