

The Race is On:

How To Drive Loan
Growth in 2021





Curtis Wagner

Director of Client Services, Zest AI

Zest is transforming how the consumer finance industry makes its biggest decision — through more data, better math, and smarter software.

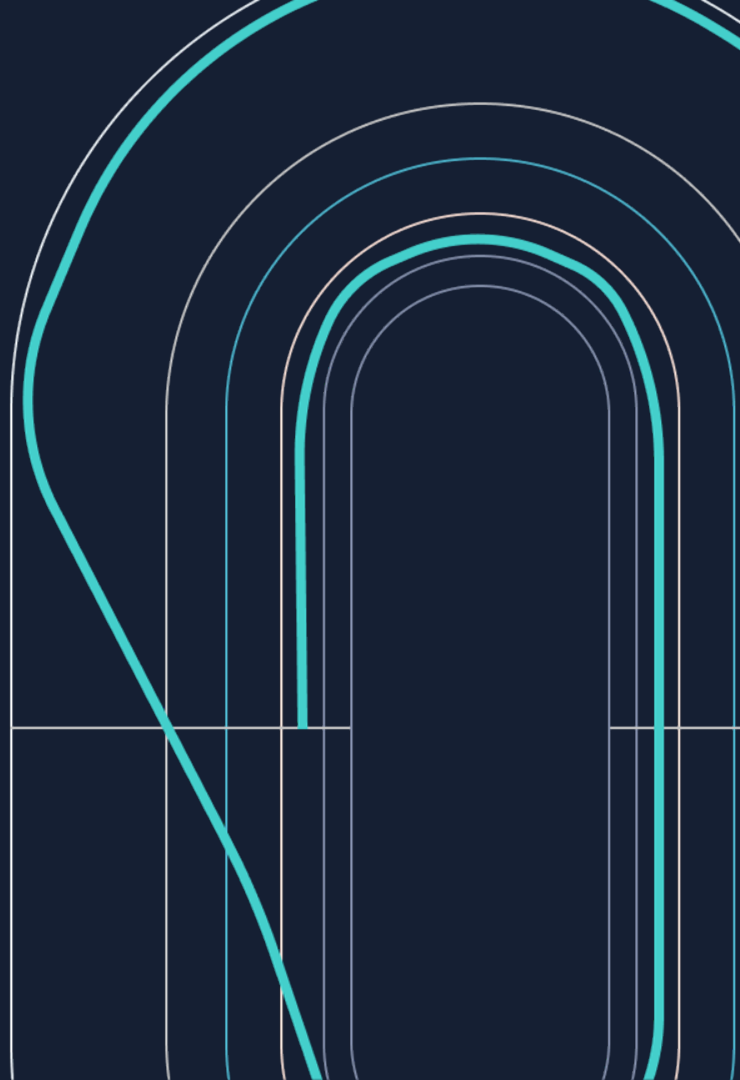
Who is Zest AI?

Perfecting AI-enabled credit solutions for over a decade



Agenda

- Diagnosing challenges to loan growth
- Driving loan growth with AI-powered lending
 - Reaching broader markets
 - Decisioning more quickly and accurately
 - Competitive pricing and higher yield



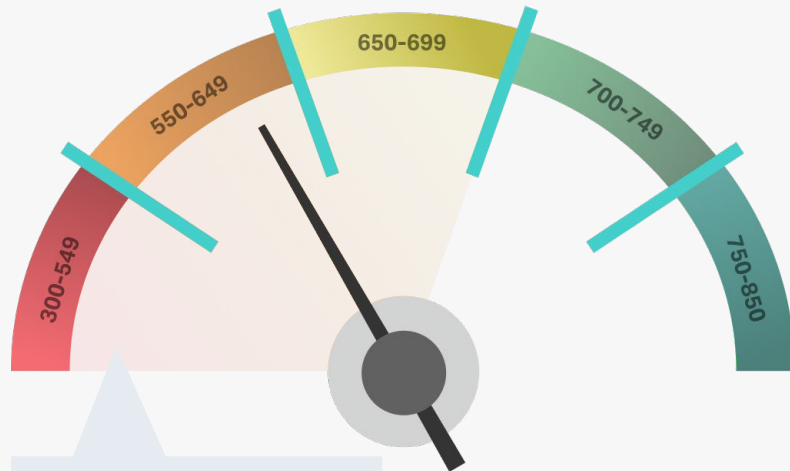
Lending today is like...



\$2 Trillion Surge in Deposits



Loan Growth Can't keep Pace



114M Americans are considered subprime

What's your biggest challenge to loan growth?

