Consumer Unsecured Q3 2016

Loan Originations through September 30, 2016; Loan Payments through September 30, 2016

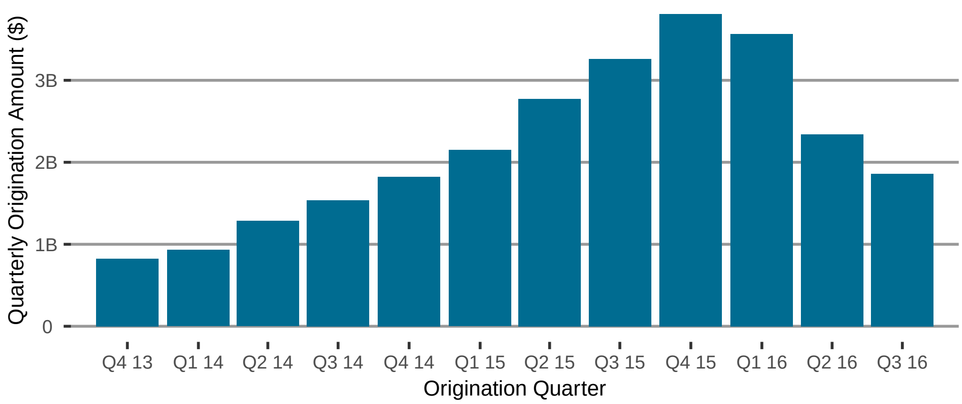
Orchard's Quarterly Industry Report provides a data-rich glimpse into trends within consumer unsecured online lending. Orchard receives regular data feeds from originator data partners, who provide detailed information on new originators and the performance of their loan portfolios. Orchard standardizes, aggregates, and analyzes this data in order to provide valuable insight into volumes, trends and performance along various dimensions.

For more in-depth analysis, including access to standardized data sets across multiple originators and asset classes, subscribe to ***Orchard Market Data****. Contact sales@orchardplatform.com to learn more.*

Key Insights

- Origination volumes continued to fall in Q3, down approximately 21% from Q2 origination volume and down just over 50% from peak originations in Q4 2015. Following years of consistent quarter-over-quarter increases in originations, we have seen 3 consecutive quarters of declines in 2016. The Q3 change represents a smaller drop than the one experienced in Q2, and may indicate that these declines are beginning to taper off. We're not ruling out an uptick in originations next quarter as confidence and capital returns to the origination platforms.
- 2014 vintage charge offs have increased more steeply than in recent years, aligning closely with rates we saw in 2011 and 2012. While some of this trend can be attributed to deteriorating loan performance, most of it is due to the continued growth of subprime loan origination platforms. These platforms charge off at higher rates but offer investors increased interest rates as compensation for this additional risk. Early indications show 2015 vintage performance on the same track as the 2014 vintage.
- After increasing 96bps in Q2, borrower rates fell 79bps in Q3, primarily driven by decreases in origination volumes for subprime originators in this period.

