NewLane Finance: Carving a Niche in the Marketplace

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In April, Neumann Finance and Beneficial Equipment Finance Corporation announced they had combined to form NewLane Finance. NewLane Finance is backed by WSFS Bank, a financial institution with approximately $12+ billion in assets and the largest bank headquartered in the Philadelphia area. The formation of Neumann Finance by Beneficial Bank occurred in November 2017 when industry veterans Daniel Dyer and George Pelose created the company. Dyer was the co-founder and former Chairman and Chief Executive Officer of Marlin Business Services Corp., and Pelose was the former Chief Operating Officer and General Counsel of Marlin.

Equipment Finance Advisor met recently with NewLane Finance’s President, George Pelose, to learn more about the strategy behind combining these two equipment finance businesses and how the newly named and branded equipment finance specialist will differentiate itself in the highly competitive industry.

Equipment Finance Advisor: Why are the two entities merging now? How will the combination provide an advantageous equipment finance offering to small and mid-sized businesses?

George Pelose: When Dan Dyer and I joined Beneficial, it already had Beneficial Equipment Finance (BEFC) in place. They liked the space and they wanted to build a growth engine. During the time Dan and I were developing the strategy, designing the product offering and building the platform, it made sense for BEFC to operate separately. Around the time we launched our offering, late in 2018, WSFS Bank announced it was acquiring Beneficial Bank. Those two things provided the opportune time to consolidate the platform into one entity.

It also gave us the opportunity to pick a new name for the entity—that was really the easy part. We think NewLane exemplifies the new lane we are carving in the marketplace. It is a new way of doing business. We believe we are providing a more customer-centric equipment finance solution, supported by advanced technologies and delivered by a knowledgeable and dedicated team.

We know with certainty most of our competitors are burdened with legacy technology that can’t keep pace with the needs of the equipment dealers and end users. The legacy technologies result in many manual processes, delayed decisions and servicing disruptions. We had the fortunate opportunity to have a blank slate when we formed NewLane. We spent a lot of time designing and building our platform to encompass the latest technology to scale and evolve with our growth. Others are trying to find out how to update their technology now, but it’s impossible to replace an existing, decades-old system when they are still trying to originate.

The other aspect of the “new lane” is our product offering. Many players in our field “hide the ball” when it comes to certain deal terms, specifically in the area of fees. Pressure to grow profits results in them burdening the lessee with additional fees and charges. That includes delayed invoicing to incur more late fees, delaying the first invoice date to generate more interim rent, and using evergreen clauses with narrow notice windows to lock in lessees to unexpected long-term renewal periods.

So, when we formed NewLane, part of it was to build something that addresses these issues and differentiates ourselves with our product offering. It was key that we started with a value-based organization built on integrity, passion, teamwork and commitment to excellence.
Our tagline is Business Lending Done Right. It is our commitment to the market and NewLane’s way of doing business.

**Equipment Finance Advisor:** Were you onboarding business while building this platform?

**Pelose:** We signed our deal with Beneficial in late 2017. We spent much of 2018 building and designing the platform. And then late in fourth quarter of 2018 we started originating. We are still in the early innings but the vision and the path are clear. BEFC will add some immediate flow volume into the mix. Our technology will continue to evolve, but we’ve got the core platform in place.

**Equipment Finance Advisor:** When Neumann Finance launched, its core focus was to create a small- and micro-ticket lessor focused on vendor programs. It also was going to include an end-user component to work with existing bank customers. How does the combination of these two groups impact your original go-to-market strategy?

**Pelose:** The combination really doesn’t change our original go-to-market strategy. It enhances it and accelerates it. Our core mission is still to create a vendor-based equipment finance platform. We successfully launched the platform and are experiencing strong month-over-month growth. In addition, we do have an end-user platform. And the combination with BEFC brings thousands of existing and prior end-user customers into our database. This will catapult our end-user offering in a lot of ways. We can now use our credit technology to pre-qualify the end users and our marketing technology to solicit them for additional equipment financing. BEFC brings with it a strong and focused expertise in healthcare and veterinary markets. So, our technology platform and our product offering will help them penetrate those markets even more. In addition, WSFS Bank has a much more commercial lending focus than Beneficial did. We’ve already seen a good flow of equipment financing opportunities referred to us from WSFS Bank lenders as well as a good number of cross-selling opportunities.

