OPORTUN

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Office of the Comptroller of the Currency
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Oportun Overview

Oportun is a mission-driven direct lender dedicated to providing access to responsible and affordable credit for Latinos and other consumers with limited or no credit history. We are a small dollar, unsecured installment lender, with loans that are fairly priced and that help customers establish a credit history and achieve their financial goals.

We are currently state licensed to serve customers in Arizona, California, Illinois, Nevada, Texas, and Utah. We were founded in 2005 and made our first loan in 2006. Since then, we have disbursed more than 1,400,000 loans totaling $2.4 billion to over 725,000 members of underserved communities who otherwise may not have gained access to credit through traditional means.

Our borrowers have an average annual gross income of $35,283. Ninety percent of our borrowers live in census tracts that are considered to be Low or Moderate Income ("LMI"). Because of this focus, Oportun has been certified as a Community Development Financial Institution ("CDFI") since 2009. We are somewhat unique in the CDFI community because our model is a for-profit, scalable model that is dedicated to support of our mission.

Oportun offers one simple product: an unsecured amortizing consumer installment loan ranging in size from $300 to $7,000, with terms ranging from 6 to 35 months. We charge fixed rates, do not charge pre-payment penalties, and perform an ability to repay analysis on every borrower, using verified income and debt as well as a "big-data" analysis for other household expenses. Our loans are repayable either bi-weekly or semi-monthly, to coincide with our customers' paychecks. If customers pay us back in time they are eligible to apply for another loan.

Compared to the alternatives typically available to people with limited credit history — including payday, auto-title, and pawn loans — Oportun loans are affordable. Those alternatives are on average more than three times more expensive than Oportun loans but can be up to seven times more expensive, according to a study conducted in California, Texas, and Illinois on Oportun's behalf by the Center for Financial Services Innovation (CFSI), a leading authority on consumer financial health.**

We consider ourselves an innovator in small dollar credit and use advanced data analytics and technology not only to score the "unscoreable" and set loan amounts and terms to fit our customers' individual budgets, but to efficiently operate a network of nearly 200 brick-and-mortar locations in the low income neighborhoods where most of our customers live or work. These retail locations provide personalized service in both English and Spanish, as do our call centers. We are also developing our mobile presence and are piloting end-to-end mobile services.

**CFSI developed a product cost model that took into account the size of a loan, the monthly cash-flow borrowers have available to service a loan, and the rates and terms offered at Oportun and at alternative small-dollar credit providers that are generally used to fulfill similar borrowing needs in some of the geographic areas served by Oportun (California, Illinois, and Texas). Data was collected in March 2015.

How the OCC Can Encourage Responsible, Innovative Lenders

Oportun appreciates the OCC's request for comment on how the OCC and other federal banking regulators can help foster responsible innovation in the federal banking system. Oportun agrees with the Guiding Principles for the OCC's approach to responsible lending outlined in the request. We would like to provide specific answers to the following question:

9. What should the OCC consider with respect to innovation?

The OCC and other federal agencies should encourage state regulators to develop a more uniform regulatory environment and licensing approach that encourages responsible competition in a nationwide market for non-bank lenders. By encouraging a national market, federal regulations can allow lending innovations to diffuse and scale appropriately across the country and, as a result, increase access to credit and reduce the price of small-dollar loans for traditionally underserved consumers.

Currently, non-bank lenders, like Oportun, are independently licensed and regulated by each state. Unlike the insurance industry, where state regulators have formed the National Association of Insurance Commissioners—a national body tasked with developing model legislation and rulemaking and monitoring the impact of state rules on industry practices and product availability nationwide—there is no independent association of state regulators specifically tasked with monitoring the regulatory consistency of the state licensing and product requirements imposed upon the industry.

The lack of consistency creates a significant challenge to a non-bank lender's ability to successfully scale its products and offer them to the full scope of traditionally underserved consumers that would benefit from having less expensive choices. The licensing statutes that differ by state impose: varying interest-rate caps; different recordkeeping requirements; different restrictions on loan origination, underwriting, and servicing practices, including limits on the amount and type of finance charges and the amount and manner of charging fees; different disclosure requirements; varying requirements that licensees submit to periodic examination; varying surety bond and minimum specified net worth requirements; different periodic financial and management reporting requirements; different restrictions on advertising; and different requirements that loan forms be submitted for review.

These differences force a non-bank lender to develop different loan products, different servicing practices, and different disclosure documentation for each potential new market, which ultimately drives up the product's cost for consumers.

Oportun recommends that the OCC and other federal regulators encourage state regulators to work together to ensure a more uniform regulatory environment for non-bank lenders that facilitates multi-state access to small-dollar loans in a responsible manner, such as the effort undertaken by state regulators of the insurance industry. Alternatively, the OCC and other federal regulators should consider clarifying the rules under which non-bank lenders can partner with banks in offering loans on a nationwide basis, or consider designing a national licensing system which would allow lenders to standardize their product offerings on a national basis, which would generate savings that could be passed on to borrowers.

Thank you for allowing Oportun to share information about our experiences as state licensed mission driven lender. If you have any questions regarding the information submitted in our response, please feel free to contact me, Joan Aristei, Oportun's Vice President of Enterprise Risk, Compliance & Legal Counsel, at joan.aristei@progressfin.com.

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