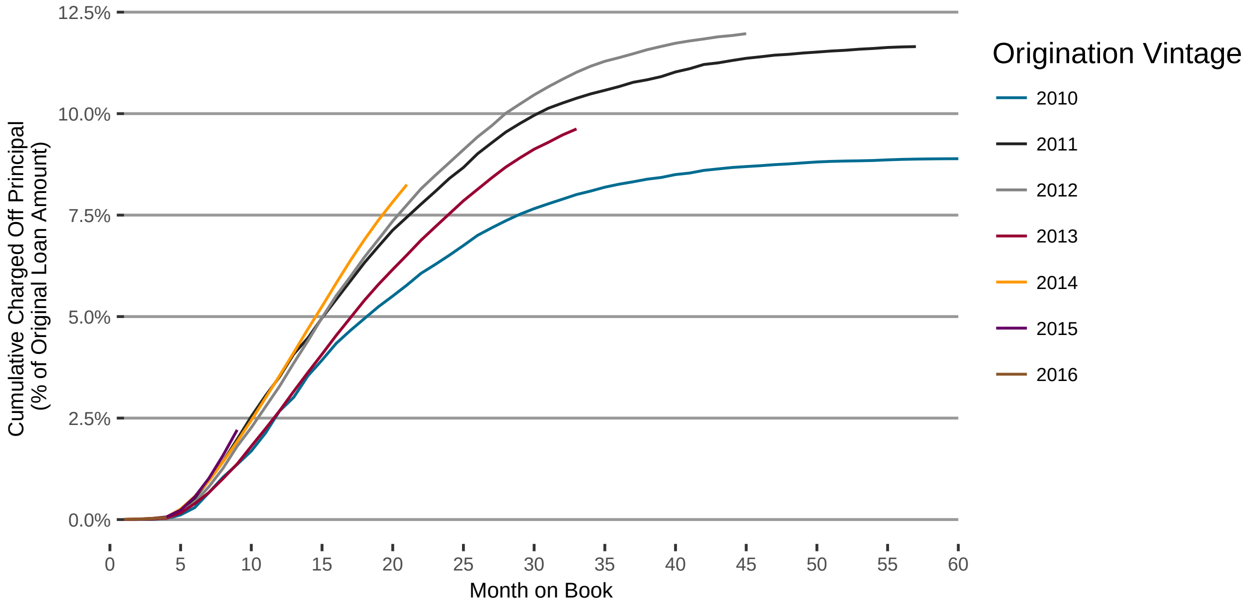
Quarterly Originations



Total Origination by Quarter

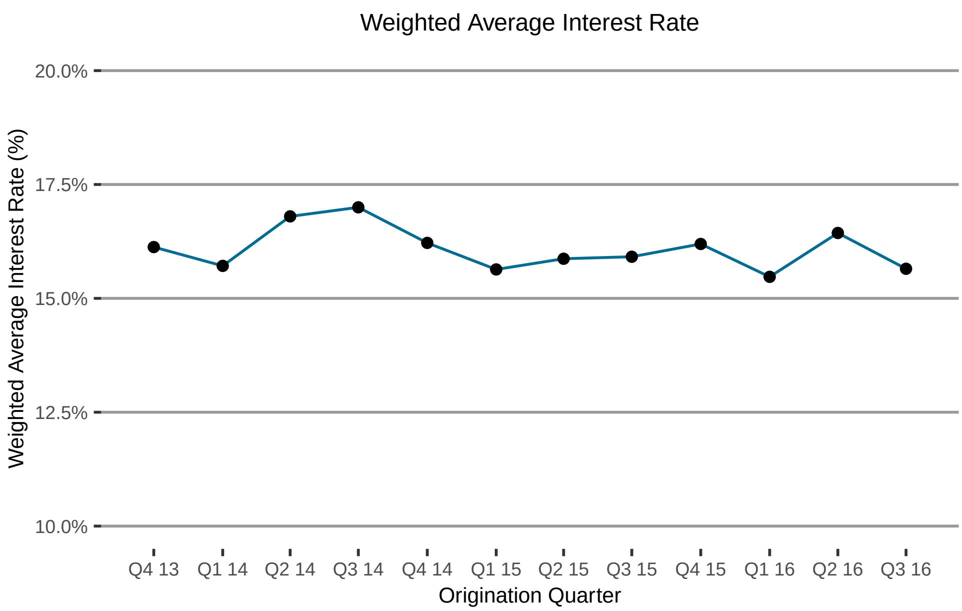
Origination Quarter	Q4 13	Q1 14	Q2 14	Q3 14	Q4 14	Q1 15	Q2 15	Q3 15	Q4 15	Q1 16	Q2 16	Q3 16
Total Amount ($MM)	$825.6	$930	$1,284	$1,537	$1,823	$2,150	$2,772	$3,262	$3,807	$3,563	$2,342	$1,858
Lagging 3mo Change (%)	27.2%	12.7%	38.1%	19.7%	18.6%	17.9%	28.9%	17.7%	16.7%	-6.4%	-34.3%	-20.7%
Lagging 12mo Change (%)	174.4%	139.7%	143.3%	136.9%	120.8%	131.1%	115.8%	112.2%	108.9%	65.8%	-15.5%	-43%

Charge Off Rate Vintage Curves



The vintage curves in the above graph show cumulative charge offs as a proportion of original loan balance and broken out by year. Vintage curves explain the level and timing of charge offs that occur among loan populations. A higher or steeper curve indicates higher and faster charge off rates, respectively. In the graph above, we can see that 2014 vintage charge offs have increased more steeply than in recent years, aligning more closely with rates we saw in 2011 and 2012. While some of this trend can be attributed to deteriorating loan performance, most of it is due to the continued growth of subprime loan origination platforms. These platforms charge off at higher rates but offer investors increased interest rates as compensation for this additional risk. Early indications show 2015 vintage performance on the same track as the 2014 vintage.

