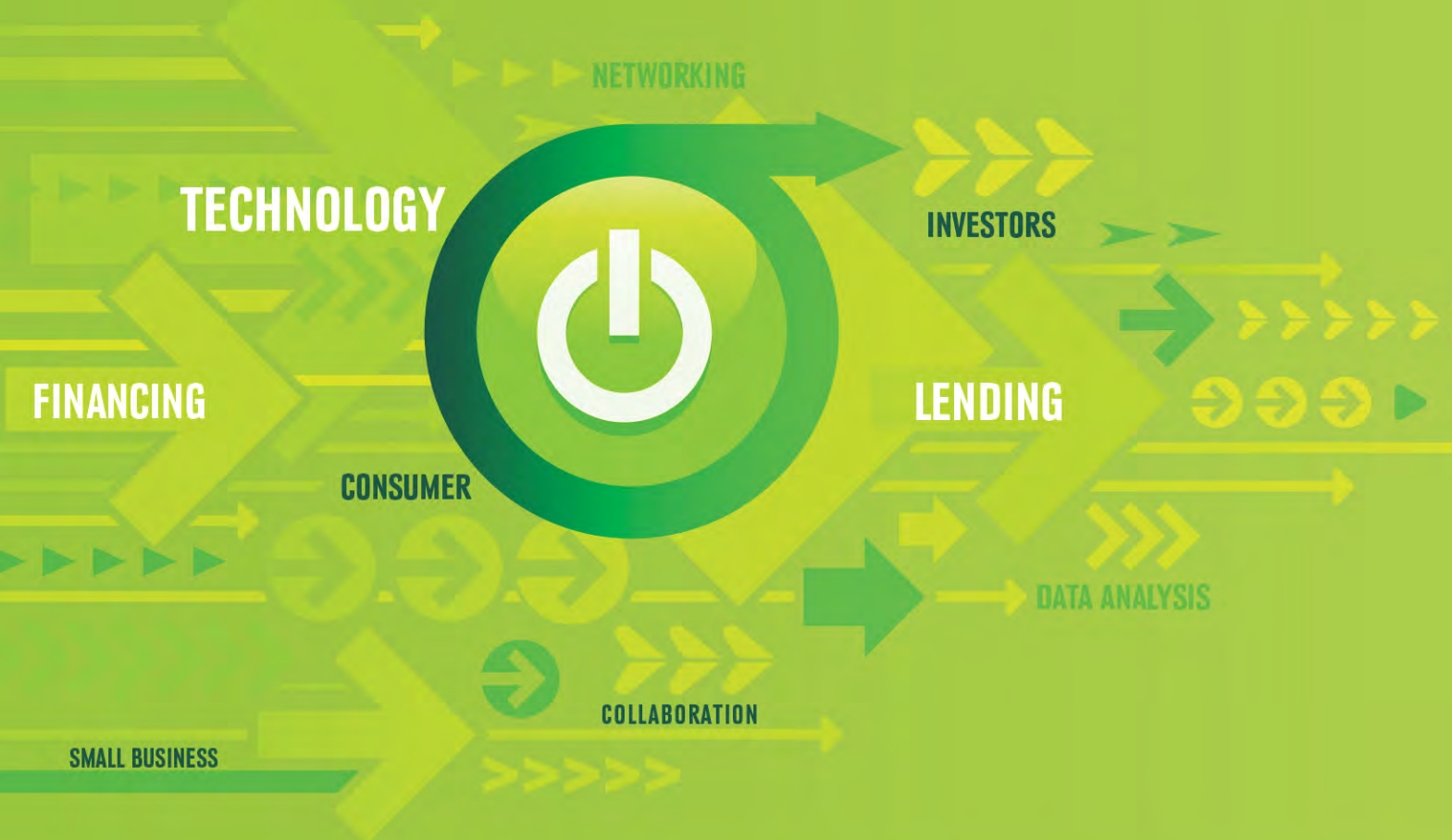


Serving the New Middle Class



Ken Rees
CEO Elevate

INTELLIGENT LENDING.
INNOVATIVE SOLUTIONS.



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OCTOBER 11-13, 2017
FAIRMONT DALLAS « DALLAS, TX
WWW.LEND360.ORG

New economic realities in the U.S.



46%

of Americans say they could not cover an emergency expense costing \$400, or would cover it by selling something or borrowing money¹



Median Household Income

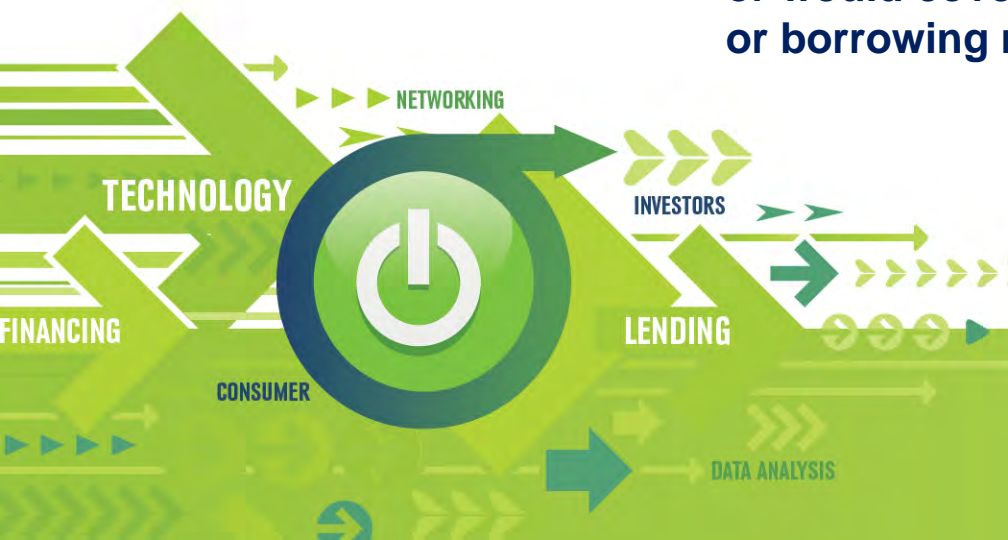
2015 Median HHI \$56,516³
Real Median HHI 2.4% lower than in 1999²



