



Using AI to Identify the Invisible Prime

November 2018

E/evate

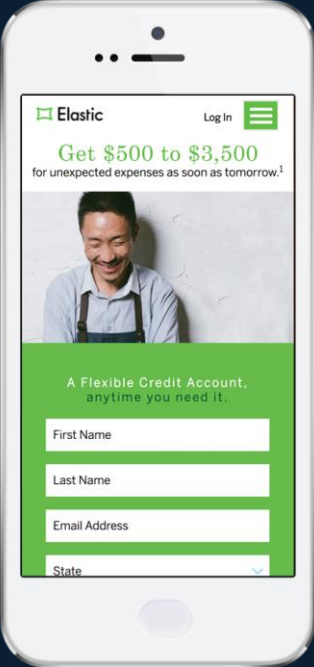




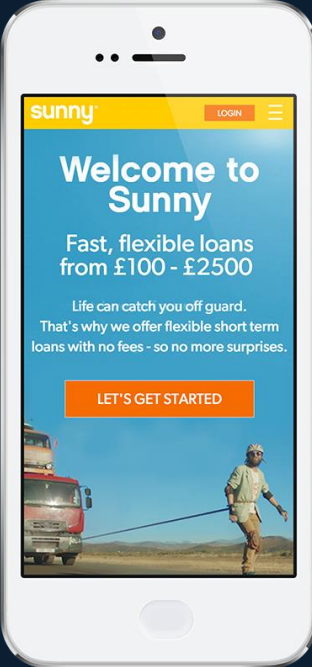
Elevate is reinventing non-prime credit with online products that provide financial relief today, and help people build a brighter financial future.

So far, we've originated \$6.3 billion to 2.1 million customers and saved them more than \$4.4 billion over payday loans