- A. Not receiving enough applications
- B. Denying too many applications
- C. Approved applicants taking loans elsewhere
- D. Taking on too much risk

Diagnosing growth challenges

Not enough applications or funded loans

- × Marketing is limited to primarily the competitive, prime borrower segment
- × No support for or poor experience with digital application process
- × Loan offers and pricing are not competitive enough

Too many denials or too much risk

- × Lack of confidence in approving down spectrum
- × Inability to accurately assess risk outside prime borrower segment
- × Poor credit policy fit (too restrictive or too lenient)

AI-driven lending can help

- ✓ Accurately assess risk below prime segments and **safely lend down spectrum** (reach broader market)
- Automate and **streamline decisioning** for smoother, faster and more consistent application experiences
- Enable more competitive offers with **risk -based pricing**
- Help inform more **inclusive credit policy** and satisfy fair lending and regulatory requirements
- Plus, enhance market advantage with **operational efficiency and agility**

Credit Card Growth

One of the largest credit unions in the US wanted to expand their memberbase. To attract new members, VyStar Credit Union sought to provide greater access to affordable credit and a better loan experience. They needed a solution that would expand product portfolios faster and more efficiently without taking on additional risk.

Zest's Model Management System built a new credit card model using over 500 variables, helping to **improve risk assessment accuracy with deeper insights into new potential borrower populations**. This increased confidence in thresholds for auto -approvals allowing Vystar to accept more members.



22%

Increase in portfolio approvals while holding risk constant

\$40M

In new credit that will be issued every year

“What really excites us is the opportunity to **offer instant decisions, better pricing, and personalized service** to our members through our partnership with Zest”

- Jenny Vipperman, Chief Lending Officer

More data and smarter math drives better risk prediction



Incorporate more data

Using data & attributes you already have



Model more variables

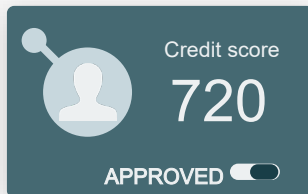
Hundreds of variables and interactions boost accuracy and resiliency



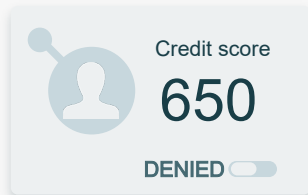
Swap risky borrowers for good ones

Custom scores boost performance

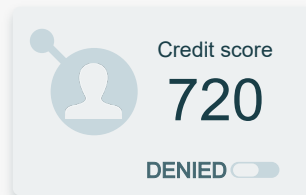
Status Quo: 10's of variables



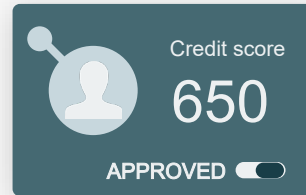
- # accounts owned
- # late payments of 30 -60 days
- # new credit accounts
- # years credit history
- # credit mix



Future: 100's of variables



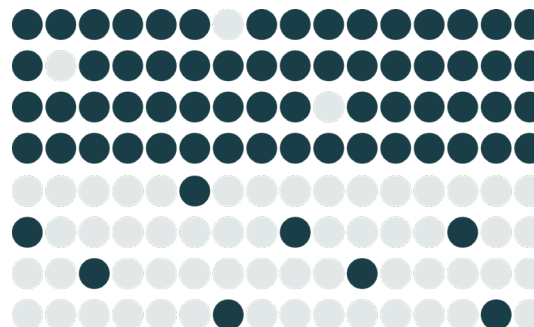
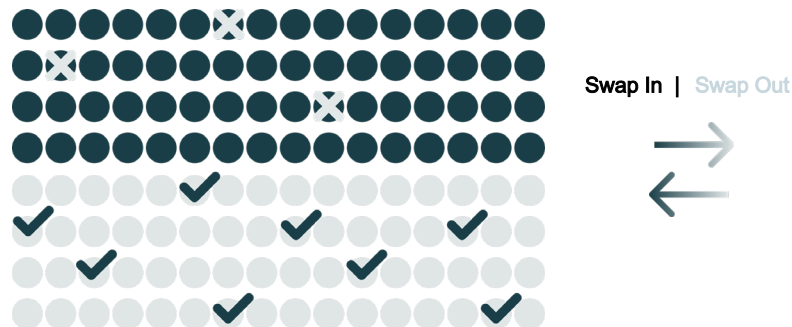
- # accounts owned
- # late payments of 30 -60 days
- # new credit accounts
- # years credit history
- # credit mix
- % of trades reported last month
- # of loans never delinquent
- Overall balance to credit amount
- Present status on all trades
- \$ total available credit limit
- Maximum single balance



