



Current trends and the future of online lending



Introducing:

Peter Carroll
Oliver Wyman

Sharat Shankar
LendingUSA

Kevin Rund
Marlette Funding

Brodie Oldham
Experian



LendingUSA



Sharat Shankar
COO / Chief Risk Officer
LendingUSA

- Founded in 2015
 - 2,000 POS customers
 - 14,000 loans funded
 - \$84M total funded
 - 70 employees
 - 80% mgmt. ownership
 - SoCal location
- Core strength
 - Over 2,000 merchants enrolled and growing
 - 1,127 elective medical
 - 632 consumer services
 - 241 pet services



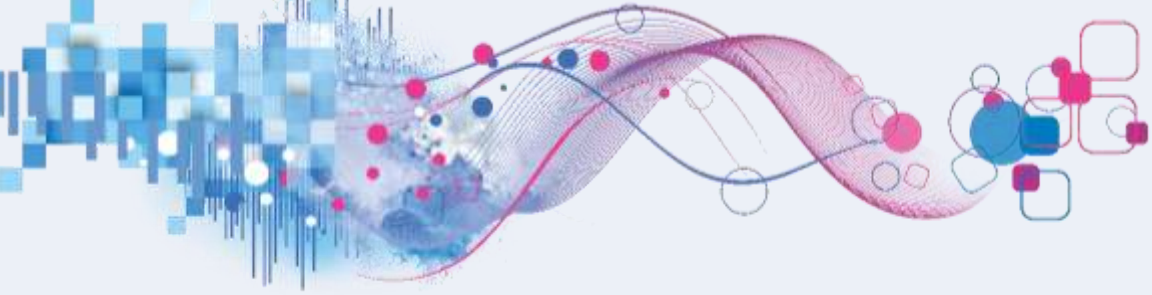
Marlette Funding



Kevin Rund
Director of Marketing
Marlette Funding

- Founded in 2013 – launched in March 2014
 - Best Egg is our consumer-facing brand
 - Focused on consumer debt consolidation / credit card refinancing
- Key statistics as of March 31, 2017
 - \$3 billion in funded loans
 - Over 200,000 loans funded





Overview of online lending

**“Banking is necessary.
Banks are not.”**

— Bill Gates



Marketplace lending

A credit market innovation that targets bank customers

Original argument

**“Banks are dinosaurs,
they can be bypassed.”**

— Bill Gates

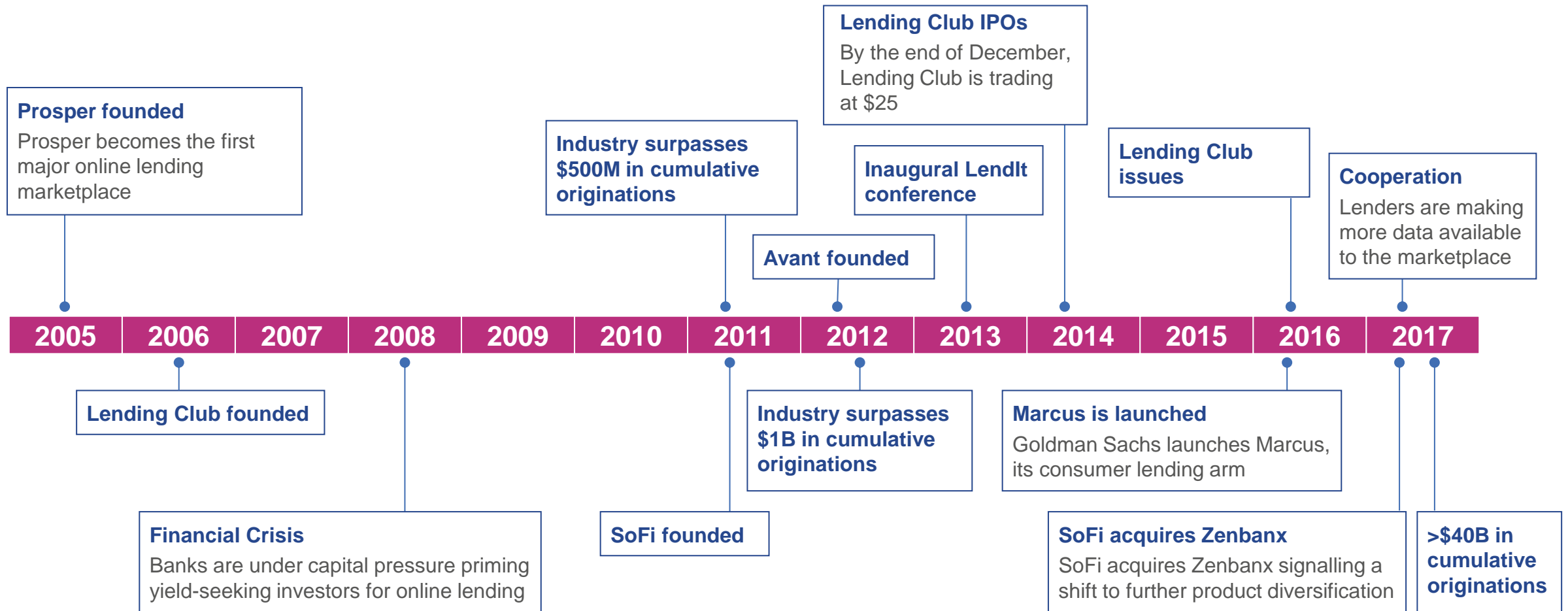
**“Banks are weighed down with expensive bricks
and mortar; we can go online to undercut them!”**