The next generation of responsible online credit

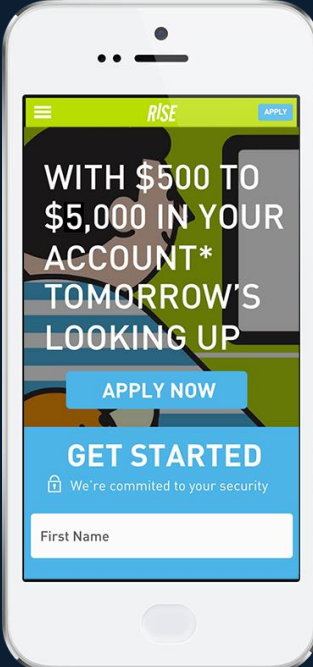


Approval in seconds



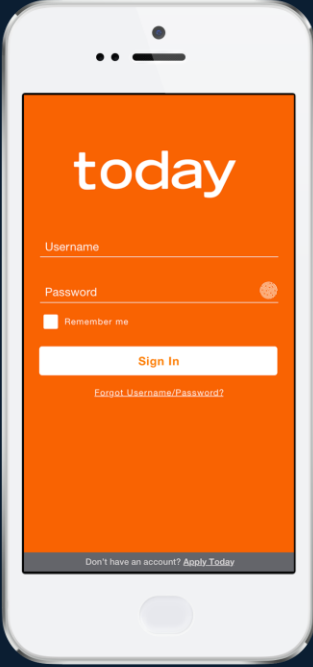
Rates that go down over time

Credit building features



Financial wellness features

Flexible payment terms



Good Today, Better Tomorrow

The U.S. is now a non-prime nation

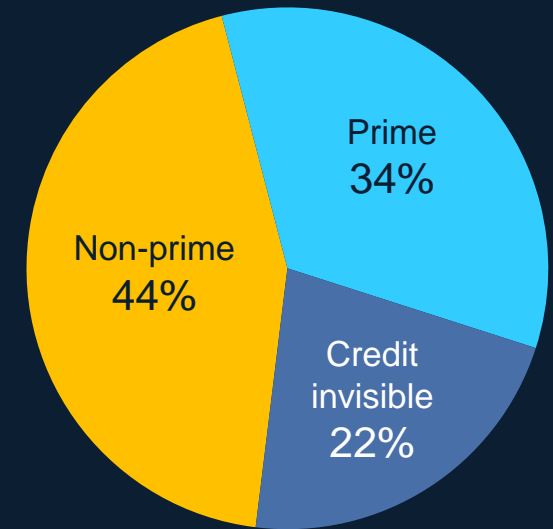


40%

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

2 in 5

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



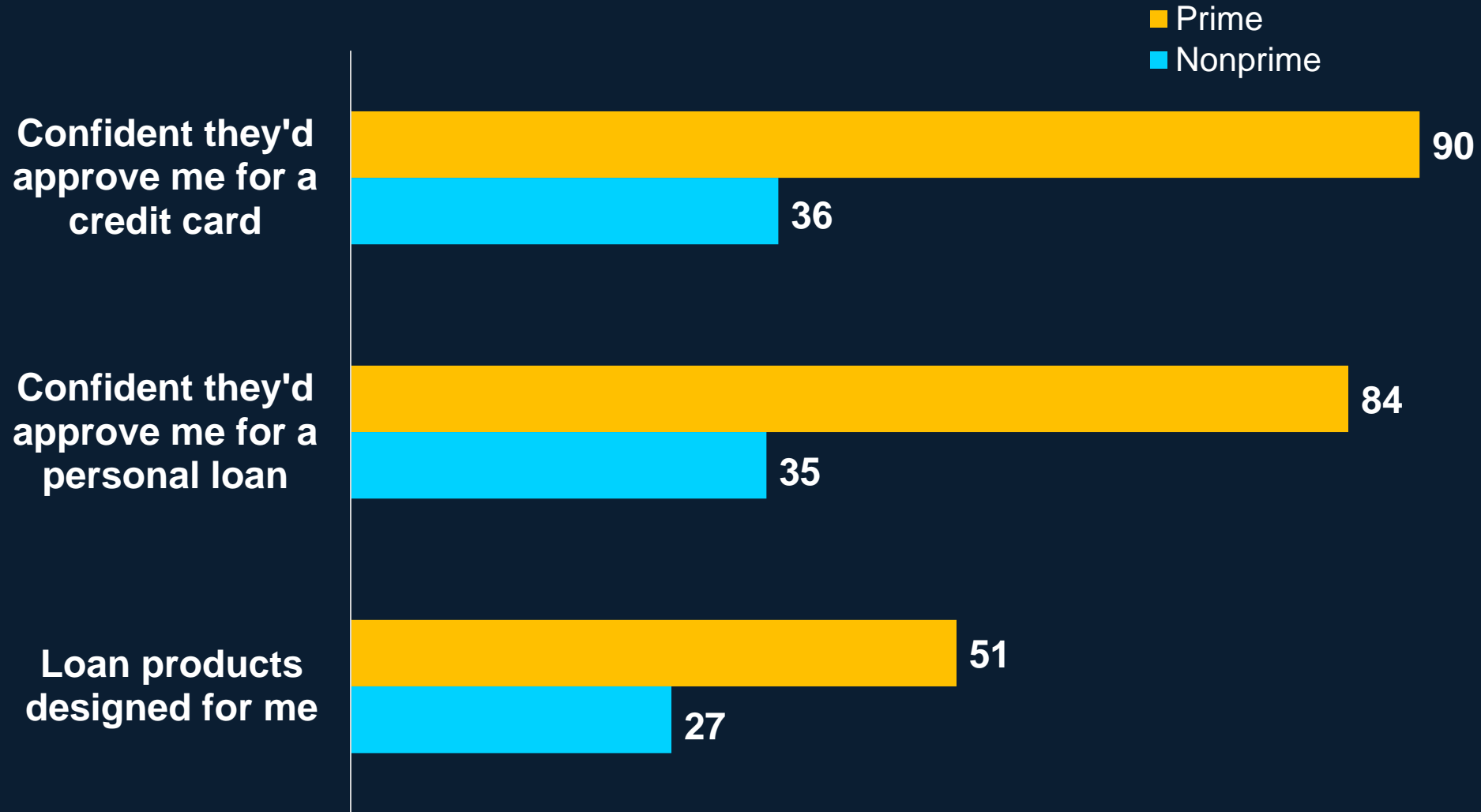
160MM

US non-prime population

Sources:

