UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2020

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from ___________ to ___________

Commission File Number 001-39050

OPORTUN FINANCIAL CORPORATION

(Exact Name of Registrant as Specified in its Charter)

Delaware	45-3361983
State or Other Jurisdiction of Incorporation or Organization	I.R.S. Employer Identification No.
2 Circle Star Way San Carlos, CA	94070
Address of Principal Executive Offices	Zip Code

(650) 810-8823
Registrant's Telephone Number, Including Area Code

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.0001 par value per share	OPRT	Nasdaq Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Smaller reporting company ☒
Accelerated filer ☐	Emerging growth company ☐
Non-accelerated filer ☒	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The number of shares of registrant's common stock outstanding as of November 5, 2020 was 27,607,142.

TABLE OF CONTENTS

GLOSSARY

PART I - FINANCIAL INFORMATION

Item 1.	Financial Statements (Unaudited)	5
	Condensed Consolidated Balance Sheets	5
	Condensed Consolidated Statements of Operations and Comprehensive Income	6
	Condensed Consolidated Statements of Changes in Stockholders' Equity	7
	Condensed Consolidated Statements of Cash Flow	9
	Notes to the Condensed Consolidated Financial Statements	10
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	23
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	50
Item 4.	Controls and Procedures	50

PART II - OTHER INFORMATION

Item 1.	Legal Proceedings	51
Item 1A.	Risk Factors	51
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	78
Item 3.	Defaults Upon Senior Securities	78
Item 4.	Mine Safety Disclosures	79
Item 5.	Other Information	79
Item 6.	Exhibit Index	80

Signature 81

GLOSSARY

Terms and abbreviations used in this report are defined below.

Term or Abbreviation	Definition
30+ Day Delinquency Rate (1)	Unpaid principal balance for our owned loans that are 30 or more calendar days contractually past due as of the end of the period divided by Owned Principal Balance as of such date
Access Loan Program	A program intended to make credit available to select borrowers who do not qualify for credit under Oportun's core loan origination program
Active Customers (1)	Number of customers with an outstanding loan serviced by us at the end of a period. Active Customers includes customers whose loans are owned by us and loans that have been sold that we continue to service. Customers with charged-off accounts are excluded from Active Customers
Adjusted EBITDA	Adjusted EBITDA is a non-GAAP financial measure calculated as net income (loss), adjusted for the impact of our election of the fair value option and further adjusted to eliminate the effect of the following items: income tax expense (benefit), COVID-19 expenses, stock-based compensation expense, depreciation and amortization, litigation reserve, origination fees for Fair Value Loans, net and fair value mark-to-market adjustment
Adjusted Earnings Per Share ("EPS")	Adjusted EPS is a non-GAAP financial measure calculated by dividing Adjusted Net Income by adjusted weighted-average diluted common shares outstanding. Weighted-average diluted common shares outstanding have been adjusted to reflect the conversion of all preferred shares as of the beginning of each annual period
Adjusted Net Income	Adjusted Net Income is a non-GAAP financial measure calculated by adjusting our net income (loss), for the impact of our election of the fair value option, and further adjusted to exclude income tax expense (benefit), COVID-19 expenses, stock-based compensation expense and litigation reserve, net of tax
Adjusted Operating Efficiency	Adjusted Operating Efficiency is a non-GAAP financial measure calculated by dividing total operating expenses (excluding COVID-19 expenses, stock-based compensation expense and litigation reserve) by Fair Value Pro Forma Total Revenue
Adjusted Return on Equity ("ROE")	Adjusted Return on Equity is a non-GAAP financial measure calculated by dividing annualized Adjusted Net Income by Average Fair Value Pro Forma total stockholders' equity
Adjusted Tangible Book Value	Fair Value Pro Forma total stockholders' equity, excluding intangible assets and system development costs
Adjusted Tangible Book Value Per Share	Adjusted Tangible Book Value divided by common shares outstanding at period end. Common shares outstanding at period end have been adjusted to reflect the conversion of all preferred shares as of the beginning of each annual period.
Aggregate Originations (1)	Aggregate amount disbursed to borrowers during a specific period. Aggregate Originations excludes any fees in connection with the origination of a loan
Annualized Net Charge-Off Rate (1)	Annualized loan principal losses (net of recoveries) divided by the Average Daily Principal Balance of owned loans for the period
AOCI	Accumulated other comprehensive income (loss)
APR	Annual Percentage Rate
Average Daily Debt Balance	Average of outstanding debt principal balance at the end of each calendar day during the period
Asset-Backed Notes at Fair Value (or "Fair Value Notes")	All asset-backed notes issued by Oportun on or after January 1, 2018
Average Daily Principal Balance (1)	Average of outstanding principal balance of owned loans at the end of each calendar day during the period
Board	Oportun's Board of Directors
Book Value	Total assets less total liabilities, or equal to total stockholders' equity
Book Value Per Share	Book Value divided by common shares outstanding at period end
Cost of Debt	Annualized interest expense divided by Average Daily Debt Balance
Customer Acquisition Cost (1)	Sales and marketing expenses, which include the costs associated with various paid marketing channels, including direct mail, digital marketing and brand marketing and the costs associated with our telesales and retail operations divided by number of loans originated to new and returning customers during a period
Emergency Hardship Deferral	Any receivable that currently has one or more payments deferred and added at the end of the loan payment schedule in connection with a local or wide-spread emergency declared by local, state or federal government such as a natural disaster, government shutdown or pandemic
Fair Value Loans (or "Loans Receivable at Fair Value")	All loans receivable held for investment that were originated on or after January 1, 2018
Fair Value Pro Forma	In order to facilitate comparisons to periods prior to January 1, 2018, certain metrics included in this presentation have been shown on a pro forma basis as if we had elected the fair value option since our inception for all loans originated and held for investment and all asset-backed notes issued
Fair Value Pro Forma Total Revenue	Fair Value Pro Forma Total Revenue is calculated as the sum of Fair Value Pro Forma interest income and non-interest income. Fair Value Pro Forma interest income includes interest on loans and fees; origination fees are recognized upon disbursement. Non-interest income includes gain on sales, servicing fees and other income. The Company adopted ASU 2019-05 as of January 1, 2020 and as a result Fair Value Pro Forma Total Revenue and GAAP Total Revenue are equal for all prospective reporting periods
Fair Value Notes (or "Asset-Backed Notes at Fair Value")	All asset-backed notes issued by Oportun on or after January 1, 2018
FICO® score or FICO®	A credit score created by Fair Isaac Corporation
First Payment Defaults	Calculated as the principal balance of any loan whose first payment becomes 30 days past due, divided by the aggregate principal balance of all loans originated during that same period
GAAP	Generally Accepted Accounting Principles

Term or Abbreviation	Definition
Initial Fair Value Loans	All loans receivable held for investment that were originated on or after January 1, 2018
Leverage	Average Daily Debt Balance divided by Average Daily Principal Balance
Loans Receivable at Amortized Cost	Loans held for investment that were originated prior to January 1, 2018. Upon the adoption of ASU 2019-05 as of January 1, 2020 this line item has been eliminated for all prospective reporting periods
Loans Receivable at Fair Value (or "Fair Value Loans")	All Initial Fair Value Loans, together with the Subsequent Fair Value Loans
Managed Principal Balance at End of Period [(1)]	Total amount of outstanding principal balance for all loans, including loans sold, which we continue to service, at the end of the period
Net Revenue	Net Revenue is calculated by subtracting interest expense and provision (release) for loan losses from total revenue and adding the net increase (decrease) in fair value.
Operating Efficiency	Total operating expenses divided by total revenue
Owned Principal Balance at End of Period [(1)]	Total amount of outstanding principal balance for all loans, excluding loans sold, at the end of the period
Portfolio Yield [(1)]	Annualized interest income as a percentage of Average Daily Principal Balance
Principal Balance	Original principal balance reduced by principal payments received to date
Return on Equity	Annualized net income divided by average stockholders' equity for a period
Subsequent Fair Value Loans	All loans receivable held for investment, previously measured at amortized cost for which the Company elected the fair value option upon adoption of ASU 2019-05, effective January 1, 2020
TDR Finance Receivables	Troubled debt restructured finance receivables. This is only applicable to Loans Receivable at Amortized Cost. Debt restructuring in which a concession is granted to the borrower as a result of economic or legal reasons related to the borrower's financial difficulties. Upon the adoption of ASU 2019-05 as of January 1, 2020 this line item has been eliminated for all prospective reporting periods
Secured Financing	Asset-backed revolving debt facility
VIEs	Variable interest entities
Weighted Average Interest Rate	Annualized interest expense as a percentage of average debt

[(1)] Credit card data has been excluded from these metrics for the three and nine months ended September 30, 2020 because they are de minimis.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

OPORTUN FINANCIAL CORPORATION

Condensed Consolidated Balance Sheets (Unaudited)

(in thousands, except share and per share data)

	September 30, 2020	December 31, 2019
Assets		
Cash and cash equivalents	$ 109,656	$ 72,179
Restricted cash	53,824	63,962
Loans receivable at fair value	1,605,388	1,882,088
Loans receivable at amortized cost	—	42,546
Less:		
Unamortized deferred origination costs and fees, net	—	(103)
Allowance for loan losses	—	(3,972)
Loans receivable at amortized cost, net	—	38,471
Loans held for sale	1,046	715
Interest and fees receivable, net	16,535	17,185
Right of use assets - operating	48,762	50,503
Other assets	82,312	76,771
Total assets	$ 1,917,523	$ 2,201,874
Liabilities and stockholders' equity		
Liabilities		
Secured financing	$ 191,180	$ 60,910
Asset-backed notes at fair value	1,125,444	1,129,202
Asset-backed notes at amortized cost	—	359,111
Amount due to whole loan buyer	26,810	33,354
Lease liabilities	51,692	53,357
Other liabilities	69,376	77,174
Total liabilities	1,464,502	1,713,108
Stockholders' equity		
Preferred stock, $0.0001 par value - 100,000,000 shares authorized at September 30, 2020 and December 31, 2019; 0 shares issued and outstanding at September 30, 2020 and December 31, 2019	—	—
Preferred stock, additional paid-in capital	—	—
Common stock, $0.0001 par value - 1,000,000,000 shares authorized at September 30, 2020 and December 31, 2019; 27,855,051 shares issued and 27,583,028 shares outstanding at September 30, 2020; 27,262,639 shares issued and 27,003,157 shares outstanding at December 31, 2019	6	6
Common stock, additional paid-in capital	431,673	418,299
Common stock warrants	—	63
Accumulated other comprehensive loss	(268)	(162)
Retained earnings	27,919	76,679
Treasury stock at cost, 272,023 and 259,482 shares at September 30, 2020 and December 31, 2019	(6,309)	(6,119)
Total stockholders' equity	453,021	488,766
Total liabilities and stockholders' equity	$ 1,917,523	$ 2,201,874

See Notes to the Condensed Consolidated Financial Statements.

OPORTUN FINANCIAL CORPORATION

Condensed Consolidated Statements of Operations and Comprehensive Income (Unaudited)

(in thousands, except share and per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Revenue				
Interest income	$ 128,739	$ 139,272	$ 415,525	$ 395,778
Non-interest income	8,028	14,608	27,377	39,026
Total revenue	136,767	153,880	442,902	434,804
Less:				
Interest expense	13,408	15,499	44,879	44,751
Provision (release) for loan losses	—	(426)	—	(3,755)
Decrease in fair value	(29,633)	(24,339)	(177,584)	(78,567)
Net revenue	93,726	114,468	220,439	315,241
Operating expenses:				
Technology and facilities	31,641	26,772	93,927	72,849
Sales and marketing	20,634	24,717	65,521	69,084
Personnel	26,662	28,637	79,925	66,414
Outsourcing and professional fees	11,491	16,041	36,232	42,797
General, administrative and other	11,138	3,886	17,591	10,816
Total operating expenses	101,566	100,053	293,196	261,960
Income (loss) before taxes	(7,840)	14,415	(72,757)	53,281
Income tax expense (benefit)	(1,794)	4,386	(19,162)	14,846
Net income (loss)	$ (6,046)	$ 10,029	$ (53,595)	$ 38,435
Change in post-termination benefit obligation	6	8	(106)	(36)
Total comprehensive income (loss)	$ (6,040)	$ 10,037	$ (53,701)	$ 38,399
Net income (loss) attributable to common stockholders	$ (6,046)	$ (27,427)	$ (53,595)	$ —
Share data:				
Earnings (loss) per share:				
Basic	$ (0.22)	$ (6.39)	$ (1.97)	$ —
Diluted	$ (0.22)	$ (6.39)	$ (1.97)	$ —
Weighted average common shares outstanding:				
Basic	27,459,192	4,294,107	27,237,246	3,397,503
Diluted	27,459,192	4,294,107	27,237,246	3,397,503

See Notes to the Condensed Consolidated Financial Statements.

OPORTUN FINANCIAL CORPORATION

Condensed Consolidated Statements of Changes in Stockholders' Equity (Unaudited)

(in thousands, except share data)

For the Nine Months Ended September 30, 2020

	Convertible Preferred Stock			Common Stock Warrants		Common Stock						
	Shares	**Par Value**	**Additional Paid-in Capital**	**Shares**	**Par Value**	**Shares**	**Par Value**	**Additional Paid-in Capital**	**Accumulated Other Comprehensive Income (Loss)**	**Retained Earnings**	**Treasury Stock**	**Total Stockholders' Equity**
Balance – January 1, 2020	—	$ —	$ —	23,512	$ 63	27,003,157	$ 6	$ 418,299	$ (162)	$ 76,679	$ (6,119)	$ 488,766
Issuance of common stock upon exercise of stock options	—	—	—	—	—	3,161	—	20	—	—	—	20
Stock-based compensation expense	—	—	—	—	—	—	—	4,151	—	—	—	4,151
Vesting of restricted stock units, net	—	—	—	—	—	137,479	—	(813)	—	—	—	(813)
Cumulative effect of adoption of ASU 2019-05	—	—	—	—	—	—	—	—	—	4,835	—	4,835
Change in post-termination benefit obligation	—	—	—	—	—	—	—	—	(117)	—	—	(117)
Net loss	—	—	—	—	—	—	—	—	—	(13,301)	—	(13,301)
Balance – March 31, 2020	—	$ —	$ —	23,512	$ 63	27,143,797	$ 6	$ 421,657	$ (279)	$ 68,213	$ (6,119)	$ 483,541
Issuance of common stock upon exercise of stock options	—	$ —	$ —	—	—	22,407	—	79	—	—	—	79
Stock-based compensation expense	—	—	—	—	—	—	—	4,972	—	—	—	4,972
Issuance of common stock upon exercise of warrants	—	—	—	(23,512)	(63)	10,972	—	253	—	—	(190)	—
Vesting of restricted stock units, net	—	—	—	—	—	153,624	—	(17)	—	—	—	(17)
Change in post-termination benefit obligation	—	—	—	—	—	—	—	—	5	—	—	5
Net loss	—	—	—	—	—	—	—	—	—	(34,248)	—	(34,248)
Balance – June 30, 2020	—	$ —	$ —	—	$ —	27,330,800	$ 6	$ 426,944	$ (274)	$ 33,965	$ (6,309)	$ 454,332
Issuance of common stock upon exercise of stock options	—	$ —	$ —	—	—	4,018	—	24	$ —	—	—	24
Stock-based compensation expense	—	—	—	—	—	—	—	5,194	—	—	—	5,194
Vesting of restricted stock units, net	—	—	—	—	—	248,210	—	(489)	—	—	—	(489)
Change in post-termination benefit obligation	—	—	—	—	—	—	—	—	6	—	—	6
Net loss	—	—	—	—	—	—	—	—	—	(6,046)	—	(6,046)
Balance – September 30, 2020	—	$ —	$ —	—	$ —	27,583,028	$ 6	$ 431,673	$ (268)	$ 27,919	$ (6,309)	$ 453,021

See Notes to the Condensed Consolidated Financial Statements.

OPORTUN FINANCIAL CORPORATION

Condensed Consolidated Statements of Changes in Stockholders' Equity (Unaudited)

(in thousands, except share data)

	For the Nine Months Ended September 30, 2019											
	Convertible Preferred Stock			**Convertible Preferred and Common Stock Warrants**		**Common Stock**						
	Shares	**Par Value**	**Additional Paid-in Capital**	**Shares**	**Par Value**	**Shares**	**Par Value**	**Additional Paid-in Capital**	**Accumulated Other Comprehensive Income (Loss)**	**Retained Earnings**	**Treasury Stock**	**Total Stockholders' Equity**
Balance – January 1, 2019	14,043,977	$ 16	$ 257,887	24,959	$ 130	2,935,249	$ 3	$ 44,411	$ (132)	$ 52,662	$ (8,428)	$ 346,549
Issuance of common stock upon exercise of stock options	—	—	—	—	—	7,317	—	142	—	—	—	142
Stock-based compensation expense	—	—	—	—	—	—	—	1,980	—	—	—	1,980
Cumulative effect of adoption of ASC 842	—	—	—	—	—	—	—	—	—	(125)	—	(125)
Change in post-termination benefit obligation	—	—	—	—	—	—	—	—	(3)	—	—	(3)
Net income	—	—	—	—	—	—	—	—	—	14,614	—	14,614
Balance – March 31, 2019	14,043,977	$ 16	$ 257,887	24,959	$ 130	2,942,566	$ 3	$ 46,533	$ (135)	$ 67,151	$ (8,428)	$ 363,157
Issuance of common stock upon exercise of stock options	—	—	—	—	—	2,216	—	4	—	—	—	4
Stock-based compensation expense	—	—	—	—	—	—	—	2,035	—	—	—	2,035
Change in post-termination benefit obligation	—	—	—	—	—	—	—	—	(41)	—	—	(41)
Net income	—	—	—	—	—	—	—	—	—	13,792	—	13,792
Balance – June 30, 2019	14,043,977	$ 16	$ 257,887	24,959	$ 130	2,944,782	$ 3	$ 48,572	$ (176)	$ 80,943	$ (8,428)	$ 378,947
Issuance of common stock upon exercise of stock options	—	—	—	—	—	96,371	—	645	—	—	—	645
Repurchase of stock options	—	—	—	—	—	—	—	(86)	—	—	—	(86)
Issuance of common stock upon initial public offering, net of offering costs	—	—	—	—	—	4,873,356	—	60,479	—	—	—	60,479
Stock-based compensation expense	—	—	—	—	—	—	—	11,163	—	—	—	11,163
Conversion of convertible preferred stock to common stock in connection with initial public offering	(14,043,977)	(16)	(257,887)	—	—	19,075,167	3	295,356	—	(37,456)	—	—
Issuance of convertible preferred stock and conversion to common stock upon exercise of warrants, net	—	—	—	(9,090)	(67)	3,969	—	67	—	—	—	—
Vesting of restricted stock units	—	—	—	—	—	11,627	—	—	—	—	—	—
Restricted stock units tax withholding	—	—	—	—	—	(4,021)	—	—	—	—	(68)	(68)
Change in post-termination benefit obligation	—	—	—	—	—	—	—	—	8	—	—	8
Net income	—	—	—	—	—	—	—	—	—	10,029	—	10,029
Balance – September 30, 2019	—	$ —	$ —	15,869	$ 63	27,001,251	$ 6	$ 416,196	$ (168)	$ 53,516	$ (8,496)	$ 461,117

See Notes to the Condensed Consolidated Financial Statements.

OPORTUN FINANCIAL CORPORATION

Condensed Consolidated Statements of Cash Flow (Unaudited)

(in thousands)

	Nine Months Ended September 30,	
	2020	**2019**
Cash flows from operating activities		
Net income (loss)	$ (53,595)	$ 38,435
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	14,878	9,658
Fair value adjustment, net	177,584	78,567
Origination fees for loans receivable at fair value, net	3,520	(2,172)
Gain on loan sales	(13,406)	(25,291)
Stock-based compensation expense	14,317	15,178
Provision (release) for loan losses	—	(3,755)
Deferred tax provision, net	(14,913)	5,082
Other, net	10,688	6,557
Originations of loans sold and held for sale	(134,552)	(248,441)
Proceeds from sale of loans	147,627	269,546
Changes in operating assets and liabilities:		
Interest and fee receivable, net	(3,678)	(3,407)
Other assets	(8,242)	(23,283)
Amount due to whole loan buyer	(6,544)	2,159
Other liabilities	5,723	48,408
Net cash provided by operating activities	139,407	167,241
Cash flows from investing activities		
Originations of loans	(665,148)	(1,035,536)
Repayments of loan principal	804,619	753,072
Purchase of fixed assets, net	(3,610)	(5,765)
Capitalization of system development costs	(16,492)	(11,734)
Net cash provided by (used in) investing activities	119,369	(299,963)
Cash flows from financing activities		
Borrowings under secured financing	414,000	82,000
Proceeds from initial public offering, net of offering costs	—	60,479
Borrowings under asset-backed notes	—	249,951
Repayments of secured financing	(284,006)	(169,000)
Repayments of asset-backed notes	(360,001)	—
Repayments of capital lease obligations	(29)	(102)
Payments of deferred financing costs	(205)	—
Net payments related to stock-based activities	(1,196)	638
Net cash provided by (used in) financing activities	(231,437)	223,966
Net increase in cash and cash equivalents and restricted cash	27,339	91,244
Cash and cash equivalents and restricted cash, beginning of period	136,141	129,175
Cash and cash equivalents and restricted cash, end of period	$ 163,480	$ 220,419
Supplemental disclosure of cash flow information		
Cash and cash equivalents	$ 109,656	$ 154,512
Restricted cash	53,824	65,907
Total cash and cash equivalents and restricted cash	$ 163,480	$ 220,419
Cash paid for income taxes, net of refunds	$ 2,443	$ 2,786
Cash paid for interest and prepayment fees	$ 44,219	$ 42,845
Cash paid for amounts included in the measurement of operating lease liabilities	$ 11,730	$ 9,337
Supplemental disclosures of non-cash investing and financing activities		
Right of use assets obtained in exchange for operating lease obligations	$ 7,404	$ 46,156
Additional common stock issued to Series G shareholders upon initial public offering	$ —	$ 37,456
Non-cash investments in capitalized assets	$ 491	$ 862

See Notes to the Condensed Consolidated Financial Statements.

1. Organization and Description of Business

Oportun Financial Corporation (together with its subsidiaries, "Oportun" or the " Company") is a technology-powered and mission-driven provider of inclusive, affordable financial services to customers who do not have a credit score, known as credit invisibles, or who may have a limited credit history and are "mis-scored," meaning that the Company believes that traditional credit scores do not properly reflect such customers' credit worthiness. The Company's primary product offerings are small dollar, unsecured installment loans that are affordably priced and that help customers establish a credit history. The Company has begun to expand beyond its core offering into other financial services that a significant portion of its customers already use, such as auto loans and credit cards. The Company has developed a proprietary lending platform that enables the Company to underwrite the risk of low- and moderate-income customers that are credit invisible or mis-scored, leveraging data collected through the application process and data obtained from third-party data providers, and a technology platform for application processing, loan accounting and servicing. The Company is headquartered in San Carlos, California. The Company has been certified by the United States Department of the Treasury as a Community Development Financial Institution ("CDFI") since 2009.

The Company uses securitization transactions, warehouse facilities and whole loan sales, to finance the principal amount of most of the loans it makes to its customers.

Segments

Segments are defined as components of an enterprise for which discrete financial information is available and evaluated regularly by the chief operating decision maker ("CODM") in deciding how to allocate resources and in assessing performance. The Company's Chief Executive Officer and the Company's Chief Financial Officer are collectively considered to be the CODM. The CODM reviews financial information presented on a consolidated basis for purposes of allocating resources and evaluating financial performance. The Company's operations constitute a single reportable segment.

Initial Public Offering

On September 30, 2019, the Company completed its initial public offering ("IPO"), in which it issued and sold 4,873,356 shares of common stock and selling stockholders sold 2,314,144 shares of common stock, including the underwriters' over-allotment, at a price of $15.00 per share with net proceeds to the Company of approximately $60.5 million, after deducting underwriting discounts and commissions of $5.1 million and offering expenses paid by the Company of approximately $7.5 million. In connection with the IPO, all 14,043,977 shares of the Company's outstanding redeemable convertible preferred stock automatically converted into 19,075,167 shares of common stock. Additionally, on September 26, 2019, 3,969 shares of common stock were issued in connection with the cashless exercise of 9,090 Series F-1 convertible preferred stock warrants.

On September 9, 2019, the Company effected a one-for-eleven reverse stock split of its issued and outstanding shares of common stock and convertible preferred stock. The par value of the common and convertible preferred stock was not adjusted as a result of the reverse stock split. Accordingly, all share and per share amounts for all periods presented in the accompanying condensed consolidated financial statements and notes thereto have been adjusted retroactively, where applicable, to reflect this reverse stock split.

2. Summary of Significant Accounting Policies

Basis of Presentation - The accompanying condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). These statements are unaudited and reflect all normal, recurring adjustments that are, in management's opinion, necessary for the fair presentation of results. The condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. Certain prior-period financial information has been reclassified to conform to current period presentation. Certain information and note disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. As such, the information included in this Quarterly Report on Form 10-Q should be read in conjunction with the audited consolidated financial statements and the related notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2019 ("the Annual Report"), filed with the Securities and Exchange Commission ("SEC") on February 28, 2020. All share and per share amounts for all periods presented in the accompanying condensed consolidated financial statements and notes thereto have been adjusted retroactively, where applicable, to reflect the Company's one-for-eleven reverse stock split. See "Initial Public Offering" above for additional information.

Use of Estimates - The preparation of the condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements, and the reported amounts of income and expenses during the reporting period. These estimates are based on information available as of the date of the condensed consolidated financial statements; therefore, actual results could differ from those estimates and assumptions.

Accounting Policies - There have been no changes to the Company's significant accounting policies from those described in Part II, Item 8 - Financial Statements and Supplementary Data in the Annual Report, except for the new accounting pronouncements subsequently adopted as noted below.

Recently Adopted Accounting Standards

Allowance for Loan Losses and Fair Value Option - In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13, *Financial Instruments-Credit Losses: Measurement of Credit Losses on Financial Instruments.* This guidance significantly changes the way entities are required to measure credit losses. Under the new standard, estimated credit losses are based upon an expected credit loss approach rather than an incurred loss approach that was previously required. In May 2019, the FASB issued ASU 2019-05, *Financial Instruments-Credit Losses (Topic 326): Targeted Transition*. This ASU provides an option to irrevocably elect the fair value option applied on an instrument-by-instrument basis for certain financial assets upon the adoption of Topic 326. In November 2019, the FASB issued ASU 2019-10, Financial Instruments - *Credit Loss (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842)*, which deferred the effective date for public filers that are considered smaller reporting companies as defined by the SEC to fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted in fiscal years beginning after December 15, 2018, including interim periods in those fiscal years. The Company elected to early adopt ASU 2016-13 and ASU 2019-05 effective January 1, 2020.

The Company previously elected the fair value option for all loans originated after January 1, 2018. Upon adoption of ASU 2019-05, the Company elected the fair value option on all loans receivable originated prior to January 1, 2018 that were previously measured at amortized cost. As a result, adoption of ASU 2016-13 did not have impact on the Company's condensed consolidated financial statements and disclosures. The Company made an accounting policy election not to measure an allowance for credit losses on accrued interest receivable amounts as the Company writes off the uncollectible accrued interest receivable balance in a timely manner and makes relevant disclosures.

The adoption of ASU 2019-05 and fair value election resulted in (i) the release of the remaining allowance for loan losses on Loans Receivable at Amortized Cost as of December 31, 2019; (ii) recognition of the unamortized net originations fee income as of December 31, 2019; and (iii) measurement of the remaining loans originated prior to January 1, 2018 at fair value. These adjustments resulted in an increase to opening retained earnings as of January 1, 2020 of approximately $4.8 million. ASU 2019-05 does not allow for the fair value option to be elected on the Company's asset-backed notes carried at amortized cost.

Fair Value Disclosures - In August 2018, the FASB issued ASU 2018-13, *Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement*, which amends ASC 820, *Fair Value Measurement.* This ASU simplifies the disclosure requirements for fair value measurements. The Company adopted this ASU effective January 1, 2020. The simplified disclosure requirements included a new disclosure for the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements and the narrative description of measurement uncertainty. These new disclosure requirements were applied prospectively.

Cloud Computing Arrangements - In August 2018, the FASB issued ASU 2018-15, *Intangibles-Goodwill and Other-Internal-Use-Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract.* This ASU aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The Company adopted the amendments of this ASU effective January 1, 2020 on a prospective basis with no impact upon adoption. All eligible implementation costs related to cloud computing arrangements are now recorded as part of "prepaid expenses" within "Other assets" on the Condensed Consolidated Balance Sheets (Unaudited). The amortization expense is presented in the same line on the income statement as the fees for the associated hosted service within "Operating expenses" on the Company's Condensed Consolidated Statements of Operations and Comprehensive Income (Unaudited), and the cash payments related to implementation of cloud computing arrangements are classified as "cash flows from operating activities" within the Condensed Consolidated Statements of Cash Flow (Unaudited).

Accounting Standards to be Adopted

Income Taxes - In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. This ASU is intended to simplify the accounting for income taxes by removing certain exceptions to the general principles of accounting for income taxes and to improve the consistent application of GAAP for other areas of accounting for income taxes by clarifying and amending existing guidance. The ASU is effective for fiscal years beginning after December 15, 2020. Early adoption is permitted. The Company is currently evaluating the effect that the new guidance will have on its consolidated financial statements and disclosures.

Reference Rate Reform - In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting.* The amendments in this ASU provide optional expedients and exceptions for applying generally accepted accounting principles to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform if certain criteria are met. An entity may elect to apply the amendments for contract modifications as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020. The amendments in this ASU must be applied prospectively for all eligible contract modifications. The Company has evaluated the effect of the new guidance and determined it will not have a material impact on its consolidated financial statements and disclosures.

3. Earnings (Loss) per Share

Basic and diluted earnings (loss) per share are calculated as follows:

(in thousands, except share and per share data)	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Net income (loss)	$ (6,046)	$ 10,029	$ (53,595)	$ 38,435
Less: Additional common stock issued to Series G shareholders	—	(37,456)	—	(37,456)
Less: Net income allocated to participating securities [1]	—	—	—	(979)
Net (loss) income attributable to common stockholders	$ (6,046)	$ (27,427)	$ (53,595)	$ —
Basic weighted-average common shares outstanding	27,459,192	4,294,107	27,237,246	3,397,503
Weighted average effect of dilutive securities:				
Stock options	—	—	—	—
Restricted stock units	—	—	—	—
Warrants	—	—	—	—
Diluted weighted-average common shares outstanding	27,459,192	4,294,107	27,237,246	3,397,503
Earnings (loss) per share:				
Basic	$ (0.22)	$ (6.39)	$ (1.97)	$ —
Diluted	$ (0.22)	$ (6.39)	$ (1.97)	$ —

[1] In a period of net income, both earnings and dividends (if any) are allocated to participating securities. In a period of net loss, only dividends (if any) are allocated to participating securities.