Reach a broader borrower pool

Approve farther down spectrum without added risk

- Qualified
- ✓ Creditworthy applicants misclassified as high risk
- Unqualified
- ✗ Risky applicants misclassified as creditworthy



+15%

More approvals at
the same risk levels

Make more accurate decisions quickly to drive take rates



Applicants don't want to wait

Other options are always available



Underwriting wants the info they need

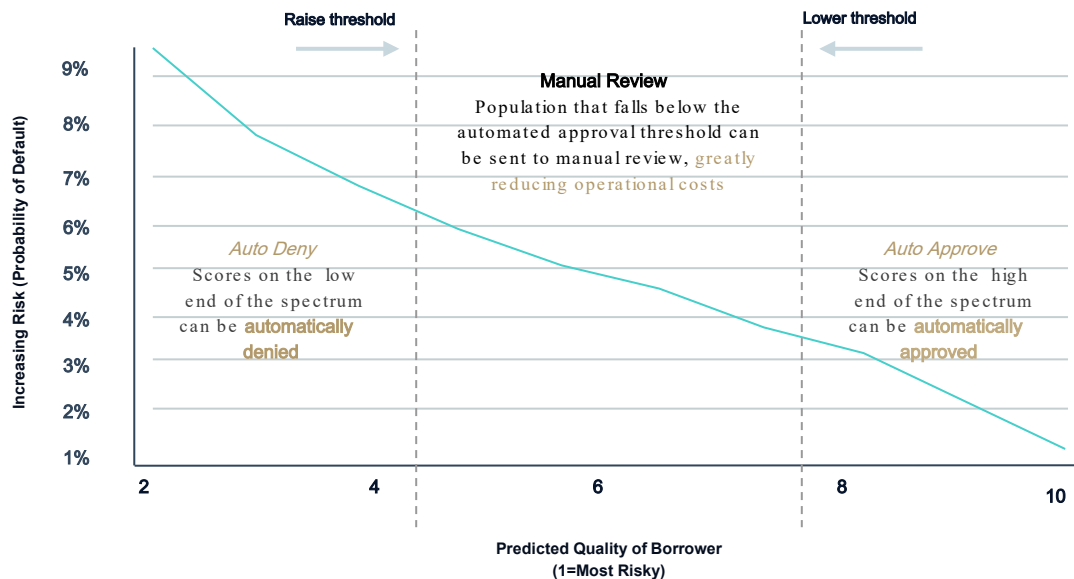
Time can be better spent than chasing data



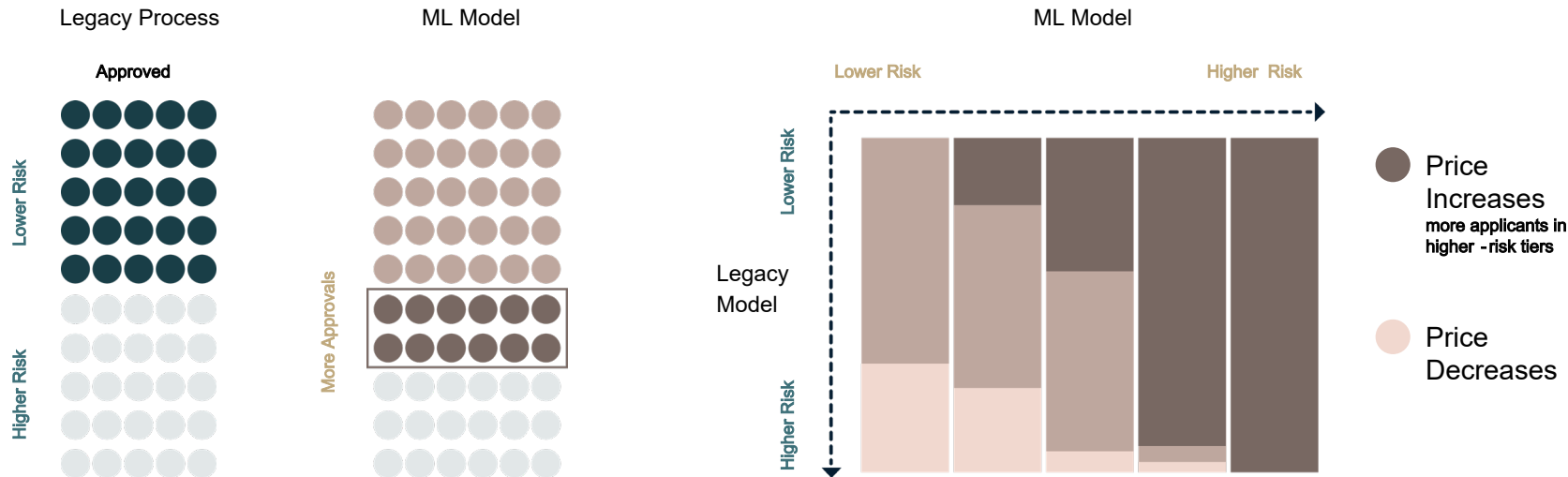
Automated decisioning is a win - win

Save your entire organization time and resources

Automated Decisioning



Make competitive offers and solve for yield



ML models help you safely make new loans to borrowers who are better risks than their credit scores might imply.

