CHARGE FORWARD

Embedded Lending Playbook for Vertical SaaS

EXECUTIVE GUIDE

What is embedded lending, what software platform can earn, the five levels of participation, how to pick a partner, and the key questions that decide whether your platform is ready.

By Charge Forward · May 2026 · chargeforward.io/resources

Four things a vertical SaaS CEO needs to know about embedded Lending

The shape of the opportunity, the unit economics, the moat, and the potential point of failure.

01 The opportunity is open. For now

Embedded payments hit ~80% adoption in vertical SaaS. Embedded lending sits at ~30%. Of companies who launched payments, only 37% launched lending.

CF analysis, Rainforest 2026 survey

02 The unit economics are software-grade

Platform earns 20–40% of the fee with zero credit risk at Levels 1–3. Revenue opportunity for a mid-sized company: $375K conservative, $2.25M base case, $10M mature.

Proprietary revenue model

03 Your data is the moat

Loss rates inside the flow of funds run ~4% vs. 10–12% outside. Square approves 63% more sellers at the same loss rate as external alternatives — using platform data the bank cannot see.

UBS / Jaris Jul 2025; UBS Block Nov 2025

04 Shipping is the easy part. Adoption is the work.

Integration does not mean adoption. Vendors will provide the infrastructure, you need to focus on GTM to drive usage.

UBS Slope panel Dec 2025

PART 1

The Opportunity

Why now is the moment for vertical SaaS to add the lending layer — and why most platforms haven't.

THE MARKET

Square, Shopify, Toast, Stripe: all running embedded lending at scale

The question is timing and execution, not feasibility. The infrastructure exists and the vendors are live.

$50B

Block's 2025 originations
(Square + Cash App + Afterpay)

UBS Block Investor Day

$7B

Square + Toast combined
2024 loan volume

~24% CAGR 2022–2024 · UBS

81K

Businesses funded by
Stripe Capital in 2025

+45% YoY · UBS Feb 2026

BOTTOM LINE

Square has run embedded lending for over a decade. Toast built an $800M+ business on Parafin — without a banking license. For vertical SaaS serving SMBs, this is no longer a moonshot.

UBS Block Investor Day, Nov 2025; UBS Jack Henry Aug 2025; UBS Stripe Annual Letter, Feb 2026.

B2C vs B2B lending: fundamentally different products

B2B embedded lending is larger tickets, richer data, and much better economics than consumer BNPL.

	B2C — BNPL	B2B EMBEDDED LENDING ← This is where we focus
Borrower	Consumer (individual)	**Business entity (SMB)**
Loan purpose	Checkout financing, impulse purchases	**Working capital, inventory, payroll, growth**
Ticket size	$50 – $5,000	**$5,000 – $500,000+**
Underwriting data	Credit score + income statement	**GMV, invoices, platform behavior, bank flow**
Who earns	Klarna, Affirm, Apple Pay Later	**Your SaaS platform + vendor (Parafin, Kanmon...)**
Repayment	Fixed installments (2–4 payments)	**Revenue holdback or ACH — aligned to cash flow**

WHY NOW

Three forces are converging right now

API maturity, structural SMB credit gaps, and your underwriting moat all favor moving in 2026.

01

Embedded infrastructure is mature

6–12 wk

to go live

Parafin, Kanmon, YouLend, Liberis and Jaris can take a vertical SaaS from zero to live in 6–12 weeks. The compliance stack (KYB, state licenses, bank sponsorship) is pre-built. Engineering lift is a single API integration.

02

The SMB capital gap is structural

~50%

SMB rejection rate (traditional banks)

Traditional banks reject ~50% of SMB loan applications. Your customers are underserved — and you hold the operational data that would unlock them.

03

Software platforms own underwriting data

4%

loss rate inside payment flow

Square approves 63% more sellers at the same loss rate vs. external alternatives — using proprietary platform data. Loss rates ~4% inside flow of funds vs. 10–12% outside.

UBS Jaris panel, Jul 2025; UBS Block Investor Day, Nov 2025.

PART 2

How Embedded Lending Works

The stack, the products, the models — and what role software platforms play.

Software Platforms only need to fill one role - everything else is pre-built

At Levels 1–3, the platform has zero credit risk. The vendor stack handles underwriting, compliance, and capital.

YOU →

Distribution Platform (Your Software) Owns the customer relationship. Surfaces offers. Earns revenue share. Zero credit risk.	*Toast, Shopify, your SaaS*
Orchestrator / Program Manager Runs the program. Underwriting logic, eligibility rules, compliance, renewals.	*Parafin, Kanmon, Liberis, Jaris, YouLend, Lending Front*
Lender of Record Licensed credit originator. Issues the legal loan. Holds regulatory responsibility.	*First Internet Bank, Celtic Bank, or vendor itself*
Capital Provider Funds the advances. Bears balance sheet and credit cycle risk.	*Parafin warehouse facility, institutional debt fund*
Sponsor Bank (if applicable) Provides bank charter for non-bank lenders. Federal preemption across state usury laws.	*Cross River Bank, WebBank, Blue Ridge Bank*

Five embedded Lending product types, each suited to a different cash flow pattern

MCA

HOW

Lump sum against future card / platform receivables

REPAYMENT

% holdback of daily sales

High-GMV, variable / seasonal revenue 1.15 – 1.50x factor

RBF

HOW

Capital advanced against MRR / ARR

REPAYMENT

Fixed % of monthly gross revenue

SaaS with predictable MRR / ARR 1.10 – 1.35x factor

LOC

HOW

Revolving facility — draw as needed

REPAYMENT

Interest only on drawn balance

Variable / seasonal working capital 12 – 36% APR equiv.