The following common share equivalent securities have been excluded from the calculation of diluted weighted-average common shares outstanding because the effect is anti-dilutive for the periods presented:

	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Stock options	4,462,158	4,571,154	4,352,649	4,705,200
Restricted stock units	2,331,678	1,325,166	2,120,068	779,776
Warrants	—	24,880	13,866	24,933
Convertible preferred stock	—	16,266,773	—	16,886,597
Total anti-dilutive common share equivalents	6,793,836	22,187,973	6,486,583	22,396,506

4. Variable Interest Entities

As part of the Company’s overall funding strategy, the Company transfers a pool of designated loans receivable to wholly owned special-purpose subsidiaries ("VIEs") to collateralize certain asset-backed financing transactions. The Company has determined that it is the primary beneficiary of these VIEs because it has the power to direct the activities that most significantly impact the VIEs’ economic performance and the obligation to absorb the losses or the right to receive benefits from the VIEs that could potentially be significant to the VIEs. Such power arises from the Company’s contractual right to service the loans receivable securing the VIEs’ asset-backed debt obligations. The Company has an obligation to absorb losses or the right to receive benefits that are potentially significant to the VIEs because it retains the residual interest of each asset-backed financing transaction either in the form of an asset-backed certificate or as an uncertificated residual interest. Accordingly, the Company includes the VIEs’ assets, including the assets securing the financing transactions, and related liabilities in its consolidated financial statements.

Each VIE issues a series of asset-backed securities that are supported by the cash flows arising from the loans receivable securing such debt. Cash inflows arising from such loans receivable are distributed monthly to the transaction’s noteholders and related service providers in accordance with the transaction’s contractual priority of payments. The creditors of the VIEs above have no recourse to the general credit of the Company as the primary beneficiary of the VIEs and the liabilities of the VIEs can only be settled by the respective VIE’s assets. The Company retains the most subordinated economic interest in each financing transaction through its ownership of the respective residual interest in each VIE. The Company has no obligation to repurchase loans receivable that initially satisfied the financing transaction’s eligibility criteria but subsequently became delinquent or a defaulted loans receivable.

The following table represents the assets and liabilities of consolidated VIEs recorded on the Company’s Condensed Consolidated Balance Sheets (Unaudited):

(in thousands)		September 30, 2020		December 31, 2019
Consolidated VIE assets				
Restricted cash	$	25,004	$	28,821
Loans receivable at fair value		1,488,861		1,745,465
Loans receivable at amortized cost		—		41,747
Interest and fee receivable		15,352		15,874
Total VIE assets		1,529,217		1,831,907
Consolidated VIE liabilities				
Secured financing [(1)]		191,994		62,000
Asset-backed notes at fair value		1,125,444		1,129,202
Asset-backed notes at amortized cost [(1)]		—		360,001
Total VIE liabilities	$	1,317,438	$	1,551,203

(1) Amounts exclude deferred financing costs. See Note 8, *Borrowings* for additional information.

5. Loans Receivable at Amortized Cost, Net

Upon adoption of ASU 2019-05, effective January 1, 2020, the Company elected the fair value option on all loans receivable previously measured at amortized cost as of December 31, 2019. Accordingly, for the three and nine months ended September 30, 2020, the Company did not have any loans receivable measured at amortized cost. Therefore, the relevant disclosures related to loans receivable at amortized cost, net, such as credit quality information, past due loans receivable, troubled debt restructurings, and allowance for loan losses are not applicable for the nine months ended September 30, 2020. As of December 31, 2019, loans receivable at amortized cost, net, of $38.5 million consisted of loans receivable at amortized cost of $42.5 million; deferred origination costs and fees, net, of $(0.1) million, and an allowance for loan losses of $(4.0) million.

6. Loans Held for Sale

The originations of loans sold and held for sale during the three months ended September 30, 2020 was $39.8 million and the Company recorded a gain on sale of $3.9 million and servicing revenue of $3.5 million. The originations of loans sold and held for sale during the three months ended September 30, 2019 was $95.2 million and the Company recorded a gain on sale of $9.5 million and servicing revenue of $3.9 million.

The originations of loans sold and held for sale during the nine months ended September 30, 2020 was $134.6 million and the Company recorded a gain on sale of $13.4 million and servicing revenue of $12.0 million. The originations of loans sold and held for sale during the nine months ended September 30, 2019 was $248.4 million and the Company recorded a gain on sale of $25.3 million and servicing revenue of $11.1 million.

Whole Loan Sale Program - In November 2014, the Company entered into a whole loan sale agreement with an institutional investor, which agreement has been amended from time to time. The term of the current agreement was set to expire on November 10, 2020. The parties have agreed to extend the agreement on the same terms through December 10, 2020. Additional extensions may be considered on a month-to-month basis. Pursuant to the agreement, the Company sells at least 10% of its unsecured loan originations, with an option to sell an additional 5%, subject to certain eligibility criteria and minimum and maximum volumes.

In addition, from July 2017 to August 2020, the Company was party to a separate whole loan sale arrangement with an institutional investor providing for a commitment to sell 100% of the Company's loans originated under its Access Loan Program. The Company chose not to renew the arrangement and allowed the agreement to expire on its terms on August 5, 2020.

7. Other Assets

Other assets consist of the following:

(in thousands)	September 30, 2020	December 31, 2019
Fixed assets		
Computer and office equipment	$ 10,993	$ 10,432
Furniture and fixtures	11,030	10,768
Purchased software	4,945	4,527
Vehicles	79	171
Leasehold improvements	28,987	27,701
Total cost	56,034	53,599
Less: Accumulated depreciation	(37,298)	(30,765)
Total fixed assets, net	$ 18,736	$ 22,834
System development costs:		
System development costs	$ 53,186	$ 36,795
Less: Accumulated amortization	(26,071)	(18,456)
Total system development costs, net	$ 27,115	$ 18,339
Servicer fee and whole loan receivables	1,102	6,621
Prepaid expenses	13,318	12,217
Deferred tax assets	1,346	1,563
Tax assets and other	20,695	15,197
Total other assets	$ 82,312	$ 76,771

Fixed Assets

Depreciation and amortization expense for the three months ended September 30, 2020 and 2019 was $2.2 million and $2.3 million, respectively, and for the nine months ended September 30, 2020 and 2019 it was $7.3 million, and $6.2 million, respectively.

System Development Costs

Amortization of system development costs for the three months ended September 30, 2020 and 2019 was $2.9 million and $1.3 million, respectively, and for the nine months ended September 30, 2020 and 2019 they were $7.6 million and $3.2 million, respectively. System development costs capitalized in the three months ended September 30, 2020 and 2019, were $5.3 million and $5.1 million, respectively, and for the nine months ended September 30, 2020 and 2019 they were $16.4 million and $12.2 million, respectively.

8. Borrowings

The following table presents information regarding the Company's Secured Financing facility:

	September 30, 2020			
Variable Interest Entity	**Current Balance**	**Commitment Amount**	**Maturity Date**	**Interest Rate**
(in thousands)				
Oportun Funding V, LLC	$ 191,180	$ 400,000	October 1, 2021	LIBOR (minimum of 0.00%) + 2.45%

	December 31, 2019			
Variable Interest Entity	**Current Balance**	**Commitment Amount**	**Maturity Date**	**Interest Rate**
(in thousands)				
Oportun Funding V, LLC	$ 60,910	$ 400,000	October 1, 2021	LIBOR (minimum of 0.00%) + 2.45%

The Company elected the fair value option for all asset-backed notes issued on or after January 1, 2018. The following table presents information regarding asset-backed notes:

	September 30, 2020					
Variable Interest Entity	Initial note amount issued [1]	Initial collateral balance [2]	Current balance [1]	Current collateral balance[2]	Weighted average interest rate[3]	Original revolving period
(in thousands)						
Asset-backed notes recorded at fair value:						
Oportun Funding XIII, LLC (Series 2019-A)	$ 279,412	$ 294,118	$ 252,049	$ 299,659	3.22 %	3 years
Oportun Funding XII, LLC (Series 2018-D)	175,002	184,213	177,768	187,641	4.50 %	3 years
Oportun Funding X, LLC (Series 2018-C)	275,000	289,474	278,618	294,913	4.39 %	3 years
Oportun Funding IX, LLC (Series 2018-B)	225,001	236,854	216,490	241,294	4.09 %	3 years
Oportun Funding VIII, LLC (Series 2018-A)	200,004	222,229	200,519	226,632	3.83 %	3 years
Total asset-backed notes recorded at fair value	$ 1,154,419	$ 1,226,888	$ 1,125,444	$ 1,250,139		

	December 31, 2019					
Variable Interest Entity	Initial note amount issued [1]	Initial collateral balance [2]	Current balance [1]	Current collateral balance[2]	Weighted average interest rate[3]	Original revolving period
(in thousands)						
Asset-backed notes recorded at fair value:						
Oportun Funding XIII, LLC (Series 2019-A)	$ 279,412	$ 294,118	$ 251,090	$ 299,813	3.22 %	3 years
Oportun Funding XII, LLC (Series 2018-D)	175,002	184,213	178,980	187,447	4.50 %	3 years
Oportun Funding X, LLC (Series 2018-C)	275,000	289,474	280,852	294,380	4.39 %	3 years
Oportun Funding IX, LLC (Series 2018-B)	225,001	236,854	216,306	241,000	4.09 %	3 years
Oportun Funding VIII, LLC (Series 2018-A)	200,004	222,229	201,974	225,945	3.83 %	3 years
Total asset-backed notes recorded at fair value	$ 1,154,419	$ 1,226,888	$ 1,129,202	$ 1,248,585		
Asset-backed notes recorded at amortized cost:						
Oportun Funding VII, LLC (Series 2017-B)	$ 200,000	$ 222,231	$ 199,413	$ 225,925	3.51 %	3 years
Oportun Funding VI, LLC (Series 2017-A)	160,001	188,241	159,698	191,223	3.36 %	3 years
Total asset-backed notes recorded at amortized cost	$ 360,001	$ 410,472	$ 359,111	$ 417,148		

(1) Initial note amount issued includes notes retained by the Company as applicable. The current balances are measured at fair value for asset-backed notes recorded at fair value and measured at carrying amount for asset-back notes recorded at amortized cost.
(2) Includes the unpaid principal balance of loans receivable, cash, cash equivalents and restricted cash pledged by the Company.
(3) Weighted average interest rate excludes notes retained by the Company.

On July 8, 2020, the Company redeemed its 2017-B asset-backed notes. The redemption was funded by drawing upon the Company's Secured Financing facility for $ 149.0 million and using $51.0 million of unrestricted cash. On March 9, 2020, the Company redeemed its Series 2017-A asset-backed notes. Advances under the Company’s Secured Financing facility were the primary source of funds for the redemption. After the redemptions of our Series 2017-B and 2017-A asset-back notes, the Company did not have any asset-backed notes recorded at amortized cost as of September 30, 2020.

As of September 30, 2020, and December 31, 2019, the Company was in compliance with all covenants and requirements of the Secured Financing facility and asset-backed notes.

In October 2020, the Company raised $ 39.8 million, net of fees and expenses, by selling $41.3 million of retained bonds related to our 2019-A and 2018-B asset-backed notes.

9. Other Liabilities

Other liabilities consist of the following:

(in thousands)	September 30, 2020	December 31, 2019
Accounts payable	$ 2,579	$ 5,919
Accrued compensation	25,983	22,226
Accrued expenses	23,139	12,965
Accrued interest	3,067	3,842
Deferred tax liabilities	9,738	24,868
Current tax liabilities and other	4,870	7,354
Total other liabilities	$ 69,376	$ 77,174

10. Stockholders' Equity

Convertible Preferred Stock - Immediately prior to the completion of the IPO, all 14,043,977 shares of convertible preferred stock were converted into 19,075,167 shares of the Company's common stock. The conversion of all of the Company's convertible preferred stock included an additional 1,873,355 shares of common stock issued for the conversion of the Series G convertible preferred stock to reflect the conversion rate of the Series G convertible preferred stock. The additional 1,873,355 shares issued to Series G convertible preferred stock holders resulted in a $37.5 million reduction to retained earnings and a corresponding increase to additional paid-in capital. There were no shares of convertible preferred stock issued or outstanding as of September 30, 2020 or December 31, 2019.

Preferred Stock - The Board has the authority, without further action by the Company's stockholders, to issue up to 100,000,000 shares of undesignated preferred stock with rights and preferences, including voting rights, designated from time to time by the Board. There were no shares of undesignated preferred stock issued or outstanding as of September 30, 2020 or December 31, 2019.

Common Stock - As of September 30, 2020 and December 31, 2019, the Company was authorized to issue 1,000,000,000 shares of common stock with a par value of $0.0001 per share. As of September 30, 2020, 27,855,051 and 27,583,028 shares were issued and outstanding, respectively, and 272,023 shares were held in treasury stock. As of December 31, 2019, 27,262,639 and 27,003,157 shares were issued and outstanding, respectively, and 259,482 shares were held in treasury stock.

Warrants - On September 26, 2019, 3,969 shares of convertible preferred stock were issued in connection with the cashless exercise of 9,090 Series F-1 convertible preferred stock warrants. All 3,969 shares of convertible preferred stock were converted to common stock in connection with the IPO. On June 9, 2020, 10,972 shares of common stock were issued in connection with the cashless exercise of the outstanding common stock warrants. No warrants were outstanding as of September 30, 2020.

11. Equity Compensation and Other Benefits

The Company's stock-based plans are described and informational disclosures are provided in the Notes to the Consolidated Financial Statements included in the Annual Report.

Stock-based Compensation - Total stock-based compensation expense included in the Condensed Consolidated Statements of Operations and Comprehensive Income (Unaudited) is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	2020	2019	2020	2019
Technology and facilities	$ 1,010	$ 1,310	$ 2,693	$ 2,068
Sales and marketing	32	43	92	95
Personnel	4,152	9,810	11,532	13,015
Total stock-based compensation	$ 5,194	$ 11,163	$ 14,317	$ 15,178

As of September 30, 2020, and December 31, 2019, the Company’s total unrecognized compensation cost related to nonvested stock-based option awards granted to employees was $11.0 million and $10.1 million, respectively, which will be recognized over a weighted-average vesting period of approximately 2.8 years and 2.4 years, respectively. As of September 30, 2020 and December 31, 2019, the Company's total unrecognized compensation cost related to nonvested restricted stock unit awards granted to employees was $41.6 million and $21.2 million, respectively, which will be recognized over a weighted average vesting period of approximately 3.1 years and 3.0 years, respectively.

The Company capitalized compensation expense related to stock-based compensation of $0.3 million and $0.7 million for the three and nine months ended September 30, 2020, respectively, and capitalized $0.4 million and $0.6 million for the three and nine months ended September 30, 2019, respectively.

Cash flows from the tax benefits for tax deductions resulting from the exercise of stock options in excess of the compensation expense recorded for those options (excess tax benefits) are required to be classified as cash from financing activities. The total income tax expense (benefit) recognized in the income statement for stock-based compensation arrangements for the three and nine months ended September 30, 2020 was $1.2 million and $2.4 million, respectively. The Company had no realized excess tax benefits from share-based compensation arrangements for the three and nine months ended September 30, 2019.

12. Revenue

Interest Income - Total interest income included in the Condensed Consolidated Statements of Operations and Comprehensive Income (Unaudited) is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	2020	2019	2020	2019
Interest income				
Interest on loans	$ 127,267	$ 136,803	$ 410,124	$ 389,104
Fees on loans	1,472	2,469	5,401	6,674
Total interest income	128,739	139,272	415,525	395,778

Non-interest Income - Total non-interest income included in the Condensed Consolidated Statements of Operations and Comprehensive Income (Unaudited) is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	2020	2019	2020	2019
Non-interest income				
Gain on loan sales	$ 3,882	$ 9,495	$ 13,406	$ 25,291
Servicing fees	3,515	3,932	12,003	11,149
Other income	631	1,181	1,968	2,586
Total non-interest income	$ 8,028	$ 14,608	$ 27,377	$ 39,026

13. Income Taxes

Income tax benefit for the three and nine months ended September 30, 2020 was $1.8 million and $19.2 million, respectively, representing an effective tax rate of 22.9% and 26.3%, respectively. Income tax expense for the three and nine months ended September 30, 2019 was $4.4 million and $14.8 million, respectively, representing an effective income tax rate of 30.4% and 27.9%, respectively.

Interest and penalties related to the Company's unrecognized tax benefits accrued at September 30, 2020 were not material. The Company's policy is to recognize interest and penalties associated with income taxes in income tax expense. The Company does not expect its uncertain tax positions to have a material impact on its consolidated financial statements within the next 12 months.

14. Fair Value of Financial Instruments

Financial Instruments at Fair Value

The Company previously elected the fair value option to account for all loans receivable held for investment that were originated on or after January 1, 2018 (the "Initial Fair Value Loans"), and for all asset-backed notes issued on or after January 1, 2018 (the "Fair Value Notes"). Upon adoption of ASU 2019-05, effective January 1, 2020, the Company elected the fair value option on all loans receivable previously measured at amortized cost (the "Subsequent Fair Value Loans" and together with the Initial Fair Value Loans, the "Fair Value Loans"). Accordingly, for the nine months ended September 30, 2020, the Company did not have any loans receivable measured at amortized cost. Asset-backed notes issued prior to January 1, 2018 are accounted for at amortized cost, net. After the redemption of our Series 2017-B asset-back notes on July 8, 2020, we did not have any asset-backed notes at amortized cost as of September 30, 2020. Loans that the Company designates for sale will continue to be accounted for as held for sale and recorded at the lower of cost or fair value until the loans receivable are sold.

The table below compares the fair value of loans receivable and asset-backed notes to their contractual balances for the periods shown:

	September 30, 2020		December 31, 2019	
(in thousands)	Unpaid Principal Balance	Fair Value	Unpaid Principal Balance	Fair Value
Assets				
Loans receivable	$ 1,575,183	$ 1,605,388	$ 1,800,418	$ 1,882,088
Liabilities				
Asset-backed notes	1,113,165	1,125,444	1,113,165	1,129,202

The Company calculates the fair value of the Fair Value Notes using independent pricing services and broker price indications, which are based on quoted prices for identical or similar notes, which are Level 2 input measures.

The Company primarily uses a discounted cash flow model to estimate the fair value of Level 3 instruments based on the present value of estimated future cash flows. This model uses inputs that are inherently judgmental and reflect management's best estimates of the assumptions a market participant would use to calculate fair value. With the impact of COVID-19 on the securities market, the Company has included some expected market degradation in its model to reflect the possibility of delinquency rates increasing in the near term (and the corresponding increase in charge-offs and decrease in payments), deviating from what historical trends would suggest. The impact of COVID-19 on the economy continues to be a fluid situation and the Company will continue to adapt accordingly. The following tables present quantitative information about the significant unobservable inputs used for the Company's Level 3 fair value measurements:

	September 30, 2020			December 31, 2019		
	Minimum	Maximum	Weighted Average [2]	Minimum [3]	Maximum [3]	Weighted Average
Remaining cumulative charge-offs [1]	6.52%	64.07%	10.61%	—	—	9.61%
Remaining cumulative prepayments [1]	—%	34.71%	28.34%	—	—	34.95%
Average life (years)	0.21	1.30	0.78	—	—	0.81
Discount rate	—	—	7.84%	—	—	7.77%

[1] Figure disclosed as a percentage of outstanding principal balance.
[2] Unobservable inputs were weighted by outstanding principal balance, which are grouped by risk (type of customer, original loan maturity terms).
[3] The Company adopted ASU 2018-13 on a prospective basis, effective January 1, 2020, therefore, these disclosures are not required as of December 31, 2019.

Fair value adjustments related to financial instruments where the fair value option has been elected are recorded through earnings for the nine months ended September 30, 2020 and 2019. Certain unobservable inputs may (in isolation) have either a directionally consistent or opposite impact on the fair value of the financial instrument for a given change in that input. When multiple inputs are used within the valuation techniques for loans, a change in one input in a certain direction may be offset by an opposite change from another input.

The Company developed an internal model to estimate the Fair Value Loans. To generate future expected cash flows, the model combines receivable characteristics with assumptions about borrower behavior based on the Company's historical loan performance. These cash flows are then discounted using a required rate of return that management estimates would be used by a market participant.

The Company tested the fair value model by comparing modeled cash flows to historical loan performance to ensure that the model was complete, accurate and reasonable for the Company's use. The Company also engaged a third party to create an independent fair value estimate for the Fair Value Loans, which provides a set of fair value marks using the Company's historical loan performance data and whole loan sale prices to develop independent forecasts of borrower behavior. Their model generates expected cash flows which were then aggregated and compared to the Company's actual cash flows within an acceptable range.

The Company's internal valuation committee provides governance and oversight over the fair value pricing calculations and related financial statement disclosures. Additionally, this committee provides a challenge of the assumptions used and outputs of the model, including the appropriateness of such measures and periodically reviews the methodology and process to determine the fair value pricing. Any significant changes to the process must be approved by the committee.

The table below presents a reconciliation of loans receivable at fair value on a recurring basis using significant unobservable inputs:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	2020	2019	2020	2019
Balance – beginning of period	$ 1,635,684	$ 1,513,413	$ 1,882,088	$ 1,227,469
Adjustment upon adoption of ASU 2019-05	—	—	43,323	—
Principal disbursements	283,894	459,227	804,767	1,216,582
Principal payments from customers	(305,883)	(266,663)	(927,175)	(696,173)
Gross charge-offs	(48,135)	(31,229)	(145,373)	(82,275)
Net increase (decrease) in fair value	39,828	7,141	(52,242)	16,286
Balance – end of period	$ 1,605,388	$ 1,681,889	$ 1,605,388	$ 1,681,889

As of September 30, 2020, the aggregate fair value of loans that are 90 days or more past due and in non-accrual status was $2.0 million, and the aggregate unpaid principal balance for loans that are 90 days or more past due was $11.6 million. As of December 31, 2019, the aggregate fair value of loans that are 90 days or more past due and in non-accrual status was $3.6 million, and the aggregate unpaid principal balance for loans that are 90 days or more past due was $15.8 million.

Financial Instruments Disclosed But Not Carried at Fair Value

The following table presents the carrying value and estimated fair values of financial assets and liabilities disclosed but not carried at fair value and the level within the fair value hierarchy:

	September 30, 2020				
			Estimated fair value		
(in thousands)	Carrying value	Estimated fair value	Level 1	Level 2	Level 3
Assets					
Cash and cash equivalents	$ 109,656	$ 109,656	$ 109,656	$ —	$ —
Restricted cash	53,824	53,824	53,824	—	—
Loans receivable at amortized cost, net (Note 5)	—	—	—	—	—
Loans held for sale (Note 6)	1,046	1,046	—	—	1,046
Liabilities					
Accounts payable	2,579	2,579	2,579	—	—
Secured financing (Note 8)	191,994	189,716	—	189,716	—

	December 31, 2019				
			Estimated fair value		
(in thousands)	Carrying value	Estimated fair value	Level 1	Level 2	Level 3
Assets					
Cash and cash equivalents	$ 72,179	$ 72,179	$ 72,179	$ —	$ —
Restricted cash	63,962	63,962	63,962	—	—
Loans receivable at amortized cost, net (Note 5)	38,471	43,482	—	—	43,482
Loans held for sale (Note 6)	715	772	—	—	772
Liabilities					
Accounts payable	5,919	5,919	5,919	—	—
Secured financing (Note 8)	62,000	62,000	—	62,000	—
Asset-backed notes at amortized cost (Note 8)	359,111	360,668	—	360,668	—

The Company uses the following methods and assumptions to estimate fair value:

- *Cash, cash equivalents, restricted cash and accounts payable* - The carrying values of certain of the Company's financial instruments, including cash and cash equivalents, restricted cash and accounts payable, approximate Level 1 fair values of these financial instruments due to their short-term nature.
- *Loans receivable* - The fair value of loans receivable recorded at amortized cost were estimated by discounting the future expected cash flows using a required rate of return that management estimates would be used by a market participant.
- *Loans held for sale* - The fair values of loans held for sale are based on a negotiated agreement with the purchaser.
- *Secured financing and asset-backed notes* - The fair values of secured financing and asset-backed notes recorded at carrying value have been calculated using discount rates equivalent to the weighted-average market yield of comparable debt securities. The Company's asset-backed notes are valued by independent pricing services and brokers using quoted prices for identical or similar notes, which are Level 2 input measures.

There were no transfers in or out of Level 3 assets and liabilities for the three and nine months ended September 30, 2020 and 2019 and the year ended December 31, 2019.

15. Leases, Commitments and Contingencies

Leases - The Company's leases are primarily for real property consisting of retail locations and office space and have remaining lease terms of 10 years or less.

The Company has elected the practical expedient to keep leases with terms of 12 months or less off the balance sheet as no recognition of a lease liability and a right-of-use asset is required. Operating lease expense is recognized on a straight-line basis over the lease term in "Technology and facilities" in the Condensed Consolidated Statements of Operations and Comprehensive Income (Unaudited).

Most of the Company's existing lease arrangements are classified as operating leases. At the inception of a contract, the Company determines if the contract is or contains a lease. At the commencement date of a lease, the Company recognizes a lease liability equal to the present value of the lease payments and a right-of-use asset representing the Company's right to use the underlying asset for the duration of the lease term. The Company's leases include options to extend or terminate the arrangement at the end of the original lease term. The Company generally does not include renewal or termination options in its assessment of the leases unless extension or termination for certain assets is deemed to be reasonably certain. Variable lease payments and short-term lease costs were deemed immaterial. The Company's leases do not provide an explicit rate. The Company uses its contractual borrowing rate to determine lease discount rates.

As of September 30, 2020, maturities of lease liabilities, excluding short-term leases and leases on a month-to-month basis, were as follows:

(in thousands)	Operating Leases
Lease expense	
2020 (remaining three months)	$ 4,148
2021	14,767
2022	11,971
2023	10,117
2024	8,615
2025	6,562
Thereafter	1,443
Total lease payments	57,623
Imputed interest	(5,499)
Total leases	$ 52,124
Sublease income	
2020 (remaining three months)	$ (435)
2021 and thereafter	—
Total lease payments	(435)
Imputed interest	3
Total sublease income	$ (432)
Net lease liabilities	$ 51,692
Weighted average remaining lease term	4.6 years
Weighted average discount rate	4.46 %

As of December 31, 2019, maturities of lease liabilities, excluding short-term leases and leases on a month-to-month basis, were as follows:

(in thousands)	Operating Leases
Lease expense	
2020	15,227
2021	12,439
2022	9,663
2023	8,340
2024	7,488
Thereafter	7,293
Total lease payments	60,450
Imputed interest	(6,240)
Total leases	$ 54,210
Sublease income	
2020	(861)
2021 and thereafter	—
Total lease payments	(861)
Imputed interest	8
Total sublease income	$ (853)
Net lease liabilities	$ 53,357
Weighted average remaining lease term	5.0 years
Weighted average discount rate	4.49 %

Rental expenses under operating leases for the three and nine months ended September 30, 2020, were $5.2 million, and $15.5 million, respectively, and for the three and nine months ended September 30, 2019, were $4.5 million, and $13.2 million, respectively.

Purchase Commitment - The Company has commitments to purchase information technology and communication services in the ordinary course of business, with various terms through 2023. These amounts are not reflective of the Company's entire anticipated purchases under the related agreements; rather, they are determined based on the non-cancelable amounts to which the Company is contractually obligated. The Company's purchase obligations are $2.1 million for the remainder of 2020, $10.8 million in 2021, $7.0 million in 2022, $1.1 million in 2023, and $0.0 million thereafter.

Whole Loan Sale Program - The Company has a commitment to sell to a third-party institutional investor 10% of its unsecured loan originations that satisfy certain eligibility criteria, and an additional 5% at the Company's sole option. For details regarding the whole loan sale program, refer to Note 6, *Loans Held for Sale.*

Access Loan Sale Program - From July 2017 to August 2020, the Company was party to a separate whole loan sale arrangement with an institutional investor with a commitment to sell 100% of the originations pursuant to the Company's Access Loan Program and service the sold loans. For details regarding the Access Loan Sale Program, refer to Note 6, *Loans Held for Sale*.

Unfunded Loan and Credit Card Commitments - Unfunded loan and credit card commitments at September 30, 2020 and December 31, 2019 were $8.0 million and $2.3 million, respectively.

Litigation - On June 13, 2017, a complaint, captioned Atinar Capital II, LLC and James Gutierrez v. David Strohm, et. al., CGC 17-559515, (the "Atinar Lawsuit"), was filed by plaintiffs James Gutierrez and Atinar Capital II, LLC (an LLC controlled by Gutierrez) (the "Gutierrez Plaintiffs"), in the Superior Court of the State of California, County of San Francisco, against certain of the Company's current and former directors and officers, and certain of the Company's stockholders alleging that the defendants breached their fiduciary duties to the Company's common stockholders in their capacities as officers, directors and/or controlling stockholders by approving certain of the Company's convertible preferred stock financing rounds that diluted the ownership of the Company's common stockholders, and that certain defendants allegedly aided and abetted such breaches. On October 17, 2019, after being given leave by the court to amend its complaint, the plaintiffs filed a second amended complaint that added Gutierrez Family Holdings, LLC (another entity controlled by Gutierrez) as an additional plaintiff, and pleading the case in the alternative as a derivative shareholder suit. As part of the derivative shareholder suit, Oportun Financial Corporation was added as a nominal defendant only. The second amended complaint sought unspecified monetary damages and other relief. On November 18, 2019, the Company filed a demurrer of the second amended complaint. On April 1, 2020, the Court issued an order sustaining the Company's demurrer in part, by dismissing Gutierrez Family Holdings, LLC from the case, and denying it in part. The Court subsequently ordered the parties to mediation. While the Company believes the claims in the Atinar lawsuit were without merit, the Company wanted to avoid the costs and management distraction of litigation and at mediation the parties have agreed to settle this matter. The Company has indemnified the current and former directors, officers and shareholders to whom it has indemnification obligations.

On January 2, 2018, a complaint, captioned Opportune LLP v. Oportun, Inc. and Oportun, LLC, Civil Action No. 4:18-cv-00007 (the "Opportune Lawsuit"), was filed by plaintiff Opportune LLP in the United States District Court for the Southern District of Texas, against the Company and its wholly-owned subsidiary, Oportun, LLC. The complaint alleged various claims for trademark infringement, unfair competition, trademark dilution and misappropriation against the Company and Oportun, LLC and called for injunctive relief requiring the Company and Oportun, LLC to cease using its marks, as well as monetary damages related to the claims. In addition, on January 2, 2018, the plaintiff initiated a cancellation proceeding, Proceeding No. 92067634, before the Trademark Trial and Appeal Board seeking to cancel certain of the Company's trademarks, (the "Cancellation Proceeding" and, together with the Opportune Lawsuit, the "Opportune Matter"). On March 5, 2018, the Trademark Trial and Appeal Board granted the Company's motion to suspend the Cancellation Proceeding pending final disposition of the Opportune Lawsuit. On April 24, 2018, the District Court granted the Company's motion to partially dismiss the complaint, dismissing the plaintiff's misappropriation claim. On February 22, 2019, the plaintiff filed an amended complaint adding an additional claim under the Anti-Cybersquatting Protection Act to the remaining claims in the original complaint. On August 30, 2019, the Company filed a motion for summary judgment on all of the plaintiff's claims. On January 22, 2020, the District Court issued its decision denying the Company's motion for summary judgment. No trial date has been set. In connection with discussions regarding settlement of the Opportune Matter, the Company has recorded a liability of $1.9 million within Other liabilities and a corresponding insurance recovery receivable of $1.0 million within Other assets on the Condensed Consolidated Balance Sheets as of December 31, 2019. The income statement impact of $0.9 million was recorded through General, administrative and other on the Condensed Consolidated Statements of Operations and Comprehensive Income for the year ended December 31, 2019. Actual results could differ from these estimates.