1. Board of Governors of the Federal Reserve System, *Report on the Economic Well-Being of U.S. Households 2017, 2018*
2. J.P. Morgan Chase & Co., *Weathering Volatility: Big Data on the Financial Ups and Downs of U.S. Individuals, 2015*
3. According to an analysis of TransUnion data through the third quarter of 2014 by the Corporation for Enterprise Development.
4. FICO, *Expanding Credit Opportunities*, July 2015

Banks no longer serving average Americans



Source: Elevate Center for the New Middle Class

Customers pushed to predatory products



\$142B

Total reduction in non-prime credit since 2008



Payday Loans



Pawn Shops



Title Loans



Storefront Installment

Source: According to our analysis of master pool trust data of securitizations for the five major credit card issuers, we estimate that from 2008 to 2015, revolving credit to US borrowers with FICO scores of less than 660 was reduced by approximately \$143 billion

Non-prime are less homogenous than prime

Credit invisible

- no or minimal credit history
- often young or new to country
- high chance of fraud

Maryam



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

Damaged

- previous charge-offs
- history of late payments
- may be forced to use payday loans

Jennifer



“I had recently filed for bankruptcy. Most lenders would not even give me a second glance”

Prime-ish

- significant credit history
- often over-extended on traditional credit
- creditworthiness may be eroding

Lamont



“I was diagnosed with a form of cancer. We were almost tapped out completely.”

Monolithic credit scores like FICO are insufficient

Issue isn't simply “using AI to identify the invisible prime”

Most of non-prime are that way for a reason

- Bad credit history / no credit history
- Income volatility / Expense volatility
- Lack of savings