Invoice Finance

HOW

Advance against outstanding B2B invoices

REPAYMENT

Repaid when invoice is paid by debtor

B2B businesses on net-30 / 60 / 90 1 – 3% discount / 30d

Term Loan

HOW

Fixed lump sum, structured repayment

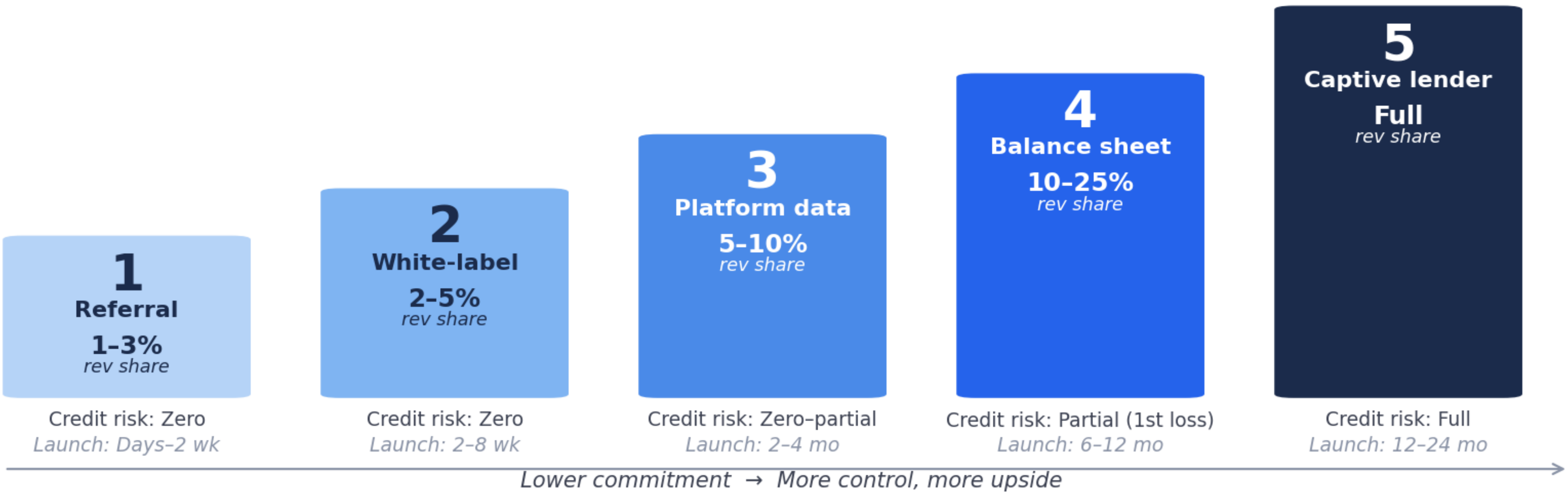
REPAYMENT

Fixed monthly ACH (fully amortizing)

CapEx, equipment, hiring 15 – 35% APR

Start where your capabilities are — graduate one level at a time as the data earns it