See Part II. Item 1. Legal Proceedings for additional information regarding legal proceedings in which the Company is involved.

16. Subsequent Events

In late October 2020, the Company executed a settlement agreement regarding the Atinar Lawsuit. As a result, the Company established an $8.8 million litigation reserve as of September 30, 2020 and reported a liability of $8.8 million within Other liabilities on the Condensed Consolidated Balance Sheets as of September 30, 2020. The income statement impact of $8.8 million was reported as part of General, administrative and other on the Condensed Consolidated Statements of Operations and Comprehensive Income for the three and nine months ended September 30, 2020.

In October 2020, the Company raised $39.8 million, net of fees and expenses, by selling $41.3 million of retained bonds related to its 2019-A and 2018-B asset-backed notes.

On November 10, 2020, the Company announced a partnership with MetaBank, N.A., a national bank, to make personal loans capped at a 36% APR available to low- and moderate-income consumers with limited or no credit history in certain states outside of its current state-licensed footprint. The partnership is expected to launch in mid-2021.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

An index to our management's discussion and analysis follows:

Topic	
Forward-Looking Statements	23
Overview	24
COVID-19 Update	26
Key Financial and Operating Metrics	29
Historical Credit Performance	31
Results of Operations	33
Fair Value Estimate Methodology for Loans Receivable at Fair Value	39
Non-GAAP Financial Measures	41
Liquidity and Capital Resources	47
Off-Balance Sheet Arrangements	49
Critical Accounting Policies and Significant Judgments and Estimates	49
Recently Issued Accounting Pronouncements	49

You should read the following discussion and analysis of our financial condition and results of operations together with our unaudited condensed consolidated financial statements and the related notes and other financial information included elsewhere in this report and the audited consolidated financial statements and the related notes and the discussion under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" for the fiscal year ended December 31, 2019 included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission, on February 28, 2020. Some of the information contained in this discussion and analysis, including information with respect to our plans and strategy for our business, includes forward-looking statements that involve risks and uncertainties. You should review the "Risk Factors" section of this report for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

Forward-Looking Statements

This report contains forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, concerning our business, operations and financial performance and condition, as well as our plans, objectives and expectations for our business operations and financial performance and condition. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "aim," "anticipate," "assume," "believe," "contemplate," "continue," "could," "due," "estimate," "expect," "goal," "intend," "may," "objective," "plan," "predict," "potential," "positioned," "seek," "should," "target," "will," "would," and other similar expressions that are predictions of or indicate future events and future trends, or the negative of these terms or other comparable terminology, although not all forward-looking statements contain these words. These forward-looking statements include, but are not limited to, statements about:

- our ability to increase the volume of loans we make;
- our ability to manage our net charge-off rates;
- our ability to successfully manage the potential adverse impact of the COVID-19 pandemic on our business, results and operations;
- our plans and timing for new product launches;
- our ability to successfully adjust our proprietary credit risk models and products in response to changing macroeconomic conditions and fluctuations in the credit market, including as a result of the COVID-19 pandemic;
- our expectations regarding our costs and seasonality;
- our ability to successfully build our brand and protect our reputation from negative publicity;
- our ability to expand our capabilities for mobile loan and online origination and increase the volume of loans originated through our mobile and online channels;
- our ability to increase the effectiveness of our marketing efforts;
- our ability to expand our presence in states in which we operate, as well as expand into new states, including through the successful development and execution of strategic partnerships;
- our plans and ability to enter into new markets and introduce new products and services;
- our ability to continue to expand our demographic focus;
- our ability to maintain the terms on which we lend to our customers;

- our plans for and our ability to successfully maintain our diversified funding strategy, including loan warehouse facilities, whole loan sales and securitization transactions;
- our ability to successfully manage our interest rate spread against our cost of capital;
- our ability to manage fraud risk;
- our ability to efficiently manage our Customer Acquisition Cost;
- our expectations regarding the sufficiency of our cash to meet our operating and cash expenditures;
- our ability to effectively estimate the fair value of our Fair Value Loans and Fair Value Notes;
- our ability to effectively secure and maintain the confidentiality of the information provided and utilized across our systems;
- our ability to successfully compete with companies that are currently in, or may in the future enter, the business of providing consumer loans to low- and moderate-income customers underserved by traditional, mainstream financial institutions;
- our ability to attract, integrate and retain qualified employees;
- our ability to effectively manage and expand the capabilities of our contact centers, outsourcing relationships and other business operations abroad; and
- our ability to successfully adapt to complex and evolving regulatory environments

Forward-looking statements are based on our management's current expectations, estimates, forecasts, and projections about our business and the industry in which we operate and on our management's beliefs and assumptions. In addition, statements that "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this Quarterly Report on Form 10-Q, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate we have conducted exhaustive inquiry into, or review of, all potentially available relevant information. We anticipate that subsequent events and developments may cause our views to change. Forward-looking statements do not guarantee future performance or development and involve known and unknown risks, uncertainties, and other factors that are in some cases beyond our control. Factors that may cause actual results to differ materially from current expectations include, among other things, those listed under the heading "Risk Factors" and elsewhere in this report. We also operate in a rapidly changing environment and new risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in, or implied by, any forward-looking statements. As a result, any or all of our forward-looking statements in this report may turn out to be inaccurate. Furthermore, if the forward-looking statements prove to be inaccurate, the inaccuracy may be material.

You should read this report with the understanding that our actual future results, levels of activity, performance and achievements may be materially different from what we expect, particularly given the uncertainties caused by the COVID-19 pandemic.

These forward-looking statements speak only as of the date of this report. Except as required by law, we assume no obligation to update or revise these forward-looking statements for any reason, even if new information becomes available in the future. We qualify all of our forward-looking statements by these cautionary statements.

Overview

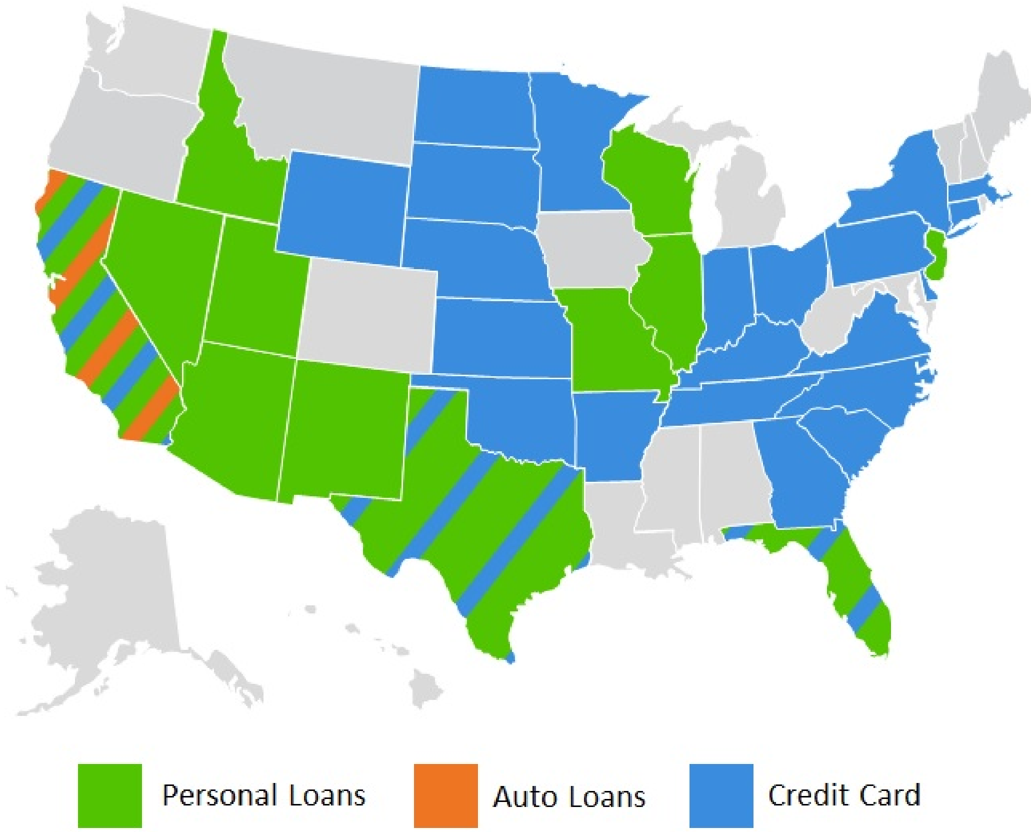
We are a mission-driven Community Development Financial Institution ("CDFI"). We provide inclusive, affordable financial services powered by a deep, data-driven understanding of our customers and advanced proprietary technology. Our proprietary lending platform and application of machine learning to our unique alternative data set enable us to provide loans at a fraction of the price of other providers. Using methodology provided in a study commissioned by us and conducted by the Financial Health Network, we estimate that, as of September 30, 2020, our customers have saved more than $1.8 billion in aggregate interest and fees compared to alternative products available to them. Our customers include those who either do not have a credit score, known as credit invisibles, or who may have a limited credit history and are "mis-scored," meaning that traditional credit scores do not properly reflect their credit worthiness. By lending money to hardworking, low- and moderate-income individuals, we help them move forward in their lives, demonstrate their creditworthiness, and establish the credit history they need to access new opportunities. In our 15-year history, we have originated more than 3.9 million loans, representing over $9.3 billion of credit extended, to more than 1.8 million customers.

Our core offering is a simple-to-understand, affordable, unsecured, fully amortizing personal installment loan with fixed payments and fixed interest rates throughout the life of the loan. Our personal loans do not have prepayment penalties or balloon payments and range in size from $300 to $10,000 with terms ranging from six to 51 months. As part of our commitment to be a responsible lender, we verify income for 100% of our personal loan customers and only make loans to customers that our ability-to-pay model indicates should be able to afford a loan after meeting their other debts and regular living expenses. We execute our sales and marketing strategy through a variety of acquisition channels including our retail locations, direct mail, broadcast and digital marketing, strategic partnerships and other channels. We also benefit from customers learning about Oportun from friends or family members and other word-of-mouth referrals. Our omni-channel network provides our customers with flexibility to apply for a loan at one of over 340 retail locations, over the phone, or via mobile or online.

Consistent with our objective of smart, sustainable growth, on November 10, 2020, we announced a partnership with Metabank, N.A. Partnering with a national bank will allow us to offer a uniform product across the nation, creating access to our responsible unsecured installment loans quickly in over 30 additional states while greatly reducing operational complexity and passing savings onto our customers. We are currently working on the technology that will enable the rollout of our MetaBank, N.A. partnership by mid-2021. We also formed a strategic partnership with DolEx Financial Services in the third quarter whereby we will market each other's products and services via our websites and locations. DolEx offers a comprehensive selection of essential financial products and services, including, among others, domestic and international remittances, check cashing, bill payments and installment loans. The purpose of the partnership is to increase our network and make our loans available to consumers at DolEx's locations in some of the states where we are licensed to offer personal loans, starting with a soft launch anticipated to begin in the fourth quarter of 2020.

As part of our strategy, we have begun to expand beyond our core offering of unsecured installment loans into other financial services that a significant portion of our customers already use and have asked us to provide, such as auto loans and credit cards. In 2019, we began offering direct auto loans and an auto refinance product that enables customers to refinance an existing secured auto loan or to consolidate an existing secured auto loan with an unsecured Oportun loan. We launched the pilot of personal loans secured by a vehicle in the second quarter of 2020. Currently, our auto loans range from $5,000 to $35,000 with terms from 24 to 72 months. In December 2019, we launched the Oportun® Visa® Credit Card, issued by WebBank, Member FDIC, to a limited number of potential customers. Currently, the range of credit lines extended on our credit cards is from $300 to $1,500 and we have credit card customers in 24 states as of September 30, 2020.

The map below show the states in which we offer our products as of September 30, 2020.



On July 28, 2020, we announced the implementation of an APR cap of 36% for all newly originated loans—nationwide. The 36% APR cap was implemented on all loans originated on or after August 6, 2020. While there is an impact on our yield, we believe our testing of new marketing messages with regards to pricing has thus far shown results in line with our expectation that the APR cap will have a positive impact on our volume as we have access to incremental marketing opportunities. We also announced changes to our legal collections practices which were effective immediately.

To fund our growth at a low and efficient cost, we have built a diversified and well-established capital markets funding program, which allows us to partially hedge our exposure to rising interest rates or credit spreads by locking in our interest expense for up to three years. Over the past six years, we have executed 14 bond offerings in the asset-backed securities market, the last 11 of which include tranches that have been rated investment grade. We issued two- and three-year fixed rate bonds which have provided us committed capital to fund future loan originations at a fixed Cost of Debt. In November 2014, we entered into a whole loan sale agreement with an institutional investor, which agreement has been amended from time to time. The term of the current agreement was set to expire on November 10, 2020. The parties have agreed to extend the agreement on the same terms through December 10, 2020. Additional extensions may be considered on a month-to-month basis. Pursuant to this agreement, we have committed to sell at least 10% of our unsecured loan originations, with an option to sell an additional 5%, subject to certain eligibility criteria and minimum and maximum volumes. In addition, from July 2017 to August 2020, we were party to a separate whole loan sale arrangement with an institutional investor providing for a commitment to sell 100% of our loans originated under our Access Loan Program. We chose not to renew the arrangement and allowed the agreement to expire on its terms on August 5, 2020. In addition to our whole loan sale program, we also have a $400.0 million Secured Financing facility committed through October 2021, which also helps to fund our loan portfolio growth. In October 2020 we raised $39.8 million, net of fees and expenses, by selling $41.3 million of retained bonds related to our 2019-A and 2018-B asset-backed notes.

We closely manage our operating expenses, which consist of technology and facilities, sales and marketing, personnel, outsourcing and professional fees and general, administrative and other expenses, with the goal of increasing our investment in our technology platform and development of new capabilities.

We previously elected the fair value option to account for all loans receivable held for investment that were originated on or after January 1, 2018 (the "Initial Fair Value Loans"), and for all asset-backed notes issued on or after January 1, 2018 (the "Fair Value Notes"). As compared to the loans held for investment that were originated prior to January 1, 2018 (the "Loans Receivable at Amortized Cost"), we believe the fair value option enables us to report GAAP net income that more closely approximates our net cash flow generation and provides increased transparency into our profitability and asset quality. Loans Receivable at Amortized Cost issued prior to January 1, 2018 are accounted for in our 2019 financial statements at amortized cost, net. Upon adoption of ASU 2019-05 effective January 1, 2020, we elected the fair value option on all remaining loans receivable previously measured at amortized cost (the "Subsequent Fair Value Loans," and together with the Initial Fair Value Loans, the "Fair Value Loans"). Upon the adoption of ASU 2019-05 effective January 1, 2020, we (i) released the remaining allowance for loan losses on Loan Receivables at Amortized Cost as of December 31, 2019; (ii) recognized the unamortized net originations fee income as of December 31, 2019; and (iii) measured the remaining loans originated prior to January 1, 2018 at fair value. Loans that we designate for sale are accounted for as held for sale and recorded at the lower of cost or fair value until the loans receivable are sold. Asset-backed notes issued prior to January 1, 2018 are accounted for in our financial statements at amortized cost, net. After the redemption of our Series 2017-B asset-back notes on July 8, 2020, we no longer have any asset-backed notes at amortized cost as of September 30, 2020. We estimate the fair value of the Fair Value Loans using a discounted cash flow model, which considers various factors such as the price that we could sell our loans to a third party in a non-public market, credit risk, net charge-offs, customer payment rates and market conditions such as interest rates. We estimate the fair value of our Fair Value Notes based upon the prices at which our or similar asset-backed notes trade. We reevaluate the fair value of our Fair Value Loans and our Fair Value Notes at the close of each measurement period.

Seasonality

Our quarterly results of operations may not necessarily be indicative of the results for the full year or the results for any future periods. Our business is highly seasonal, and the fourth quarter is typically our strongest quarter in terms of loan originations. We have historically experienced a seasonal decline in credit performance in the fourth quarter primarily attributable to competing demand of our customers' available cash flow around the holidays. General increases in our customers' available cash flow in the first quarter, including from cash received from tax refunds, temporarily reduces our customers' borrowing needs. We experienced this seasonal trend in 2019, consistent with prior years. The economic impact of COVID-19 has disrupted these seasonal trends in March and for the second and third quarters of 2020 which may have been mitigated in part due to government stimulus measures. The disruption to our typical seasonal trends may continue to occur in subsequent periods.

COVID-19 Update

We continue to monitor and proactively navigate the COVID-19 pandemic, taking actions to manage our business in a thoughtful and conservative manner throughout this fluid situation, while ensuring the health and safety of our employees and customers. The actions taken over the last three quarters have resulted in improving credit trends, steadily increasing originations, and a continued strong balance sheet. We believe we remain well-positioned strategically and financially in the current environment, however, factors such as economic conditions, the unemployment rate, and further stimulus measures may impact our future performance. As of September 30, 2020, 99% of our retail locations were open to serve customers. Customers can also apply for a loan directly over the phone or complete the entire lending process online via their mobile device through our end-to-end mobile solution. In order to provide more meaningful and timely insight into how we continue to respond to the environment created by COVID-19, we present certain figures as of October 31, 2020 and other time frames subsequent to September 30, 2020 below. These figures are preliminary.

Improving Credit Trends

Deferrals We believe that our rapid implementation of emergency hardship programs and reduced payment plans have been effective in providing impacted customers sufficient time to return to repayment status. We may consider Emergency Hardship Deferrals, granted one month at a time, for borrowers who continue to be impacted by the pandemic. As of September 30, 2020, 1.5% of our Owned Principal Balance at End of Period was in active deferral status under the Emergency Hardship Deferral program, down from a peak of 14.6% at the end of April 2020. We believe that our customers are currently managing through the crisis and returning to repayment status. As of October 31, 2020, 1.0% of our Owned Principal Balance at End of Period was in active deferral status under the Emergency Hardship Deferral program. Further, 39.0% of the small number of customers that remain in Emergency Hardship Deferral status made a payment in October.

Delinquencies We ended the third quarter of 2020 with a 30+ Day Delinquency Rate of 3.5%, down from 3.7% at the end of the second quarter of 2020. Borrowers who are less than 30 days delinquent when they received an Emergency Hardship Deferral are counted at zero days delinquent, and customers that were more than 30 days delinquent continue to be in the same delinquency status as they were prior to receiving an Emergency Hardship Deferral. As a standard practice, we offer a grace period ranging between 7 and 15 days before a late fee is assessed, allowing customers extra time to make a payment if needed. We monitor our early stage delinquencies very closely and attempt to contact delinquent customers before the grace period expires to provide them with payment options. We have seen a decrease in early-stage delinquencies, with 8 to 14 day delinquencies and 15 to 29 day delinquencies of 1.6% and 1.7%, respectively, as of September 30, 2020 as compared to 1.8% and 1.9%, respectively, as of June 30, 2020. Further, as of October 31, 2020, we have seen our early-stage delinquencies continue to stabilize, with our 8-14 day and 15-29 day delinquencies were at 1.2% and 1.5%, respectively. In addition, our 30+ Day Delinquency Rate as of October 31, 2020 was 3.6%.

Delinquencies and Deferrals
(Percentage of Outstanding Principal Balance of Owned Receivables)

Days Delinquent	As of 3/31/2020	As of 4/30/2020	As of 5/31/2020	As of 6/30/2020	As of 7/31/2020	As of 8/31/2020	As of 9/30/2020	As of 10/31/2020
0	88.9%	90.2%	87.8%	89.5%	90.8%	90.0%	90.3%	91.3%
1-7	3.3	2.6	3.5	3.2	2.6	3.2	2.9	2.4
8-14	2.2	1.6	1.9	1.8	1.5	1.5	1.6	1.2
15-29	1.8	1.6	2.8	1.9	1.8	1.8	1.7	1.5
30-59	1.7	1.8	1.7	1.7	1.6	1.8	1.7	1.7
60-89	1.2	1.3	1.3	1.0	1.0	1.0	1.1	1.1
90-119	0.9	1.0	1.0	1.0	0.8	0.7	0.7	0.8
120+ (1)	—	—	—	—	—	—	—	—
30+	3.8	4.0	4.0	3.7	3.4	3.5	3.5	3.6
Emergency Hardship Deferrals (2)	6.1	14.6	7.6	5.0	3.9	2.8	1.5	1.0

(1) The 120+ delinquent balances are excluded from the 30+ delinquency rate and percent current rate calculations because these balances are charged off on the last day of a given month.

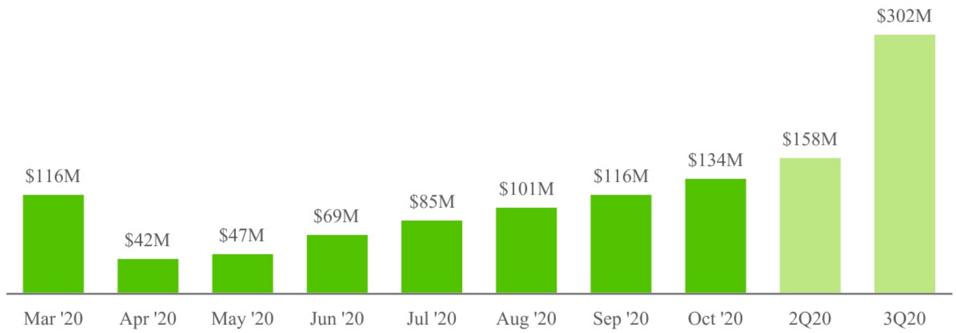
(2) Emergency Hardship Deferrals excluded from delinquent balances.

Net Charge-Offs Our Annualized Net Charge-Off Rate for the third quarter ended September 30, 2020 was 10.4%, down from 10.6% for the second quarter ended June 30, 2020. Consistent with our charge-off policy, we evaluate our loan portfolio and charge a loan off at the earlier of when the loan is determined to be uncollectible or when loans are 120 days contractually past due. As a result of the pandemic and based upon our analysis of loan performance following natural disasters or other emergencies, more loans have been determined to be uncollectible prior to reaching 120 days contractually past due, resulting in higher charge-offs. This led to $11.2 million and $15.3 million of additional charge-offs for the three and nine months ended September 30, 2020, respectively. We expect to continue to experience elevated charge-offs from some loans impacted by the pandemic that are deemed unlikely to be collectible. Our Annualized Net Charge-Off Rate for the month of October was 8.9% as compared to 9.0% for the month of September 2020. October included $2.8 million of additional charge-offs on loans deemed uncollectible prior to becoming 120 days contractually past due.

Steadily Increasing Originations

Loan originations in the third quarter ended September 30, 2020 increased 91.8% as compared to the second quarter ended June 30, 2020 due to increasing approval rates, the refinement of our marketing efforts, including increased digital initiatives and optimization of direct mail, and by maintaining the availability of our omni-channel network. While we have seen a rebound in originations following the decline in April 2020, originations for the month of September 2020 were down 32.7% year over year, which is an improvement relative to the earlier months compared to the same period in 2019 since the start of the COVID-19 pandemic. Loan originations were $133.6 million in October 2020, a 15.4% increase compared to September, and down 30.8% year over year, which was also an improvement relative to September.

Monthly Origination Trends



	Start of Pandemic	Recovery							Quarterly Comparison	
P/P [1]	-23%	-64%	12%	46%	24%	19%	14%	15%	-64%	92%
Y/Y	-16%	-71%	-71%	-60%	-54%	-45%	-33%	-31%	-67%	-44%
CAC	$215	$574	$461	$298	$240	$210	$180	NA	$413	$207

(1) 'P/P' refers to period-over-period and is month-over-month from March '20 through October '20 and quarter-over-quarter for the quarterly comparisons for 2Q20 and 3Q20.

Credit Trends of New Originations

Due to our credit tightening in mid-March, First Payment Defaults on newly-originated loans trended better than pre-pandemic and 2019 levels. Based upon this performance, we prudently increased our approval rates in mid-June and have focused on increasing approval rates for our returning customers. We calculate First Payment Defaults, shown below, as the principal balance of any loan whose first payment becomes 30 days past due, divided by the aggregate principal balance of all loans originated during that same week. We regard First Payment Defaults to be an early indicator of credit performance as the outstanding principal balance of loans that have their first payment past due are regarded as more likely to default and result in a charge off. We continue to monitor the external environment and intend to continue to adjust approval rates, verification procedures and loan sizes accordingly.

First Payment Defaults

Owned Principal Balance

Owned Principal Balance at September 30, 2020 was $1.57 billion, which was down from $1.64 billion at June 30, 2020. The decrease is primarily driven by net charge-offs and loan repayments exceeding loan originations in the quarter. Our Owned Principal balance at October 31, 2020 was $1.58 billion. Average Daily Principal Balance for the three months ended September 30, 2020 and June 30, 2020 was $1.60 billion and $1.74 billion, respectively. We anticipate that our lower Average Daily Principal Balance will continue to have a corresponding impact on revenue.

Impact on net change in fair value

Our net increase or decrease in fair value, or net change in fair value, includes our current period principal net charge-offs and mark-to-market adjustments on our Fair Value Loans and our Fair Value Notes.

The fair value of our Loans Receivable at Fair Value increased $39.8 million in the third quarter of 2020 from the second quarter of 2020 driven by an increase in the fair value price of our loans from 99.4% as of June 30, 2020 to 101.9% as of September 30, 2020. The increase in the fair value price of our loans is due to (a) a decrease in the discount rate from 8.84% as of June 30, 2020 to 7.84% as of September 30, 2020 caused by declining interest rates and credit spreads, (b) a decrease in remaining cumulative charge-offs from 12.73% as of June 30, 2020 to 10.61% as of September 30, 2020 due to customers returning to repayment, and (c) offset by a decrease in average life from 0.80 years as of June 30, 2020 to 0.775 years as of September 30, 2020 due to fewer than expected Emergency Hardship Deferrals.

The fair value of our Asset-Backed Notes at Fair Value increased $27.5 million in the third quarter of 2020 from the second quarter of 2020 driven by an increase in the weighted average price of our asset-backed notes from 98.63% at June 30, 2020 to 101.10% as of September 30, 2020. This increase was due to the improvement in liquidity in the asset backed-market and increased investor risk appetite during the third quarter of 2020.

Investment in new products

We ended the third quarter of 2020 with $3.2 million of credit card receivables issued through a partner bank, with our credit card product available in 24 states. In addition, we ended the third quarter of 2020 with $4.3 million in auto loans following the launch of the pilot of personal loans secured by a vehicle in the second quarter of 2020. We believe that secured personal loans will complement our unsecured product and provide us with the opportunity to serve additional customers and offer larger loans. In the near term we expect to continue to make investments in both our auto and credit card products to expand the features and availability of these offerings.

COVID-19 expenses

Our top priority throughout the crisis has been protecting the health, safety and welfare of our employees and customers. As a result, the three and nine months ended September 30, 2020 includes approximately $1.0 million and $4.1 million, respectively, in COVID-19 expenses for items and services including sanitation kits, facilities equipment, contingency call center, payment option flyers, childcare relief, special medical enrollment, sick leave, emergency assistance fund and charitable contributions. The COVID-19 expenses were separable from our normal business operations and are not expected to recur once the pandemic subsides. We expect that these expenses may significantly decrease after the fourth quarter of 2020.

Capital and liquidity

Our balance sheet is characterized by relatively low leverage, and our term securitizations and warehouse line are non-recourse to Oportun Financial Corporation and our operating subsidiaries. Our term securitizations allow us to fund new loan originations for the remainder of each securitization’s revolving period. To provide sufficient collateral to maintain our outstanding low-cost securitization bonds, on July 8, 2020, the issuer redeemed all $200.0 million of outstanding Series 2017-B asset-backed notes. The revolving periods for the remaining securitizations have end dates which range from February 2021 to July 2022. In October 2020, due to the strong market appetite for asset-backed notes, we raised $39.8 million, net of fees and expenses, by selling $41.3 million of retained bonds related to our 2019-A and 2018-B asset-backed securitizations.

As of September 30, 2020, we had $163.5 million of cash, cash equivalents and restricted cash with $425.1 million of Adjusted Tangible Book Value. Additionally, our business generated $139.4 million of cash from operations in the nine months ended September 30, 2020. As of September 30, 2020, we had $208.0 million undrawn capacity on our $400.0 million warehouse line that is committed through October 2021. Based upon our recent projections, we have determined that we have more than 12 months of liquidity runway.

See Item 1A. Risk Factors included elsewhere in this report for further discussion of the risks and uncertainties relating to the COVID–19 pandemic. See "Results of Operations" included elsewhere in this report for further discussion of how certain trends and conditions impacted the three and nine months ended September 30, 2020.

Key Financial and Operating Metrics

We monitor and evaluate the following key metrics in order to measure our current performance, develop and refine our growth strategies, and make strategic decisions.

See the next section, "Non-GAAP Financial Measures", included in this Part I. Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations for a presentation of the actual impact of the election of the fair value option for the periods presented in the financial statements included elsewhere in this report.

(in thousands of dollars, except CAC)	As of or for the Three Months Ended September 30, 2020	2019	As of or for the Nine Months Ended September 30, 2020	2019
Aggregate Originations [(1)]	$ 302,397	$ 543,541	$ 892,798	$ 1,432,569
Number of Loans Originated [(1)]	97,826	192,709	289,169	513,124
Active Customers [(1)]	624,205	745,089	624,205	745,089
Customer Acquisition Cost [(1)]	$ 207	$ 128	$ 223	$ 135
Owned Principal Balance at End of Period [(1)]	$ 1,571,980	$ 1,691,773	$ 1,571,980	$ 1,691,773
Managed Principal Balance at End of Period [(1)]	$ 1,835,764	$ 2,018,638	$ 1,835,764	$ 2,018,638
Average Daily Principal Balance [(1)]	$ 1,598,141	$ 1,647,195	$ 1,731,748	$ 1,575,526
Charge-offs, Net of Recoveries [(1)]	$ 41,897	$ 33,696	$ 129,049	$ 94,634
30+ Day Delinquent Principal Balance at End of Period [(1)]	$ 54,875	$ 64,818	$ 54,875	$ 64,818
30+ Day Delinquency Rate [(1)]	3.5 %	3.8 %	3.5 %	3.8 %
Annualized Net Charge-Off Rate [(1)]	10.4 %	8.1 %	10.0 %	8.0 %
Operating Efficiency	74.3 %	65.0 %	66.2 %	60.2 %
Adjusted Operating Efficiency	63.3 %	57.9 %	60.1 %	57.0 %
Return on Equity	(5.3)%	9.6 %	(15.2)%	12.7 %
Adjusted Return on Equity	3.7 %	14.6 %	(9.0)%	11.7 %

(1) Credit card data has been excluded from these metrics for the three and nine months ended September 30, 2020 because they are de minimis.

See “Glossary” at the beginning of this report for formulas and definitions of our key performance metrics.

