

J.

JUDI.AI

AI in small business lending

How CUs can compete and win in a speed-first world



Gord Baizley

CEO

JUDI.AI

Carolinas Credit Union League Launch 2026

February 11, 2026 | Concord, NC

Agenda

- Business problem
- Speed
- Impact
- AI + cash flow lending
- The case for small business lending

Credit unions should dominate small business lending



**Low cost
of capital**



Personal service



**Rapid, low-cost
underwriting**

Caution: An answer in search of a problem?



Risks:

- There is no business problem
- The problem has been mis-characterized

Credit is a challenge for small businesses...

74%

Believe revenue will
increase in 2026

83%

Intend to obtain
financing in 2026

40%

Rated credit availability
as a top concern

Source: Bank of America, 2025 Business Owner Report, November 2025



Small businesses are resorting to fintechs...

Using real-time daily transaction and cash flow data to lend to sellers



\$22B in business financing

10% faster growth from sellers who borrow



\$30B in business financing

Recently applied for a **business banking license**



76,000 businesses financed in 2025

27% faster growth from sellers who borrow

Source: Block's Modern Approach to Credit: Expanding Access While Managing Risk, May 2025; PayPal press release, December 2025; Stripe press release, December 2025; Block press release; January 2026



Small business is a discrete market segment

CONSUMER



- Credit score driven
- Fast and efficient

Insufficient rigor

The “Underserved Middle”

SMALL BUSINESS



- Small dollar loans
- Low credit score hit rate
- Unreliable financials
- High failure rate

Poor borrower experience
+ weak lender economics
= undercapitalization

COMMERCIAL



- Large dollar loans
- Rigorous manual analysis

Excess process

And a big, important, but fragmented market

~40 million small businesses in the U.S.



Small business loans are really small

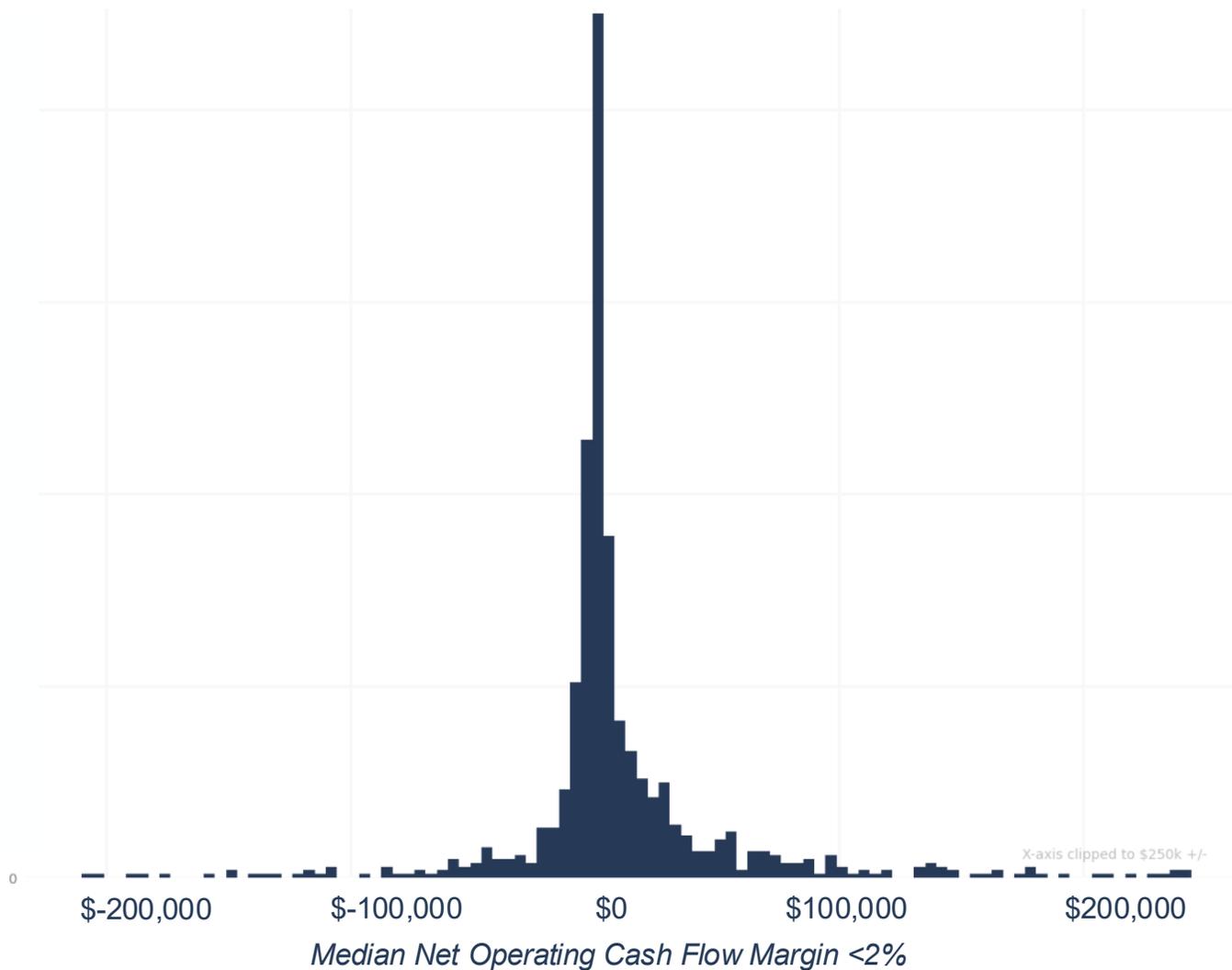
4 out of 5 borrowers are <5 employees and looking for <\$60K