2 in 5

Americans experience month-to-month income swings of more than 30%³

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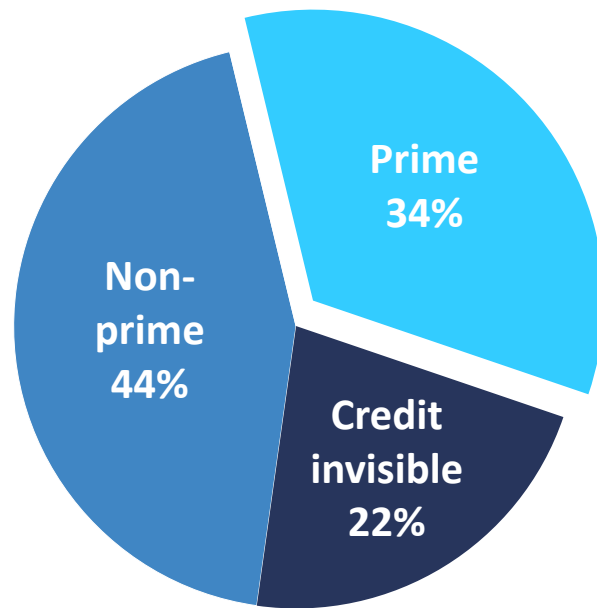


Notes:

- 1 Board of Governors of the Federal Reserve System, *Report on the Economic Well-Being of U.S. Households 2015, 2016*
- 2 U.S. Census Bureau, *Income and Poverty in the United States: 2015*
- 3 J.P. Morgan Chase & Co., *Weathering Volatility: Big Data on the Financial Ups and Downs of U.S. Individuals, 2015*

America is now a non-prime nation

US non-prime population larger than prime¹



US non-prime population >160M people

Banks not serving non-prime



\$142B

Total reduction in non-prime credit from banks since 2008²

Non-prime are mainstream Americans

Customer Demographics³

Average income	\$48K
Attended college	~ 79%
Own home	~ 39%
Average FICO ⁴	560–600



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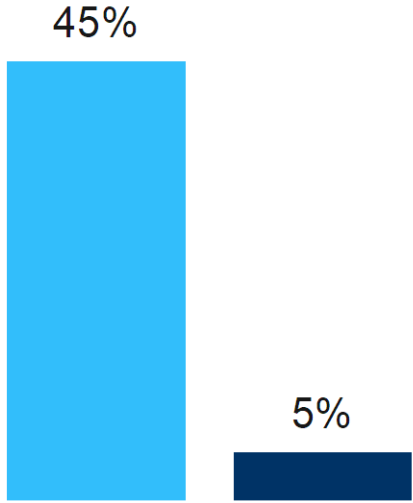
Notes:

- 1 According to an analysis of TransUnion data through the third quarter of 2014 by the Corporation for Enterprise Development, FICO, Expanding Credit Opportunities, July 2015
- 2 Elevate analysis, 2016
- 3 Elevate analysis 2015-2016; US income and home ownership data from Elevate internal database for customers acquired in 2016; other data from self-reported customer research.
- 4 Range of middle quintile of Elevate US customers (2016)

Non-prime struggle with access to credit

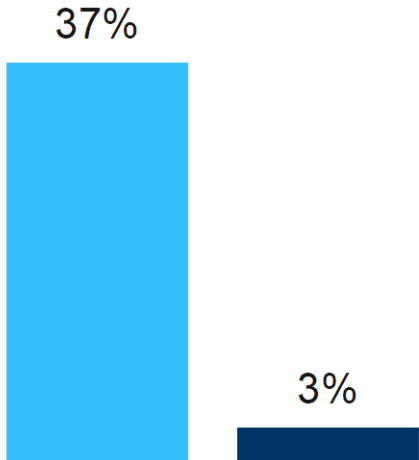
Turned down for credit¹

% Top-2 Box: Strongly Agree/Agree



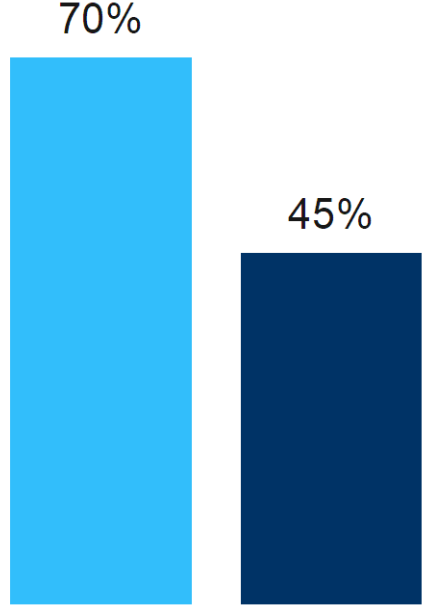
I can't make progress because of lack of credit¹