Aggregate Originations

Aggregate Originations decreased to $302.4 million for the three months ended September 30, 2020 from $543.5 million for the three months ended September 30, 2019, representing a 44.4% decrease. The decrease is primarily driven by a reduced number of applications attributable both to increased economic uncertainty surrounding the COVID-19 pandemic, as well as a redirection of our marketing efforts. Further, the decrease is due to the reduced number of loans originated attributable to the proactive measures we implemented to tighten our lending criteria and underwriting practices given the current COVID-19 pandemic. We originated 97,826 and 192,709 loans for the three months ended September 30, 2020 and 2019, respectively, representing a decrease of 49.2%. The decrease in Aggregate Originations was partially offset by an increase in average loan size, as our updated underwriting criteria favors returning customers who generally receive larger loans.

Aggregate Originations decreased to $892.8 million for the nine months ended September 30, 2020 from $1,432.6 million for the nine months ended September 30, 2019, representing a 37.7% decrease. The decrease is primarily driven by the reduced number of applications attributable both to increased economic uncertainty surrounding the COVID-19 pandemic, as well as a redirection of our marketing efforts. Further, the decrease is due to the reduced number of loans originated attributable to the proactive measures we implemented to tighten our lending criteria and underwriting practices given the current COVID-19 pandemic. We originated 289,169 and 513,124 loans for the nine months ended September 30, 2020 and 2019, respectively, representing a 43.6% decrease. The decrease in Aggregate Originations was partially offset by an increase in average loan size, as our updated underwriting criteria favors returning customers who generally receive larger loans.

Active Customers

As of September 30, 2020, Active Customers decreased by 16.2% from September 30, 2019 due to lower originations as a result of a reduction in application volume attributable to economic uncertainty surrounding the COVID-19 pandemic, tightened lending criteria and underwriting practices, as well as a redirection in marketing efforts.

Customer Acquisition Cost

For the three months ended September 30, 2020 and 2019, our Customer Acquisition Cost was $207 and $128, respectively, an increase of 61.7%. For the nine months ended September 30, 2020 and 2019, our Customer Acquisition Cost was $223 and $135, respectively, an increase of 65.2%. The increase is primarily due to the decline in number of loans originated period over period due to the COVID-19 pandemic. The increase is partially offset by the lower sales and marketing expenses due to the temporary redeployment of retail employees to assist with customer service, which concluded August 31, 2020, and the reduction in direct mail volume due to the redirection of our marketing efforts.

Managed Principal Balance at End of Period

Managed Principal Balance at End of Period as of September 30, 2020 decreased by 9.1% from September 30, 2019, driven by fewer loans originated year-over-year. This decline is a result of a reduced number of applications attributable both to increased economic uncertainty surrounding the COVID-19 pandemic, the proactive measures we implemented to tighten our lending criteria and underwriting practices, as well as a redirection of our marketing efforts.

Average Daily Principal Balance

Average Daily Principal Balance decreased by 3.0% from $1.65 billion for the three months ended September 30, 2019 to $1.60 billion for the three months ended September 30, 2020. The decrease is driven by decreased Aggregate Originations due to the impact of the COVID-19 pandemic.

Average Daily Principal Balance increased by 9.9% from $1.58 billion for the nine months ended September 30, 2019 to $1.73 billion for the nine months ended September 30, 2020. The increase is primarily driven by increases in average loan size and growth in originations prior to the issuance of shelter-in-place orders which began in March 2020 as a result of the onset of the COVID-19 pandemic. These increases are partially offset by a decrease in the Aggregate Originations, which has declined due to the impact of the COVID-19 pandemic.

30+ Day Delinquency Rate

Our 30+ Day Delinquency Rate was 3.5% and 3.8% as of September 30, 2020 and 2019, respectively. The decrease is due to the effectiveness of our collections tools and payment options that have helped our customers manage through the pandemic as well as tighter underwriting criteria for loans originated since the pandemic began. We monitor early stage delinquencies very closely and attempt to contact delinquent customers before the grace period expires to provide them with payment options. Borrowers who are less than 30 days delinquent when they received an Emergency Hardship Deferral are counted at zero days delinquent, and customers that were more than 30 days delinquent continue to be in the same delinquency status as they were prior to receiving an Emergency Hardship Deferral. As of September 30, 2020, 1.5% of our Owned Principal Balance at End of Period was in active deferral status under our Emergency Hardship Deferral program.

Annualized Net Charge-Off Rate

Annualized Net Charge-Off Rate for the three months ended September 30, 2020 and 2019 was 10.4% and 8.1%, respectively. Annualized Net Charge-Off Rate for the nine months ended September 30, 2020 and 2019 was 10.0% and 8.0%, respectively. Net charge-offs increased due to both increased unemployment caused by the economic uncertainty surrounding the COVID-19 pandemic and additional charge-offs for some loans impacted by the COVID-19 pandemic deemed unlikely to be collectible. Consistent with our charge-off policy, we evaluate our loan portfolio and charge a loan off at the earlier of when the loan is determined to be uncollectible or when loans are 120 days contractually past due. As a result of the pandemic and based upon our analysis of loan performance following natural disasters or other emergencies, more loans have been determined to be uncollectible prior to reaching 120 days contractually past due, resulting in higher charge-offs. This led to $11.2 million and $15.3 million of additional charge-offs for the three and nine months ended September 30, 2020, respectively. Management expects to continue to experience elevated charge-offs due to the impact of the pandemic. Further, the increase in Annualized Net Charge-Off Rate is due to the decline in our portfolio late in March and the second and third quarters of 2020 as a result of the current COVID-19 pandemic.

Operating Efficiency and Adjusted Operating Efficiency

For the three months ended September 30, 2020 and 2019, Operating Efficiency was 74.3% and 65.0% respectively, and Adjusted Operating Efficiency for the same period was 63.3% and 57.9%, respectively. For the nine months ended September 30, 2020 and 2019, Operating Efficiency was 66.2%, and 60.2%, respectively, and Adjusted Operating Efficiency was 60.1% and 57.0%, respectively.

The increase in Operating Efficiency for the three months ended September 30, 2020 is primarily due to a legal settlement of $8.8 million. The increase in Operating Efficiency for the nine months ended September 30, 2020 is due to operating expenses growing faster than total revenue. Increased operating expenses were driven by $4.2 million and $12.4 million in investments in new products, for the three and nine months ended September 30, 2020, respectively, as well as additional investments in technology, engineering, and data science.

Adjusted Operating Efficiency excludes COVID-19 expenses, stock-based compensation expense and litigation reserve. For a reconciliation of Operating Efficiency to Adjusted Operating Efficiency, see "Non-GAAP Financial Measures—Fair Value Pro Forma."

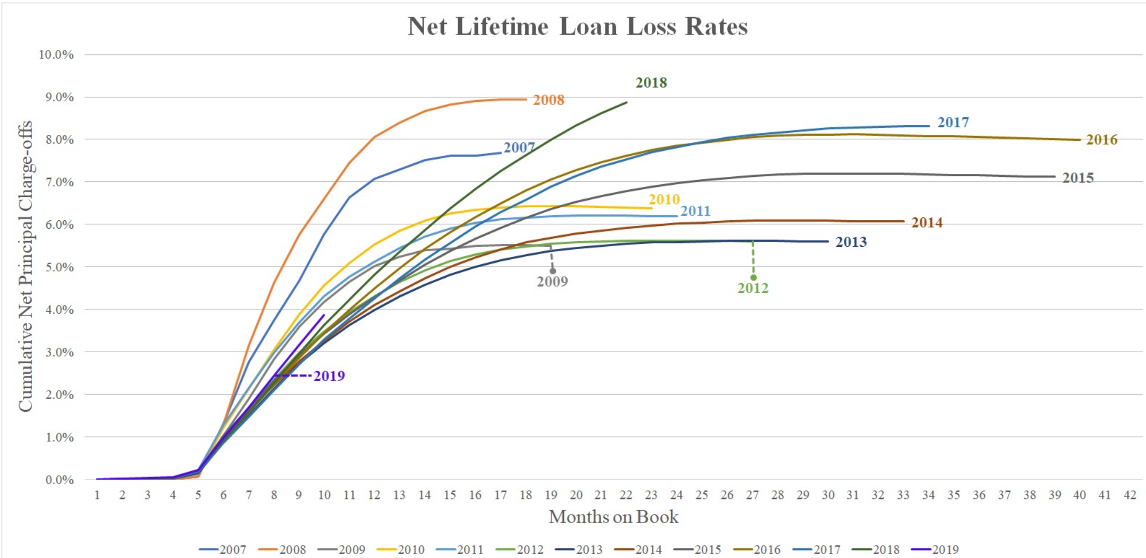
Return on Equity and Adjusted Return on Equity

For the three months ended September 30, 2020 and 2019, Return on Equity was (5.3)% and 9.6%, respectively, and Adjusted Return on Equity was 3.7% and 14.6%, respectively, For the nine months ended September 30, 2020 and 2019, Return on Equity was (15.2)% and 12.7%, respectively, and Adjusted Return on Equity was (9.0)% and 11.7%, respectively. The decreases in Return on Equity and Adjusted Return on Equity are primarily due to lower net income. Net income was lower due to the decrease in fair value of our Fair Value Loans and Fair Value Notes on an aggregate basis as a result of macroeconomic changes associated with the COVID-19 pandemic. For a reconciliation of Return on Equity to Adjusted Return on Equity, see "Non–GAAP Financial Measures—Fair Value Pro Forma."

Historical Credit Performance

In addition to monitoring our loss and delinquency performance on an owned portfolio basis, we also monitor the performance of our loans by the period in which the loan was disbursed, generally years or quarters, which we refer to as a vintage. We calculate net lifetime loan loss rate by vintage as a percentage of original principal balance. Net lifetime loan loss rates equal the net lifetime loan losses for a given year through September 30, 2020 divided by the total origination loan volume for that year. Loans are charged off no later than after becoming 120 days contractually delinquent.

The below table shows our net lifetime loan loss rate for each annual vintage since we began lending in 2006. We have managed to stabilize cumulative net lifetime loan losses since the financial crisis that started in 2008. Our proprietary, centralized credit scoring model and continually evolving data analytics have enabled us to maintain consistent net lifetime loan loss rates ranging between 5.5% and 8.9% since 2009. We even achieved a net lifetime loan loss rate of 5.5% during the peak of the recession in 2009. The evolution of our credit models has allowed us to increase our average loan size and commensurately extend our average loan terms. Cumulative net lifetime loan losses for the 2016, 2017, and 2018 vintages increased partially due to the delay in tax refunds in 2017 and 2019, the impact of natural disasters such as Hurricane Harvey, and the longer duration of the loans. The chart below includes all personal loan originations by vintage, excluding loans originated under the Access Loan Program. At this time, the 2019 vintage is not yet matured enough to show the impact of the COVID-19 pandemic.



	Year of Origination												
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Net lifetime loan losses as of September 30, 2020 as a percentage of original principal balance	7.7%	8.9%	5.5%	6.4%	6.2%	5.6%	5.6%	6.1%	7.1%	8.0%	8.3%	8.9%*	3.9%*
Outstanding principal balance as of September 30, 2020 as a percentage of original amount disbursed	—%	—%	—%	—%	—%	—%	—%	—%	—%	0.1%	1.1%	17.3%	62.1%
Dollar weighted average original term for vintage in months	9.3	9.9	10.2	11.7	12.3	14.5	16.4	19.1	22.3	24.2	26.3	29.0	30.0

* Vintage is not yet fully mature from a loss perspective.

Results of Operations

The following tables and related discussion set forth our Condensed Consolidated Statements of Operations (Unaudited) for each of the three and nine months ended September 30, 2020 and 2019.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands of dollars)	2020	2019	2020	2019
Revenue				
Interest income	$ 128,739	$ 139,272	$ 415,525	$ 395,778
Non-interest income	8,028	14,608	27,377	39,026
Total revenue	136,767	153,880	442,902	434,804
Less:				
Interest expense	13,408	15,499	44,879	44,751
Provision (release) for loan losses	—	(426)	—	(3,755)
Total decrease in fair value	(29,633)	(24,339)	(177,584)	(78,567)
Net revenue	93,726	114,468	220,439	315,241
Operating expenses:				
Technology and facilities	31,641	26,772	93,927	72,849
Sales and marketing	20,634	24,717	65,521	69,084
Personnel	26,662	28,637	79,925	66,414
Outsourcing and professional fees	11,491	16,041	36,232	42,797
General, administrative and other	11,138	3,886	17,591	10,816
Total operating expenses	101,566	100,053	293,196	261,960
Income before taxes	(7,840)	14,415	(72,757)	53,281
Income tax expense (benefit)	(1,794)	4,386	(19,162)	14,846
Net income (loss)	$ (6,046)	$ 10,029	$ (53,595)	$ 38,435

Total revenue

	Three Months Ended September 30,		Period-to-period Change		Nine Months Ended September 30,		Period-to-period Change	
(in thousands of dollars)	2020	2019	$	%	2020	2019	$	%
Revenue								
Interest income	$ 128,739	$ 139,272	$ (10,533)	(7.6)%	$ 415,525	$ 395,778	$ 19,747	5.0 %
Non-interest income	8,028	14,608	(6,580)	(45.0)%	27,377	39,026	(11,649)	(29.8)%
Total revenue	$ 136,767	$ 153,880	$ (17,113)	(11.0)%	$ 442,902	$ 434,804	$ 8,098	1.9 %
Percentage of total revenue:								
Interest income	94.1 %	90.5 %			93.8 %	91.0 %		
Non-interest income	5.9 %	9.5 %			6.2 %	9.0 %		
Total revenue	100.0 %	100.0 %			100.0 %	100.0 %		

Total Revenue. Total revenue decreased by $17.1 million, or 11.0%, from $153.9 million for the three months ended September 30, 2019 to $136.8 million for the three months ended September 30, 2020. Total revenue increased by $8.1 million, or 1.9%, from $434.8 million for the nine months ended September 30, 2019 to $442.9 million for the nine months ended September 30, 2020.

Interest Income. Total interest income decreased by $10.5 million, or 7.6%, from $139.3 million for the three months ended September 30, 2019 to $128.7 million for the three months ended September 30, 2020. This decrease was primarily attributable to lower Average Daily Principal Balance, which declined from $1.65 billion for the three months ended September 30, 2019 to $1.60 billion for the three months ended September 30, 2020. The decrease is due to shrinkage in our portfolio as a result of economic uncertainty following the onset of the COVID-19 pandemic. This decrease was further impacted by a decrease in portfolio yield of 156 basis points due to returning customers receiving lower interest rates. We anticipate that the 36% APR cap we implemented on August 6, 2020, may have a potential negative impact on our yield, but we believe there may be an offsetting positive impact on our volume as we may have access to incremental marketing opportunities.

Total interest income increased by $19.7 million, or 5.0%, from $395.8 million for the nine months ended September 30, 2019 to $415.5 million for the nine months ended September 30, 2020. This growth was primarily attributable to higher Average Daily Principal Balance, which grew from $1.58 billion for the nine months ended September 30, 2019 to $1.73 billion for the nine months ended September 30, 2020. The increase is due to growth in our portfolio over the twelve months prior to the issuance of shelter in place orders which began in March 2020 as a result of the onset of the COVID-19 pandemic. This was offset by a decrease in portfolio yield of 156 basis points as we reward our returning customers with lower interest rates.

Non-interest income. Total non-interest income decreased by $6.6 million, or 45.0%, from $14.6 million for the three months ended September 30, 2019 to $8.0 million for the three months ended September 30, 2020. Under our whole loan sale programs, gain on loans sold decreased by $5.6 million, or 59.1% due to a decline in loans sold resulting from lower originations as a result of the impact of the COVID-19 pandemic and our decision in March 2020 to sell 10% versus 15% of originated loans. This decrease was further impacted by decreased servicing fees of $0.4 million for the three months ended September 30, 2020, or 10.6%, related to a reduction in the serviced portfolio of sold loans due to lower loan sale volume.

Total non-interest income decreased by $11.6 million, or 29.8%, from $39.0 million for the nine months ended September 30, 2019 to $27.4 million for the nine months ended September 30, 2020. Under our whole loan sale programs, gain on loans sold decreased by $11.9 million, or 47.0% due to a decline in loans sold resulting from lower originations as a result of the impact of the COVID-19 pandemic and our decision to sell 10% versus 15% of originated loans. This decrease was partially offset by increased servicing fees of $0.9 million for the nine months ended September 30, 2020, or 7.7%, related to growth in our serviced portfolio of sold loans prior to the impact of the COVID-19 pandemic and our decision to sell 10% versus 15% of originated loans.

See Note 2, *Summary of Significant Accounting Policies*, and Note 12, *Revenue*, of the Notes to the Condensed Consolidated Financial Statements (Unaudited) included elsewhere in this report for further discussion on our interest income, non-interest income and revenue.

Interest expense

	Three Months Ended September 30,		Period-to-period Change		Nine Months Ended September 30,		Period-to-period Change	
(in thousands of dollars)	2020	2019	$	%	2020	2019	$	%
Interest expense	$ 13,408	$ 15,499	$ (2,091)	(13.5)%	$ 44,879	$ 44,751	$ 128	0.3 %
Percentage of total revenue	9.8 %	10.1 %			10.1 %	10.3 %		
Cost of Debt	4.0 %	4.3 %			4.1 %	4.4 %		
Leverage as a percentage of Average Daily Principal Balance	82.6 %	87.1 %			84.1 %	86.1 %		

Interest Expense. Interest expense decreased by $2.1 million, or 13.5%, from $15.5 million for the three months ended September 30, 2019 to $13.4 million for the three months ended September 30, 2020. We financed approximately 82.6% of our loans receivable through debt for the three months ended September 30, 2020, as compared to 87.1% for the three months ended September 30, 2019, and our Average Daily Debt Balance decreased from $1.44 billion for the three months ended September 30, 2019 to $1.32 billion for the three months ended September 30, 2020, a decrease of 8.0%. Our Cost of Debt has decreased as interest rates have declined since the start of the COVID-19 pandemic and as we have become a more established issuer with our ability to refinance and increase the size of our securitizations.

Interest expense increased by $0.1 million, or 0.3%, from $44.8 million for the nine months ended September 30, 2019 to $44.9 million for the nine months ended September 30, 2020. We financed approximately 84.1% of our loans receivable through debt for the nine months ended September 30, 2020, as compared to 86.1% for the nine months ended September 30, 2019, and our Average Daily Debt Balance increased from $1.36 billion for the nine months ended September 30, 2019 to $1.46 billion for the nine months ended September 30, 2020, an increase of 7.4%. While interest expense has increased in aggregate as we have grown loans receivable, our Cost of Debt has decreased as interest rates have declined since the start of the pandemic and as we have become a more established issuer with our ability to refinance and increase the size of our securitizations.

Provision (release) for loan losses

Upon adoption of ASU 2019-05, effective January 1, 2020, we elected the fair value option on all loans receivable previously measured at amortized cost as of December 31, 2019. There is no provision for loan losses for the Fair Value Loans because lifetime loan losses are incorporated in the measurement of fair value for loans receivable. Accordingly, for the three and nine months ended September 30, 2020, we did not have any loans receivable measured at amortized cost and, therefore, the provision (release) for loan losses is not applicable for the three and nine months ended September 30, 2020.

	Three Months Ended September 30,		Period-to-period Change		Nine Months Ended September 30,		Period-to-period Change	
(in thousands of dollars)	2020	2019	$	%	2020	2019	$	%
Charge-offs, net of recoveries on loans receivable at amortized cost	$ —	$ 3,746	$ (3,746)	*	$ —	$ 15,649	$ (15,649)	*
Excess provision on loans receivable at amortized cost	—	(4,172)	4,172	*	—	(19,404)	19,404	*
Provision (release) for loan losses	$ —	$ (426)	$ 426	*	$ —	$ (3,755)	$ 3,755	*
Allowance for loan losses rate on amortized cost portfolio	— %	9.09 %			— %	9.09 %		
Percentage of total revenue	— %	(0.3)%			— %	(0.9)%		

* Not meaningful

Total net increase (decrease) in fair value

Net increase (decrease) in fair value reflects changes in fair value of Fair Value Loans and Fair Value Notes on an aggregate basis and is based on a number of factors, including benchmark interest rates, credit spreads, remaining cumulative charge-offs and customer payment rates. Increases in the fair value of loans increase Net Revenue. Conversely, decreases in the fair value of loans decrease Net Revenue. Increases in the fair value of asset-backed notes decrease Net Revenue. Decreases in the fair value of asset-backed notes increase Net Revenue.

	Three Months Ended September 30,		Period-to-period Change		Nine Months Ended September 30,		Period-to-period Change	
(in thousands of dollars)	2020	2019	$	%	2020	2019	$	%
Fair value mark-to-market adjustment:								
Fair value mark-to-market adjustment on Loans Receivable at Fair Value	$ 39,828	$ 7,141	$ 32,687	*	$ (52,242)	$ 16,286	$ (68,528)	*
Fair value mark-to-market adjustment on asset-backed notes	(27,515)	(1,530)	(25,985)	*	3,758	(15,868)	19,626	*
Total fair value mark-to-market adjustment	12,313	5,611	6,702	*	(48,484)	418	(48,902)	*
Charge-offs, net of recoveries on loans receivable at fair value [(1)]	(41,946)	(29,950)	(11,996)	*	(129,100)	(78,985)	(50,115)	*
Total decrease in fair value	$ (29,633)	$ (24,339)	$ (5,294)	*	$ (177,584)	$ (78,567)	$ (99,017)	*
Percentage of total revenue:								
Fair value mark-to-market adjustment	9.0 %	3.6 %			(10.9)%	0.1 %		
Charge-offs, net of recoveries on loans receivable at fair value	(30.7)%	(19.5)%			(29.1)%	(18.2)%		
Total net increase (decrease) in fair value	(21.7)%	(15.8)%			(40.1)%	(18.1)%		
Discount rate	7.84 %	7.93 %			7.84 %	7.93 %		
Remaining cumulative charge-offs	10.61 %	9.87 %			10.61 %	9.87 %		
Average life in years	0.78	0.78			0.78	0.78		

* Not meaningful

(1) The loan related balances are not comparable between 2020 and 2019 as a result of the adoption of ASU 2019-05 effective January 2020.

Net increase (decrease) in fair value. Net decrease in fair value for the three months ended September 30, 2020 was $29.6 million. This amount represents a total fair value mark-to-market increase of $12.3 million, and $41.9 million of charge-offs, net of recoveries on Fair Value Loans. The total fair value mark-to-market adjustment consists of a $39.8 million mark-to-market adjustment on Fair Value Loans due to (a) a decrease in the discount rate from 8.84% as of June 30, 2020 to 7.84% as of September 30, 2020 caused by declining interest rates and credit spreads, (b) a decrease in remaining cumulative charge-offs from 12.73% as of June 30, 2020 to 10.61% as of September 30, 2020 due to improving credit trends, and (c) offset by a decrease in average life from 0.80 years as of June 30, 2020 to 0.78 years as of September 30, 2020, due to fewer expected Emergency Hardship Deferrals. The $27.5 million mark-to-market adjustment on Fair Value Notes is due to the improvement in liquidity in the asset-backed market and increased investor risk appetite during the third quarter of 2020.

Net decrease in fair value for the nine months ended September 30, 2020 was $177.6 million. This amount represents a total fair value mark-to-market decrease of $48.5 million, and $129.1 million of charge-offs, net of recoveries on Fair Value Loans. The total fair value mark-to-market adjustment consists of a $52.2 million mark-to-market adjustment on Fair Value Loans due to (a) an increase in the discount rate from 7.77% as of December 31, 2019 to 7.84% as of September 30, 2020 caused by increasing credit spreads offset by declining interest rates, and (b) an increase in remaining cumulative charge-offs from 9.61% as of December 31, 2019 to 10.61% as of September 30, 2020 due to the impact of the pandemic, partially offset by (c) a slight decrease in average life from 0.81 years as of December 31, 2019 to 0.78 years as of September 30, 2020 due increased portfolio seasoning caused by lower originations. The $3.8 million mark-to-market adjustment on Fair Value Notes is due to a widening of credit spreads due to illiquidity and increase in risk premiums in the secondary market for asset-backed notes due to the pandemic.

Charge-offs, net of recoveries

	Three Months Ended September 30,		Period-to-period Change		Nine Months Ended September 30,		Period-to-period Change	
(in thousands of dollars)	2020	2019	$	%	2020	2019	$	%
Charge-offs, net of recoveries on loans receivable at amortized cost	$ —	$ 3,746	$ (3,746)	*	$ —	$ 15,649	$ (15,649)	*
Charge-offs, net of recoveries on loans receivable at fair value [(1)]	41,946	29,950	11,996	40.1 %	129,100	78,985	50,115	63.4 %
Total charge-offs, net of recoveries	$ 41,946	$ 33,696	$ 8,250	24.5 %	$ 129,100	$ 94,634	$ 34,466	36.4 %
Average Daily Principal Balance	$ 1,598,141	$ 1,647,195	$ (49,054)	(3.0)%	$ 1,731,748	$ 1,575,526	$ 156,222	9.9 %
Annualized Net Charge-Off Rate	10.4 %	8.1 %			10.0 %	8.0 %		

* Not meaningful

(1) The loan related balances are not comparable between 2020 and 2019 as a result of the adoption of ASU 2019-05, effective January 2020.

Charge-offs, net of recoveries. Our Annualized Net Charge-Off Rate increased to 10.4% and 10.0% for the three months and nine months ended September 30, 2020, respectively, from 8.1% and 8.0% for the three and nine months ended September 30, 2019, respectively. Consistent with our charge-off policy, we evaluate our loan portfolio and charge a loan off at the earlier of when the loan is determined to be uncollectible or when loans are 120 days contractually past due. As a result of the pandemic and based upon our analysis of loan performance following natural disasters or other emergencies, more loans have been determined to be uncollectible prior to reaching 120 days contractually past due, resulting in higher charge-offs. This led to $11.2 million and $15.3 million of additional charge-offs for the three and nine months ended September 30, 2020, respectively. We expect to continue to experience elevated charge-offs due to the impact of the COVID-19 pandemic.

Operating expenses

Operating expenses consist of technology and facilities, sales and marketing, personnel, outsourcing and professional fees and general, administrative and other expenses. Operating expenses include $4.2 million and $12.4 million related to new products for the three and nine months ended September 30, 2020, respectively. Operating expenses include $3.7 million and $9.2 million related to new products for the three and nine months ended September 30, 2019, respectively. For Fair Value Loans, we no longer capitalize direct loan origination expenses, instead expensing them in operating expenses as incurred. For Fair Value Notes, we no longer capitalize financing expenses, instead including them within operating expenses as incurred.

Technology and facilities

Technology and facilities expenses are the largest component of our operating expenses, representing the costs required to build our omni-channel network and technology platform, and consist of three components. The first component is comprised of costs associated with our technology, engineering, information security, cybersecurity, platform development, maintenance, and end user services, including fees for software licenses, consulting, legal and other services as a result of our efforts to grow our business, as well as personnel expenses. The second includes rent for retail and corporate locations, utilities, insurance, telephony costs, property taxes, equipment rental expenses, licenses and fees, and depreciation and amortization. Lastly, this category also includes all software licenses, subscriptions, and technology service costs to support our corporate operations, excluding sales and marketing.

	Three Months Ended September 30,		Period-to-period Change		Nine Months Ended September 30,		Period-to-period Change	
(in thousands of dollars)	2020	2019	$	%	2020	2019	$	%
Technology and facilities	$ 31,641	$ 26,772	$ 4,869	18.2 %	$ 93,927	$ 72,849	$ 21,078	28.9 %
Percentage of total revenue	23.1 %	17.4 %			21.2 %	16.8 %		

Technology and facilities. Technology and facilities expense increased by $4.9 million, or 18%, from $26.8 million for the three months ended September 30, 2019 to $31.6 million for the three months ended September 30, 2020. The increase is primarily due to $1.3 million higher compensation expense and benefits and $0.7 million higher depreciation on leasehold improvements and rent expense due to the increased number of retail locations as we have continued to build our omni-channel network. Our retail locations grew from 327 at September 30, 2019 to 346 at September 30, 2020, or 6%. We also had a $1.2 million increase in service costs related to higher usage of software and cloud services and $1.5 million related to depreciation of additions related to internally developed software for the three months ended September 30, 2020 from the corresponding costs for the three months ended September 30, 2019.

Technology and facilities expense increased by $21.1 million, or 29%, from $72.8 million for the nine months ended September 30, 2019 to $93.9 million for the nine months ended September 30, 2020. The increase is primarily due to $7.0 million higher compensation expense and benefits and $3.0 million higher depreciation on leasehold improvements and rent expense due to the increased number of retail locations as we have continued to build our omni-channel network. Our retail locations grew from 327 at September 30, 2019 to 346 at September 30, 2020, or 6%. We also had a $5.0 million increase in service costs related to higher usage of software and cloud services, $4.3 million related to depreciation of additions related to internally developed software and $1.8 million increase in professional services and other related costs to supplement staffing for the nine months ended September 30, 2020 from the corresponding costs for the nine months ended September 30, 2019.

Sales and marketing

Sales and marketing expenses consist of two components and represent the costs to acquire our customers. The first component is comprised of the expense to acquire a customer through various paid marketing channels including direct mail, radio, television, digital marketing and brand marketing. The second component is the costs associated with our telesales, lead generation and retail operations, including personnel expenses, but excluding costs associated with retail locations.

	Three Months Ended September 30,		Period-to-period Change		Nine Months Ended September 30,		Period-to-period Change	
(in thousands of dollars)	2020	2019	$	%	2020	2019	$	%
Sales and marketing	$ 20,634	$ 24,717	$ (4,083)	(16.5)%	$ 65,521	$ 69,084	$ (3,563)	(5.2)%
Percentage of total revenue	15.1 %	16.1 %			14.8 %	15.9 %		
Customer Acquisition Cost (CAC)	$ 207	$ 128	$ 79	61.7 %	$ 223	$ 135	$ 88	65.2 %

Sales and marketing. Sales and marketing expenses to acquire our customers decreased by $4.1 million, or 17%, from $24.7 million for the three months ended September 30, 2019 to $20.6 million for the three months ended September 30, 2020. As a result of the COVID-19 pandemic, during the three months ended September 30, 2020, we had a $3.2 million decrease related to a 43% decline in direct mail volume, $0.8 million in savings due to discontinued use of radio media buys in 2020 and a decrease of $0.7 million in personnel-related costs due to the redeployment of retail employees to assist with customer service, which was partially offset by an increase of $0.2 million in other personnel-related costs primarily attributable to certain COVID-19 expenses on behalf of our retail employees. CAC has increased by 62% from the three months ended September 30, 2019 to the three months ended September 30, 2020 due to a 49.2% decline in the number of loans originated, partially offset by a reduction in our sales and marketing expenses. Our sales-related costs decreased from $12.9 million for the three months ended September 30, 2019 to $12.4 million for the three months ended September 30, 2020. We were also able to reduce our marketing-related costs from $11.8 million for the three months ended September 30, 2019 to $8.2 million for the three months ended September 30, 2020.