Employees	1	2-5	6-10	11-50	50+
Average loan application	\$50K	\$60K	\$70K	\$80K	\$100K
% of loans	31%	49%	12%	7%	0.2%

Source: JUDI client consortium data



Traditional commercial lending metrics are ineffective for small businesses



Small businesses are superficially unprofitable.

It doesn't mean they are bad credits.

Traditional commercial lending metrics are ineffective for small businesses



This is hard

Possible problem statements

- Small businesses lack access to capital
- Fintech lenders are eating our lunch
- Small businesses are challenging to underwrite

Possible problem statements

- Small businesses lack access to capital
- Fintech lenders are eating our lunch
- **Small businesses are challenging to underwrite**



The fintech factor and the need for speed

Capital's value is no longer defined by its cost, but how fast it moves

"Cost of delay" has mathematically eclipsed cost of capital.

Waiting costs 4X more than interest.

Waiting 30 days for a lower rate made sense in a low-velocity world.

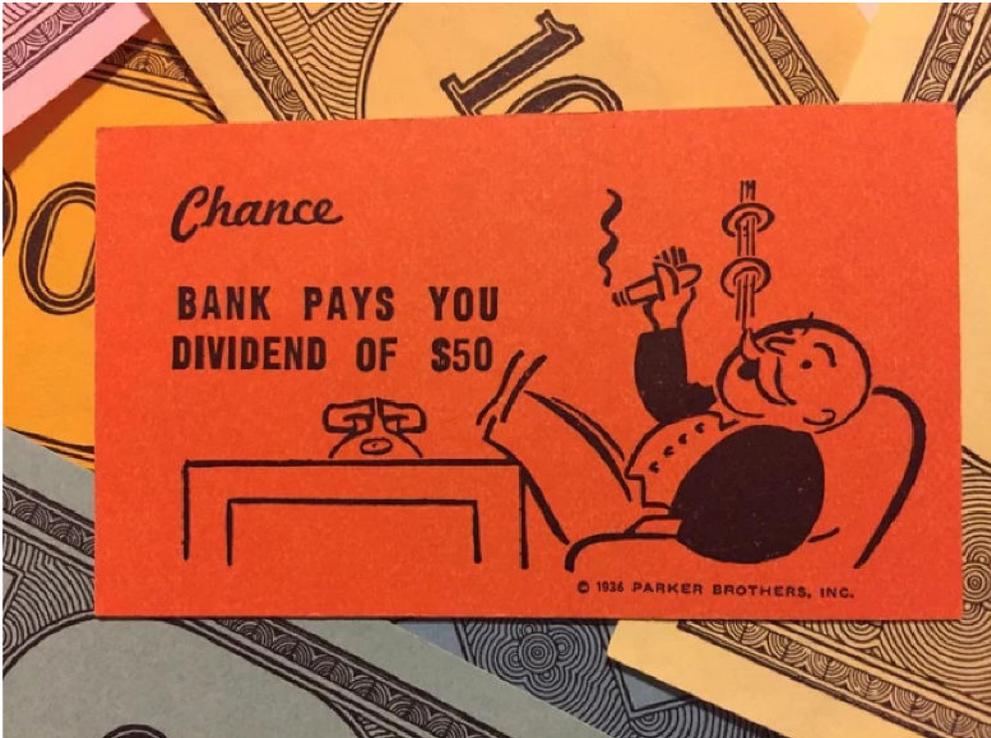
That world no longer exists.