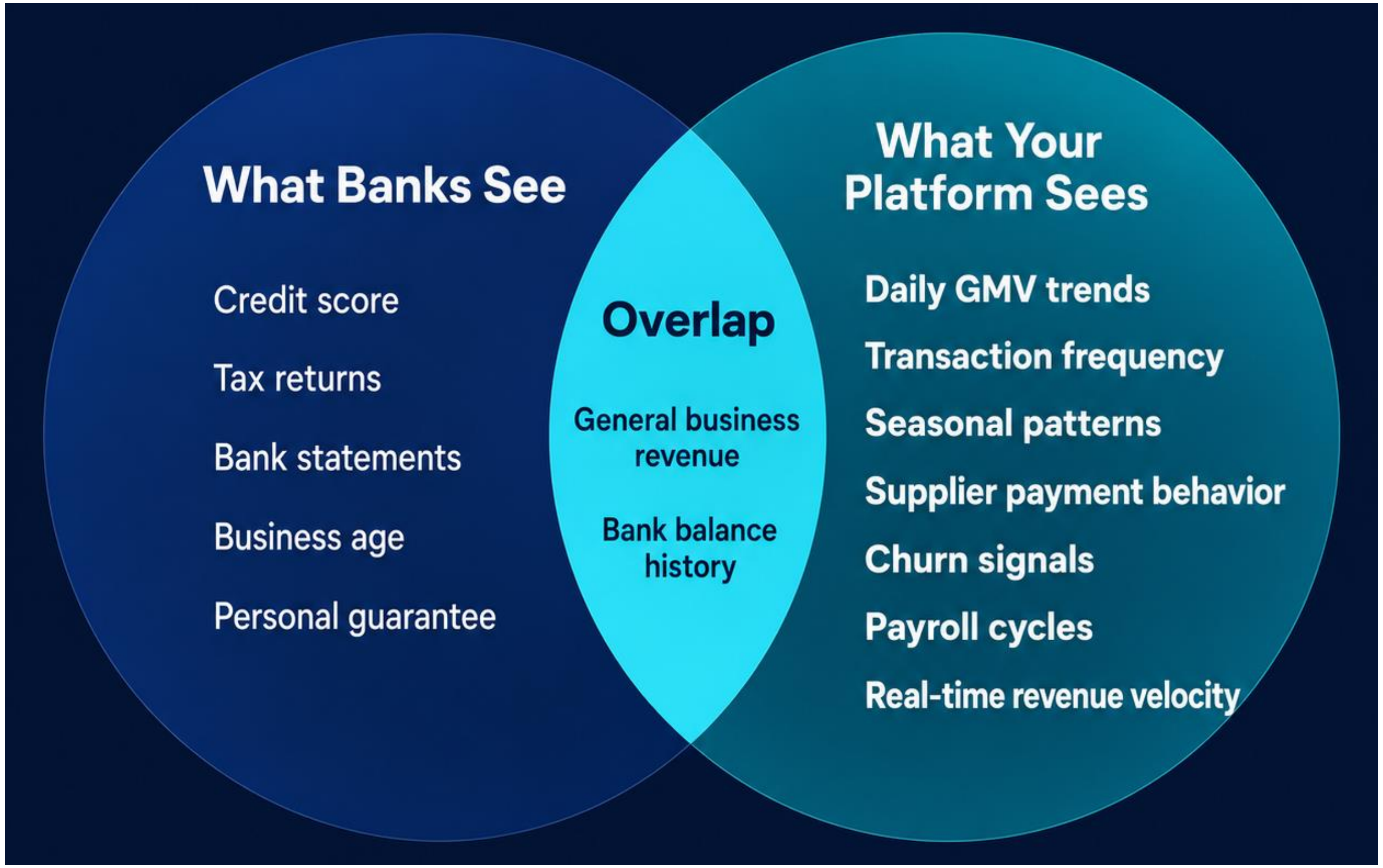
Levels 1–3 carry zero credit risk. Very few companies globally operate at Level 5 (Shopify, Toast, Square).



Charge Forward, May 2026. Most platforms start at Level 1–2 and graduate as data and economics prove out.

Your platform sees what banks never will - this asymmetry is the underwriting edge

Real-time operational data drives 2–3x lower loss rates inside the flow of funds.



UBS Block Investor Day, Nov 2025; UBS Jaris panel, Jul 2025.

Repayment integrated into the payment flow produces the lowest loss rates

The mechanics differ by product. Inside-the-flow repayment is structurally lower-risk.

Revenue holdback (MCA)

A fixed % of each day's card / platform settlements is automatically withheld before funds are released. Repayment is variable — faster in good weeks, slower in slow ones. No ACH debit required.

Loss rate ~4%

inside payment flow

Fixed ACH (Term / LOC)

A fixed dollar amount debits the merchant's bank account on a defined schedule. Requires bank account access. Simpler to model, works without payment rails.

Works without

payment processing

Invoice-based repayment

Lender advances 70–90% of invoice face value. Repayment occurs when the end customer pays the invoice — typically 30–90 days. Self-liquidating, no recurring ACH or holdback needed.

Self-liquidating

no ACH required

UBS / Jaris panel, Jul 2025. Loss rates ~4% inside flow of funds vs. 10–12% outside.