Sales and marketing expenses to acquire our customers decreased by $3.6 million, or 5%, from $69.1 million for the nine months ended September 30, 2019 to $65.5 million for the nine months ended September 30, 2020. As a result of the COVID-19 pandemic, during the three months ended September 30, 2020, we had a $4.2 million decrease related to a 21% decline in direct mail volume, a decrease of $2.7 million in personnel-related costs due to the redeployment of retail employees to assist with customer service and $2.5 million in savings due to discontinued use of radio media buys in 2020.These decreases were partially offset by $2.8 million of increased marketing spend related to investment in marketing initiatives across various marketing channels, including digital advertising channels, lead aggregators, and brand marketing and an increase of $2.4 million in other personnel-related costs primarily attributable to certain COVID-19 expenses on behalf of our retail employees. As a result of our 43.6% decline in number of loans originated during the period due to the COVID-19 pandemic, our CAC has increased by 65% from the nine months ended September 30, 2019 to the nine months ended September 30, 2020. Our sales-related costs increased from $38.9 million for the nine months ended September 30, 2019 to $39.2 million for the nine months ended September 30, 2020. However, we were able to reduce our marketing-related costs from $30.2 million for the nine months ended September 30, 2019 to $26.3 million for the nine months ended September 30, 2020.

Personnel

Personnel expenses represent compensation and benefits that we provide to our employees and include salaries, wages, bonuses, commissions, related employer taxes, medical and other benefits provided and stock-based compensation expense for all of our staff with the exception of our telesales, lead generation, retail operations and technology which are included in sales and marketing expenses and technology and facilities, respectively.

	Three Months Ended September 30,		Period-to-period Change		Nine Months Ended September 30,		Period-to-period Change	
(in thousands of dollars)	2020	2019	$	%	2020	2019	$	%
Personnel	$ 26,662	$ 28,637	$ (1,975)	(6.9)%	$ 79,925	$ 66,414	$ 13,511	20.3 %
Percentage of total revenue	19.5 %	18.6 %			18.0 %	15.3 %		

Personnel. Personnel expense decreased by $2.0 million, or 7%, from $28.6 million for the three months ended September 30, 2019 to $26.7 million for the three months ended September 30, 2020, primarily driven by a $5.7 million decrease in stock compensation expense due to $7.2 million decrease in vested RSU expense with double-trigger conditions that became probable in September 2019 due to our successful IPO. This decrease is partially offset by a 5.0% increase in corporate employee headcount associated with risk management, data analytics and finance and annual salary increases and $0.7 million increase due to redeployment of retail employees to assist with customer service during the COVID-19 pandemic.

Personnel expense increased by $13.5 million, or 20%, from $66.4 million for the nine months ended September 30, 2019 to $79.9 million for the nine months ended September 30, 2020, primarily driven by a 5.0% increase in corporate employee headcount associated with risk management, data analytics and finance, $2.7 million increase due to redeployment of retail employees to assist with customer service attributed to COVID-19 pandemic and $0.5 million in severance pay related to the corporate reorganization of auto in January 2020. These increases were partially offset by a lower stock compensation expense of $1.5 million.

Outsourcing and professional fees

Outsourcing and professional fees consist of costs for various third-party service providers and contact center operations, primarily for the sales, customer service, collections and store operation functions. Our contact centers located in Mexico and our third-party contact centers located in Colombia and Jamaica provide support for the business including application processing, verification, customer service and collections. We utilize third parties to operate the contact centers in Colombia and Jamaica and include the costs in outsourcing and other professional fees. Professional fees also include the cost of legal and audit services, credit reports, recruiting, cash transportation, collection services and fees and consultant expenses. For Fair Value Loans, direct loan origination expenses related to application processing are expensed when incurred. In addition, outsourcing and professional fees include any financing expenses, including legal and underwriting fees, related to our Fair Value Notes.

	Three Months Ended September 30,		Period-to-period Change		Nine Months Ended September 30,		Period-to-period Change	
(in thousands of dollars)	2020	2019	$	%	2020	2019	$	%
Outsourcing and professional fees	$ 11,491	$ 16,041	$ (4,550)	(28.4)%	$ 36,232	$ 42,797	$ (6,565)	(15.3)%
Percentage of total revenue	8.4 %	10.4 %			8.2 %	9.8 %		

Outsourcing and professional fees. Outsourcing and professional fees decreased by $4.6 million, or 28%, from $16.0 million for the three months ended September 30, 2019 to $11.5 million for the three months ended September 30, 2020. This decrease resulted primarily from a $2.4 million decrease in debt financing fees in August 2019 related to an asset-backed securitization, $1.0 million decrease in legal fees, $1.5 million decrease in credit reports due to lower application volume attributed to the COVID-19 pandemic and an $0.8 million decrease of professional services primarily due to lower usage of temporary contractors to supplement staffing. These decreases were partially offset by a $1.1 million increase due to 34% growth in contact center outsourced headcount. This increase in headcount is presumed to be temporary, and is the result of collections contingency staffing due to the uncertainty around the COVID-19 pandemic and the potential impact on delinquencies.

Outsourcing and professional fees decreased by $6.6 million, or 15%, from $42.8 million for the nine months ended September 30, 2019 to $36.2 million for the nine months ended September 30, 2020. This decrease resulted primarily from a $2.4 million decrease in debt financing fees in August 2019 related to an asset-backed securitization, a $3.8 million decrease in professional services fees to support public company readiness in 2019, $1.5 million decrease in credit reports due to lower application volume attributed to the COVID-19 pandemic and $2.0 million of lower legal fees. The decrease was partially offset by a $3.2 million increase due to 20% growth in contact center outsourced headcount. This increase in headcount is presumed to be temporary, and is the result of collections contingency staffing due to the uncertainty around the COVID-19 pandemic and the potential impact on delinquencies.

General, administrative and other

General, administrative and other expenses include non-compensation expenses for employees, who are not a part of the technology and sales and marketing organization, which include travel, lodging, meal expenses, office supplies, printing and shipping. Also included are franchise taxes, bank fees, foreign currency gains and losses, transaction gains and losses, debit card expenses and litigation reserve.

	Three Months Ended September 30,		Period-to-period Change		Nine Months Ended September 30,		Period-to-period Change	
(in thousands of dollars)	2020	2019	$	%	2020	2019	$	%
General, administrative and other	$ 11,138	$ 3,886	$ 7,252	186.6 %	$ 17,591	$ 10,816	$ 6,775	62.6 %
Percentage of total revenue	8.1 %	2.5 %			4.0 %	2.5 %		

General, administrative and other. General, administrative and other expense increased by $7.3 million, or 187%, from $3.9 million for the three months ended September 30, 2019 to $11.1 million for the three months ended September 30, 2020, primarily due to a $8.8 million litigation reserve; partially offset by decreases in travel expenses and postage/printing costs due to the travel restrictions and remote work arrangements resulting from the COVID-19 pandemic.

General, administrative and other expense increased by $6.8 million, or 63%, from $10.8 million for the nine months ended September 30, 2019 to $17.6 million for the nine months ended September 30, 2020, primarily due to an $8.8 million litigation reserve and increases in foreign exchange losses due to the decline in the value of the Mexican Peso as a result of the COVID-19 pandemic. These increases were partially offset by decreases in travel expenses and postage/printing costs due to travel restrictions and remote working arrangements resulting from the COVID-19 pandemic.

Income taxes

Income taxes consist of U.S. federal, state and foreign income taxes, if any. For the periods ended September 30, 2020 and 2019, we recognized tax expense (benefit) attributable to U.S. federal, state and foreign income taxes.

	Three Months Ended September 30,		Period-to-period Change		Nine Months Ended September 30,		Period-to-period Change	
(in thousands of dollars)	2020	2019	$	%	2020	2019	$	%
Income tax expense (benefit)	$ (1,794)	$ 4,386	$ (6,180)	(140.9)%	$ (19,162)	$ 14,846	$ (34,008)	(229.1)%
Percentage of total revenue	(1.3)%	2.9 %			(4.3)%	3.4 %		
Effective tax rate	22.9 %	30.4 %			26.3 %	27.9 %		

Income tax expense (benefit). Income tax expense decreased by $6.2 million or 141%, from an expense of $4.4 million for the three months ended September 30, 2019 to a benefit of $1.8 million for the three months ended September 30, 2020, primarily as a result of a pretax loss for the three months ended September 30, 2020.

Income tax expense decreased by $34.0 million or 229%, from an expense of $14.8 million for the nine months ended September 30, 2019 to a benefit of $19.2 million for the nine months ended September 30, 2020, primarily as a result of a pretax loss for the nine months ended September 30, 2020.

See Note 2, *Summary of Significant Accounting Policies*, and Note 13, *Income Taxes*, of the Notes to the Condensed Consolidated Financial Statements (Unaudited) included elsewhere in this report for further discussion on our income taxes.

Fair Value Estimate Methodology for Loans Receivable at Fair Value

Election of Fair Value Option

We previously elected the fair value option to account for loans receivable held for investment that were originated on or after January 1, 2018 (the "Initial Fair Value Loans"), and for all asset-backed notes issued on or after January 1, 2018 (the "Fair Value Notes"). We believe the fair value option for loans held for investment and asset-backed notes is a better fit for us given our high growth, short duration, high quality assets and funding structure. We believe the fair value option enables us to report GAAP net income that more closely approximates our net cash flow generation and provides increased transparency into our profitability and asset quality. Loans Receivable at Amortized Cost issued prior to January 1, 2018 are accounted for in our 2019 financial statements at amortized cost, net. Upon adoption of ASU 2019-05 effective January 1, 2020, we elected the fair value option on all remaining loans receivable previously measured at amortized cost (the "Subsequent Fair Value Loans," and together with the Initial Fair Value Loans, the "Fair Value Loans") . Upon the adoption of ASU 2019-05 effective January 1, 2020, we (i) released the remaining allowance for loan losses on Loan Receivables at Amortized Cost as of December 31, 2019; (ii) recognized the unamortized net originations fee income as of December 31, 2019; and (iii) measured the remaining loans originated prior to January 1, 2018 at fair value. Loans that we designate for sale will continue to be accounted for as held for sale and recorded at the lower of cost or fair value until the loans receivable are sold. Asset-backed notes issued prior to January 1, 2018 are accounted for in our financial statements at amortized cost, net. After the redemption of our Series 2017-B asset-back notes on July 8, 2020, we no longer have any asset-backed notes at amortized cost as of September 30, 2020.

Summary

Fair value is an electable option under GAAP to account for any financial instruments, including loans receivable and debt. It differs from amortized cost accounting in that loans receivable and debt are recorded on the balance sheet at fair value rather than on a cost basis. Under the fair value option credit losses are recognized through income as they are incurred rather than through the establishment of an allowance and provision for losses. The fair value of instruments under this election is updated at the end of each reporting period, with changes since the prior reporting period reflected in the Condensed Consolidated Statements of Operations and Comprehensive Income (Unaudited) as net increase (decrease) in fair value which impacts Net Revenue. Changes in interest rates, credit spreads, realized and projected credit losses and cash flow timing will lead to changes in fair value and therefore impact earnings. These changes in the fair value of the Fair Value Loans may be partially offset by changes in the fair value of the Fair Value Notes, depending upon the relative duration of the instruments.

Comparison of Fair Value and Amortized Cost Accounting

The primary differences between fair value and amortized cost accounting are:

- Loans and notes are recorded at their fair value, not their principal balance or cost basis;
- The fair value of the loans takes into consideration net charge-offs for the remaining life of the loans, thus no separate allowance for loan loss is required;
- Upfront fees and expenses of loans and notes are no longer deferred but recognized at origination in income or expense, respectively;
- Changes in the fair value of loans and notes impact Net Revenue; and
- Net charge-offs are recognized as they occur as part of the change in fair value for loans.

Fair Value Estimate Methodology for Loans Receivable at Fair Value

We calculate the fair value of Fair Value Loans using a model that projects and discounts expected cash flows. The fair value is a function of:

- Portfolio yield;
- Average life;
- Prepayments;
- Remaining cumulative charge-offs; and
- Discount rate.

Portfolio yield is the expected interest and fees collected from the loans as an annualized percentage of outstanding principal balance. Portfolio yield is based upon (a) the contractual interest rate, reduced by expected delinquencies and interest charge-offs and (b) late fees, net of late fee charge-offs based upon expected delinquencies. Origination fees are not included in portfolio yield since they are generally capitalized as part of the loan's principal balance at origination.

Average life is the time-weighted average of expected principal payments divided by outstanding principal balance. The timing of principal payments is based upon the contractual amortization of loans, adjusted for the impact of prepayments, Good Customer Program refinances, and charge-offs.

Prepayments are the expected remaining cumulative principal payments that will be repaid earlier than contractually required over the life of the loan, divided by the outstanding principal balance.

Remaining cumulative charge-offs is the expected net principal charge-offs over the remaining life of the loans, divided by the outstanding principal balance.

Discount rate is the sum of the interest rate and the credit spread. The interest rate is based upon the interpolated LIBOR/swap curve rate that corresponds to the average life. The credit spread is based upon the credit spread implied by the whole loan purchase price at the time the flow sale agreement was entered into, updated for observable changes in the fixed income markets, which serve as a proxy for how a whole loan buyer would adjust their yield requirements relative to the originally agreed price.

Our internal valuation committee provides governance and oversight over the fair value pricing and related financial statement disclosures. Additionally, this committee provides a challenge of the assumptions used and outputs of the model, including the appropriateness of such measures and periodically reviews the methodology and process to determine the fair value pricing. Any significant changes to the process must be approved by the committee.

It is also possible to estimate the fair value of our loans using a simplified calculation. The table below illustrates a simplified calculation to aid investors in understanding how fair value may be estimated using the last six quarters:

- Subtracting the servicing fee from the weighted average portfolio yield over the remaining life of the loans to calculate net portfolio yield;
- Multiplying the net portfolio yield by the weighted average life in years of the loans receivable, which is based upon the contractual amortization of the loans and expected remaining prepayments and charge-offs, to calculate net cash flow;
- Subtracting the remaining cumulative charge-offs from the net portfolio yield to calculate the net cash flow;
- Subtracting the product of the discount rate and the average life from the net cash flow to calculate the gross fair value premium as a percentage of loan principal balance; and
- Subtracting the accrued interest and fees as a percentage of loan principal balance from the gross fair value premium as a percentage of loan principal balance to calculate the fair value premium as a percentage of loan principal balance.

The table below reflects the application of this methodology for the seven quarters since January 1, 2019, on loans held for investment effective as of January 1, 2018. Upon adoption of ASU 2019-05, effective January 1, 2020, we elected the fair value option on the Subsequent Fair Value Loans, which were previously measured at amortized cost. Accordingly, for the three and nine months ended September 30, 2020, we did not have any loans receivable measured at amortized cost, and as a result, there are no Fair Value Pro Forma adjustments related to loans receivable and the results below only reflect Fair Value Pro Forma adjustments related to our asset-backed notes at amortized cost. However, after the redemption of our Series 2017-B asset-back notes on July 8, 2020, we no longer have any asset-backed notes at amortized cost as of September 30, 2020.

	Three Months Ended						
	Sep 30, 2020	**Jun 30, 2020**	**Mar 31, 2020**	**Dec 31, 2019**	**Sep 30, 2019**	**Jun 30, 2019**	**Mar 31, 2019**
Weighted average portfolio yield over the remaining life of the loans	**30.50 %**	**30.78 %**	**30.74 %**	**31.45 %**	**32.08 %**	**32.43 %**	**32.59 %**
Less: Servicing fee	(5.00) %	(5.00) %	(5.00) %	(5.00) %	(5.00) %	(5.00) %	(5.00) %
Net portfolio yield	**25.50 %**	**25.78 %**	**25.74 %**	**26.45 %**	**27.08 %**	**27.43 %**	**27.59 %**
Multiplied by: Weighted average life in years	0.775	0.797	0.903	0.814	0.781	0.792	0.804
Pre-loss cash flow	**19.75 %**	**20.54 %**	**23.25 %**	**21.53 %**	**21.13 %**	**21.67 %**	**22.07 %**
Less: Remaining cumulative charge-offs	(10.61) %	(12.73) %	(14.56) %	(9.61) %	(9.87) %	(10.05) %	(10.00) %
Net cash flow	**9.14 %**	**7.81 %**	**8.69 %**	**11.92 %**	**11.26 %**	**11.62 %**	**12.07 %**
Less: Discount rate multiplied by average life	(6.07) %	(7.04) %	(11.54) %	(6.33) %	(6.19) %	(6.62) %	(7.09) %
Gross fair value premium (discount) as a percentage of loan principal balance	**3.07 %**	**0.77 %**	**(2.85)%**	**5.59 %**	**5.07 %**	**5.00 %**	**4.98 %**
Less: Accrued interest and fees as a percentage of loan principal balance	(1.15) %	(1.35) %	(1.11) %	(1.05) %	(0.97) %	(0.93) %	(0.97) %
Fair value premium (discount) as a percentage of loan principal balance	**1.92 %**	**(0.58)%**	**(3.96)%**	**4.54 %**	**4.10 %**	**4.07 %**	**4.01 %**
Discount Rate	7.84 %	8.84 %	12.78 %	7.77 %	7.93 %	8.38 %	8.86 %

The table below reflects the application of this methodology for the seven quarters since January 1, 2019 under Fair Value Pro Forma, as if we had elected the fair value option since inception. Upon adoption of ASU 2019-05, effective January 1, 2020, we elected the fair value option on the Subsequent Fair Value Loans, which were previously measured at amortized cost. Accordingly, for the three and nine months ended September 30, 2020, we did not have any loans receivable measured at amortized cost and as a result there are no Fair Value Pro Forma adjustments related to loans receivable and the results below only reflect Fair Value Pro Forma adjustments related to our asset-backed notes at amortized cost. However, after the redemption of our Series 2017-B asset-back notes on July 8, 2020, we no longer have any asset-backed notes at amortized cost as of September 30, 2020.

	Three Months Ended						
	Sep 30, 2020	**Jun 30, 2020**	**Mar 31, 2020**	**Dec 31, 2019**	**Sep 30, 2019**	**Jun 30, 2019**	**Mar 31, 2019**
Weighted average portfolio yield over the remaining life of the loans	**30.50 %**	**30.78 %**	**30.74 %**	**31.47 %**	**31.89 %**	**32.37 %**	**32.45 %**
Less: Servicing fee	(5.00) %	(5.00) %	(5.00) %	(5.00) %	(5.00) %	(5.00) %	(5.00) %
Net portfolio yield	**25.50 %**	**25.78 %**	**25.74 %**	**26.47 %**	**26.89 %**	**27.37 %**	**27.45 %**
Multiplied by: Weighted average life in years	0.775	0.797	0.903	0.804	0.765	0.764	0.754
Pre-loss cash flow	**19.75 %**	**20.54 %**	**23.25 %**	**21.28 %**	**20.71 %**	**20.80 %**	**20.59 %**
Less: Remaining cumulative charge-offs	(10.61) %	(12.73) %	(14.56) %	(9.51) %	(9.83) %	(9.94) %	(9.83) %
Net cash flow	**9.14 %**	**7.81 %**	**8.69 %**	**11.77 %**	**10.88 %**	**10.86 %**	**10.76 %**
Less: Discount rate multiplied by average life	(6.07) %	(7.04) %	(11.54) %	(6.25) %	(6.11) %	(6.37) %	(6.65) %
Gross fair value premium (discount) as a percentage of loan principal balance	**3.07 %**	**0.77 %**	**(2.85)%**	**5.52 %**	**4.77 %**	**4.49 %**	**4.11 %**
Less: Accrued interest and fees as a percentage of loan principal balance	(1.15) %	(1.35) %	(1.11) %	(1.04) %	(0.96) %	(0.92) %	(0.96) %
Fair value premium (discount) as a percentage of loan principal balance	**1.92 %**	**(0.58)%**	**(3.96)%**	**4.48 %**	**3.81 %**	**3.57 %**	**3.15 %**
Discount Rate	7.84 %	8.84 %	12.78 %	7.77 %	7.93 %	8.38 %	8.86 %

The illustrative tables included above are designed to assist investors in understanding the impact of our election of the fair value option. For a presentation of the actual impact of the election of the fair value option for the periods presented in the financial statements included elsewhere in this report, please see the next section, “Non-GAAP Financial Measures.” The Fair Value Pro Forma information is presented in that section because they are non-GAAP presentations, as they show the impact of Fair Value Pro Forma adjustment as if we had elected the fair value option since inception.

Non-GAAP Financial Measures

We believe that the provision of non-GAAP financial measures in this report, including Fair Value Pro Forma information, Adjusted EBITDA, Adjusted Net Income, Adjusted Tangible Book Value Per Share, Adjusted Operating Efficiency and Adjusted Return on Equity, can provide useful measures for period-to-period comparisons of our core business and useful information to investors and others in understanding and evaluating our operating results. However, non-GAAP financial measures are not calculated in accordance with United States generally accepted accounting principles, or GAAP, and should not be considered as an alternative to any measures of financial performance calculated and presented in accordance with GAAP. There are limitations related to the use of these non-GAAP financial measures versus their most directly comparable GAAP measures, which include the following:

- Other companies, including companies in our industry, may calculate these measures differently, which may reduce their usefulness as a comparative measure.
- These measures do not consider the potentially dilutive impact of stock-based compensation.
- Adjusted Net Income and Adjusted EBITDA do not include COVID-19 expenses not expected to recur once the pandemic subsides.
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future and Adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements.
- Although excess provision represents the portion of provision for loan losses not attributable to net principal charge-offs occurring in the current period, it is expected that net principal charge-offs in the amount of the excess provision will occur in future periods.
- Although the fair value mark-to-market adjustment is a non-cash adjustment, it does reflect our estimate of the price a third party would pay for our Fair Value Loans or our Fair Value Notes.
- Adjusted EBITDA does not reflect tax payments that may represent a reduction in cash available to us.

Fair Value Pro Forma

We have elected the fair value option to account for all Initial Fair Value Loans held for investment and all Fair Value Notes issued on or after January 1, 2018. In order to facilitate comparisons to prior periods, we have provided below unaudited financial information for the three and nine months ended September 30, 2020 and 2019 on a pro forma basis, or the Fair Value Pro Forma, as if we had elected the fair value option since our inception for all loans originated and held for investment and all asset-backed notes issued. Upon adoption of ASU 2019-05, effective January 1, 2020, we elected the fair value option on the Subsequent Fair Value Loans which were previously measured at amortized cost. Accordingly, for the three and nine months ended September 30, 2020, we did not have any loans receivable measured at amortized cost. Therefore, there are no Fair Value Pro Forma adjustments related to assets or revenue as of and for the three and nine months ended September 30, 2020. After the redemption of our Series 2017-B asset-back notes on July 8, 2020, we no longer have any asset-backed notes at amortized cost as of September 30, 2020.

Fair Value Pro Forma Condensed Consolidated Statements of Operations Data:

	Three Months Ended September 30, 2020			Three Months Ended September 30, 2019			Period-to-period Change in FVPF	
(in thousands)	As Reported	FV Adjustments	FV Pro Forma	As Reported	FV Adjustments	FV Pro Forma	$	%
Revenue:								
Interest income	$ 128,739	$ —	$ 128,739	$ 139,272	$ (270)	$ 139,002	$ (10,263)	(7.4)%
Non-interest income	8,028	—	8,028	14,608	—	14,608	(6,580)	(45.0)%
Total revenue	136,767	—	136,767	153,880	(270)	153,610	(16,843)	(11.0)%
Less:								
Interest expense	13,408	(207)	13,201	15,499	(355)	15,144	(1,943)	(12.8)%
Provision (release) for loan losses	—	—	—	(426)	426	—	—	— %
Net decrease in fair value	(29,633)	(1,579)	(31,212)	(24,339)	(3,219)	(27,558)	(3,654)	13.3 %
Net revenue	93,726	(1,372)	92,354	114,468	(3,560)	110,908	(18,554)	(16.7)%
Operating expenses:								
Technology and facilities	31,641	—	31,641	26,772	—	26,772	4,869	18.2 %
Sales and marketing	20,634	—	20,634	24,717	—	24,717	(4,083)	(16.5)%
Personnel	26,662	—	26,662	28,637	—	28,637	(1,975)	(6.9)%
Outsourcing and professional fees	11,491	—	11,491	16,041	—	16,041	(4,550)	(28.4)%
General, administrative and other	11,138	—	11,138	3,886	—	3,886	7,252	186.6 %
Total operating expenses	101,566	—	101,566	100,053	—	100,053	1,513	1.5 %
Income (loss) before taxes	(7,840)	(1,372)	(9,212)	14,415	(3,560)	10,855	(20,067)	(184.9)%
Income tax expense (benefit)	(1,794)	(375)	(2,169)	4,386	(1,083)	3,303	(5,472)	(165.7)%
Net income (loss)	$ (6,046)	$ (997)	$ (7,043)	$ 10,029	$ (2,477)	$ 7,552	$ (14,595)	(193.3)%

	Nine Months Ended September 30, 2020			Nine Months Ended September 30, 2019			Period-to-period Change in FVPF	
(in thousands)	As Reported	FV Adjustments	FV Pro Forma	As Reported	FV Adjustments	FV Pro Forma	$	%
Revenue:								
Interest income	$ 415,525	$ —	$ 415,525	$ 395,778	$ (1,595)	$ 394,183	$ 21,342	5.4 %
Non-interest income	27,377	—	27,377	39,026	—	39,026	(11,649)	(29.8)%
Total revenue	442,902	—	442,902	434,804	(1,595)	433,209	9,693	2.2 %
Less:								
Interest expense	44,879	(889)	43,990	44,751	(1,054)	43,697	293	0.7 %
Provision (release) for loan losses	—	—	—	(3,755)	3,755	—	—	— %
Net decrease in fair value	(177,584)	667	(176,917)	(78,567)	(14,053)	(92,620)	(84,297)	91.0 %
Net revenue	220,439	1,556	221,995	315,241	(18,349)	296,892	(74,897)	(25.2)%
Operating expenses:								
Technology and facilities	93,927	—	93,927	72,849	—	72,849	21,078	28.9 %
Sales and marketing	65,521	—	65,521	69,084	—	69,084	(3,563)	(5.2)%
Personnel	79,925	—	79,925	66,414	—	66,414	13,511	20.3 %
Outsourcing and professional fees	36,232	—	36,232	42,797	—	42,797	(6,565)	(15.3)%
General, administrative and other	17,591	—	17,591	10,816	—	10,816	6,775	62.6 %
Total operating expenses	293,196	—	293,196	261,960	—	261,960	31,236	11.9 %
Income (loss) before taxes	(72,757)	1,556	(71,201)	53,281	(18,349)	34,932	(106,133)	(303.8)%
Income tax expense (benefit)	(19,162)	682	(18,480)	14,846	(5,060)	9,786	(28,266)	(288.8)%
Net income (loss)	$ (53,595)	$ 874	$ (52,721)	$ 38,435	$ (13,289)	$ 25,146	$ (77,867)	(309.7)%

Fair Value Pro Forma Condensed Consolidated Balance Sheet Data:

	September 30, 2020			December 31, 2019			Period-to-period Change in FV PF	
(in thousands)	As Reported	FV Adjustments	FV Pro Forma	As Reported	FV Adjustments	FV Pro Forma	$	%
Cash and cash equivalents	$ 109,656	$ —	$ 109,656	$ 72,179	$ —	$ 72,179	$ 37,477	51.9 %
Restricted cash	53,824	—	53,824	63,962	—	63,962	(10,138)	(15.9)%
Loans receivable [(1)]	1,605,388	—	1,605,388	1,920,559	5,011	1,925,570	(320,182)	(16.6)%
Other assets	148,655	—	148,655	145,174	(6,579)	138,595	10,060	7.3 %
Total assets	1,917,523	—	1,917,523	2,201,874	(1,568)	2,200,306	(282,783)	(12.9)%
Total debt [(2)]	1,316,624	—	1,316,624	1,549,223	1,557	1,550,780	(234,156)	(15.1)%
Other liabilities	147,878	682	148,560	163,885	(1,621)	162,264	(13,704)	(8.4)%
Total liabilities	1,464,502	682	1,465,184	1,713,108	(64)	1,713,044	(247,860)	(14.5)%
Total stockholder's equity	453,021	(682)	452,339	488,766	(1,504)	487,262	(34,923)	(7.2)%
Total liabilities and stockholders' equity	$ 1,917,523	$ —	$ 1,917,523	$ 2,201,874	$ (1,568)	$ 2,200,306	$ (282,783)	(12.9)%

(1) The information included in the As Reported figure for December 31, 2019 includes loans receivable at fair value and loans receivable at amortized cost, net of unamortized deferred origination costs and fees and allowance for loan losses.

(2) The information included in the As Reported figure includes asset-backed notes at fair value and asset-backed notes at amortized cost, net of deferred financing costs. As Reported and FV Pro Forma figures include our Secured Financing measured under amortized cost accounting.

Adjusted EBITDA

Adjusted EBITDA is a non-GAAP financial measure defined as our net income (loss), adjusted for the impact of our election of the fair value option and further adjusted to eliminate the effect of certain items as described below. We believe that Adjusted EBITDA is an important measure because it allows management, investors and our Board to evaluate and compare our operating results, including our return on capital and operating efficiencies, from period-to-period by making the adjustments described below. In addition, it provides a useful measure for period-to-period comparisons of our business, as it removes the effect of taxes, certain non-cash items, variable charges and timing differences.

- We believe it is useful to exclude the impact of income tax expense (benefit), as reported, because historically it has included irregular income tax items that do not reflect ongoing business operations.

- We believe it is useful to exclude the impact of depreciation and amortization and stock-based compensation expense because they are noncash charges.
- We believe it is useful to exclude the impact of the litigation reserve, if any, and COVID-19 expenses because these items do not reflect ongoing business operations.
- We also reverse origination fees for Fair Value Loans, net. As a result of our election of the fair value option for our Fair Value Loans, we recognize the full amount of any origination fees as revenue at the time of loan disbursement in advance of our collection of origination fees through principal payments. As a result, we believe it is beneficial to exclude the uncollected portion of such origination fees, because such amounts do not represent cash that we received.
- We also reverse the fair value mark-to-market adjustment because it is a non-cash adjustment as shown in the table below.

Components of Fair Value Mark-to-Market Adjustment - Fair Value Pro Forma (in thousands)	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Fair value mark-to-market adjustment on Fair Value Loans	$ 39,828	$ 7,927	$ (52,242)	$ 21,339
Fair value mark-to-market adjustment on asset-backed notes	(29,094)	(1,789)	4,425	(19,324)
Total fair value mark-to-market adjustment - Fair Value Pro Forma	$ 10,734	$ 6,138	$ (47,817)	$ 2,015

The following table presents a reconciliation of net income (loss) to Adjusted EBITDA for the three and nine months ended September 30, 2020 and 2019 as if the fair value option had been in place since inception for all loans held for investment and all asset-backed notes:

Adjusted EBITDA (in thousands)	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Net income	$ (6,046)	$ 10,029	$ (53,595)	$ 38,435
Adjustments:				
Fair Value Pro Forma net income adjustment	(997)	(2,477)	874	(13,289)
Income tax expense (benefit)	(2,169)	3,303	(18,480)	9,786
COVID-19 expenses	1,011	—	4,052	—
Depreciation and amortization	5,117	3,591	14,878	9,658
Stock-based compensation expense	5,194	11,163	14,317	15,178
Litigation reserve	8,750	—	8,750	—
Origination fees for Fair Value Loans, net	(1,296)	(909)	3,520	(440)
Fair value mark-to-market adjustment	(10,734)	(6,138)	47,817	(2,015)
Adjusted EBITDA [1]	$ (1,170)	$ 18,562	$ 22,133	$ 57,313

[1] For the three and nine months ended September 30, 2020, Adjusted EBITDA includes a pre-tax impact of $(3.2) million and $(9.7) million, respectively, related to the launch of new products and services (such as auto and credit card). For the three and nine months ended September 30, 2019, Adjusted EBITDA includes a pre-tax impact of $(3.2) million and $(8.1) million, respectively, related to the launch of new products and services (such as auto and credit card).