Source: Cardiff, The Economic Advantage of Speed-First Capital: A Quantitative Analysis of the "Cost of Delay" of US Small Business, December 2025; AI-generated image

The "technology dividend"

Savings that can be passed back to the borrower



AI underwriting

Speed no longer comes with a premium.

Institutional-grade pricing

@ fintech speed.

Source: Cardiff, *The Economic Advantage of Speed-First Capital: A Quantitative Analysis of the "Cost of Delay" of US Small Business*, December 2025

The fintech formula starts with speed



Speed



Higher conversion



Increased brand recognition



Lower Customer Acquisition Cost



Larger marketing budget



More efficient marketing spend



AI-driven cash flow lending:

Making small businesses
easier to underwrite

AI overview

Predictive AI

Credit risk models

Generative AI

LLM that generates
a credit memo

Agentic AI

Autonomous agent
follows up with a borrower

Perceptive AI

Autonomous vehicles

Traditional data is ineffective

Collecting financials creates friction in exchange for questionable value



"I'd rather eat a bag of nails than try and collect financial statements from a small business."

-Chief Lending Officer of a \$2B FI



"Collecting financial information from a small businesses requires a long game of ping pong with the borrower."

-Chief Lending Officer of a \$3B FI

Cash flow lending is not what it used to be

Aspect	Traditional cash flow lending	Fintech cash flow lending
Risk assessment	Rules-based: Financial statements, tax returns, manual processes	Behavior-based: Data-driven, real-time analytics, alternative data
Speed of processing	Slower (weeks or months)	Faster (minutes or hours)
Borrower experience	In-person meetings, paperwork	Digital, seamless, online
Loan accessibility	More conservative, stringent criteria	Broader access, flexible criteria
Loan terms	Rigid, may require collateral	More flexible, dynamic repayment terms
Cost of borrowing	Lower interest rates, conservative	Higher rates, but more convenient

Source: ChatGPT prompt



The case for behavioral models (and against rules/scorecards)

What is the right rule?

Example: DSCR

What is the right threshold?

Example: 1.2? 1.25? 1.5?

**How does a rule interact
with other rules?**

Example: Is 1.1 enough with an 800 bureau score and a history of stable cash flow?

The case for cash flow data

FinReg Lab: Models that combine cash flow data and traditional data have the strongest predictive performance



Can be valuable predictors of loan performance



Performed as well as credit scores



Can help where scores aren't available



Expands access to credit

Source: Office of Advocacy, Census Bureau ABS, SBA, JUDI.AI consortium data

Cash flow data is messy

FIRST BANK
1234 Main Street, Capital City, OH 12345-0123
1-800-555-1234

USA Small Business, LLC
Mr. Jack Smith
345 Maple Street
Capital City, OH 12345-0123
123-555-5678

Account Name: USA Small Business Checking
Account Number: 000000012345
Statement Period: 03/01/2018 to 04/01/2018