Borrower Interest Rates

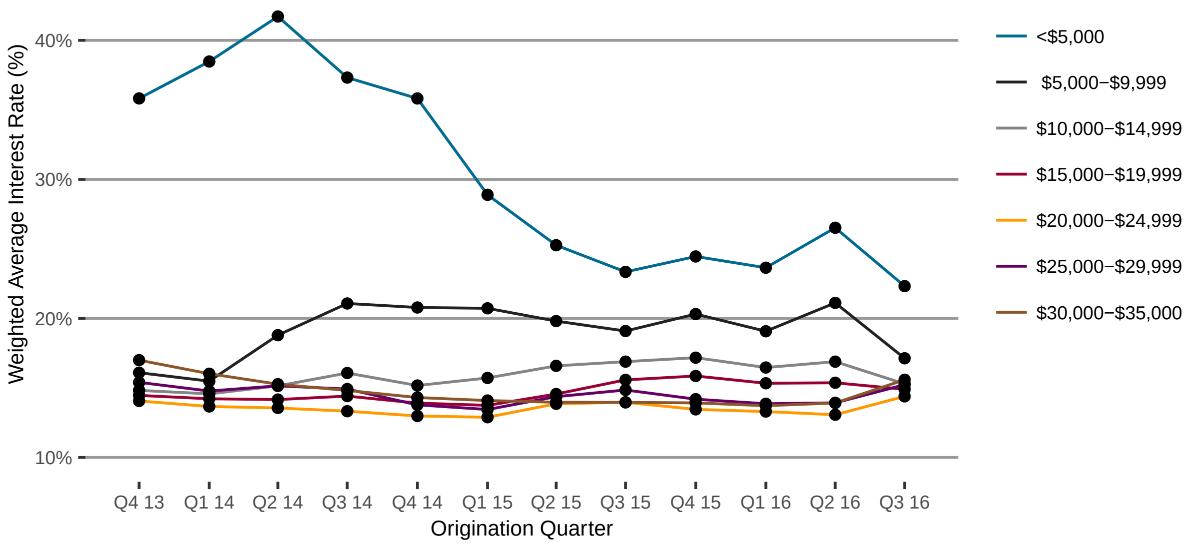


Average Interest Rate Weighted by Original Principal

Origination Quarter	Q4 13	Q1 14	Q2 14	Q3 14	Q4 14	Q1 15	Q2 15	Q3 15	Q4 15	Q1 16	Q2 16	Q3 16
Weighted Average Interest Rate	16.1%	15.7%	16.8%	17%	16.2%	15.6%	15.9%	15.9%	16.2%	15.5%	16.4%	15.6%
Lagging 3mo Change (bps)	-8	-41	109	20	-78	-58	23	4	28	-72	96	-79
Lagging 12mo Change (bps)	66	101	56	79	9	-8	-93	-108	-2	-16	57	-26

The graph and table above show average borrower interest rates at origination, weighted by original loan balance. Borrower rates fell 79bps in Q3, primarily driven by decreases in origination volumes for subprime originators in this period.

Borrower Interest Rates by Loan Size



Weighted Average Borrower Interest Rate by Loan Size

Origination Quarter	**Q4 13**	**Q1 14**	**Q2 14**	**Q3 14**	**Q4 14**	**Q1 15**	**Q2 15**	**Q3 15**	**Q4 15**	**Q1 16**	**Q2 16**	**Q3 16**
<$5,000	35.8%	38.5%	41.7%	37.3%	35.8%	28.9%	25.3%	23.3%	24.5%	23.6%	26.5%	22.3%
$5,000-$9,999	16.1%	15.5%	18.8%	21.1%	20.8%	20.7%	19.8%	19.1%	20.3%	19.1%	21.1%	17.1%
$10,000-14,999	14.8%	14.6%	15.1%	16.1%	15.2%	15.7%	16.6%	16.9%	17.2%	16.5%	16.9%	15.3%
$15,000-$19,999	14.5%	14.2%	14.2%	14.4%	13.9%	13.7%	14.6%	15.6%	15.9%	15.3%	15.4%	14.9%
$20,000-$24,999	14.1%	13.7%	13.6%	13.3%	13%	12.9%	13.9%	14%	13.5%	13.3%	13.1%	14.4%
25,000-$29,999	15.4%	14.8%	15.2%	14.9%	13.8%	13.4%	14.4%	14.9%	14.2%	13.9%	13.9%	15.2%
$30,000-$35,000	17%	16%	15.3%	14.8%	14.3%	14.1%	14%	14%	13.9%	13.7%	13.9%	15.6%