Adjusted Net Income (Loss)

We define Adjusted Net Income (Loss) as our net income (loss), adjusted for the impact of our election of the fair value option, and further adjusted to exclude income tax expense (benefit), COVID-19 expenses, stock-based compensation expenses and litigation reserve. We believe that Adjusted Net Income (Loss) is an important measure of operating performance because it allows management, investors, and our Board to evaluate and compare our operating results, including our return on capital and operating efficiencies, from period to period.

- We believe it is useful to exclude the impact of income tax expense (benefit), as reported, because historically it has included irregular tax items that do not reflect our ongoing business operations.
- We believe it is useful to exclude the impact of the litigation reserve, if any, and COVID-19 expenses because these items do not reflect ongoing business operations.
- We believe it is useful to exclude stock-based compensation expense because it is a non-cash charge.
- We include the impact of normalized statutory income tax expense by applying the income tax rate noted in the table.

The following table presents a reconciliation of net income (loss) to Adjusted Net Income (Loss) for the three and nine months ended September 30, 2020 and 2019 as if the fair value option had been in place since inception for all loans held for investment and all asset-backed notes:

	Three Months Ended September 30,		Nine Months Ended September 30,	
Adjusted Net Income (Loss) (in thousands)	2020	2019	2020	2019
Net income (loss)	$ (6,046)	$ 10,029	$ (53,595)	$ 38,435
Adjustments:				
Fair Value Pro Forma net income adjustment	(997)	(2,477)	874	(13,289)
Income tax expense (benefit)	(2,169)	3,303	(18,480)	9,786
COVID-19 expenses	1,011	—	4,052	—
Stock-based compensation expense	5,194	11,163	14,317	15,178
Litigation reserve	8,750	—	8,750	—
Adjusted income (loss) before taxes	5,743	22,018	(44,082)	50,110
Normalized income tax expense (benefit)	1,570	6,698	(12,347)	14,260
Adjusted Net Income (Loss) [1]	$ 4,173	$ 15,320	$ (31,735)	$ 35,850
Income tax rate [2]	27.4 %	30.4 %	28.0 %	27.9 %

[1] For the three and nine months ended September 30, 2020, Adjusted Net Income includes an after-tax impact of $(2.6) million and $(7.9) million, respectively, related to the launch of new products and services (such as auto and credit card). For the three and nine months ended September 30, 2019, Adjusted Net Income includes an after-tax impact of $(2.4) million and $(6.1) million, respectively, related to the launch of new products and services (such as auto and credit card).

[2] Income tax rate for the three and nine months ended September 30, 2020 is based on a normalized statutory rate and the three and nine months ended September 30, 2019 is based on the effective tax rate.

Adjusted Earnings Per Share ("Adjusted EPS")

Adjusted Earnings Per Share is a non-GAAP financial measure that allows management, investors and our Board to evaluate the operating results, operating trends and profitability of the business in relation to diluted adjusted weighted-average shares outstanding post initial public offering. In addition, it provides a useful measure for period-to-period comparisons of our business, as it considers the effect of conversion of all convertible preferred shares as of the beginning of each annual period.

The following table presents a reconciliation of Diluted EPS to Diluted Adjusted EPS for the three and nine months ended September 30, 2020 and 2019. For the reconciliation of net income (loss) to Adjusted Net Income (Loss), see the immediately preceding table "Adjusted Net Income (Loss)."

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands, except share and per share data)	2020	2019	2020	2019
Diluted earnings (loss) per share	$ (0.22)	$ (6.39)	$ (1.97)	$ —
Adjusted EPS				
Adjusted Net Income (Loss)	$ 4,173	$ 15,320	$ (31,735)	$ 35,850
Basic weighted-average common shares outstanding	27,459,192	4,294,107	27,237,246	3,397,503
Weighted-average common shares outstanding based on assumed convertible preferred conversion	—	18,038,315	—	18,725,641
Weighted average effect of dilutive securities:				
Stock options	1,188,396	1,386,546	—	1,306,785
Restricted stock units	75,282	114,337	—	38,935
Warrants	—	12,714	—	12,030
Diluted adjusted weighted-average common shares outstanding	28,722,870	23,846,019	27,237,246	23,480,894
Adjusted Earnings (Loss) Per Share	$ 0.15	$ 0.64	$ (1.17)	$ 1.53

Adjusted Tangible Book Value Per Share ("Adjusted TBVPS")

Adjusted Tangible Book Value Per Share is a non-GAAP financial measure that provides management, investors and our Board with an assessment of value that is more conservative than Book Value Per Share in order to evaluate the financial position, capitalization, and valuation of the business in relation to total shares outstanding at the end of the period. We believe it is important to exclude intangibles, as these would not have standalone value outside the context of the business. In addition, it provides a useful measure for period-to-period comparisons of our business, as it considers the effect of fair value adjustments made to both our asset-backed notes at amortized cost and Loans Receivable at Amortized Cost, net as if they were carried at fair value.

The following table presents a reconciliation of stockholders' equity to Adjusted TBVPS as of September 30, 2020 and December 31, 2019 as if the fair value option had been in place since inception for all loans held for investment and all asset-backed notes:

Adjusted TBVPS (in thousands, except share and per share data)	September 30, 2020	December 31, 2019
Stockholders' equity	$ 453,021	$ 488,766
Adjustments:		
Fair Value Pro Forma stockholders' equity adjustment	(682)	(1,504)
Intangible assets, net [1]	(27,229)	(18,455)
Adjusted Tangible Book Value	$ 425,110	$ 468,807
Total common shares outstanding	27,583,028	27,003,157
Book Value Per Share	$ 16.42	$ 18.10
Adjusted Tangible Book Value Per Share	$ 15.41	$ 17.36

[1] Intangible assets, net consists of trademarks and internally developed software, net.

Adjusted Return on Equity

We define Adjusted Return on Equity as annualized Adjusted Net Income divided by average Fair Value Pro Forma total stockholders' equity. Average Fair Value Pro Forma stockholders' equity is an average of the beginning and ending Fair Value Pro Forma stockholders' equity balance for each period. We believe Adjusted Return on Equity is an important measure because it allows management, investors and our Board to evaluate the profitability of the business in relation to equity and how well we generate income from the equity available.

The following table presents a reconciliation of Return on Equity to Adjusted Return on Equity for the three and nine months ended September 30, 2020 and 2019. For the reconciliation of net income (loss) to Adjusted Net Income (Loss), see the immediately preceding table "Adjusted Net Income (Loss)."

	As of or for the Three Months Ended September 30,		As of or for the Nine Months Ended September 30,	
(in thousands)	2020	2019	2020	2019
Return on Equity	(5.3)%	9.6 %	(15.2)%	12.7 %
Adjusted Return on Equity				
Adjusted Net Income (Loss)	$ 4,173	$ 15,320	$ (31,735)	$ 35,850
Fair Value Pro Forma average stockholders' equity	$ 453,493	$ 419,588	$ 469,801	$ 408,819
Adjusted Return on Equity	3.7 %	14.6 %	(9.0)%	11.7 %

Adjusted Operating Efficiency

We define Adjusted Operating Efficiency as Fair Value Pro Forma total operating expenses (excluding COVID-19 expenses, stock-based compensation expense and litigation reserve, if any) divided by Fair Value Pro Forma Total Revenue. We believe Adjusted Operating Efficiency is an important measure because it allows management, investors and our Board to evaluate how efficient we are at managing costs relative to revenue.

The following table presents a reconciliation of Operating Efficiency to Adjusted Operating Efficiency for the three and nine months ended September 30, 2020 and 2019:

	As of or for the Three Months Ended September 30,		As of or for the Nine Months Ended September 30,	
(in thousands)	2020	2019	2020	2019
Operating Efficiency	74.3 %	65.0 %	66.2 %	60.2 %
Adjusted Operating Efficiency				
Total revenue	$ 136,767	$ 153,880	$ 442,902	$ 434,804
Fair Value Pro Forma Total Revenue adjustments	—	(270)	—	(1,595)
Fair Value Pro Forma Total Revenue	136,767	153,610	442,902	433,209
Total operating expense	101,566	100,053	293,196	261,960
COVID-19 expenses	(1,011)	—	(4,052)	—
Stock-based compensation expense	(5,194)	(11,163)	(14,317)	(15,178)
Litigation reserve	(8,750)	—	(8,750)	—
Total Fair Value Pro Forma adjusted operating expenses	$ 86,611	$ 88,890	$ 266,077	$ 246,782
Adjusted Operating Efficiency	63.3 %	57.9 %	60.1 %	57.0 %

Liquidity and Capital Resources

Sources of liquidity

To date, we have funded our lending activities and operations primarily through private issuances of debt, equity issuances, cash from operating activities, and the sale of loans to a third-party institutional investor. We anticipate issuing additional securitizations, entering into additional secured financings and continuing whole loan sales.

Current debt facilities

The following table summarizes our current debt facilities available for funding our lending activities and our operating expenditures as of September 30, 2020:

Debt Facility	Scheduled Amortization Period Commencement Date	Interest Rate		Principal (in thousands)
Secured Financing	10/1/2021	LIBOR (minimum of 0.00%) + 2.45%	$	191,994
Asset-Backed Securitization-Series 2019-A Notes	8/1/2022	3.22%		250,000
Asset-Backed Securitization-Series 2018-D Notes	12/1/2021	4.50%		175,002
Asset-Backed Securitization-Series 2018-C Notes	10/1/2021	4.39%		275,000
Asset-Backed Securitization-Series 2018-B Notes	7/1/2021	4.09%		213,159
Asset-Backed Securitization-Series 2018-A Notes	3/1/2021	3.83%		200,004
			$	1,305,159

The outstanding amounts set forth in the table above are consolidated on our balance sheet whereas loans sold to a third-party institutional investor are not on our balance sheet once sold. In October 2020, due to the strong market appetite for asset-backed notes, we raised $39.8 million, net of fees and expenses, by selling $41.3 million of retained bonds related to our 2019-A and 2018-B asset-backed notes. Additionally, we co-sponsored a $188M securitization of our loans by the whole-loan purchaser, which closed on November 9, 2020; we will continue to receive a servicing fee for servicing the loans in the securitization but will not receive any other economics.

Lenders do not have direct recourse to Oportun Financial Corporation or Oportun, Inc.

Debt

Our ability to utilize our Secured Financing facility as described herein is subject to compliance with various requirements, including:

- *Eligibility Criteria.* In order for our loans to be eligible for purchase by Oportun Funding V, they must meet all applicable eligibility criteria;
- *Concentration Limits.* The collateral pool is subject to certain concentration limits that, if exceeded, would reduce our borrowing base availability by the amount of such excess; and
- *Covenants and Other Requirements.* The Secured Financing facility contains several financial covenants, portfolio performance covenants and other covenants or requirements that, if not complied with, may result in an event of default and/or an early amortization event causing the accelerated repayment of amounts owed. The Secured Financing facility also requires us to get lender consent prior to making material changes to our credit and collection policies.

As of September 30, 2020, we were in compliance with all covenants and requirements per the debt facility.

For more information regarding our Secured Financing facility, see Notes 4 and 8 of the Notes to the Condensed Consolidated Financial Statements (Unaudited) included elsewhere in this report.

Our ability to utilize our asset-backed securitization facilities as described herein is subject to compliance with various requirements including:

- *Eligibility Criteria.* In order for our loans to be eligible for purchase by our wholly owned special purpose subsidiaries they must meet all applicable eligibility criteria; and
- *Covenants and Other Requirements.* Our securitization facilities contain pool concentration limits, pool performance covenants and other covenants or requirements that, if not complied with, may result in an event of default, and/or an early amortization event causing the accelerated repayment of amounts owed.

As of September 30, 2020, we were in compliance with all covenants and requirements of all our asset-backed notes.

For more information regarding our asset-backed securitization facilities, see Notes 4, 8 and 16 of the Notes to the Condensed Consolidated Financial Statements (Unaudited) included elsewhere in this report.

Whole loan sales

In November 2014, we entered into a whole loan sale agreement with an institutional investor, which agreement has been amended from time to time. The term of the current agreement was set to expire on November 10, 2020. The parties have agreed to extend the agreement on the same terms through December 10, 2020. Additional extensions may be considered on a month-to-month basis. Pursuant to the agreement, we sell at least 10% of our unsecured loan originations, with an option to sell an additional 5%, subject to certain eligibility criteria and minimum and maximum volumes. We retain all rights and obligations involving the servicing of the loans and earn servicing revenue of 5% of the daily average principal balance of loans sold each month. If either party decides not to renew the agreement and we are unable or we choose not to replace the agreement with an alternate whole loan sale opportunity, our revenue and liquidity may be negatively impacted in the short term by the loss of the gain on sale generated by our whole loan sales. This could have an impact on our financial condition.

We will continue to evaluate additional loan sale opportunities in the future and have not made any determinations regarding the percentage of loans we may sell.

The loans are randomly selected and sold at the pre-determined contractual purchase price above par and we recognize a gain on the loans. We sell loans twice per week. We have not repurchased any of the loans sold related to this agreement and do not anticipate repurchasing loans sold in the future. We therefore do not record a reserve related to our repurchase obligations from the whole loan sale agreement.

In addition, from July 2017 to August 2020, we were party to a separate whole loan sale arrangement with an institutional investor with a commitment to sell 100% of our loans originated under our Access Loan Program. We recognized servicing revenue of 5% of the daily average principal balance of sold loans for the month. We chose not to renew the arrangement and allowed the agreement to expire on its terms on August 5, 2020.

Cash, cash equivalents, restricted cash and cash flows

The following table summarizes our cash and cash equivalents, restricted cash and cash flows for the periods indicated:

	Nine Months Ended September 30,	
(in thousands)	2020	2019
Cash, cash equivalents and restricted cash	$ 163,480	$ 220,419
Cash provided by (used in)		
Operating activities	139,407	167,241
Investing activities	119,369	(299,963)
Financing activities	(231,437)	223,966

Our cash is held for working capital purposes and originating loans. Our restricted cash represents collections held in our securitizations and is applied currently after month-end to pay interest expense and satisfy any amount due to whole loan buyer with any excess amounts returned to us.

Cash flows

Operating Activities

Our net cash provided by operating activities was $139.4 million and $167.2 million for the nine months ended September 30, 2020 and 2019, respectively. Cash flows from operating activities primarily include net income or losses adjusted for (i) non-cash items included in net income or loss, including depreciation and amortization expense, fair value adjustments, net, origination fees for loans at fair value, net, gain on loan sales, stock-based compensation expense and deferred tax provision, net, (ii) originations of loans sold and held for sale, and proceeds from sale of loans and (iii) changes in the balances of operating assets and liabilities, which can vary significantly in the normal course of business due to the amount and timing of various payments.

Investing Activities

Our net cash provided by (used in) investing activities was $119.4 million and $(300.0) million for the nine months ended September 30, 2020 and 2019, respectively. Our investing activities consist primarily of loan originations and loan repayments. We currently do not own any real estate. We invest in purchases of property and equipment and incur system development costs. Purchases of property and equipment, and capitalization of system development costs may vary from period to period due to the timing of the expansion of our operations, the addition of employee headcount and the development cycles of our system development. The change in our net cash provided by (used in) investing activities is due to the decrease in the number of loans originated for the nine months ended September 30, 2020. The decrease in number of loans originated is attributable to the reduced number of applications which we believe is attributable both to increased economic uncertainty related to the COVID-19 pandemic as well as the redirection of our marketing efforts. Further, the decrease is due to proactive measures we implemented to tighten our lending criteria and underwriting practices given the current COVID-19 pandemic.

Financing Activities

Our net cash provided by (used in) financing activities was $(231.4) million and $224.0 million for the nine months ended September 30, 2020 and 2019, respectively. For the nine months ended September 30, 2020, net cash used in financing activities was primarily driven by borrowings and repayments on our Secured Financing and repayments on asset-backed notes. In 2020, we redeemed our Series 2017-A and series 2017-B asset-backed notes. Advances under our Secured Financing facility were the primary source of funds for the redemptions. For the nine months ended September 30, 2019, net cash provided by financing activities was primarily driven by borrowings on our secured financing facility and asset-backed notes, partially offset by repayments on those borrowings, and net proceeds from our initial public offering.

Operating and capital expenditure requirements

We believe that our existing cash balance, anticipated positive cash flows from operations and available borrowing capacity under our credit facilities will be sufficient to meet our anticipated cash operating expense and capital expenditure requirements through at least the next 12 months. We believe our liquidity position at September 30, 2020 remains strong as we continue to navigate through a period of uncertain economic conditions related to COVID-19, and we will continue to closely monitor our liquidity as economic conditions change. If our available cash balances are insufficient to satisfy our liquidity requirements, we will seek additional debt or equity financing. If we raise additional funds through the issuance of additional debt, the agreements governing such debt could contain covenants that would restrict our operations and such debt would rank senior to shares of our common stock. The sale of equity may result in dilution to our stockholders and those securities may have rights senior to those of our common stock. We may require additional capital beyond our currently anticipated amounts and additional capital may not be available on reasonable terms, or at all.

Off-Balance Sheet Arrangements

As of September 30, 2020, we had no off-balance sheet financing arrangements that have, or are reasonably likely to have, a current or future effect on our financial condition, changes in financial condition, total revenue or expenses, results of operations, liquidity, capital expenditures or capital resources.

Critical Accounting Policies and Significant Judgments and Estimates

Our Management's Discussion and Analysis of Financial Condition and Results of Operations is based on our condensed consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and the related disclosures. In accordance with GAAP, we base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

There have been no material changes in our critical accounting policies from those disclosed in our Annual Report on Form 10-K dated December 31, 2019, filed with the Securities and Exchange Commission on February 28, 2020 ("2019 Form 10-K"), under the heading Management's Discussion and Analysis of Financial Condition and Results of Operations. For additional information about our critical accounting policies and estimates, see the disclosure included in our 2019 Form 10-K.

Recently Issued Accounting Pronouncements

See Note 2 of the Notes to the Condensed Consolidated Financial Statements (Unaudited) included elsewhere in this report for a discussion of recent accounting pronouncements and future application of accounting standards.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk from changes in credit performance, market rates, prepayments, interest rates, credit spreads and foreign exchange currency rates. The COVID-19 pandemic has increased market volatility and the impact from changes in the market on our financial results. While we expect the pandemic to continue to have a negative impact on our credit losses, the resulting decrease in the fair value of our loans and asset-backed notes rebounded somewhat in the third quarter of 2020. The specific impact is difficult to assess, and may differ materially from the sensitivity analyses provided in our 2019 Form 10-K. Our election of the fair value option on our loans and asset-backed notes generally results in a natural offset of the related market risks; however, we cannot be certain that these changes will offset each other, particularly during the current period of market uncertainty and disruption.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Securities Exchange Act of 1934, as amended (the "Exchange Act") is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure and that such information is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

As of September 30, 2020, we carried out an evaluation of the effectiveness of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. This evaluation was conducted under the supervision of, and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objective, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on our evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that, as of September 30, 2020, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (identified in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) of the Exchange Act) during the quarter ended September 30, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Our disclosure controls and procedures and our internal controls over financial reporting have been designed to provide reasonable assurance of achieving their objectives. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

For a description of legal proceedings, see Note 15, Leases, Commitments and Contingencies, in the accompanying Notes to the Condensed Consolidated Financial Statements (Unaudited). From time to time, we may bring or be subject to other legal proceedings and claims in the ordinary course of business, including legal proceedings with third parties asserting infringement of their intellectual property rights and consumer litigation. Other than as described in this report, we are not presently a party to any legal proceedings that, if determined adversely to us, we believe would individually or taken together have a material adverse effect on our business, financial condition, cash flows or results of operations.

Item 1A. Risk Factors

Summary Risk Factors

Investing in our common stock involves a high degree of risk. If any of the factors enumerated in this section occurs, our business, financial condition, liquidity, results of operations and prospects could be materially and adversely affected. In that case, the market price of our common stock could decline, and you may lose some or all of your investment. Some of the more significant risks relating to an investment in our common stock include:

- The global COVID-19 pandemic has and may continue to adversely impact our business operations, financial performance and results of operations.
- We have incurred net losses and may incur net losses in the future.
- Our quarterly results are likely to fluctuate significantly and may not fully reflect the underlying performance of our business.
- We have experienced rapid growth in recent periods and our recent growth rates may not be indicative of future growth. If we fail to manage our growth effectively, our results of operations may suffer.
- Our risk management efforts may not be effective, which may expose us to market risks that harm our results of operations.
- We rely extensively on models in managing many aspects of our business. If our models contain errors or are otherwise ineffective, our business could be adversely affected.
- Our business may be adversely affected by disruptions in the credit markets, including reduction in our ability to finance our business.
- We have elected the fair value option and we use estimates in determining the fair value of our loans and our asset-backed notes. If our estimates prove incorrect, we may be required to write down the value of these assets or write up the value of these liabilities, which could adversely affect our results of operations.
- If net charge-off rates are in excess of expected loss rates, our business and results of operations may be harmed.
- Our results of operations and financial condition and our customers' willingness to borrow money from us and ability to make payments on their loans have been, and may in the future be, adversely affected by economic conditions and other factors that we cannot control.
- Negative publicity or public perception of our industry or our company could adversely affect our reputation, business and results of operations.
- If we do not compete effectively in our target markets, our results of operations could be harmed.
- Our success and future growth depend on our Oportun brand and our successful marketing efforts across channels, and if we are unable to attract or retain customers, our business and financial results may be harmed.
- Our current and future business growth strategy involves expanding into new markets with new retail location openings, and we may not effectively integrate or manage new retail locations we open or acquire.
- We could experience a decline in repeat customers.
- We are, and intend in the future to continue, developing new financial products and services, and our failure to accurately predict their demand or growth could have an adverse effect on our business.
- We may change our strategy or underwriting and servicing practices, which may adversely affect our business.
- We are, and intend in the future to continue, expanding into new geographic regions, and our failure to comply with applicable laws or regulations, or accurately predict demand or growth, related to these geographic regions could have an adverse effect on our business.
- Our proprietary credit risk models rely in part on the use of third-party data to assess and predict the creditworthiness of our customers, and if we lose the ability to license or use such third-party data, or if such third-party data contain inaccuracies, it may harm our results of operations.
- If we are unable to collect payment on and service the loans we make to our customers, our business would be harmed.
- Because we receive a significant amount of cash in our retail locations through customer loan repayments, we may be subject to theft and cash shortages due to employee errors.

- We are exposed to geographic concentration risk.
- Changes in immigration patterns, policy or enforcement could affect some of our customers, including those who may be undocumented immigrants, and consequently impact the performance of our loans, our business and results of operations.
- Our current level of interest rate spread may decline in the future. Any material reduction in our interest rate spread could adversely affect our results of operations.
- In connection with our securitizations, Secured Financing facility, and whole loan sales, we make representations and warranties concerning these loans. If those representations and warranties are not correct, we could be required to repurchase the loans. Any significant required repurchases could have an adverse effect on our ability to operate and fund our business.
- Fraudulent activity could negatively impact our business, operating results, brand and reputation and require us to take steps to reduce fraud risk.
- Security breaches of customers' confidential information that we store may harm our reputation, adversely affect our results of operations, and expose us to liability.
- Our ability to collect payment on loans and maintain accurate accounts may be adversely affected by computer viruses, physical or electronic break-ins, technical errors and similar disruptions.
- Any significant disruption in our computer systems could prevent us from processing or posting payments on loans, reduce the effectiveness of our credit risk models and result in a loss of customers.
- It may be difficult and costly to protect our intellectual property rights, and we may not be able to ensure their protection.
- We have been, and may in the future be, sued by third parties for alleged infringement of their proprietary rights.
- Our credit risk models and internal systems rely on software that is highly technical, and if it contains undetected errors, our business could be adversely affected.
- Some aspects of our business processes include open source software, and any failure to comply with the terms of one or more of these open source licenses could negatively affect our business.
- We may not be able to make technological improvements as quickly as demanded by our customers, including to address their needs during the COVID-19 pandemic, which could harm our ability to attract customers and adversely affect our results of operations, financial condition and liquidity.
- A deterioration in the financial condition of counterparties, including financial institutions, could expose us to credit losses, limit access to liquidity or disrupt our business operations.
- Our vendor relationships subject us to a variety of risks, and the failure of third parties to comply with legal or regulatory requirements or to provide various services that are important to our operations could have an adverse effect on our business.
- If we lose the services of any of our key management personnel, our business could suffer.
- Competition for our highly skilled employees is intense, and we may not be able to attract and retain the employees we need to support the growth of our business.
- We are dependent on hiring an adequate number of hourly bilingual employees to run our business and are subject to government regulations concerning these and our other employees, including minimum wage laws.
- Our mission to provide inclusive, affordable financial services that empower our customers to build a better future may conflict with the short-term interests of our stockholders.
- Our international operations and offshore service providers involve inherent risks which could result in harm to our business
- Financial regulatory reform relating to asset-backed securities has not been fully implemented and could have a significant impact on our ability to access the asset-backed securities market.
- Litigation, regulatory actions and compliance issues could subject us to significant fines, penalties, judgments, remediation costs and/or requirements resulting in increased expenses.
- Internet-based and electronic signature-based loan origination processes may give rise to greater risks than paper-based processes.
- The CFPB is a relatively new agency which has sometimes taken expansive views of its authority to regulate consumer financial services, creating uncertainty as to how the agency's actions or the actions of any other new agency could impact our business.
- The collection, processing, storage, use and disclosure of personal data could give rise to liabilities as a result of existing or new governmental regulation, conflicting legal requirements or differing views of personal privacy rights.
- We may have to constrain our business activities to avoid being deemed an investment company under the Investment Company Act.
- Our bank sponsorship products may lead to regulatory risk and may increase our regulatory burden.
- We have incurred substantial debt and may issue debt securities or otherwise incur substantial debt in the future, which may adversely affect our financial condition and negatively impact our operations.

- A breach of early payment triggers or covenants or other terms of our agreements with lenders could result in an early amortization, default, and/or acceleration of the related funding facilities.
- Our securitizations and whole loan sales may expose us to certain risks, and we can provide no assurance that we will be able to access the securitization or whole loan sales market in the future, which may require us to seek more costly financing.

Investing in our common stock involves a high degree of risk. Any of the following risks could have an adverse effect on our business, results of operations and financial condition. The following risks could cause the trading price of our common stock to decline, which would cause you to lose all or part of your investment. You should carefully consider these risks, all of the other information in this report and general economic and business risks before making a decision to invest in our common stock. While we believe the risks described below include all material risks currently known by us, it is possible that these may not be the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations.

We have marked with an asterisk (*) those risks described below that reflect substantive changes from the risks described under Part I, Item 1A "Risk Factors" included in our 2019 Form 10-K.

Risks Related to Our Business

The global COVID-19 pandemic has and may continue to adversely impact our business operations, financial performance and results of operations.*

The ongoing COVID-19 pandemic has spread across the globe and is significantly impacting worldwide economic activity and increasing economic uncertainty. Concerns over the economic impact of the COVID-19 pandemic have caused extreme volatility in financial and other capital markets which has and may continue to adversely impact our stock price as well as our ability to access capital markets. If funds become unavailable, we cannot be sure that we will be able to maintain the necessary levels of funding to retain current levels of originations without incurring higher funding costs, a reduction in the term of funding instruments or increasing the rate of whole loan sales or be able to access funding at all. If we are unable to arrange financing on favorable terms, we may not be able to grow our business as planned and we may have to further curtail our origination of loans, which could result in volatility in our results of operations, financial condition and cash flows.

Many of our customers have been and may continue to become impacted by recommendations and/or mandates from federal, state, and local authorities to stay home ("shelter in place" or "safer at home" orders). These events have caused and may continue to cause a significant increase in unemployment, decreased consumer spending and economic deterioration. In addition, the COVID-19 pandemic and corresponding shelter in place orders have adversely affected our business in a number of ways, including a decreased demand for our products, which, combined with our credit tightening, has decreased originations, which could negatively impact our liquidity position and our growth strategy. This crisis has left some of our customers unable to make payments and has resulted in increased delinquencies and charge-offs and may cause other unpredictable and adverse events. If the pandemic continues or worsens, there may be continued or heightened impact on demand for our loans and on our customers' ability to repay their loans.

Similar to relief options we have previously offered to customers impacted by natural disasters such as hurricanes and wildfires, we are offering payment relief options to customers impacted by the COVID-19 pandemic, including emergency hardship programs, reduced payment plans, late fee waivers and other customer accommodations. Unlike the relief options offered for natural disasters, which were limited to the affected geographies, COVID-19 related relief is being offered in all states in which we do business and may adversely affect our business, financial condition, results of operations, and cash flows. Legal, regulatory and media concerns about the lending industry in general, or our practices, during the COVID-19 pandemic could result in additional restrictions affecting the conduct of our business in the future either due to regulatory requirements or made voluntarily due to reputational or other pressures. These changes could include, but not limited to, requirements that we waive or lower interest, payments, or otherwise alter our collection practices or forgive debt for those impacted by COVID-19. If we implement any of these changes, such changes could adversely affect our income and other results of operations in the near term, make collection of our personal loans more difficult, reduce income received from such loans or negatively affect our ability to comply with our current financing arrangements or obtain financing with respect to such loans.

We have incurred COVID-19 related expenses for items and services including sanitation kits, facilities equipment, contingency call center, payment option flyers, childcare relief, special medical enrollment, sick leave, emergency assistance fund and charitable contributions, among other things. Until the COVID-19 pandemic subsidies, we expect to continue to incur such expenses and may incur additional COVID-19 related expenses, which may adversely affect our results of operations, financial condition and cash flows.

The majority of our retail locations remain open subject to local health orders. If one or more of our retail locations becomes unavailable, our ability to attract new customers, conduct business and collect payments from customers may be adversely affected, which could result in increased delinquencies and losses. In addition, changes in consumer behavior and health concerns may continue to impact demand for our loans and customer traffic at our retail locations. We are taking precautions to protect the safety and well-being of our employees and customers. However, no assurance can be given that the steps being taken will be deemed to be adequate or appropriate, nor can we predict the level of disruption which will occur to our employee's ability to provide customer support and service. We may also face claims related to the pandemic, including claims from employees or customers who allege that they contracted COVID-19 at our retail locations or offices. Any such allegations of exposure or illness could result in litigation and harm to our reputation, which could negatively affect our business, results of operations and financial condition.