PART 3

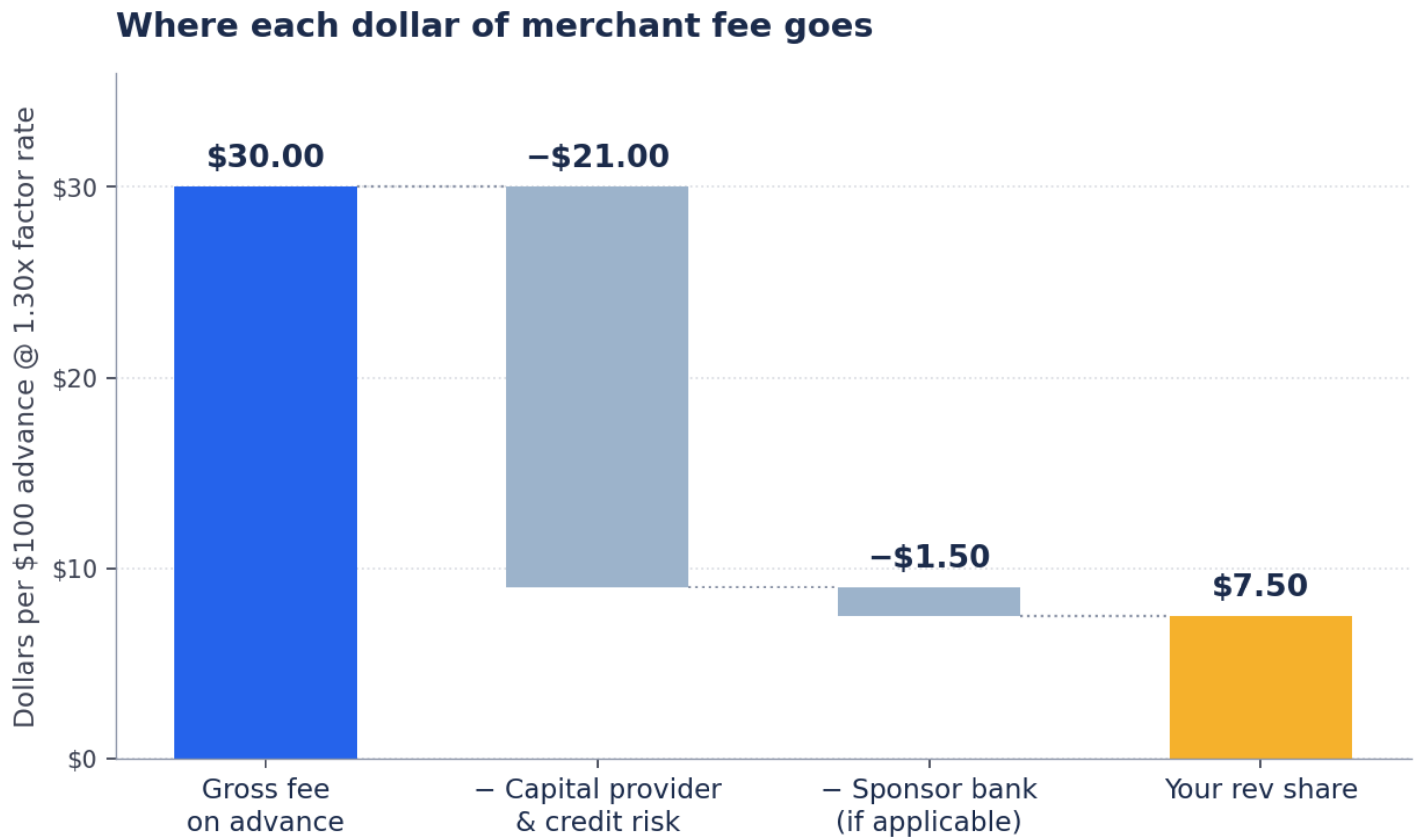
Revenue Economics

What your SaaS can earn — and what drives the number.

THE FEE SPLIT

Software platform's slice is pure margin — zero credit risk in Levels 1–3

The platform earns 20–40% of the gross fee on each advance with no balance sheet exposure.



WHO EARNS WHAT

Merchant Pays factor rate	1.09–1.50x
Capital provider Net interest margin	60–80% of fee
Sponsor bank Origination + servicing	0.5–2% of advance
YOU — platform Rev share	20–40% of fee

THE MATH

Five variables — adoption is the most controllable lever and the most underestimated

GMV is the input that sizes each advance (10–20% of trailing 12-mo revenue); it is not the multiplier on revenue.

Eligible merchants	× Adoption rate	× Avg advance	× Factor rate – 1	× Rev share %	=	Your annual revenue
merchants meeting your criteria	% who take a loan in a given year	~10–20% of trailing 12-mo revenue	e.g. 1.30x → 30% gross fee	negotiated with vendor (20–40%)		*$375K – $9.8M*

ADOPTION RATE BENCHMARKS — GPV PENETRATION

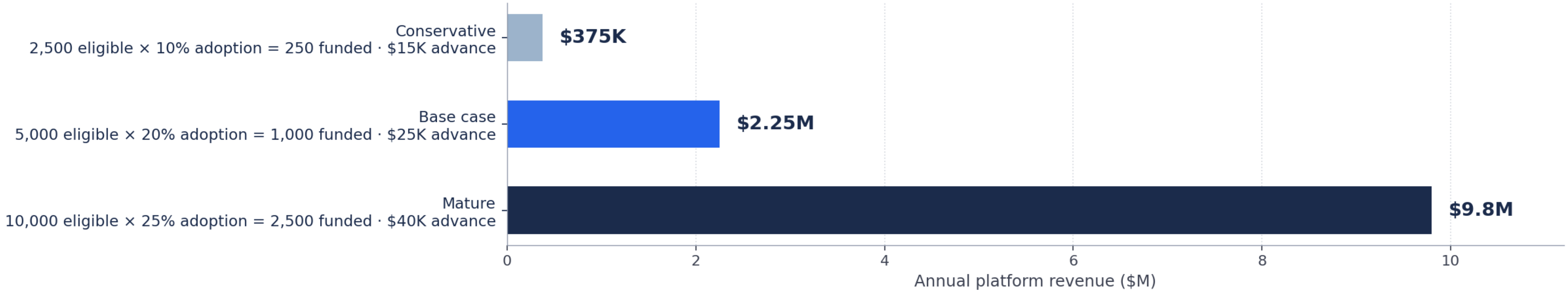
Loan originations as a percent of payment volume (GPV). 100 basis points = 1%. The combined outcome of adoption rate × average advance size, measured at scale.

