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Neumann Finance – Banking on a Clean Slate

By: [Equipment Finance Advisor Staff Writer](#)
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In mid-November, Beneficial Bank, the oldest and largest bank headquartered in Philadelphia with over 60 offices and over \$5.9 billion in assets, announced the formation of Neumann Finance – a new Philadelphia-based equipment finance company named after the bank’s founder, John Neumann. Leading this new entrant to the equipment finance industry are two industry veterans – Daniel Dyer and George Pelose. Dyer, who was the co-founder and former Chairman and Chief Executive Officer of Marlin Business Services Corp., will serve as Chief Executive Officer of Neumann Finance. Pelose, who was the former Chief Operating Officer and General Counsel of Marlin Business Services Corp., will serve as President of Neumann Finance.



Equipment Finance Advisor met with the management team of Neumann Finance and the senior management team of Beneficial Bank – including its Chief Executive Officer, Gerald Cuddy, and Chief Financial Officer, Thomas Cestare – to learn more about their collective vision for this new bank-owned leasing company and their strategy for providing financing for small- to mid-sized businesses nationwide.

Equipment Finance Advisor: Dan, as you looked to the market for potential partners, what made Beneficial Bank stand out as the right fit?

Daniel Dyer: To begin, there was a personal connection with the bank. George and I have known the bank’s leadership team for more than 20 years and we were very familiar and comfortable with their management style and commitment to the markets they serve. Secondly, I would say the size and strength of Beneficial Bank was very important. We know our long-term success is dependent upon aligning ourselves with a well-established bank with significant financial strength to support our growth goals. Additionally, the bank’s recognition as at top employer in the Philadelphia region was critical and would enable us to attract top talent from within the immediate geographic region – a region that is home to a tremendous amount of equipment finance talent.

George Pelose: When Dan decided to get back into the equipment finance business, I knew I wanted to join him but only if we could re-enter the industry with the right partner. Neither of

us were interested in going the private-equity route, as we were most interested in finding a long-term partner. Beneficial Bank is a bank with tremendous integrity that possesses existing knowledge of the equipment leasing sector and is committed to it. We feel very confident that we can build a strong business with the right partner that is as excited about this new business opportunity as we are, and we have the advantage of starting with a clean slate in building this business from scratch as a true start-up. This is very important to us.

Equipment Finance Advisor: Gerald and Thomas, why is Beneficial Bank seeking to enter the equipment finance industry on a national scale after more than 160 years in business operating primarily as a community bank?

Gerald Cuddy: We were motivated principally by many of the same elements Dan and George mentioned. But first and foremost it was the opportunity to work with them as they have a tremendous track record of success, and a great deal of respect in the industry. We were also very attracted to the opportunity of launching a startup where we could follow their lead in building the enterprise. Beneficial has an existing leasing company that we acquired along with Conestoga Bank, and we already have a national footprint with that business. While that business pursues a different asset class and a different average ticket size, we understand and are comfortable with the space. So from a diversification standpoint, building a national leasing platform under Dan and George's leadership makes a lot of sense for the bank.

Thomas Cestare: We like the small-ticket equipment asset class and the returns are attractive to us. We've looked at entering this space with an acquisition, but we did not find many good opportunities to buy an existing platform. So when the opportunity came to partner with Dan and George – two people who have successfully grown and started up large leasing companies – it was too good to pass up. We were familiar with their management style, their attention to detail, and their track record of success. This was a unique opportunity to create a business we feel will create tremendous value for the bank.

Equipment Finance Advisor: According to the press release, Neumann Finance will finance technology, software, office, medical and other types of equipment. Please describe the type of financing programs Neumann Finance will be providing in the market – for example, are you creating only a vendor finance unit, or will there also be a direct lending platform and syndications platform?

