

dv01 DIGEST

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MPL Market Shows Growing Origination Volume, With Tightening Credit Stance

In a sign of good news for marketplace lending investors, origination volume continues to grow, while credit bands tighten, especially for lower quality borrowers.

Looking at origination characteristics for the four largest MPL originators, we see origination volume continue to rise: 21% for 2Q17 over 1Q17, and up 52% over 2Q16. Loan coupons have risen from a 14.20% GWAC for the 2Q16 vintage to a 14.31% GWAC for the 2Q17 vintage, while the two year treasury has rallied approximately 50bps over the course of the year. PTI is relatively unchanged, coming in at 9.05% for 2Q17 versus 8.99% for the 2Q16 vintage.

Average FICO has increased significantly: 703 for the 2Q16 vintage to 711 in 2Q17. (Note that the 2Q17 vintage was in the books before the recent change to FICO score methodology, removing certain public record data from the score calculation.)

2Q16 Vintage, FICO <680

FICO - Original	Original Balance	Loan Count	Original FICO	GWAC	PTI
600-619	\$18,131,475	2,587	612	31.87%	7.12%
620-639	\$84,546,775	8,518	630	29.84%	8.57%
640-659	\$159,308,552	18,884	650	25.41%	9.02%
660-679	\$410,883,737	32,791	669	15.72%	9.20%

2Q17 Vintage, FICO <680

FICO - Original	Original Balance	Loan Count	Original FICO	GWAC	PTI
600-619	\$20,808,325	3,305	611	30.84%	7.03%
620-639	\$97,823,178	8,866	630	28.47%	8.35%
640-659	\$273,171,004	18,070	650	24.80%	8.83%
660-679	\$480,877,459	35,313	670	16.01%	9.01%

2Q16 Vintage, FICO >=680

FICO - Original	Original Balance	Loan Count	Original FICO	GWAC	PTI
680-699	\$482,867,343	30,525	688	13.74%	9.37%
700-719	\$442,012,600	24,349	709	12.18%	9.23%
720-739	\$323,088,587	18,252	729	11.12%	8.90%
740-759	\$191,935,239	9,395	749	10.14%	8.75%
760-779	\$115,290,783	5,868	769	9.47%	8.60%
780-799	\$68,326,328	1,392	788	8.63%	8.52%

2Q17 Vintage, FICO >=680

FICO - Original	Original Balance	Loan Count	Original FICO	GWAC	PTI
680-699	\$541,030,884	31,067	688	13.69%	8.88%
700-719	\$488,135,844	25,486	709	12.28%	8.74%
720-739	\$442,740,634	19,763	729	11.02%	9.11%
740-759	\$315,514,841	12,541	749	10.14%	9.40%
760-779	\$229,456,585	8,769	769	9.05%	9.33%
780-799	\$153,354,391	5,076	789	8.20%	9.33%

NOTE: This analysis was conducted using the following datasets: Lending Club Standard, Lending Club Near Prime, SoFi, Marlette, and Prosper Core. The "As Of Date" was set to 9/1/17. Filters used were Vintages Q2'16, Q1'17, and Q2'17, with the "Outstanding" filter removed. GWAC, FICO, and PTI were based off of original balance, not current balance.

Lending Club Delinquencies Fall

2Q17 continued to show improvements in delinquency rates for LC loans, extending the trend we saw in Q1. Specifically, delinquency rates across most grades and terms continue to be lower than loans issued in the second and third quarters of 2016.

In his [update to investors](#), Sandeep Bhandari, Lending Club's CIO, attributed the improvements to an iterative risk management process that quickly incorporates new data on performance history.

Lending Club also demonstrated continuing loan origination growth, with \$1.8 billion of originations in 2Q17, up 6% from 1Q17.

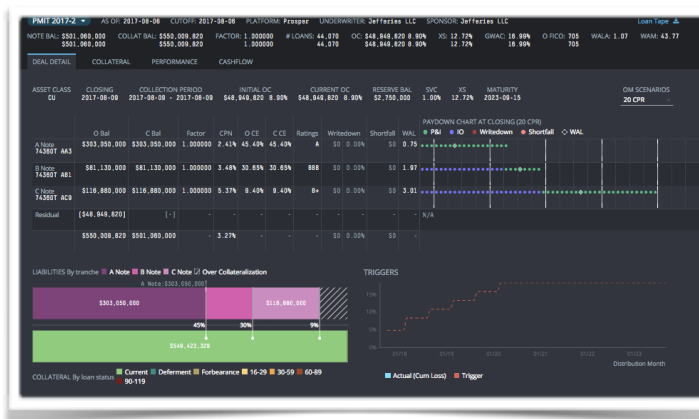
Bhandari concluded his update by reiterating the lender's focus on transparency, which dv01 is proud to help Lending Club provide to institutional investors and banks:

"The difference between Lending Club and other financial institutions is the degree of transparency we provide to investors so they can make quick and informed decisions on their portfolios."

Drilling deeper into 2Q17 vs. 2Q16 FICO bands through dv01 Strat Tables, we see comparatively less growth in issuance on the low end of the FICO range and greater origination volume for higher-scoring borrowers: 19% YoY growth at sub-680 FICO versus 44% YoY growth at FICO of 680+. While at first glance, gross average PTI seems unchanged YoY, when we look at PTI broken out by FICO band, we see that PTI for sub-680 FICO is lower by approximately 20 bps, while similarly higher in upper FICO bands.

With this abbreviated analysis of the MPL credit box, we conclude that there has been a significant tightening for lower credit quality borrowers, while origination volume on the upper end of the credit quality spectrum has remained stable. This is good news for investors in the space, and comes at a time of additional positive news from some of the largest MPL originators.

Prosper Closes 2nd \$500MM Consortium Securitization; Shows Strong Growth in Q2



Prosper closed its second \$500MM Consortium securitization, PMIT 2017-2, on which dv01 was loan data agent. Data from PMIT 2017-2 is available for accredited investors through dv01's Securitization Explorer, and is updated monthly.

Earlier this month, Prosper also [reported](#) 2Q17 numbers, showing strong loan origination growth and a return to profitability. 2Q17 originations were \$775MM, 74% higher than 2Q16 originations, showing a positive trend in consumer demand for Prosper loans. In total, Prosper has originated close to \$10 billion of loans from inception through June 30, 2017.