ACCOUNT SUMMARY
Balance on March 1: \$27,584.38
Total money in: \$10,273.39
Total money out: \$10,510.07
Balance on April 1: \$27,347.70

DATE	DESCRIPTION	WITHDRAWAL	DEPOSIT	BALANCE
	Previous balance			27,584.38
03/02	Internet Bill	75.99		27,508.39
03/05	Electric Bill	253.68		27,254.71
03/06	Check No. 4598 <i>Payment from Lisa Williams</i>		456.84	27,711.55
03/10	Deposit from Credit Card Processor		5,891.26	33,602.81
03/12	Payroll Run	3,894.75		29,708.06
03/16	Debit Transaction <i>Main Office Wholesale</i>	243.46		29,464.60
03/21	Rent Bill	750.00		28,714.60
03/21	Check No. 234 <i>Payment From Mark Moore</i>		268.84	28,983.44
03/26	Payroll Run	3,743.23		25,240.21
03/28	Deposit		3,656.45	28,896.66
03/29	Debit Transaction <i>ABC Business Supplies</i>	1,548.96		27,347.70
	Ending balance			27,347.70

FIRST BANK OF WIKI
1425 JAMES ST, PO BOX 4000
VICTORIA BC V8X 3X4 1-800-555-5555

CHEQUING ACCOUNT STATEMENT
Page : 1 of 1

JOHN JONES
1643 DUNDAS ST W APT 27
TORONTO ON M6K 1V2

Statement period	Account No.
2003-10-09 to 2003-11-08	00005-123-456-7

Date	Description	Ref.	Withdrawals	Deposits	Balance
-10-08	Previous balance				0.55
-10-14	Payroll Deposit - HOTEL			694.81	695.36
-10-14	Web Bill Payment - MASTERCARD	9685	200.00		495.36
-10-16	ATM Withdrawal - INTERAC	3990	21.25		474.11
-10-16	Fees - Interac		1.50		472.61
-10-20	Interac Purchase - ELECTRONICS	1975	2.99		469.62
-10-21	Web Bill Payment - AMEX	3314	300.00		169.62
-10-22	ATM Withdrawal - FIRST BANK	0064	100.00		69.62
-10-23	Interac Purchase - SUPERMARKET	1559	29.08		40.54
-10-24	Interac Refund - ELECTRONICS	1975		2.99	43.53
-10-27	Telephone Bill Payment - VISA	2475	6.77		36.76
-10-28	Payroll Deposit - HOTEL			694.81	731.57
-10-30	Web Funds Transfer - From SAVINGS	2620		50.00	781.57
-11-03	Pre-Auth. Payment - INSURANCE		33.55		748.02
-11-03	Cheque No. - 409		100.00		648.02
-11-06	Mortgage Payment		710.49		-62.47
-11-07	Fees - Overdraft		5.00		-67.47
-11-08	Fees - Monthly		5.00		-72.47
	*** Totals ***		1,515.63	1,442.61	



Using cash flow data: How do we get there?

