

TRADITIONAL INSTALLMENT LENDING

Safe, Flexible, and Affordable

SEGMENTS

Type*	\$ Billions
Student Loans	\$ 993
Credit Cards	850
Auto Loans	798
Other	135
Total	\$2,776

* From various sources. May not tie to FRB statistical releases

AVERAGE BALANCES

Type	Average Balance*
Student Loans	\$ 32,054
Credit Cards	\$ 15,216
Mortgage	\$ 148,443

**From several sources*

KEY STRUCTURAL ELEMENTS OF TRADITIONAL INSTALLMENT LOANS

- Fixed, set term
- Fixed, substantially equal payments
- Fixed rate
- Underwritten to determine affordability and ability to repay
- Fully amortizing

OTHER ASPECTS OF TRADITIONAL INSTALLMENT LOANS

- Extensive state regulation and examination for many years
- Local operations in bricks-and-mortar physical locations
- Access to checking account not required
- Report payment history to credit bureau
- Security: varies widely; depends on loan size and strategy
- Credit insurance: depends primarily on state rate structure

KEY FACTORS CONSIDERED IN APPLICATION AND UNDERWRITING PROCESS

- Credit history
- Employment history and stability
- Income
- Debt ratio
- Current debt

COLLECTIONS FACTORS

- Communications challenges
- Changes in circumstances
- Problem resolution

PAYMENT TIMING

Before Due Date	31%
During Grace Period	37%
After Grace Period	32%

MAINTAINING COMMUNICATIONS

Average Calls / Account	3
Average Calls / Branch	3200
Average Calls / Employee	865

HOT BUTTON ISSUES

- Rate caps
- High cost
- Cycle of debt
- Credit insurance

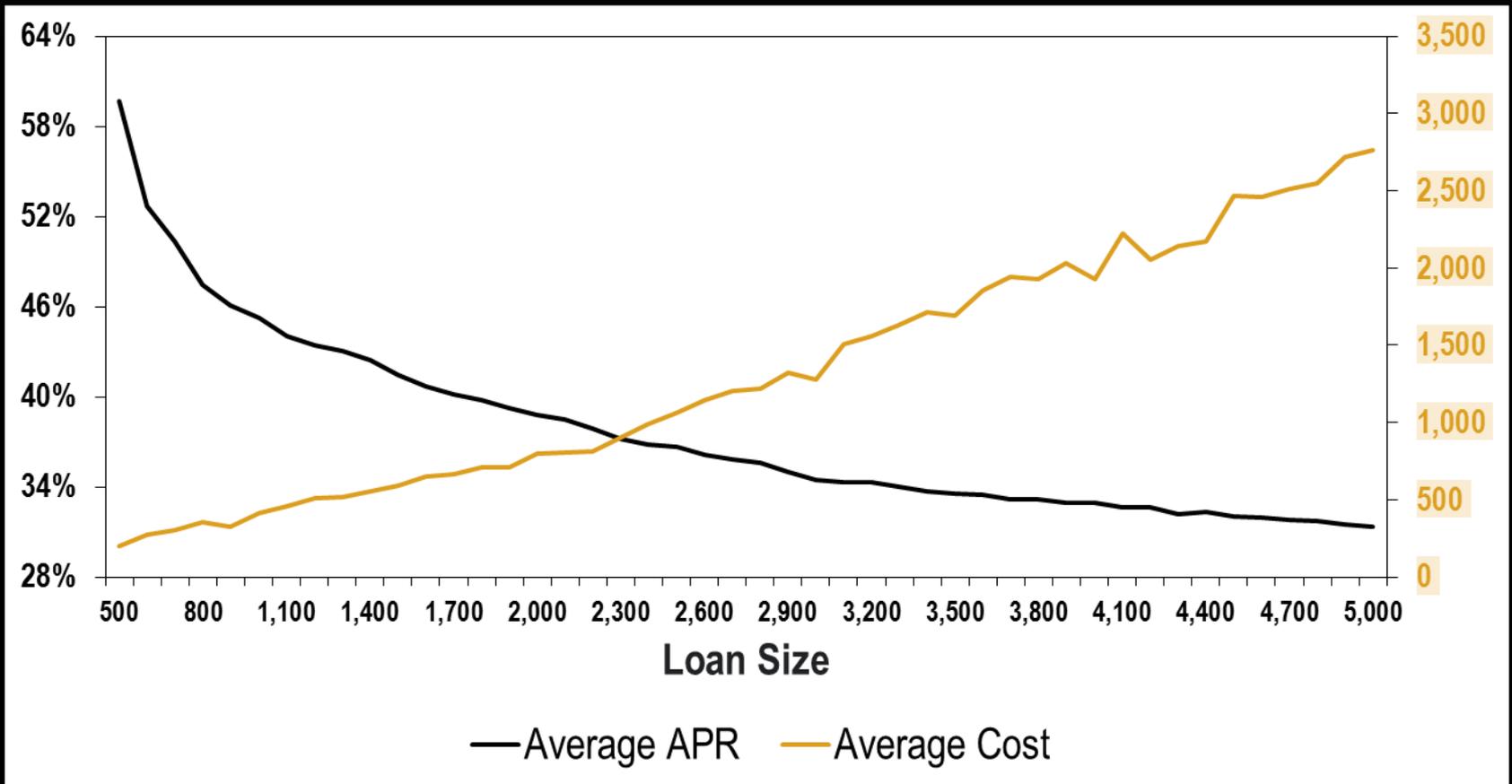
1,000 ACCOUNT BREAK EVEN MODEL

Loan Size	Monthly Cost	Breakeven Rate
\$200	\$24.19	145%
\$500	\$30.47	73%
\$1,000	\$40.94	49%
\$2,500	\$72.88	35%

500 ACCOUNT BREAK EVEN MODEL

Loan Size	Monthly Cost	BE Rate
\$200	\$44.19	265%
\$500	\$50.47	121%
\$1,000	\$60.94	73%
\$2,500	\$99.35	44%

THE HIGHER THE APR THE LOWER THE COST



CREDIT COST COMPARISONS

Loan Amount	\$1,000	\$1,000
Term/Payments	24	61
Rate	40%	18%
Payment Amount	\$61.19	\$25.14
Total Payment	\$1,468.51	\$1,533.30
Total Interest	\$468.51	\$533.30

CREDIT INSURANCE

- Customers carry minimal or no insurance
- Cost is affordable
- Coverage and benefits are important in many circumstances

ADVANCES IN DATA ANALYTICS AND UNDERWRITING PRACTICES

- Still heavily dependent on credit scores
- Judgment still critical in low score ranges
- Significant subset of creditors don't report data
- Improved, cost-effective information technology helps
- Increasing access to checking and online payment options helps

FINANCIAL LITERACY EDUCATION

- AFSA Education Foundation
 - MoneySKILL has trained 15,400 teachers and more than 435,000 students
- Jump\$tart Coalition
- Renewal Financial

TRADITIONAL INSTALLMENT LENDING

*A time-tested, effectively regulated, safe, flexible, and
affordable option*