250 bps	Square (mature)
80 bps	Toast Capital
35 bps	Clover Capital
15 bps	Typical new program

"Embedding is not adoption. Embedding is access."

The base case: $2.25M annual revenue for a mid-market vertical SaaS

The same formula applied at three program scales. Each row multiplies through cleanly.



Scenario	Eligible	Adoption	Funded	Advance	Originations	Factor	Rev share	Annual rev
Conservative	2,500	10%	250	$15K	$3.75M	1.30x	33%	**~$375K**
Base case	5,000	20%	1,000	$25K	$25M	1.30x	30%	**~$2.25M**
Mature	10,000	25%	2,500	$40K	$100M	1.33x	30%	**~$9.8M**

Charge Forward revenue model, May 2026. Originations and fee pool are computed; annual revenue rounded.

The flywheel — indirect revenue is often larger than the direct fee income

Funded merchants churn less, transact more, and spend more — and it all runs back through your platform.

–75%

merchant churn

Funded merchants are operationally deeper in the platform. Switching cost rises sharply after receiving capital.

YouLend partner data

+12%

GMV / volume per merchant

Toast data: restaurants process 12% more transactions after receiving working capital — which lifts the payments line too.

Toast / Parafin

+40–45%

ARPU uplift

Lendflow benchmark: 40–45% ARPU growth in 12 months post-funding. Liberis reports 26% average revenue growth.

Lendflow / Liberis

If you size this program on the rev-share line alone, you'll under-invest by an order of magnitude.

YouLend partner data; Toast / Parafin; Lendflow benchmarks; Liberis 2024.

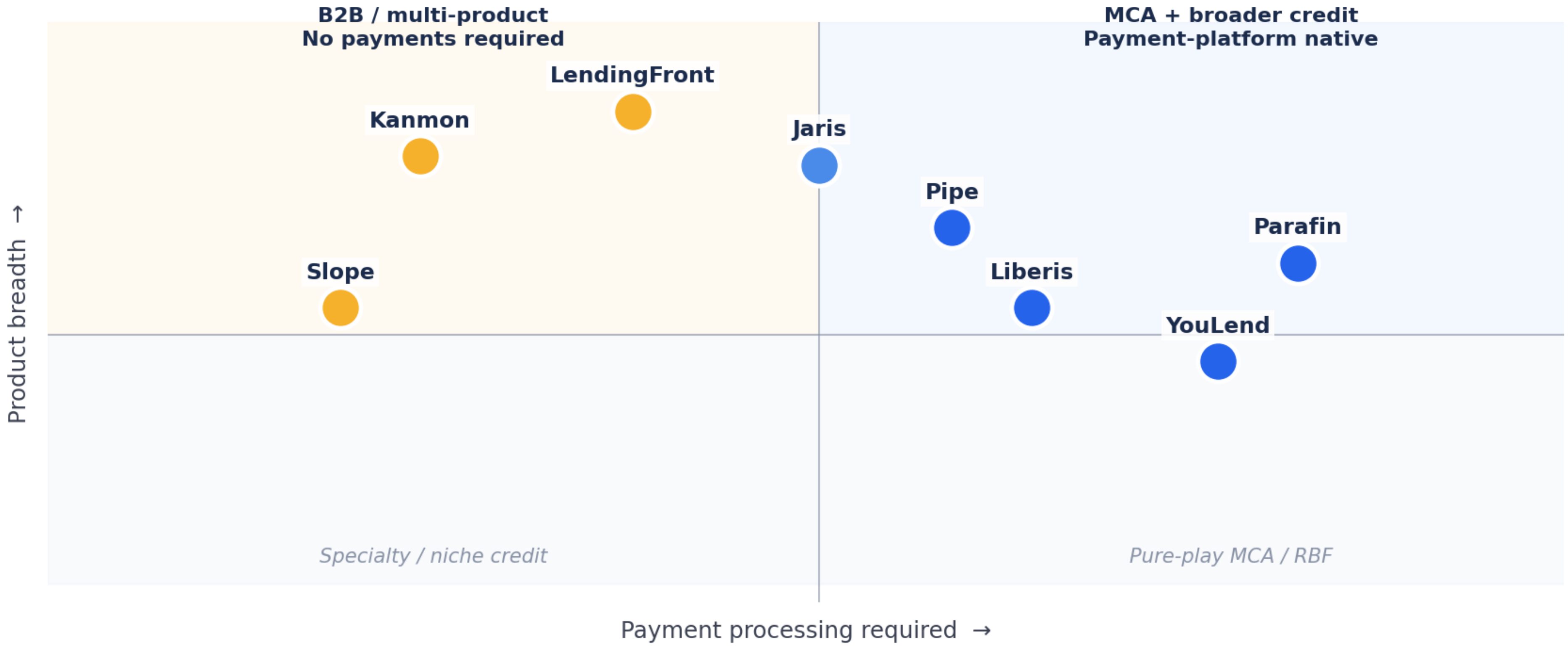
Part 4

The Vendor Landscape

Who the players are, what they do, and which one fits your platform.

