June 24, 2019

Office of Innovation
Office of the Comptroller of the Currency
E-mail: pilotprogram@occ.treas.gov

Re: OCC Innovation Pilot Program

To Whom It May Concern:

Aura Financial Corporation (Aura) respectfully submits the following comments in response to the request for public comments on the Innovation Pilot Program by the Office of the Comptroller of the Currency (the "OCC").

Commenter's Background

Aura is a technology-powered, CDFI (Community Development Financial Institution) that provides small, affordable loans to working families (average individual income of $30,000) in America. Aura's mission is to build financially healthy low-income communities by providing affordable and empowering financial services to America's 138-million financially underserved. Aura has pioneered a secure cloud-based lending technology that enables trusted local businesses, including grocery stores, auto-insurance outlets, community banks and credit unions, to digitally administer and submit credit applications for centralized review and approval by Aura's proprietary scoring algorithms. Currently available in over 1,200 locations across California, Texas, Illinois and Arizona, Aura has provided hundreds of thousands of credit-building, responsible loans to low-income households since launching in late 2014. By leveraging technology to reach more geographies and working families across America, Aura aims to end reliance on the payday loan industry's 23,000 store footprint.

Aura loans, which currently range from $300-$4,000, are intentionally designed to help borrowers succeed at repayment and build good credit. Underwriting is tied to a borrower's ability to repay. Loans are structured with longer payment terms with affordable, bi-weekly payments and contract interest rates are capped at 36%. Each borrower receives a personalized summary of their credit report and FICO score to educate them on where they stand and how to improve their score. Aura calls each customer before their first payment to reinforce the importance of paying on-time and sends reminders via SMS prior to processing a payment for customers who choose to pay electronically. 67% percent of Aura's repeat customers grow their credit score by an average of 312 points from their first to second loan, and 77% percent of Aura's repeat customers grow their credit score by over 400 points from their first to third loan.

Aura was founded in 2012 by Kevin Kang, Randy Wong and myself, James Gutierrez. Each of the founders helped create and scale Oportun, the first consumer lending CDFI which was certified in 2009 and recently named by Time Magazine as one of the Top 50 Genius Companies in 2018. As its former VP of credit scoring, Kevin Kang helped revolutionize the use of alternative data in developing Oportun's credit policy and algorithms resulting in record, single digit loss rates from 2010-2012. As its former Chief Technology Officer, Randy Wong led the development of Oportun's loan management system, responsible for having made over $5.6 billion loans to over 600,000 active borrowers in the US Hispanic community. As Oportun's founder and former CEO, I set the vision for the company and its installment loan product, and grew Oportun from a nascent startup in 2005 to over 125,000 customers by 2012 (proving that hard working Latino families are indeed credit worthy).

Inspired by the premise that technology could be used to advance financial inclusion more broadly in the United States and beyond following our experience at Oportun, Kevin, Randy and I envisioned a lower-cost, white label system (Aura) that could be used by trusted local businesses across the globe to offer fair and responsible financial products to populations left behind by traditional banks. Aura focuses on serving low-to-moderate income (LMI) communities and is one of the few financial technology ("fintech") companies in the United States dedicated to serving the needs of LMI households. Aura's borrowers are predominately renters who have an average income of $30,000 per year. Roughly half of applicants are thin-file or no-file, meaning they do not have FICO scores and the rest have an average FICO score of 585. While most borrowers use loan proceeds to pay bills, solve a car or medical

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related emergency, or simply to build credit, roughly 12% of Aura loans are used to fund a small business.

Scaling a non-bank lending operation is highly capital-intensive. Unlike banks, Aura does not have access to FDIC-insured deposit funding or the Federal Reserve Board's discount window, and therefore must finance its loan-making in the capital markets by borrowing from large banks and hedge funds. In addition, Aura has also pioneered a novel, tech-enabled means of raising debt for its loans rooted in crowdfunding, which has been more commonly used to raise startup equity than debt. Leveraging a proprietary securitization platform, Aura offers privately placed "social impact bonds", backed by loans made to LMI borrowers, directly to banks, social impact funds, foundations, hedge funds, and individual accredited investors. Investors in Aura's social bonds earn both economic and social coupons. Aura bonds pay 4% to 10% depending on the investment class (A, B or C). They also afford private sector investors an opportunity to recycle their capital into empowering LMI communities.

Aura's wholly owned lending subsidiary, Lendify Financial LLC, became a CDFI earlier this year under 12 CFR Part 1805. Since then, we have had numerous meetings with bank representatives to try to attract capital from banks by way of investments in our social bonds and/or through new loan facilities. Our comments, therefore, are based on our direct experience navigating the world of bank involvement in providing capital to fund our affordable, credit-building small dollar loans ("SDL").