% Top-2 Box: Strongly Agree/Agree

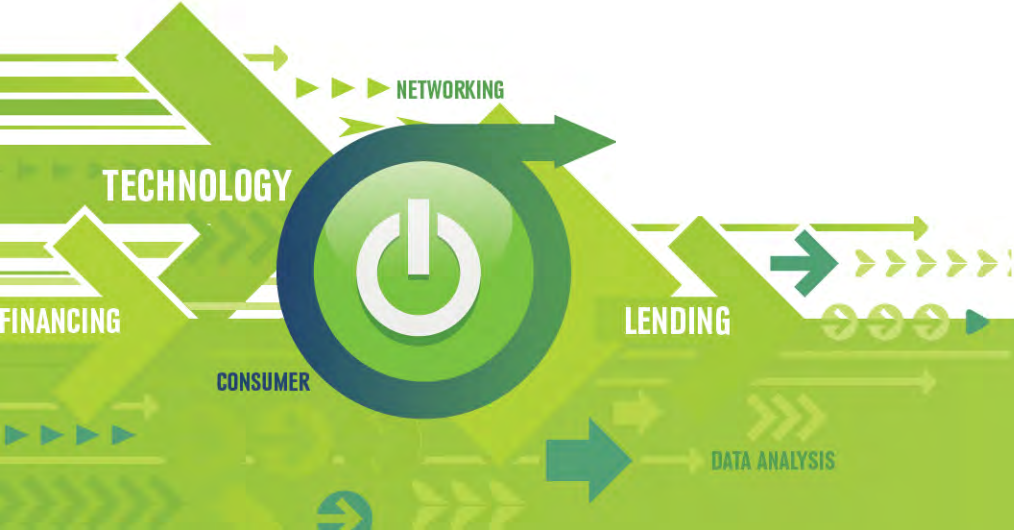


The loan helps me build my credit score²

% Extremely Important



■ Non-prime
■ Prime



1: Please indicate if each of the following situations below happened in the last 12 months?
2: When you look at options for borrowing money, how would you rate the importance of the following features?

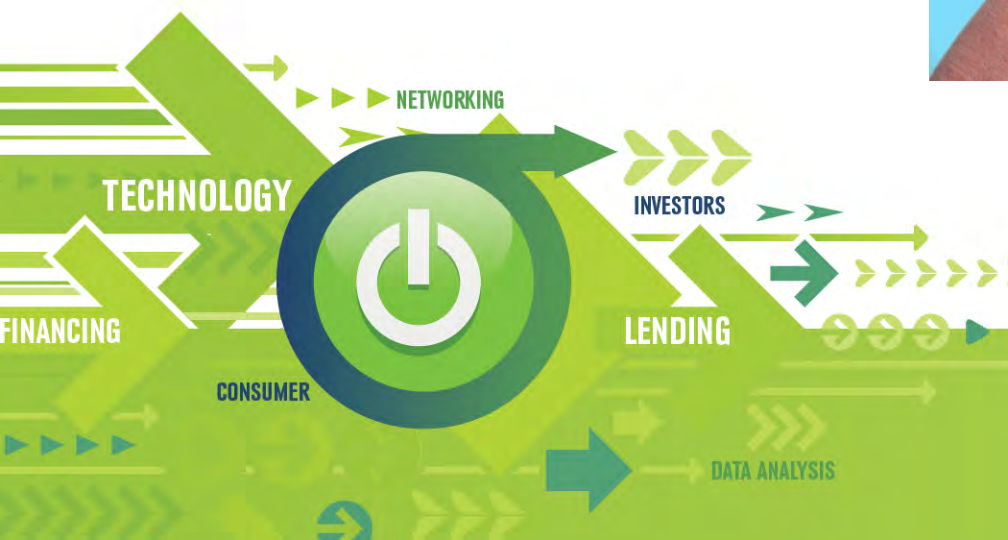
Millions of people looking for better options

Sandy

Insert video?

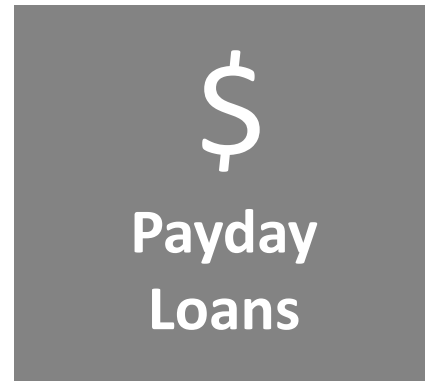


“I couldn’t get anyone else to give me credit... (and) payday loans are vultures.”



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Are existing products the best we can do?



Bad Today...

- Inconvenient storefront access
- High cost
- Punitive fees / add-on products
- Aggressive collections



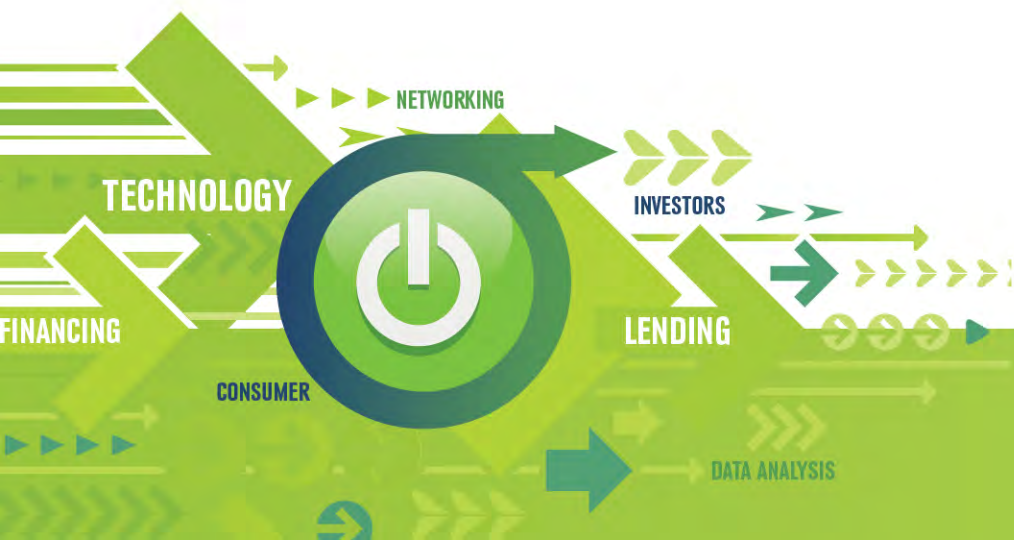
...Bad Tomorrow

- Rates that start & stay high
- No credit building
- No focus on improved financial health
- Cycle of debt