"Open Banking"-driven data ingestion

FIRST BANK
1234 Main Street, Capital City, OH 12345-0123
1-800-555-1234

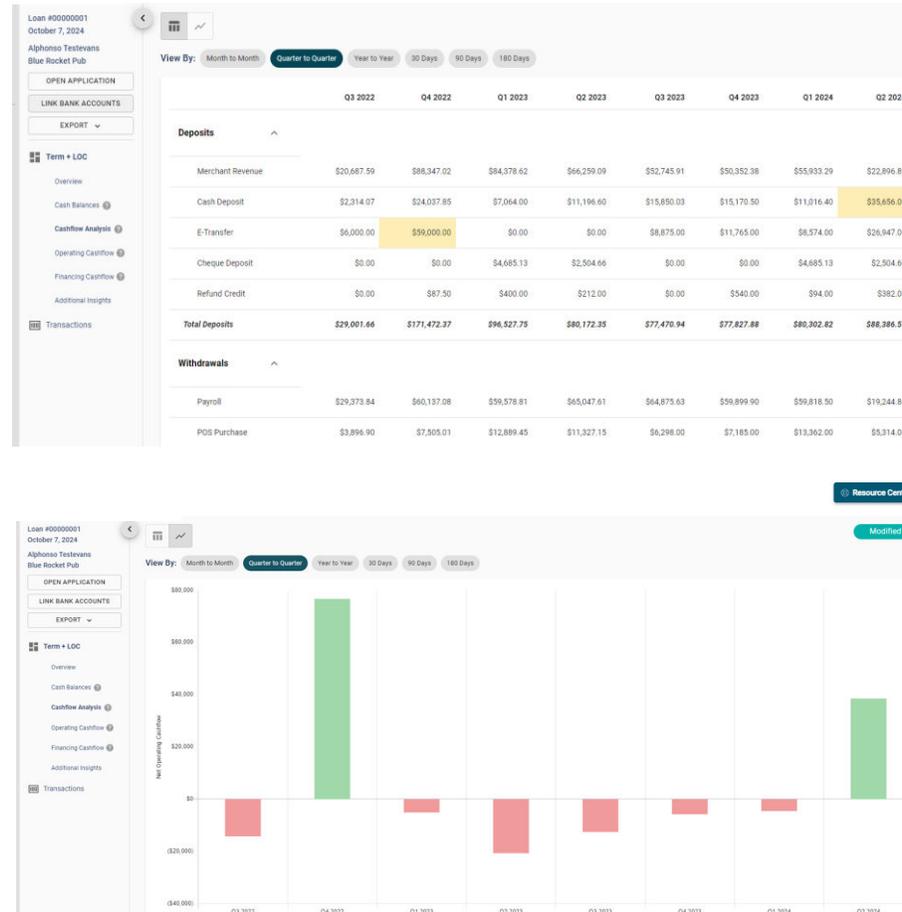
USA Small Business, LLC
Mr. Jack Smith
345 Maple Street
Capital City, OH 12345-0123
123-555-5678

Account Name: **USA Small Business Checking**
Account Number: **000000012345**
Statement Period: 03/01/2018 to 04/01/2018

ACCOUNT SUMMARY
Balance on March 1: **\$27,584.38**
Total money in: **\$10,273.39**
Total money out: **\$10,510.07**
Balance on April 1: **\$27,347.70**

DATE	DESCRIPTION	WITHDRAWAL	DEPOSIT	BALANCE
	Previous balance			27,584.38
03/02	Internet Bill	75.99		27,508.39
03/05	Electric Bill	253.68		27,254.71
03/06	Check No. 4598 <i>Payment from Lisa Williams</i>		456.84	27,711.55
03/10	Deposit from Credit Card Processor		5,891.26	33,602.81
03/12	Payroll Run	3,894.75		29,708.06
03/16	Debit Transaction <i>Main Office Wholesale</i>	243.46		29,464.60
03/21	Rent Bill	750.00		28,714.60
03/21	Check No. 234 <i>Payment From Mark Moore</i>	268.84		28,983.44
03/26	Payroll Run	3,743.23		25,240.21
03/28	Deposit		3,656.45	28,896.66
03/29	Debit Transaction <i>ABC Business Supplies</i>	1,548.96		27,347.70
	Ending balance			27,347.70

Machine Learning-driven data processing



Performance data-driven predictive models

Probability of Default: 0.75%

Debt Serviceability: Strong

Risk Rating: A-

Policy Rules: Pass

Application Status: Approved



Impact of cash flow lending

Unitus Community Credit Union

\$1.7B in assets | 4 counties in Oregon | 5,300 business members

- Historical focus on auto and commercial real estate lending
- 14-day+, 100% manual lending process @ ~30% approval rate
- Significant market opportunity for <\$50K business loans
- Looking to improve efficiency to scale
- Looking for an easy-to-use process for members and staff

Unitus Community Credit Union

Steady progress using a "crawl, walk, run" approach

- Started with one product
- Virtually no delinquencies
- Continue to optimize branches
- Enhance the digital journey
- Looking to be 1st in market