Overall, our experience tells us that the banking system, as it exists today, is not serving LMI communities well in particular when it comes to small dollar loans. We must expand access to capital to give hard-working families in LMI communities the opportunity to achieve their goals. The system suffers from major distortions in income, opportunity, and access to capital in LMI communities across America. Encouraging banks to work with entities such as Aura that already provide direct SDL credit to underserved Americans would be a major step in the right direction. We believe the OCC Pilot Program can be a vehicle for demonstrating to OCC supervised banks that affordable fintech enabled SDLs to LMI borrowers, like those made, purchased or funded under Aura's program, can meet the OCC's prudential standards for SDLs and may help satisfy OCC supervised banks' CRA obligations. Based on our experience, this change would reduce reluctance based on concerns about regulatory examinations on the part of banks; result in more capital deployed for community development purposes; and in our case, make it easier for Aura as a CDFI to raise the hundreds of millions (and eventually billions) in debt capital needed to provide millions of working families across America with responsible, credit-building loans.

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Responses to Specific Questions

Question 1: As a supplement to existing agency processes, will the program provide additional value?

The OCC took an important step with Bulletin 2018-14 to encourage banks to offer responsible small dollar installment loans. Aura's observation is that the OCC Innovation Pilot Program is another important step to increase financial inclusion and expand access to affordable and responsible credit to LMI hardworking American households through partnerships between OCC banks and CDFIs using innovative financial technology solutions to expand access to credit, including affordable SDLs.

138 million people in the United States are struggling financially and are underserved, living paycheck to paycheck and are lacking access to capital from banks. According to the Federal Reserve Bank of New York, 94 million Americans are non-prime, significantly limiting access to affordable credit, while according to the CFPB, another 45 million are credit invisible or un-scorable. Given that very few banks offer small dollar loans to consumers with limited credit history, consumers have found their needs met by predatory lenders at a high expense to their financial health. Payday and title loans lenders charge extremely high interest rates, do not underwrite borrowers' extensively nor measure their ability to repay and do not give borrowers the opportunity to build their credit history by reporting their payment history to credit bureaus. Being able to build a credit history is essential for consumers to secure their financial well-being as a credit score acts as an economic passport to gaining access to less expensive forms of credit in the future.

Partnerships between banks and non lenders like Aura would be highly beneficial for consumers and the OCC Pilot Program would give banks the confidence to test and deliver innovative solutions to their customers. Offering SDLs would help banks increase retention of checking account customers who do not feel like their credit needs are being met. SDLs are also an effective customer acquisition tool for banks to attract new types of customers that might not even have a checking account. A small dollar loan that helps these customers build a credit score for the first time would position these new customers to receive other types of high value loans from banks in the future, such as auto loans or a mortgage.

Aura can help banks fill this gap through different ways. Specifically, banks can partner with Aura to offer Aura's small dollar loan product to their customers in branches and online; Aura can license its technology to enable banks to deliver affordable, credit-building small dollar loans to LMI consumers; Aura can sell its social impact bonds and/or small dollar loans to banks; and Aura can borrow capital from banks to fund its loan-making.

Aura has had difficulty in reaching agreement with banks to work together on such projects. It has been clear from our conversations with bankers that a major reason for this reluctance on the banks part is a concern about how such a program will be viewed by regulators. Having confidence that establishing partnerships with vetted third parties to enable access to small dollar credit is seen positively would encourage banks to join forces with companies like Aura.

Validate the Actual Costs of Making an Affordable SDL

Making affordable SDLs profitable is a difficult challenge, and one of the biggest barriers for banks who want to participate in the space. Given the modest revenue that each loan generates, reducing costs and improving underwriting through the use of technology and data analytics is critical to make SDLs profitable. Additionally, from our own experience, a 36% APR cap makes it very hard to offer these loans profitably. At Aura, our average interest rate is 34% while an origination fee between 2% - 7% (with a $100 cap) helps cover the fixed costs of a complete underwriting which includes verification of income. In aggregate, our average APR is 41%. The OCC Pilot Program can be an opportunity for an OCC bank and a CDFI, like Aura, to validate the actual costs of originating affordable SDLs and to study the economic impact to LMI consumers.