The CFPB rules make things pretty clear

- 1. No single-payment payday loans or balloon payment loans**
- 2. True underwriting and affordability calculations are needed**
- 3. Payment re-presentments need to be limited**



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The time for innovation is now

Understand the customer



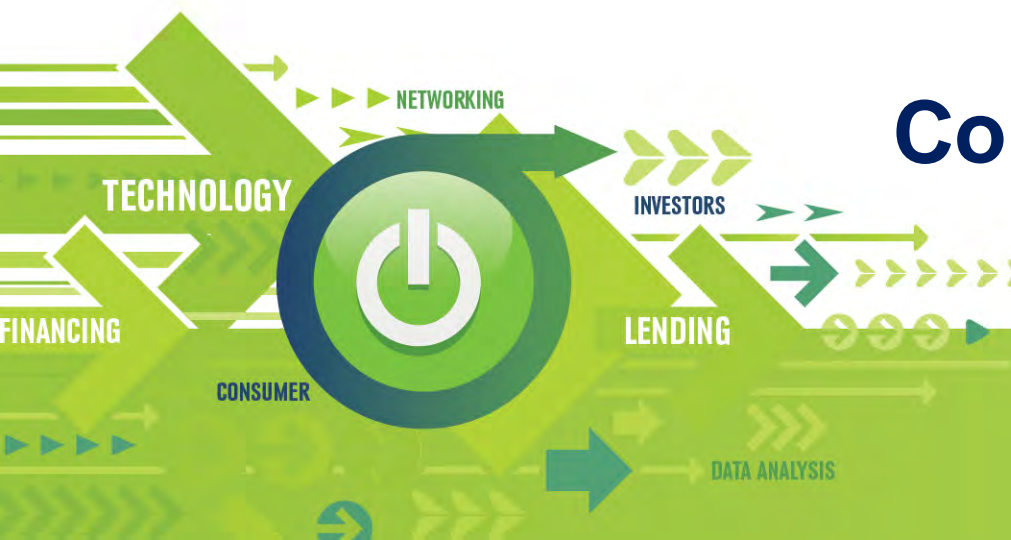
Invest in analytics



Partner for growth



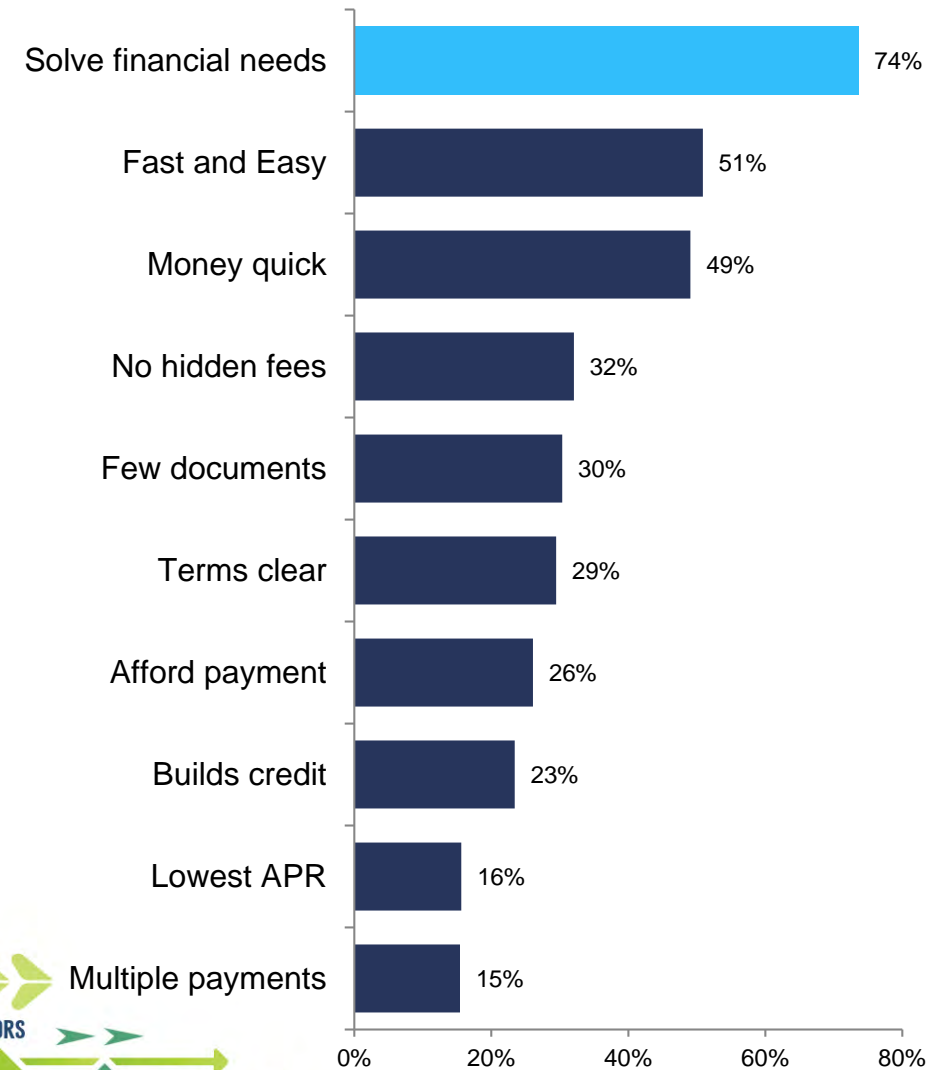
Commit to customer success



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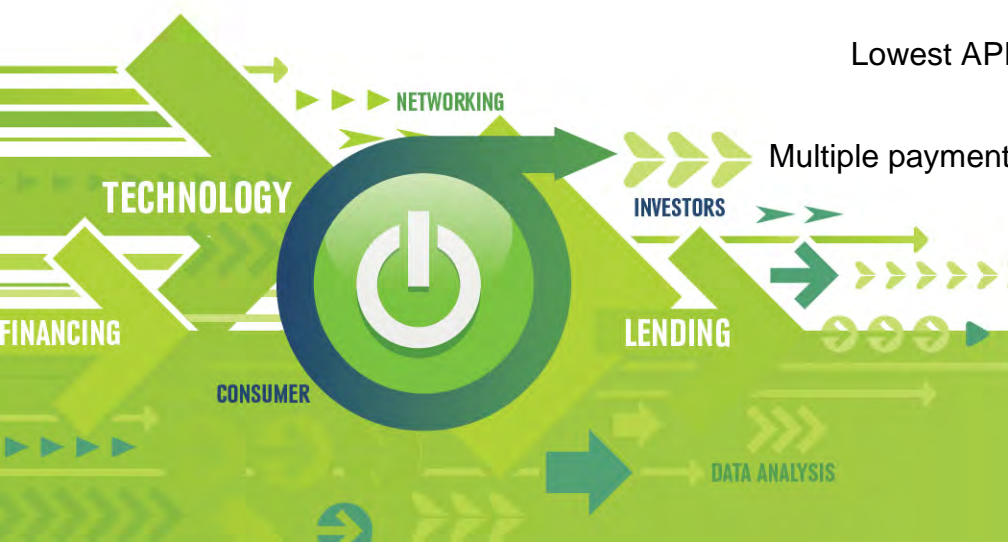
Different needs for credit

% Ranked in the Top 3



Non-prime borrowers have unique needs

- APR much less important
- Speed of funding much more important
- Credit building more important
- Hardship handling more important
- Ease of application process more important



Source: CNMC, Borrowing Attitudes Survey