— Various, 1995–2015

Modern addenda

- Why can't people access their accounts on their smartphone?
 - Why can't they transfer money or pay bills online?
 - Why can't they apply for credit and open new accounts online?
 - Why can't an application be authenticated, verified and underwritten online — in close-to-real time?
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After “P2P” lending was born — it grew up to be marketplace lending



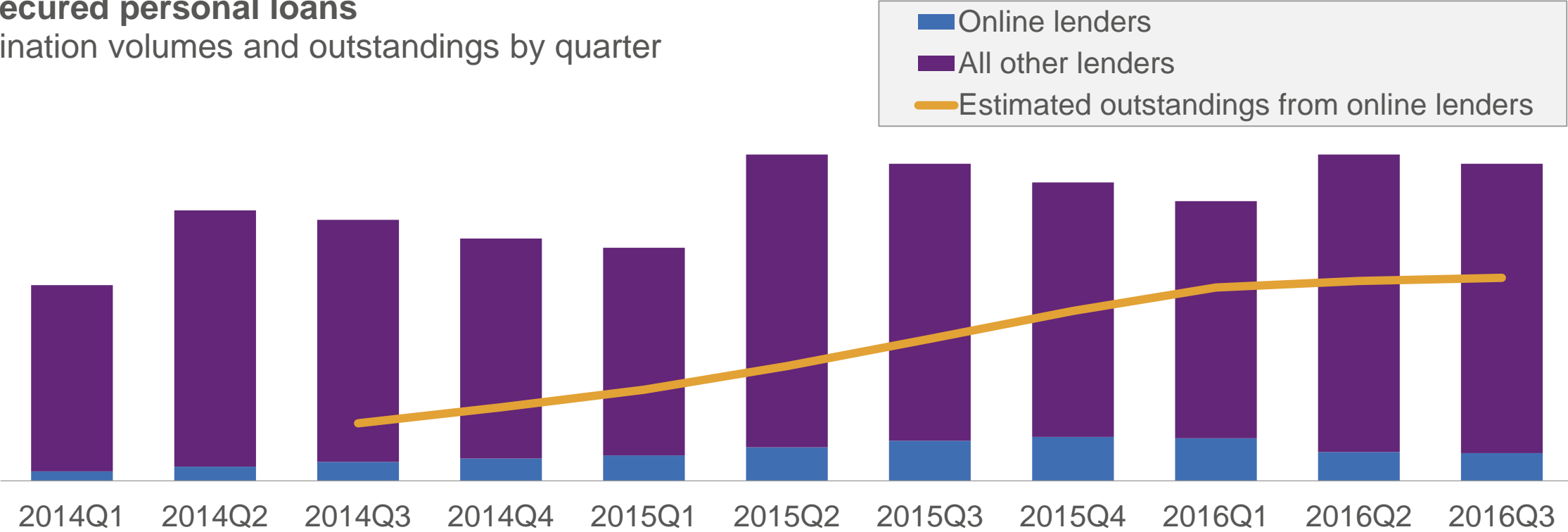
Today the online lending space is crowded and still evolving



Impressive growth has brought innovators' share of originations to approximately 10-15%