Substantially all of our corporate non-retail employees in the United States are subject to shelter-in-place requirements which have resulted in most of the team being required to work remotely. Our contact centers (either owned or through our outsourcing partners) are also located in various jurisdictions within three countries, all of which have varying shelter in place and social distancing orders in place. While we have been successful thus far in complying with these orders and keeping the contact centers operational, predominately by moving the majority of our contact center employees to home working environments, our ability to continue to originate loans and service our customers is highly dependent on the ability of contact center staff to continue to work, either in the contact center or remotely. If a significant percentage of our workforce is unable to work effectively as a result of the COVID-19 pandemic, including because of illness, quarantines, ineffective remote work arrangements or technology, utility or other failures or limitations, our operations may be adversely impacted. The increase in remote working may also result in consumer or employee privacy, IT security and fraud concerns as well as increase our exposure to potential regulatory or civil claims. Additionally, if any of our critical vendors are adversely impacted by the COVID-19 pandemic and unable to deliver services to us, our operations may be adversely impacted.

The duration and scope of the pandemic, and our ability to make necessary adjustments from it, is highly uncertain. The ultimate extent of the impact of the COVID-19 pandemic on our business and results of operations will depend on future developments that are highly uncertain and cannot be predicted, including the scope and duration of the pandemic, timing of global recovery and economic normalization and responses taken by governmental authorities and other third parties due to the COVID-19 pandemic, including economic assistance programs and stimulus efforts,.

To the extent the COVID-19 pandemic continues to adversely affect our business and financial results, it may also have the effect of heightening many of the other risks described in this "Risk Factors" section, such as those relating to our losses, liquidity, our indebtedness and our ability to comply with the covenants contained in the agreements that govern our indebtedness.

We have incurred net losses and may incur net losses in the future.*

For the year ended December 31, 2019, we generated net income of $61.6 million. However, for the nine months ended September 30, 2020, we experienced a net loss of $53.6 million and we have experienced net losses in prior periods. As of September 30, 2020, our retained earnings were $27.9 million. We will need to generate and sustain increased revenue and net income levels in future periods in order to achieve and increase profitability, and, even if we do, we may not be able to maintain or increase our level of profitability over the long term. We intend to continue to expend significant funds to grow our business, and we may not be able to increase our revenue enough to offset our higher operating expenses. We may incur significant losses in the future for a number of reasons, including the other risks described in this report, and unforeseen expenses, difficulties, complications and delays, and other unknown events. We have implemented measures to reduce operating costs, and we continuously evaluate other opportunities to reduce costs further. If we are unable to achieve or sustain profitability, our business would suffer, and the market price of our common stock may decrease.

Our quarterly results are likely to fluctuate significantly and may not fully reflect the underlying performance of our business.*

Our quarterly results of operations are likely to vary significantly in the future and period-to-period comparisons of our results of operations may not be meaningful, especially as a result of our election of the fair value option as of January 1, 2018 and now as a result of the COVID-19 pandemic. Accordingly, the results for any one quarter are not necessarily an indication of future performance. Our quarterly financial results may fluctuate due to a variety of factors, some of which are outside of our control and, as a result, may not fully reflect the underlying performance of our business. Factors that may cause fluctuations in our quarterly financial results include:

- loan volumes, loan mix and the channels through which our loans are originated;
- the effectiveness of our direct marketing and other marketing channels;
- the timing and success of new products and origination channels;
- the amount and timing of operating expenses related to acquiring customers and the maintenance and expansion of our business, operations and infrastructure;
- net charge-off rates;
- adjustments to the fair value of our Fair Value Loans and Fair Value Notes;
- our cost of borrowing money and access to the capital markets; and
- general economic, industry and market conditions, including those stemming from the COVID-19 pandemic.

In addition, we experience significant seasonality in demand for our loans, which is generally lower in the first quarter. The seasonal slowdown is primarily attributable to high loan demand around the holidays in the fourth quarter and the general increase in our customers' available cash flows in the first quarter, including cash received from tax refunds, which temporarily reduces their borrowing needs. While our growth has obscured this seasonality from our overall financial results, we expect our results of operations to continue to be affected by such seasonality in the future. However, the impact of the COVID-19 pandemic has and may continue to disrupt the seasonal trends our business has consistently experienced.

We have experienced rapid growth in recent periods and our recent growth rates may not be indicative of future growth. If we fail to manage our growth effectively, our results of operations may suffer.*

We have recently experienced rapid growth in our business and operations. Our revenue was $361.0 million, $497.6 million and $600.1 million in 2017, 2018 and 2019, respectively, representing annual growth rates of 38% and 21%, respectively. We believe our revenue growth depends on a number of factors, including but not limited to our ability to:

- increase the volume of loans originated through our various origination channels, including retail locations, direct mail marketing, contact centers and online, which includes our mobile origination solution;
- increase the effectiveness of our direct mail marketing, radio advertising, digital advertising and other marketing strategies;
- efficiently manage and expand our presence and activities in states in which we operate, as well as expand into new states;
- successfully build our brand and protect our reputation from negative publicity;
- manage our Annualized Net Charge-Off Rate;
- maintain the terms on which we lend to our customers;
- protect against increasingly sophisticated fraudulent borrowing and online theft;
- enter into new markets and introduce new products and services;
- continue to expand our customer demographic focus from our original customer base of Spanish- speaking customers;
- successfully maintain our diversified funding strategy, including loan warehouse facilities, whole loan sales and securitization transactions;
- successfully manage our interest rate spread against our cost of capital;
- successfully adjust our proprietary credit risk models, products and services in response to changing macroeconomic conditions and fluctuations in the credit market;
- effectively manage and expand the capabilities of our contact centers, outsourcing relationships and other business operations abroad;
- effectively secure and maintain the confidentiality of the information provided and utilized across our systems;
- successfully compete with companies that are currently in, or may in the future enter, the business of providing consumer financial services to low- and moderate-income customers underserved by traditional, mainstream financial institutions;
- attract, integrate and retain qualified employees; and
- successfully adapt to complex and evolving regulatory environments.

If we are unable to accomplish these tasks, our revenue growth may be harmed. In addition, our historical rapid growth has placed, and our future growth will continue to place significant demands on our management and our operational and financial resources. We will need to improve our operational, financial and management controls and our reporting systems and procedures as we continue to grow our business and add more personnel. If we cannot manage our growth effectively, our results of operations will suffer.

Further, many economic and other factors outside of our control, including general economic and market conditions, global pandemics, consumer and commercial credit availability, inflation, unemployment, consumer debt levels and other challenges affecting the global economy, may adversely affect our ability to sustain revenue growth consistent with recent history. For example, since the onset of the COVID-19 pandemic in March 2020, we have experienced a slowdown in our loan originations and it is uncertain how long this slowdown may continue. While we have seen some increase in loan originations since the start of the COVID-19 pandemic, our originations have not yet returned to pre-pandemic levels. If our loan originations and revenue growth do not return to pre-pandemic levels or we experience additional slowdown in our loan origination due to the COVID-19 pandemic or other factors outside of our control, our results of operations, financial condition and cash flows will suffer.

Our risk management efforts may not be effective, which may expose us to market risks that harm our results of operations.

We could incur substantial losses and our business operations could be disrupted if we are unable to effectively identify, monitor and mitigate financial risks, such as credit risk, interest rate risk, prepayment risk and liquidity risk, as well as operational risks. Our risk management policies, procedures and models, may not be sufficient to identify all of the risks we are exposed to, mitigate the risks we have identified or identify additional risks that arise in the future.

As our loan mix changes and as our product offerings evolve, our risk management strategies may not always adapt to such changes. Some of our methods of managing risk are based upon our use of observed historical market behavior and management's judgment. Other of our methods for managing risk depend on the evaluation of information regarding markets, customers or other matters that are publicly available or otherwise accessible to us. While we employ a broad and diversified set of risk monitoring and risk mitigation techniques, those techniques and the judgments that accompany their application cannot anticipate every economic and financial outcome or the timing of such outcomes. If our risk management efforts are ineffective, we could suffer losses that could harm our business, financial condition and results of operations.

We rely extensively on models in managing many aspects of our business. If our models contain errors or are otherwise ineffective, our business could be adversely affected.*

Our ability to attract customers and to build trust in our loan products is significantly dependent on our ability to effectively evaluate a customer's creditworthiness and likelihood of default. In deciding whether to extend credit to prospective customers, we rely heavily on our proprietary credit risk models, which are statistical models built using third-party alternative data, credit bureau data, customer application data and our credit experience gained through monitoring the performance of our customers over time. Some of these models are built using forms of artificial intelligence, or AI, such as machine learning. If our credit risk models fail to adequately predict the creditworthiness of our customers or their ability to repay their loans due to programming or other errors, or if any portion of the information pertaining to the prospective customer is incorrect, incomplete or becomes stale (whether by fraud, negligence or otherwise), and our systems do not detect such errors, inaccuracies or incompleteness, or any of the other components of our credit decision process described herein fails, we may experience higher than forecasted loan losses. Also, if we are unable to access certain third-party data used in our credit risk models, or access to such data is limited, our ability to accurately evaluate potential customers may be compromised. Credit and other information that we receive from third parties about a customer may also be inaccurate or may not accurately reflect the customer's creditworthiness, which may adversely affect our loan pricing and approval process, resulting in mispriced loans, incorrect approvals or denials of loans. In addition, this information may not always be complete, up-to-date or properly evaluated. As a result, these methods may not predict future risk exposures, which could be significantly greater than the historical measures or available information indicate.

Our reliance on our credit risk models and other models to manage many aspects of our business, including valuation, pricing, collections management, marketing targeting models, fraud prevention, liquidity and capital planning, direct mail and telesales, may prove in practice to be less predictive than we expect for a variety of reasons, including as a result of errors in constructing, interpreting or using the models or the use of inaccurate assumptions (including failures to update assumptions appropriately in a timely manner, or the use of AI). We rely on our credit risk models and other models to develop and manage new products and services with which we have limited development or operating experience as well as new geographies where we have not historically operated. Our assumptions may be inaccurate, and our models may not be as predictive as expected for many reasons, in particular because they often involve matters that are inherently difficult to predict and beyond our control, such as macroeconomic conditions, credit market volatility and interest rate environment, particularly in light of the COVID-19 pandemic, and they often involve complex interactions between a number of dependent and independent variables and factors. In particular, even if the general accuracy of our valuation models is validated, valuations are highly dependent upon the reasonableness of our assumptions and the predictability of the relationships that drive the results of the models. The errors or inaccuracies in our models may be material and could lead us to make wrong or sub-optimal decisions in managing our business, and this could harm our business, results of operations and financial condition.

Additionally, if we make errors in the development, validation or implementation of any of the models or tools we use to underwrite the loans that we then securitize or sell to investors, those investors may experience higher delinquencies and losses. We may also be subject to liability to those investors if we misrepresented the characteristics of the loans sold because of those errors. Moreover, future performance of our customers' loans could differ from past experience because of macroeconomic factors, policy actions by regulators, lending by other institutions or reliability of data used in the underwriting process. To the extent that past experience has influenced the development of our underwriting procedures and proves to be inconsistent with future events, delinquency rates and losses on loans could increase. Errors in our models or tools and an inability to effectively forecast loss rates could also inhibit our ability to sell loans to investors or draw down on borrowings under our warehouse and other debt facilities, which could limit originations of new loans and could hinder our growth and harm our financial performance. Additionally, the use of AI in credit models is relatively new and its impact from a regulatory standpoint is unproven, and any negative regulatory action based upon this could have an adverse impact on our financial performance.

Our business may be adversely affected by disruptions in the credit markets, including reduction in our ability to finance our business.*

We depend on securitization transactions, loan warehouse facilities and other forms of debt financing, as well as whole loan sales, in order to finance the principal amount of most of the loans we make to our customers. See more information about our outstanding debt in Note 8 to the Notes to the Condensed Consolidated Financial Statements (Unaudited). However, there is no assurance that these sources of capital will continue to be available in the future on terms favorable to us or at all, particularly in light of capital markets volatility stemming from the COVID-19 pandemic. For example, the November 2014 Agreement expired on November 10, 2020, and July 2017 Agreement expired on August 5, 2020, and we chose not renew either arrangement. If we are unable to replace the November 2014 Agreement and/or the July 2017 Agreement with a favorable alternate whole loan sale opportunity, our revenue and liquidity may be negatively impacted, which may adversely affect our financial condition. The availability of debt financing and other sources of capital depends on many factors, some of which are outside of our control. The risk of volatility surrounding the global economic system, including due to the COVID-19 pandemic and other disruptions, as well as uncertainty surrounding the future of regulatory reforms such as the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") continue to create uncertainty around access to the capital markets. Events of default or breaches of financial, performance or other covenants, as a result of the underperformance of certain pools of loans underpinning our securitizations or other debt facilities, could reduce or terminate our access to funding from institutional investors, including investment banks, traditional and alternative asset managers and other entities. Such events could also result in default rates at a higher interest rate and therefore increase our cost of capital. In addition, our ability to access future capital may be impaired because our interests in our financed pools of loans are "first loss" interests and so these interests will only be realized to the extent all amounts owed to investors or lenders and service providers under our securitizations and debt facilities are paid in full. In the event of a sudden or unexpected shortage or restriction on the availability of funds, we cannot be sure that we will be able to maintain the necessary levels of funding to retain current levels of originations without incurring higher funding costs, a reduction in the term of funding instruments or increasing the rate of whole loan sales or be able to access funding at all. If we are unable to arrange financing on favorable terms, we may not be able to grow our business as planned and we may have to curtail our origination of loans. In addition, in July 2017, the head of the United Kingdom Financial Conduct Authority announced the desire to phase out the use of LIBOR by the end of 2021. It is not possible to predict whether LIBOR will cease to exist after calendar year 2021, whether additional reforms to LIBOR may be enacted, or whether alternative reference rates will gain market acceptance, and any of these outcomes could increase our interest rate risk related to our Secured Financing which is currently tied to LIBOR. Changes in interest rates or foreign currency exchange rates could affect our interest expense, which could result in volatility in our results of operations, financial condition and cash flows.

We have elected the fair value option and we use estimates in determining the fair value of our loans and our asset-backed notes. If our estimates prove incorrect, we may be required to write down the value of these assets or write up the value of these liabilities, which could adversely affect our results of operations.*

Our ability to measure and report our financial position and results of operations is influenced by the need to estimate the impact or outcome of future events on the basis of information available at the time of the issuance of the financial statements. We use estimates, assumptions, and judgments when certain financial assets and liabilities are measured and reported at fair value. Fair values and the information used to record valuation adjustments for certain assets and liabilities are based on quoted market prices and/or other observable inputs provided by independent third-party sources, when available. During periods of market disruption, including periods of significantly rising or high interest rates, rapidly widening credit spreads or illiquidity, it may be difficult to value certain assets if trading becomes less frequent or market data becomes less observable. In such cases, certain asset valuations may require significant judgment, and may include inputs and assumptions that require greater estimation, including credit quality, liquidity, interest rates and other relevant inputs. If actual results differ from our judgments and assumptions, then it may have an adverse impact on the results of operations and cash flows. Management has processes in place to monitor these judgments and assumptions, including review by our internal valuation and loan loss allowance committee, but these processes may not ensure that our judgments and assumptions are correct.

We use estimates and assumptions in determining the fair value of our Fair Value Loans and Fair Value Notes. Our Fair Value Loans represented 84% of our total assets and Fair Value Notes represented 77% of our total liabilities as of September 30, 2020. Our Fair Value Loans are determined using Level 3 inputs and Fair Value Notes are determined using Level 2 inputs. Changes to these inputs could significantly impact our fair value measurements. Valuations are highly dependent upon the reasonableness of our assumptions and the predictability of the relationships that drive the results of our valuation methodologies. In addition, a variety of factors such as changes in the interest rate environment and the credit markets, changes in average life, higher than anticipated delinquency and default levels or financial market illiquidity, may ultimately affect the fair values of our loans receivable and asset-backed notes. Material differences in these ultimate values from those determined based on management's estimates and assumptions may require us to adjust the value of certain assets and liabilities, including in a manner that is not comparable to others in our industry, which could adversely affect our results of operations.

If net charge-off rates are in excess of expected loss rates, our business and results of operations may be harmed.*

Our unsecured personal loans are not secured by any collateral, not guaranteed or insured by any third party and not backed by any governmental authority in any way. We are therefore limited in our ability to collect on these loans if a customer is unwilling or unable to repay them. A customer's ability to repay us can be negatively impacted by increases in his or her payment obligations to other lenders under mortgage, credit card and other loans, or loss of employment due to economic turmoil, particularly in light of the COVID-19 pandemic. These changes can result from increases in base lending rates or structured increases in payment obligations and could reduce the ability of our customers to meet their payment obligations to other lenders and to us. In addition, the success of any economic assistance program or stimulus legislation due to COVID-19 is unknown, and we cannot determine the impact of any such program has had or will have on our net charge-off rates.

At the end of July 2020, we announced a change in our small claims filing practices, which includes the dismissal of all pending small claims court filings, suspension of all new small claims filings and the commitment to reduce court filings by 60% in the future. If we are unable to employ alternative means of engaging severely delinquent customers the effectiveness of our efforts to collect on defaulted loans may be impacted. Because our net charge-off rate depends on the collectability of the loans, if we experience an unexpected significant increase in the number of customers who fail to repay their loans or an increase in the principal amount of the loans that are not repaid, our revenue and results of operations could be adversely affected. Furthermore, personal unsecured loans are dischargeable in bankruptcy. If we experience an unexpected, significant increase in the number of customers who successfully discharge their loans in a bankruptcy action, our revenue and results of operations could be adversely affected.

We incorporate our estimate of lifetime loan losses in our measurement of fair value for our Fair Value Loans. To estimate the appropriate level of allowance for loan losses, we consider known and relevant internal and external factors that affect loan receivable collectability, including the total amount of loans receivable outstanding, historical loan losses, our current collection patterns and economic trends. While this evaluation process uses historical and other objective information, the classification of loans and the forecasts and establishment of loan losses and fair value are also dependent on our subjective assessment based upon our experience and judgment. Given the unprecedented nature of the COVID–19 pandemic and the rapid impact it has had on the economy, the amount of subjective assessment and judgment applied to develop our forecasts has increased materially, since no directly corresponding historical data set exists. Our methodology for establishing our fair value is based on the guidance in Accounting Standards Codification, 820 and 825, and, in part, on our historic loss experience. If customer behavior changes as a result of economic conditions and if we are unable to predict how the unemployment rate and general economic uncertainty may affect our estimate of lifetime loan losses, the fair value may be reduced for our Fair Value Loans, which will decrease Net Revenue. Our calculations of fair value are estimates, and if these estimates are inaccurate, our results of operations could be adversely affected. Neither state regulators nor federal regulators regulate our calculations of fair value, and unlike traditional banks, we are not subject to periodic review by bank regulatory agencies of our loss estimates or our calculations of fair value. In addition, because our debt financings include delinquency triggers as predictors of losses, increased delinquencies or losses may reduce or terminate the availability of debt financings to us.

Our results of operations and financial condition and our customers' willingness to borrow money from us and ability to make payments on their loans have been, and may in the future be, adversely affected by economic conditions and other factors that we cannot control.*

Uncertainty and negative trends in general economic conditions in the United States and abroad, historically have created a difficult operating environment for our business and other companies in our industry. Many factors, including factors that are beyond our control, may impact our results of operations or financial condition, our customers' willingness to incur loan obligations and/or affect our customers' willingness or capacity to make payments on their loans. These factors include: unemployment levels, housing markets, immigration policies, gas prices, energy costs, government shutdowns, delays in tax refunds, significant tightening of credit markets and interest rates, as well as events such as natural disasters, acts of war, terrorism, social unrest, catastrophes, epidemics and pandemics, including COVID-19.

In addition, major medical expenses, divorce, death or other issues that affect our customers could affect our customers' willingness or ability to make payments on their loans. Further, our business currently is heavily concentrated on consumer lending and, as a result, we are more susceptible to fluctuations and risks particular to U.S. consumer credit than a company with a more diversified lending portfolio. We are also more susceptible to the risks of increased regulations and legal and other regulatory actions that are targeted towards consumer credit. If the United States experiences an economic downturn, or if we become affected by other events beyond our control, we may experience a significant reduction in revenue, earnings and cash flows. If our customers default under a loan receivable held directly by us, we will experience loss of principal and anticipated interest payments, which could adversely affect our cash flow from operations. The cost to service our loans may also increase without a corresponding increase in our interest on loans. We may also become exposed to increased credit risk from our customers and third parties who have obligations to us. For example, since the beginning of January 2020, the COVID-19 pandemic has caused disruption and volatility in the global financial markets and the continued spread of COVID-19 has led to an economic slowdown resulting in an increase in unemployment levels and affecting our customers' ability to satisfy their obligations. In addition, the cost to service our loans has and may continue to increase without a corresponding increase in our interest on loans. As a result of the COVID-19 pandemic, we have and may continue to be exposed to increased credit risk from our customers and third parties who have obligations to us.

If aspects of our business, including the quality of our loan portfolio or our customers' ability to pay, are significantly affected by economic changes or any other conditions in the future, we cannot be certain that we will adequately adapt our business to such changes, so our business would be adversely affected.

Negative publicity or public perception of our industry or our company could adversely affect our reputation, business and results of operations.*

Negative publicity about our industry or our company, including the terms of the consumer loans, effectiveness of the proprietary credit risk model, privacy and security practices, collection practices, litigation, regulatory compliance and the experience of customers, even if inaccurate, could adversely affect our reputation and the confidence in our brand and business model. For example, on July 28, 2020 we published a press release and a blog post announcing, among other things, changes to our legal collections practices to better align with our mission. In the blog post, we acknowledged that this move was partially the result of inquiries we received from certain consumer advocates and media outlets. Despite our responsiveness to the inquiries, certain media outlets chose to highlight the very past practices that we had already modified. The proliferation of social media may increase the likelihood that negative public opinion will impact our reputation and business. Our reputation is very important to attracting new customers and retaining existing customers. While we believe that we have a good reputation and that we provide customers with a superior experience, there can be no assurance that we will continue to maintain a good relationship with customers.

Consumer advocacy groups, politicians and certain government and media reports have, in the past, advocated governmental action to prohibit or severely restrict the dollar amount, interest rate, or other terms of consumer loans, particularly "small dollar" loans and those with short terms. The consumer groups and media reports typically focus on the cost to a consumer for this type of loan, which may be higher than the interest typically charged by issuers to consumers with more historical creditworthiness; for example, some groups are critical of loans with APRs greater than 36%. The consumer groups, public officials and government and media reports frequently characterize these short-term consumer loans as predatory or abusive toward consumers. In August 2020 we implemented an APR cap of 36% for all newly originated loans, however, until such previously originated loans are paid-off, a portion of our portfolio will consist of loans with APRs greater than 36%. If the negative characterization of short-term consumer loans becomes associated with this remaining portion of our portfolio, our business model or loan terms, even if inaccurate, demand for our consumer loans could significantly decrease, and it could be less likely that investors purchase our loans or our asset-backed securities, or our lenders extend or renew lines of credit to us, any of which could adversely affect our results of operations and financial condition.

Negative perception of our consumer loans, our loan origination, servicing and collections processes or other activities may also result in us being subject to more restrictive laws and regulations and potential investigations, enforcement actions and lawsuits. If there are changes in the laws affecting any of our consumer loans, or our marketing and servicing of such loans, or if we become subject to such investigations, enforcement actions and lawsuits, our financial condition and results of operations would be adversely affected.

Harm to our reputation can also arise from many other sources, including employee or former employee misconduct, misconduct by outsourced service providers or other counterparties, failure by us or our partners to meet minimum standards of service and quality, and inadequate protection of customer information and compliance failures and claims. Our reputation may also be harmed if we fail to maintain our certification as a Community Development Financial Institution, or CDFI. Since the onset of the COVID-19 pandemic, we have been working with certain customers to waive fees and offer deferrals of loan payments and reduced payment plans. We believe our actions are consistent with our mission and regulatory guidance, but we cannot be certain that our approaches to servicing our customers will not lead to criticism which could harm our reputation.

If we do not compete effectively in our target markets, our results of operations could be harmed.

The consumer lending market is highly competitive and increasingly dynamic as emerging technologies continue to enter into the marketplace. Technological advances and heightened e-commerce activities have increased consumers' accessibility to products and services, which has intensified the desirability of offering loans to consumers through digital-based solutions. We primarily compete with other consumer finance companies, credit card issuers, financial technology companies and financial institutions, as well as payday lenders and pawn shops focused on low- and moderate-income customers. Many of our competitors operate with different business models, such as lending as a service, lending through partners or point-of-sale lending, have different cost structures or participate selectively in different market segments. We may also face competition from companies that have not previously competed in the consumer lending market for customers with little or no credit history. For example, it is possible that the companies commonly referred to as "challenger banks" offering low-cost digital only deposit accounts may also begin to offer lending products catered to LMI customers. In addition, it is possible that, in competitive reaction to the challenger banks, traditional banks may introduce new approaches to small-dollar lending. Many of our current or potential competitors have significantly more financial, technical, marketing and other resources than we do and may be able to devote greater resources to the development, promotion, sale and support of their platforms and distribution channels. We face competition in areas such as compliance capabilities, financing terms, promotional offerings, fees, approval rates, speed and simplicity of loan origination, ease-of-use, marketing expertise, service levels, products and services, technological capabilities and integration, customer service, strategic partnerships, brand and reputation. Our competitors may also have longer operating histories, lower financing costs or costs of capital, more extensive customer bases, more diversified products and customer bases, operational efficiencies, more versatile technology platforms, greater brand recognition and brand loyalty and broader customer and partner relationships than we have. Our competitors may be better at developing new products, responding more quickly to new technologies and undertaking more extensive marketing campaigns. Furthermore, our existing and potential competitors may decide to modify their pricing and business models to compete more directly with our model. If we are unable to compete with such companies or fail to meet the need for innovation in our industry, the demand for our products could stagnate or substantially decline, or our products could fail to maintain or achieve more widespread market acceptance.

Our success and future growth depend on our Oportun brand and our successful marketing efforts across channels, and if we are unable to attract or retain customers, our business and financial results may be harmed.*

In connection with COVID-19, we have reduced our marketing spend. This decrease in marketing, in addition to the COVID-19 pandemic and corresponding shelter in place orders has resulted in a decreased demand for our products, which, we believe combined with our credit tightening, has decreased originations. Our business model relies on our ability to scale rapidly, and if our limited marketing efforts are not successful or if we are unsuccessful in developing our brand marketing campaigns, it could continue to have an adverse effect on our ability to attract customers. If we fail to successfully promote and maintain our brand or if we incur substantial expenses in an unsuccessful attempt to promote and maintain our brand, we may lose existing customers to our competitors or be unable to attract new customers, which in turn would harm our business, results of operations and financial condition. Even if our marketing efforts result in increased revenue, we may be unable to recover our marketing costs through increases in loan volume. Any incremental increases in Customer Acquisition Cost could have an adverse effect on our business, results of operations and financial condition. Furthermore, increases in marketing and other Customer Acquisition Costs may not result in increased loan originations at the levels we anticipate or at all, which could result in a higher Customer Acquisition Cost per account.

In the future, we intend to continue to dedicate significant resources to our marketing efforts, particularly as we develop our brand. Our ability to attract qualified customers depends in large part on the success of these marketing efforts and the success of the marketing channels we use to promote our products. In the past, we marketed primarily through word of mouth at our retail locations and direct mail, and more recently, through radio and digital advertising, such as paid and unpaid search, e-mail marketing and paid display advertisements. Our future marketing programs may include direct mail, radio, television, print, online display, video, digital advertising, search engine optimization, search engine marketing, social media, events and other grassroots activities, as well as retail and digital sources of leads, such as lead aggregators and retail referral partners. The marketing channels that we employ may become more crowded and saturated by other lenders or the methodologies, policies and regulations applicable to marketing channels may change, which may decrease the effectiveness of our marketing campaigns and increase our Customer Acquisition Costs, which may in turn adversely affect our results of operations.

As we continue to expand our loan origination and acquisition channels, introduce new products and services and enter into new states, we also face the risks that our mobile and other channels could be unprofitable, increase costs, decrease operating margins or take longer than anticipated to achieve our target margins due to: difficulties with user interface or disappointment with the user experience; defects, errors or failures in our mobile service; negative publicity about our financial products and services or our mobile service's performance or effectiveness; delays in releasing to the market new mobile service enhancements; uncertainty in applicable consumer protection laws and regulations to the mobile loan environment; and increased risks of fraudulent activity associated with our mobile channel.

Our current and future business growth strategy involves expanding into new markets with new retail location openings, and we may not effectively integrate or manage new retail locations we open or acquire.*

Opening new retail locations and increasing originations at existing retail locations are important elements of our growth strategy. We opened 34, 50 and 42 new retail locations in 2019, 2018, and 2017, respectively. New retail location openings may impose significant costs on us and subject us to numerous risks, including:

- identification of new locations and negotiation of acceptable lease terms; and
- incurrence of additional indebtedness (if necessary to finance new retail locations).

Our continued growth is dependent upon a number of factors, including the availability of suitable retail locations, the ability to obtain any required government permits and licenses, zoning and occupancy requirements, hiring qualified management and customer service personnel, and other factors, some of which are beyond our control. If we fail to anticipate customers' needs or market dynamics related to the region or neighborhood of a new retail location, such retail location may not deliver the expected financial results. A recent trend among some municipalities has been to enact zoning restrictions in certain markets. These zoning restrictions may limit the number of non-bank lenders that can operate in an area or require certain distance requirements between competitors, residential areas or highways. Depending on the way a zoning restriction may be drafted, such restriction may restrict our ability to operate within those zoned areas. We may not be able to continue to expand our business successfully through new retail location openings in the future.

We could experience a decline in repeat customers.*

As of December 31, 2019, 2018, and 2017, returning customers comprised 80%, 80% and 78%, respectively, of our Owned Principal Balance at End of Period. In order for us to maintain or improve our operating results, it is important that we continue to extend loans to returning customers who have successfully repaid their previous loans. Our repeat loan rates may decline or fluctuate as a result of pricing changes, our expansion into new products and markets or because our customers are able to obtain alternative sources of funding based on their credit history with us, and new customers we acquire in the future may not be as loyal as our current customer base. If our repeat loan rates decline, including due to COVID-19 related issues, we may not realize consistent or improved operating results from our existing customer base.

We are, and intend in the future to continue, developing new financial products and services, and our failure to accurately predict their demand or growth could have an adverse effect on our business.

We are, and intend in the future to continue, developing new financial products and services, such as credit cards and auto loans. We intend to continue investing significant resources in developing new tools, features, services, products and other offerings. New initiatives are inherently risky, as each involves unproven business strategies and new financial products and services with which we have limited or no prior development or operating experience.

We can provide no assurance that we will be able to develop, commercially market and achieve acceptance of our new products and services. In addition, our investment of resources to develop new products and services may either be insufficient or result in expenses that are excessive in light of revenue actually originated from these new products and services. Product or service introductions may not always be successful. For example, we invested resources in development, marketing, and support for the pilot launch of OportunPath to a limited number of customers but decided in the fourth quarter of 2019 to discontinue the service in order to strategically realign our resources to focus on other products. In addition, the borrower profile of customers using our new products and services may not be as attractive as the customers that we currently serve, which may lead to higher levels of delinquencies or defaults than we have historically experienced. Failure to accurately predict demand or growth with respect to our new products and services could adversely impact our business, and there is always risk that these new products and services will be unprofitable, will increase our costs or will decrease operating margins or take longer than anticipated to achieve target margins. Additionally, due to the economic impact of COVID-19, we expect the growth of revenue from new products to be much slower than previously anticipated in the near term. Coupled with the fact that as newer initiatives the majority of the expenses associated with new products are fixed, so any potential future profitability of such new products will be delayed. Further, our development efforts with respect to these initiatives could distract management from current operations and will divert capital and other resources from our existing business.