The non-prime underwriting challenge

Credit invisible

- No or minimal credit history
- Often young or new to country
- High chance of fraud

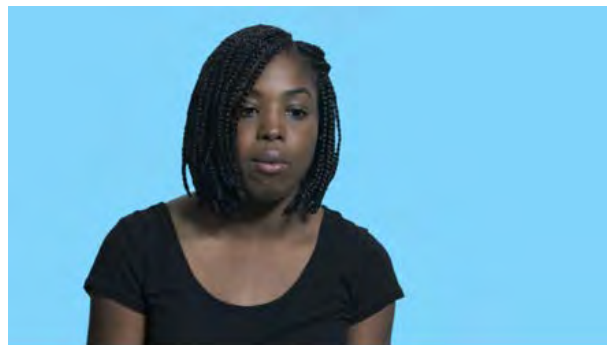
Challenged

- Previous charge-offs
- History of late payments
- May be forced to use payday loans

Prime-ish

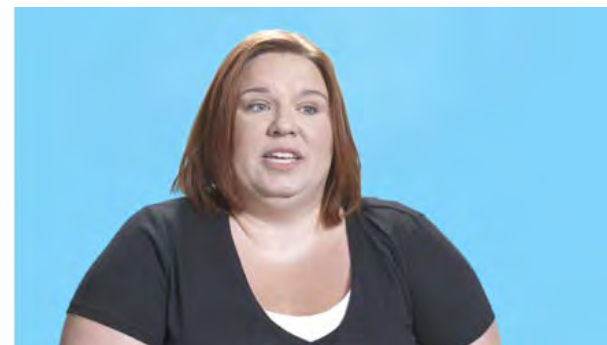
- Significant credit history
- Often over-extended on traditional credit
- Creditworthiness may be eroding

Maryam



“Right now I’m still working on my credit.”

Jennifer



“I recently filed for bankruptcy. Most lenders wouldn’t give me a second glance.”

Lamont



“I was diagnosed with a form of cancer. We were almost tapped out completely. I was able to pay two mortgage payments that I was behind.”



Monolithic credit scores like FICO are insufficient

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Requires extensive investment in analytics