A major barrier stopping banks from partnering with non-bank fintech lenders like Aura or from offering a SDL directly is a concern that loans with APRs higher than 36% could be seen negatively by regulators. An OCC bank with a large consumer credit card portfolio explained to us that they have an internal 36% APR cap, and we believe this ultimately ends up hurting the consumer. To promote its goal of meeting evolving needs of consumers and promote financial inclusion, the OCC could refine its approach to APRs when it comes to SDLs to allow for more innovation and competition. Pricing is important, but a well-structured loan with long terms that helps borrowers succeed, is equally important.

Question 4: What type of innovative activities would be best served through this program?

Aura was founded under the premise that technology can be used to foster financial inclusion and to expand access to credit to consumers that are currently underserved by traditional financial institutions. Traditional banks can become adopters of technology that would enable them to better serve their communities. The OCC Innovation Program can help increase partnerships between banks and fintechs like Aura to bridge the gap and ultimately provide better products and more access to consumers. The Innovation Pilot Program should give priority to Expressions of Interest (EOI) from OCC banks seeking to partner with CDFIs and other community development organizations on SDL pilots looking to leverage financial technology to improve access to credit and banking services by underserved populations.

From an underwriting perspective, technology has allowed Aura to pioneer lending of LMI consumers who do not have traditional credit data such as FICO scores. We incorporate a variety of data sources into our underwriting process including alternative data, application data, and partner data (when available). We have developed custom risk models for each data source that are combined to form a multi-dimensional credit decision matrix with over 100,000 unique nodes. In addition to our data driven risk assessment we also verify income as part of our ability-to-pay assessment for each potential borrower, and new technology allows us to automate verification when possible, which helps reduce underwriting costs.

Our white label small dollar lending platform was designed and built from day 1 to be used by our partners to deliver credit building loans to their customers without them having to absorb the the costs associated with small dollar lending. Banks can leverage Aura’s technology to deliver a streamlined omni-channel lending application delivered through their branches and/or web and mobile channels. Aura is also able to provide underwriting and servicing capabilities, so that banks do not have to incur the high fixed costs of underwriting each loan – which currently makes it challenging to make these loans profitable. Our lending platform, which requires no technical integration and simply an internet connection, is currently being used by over 100 businesses across 1,200 locations and we have issued over $500mm in credit-building loans.

Just providing capital to borrowers is not enough. We believe that empowering borrowers with financial education and personal finance tools is a critical component of improving the financial health of consumers in America. Each Aura borrower receives a free personalized summary of their credit report which is easy to read and understand, especially for consumers who are completely new to credit and finance. Borrowers receive a FICO score to educate them on where they stand and, most importantly, how to improve their score. Aura also provides a personalized budget and educates customers on their Debt-to-Income and how much they should save.