**Equipment Finance Advisor:** How would you describe NewLane Finance as a lessor? How would you describe your underwriting mandate?

**Pelose:** We have the autonomy to build our credit model on our experience and industry requirements. Like most players in the small- and micro-ticket markets, we will primarily be a credit lender—like we always have been. Clearly, the asset has to be of critical use for the lessee, but we don’t look at the asset as our primary source of repayment. Given our experienced underwriting team and decades of credit knowledge, when combined with our credit technology, we think we are able to underwrite effectively and efficiently to deliver appropriate credit. We believe we can do it faster and more consistently than most. We believe our technology will optimize the approvals for our vendor base.

**Equipment Finance Advisor:** What are the primary equipment sectors NewLane Finance will pursue?

**Pelose:** We are agnostic to sectors and industries. We will finance almost any business-critical equipment for essentially every industry. We will have, internally, vertical focuses and teams aligned with key sectors, such as technology, food services, security, automotive, C&I, and BEFC’s health and vet. Those sectors will be staffed with reps who possess deep knowledge of those industries. Importantly, we have brought Petra Rowland on board as Vice President of Marketing. She has decades of experience in marketing outside of our industry and is bringing vast marketing experience from her time with Mercedes-Benz. We are going to be able to support our reps in those key sectors with strong marketing, support, targeted collateral and data analytics. We really are aiming to become an industry leader with respect to the integration of marketing into the sales process, using white papers, blogs and other tools. Our goal is to grow a sales force that is a true value-added business partner that proactively addresses the customer’s specific needs.

**Equipment Finance Advisor:** Tell us a bit about your team – for example, Joe Pucci, the current President of BEFC, will join the leadership team at NewLane.

**Pelose:** We are welcoming all the BEFC employees to the NewLane team. We have a lot of growth now and we expect more. We need to grow our staff. Adding the BEFC team to our ranks will be a big plus. Joe will be instrumental in the integration of BEFC into NewLane and furthering the healthcare and veterinary business flow. He will also be a key player in developing and maintaining broker and syndication relationships. We have already built a strong team, with leaders in all of the functional areas, including credit, sales, marketing, technology and finance. We have a flat and lean structure, and BEFC will add some specific capabilities such as asset management. We currently have a leadership team of eight at NewLane, and we will add the BEFC team leadership.
Equipment Finance Advisor: Does combining these two groups provide a competitive advantage to the group to weather an economic downturn?

Pelose: Clearly business cycles are part of our economic makeup. Dan and I previously ran a large competitor for two decades and we have been through several cycles, including the Great Recession. There is no doubt an economic slowdown puts pressure on the business. We believe our experience in living through some of those cycles and our proven underwriting models will ensure we approve the right credits in those cycles. Whenever the next cycle comes, our history prepares us well for it.

I think the combination helps, but not just the combination with BEFC — the combination with WSFS, our parent. We have aggressive growth plans. Our primary objective is to help grow the leasing business for WSFS, but the underlying caveat is building a best-in-class leasing platform that will be an instrumental part of WSFS for decades to come. Our focus is not on short-term profits, but rather on building a great platform that will be around for WSFS’ next 100-plus years. Some competitors may be forced to try to grow into the teeth of the storm with high volume because they have quarter-over-quarter earnings pressure from their shareholders. We won’t have that. So, if an economic downturn comes, we can right-size our origination platform to weather it. In addition, with a multi-billion dollar balance sheet behind us at WSFS, we will have the capitalization required to weather any storm that comes. During the Great Recession, we saw many of the undercapitalized competitors fall away. At my old company, some of our best growth years were right after the downturn because we weathered it and were there to pick up all the pieces when the economy turned around.

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