Data Sources

- Big 3 bureau
- Subprime bureau
- Alternate data sources



Data Engineering

- Vast amounts of data to be stored and analyzed
- Data fusion required

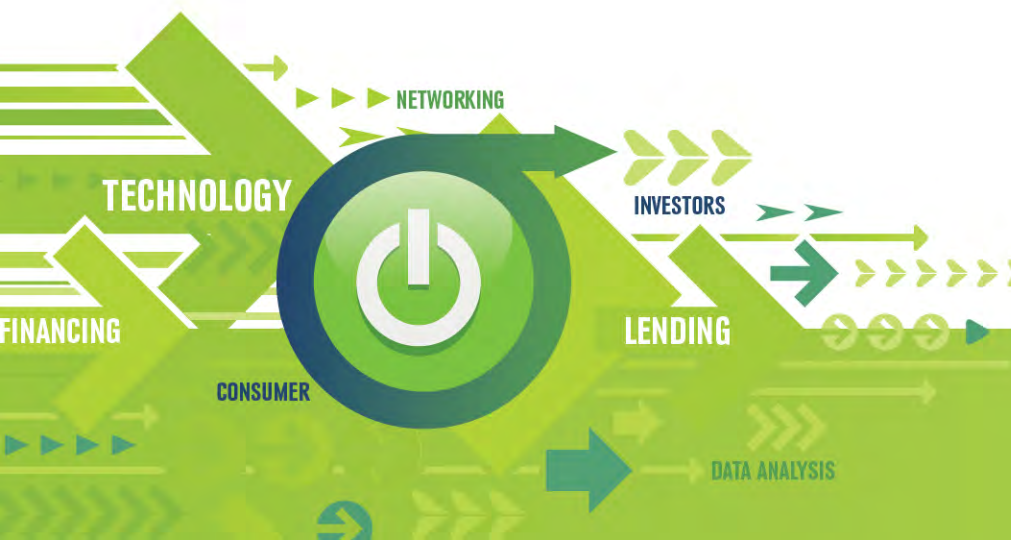


Analytical Techniques

- Regression and Machine Learning
- Regulatory limitations must be understood

**There's no substitute for experience
(defined by time in market and losses!)**

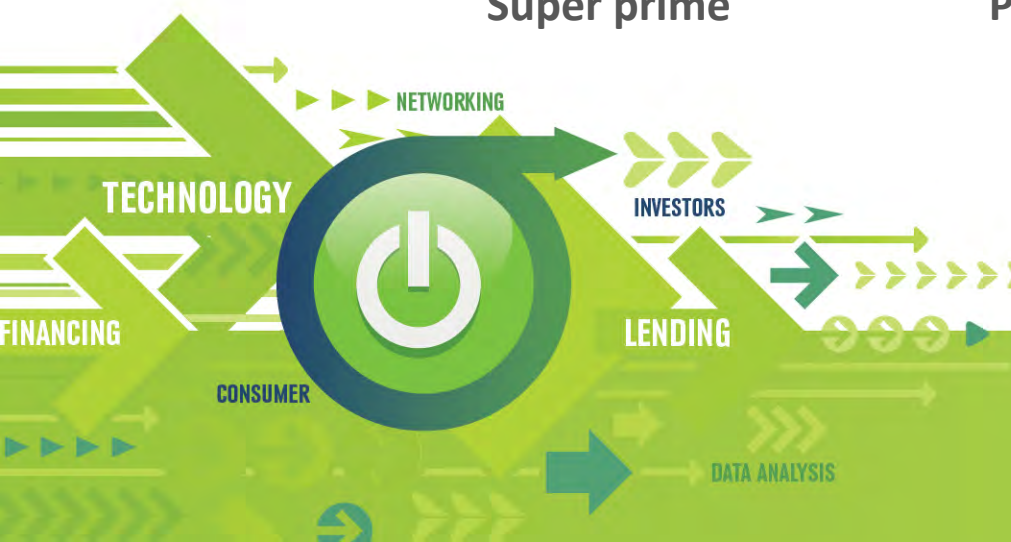
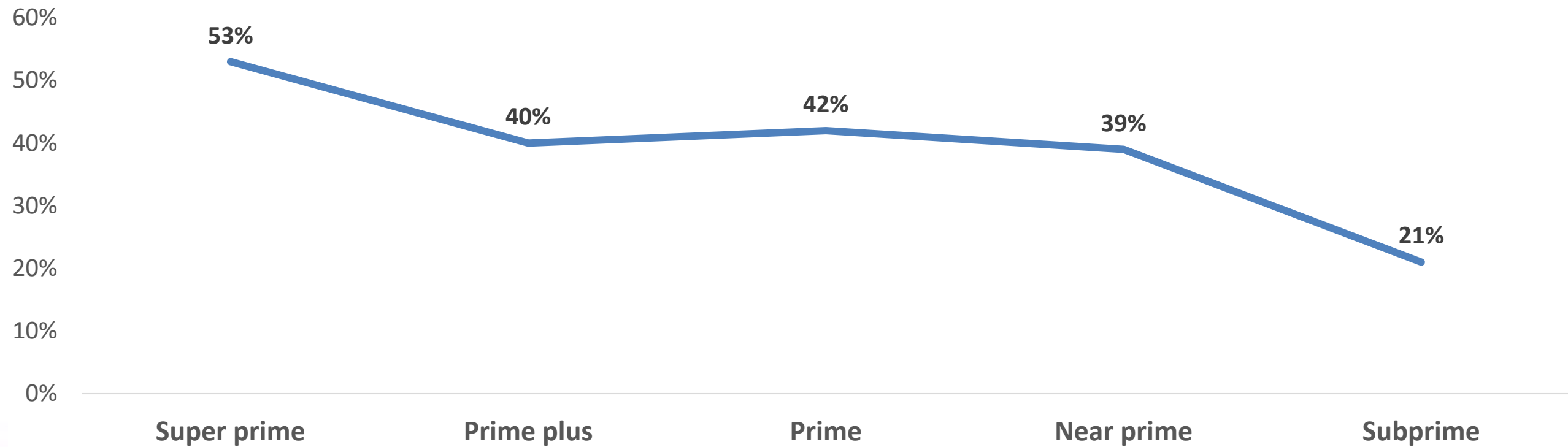
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However, non-prime can be less volatile

Personal Loan delinquency volatility after the Great Recession

(standard deviation divided by the tier's average delinquency)