Unsecured personal loans

Origination volumes and outstandings by quarter



Source: Oliver Wyman, Experian, S&P Global Market Intelligence



Banks lost share to ‘insurgents,’ but are far from defenseless

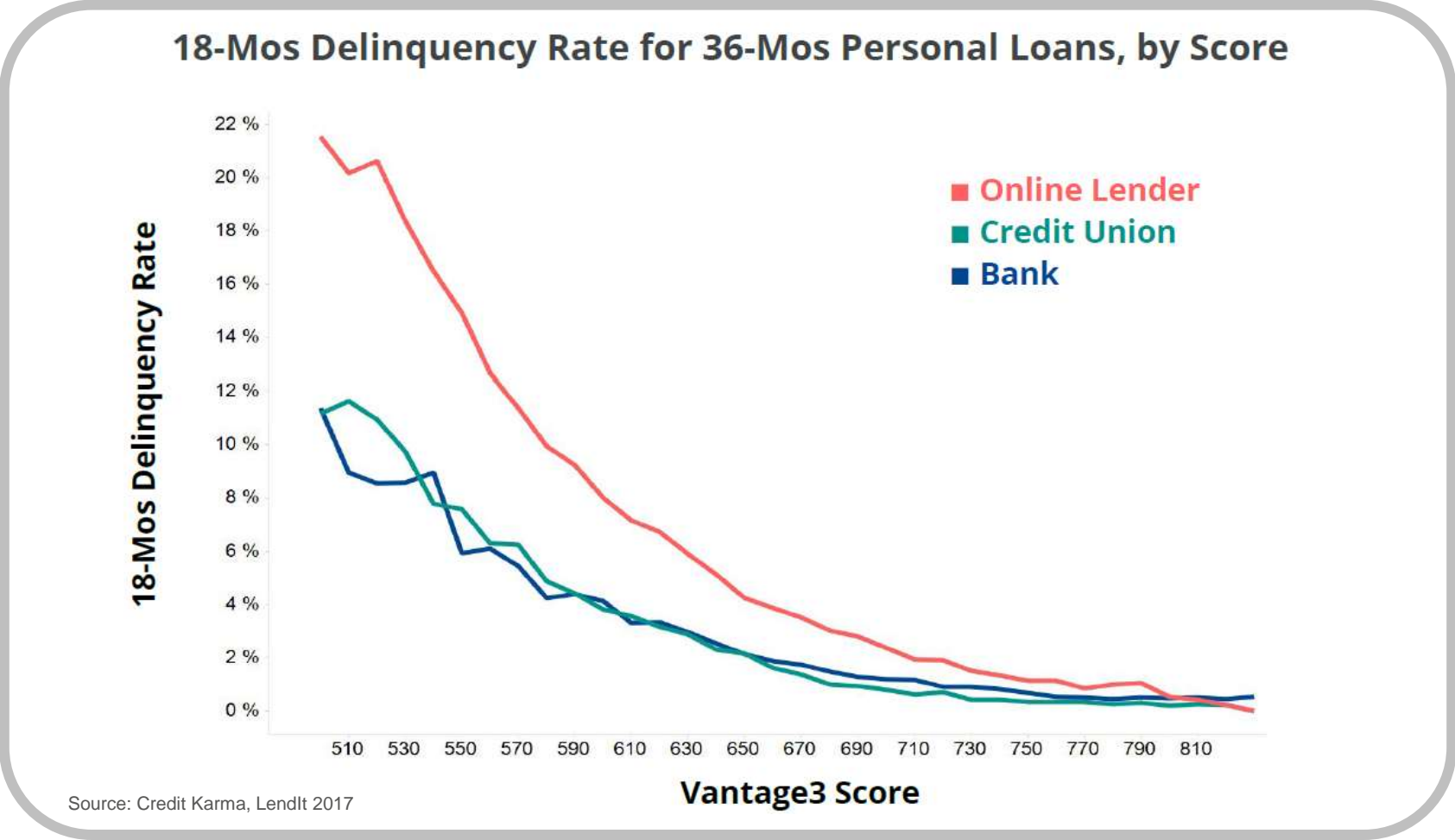
Advantage
Low – Not an advantage
Medium – Some advantage
High – Have the advantage

Comparison of inherent advantages for each potential lender

Dimension		Online lenders / marketplace	Banks	How can online lenders make improvements
1	Compelling customer experience	High	Low Medium	Voice recognition
2	Operational excellence	High	Low	New data sources / AI
3	Low cost, stable funding	Medium	High	Greater transparency / deeper liquidity
4	Large existing customer base with rich data access	Low	High	Alt. data sources/ better targeting; bank partners
5	Broader relationship potential	Low	High	Product innovation/cross-sell
6	Minimizing regulatory burden	Medium	Low	Industry ‘bill of rights’ Stay off the radar!



Channel bias is an issue for online lenders





Looking to the future

- Partnerships
- Channel bias
- Alternate data / machine learning / AI
- Deeper investor base / secondary market
- Broader product sets

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Questions and answers

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