160

Loan applications
in 2025

60%

Approval rate

\$2.8M

Total approved
loan volume

<48 hrs

Funding is typical

McCoy Federal Credit Union

\$1B in assets | 4 counties near Orlando, FL | 3,500 business members

- 7+ days to collect financials, process and decision a loan
- Turnover of experienced business lending staff
- Looking to streamline <\$50K business loan process
- Enable borrowers to apply online
- Eliminate the need to collect financial statements
- Create an easy process for inexperienced lending staff

McCoy Federal Credit Union

Business represents 10% of loan portfolio, but strong growth potential

- Easy transition for young staff
- Driving volume via community events and engagement
- Extend to branches over time
- Ramp up business deposits and merchant services in 2026

61

Loan applications
in four months

50%

Approval rate

\$660K <10 min

Total approved
loan volume

To apply for and
decision a loan

Another use case: Pre-qualification campaigns

30-day cross-sell campaign to existing borrowers

\$15.8M

New LOC amounts
approved and
accepted



Pre-qualified members
included in campaign

Business members
accepted LOC
extension offer

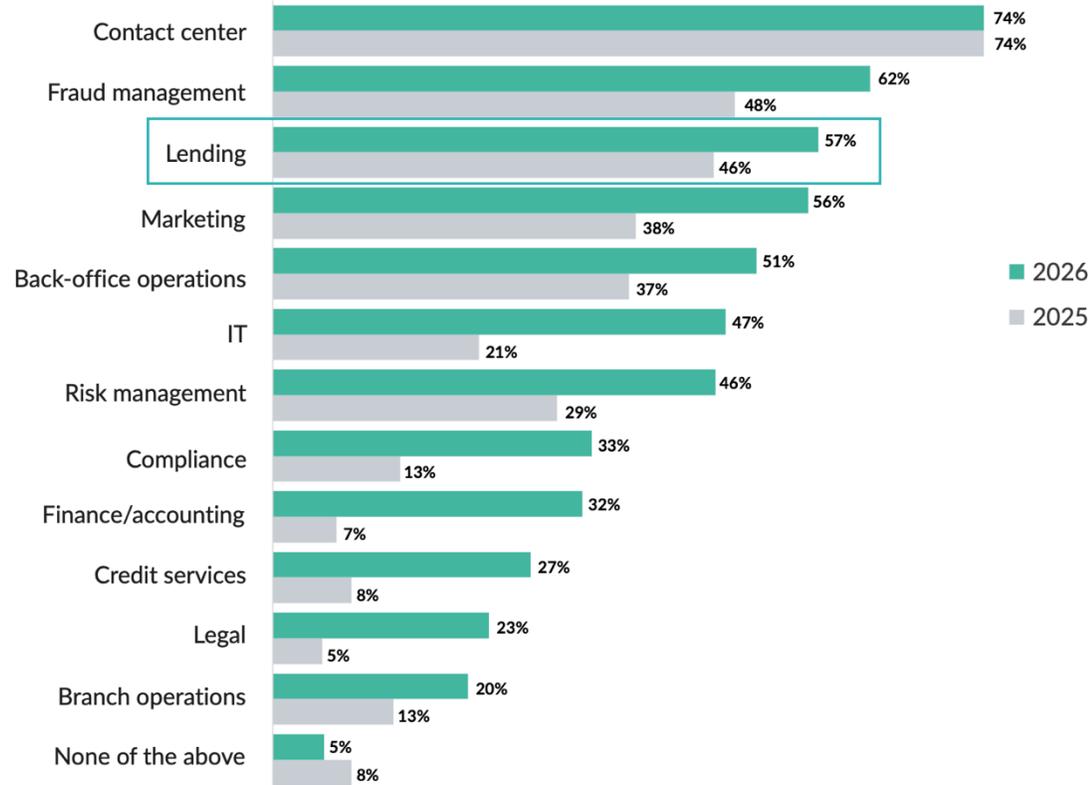
Members who accepted
LOC extension also
accepted optional insurance