Pick by model fit, not brand familiarity

The right vendor depends on whether you process payments and how broad a product suite you need.



Charge Forward analysis based on vendor disclosure, May 2026.

MCA / RBF vendors — purpose-built for platforms with payment volume

Toast and Shopify both run on this type of infrastructure. Best-in-class loss rates.

Parafin

Full-stack MCA / RBF

- Dominant US/CA/UK platform — Toast, Shopify run on Parafin
- $1B+ in origination volume; revenue-share model
- Best-in-class data moat integration; 6–12 wk launch
- Requires >$50M GMV and >500 merchants

YouLend

Global PSP ecosystem

- UK-founded; now US + EU + Asia. Amazon, eBay, Shopify apps
- +370K SMEs funded; $2.6B 2025 annualized originations
- PSP-sourced capital; works with Adyen, Checkout.com, Elavon
- Best for EU/UK or platforms with PSP partnerships

Liberis

EU/UK + flexible capital

- Founded 2007; US, UK, EU, Canada
- Unique co-funding option — platform can co-invest
- PSP partnership model; Checkout.com, Paysafe
- Checkout Finance product = BNPL for merchant's customers

Pipe

AI-native, SaaS-focused

- AI-native underwriting; rebuilt post-2022
- Fastest integration (4–8 wks); strong SaaS-vertical focus
- MCA + RBF + LOC; US, UK, Canada
- Preferred (not required) payment integration

Vendor disclosure; Charge Forward conversations, May 2026.

Broader credit vendors — for B2B SaaS without card-present volume

Legal, staffing, construction, and wholesale verticals are well-served with this infrastructure.

Kanmon

B2B SaaS specialist

- No payment processing required — underwrites from accounting/ERP/Plaid
- Term loans, LOC, invoice finance, AP — broadest product suite
- US only; >$5M ARR minimum; 6–10 wk launch
- Best for legal, staffing, construction, professional services

Jaris

Bank-sponsored, multi-product

- Bank sponsorship enables broader eligibility
- MCA, term, LOC, BNPL — fastest multi-product launch (<6 wk)
- US only; preferred (not required) payment integration
- Best when you want multiple products from one integration (e.g. payouts)

Slope

B2B net terms & LOC

- Net-30/60/90 + LOC for B2B marketplace / wholesale
- JP Morgan as capital partner; instant approvals up to $500K
- >$1B originated; <3-min onboarding (UBS Slope panel, Dec 2025)
- US only; enterprise-focused

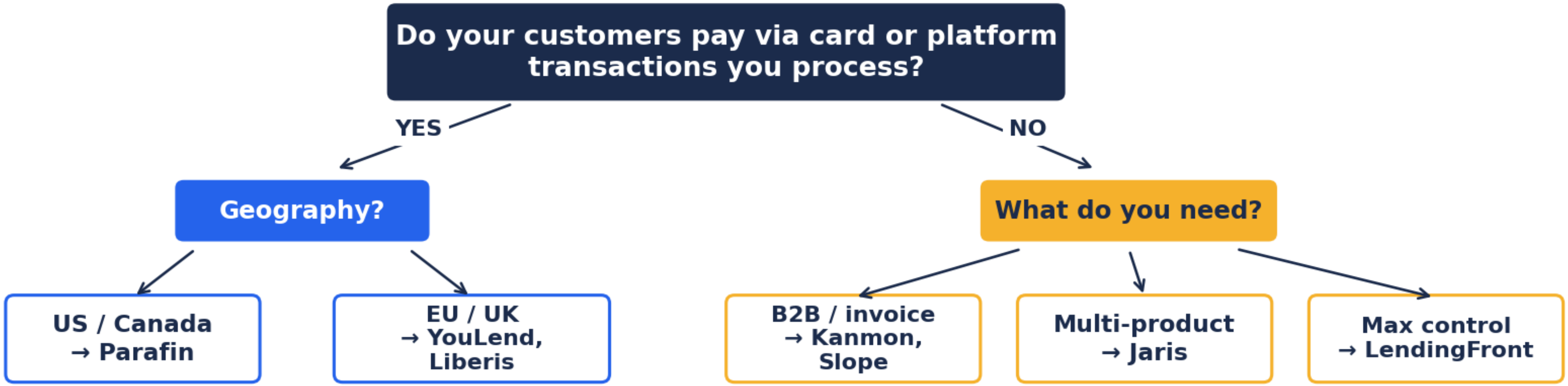
LendingFront

White-label OS

- Full white-label OS — maximum platform control
- Software licensing — bring your own capital (BYOC)
- Proprietary rules engine — set your own credit policy and pricing
- US only; highest margin potential; 3+ mo integration

Which vendor should you talk to first? Start with your customer's cash flow pattern

The most common mistake is starting with the largest brand name rather than the best data alignment.



Start with a vendor fit call, not a procurement process. Most vendors will run a free assessment.