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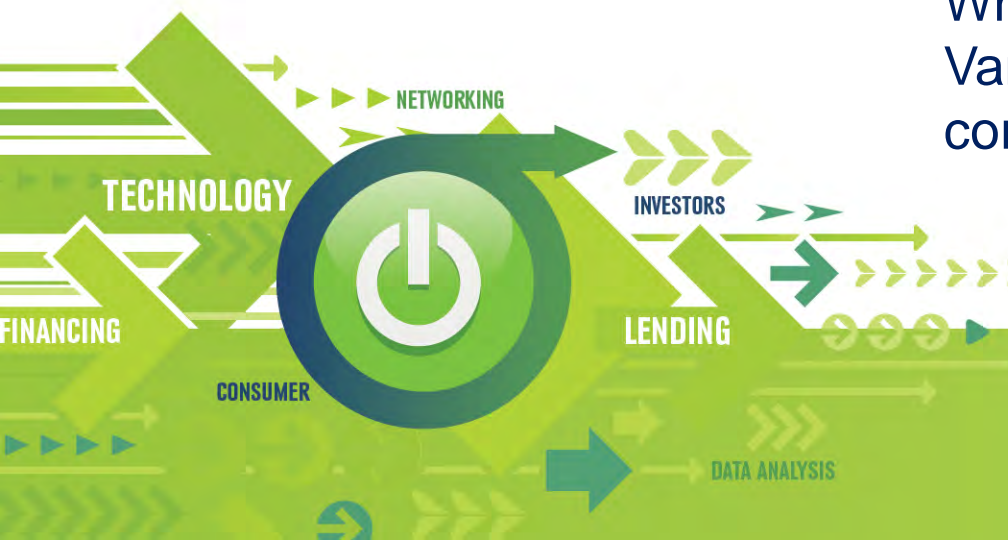
“Personal loan performance during times of stress” by Ryan Boyle and Ezra Becker, TransUnion, 2016.

Personal loan delinquency volatility during other times of stress

Originating risk tier	Silicon Valley (2001-2002)	Post-Katrina New Orleans (2005)	Detroit (2007-2009)	Great Recession* (2007-2009)
Super prime	+533%	+75%	+350%	+53%
Prime plus	+70%	+170%	+122%	+40%
Prime	+106%	+220%	+126%	+42%
Near prime	+48%	+92%	+85%	+39%
Subprime	-12%	+31%	-27%	+21%
All personal loans	+14%	+61%	-15%	(Not calculated)

* Great recession volatility was calculated by dividing the standard deviation by the average. All other periods is the percentage change from pre- to post-event.

While overall delinquency is positively correlated to VantageScore, the volatility of delinquency is inversely correlated to VantageScore.

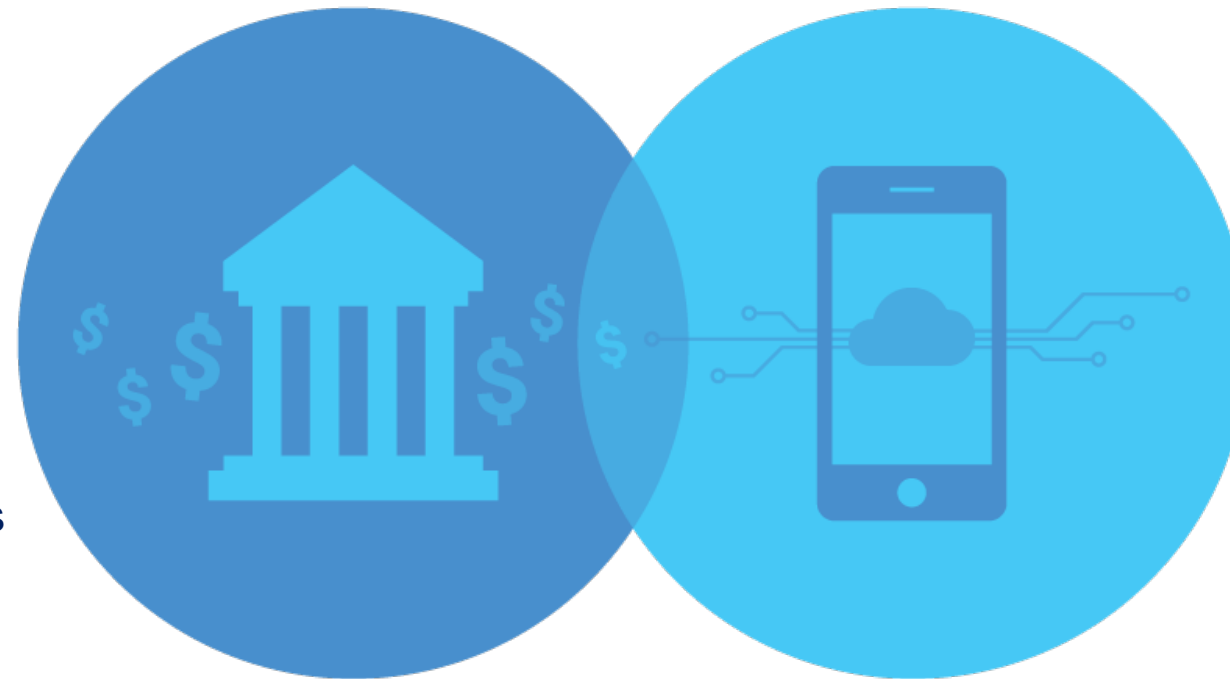


“Personal loan performance during times of stress” by Ryan Boyle and Ezra Becker, TransUnion, 2016.