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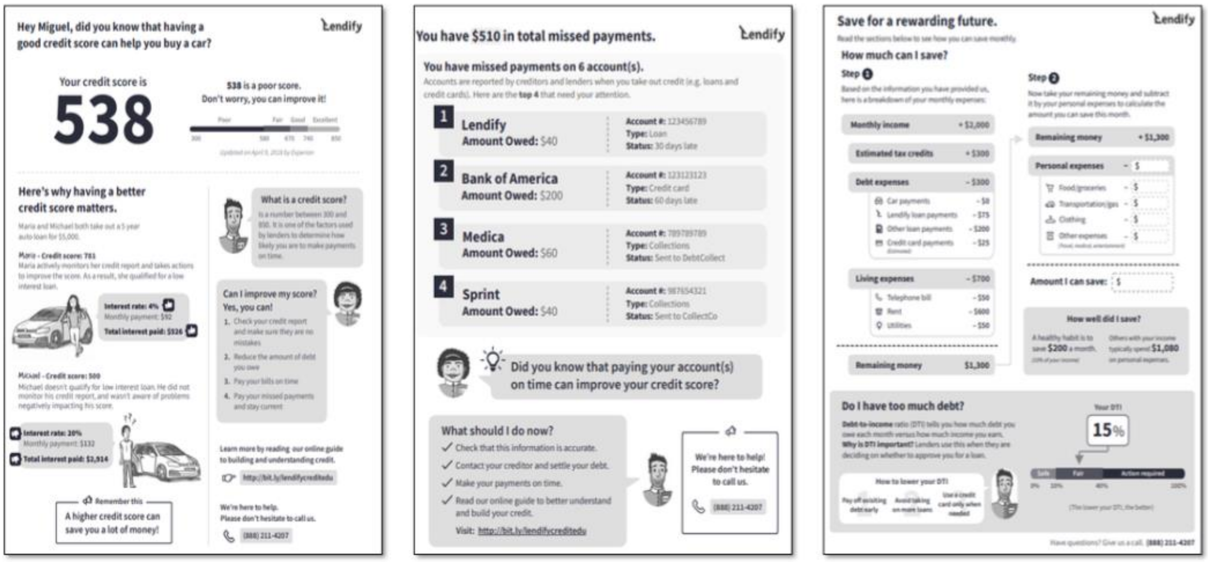
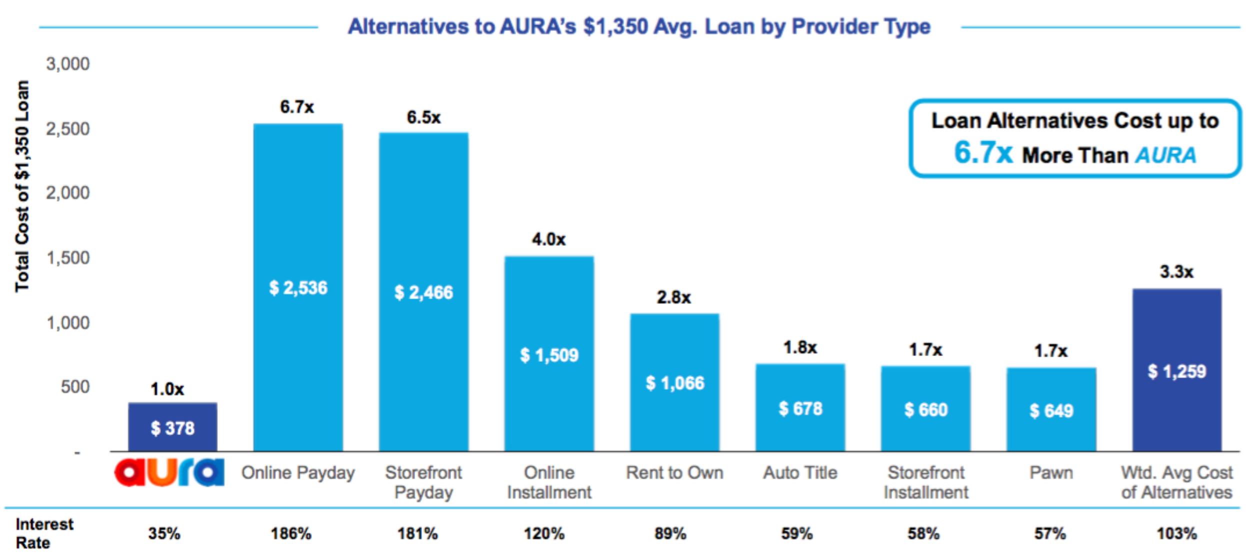


Since 2014, we have saved our customers over $277 million in potential fees from high cost alternatives.

Average Savings per Loan: $1,259 - $378 = $881	Total Loans Made: 315,000+	Saved in Interest & Fees: $277MM+



Notes: Inputs reverse engineered based on 2017 CFSI Oportun Total Cost of Loan Whitepaper and adjusted for AURA state mix and loan size. Provider mix: Payday 17%, Pawn / Auto 38% and Installment / Rent to own 45%. Loan count as of October 9th, 2018; assume an average loan size of $1,350.

Here are some of the features of Aura loans:

- Able to approve a significant number of customers with thin or no credit history
- Report payments to credit bureaus to help borrowers build a credit score
- Fixed small loan payments tied to a borrower's paycheck cycle, making budgeting easier

- Allowing borrowers to repay the loans over a long period of time to reduce monthly cost, so loan term (in months) should increase in proportion to loan amount
- Offer a bilingual experience to cater to Spanish speaking customers
- Transparent terms showing payment amount/frequency, total repayment amount, total cost and APRs
- Clear schedule of payments showing when they would pay off the loan if all payments are made on time
- Underwrite all loans according to a borrower's ability to repay with maximum debt-to-income (DTI) thresholds based on each applicant's fully verified income and debts

Aura can enable OCC banks to offer these features to their customers.

Question 6: Are there other suggestions or feedback as to how the program should work?

In addition to working exclusively with OCC banks, we encourage the OCC to expressly encourage nonbank innovators to participate in the pilot program to increase the visibility of the tools that are available for banks and partners that can enable them to deliver better services to their customers. A list of third parties and solutions that pass the OCC's EOI screening and due diligence process and the publication of the pilots' final results and findings could quickly foster more partnerships between banks and companies like Aura, which would be a major win for U.S. consumers.

Aura applauds the OCC's initiative to foster more innovation and appreciates the opportunity to provide this comment. Aura looks forward to participating in the discussion on the issues noted above as this process moves forward.

Sincerely,

James Gutierrez
Chief Executive Officer

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