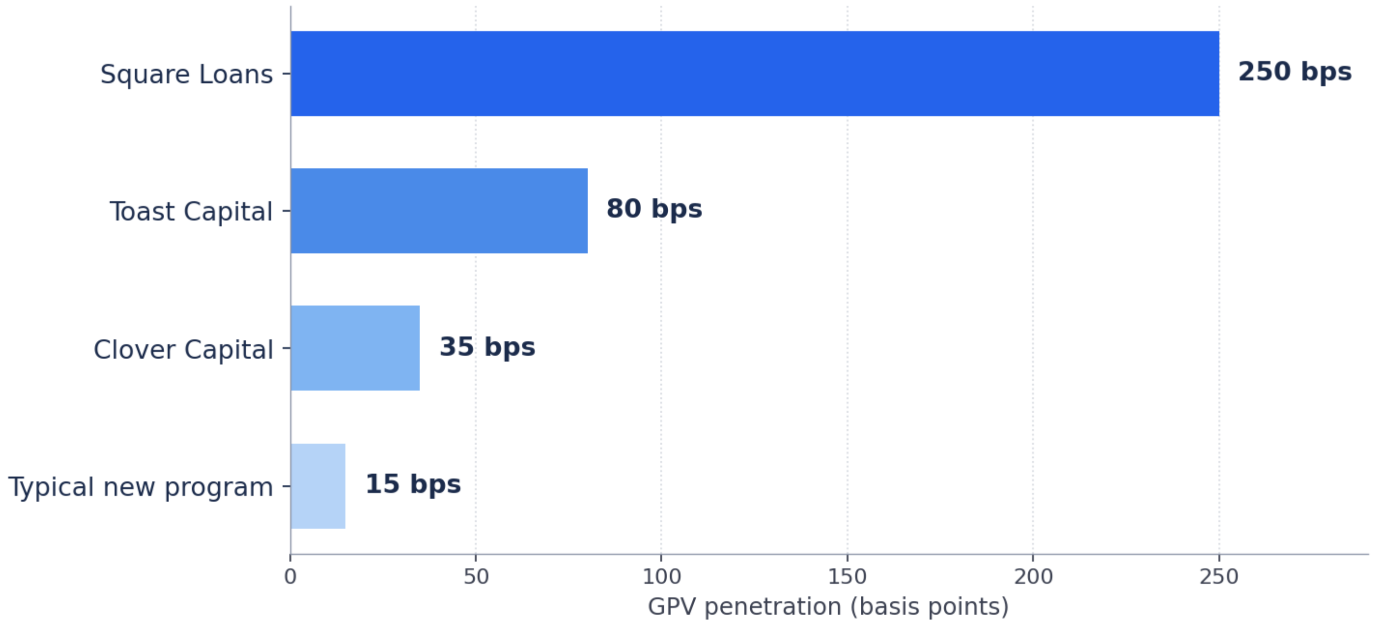
PART 5

Case Studies & Decision Framework

Who has done it, what they learned, and whether you're ready.

Toast built a top-10 US SMB lender — without a banking license

A restaurant SaaS became one of the largest SMB lenders in the US, powered by Parafin and proprietary data.



THE SETUP

Toast is not a bank. Toast Capital is Parafin running behind Toast's brand. Advances underwritten on proprietary restaurant transaction data — where no traditional credit score exists.

THE RESULTS

- +12% more transactions by funded restaurants
- Toast Capital GP +35% YoY Q3 2025
- ~10 bps GP as % of GPV; ~6–7% on forward flow
- Toast flagged "regulatory debt" as structural

Measured as a percent of payment volume (GPV). 100 basis points = 1%. The combined outcome of adoption rate × average advance size, measured at scale.

UBS Toast Q3 2025 (Nov 2025); UBS Q4 2025 (Feb 2026); UBS Vertex panel (Apr 2026); UBS Slope panel (Dec 2025).

Block + Shopify — the upper bound, and the execution complexity to get there

Two platforms running at scale. The 250 bps vs. 35 bps gap is about execution, not product.

BLOCK (Square + Cash App + Afterpay)

~$50B

2025 originations across Square, Cash App, Afterpay

+223%

Cash App Borrow YoY → ~$8.5B in Q4 2025

250 bps

Square GPV penetration — sector leader

SHOPIFY CAPITAL + STRIPE CAPITAL

8 countries

Shopify Capital by end of 2025 (from 4) — DE, NL, IE, ES

$4.2B

Shopify Capital 2025 originations; loan book +43% YoY

+45% YoY

Stripe Capital funding volume; ~81K businesses funded

Square loss rate ~4% — Block approves 63% more sellers at the same loss rate vs. external models. Execution quality, not product type, explains the spread.

UBS Block Investor Day (Nov 2025); UBS Block mgmt meeting (Mar 2026); UBS Shopify Q4 2025 (Feb 2026); UBS Stripe Annual Letter (Feb 2026).