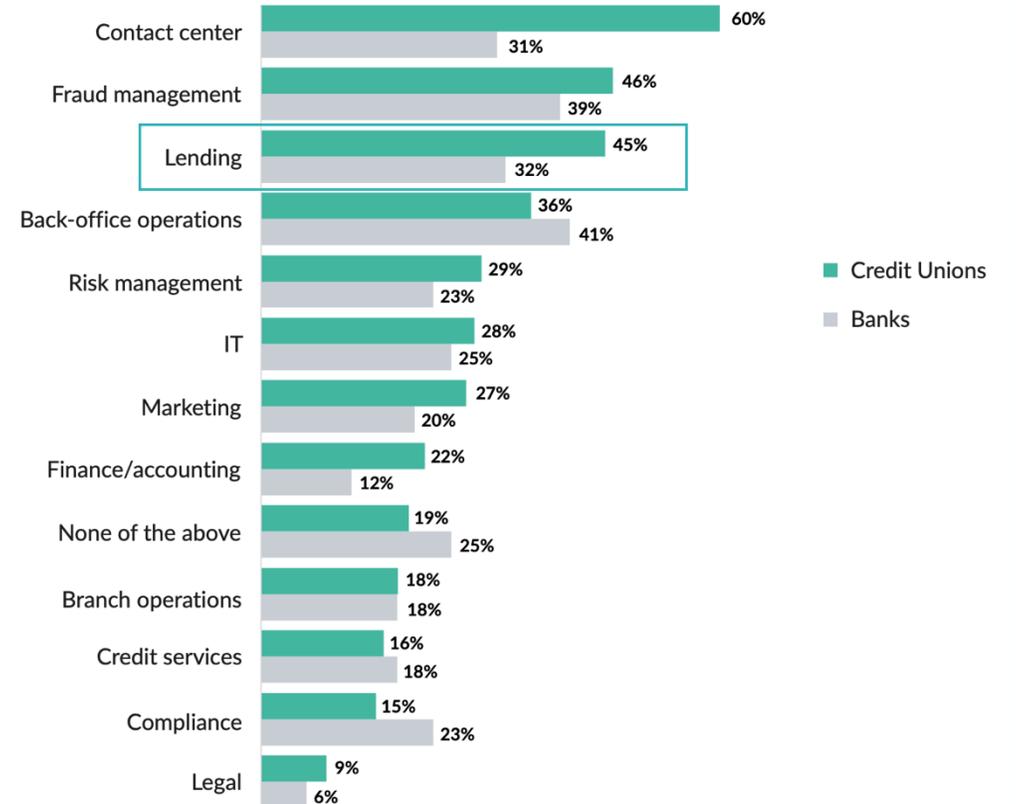
Small business lending: An ideal use case for AI adoption

Using AI to improve lending is a priority

In which of the following areas is your credit union using—or planning to use—generative AI to help increase productivity?



In which of the following areas is your institution using—or planning to use—agentic AI to help increase productivity?



Source: Cornerstone Advisors, *What's Going On In Banking 2026*, January 2026



But small business lending is not...

Percentage of Credit Unions Citing Loan Type as a High Priority

	2023	2024	2025	2026
Auto loans	68%	77%	67%	66%
Home equity loans/lines of credit	59%	65%	62%	61%
Mortgage/refi loans	30%	58%	60%	61%
Commercial real estate loans	33%	37%	47%	42%
Other personal loans	26%	29%	22%	20%
C&I loans	24%	15%	13%	10%
Microloans (e.g., less than \$75k)	NA	12%	10%	9%
Sole proprietorship loans	5%	6%	5%	8%
Student loans	1%	1%	4%	2%

Source: Cornerstone Advisors, *What's Going On In Banking 2026*, January 2026



Credit unions should dominate small business lending



Low cost
of capital



Personal service



Rapid, low-cost
underwriting

Thank you!



Gord Baizley
CEO, JUDI.AI
gord.baizley@judi.ai
www.judi.ai

See you in Vancouver?

Small Business Lending Summit
May 20-21, 2026
Vancouver, BC, Canada



J.

JUDI.AI