Average Loan Size

Origination Quarter	**Q4 13**	**Q1 14**	**Q2 14**	**Q3 14**	**Q4 14**	**Q1 15**	**Q2 15**	**Q3 15**	**Q4 15**	**Q1 16**	**Q2 16**	**Q3 16**
Weighted Average Loan Size	$12,415	$12,628	$11,521	$11,425	$11,767	$12,444	$12,601	$13,110	$12,533	$13,369	$11,848	$12,738
Lagging 3mo Change (%)	-0.1	1.7	-8.8	-0.8	3.0	5.8	1.3	4.0	-4.4	6.7	-11.4	7.5
Lagging 12mo Change (%)	-4.5	-12.8	-10.5	-8.1	-5.2	-1.5	9.4	14.7	6.5	7.4	-6.0	-2.8

The graph and table above show average borrower interest rates at origination, weighted by original loan balance and stratified by borrower loan size. In general, we see that higher loan sizes receive lower interest rates. However, this is contrary to what we would expect given higher loan sizes increase risk for lenders and should command higher interest rates all things being equal. Instead, this indicates that originators employ stricter underwriting criteria for borrowers at higher loan amounts. Originators may be willing to lend small amounts to borrowers who they would not otherwise consider for higher loan sizes. As loan sizes increase, approval criteria becomes stricter, and therefore we see the opposite relationship to what we would expect—average interest rates fall as loan sizes increase.

About Orchard

Orchard is the leading provider of technology and data to the online lending industry, powering the interaction between institutional investors and loan originators. Founded in New York City in 2013, Orchard's mission is to build the systems and standardize the data that will allow online lending to efficiently grow into a global financial market. Orchard provides products and services to investors that enable them to understand, access, and execute online lending investments, including Market Data, Reporting, and a powerful Order Management System. Orchard offers originators access to a diverse group of institutional investors who use Orchard to manage online lending assets. A single integration using Orchard's proprietary approach to data standardization enables end-to-end online lending support through Investor Awareness, Education & Insights, and Data Integrity & Transparency products. Orchard has been named to Forbes Next Billion Dollar Startups list, produces the Orchard US Consumer Marketplace Lending Index—the only industry wide benchmark distributed on the Bloomberg Professional service—and is recognized for its technical and analytical thought leadership as explored on its blog.

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Michael Toth is a credit risk analytics specialist and oversees Orchard's research and industry reporting. Previously, Michael was an associate at BlackRock, where he was responsible for the valuation and risk analysis of mortgage whole loans and securitized products for several financial institution clients, covering portfolios with valuations in excess of $400 billion. Michael is a graduate of the Wharton School at the University of Pennsylvania, where he received a B.S. in Economics with Finance and Statistics concentrations. In his free time, he enjoys traveling, playing chess, and programming.

Notes

1. Due to delays in the reporting of loan delinquency statuses by some originators, data for the most recent month has been estimated for those originators with missing data and is subject to change in subsequent reports. For any originator with incomplete delinquency data in the final month reported, we have estimated their current delinquent loan balance as the prior month's balance multiplied by the average month-over-month change over the prior 6 months to provide an estimate of the overall population of delinquent loans. The official value will be available with next month's report.

2. Due to delays in the reporting of charge offs by some originators, data for the most recent month has been estimated for those originators with missing data and is subject to change in subsequent reports. For any originator with incomplete charge off data in the final month reported, we have estimated their current charged off loan balance as the prior month's balance multiplied by the average month-over-month change over the prior 6 months to provide an estimate of the overall population of charged off loans. The official value will be available with next month's report.

Names of originators have been omitted to maintain confidentiality. Originators are added to the report based on current and historical lending volumes, availability of datasets required to produce the report, and willingness to release data.

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