Mid-market proof points — the playbook is working at smaller scale too

"Clio treats payments, accounting, and lending as central to managing the business of law." — UBS / Vertex, Apr 2026

Lightspeed Capital

+34% YoY · FQ1 2026

- Re-acceleration after +28% in FQ4 2025
- UK, Belgium, Netherlands ramp
- International expansion = growth driver for maturing programs

UBS Lightspeed FQ1 2026

Stripe Capital

+45% YoY · ~81K businesses funded

- Launched consumer credit issuing at Sessions 2025
- Now ingesting external data for underwriting
- Net-30/60 invoices = natural invoice finance entry

UBS Stripe Annual Letter, Feb 2026

Clio (legal SaaS)

Payments → accounting → lending

- Lifecycle model: payments scaled first, lending next
- Each layer compounds the last
- Treats financial services as central infrastructure

UBS / Vertex panel, Apr 2026

Mews (hospitality)

Majority of revenue from embedded finance

- FX + lending + payments — integrated, not bolted on
- "We solve real pain points, not take-rate optimization"
- Stickiest when removing operational friction

UBS / Vertex panel, Apr 2026

UBS Lightspeed FQ1 2026; UBS Stripe Annual Letter (Feb 2026); UBS / Vertex panel (Apr 2026).

Five questions to answer before you start

Your answers determine the model, the vendor, and the timeline.

01 **Do you process payments for your merchants?**

YES: MCA/RBF path — Parafin, YouLend, Liberis. Better loss rates, richer data. · NO: Broader credit path — Kanmon, Jaris on accounting / ERP / bank data.

02 **What is your average merchant's annual revenue?**

Under $100K → small advances ($10–20K), high volume needed. · Over $250K → $25–50K advances, much better unit economics.

03 **What is your eligible merchant count today?**

Under 500: start Level 1–2. · 500–2,000: Level 2–3. · Over 2,000 with >$50M GMV: Level 3+ with real negotiating leverage.

04 **What compliance resources do you have?**

Level 1–2: minimal — vendor owns KYB, licenses, disclosures. · Level 3+: dedicated compliance. · Level 4–5: fintech counsel + risk officer.

05 **What is your target time to first revenue?**

Under 90 days: Level 1–2 with Parafin or Kanmon. · 3–6 mo: Level 3 custom underwriting. · 6–12 mo: Level 4 balance sheet participation.

Six signals that reliably predict an underperforming partnership

Treat these as hard filters in vendor selection — not negotiating points.

No transparent loss rate data

Any vendor unwilling to share historical loss rates by vertical should be asked why. Industry benchmark is ~4% inside flow of funds. Evasion is a serious signal.

Exclusive payment rail lock-in

Some vendors require switching your payment processing as a condition. Evaluate the total package, not just the lending economics.

Factor rates above 1.40x for standard SMBs

Above 1.40x on a short-duration advance implies very high effective APR. Reasonable for distressed credits — a red flag if pitched as standard pricing.

Long contract terms with no performance exits

Programs take 12–18 months to optimize. A 3-year lock-in with no performance milestones creates misaligned incentives. Push for exit rights tied to adoption.

No platform-branded offer flow

If the vendor's brand is more prominent than yours, you're generating brand equity for the vendor. Insist on white-label or co-branded presentation.

"We handle everything" — no data transparency

You need approval rates, offer acceptance, loss rates, and renewal rates by cohort. Without data, you cannot optimize or negotiate rev-share at renewal.

WHERE TO START

The lending layer is available to you today.

Most vertical SaaS companies will not move in the next 12 months. The ones that do will own a structural advantage in retention, ARPU, and merchant growth that compounds over years. You have the data. The vendors exist. The infrastructure is ready.

Work with Charge Forward

Vertical SaaS embedded lending strategy — vendor selection, revenue modeling, program design and compliance preparation.

Vendor comparison matrix — 10 vendors across 7 dimensions

Pmts Req = Payment processing integration required. BYOC = Bring your own capital. LMS = Loan management system.

Vendor	Products	Pmts Req?	Geography	Capital model	Launch	Min size	Best for
Parafin	MCA, RBF	Yes	US/CA/UK	Vendor-funded	6–12 wk	>$50M GMV	vSaaS w/ payments, >500 merchants
YouLend	MCA	Yes (PSP)	US/UK/EU+	Vendor-funded	4–8 wk	Flexible	EU/UK; PSP-ecosystem platforms
Liberis	MCA, RBF, Checkout	Preferred	US/UK/EU/CA	Vendor / co-fund	4–10 wk	Flexible	EU/UK + flexible capital
Pipe	MCA, RBF, LOC	Preferred	US/UK/CA	Vendor-funded	4–8 wk	Flexible	SMB SaaS; AI-native
Kanmon	Term, LOC, Invoice, AP	No	US only	Vendor-funded	6–10 wk	>$5M ARR	B2B SaaS w/o payment rails
Jaris	MCA, Term, LOC, BNPL	Preferred	US only	Bank-sponsored	<6 wk	Flexible	Multi-product; fastest launch
Slope	Net terms, LOC	No	US only	Vendor-funded	8–12 wk	Enterprise	B2B marketplace / wholesale
LendingFront	White-label OS	No	US only	BYOC (platform)	3–6 mo	Large	Max control; own capital
Canopy	LMS / servicing only	N/A	US	N/A	N/A	N/A	LMS for captive lender programs
Peach Finance	LMS / servicing only	N/A	US	N/A	N/A	N/A	API-first LMS; $2B+ active loans

Vendor disclosure; Charge Forward research, May 2026.