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Accion's Presto Loans Offer Quick, Affordable Credit to Small Businesses

By Alfonso Ramos, Loan Officer I, Accion New Mexico

Small businesses in need of a quick, modest-sized loan often have little choice but to turn to high-cost, yet easy to access, alternative credit products. But New Mexico business borrowers have a new option.

Accion had long been looking for ways to speed up the process of making microloans to borrowers who don't qualify for loans from traditional lenders and need a relatively small amount of money to take advantage of a time-sensitive business opportunity. Accion also wanted to help businesses respond quickly when faced with an urgent need.

Almost a year ago, the nonprofit lender began piloting quick-turnaround "Presto Loans" of \$8,000 or less with interested applicants. The pilot project was a success — with 285 loans totaling \$939,000 — and Accion has recently cemented its offering of Presto Loans, moving toward a one-hour turnaround time from loan application to funding by the end of the year.

Putting Technology to Work

The Presto Loan works by using technological advances to streamline loan processing, according to Metta Smith, director of lending and client relations at Accion's Albuquerque office.

"One of the things many of our clients value about working with Accion is that we can be a relationship-based lender that gets to know a business," she said. Many business owners seeking an Accion loan have traditionally met with their loan officer in person, and up until now, Accion has processed all loan documents on paper or through a notary and scanning system if the client lives far from an Accion office.

The organization still follows that process with larger loans because of the greater risk involved. But for smaller loans, Smith said, it has grown increasingly important to offer a streamlined, and in some cases, completely online and electronic route to get a small loan quickly "It shouldn't take days to find out if you qualify for an \$8,000 loan."

Over the last year, Accion has invested in new systems to process Presto Loans in a more efficient way for the organization and the client, Smith said. "It saves time all around, for our staff, but more importantly, for the business owners we serve."

Specifically, Accion is using digital data sources to verify client information rather than relying on self-reporting and voluminous supporting documents. It uses scoring methods that consider how well clients pay utility and other recurring bills, not just how well they repay debt, and this eliminates layers of underwriting.

“A huge subset of business owners don’t have a credit history,” Smith said, because the individuals conduct business in cash or are recent immigrants or young people without long borrowing histories. These are among the people Accion exists to serve.

More Than Money

Accion’s year-end goal for its Presto Loans is to fund approved loans within an hour of receiving an application. The organization is closing in on that target, and Smith already sees evidence that clients like the shorter waits: Fewer clients are putting their application on hold, and Accion’s loan approval rating jumped from 56 percent to 69 percent during six months of the pilot period compared to a previous six-month period, she said.

Better still, Accion — as a community development financial institution — gets a chance to help more entrepreneurs connect with community resources that can help them improve their money management and planning and reduce the need for last-minute loans. “We want to get everyday entrepreneurs to a place,” Smith said, “where they have easy access to affordable credit options that allow their business and their family to thrive financially.”

For more information about Accion and the Presto Loan, visit <http://www.accionnm.org>.

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