Dyer: The core business will be creating small- and micro-ticket vendor programs. It will also have an end-user component to work with existing bank customers; but the small-ticket and micro-ticket vendor finance model is our primary focus. As it pertains to asset classes, we will be collateral agnostic as we are not a collateral-based lender, but rather a credit-based lender. We will focus on essential-use equipment for small- and mid-sized businesses. As for ticket size, there will be a ceiling on transaction sizes up to roughly \$500,000 and the majority of our transactions will be under \$250,000. I would say our "sweet spot" will be \$20-30,000 transactions and we will be providing all required finance transactions including conditional sales contracts, FMV leases, and bundling of software, services and financing. We plan to differentiate ourselves in the market by focusing on customer service, client engagement and the use of technology.

Pelose: I'd add that the strength of Beneficial Bank's balance sheet will allow us to build an organic origination platform the bank can operate for many years. Noteworthy is that the bank is also willing to supplement this organic growth opportunistically with portfolio acquisitions. Therefore, we will be in the market seeking to acquire portfolios that meet our standard credit risk appetite and underwriting criteria.

Equipment Finance Advisor: Fintechs are impacting the equipment finance industry in many ways, including creating the requirement to provide speedy approvals and funding for vendors. Do you see the building of a high-speed technology platform as a big part of the platform building process?

Dyer: It's certainly a goal, and we think we have an advantage in that respect because as George mentioned earlier, we have a clean



DANIEL DYER
Chief Executive Officer
Neumann Finance



GEORGE PELOSE
President
Neumann Finance

slate as a startup. We do not have any issues related to antiquated legacy systems, so we will be operating in a very efficient manner. Transparency, simplicity, and a higher level of customer engagement will be key differentiating factors for us. You mentioned fintechs, and their speed to market as factors of success; but when it comes to customer engagement and simplicity of doing business, one could argue that perhaps the fintech model falls short on delivery of these core values we believe in strongly.

Pelose: We are not heading in the fintech direction. Often times it seems to me there's too much "tech" and not enough "fin" in those companies. As Dan mentioned, as a startup we will not be burdened with legacy systems that are difficult to undo in a company that is being driven by short-term profit goals. We will be taking our finance and lending experience and enhancing it with better use of newer technology to improve the customer experience and leverage operational efficiencies.

Equipment Finance Advisor: How will this new unit operate from an operational perspective? To clarify, will Neumann Finance have its own business development, operations, credit underwriting, and asset management teams dedicated specifically to the leasing unit?

Dyer: Neumann Finance will be an operating subsidiary of Beneficial Bank. I would describe it as a hybrid model – whereby the go-to-market technology and the core functions you mentioned will be warehoused within Neumann Finance. Support services will be shared with the bank as we can leverage the size and capabilities of the bank. This is a great business model in our minds as it allows a startup like Neumann Finance to focus on differentiating itself in the market while leveraging the systems already available within the bank. We are working now to build our management team and we have aggressive hiring goals, targeting hiring 50 people in year one. We anticipate we will start doing business during the first half of 2018.

Pelose: This is a big advantage for us as we will not need to spend our time building some of the support platforms. We can focus immediately on building the business and leverage the excellent shared services already in place. This will allow us to accelerate our go-to-market efforts. Our advantage is truly that we are coming into the industry with a clean slate, so we are directing much of our intellectual capacity toward building the right team and a strong go-to-market strategy. We are going to be spending a lot of time building the best team to ensure the clean slate is filled with the best talent available and then go to market aggressively in 2018.

Equipment Finance Advisor: As a wrap-up question, how would you describe the equipment finance industry today and are there specific economic challenges you anticipate in the market?

Dyer: It's a large fragmented industry, but we have always believed that if build a better mousetrap, you will be successful in earning market share. There are some pro-business policies coming out of Washington D.C., which will hopefully continue to enhance business investment. I don't see any major economic headwinds impacting our anticipated level of success.

Pelose: As we mentioned, the impetus for us re-entering the equipment finance industry is the relationship we formed with the Beneficial Bank management team, the bank's strong balance sheet, and the fact that Beneficial Bank is a top regional employer. This will clearly facilitate our ability to build a very strong team and we are very optimistic.

Equipment Finance Advisor Staff Writer

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