No easy technical or analytical solutions

- AI and Big Data are necessary but not sufficient

Our approach to serving the non-prime

Traditional underwriting

Uniform customer score

Focus on credit history

Single/few data providers

Documentation & verifications

Elevate approach

Multiple “archetype” scores

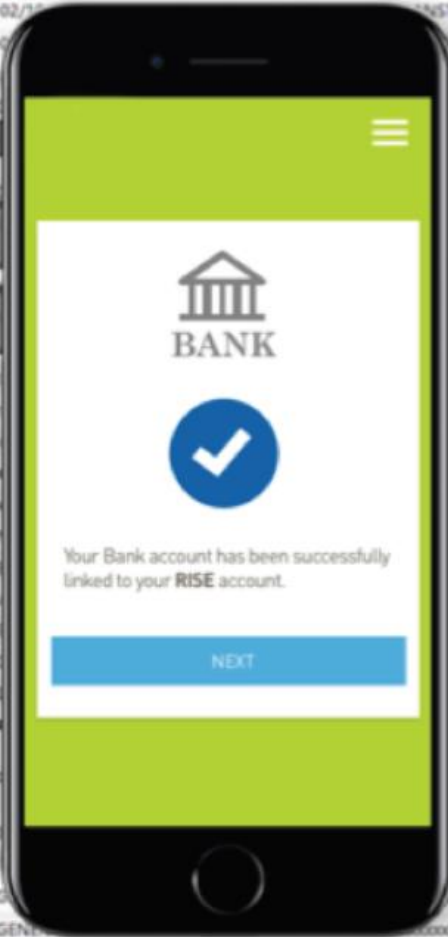
Credit, cash flow & character

Diverse data providers

Low friction / fully automated

Bank account transaction info is essential

Date	Codes	Description	Amount	Balance
2/19/2014		CHECKCARD 0215 GENERATIONS PIZZA SOUTH ATTLEBOMA xxxxxxxxxxxxxxxxxxxxxxx0512 205	(\$99.50)	\$74.78
2/19/2014		SAMS FOOD STOR 02/19/2014 #xxxxx0215 PURCHASE SAMS FOOD STORE CRANSTON RI 209	(\$25.00)	\$174.28
2/17/2014		SAMS FOOD STOR 02/17/2014 #xxxxx0215 PURCHASE SAMS FOOD STORE CRANSTON RI 203	(\$8.25)	\$199.28
2/15/2014	lc,dp	PAYDAY LOAN ID	\$300.00	\$207.53
2/15/2014		CHECKCARD 0215 02/15/2014 #xxxxx0512 205	(\$20.70)	(\$92.47)
2/15/2014		WALGREEN COMP 02/15/2014 #xxxxx0215 PURCHASE WALGREEN STORE CRANSTON RI	(\$23.23)	(\$71.77)
2/11/2014	ov	INSUFFICIENT FUN	(\$35.00)	(\$48.54)
2/11/2014	ov	INSUFFICIENT FUN	(\$35.00)	(\$13.54)
2/10/2014		RI 02/10 #xxxxx991	(\$99.96)	\$21.46
2/10/2014		SAMS FOOD STOR 02/10/2014 #xxxxx0215 PURCHASE SAMS FOOD STORE CRANSTON RI 209	(\$28.25)	\$121.42
2/6/2014		SHELL Service 02/06/2014 #xxxxx0215 PURCHASE SHELL SERVICE STATION CRANSTON RI 211	(\$29.60)	\$149.67
2/5/2014		EXXONMOBIL POS 02/05/2014 #xxxxx0215 PURCHASE EXXONMOBIL SERVICE STATION CRANSTON RI MA 212	(\$12.09)	\$179.27
2/4/2014		SEACREST APARTM 02/04/2014 #xxxxx0215 PURCHASE SEACREST APARTMENT CRANSTON RI 212	(\$645.00)	\$191.36
2/4/2014		Online scheduled tr	(\$20.00)	\$836.36
2/3/2014		SAMS FOOD STOR 02/03/2014 #xxxxx0215 PURCHASE SAMS FOOD STORE CRANSTON RI 216	(\$8.25)	\$856.36
2/3/2014		SHEERGATE 02/03/2014 #xxxxx0215 PURCHASE SHEERGATE STORE CRANSTON RI 216	(\$23.75)	\$864.61
2/2/2014		KMART 02/02 #xxxxx0215 PURCHASE KMART STORE CRANSTON RI 216	(\$5.95)	\$888.36
2/1/2014		CHECKCARD 0201 02/01/2014 #xxxxx0215 PURCHASE CHECKCARD STORE CRANSTON RI 216	(\$60.00)	\$894.31
2/1/2014		CHECKCARD 0201 02/01/2014 #xxxxx0215 PURCHASE CHECKCARD STORE CRANSTON RI 216	(\$60.00)	\$894.31
2/1/2014		BKOFAMERICA ATM 02/01/2014 #xxxxx0215 PURCHASE BKOFAMERICA ATM CRANSTON RI 218	(\$40.00)	\$1,189.72
1/29/2014		SHELL Service 01/29/2014 #xxxxx0215 PURCHASE SHELL SERVICE STATION CRANSTON RI 222	(\$12.87)	\$1,229.72
1/29/2014		CHECKCARD 0129 01/29/2014 #xxxxx0227 221	(\$9.70)	\$1,242.59
1/28/2014		BESTWAY GAS & O 01/28/2014 #xxxxx0225 225	(\$28.80)	\$1,252.29
1/28/2014	dp	Online Banking tra 01/28/2014 #xxxxx9407	\$60.00	\$1,281.09
1/28/2014		CHECKCARD 0128 01/28/2014 #xxxxx0223 223	(\$30.00)	\$1,221.09
1/27/2014		SUNOCO xxx0946 01/27/2014 #xxxxx0226 226	(\$25.00)	\$1,251.09
1/26/2014	py,dp	BOB'S DISCOUNT 01/26/2014 #xxxxx0155 228	(\$21.00)	\$21.25
1/26/2014		CHECKCARD 0215 GEN 01/26/2014 #xxxxx0512 205	(\$68.46)	\$42.25
1/25/2014		SAMS FOOD STOR 02/10 #xxxxx0734 PURCHASE SAMS FOOD STORE CRANSTON RI 209	(\$8.25)	\$110.71



Challenges and policy issues

Use of machine learning/big data techniques

- NOAAs
- Disparate impact

Use of bank account transaction data

- Household vs individual accounts
- NOAAs for “character” issues

Online fraud management

- Declining with non-credit data



We believe
everyone
deserves
a lift.

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