



## EXECUTIVE INBOX

Anne Fisher

# An innovative alternative to bank credit

By  
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on April 23, 2010 9:54 AM | Share | Comments (2) | TrackBacks (0)

If you've ever tried to get a bank loan or a line of credit to keep your business humming, especially in its early startup phase, you may have run smack into a Catch-22. The bank turns you down because your personal credit score is so-so (or downright shabby). Why? You've exhausted your credit to start your business.

"Your personal credit score can make it look as if your household is carrying way too much debt," observes Mitch Jacobs, chief executive of Manhattan-based [On Deck Capital](#). "It takes money to run a healthy business, so many of the best entrepreneurs get turned down for credit. It's ironic."

For once, the recession isn't to blame. Mr. Jacobs notes that in 2006, "banks turned down more than 5 million business owners due to their personal credit scores, and that was when liquidity was everywhere. It's not the economy; it's a technology and infrastructure problem."

Mr. Jacobs set out to find a more accurate way of evaluating a business's creditworthiness--to wit, by looking closely at cash flow.

He launched On Deck Capital in May 2008 with \$110 million from New York investors, including former American Express CEO James Robinson III. On Deck said in March 2010 that it had made more than \$50 million in loans to 2,000 small companies--usually with revenues between \$300,000 and \$2 million--across the U.S. (147 of them in the city). On Deck recently got another venture capital infusion of \$35 million, bringing its loan capacity to about \$100 million.

Using proprietary software, On Deck connects a company's cash registers to its own system in order to analyze real-time financial information for a few days.

"A business today generates so much electronic data," Mr. Jacobs says. "What we do is harness it quickly and efficiently."

If the online financial profile that On Deck generates looks solid, the business gets a loan, and On Deck's micropayment plan kicks in: Instead of sending a monthly bill, the lender deducts a small amount from the borrower's bank account every business day. Interest rates vary from 18% to 36%. That's more than banks charge, but lower than rates for factoring or receivables financing, which are as high as 200%.

Restaurant co-owner Noemi Boros is a fan of On Deck's approach.

"We were surprised when they first explained it to us, but it's fantastic," she says. "You never have a big bill, and you never get behind. Actually, you don't even notice you're making payments."

Ms. Boros opened The Lounge on Park in The Lombardy Hotel on East 56th Street, along with partner Michael Vlad, about 18 months ago. The pair borrowed \$23,000 to buy kitchen equipment. Their daily payment is \$208.

"I've already referred other business owners to On Deck," says Ms. Boros.

One reason for her enthusiasm: On Deck approved The Lounge on Park's application in four days. That's a fraction of the time that traditional lenders usually take to say yea or nay.

*Have you had trouble getting bank financing for your business? If so, what sources of capital have you used instead? Post your comments below.*

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18 % to 36 %. Sounds like the mob's rates.

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TODD SHERER | April 23, 2010 11:10 AM | [Reply](#)

If you are a business owner that requires \$150,000 to \$3,000,000 Credit Cash has a similar product for larger borrowers than On Deck at lower rates. Feel free to call Todd Sherer, Director of Business Development at Credit Cash. 212-838-4840 x319 tsherer@egcap.com

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## Author Anne Fisher

Anne Fisher writes the popular "Ask Annie" career-advice column at [CNNmoney.com](#).

She occasionally covers workplace and management topics for [Time](#) and [Time.com](#),

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Anne Fisher

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