With more approved borrowers and pricing that more accurately reflects their risk, you can make more money.

Key learnings

In a highly competitive market,

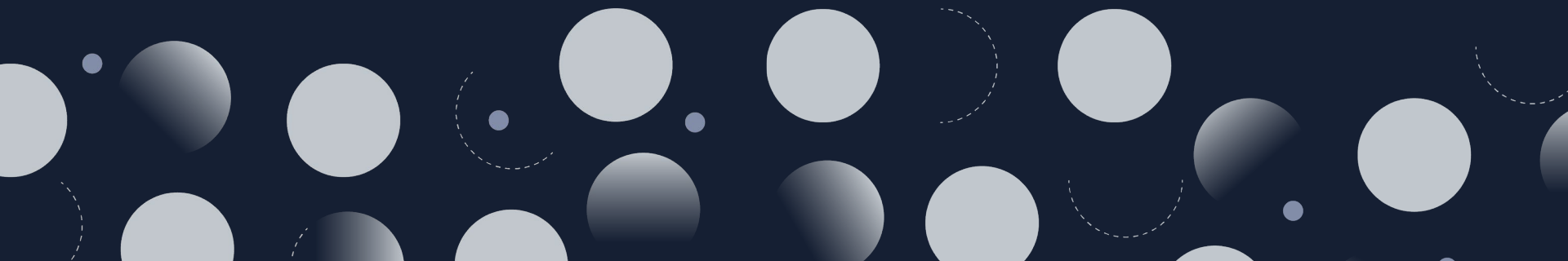
- ✓ The ability to better predict risk across the broader market is a **key competitive advantage**
- Delivering smooth application processes and quick credit decisions makes the difference between **funding loans or losing to competitors**
- Striking the right balance with competitive offers, appropriate portfolio risk, and smart credit strategy is **easier with better technology solutions**

Thank You!

Curtis Wagner

Director of Client Services @ Zest AI

curtis.wagner@zest.ai



Reduce Losses

A major consumer credit lender had to virtually cease marketing personal loan offerings to near - prime customers after **charge -off rates doubled between 2014 and 2017.**

Working with Zest, the lender evaluated more than **20,000 unique borrower characteristics** from raw credit bureau and in -house data to come up with 450 model variables, 17x more than the lender was using to underwrite loans.

DISCOVER

51%

Reduction in charge - off rate

450

Model variables; 17x more than previously

10s

Of millions of dollars in annual savings

“Banks that fail to invest in machine learning will end up **fundamentally uncompetitive** in a couple of years. We found the best way to drive benefit faster was a **partnership with Zest** ”

- Roger Hochschild, CEO & President

Automate Decisioning

More comprehensive model scores mean more confidence in fast decisions

Better Rank Ordering of Risk

Improved accuracy with deeper insights into your potential borrower population means you can feel confident in thresholds for auto -approvals.

Fast, Accurate Decisions

Instant scores and reason codes deliver a superior borrower experience while consistent decisions keep your portfolio balanced, all within your existing LOS.

More Efficient Underwriting

Reduce the number of applications that require manual review and save your underwriters for the tough decisions and high -value borrowers who require extra scrutiny.



“What really excites us is the opportunity to offer instant decisions, better pricing, and **personalized service** to our members through our partnership with Zest”

- Jenny Vipperman, Chief Lending Officer

Succeed in new markets

This \$400M subprime auto lender was using a consultant to develop traditional credit risk scorecards, which performed better than FICO but did not predict well across lending businesses acquired through M&A.

A single Zest model was able to **swap out risky borrowers** and replace them with consumers who were more creditworthy than the traditional credit score suggested for all portfolios.

ACC is now able to safely expand its portfolio enjoying lower delinquency rates across segments.



33%

Decrease in delinquency rates

\$3M

Annual credit savings from reduction in delinquencies

15%

Increase in K - S (model accuracy)

“Zest’s model is mathematically superior to the scorecard produced by our consultants.”

Diana Larsh, VP Risk & Analytics