We believe banks and fintech are “better together”

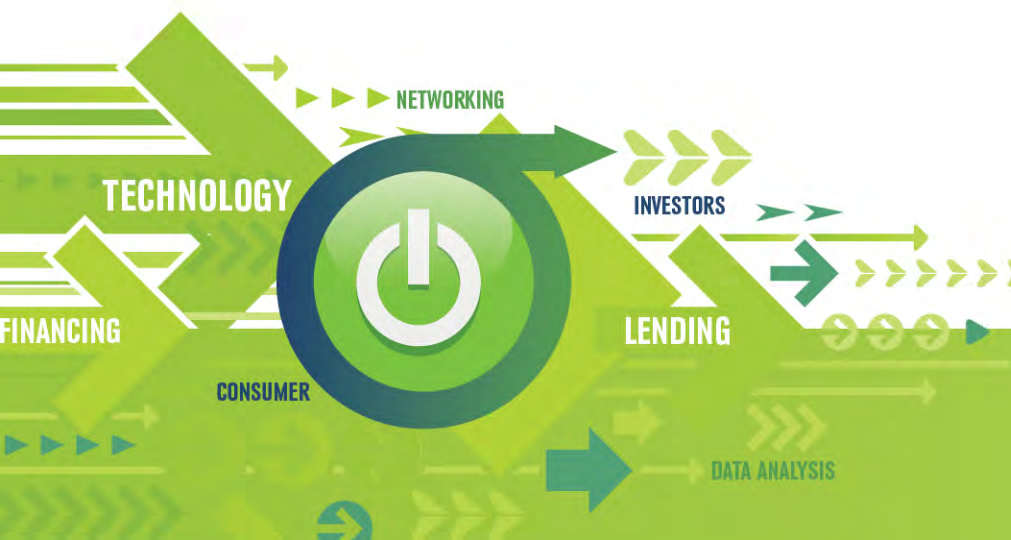
Banks Strengths

- Existing customer base
- Broad product set
- Low cost of capital
- National Bank Act protections
- Regulatory compliance



Fintech Strengths

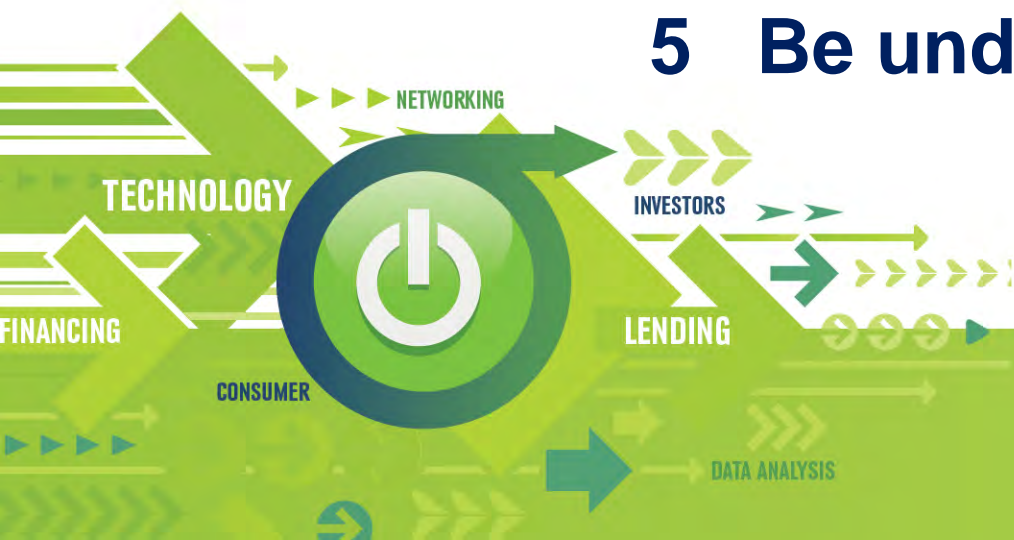
- New ideas
- Agile implementation
- Cutting edge analytics
- Online customer acquisition
- Online/mobile UX design



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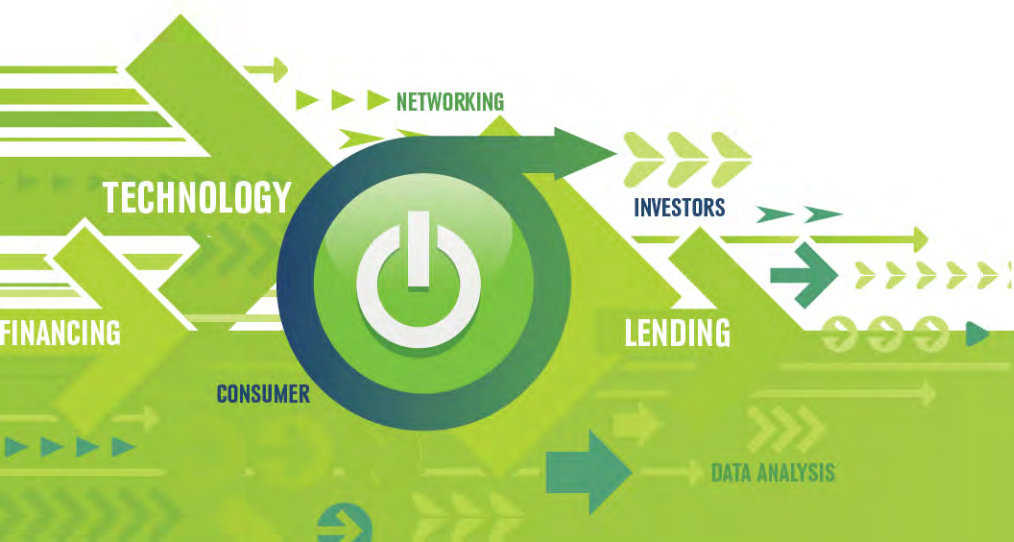
Our 5 commitments to consumers

- 1 Help end the cycle of debt**
- 2 Help consumers make better decisions**
- 3 Give the consumer time to back out**
- 4 Help consumers build credit so they can get lower-cost loans**
- 5 Be understanding when consumers can't pay on time**



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Elevate



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