We may change our strategy or underwriting and servicing practices, which may adversely affect our business.*

We may change our strategy or any of our underwriting guidelines at any time without notice or the consent of our stockholders. For example, given the economic crisis resulting from the COVID-19 pandemic, in late March 2020, we significantly tightened our underwriting criteria. In addition, in August 2020, we implemented a nationwide 36% APR cap for newly originated loans which may have a potential impact on our yield or other unanticipated impacts that could adversely affect our results of operations and financial condition. We may also decide to retain more loans rather than sell them to third parties. We continue to evaluate our business strategies and underwriting and servicing practices and in the future, may make additional changes, including due to changing economic conditions, regulatory requirements and industry practices. For example, on July 28, 2020, we published a press release and a blog post announcing, among other things, changes to our legal collections practices to better align with our mission, including a reduction in future case filings. Any of these changes could result in us holding a loan portfolio with a different risk profile from our current risk profile. Additionally, a change in our strategy or underwriting and servicing practices may reduce our credit spread and may increase our exposure to interest rate risk, default risk and liquidity risk, all of which could adversely affect our business, results of operations and financial condition.

We are, and intend in the future to continue, expanding into new geographic regions, and our failure to comply with applicable laws or regulations, or accurately predict demand or growth, related to these geographic regions could have an adverse effect on our business.

We intend to continue expanding into new geographic regions, including through strategic partnerships. We can provide no assurance that we will achieve similar levels of success, if any, in the new geographic regions where we do not currently operate. In addition, each of the new states where we do not currently operate may have different laws and regulations that apply to our products and services. As such, we expect to be subject to significant additional legal and regulatory requirements, including various federal and state consumer lending laws. We have limited experience in managing risks and the compliance requirements attendant to these additional legal and regulatory requirements in new geographies or related to strategic partnerships. The costs of compliance and any failure by us to comply with such regulatory requirements in new geographies could harm our business. If our partners decide to or are no longer able to provide their services, we could incur temporary disruptions in our loan transactions or we may be unable to do business in certain states or certain locations.

Our proprietary credit risk models rely in part on the use of third-party data to assess and predict the creditworthiness of our customers, and if we lose the ability to license or use such third-party data, or if such third-party data contain inaccuracies, it may harm our results of operations.*

We rely on our proprietary credit risk models, which are statistical models built using third-party alternative data, credit bureau data, customer application data and our credit experience gained through monitoring the payment performance of our customers over time. If we are unable to access certain third-party data used in our credit risk models, or our access to such data is limited, our ability to accurately evaluate potential customers will be compromised, and we may be unable to effectively predict probable credit losses inherent in our loan portfolio, which would negatively impact our results of operations. Third-party data sources include credit bureau data and other alternative data sources. Such data is electronically obtained from third parties and is aggregated by our risk engine to be used in our credit risk models to score applicants and make credit decisions and in our verification processes to confirm customer reported information. Data from consumer reporting agencies and other information that we receive from third parties about a customer may be inaccurate or may not accurately reflect the customer's creditworthiness, which may cause us to provide loans to higher risk customers than we intend through our underwriting process and/or inaccurately price the loans we make. In response to the economic impact of COVID-19, regulators may require banks and other lenders to not report negative performance data to the credit bureaus. As a result, credit bureau data may prove less reliable in predicting credit risk for borrowers. We use numerous third-party data sources and multiple credit factors within our proprietary credit risk models, which helps mitigate, but does not eliminate, the risk of an inaccurate individual report. In addition, there are risks that the costs of our access to third-party data may increase or our terms with such third-party data providers could worsen. In recent years, well-publicized allegations involving the misuse or inappropriate sharing of personal information have led to expanded governmental scrutiny of practices relating to the safeguarding of personal information and the use or sharing of personal data by companies in the U.S. and other countries. That scrutiny has in some cases resulted in, and could in the future lead to, the adoption of stricter laws and regulations relating to the use and sharing of personal information. These types of laws and regulations could prohibit or significantly restrict our third-party data sources from sharing information, or could restrict our use of personal data when developing our proprietary credit risk models, or for fraud prevention purposes. These restrictions could also inhibit our development or marketing of certain products or services, or increase the costs of offering them to customers or make the models less effective at predicting credit outcomes or preventing fraud.

We follow procedures to verify each customer's identity, income, and address, which are designed to minimize fraud. These procedures may include visual inspection of customer identification documents to ensure authenticity, review of paystubs or bank statements for proof of income and employment, and review of analysis of information from credit bureaus, fraud detection databases and other alternative data sources for verification of identity, employment, income and other debt obligations. If any of the information that is considered in the loan review process is inaccurate, whether intentional or not, and such inaccuracy is not detected prior to loan funding, the loan may have a greater risk of default than expected. If any of our procedures are not followed, or if these procedures fail, fraud may occur. Additionally, there is a risk that following the date of the loan application, a customer may have defaulted on, or become delinquent in the payment of, a pre-existing debt obligation, taken on additional debt, lost his or her job or other sources of income or experienced other adverse financial events. Fraudulent activity or significant increases in fraudulent activity could also lead to regulatory intervention, negatively impact our results of operations, brand and reputation and require us to take additional steps to reduce fraud risk, which could increase our costs.

If we are unable to collect payment on and service the loans we make to our customers, our business would be harmed.*

Our ability to adequately service our loans is dependent upon our ability to grow and appropriately train our customer service and collections staff, our ability to expand existing and open new contact centers as our loans increase, and our ability to reach our customers via phone, text, or email when they default. Additionally, our customer service and collections staff are dependent upon our maintaining adequate information technology, telephony and internet connectivity such that they can perform their job functions. If we fail to adequately leverage these technologies to service and collect amounts owed in respect of our loans, or if consumers opt to block us from calling, texting, emailing or otherwise contacting them when they are in default, then payments to us may be delayed or reduced.

At the end of July 2020, we announced a change in our legal collections filing practices, which includes the dismissal of all pending small claims court filings, suspension of all new small claims filings and the commitment to reduce court filings by 60% in the future. If we are unable to employ alternative means of engaging severely delinquent customers the effectiveness of our efforts to collect on defaulted loans may be impacted. Additionally, our contact centers, either owned or through our outsourcing partners, are located in various jurisdictions within three countries, all of which have varying shelter-in-place and social distancing orders in place. While we have been successful thus far in complying with these orders and keeping contact centers operational, predominantly by moving the majority of our contact center employees to home working environments, our ability to perform collections activities is highly dependent on the ability of contact center staff to continue to work, either in the contact center or remotely. If a significant percentage of our contact center workforce is unable to work effectively as a result of the COVID-19 pandemic, including because of illness, quarantines, ineffective remote work arrangements or technology, utility or other failures or limitations. Because our net charge-off rate depends on the collectability of the loans, if we experience an unexpected significant increase in the number of customers who fail to repay their loans or an increase in the principal amount of the loans that are not repaid, our financing arrangements, revenue and results of operations could be adversely affected.

Because we receive a significant amount of cash in our retail locations through customer loan repayments, we may be subject to theft and cash shortages due to employee errors.

Since our business requires us to receive a significant amount of cash in each of our retail locations, we are subject to the risk of theft (including by or facilitated by employees) and cash shortages due to employee errors. Although we have implemented various procedures and programs to reduce these risks, maintain insurance coverage for theft and provide security measures for our facilities, we cannot make assurances that theft and employee error will not occur. We have experienced theft and attempted theft in the past.

We are exposed to geographic concentration risk.*

The geographic concentration of our loan originations may expose us to an increased risk of loss due to risks associated with certain regions. Certain regions of the United States from time to time will experience weaker economic conditions and higher unemployment and, consequently, will experience higher rates of delinquency and loss than on similar loans nationally. In addition, natural, man-made disasters or health epidemics or pandemics such as the current outbreak of the COVID-19 pandemic in specific geographic regions may result in higher rates of delinquency and loss in those areas. A significant portion of our outstanding receivables is originated in certain states, and within the states where we operate, originations are generally more concentrated in and around metropolitan areas and other population centers. Therefore, economic conditions, natural, man-made disasters, health epidemics or pandemics or other factors affecting these states or areas in particular could adversely impact the delinquency and default experience of the receivables and could adversely affect our business. Further, the concentration of our outstanding receivables in one or more states would have a disproportionate effect on us if governmental authorities in any of those states take action against us or take action affecting how we conduct our business.

As of September 30, 2020, 57%, 26%, 5%, and 5% of our Owned Principal Balance at End of Period related to customers from California, Texas, Illinois, and Florida, respectively . If any of the events noted in these risk factors were to occur in or have a disproportionate impact in regions where we operate or plan to commence operations, it may negatively affect our business in many ways, including increased delinquencies and loan losses or a decrease in future originations.

Changes in immigration patterns, policy or enforcement could affect some of our customers, including those who may be undocumented immigrants, and consequently impact the performance of our loans, our business and results of operations.

Some of our customers are immigrants and some may not be U.S. citizens or permanent resident aliens. We follow appropriate customer identification procedures as mandated by law, including accepting government issued picture identification that may be issued by non-U.S. governments, as permitted by the USA PATRIOT Act, but we do not verify the immigration status of our customers, which we believe is consistent with industry best practices and is not required by law. While our credit models look to approve customers who have stability of residency and employment, it is possible that a significant change in immigration patterns, policy or enforcement could cause some customers to emigrate from the United States, either voluntarily or involuntarily, or slow the flow of new immigrants to the United States. Changes to current laws or the adoption of new laws could make it more difficult or less desirable for immigrants to work in the United States, resulting in increased delinquencies and losses on our loans or a decrease in future originations due to more difficulty for potential customers to earn income. In addition, if we or our competitors receive negative publicity around making loans to undocumented immigrants, it may draw additional attention from regulatory bodies or consumer advocacy groups, all of which may harm our brand and business. We cannot predict the likelihood, nature or extent of government regulation that may arise from future legislation or administrative action.

Our current level of interest rate spread may decline in the future. Any material reduction in our interest rate spread could adversely affect our results of operations.*

We earn over 90% of our revenue from interest payments on the loans we make to our customers. Financial institutions and other funding sources provide us with the capital to fund a substantial portion of the principal amount of our loans to customers and charge us interest on funds that we borrow. In the event that the spread between the interest rate at which we lend to our customers and the rate at which we borrow from our lenders decreases, our Net Revenue will decrease. The interest rates we charge to our customers and pay to our lenders could each be affected by a variety of factors, including our ability to access capital markets, the volume of loans we make to our customers, loan mix, competition and regulatory limitations. See "Part I, Item 1 Quantitative and Qualitative Disclosures About Market Risk."

Market interest rate changes may adversely affect our business forecasts and expectations and are highly sensitive to many macroeconomic factors beyond our control, such as inflation, recession, the state of the credit markets, global economic disruptions, unemployment and the fiscal and monetary policies of the federal government and its agencies. Interest rate changes may require us to make adjustments to the fair value of our Fair Value Loans or Fair Value Notes, which may in turn adversely affect our results of operations. For instance, interest rates recently declined significantly. When interest rates fall, the fair value of our Fair Value Loans increases, which increases Net Revenue. In addition, decreasing interest rates also increase the fair value of our Fair Value Notes, which reduces Net Revenue. Because the duration and fair value of our loans and asset- backed notes are different, the respective changes in fair value did not fully offset each other resulting in a negative impact on Net Revenue. Any reduction in our interest rate spread could have an adverse effect on our business, results of operations and financial condition. In August 2020, we implemented a nationwide 36% APR cap for newly originated loans, which we expect will reduce our interest rate spread and may have an adverse effect on our business, results of operations and financial condition. We do not currently hedge our interest rate exposure associated with our debt financing or fair market valuation of our loans.

In connection with our securitizations, Secured Financing facility, and whole loan sales, we make representations and warranties concerning these loans. If those representations and warranties are not correct, we could be required to repurchase the loans. Any significant required repurchases could have an adverse effect on our ability to operate and fund our business.

In our asset-backed securitizations, our Secured Financing facility and our whole loan sales, we make numerous representations and warranties concerning the characteristics of the loans we transfer and sell, including representations and warranties that the loans meet the eligibility requirements of those facilities and investors. If those representations and warranties are incorrect, we may be required to repurchase the loans. Failure to repurchase so-called ineligible loans when required would constitute an event of default under our securitizations, our Secured Financing facility and our whole loan sales and a termination event under the applicable agreement. We can provide no assurance, however, that we would have adequate cash or other qualifying assets available to make such repurchases.

Fraudulent activity could negatively impact our business, operating results, brand and reputation and require us to take steps to reduce fraud risk.*

Fraud is prevalent in the financial services industry and is likely to increase as perpetrators become more sophisticated, as well as during the COVID-19 pandemic. We are subject to the risk of fraudulent activity associated with customers and third parties handling customer information. Also, we continue to develop and expand our mobile origination channel, which involves the use of internet and telecommunications technologies (including mobile devices) to offer our products and services. These new mobile technologies may be more susceptible to the fraudulent activities of organized criminals, perpetrators of fraud, hackers, terrorists and others. Our resources, technologies and fraud prevention tools may be insufficient to accurately detect and prevent fraud. If the level of our fraud losses increases, our results of operations could be harmed, our brand and reputation may be negatively impacted, we may be subjected to higher regulatory scrutiny and our costs may increase as we attempt to reduce such fraud.

Security breaches of customers' confidential information that we store may harm our reputation, adversely affect our results of operations, and expose us to liability.*

We are increasingly dependent on information technology systems and infrastructure, including mobile and cloud-based technologies, to operate our business. In the ordinary course of our business, we collect, process, transmit and store large amounts of sensitive information, including the personal information, credit information and other sensitive data of our customers and potential customers. It is critical that we do so in a secure manner to maintain the confidentiality, integrity and availability of such sensitive information. We also have arrangements in place with certain of our third-party vendors that require us to share consumer information. We have also outsourced elements of our operations (including elements of our information technology infrastructure) to third parties, and as a result, we manage a number of third-party vendors who may have access to our computer networks or our confidential information. In addition, many of those third parties may in turn subcontract or outsource some of their responsibilities to third parties. As a result, our information technology systems, including the functions of third parties that are involved or have access to those systems, is very large and complex. While all information technology operations are inherently vulnerable to inadvertent or intentional security breaches, incidents, attacks and exposures, the size, complexity, accessibility and distributed nature of our information technology systems, and the large amounts of sensitive information stored on those systems, make such systems potentially vulnerable to unintentional or malicious, internal and external attacks on our technology environment. Potential vulnerabilities can be exploited from inadvertent or intentional actions of our employees, third-party vendors, business partners, or by malicious third parties. Attacks of this nature are increasing in their frequency, levels of persistence, sophistication and intensity, and are being conducted by sophisticated and organized groups and individuals with a wide range of motives (including, but not limited to, industrial espionage) and expertise, including organized criminal groups, "hacktivists," nation states and others. In addition to the extraction of sensitive information, such attacks could include the deployment of harmful malware, ransomware, denial-of-service attacks, social engineering and other means to affect service reliability and threaten the confidentiality, integrity and availability of information and systems. In addition, the prevalent use of mobile devices increases the risk of data security incidents. Significant disruptions of our, our third-party vendors' and/ or business partners' information technology systems or other similar data security incidents could adversely affect our business operations and result in the loss, misappropriation, or unauthorized access, use or disclosure of, or the prevention of access to, sensitive information, which could result in financial, legal, regulatory, business and reputational harm to us.

Because techniques used to obtain unauthorized access or to sabotage systems change frequently and generally are not recognized until they are launched against a target, we and our third-party hosting facilities may be unable to anticipate these techniques or to implement adequate preventative measures. In addition, many governments have enacted laws requiring companies to notify individuals of data security breaches involving their personal data. These mandatory disclosures regarding a security breach are costly to implement and often lead to widespread negative publicity, which may cause our customers to lose confidence in the effectiveness of our data security measures. Any security breach, whether actual or perceived, would harm our reputation and we could lose customers.

We also face indirect technology, cybersecurity and operational risks relating to the customers, clients and other third parties with whom we do business or upon whom we rely to facilitate or enable our business activities, including vendors, payment processors, and other parties who have access to confidential information due to our agreements with them. In addition, any security compromise in our industry, whether actual or perceived, or information technology system disruptions, natural disasters, terrorism, war and telecommunication and electrical failures, could interrupt our business or operations, harm our reputation, erode customer confidence, negatively affect our ability to attract new customers, or subject us to third-party lawsuits, regulatory fines or other action or liability.

Like other financial services firms, we have been and continue to be the subject of actual or attempted unauthorized access, mishandling or misuse of information, computer viruses or malware, and cyber-attacks that could obtain confidential information, destroy data, disrupt or degrade service, sabotage systems or cause other damage, distributed denial of service attacks, data breaches and other infiltration, exfiltration or other similar events. In August 2019, we identified an incident involving unauthorized access to a small number of company email accounts. Forensic investigation indicated that a small amount of consumer and employee sensitive information was contained in these email accounts, which resulted in breach notices sent and credit monitoring provided to approximately 700 consumers, and notices sent to employees in Mexico in accordance with Mexican law.

Our retail locations also process physical customer loan documentation that contain confidential information about our customers, including financial and personally identifiable information. We retain physical records in various storage locations outside of our retail locations. The loss or theft of customer information and data from our retail locations or other storage locations could subject us to additional regulatory scrutiny, possible civil litigation and possible financial liability and losses.

While we regularly monitor data flow inside and outside the company, attackers have become very sophisticated in the way they conceal access to systems, and many companies that have been attacked are not aware that they have been attacked. Any event that leads to unauthorized access, use or disclosure of personal information, including but not limited to personal information regarding our customers, loan applicants or employees, could disrupt our business, harm our reputation, compel us to comply with applicable federal and/or state breach notification laws and foreign law equivalents, subject us to litigation, regulatory investigation and oversight, mandatory corrective action, require us to verify the correctness of database contents, or otherwise subject us to liability under laws, regulations and contractual obligations, including those that protect the privacy and security of personal information. This could result in increased costs to us, and result in significant legal and financial exposure and/or reputational harm. In addition, any failure or perceived failure by us or our vendors to comply with our privacy, confidentiality or data security-related legal or other obligations to third parties, or any security incidents or other inappropriate access events that result in the unauthorized access, release or transfer of sensitive information, which could include personally identifiable information, may result in governmental investigations, enforcement actions, regulatory fines, litigation, or public statements against us by advocacy groups or others, and could cause third parties, to lose trust in us or we could be subject to claims by third parties that we have breached our privacy- or confidentiality- related obligations, which could harm our business and prospects. Moreover, data security incidents and other inappropriate access can be difficult to detect, and any delay in identifying them may lead to increased harm of the type described above. Cybersecurity experts are warning about a growing use of COVID-19-related themes by malicious cyber actors. At the same time, the surge in teleworking has increased the use of potentially vulnerable services, such as virtual private networks, amplifying the threat to individuals and organizations. Cybercriminals are targeting individuals and organizations with COVID-19-related scams and phishing emails. There can be no assurance that our security measures intended to protect our information technology systems and infrastructure will successfully prevent service interruptions or security incidents.

We maintain errors, omissions, and cyber liability insurance policies covering certain security and privacy damages. However, we cannot be certain that our coverage will continue to be available on economically reasonable terms or will be available in sufficient amounts to cover one or more large claims, or that the insurer will not deny coverage as to any future claim. The successful assertion of one or more large claims against us that exceed available insurance coverage, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have an adverse effect on our business, financial condition and results of operations.

Our ability to collect payment on loans and maintain accurate accounts may be adversely affected by computer viruses, physical or electronic break-ins, technical errors and similar disruptions.

The automated nature of our business may make us attractive targets for hacking and potentially vulnerable to computer malware, physical or electronic break-ins and similar disruptions. Despite efforts to ensure the integrity of our systems, it is possible that we may not be able to anticipate or to implement effective preventive measures against all security breaches of these types, in which case there would be an increased risk of fraud or identity theft, and we may experience losses on, or delays in the collection of amounts owed on, a fraudulently induced loan.

In addition, the software that we have developed to use in our daily operations is highly complex and may contain undetected technical errors that could cause our computer systems to fail. Because each loan that we make involves our proprietary automated underwriting process and depends on the efficient and uninterrupted operation of our computer systems, and all of our loans are underwritten using an automated underwriting process that does not require manual review, any failure of our computer systems involving our automated underwriting process and any technical or other errors contained in the software pertaining to our automated underwriting process could compromise our ability to accurately evaluate potential customers, which would negatively impact our results of operations. Our computer systems may encounter service interruptions at any time due to system or software failure, natural disasters, severe weather conditions, health epidemics or pandemics, terrorist attacks, cyber-attacks, power outages or other events, and any failure of our computer systems could cause an interruption in operations and result in disruptions in, or reductions in the amount of, collections from the loans we make to our customers. While we have taken steps to prevent such activity from affecting our systems, if we are unable to prevent such activity, we may be subject to significant liability, negative publicity and a loss of customers, all of which may negatively affect our business.

Any significant disruption in our computer systems could prevent us from processing or posting payments on loans, reduce the effectiveness of our credit risk models and result in a loss of customers.

In the event of a system outage and physical data loss, our ability to service our loans, process applications or make loans available would be adversely affected. We also rely on facilities, components, and services supplied by third parties, including data center facilities and cloud storage services. Any interference or disruption of our technology and underlying infrastructure or our use of our third-party providers' services could materially and adversely affect our business, relationships with our customers and our reputation. Also, as our business grows, we may be required to expand and improve the capacity, capability and reliability of our infrastructure. If we are not able to effectively address capacity constraints, upgrade our systems as needed and continually develop our technology and infrastructure to reliably support our business, our results of operations may be harmed.

Additionally, in the event of damage or interruption, our insurance policies may not adequately compensate us for any losses that we may incur. Our disaster recovery plan has not been tested under actual disaster conditions, and we may not have sufficient capacity to recover all data and services in the event of an outage. These factors could prevent us from processing or posting payments on the loans, damage our brand and reputation, divert our employees' attention, subject us to liability and cause customers to abandon our business, any of which could adversely affect our business, results of operations and financial condition.

It may be difficult and costly to protect our intellectual property rights, and we may not be able to ensure their protection.

Our ability to lend to our customers depends, in part, upon our proprietary technology. We may be unable to protect our proprietary technology effectively which would allow competitors to duplicate our products and adversely affect our ability to compete with them. We rely on a combination of copyright, trade secret, trademark laws and other rights, as well as confidentiality procedures and contractual provisions to protect our proprietary technology, processes and other intellectual property and do not have patent protection. However, the steps we take to protect our intellectual property rights may be inadequate. For example, a third party may attempt to reverse engineer or otherwise obtain and use our proprietary technology without our consent. The pursuit of a claim against a third party for infringement of our intellectual property could be costly, and there can be no guarantee that any such efforts would be successful. Our failure to secure, protect and enforce our intellectual property rights could adversely affect our brand and adversely impact our business.

We have been, and may in the future be, sued by third parties for alleged infringement of their proprietary rights.

Our proprietary technology, including our credit risk models, may infringe upon claims of third-party intellectual property, and we may face intellectual property challenges from such other parties. We may not be successful in defending against any such challenges or in obtaining licenses to avoid or resolve any intellectual property disputes. If we are unsuccessful, such claim or litigation could result in a requirement that we pay significant damages or licensing fees, which would negatively impact our financial performance. We may also be obligated to indemnify parties or pay substantial legal settlement costs, including royalty payments, and to modify applications or refund fees. Even if we were to prevail in such a dispute, any litigation regarding our intellectual property could be costly and time consuming and divert the attention of our management and key personnel from our business operations.

For example, in January 2018, we received a complaint by a third party alleging various claims for trademark infringement, unfair competition, trademark dilution and misappropriation against us. The complaint calls for monetary damages and injunctive relief requiring us to cease using our trademarks. We believe this claim is without merit and intend to vigorously defend this matter. The final outcome with respect to the claims in the lawsuits, including our liability, if any, is uncertain. Furthermore, we cannot be certain that any of these claims would be resolved in our favor. For example, an adverse litigation ruling against us could result in a significant damages award against us, could result in injunctive relief, could result in a requirement that we make substantial royalty payments, and could result in the cancellation of certain Oportun trademarks which would require that we rebrand. Moreover, an adverse finding could cause us to incur substantial expense, could be a distraction to management, and any rebranding as a result may not be well received in the market. To the extent that we reach a negotiated settlement, the settlement could require that we pay substantial compensation and could require that we make modifications to our name, branding, marketing materials and advertising that may not be well received in the market. See “Legal Proceedings” for more information regarding these proceedings.

Moreover, it has become common in recent years for individuals and groups to purchase intellectual property assets for the sole purpose of making claims of infringement and attempting to extract settlements from companies such as ours. Even in instances where we believe that claims and allegations of intellectual property infringement against us are without merit, defending against such claims is time consuming and expensive and could result in the diversion of time and attention of our management and employees. In addition, although in some cases a third party may have agreed to indemnify us for such costs, such indemnifying party may refuse or be unable to uphold its contractual obligations. In other cases, our insurance may not cover potential claims of this type adequately or at all, and we may be required to pay monetary damages, which may be significant.

Our credit risk models and internal systems rely on software that is highly technical, and if it contains undetected errors, our business could be adversely affected.*

Our credit risk models and internal systems rely on internally developed software that is highly technical and complex. In addition, our models and internal systems depend on the ability of such software to store, retrieve, process and manage immense amounts of data. The software on which we rely has contained, and may now or in the future contain, undetected errors, bugs or other defects, which risk may be heightened in light of the numerous changes we have implemented to our systems in a short amount of time in reaction to the COVID-19 pandemic. Some errors may only be discovered after the code has been released for external or internal use. Errors, bugs or other defects within the software on which we rely may result in a negative experience for our customers, result in errors or compromise our ability to protect customer data or our intellectual property. Specifically, any defect in our credit risk models could result in the approval of unacceptably risky loans. Such defects could also result in harm to our reputation, loss of customers, loss of revenue, adjustments to the fair value of our Fair Value Loans or Fair Value Notes, challenges in raising debt or equity, or liability for damages, any of which could adversely affect our business and results of operations.

Some aspects of our business processes include open source software, and any failure to comply with the terms of one or more of these open source licenses could negatively affect our business.

We incorporate open source software into processes supporting our business. Such open source software may include software covered by licenses like the GNU General Public License and the Apache License. The terms of various open source licenses have not been interpreted by U.S. courts, and there is a risk that such licenses could be construed in a manner that limits our use of the software, inhibits certain aspects of our systems and negatively affects our business operations.

Some open source licenses contain requirements that we make source code available at no cost for modifications or derivative works we create based upon the type of open source software we use. We may face claims from third parties claiming ownership of, or demanding the release or license of, such modifications or derivative works (which could include our proprietary source code or credit risk models) or otherwise seeking to enforce the terms of the applicable open source license. If portions of our proprietary credit risk models are determined to be subject to an open source license, or if the license terms for the open source software that we incorporate change, we could be required to publicly release the affected portions of our source code, re-engineer all or a portion of our model or change our business activities, any of which could negatively affect our business operations and our intellectual property rights.

In addition to risks related to license requirements, the use of open source software can lead to greater risks than the use of third-party commercial software, as open source licensors generally do not provide warranties or controls on the origin of the software. Use of open source software may also present additional security risks because the public availability of such software may make it easier for hackers and other third parties to determine how to breach our website and systems that rely on open source software.

We may not be able to make technological improvements as quickly as demanded by our customers, including to address their needs during the COVID-19 pandemic, which could harm our ability to attract customers and adversely affect our results of operations, financial condition and liquidity.*

The financial services industry is undergoing rapid technological changes, with frequent introductions of new technology-driven products and services. The effective use of technology increases efficiency and enables financial and lending institutions to better serve customers and reduce costs. Our future success will depend, in part, upon our ability to address the needs of our customers by using technology, such as mobile and online services, to provide products and services that will satisfy customer demands for convenience, as well as to create additional efficiencies in our operations. We may not be able to effectively implement new technology-driven products and services as quickly as competitors or be successful in marketing these products and services to our customers. Furthermore, our technology may become obsolete or uncompetitive, and there is no guarantee that we will be able to successfully develop, obtain or use new technologies to adapt our models and systems. Failure to successfully keep pace with technological change affecting the financial services industry could harm our ability to attract customers and adversely affect our results of operations, financial condition and liquidity. Additionally, the economic impact of the COVID–19 has required and continues to require us to make rapid changes to our systems in order to be able to offer our customers appropriate reduced payment plans and alternative payment options. If we are not able to implement these changes quickly enough, it could impact our credit performance.

A deterioration in the financial condition of counterparties, including financial institutions, could expose us to credit losses, limit access to liquidity or disrupt our business operations.*

We have entered into, and may in the future enter into, financing and derivative transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, hedge funds, and other financial institutions. Furthermore, the operations of U.S. and global financial services institutions are interconnected, and a decline in the financial condition of one or more financial services institutions, or the perceived lack of creditworthiness of such financial institutions, may expose us to credit losses or defaults, limit access to liquidity or otherwise disrupt the operations of our business. As such, our financing and derivative transactions expose us to credit risk in the event of a default by the counterparty, which can be exacerbated during periods of market illiquidity, such as is currently being experienced due to the COVID-19 pandemic.

Our vendor relationships subject us to a variety of risks, and the failure of third parties to comply with legal or regulatory requirements or to provide various services that are important to our operations could have an adverse effect on our business.

We have vendors that, among other things, provide us with key services, including financial, technology and other services to support our loan servicing and other activities. The CFPB issued guidance stating that institutions under its supervision may be held responsible for the actions of the companies with which they contract. Accordingly, we could be adversely impacted to the extent our vendors fail to comply with the legal requirements applicable to the particular products or services being offered. Our use of third-party vendors is subject to increasing regulatory attention.

The CFPB and other regulators have issued regulatory guidance that has focused on the need for financial institutions to perform increased due diligence and ongoing monitoring of third-party vendor relationships, thus increasing the scope of management involvement and decreasing the benefit that we receive from using third-party vendors. Moreover, if our regulators conclude that we have not met the heightened standards for oversight of our third-party vendors, we could be subject to enforcement actions, civil monetary penalties, supervisory orders to cease and desist or other remedial actions.

In some cases, third-party vendors are the sole source, or one of a limited number of sources, of the services they provide to us. Most of our vendor agreements are terminable on little or no notice, and if our current vendors were to stop or were unable to continue providing services to us on acceptable terms, we may be unable to procure alternatives from other vendors in a timely and efficient manner on acceptable terms or at all. If any third-party vendor fails to provide the services we require, due to factors outside our control, we could be subject to regulatory enforcement actions, suffer economic and reputational harm and incur significant costs to resolve any such disruptions in service.

If we lose the services of any of our key management personnel, our business could suffer.

Our future success significantly depends on the continued service and performance of our key management personnel. Competition for these employees is intense and we may not be able to replace, attract and retain key personnel. We do not maintain key-man insurance for every member of our senior management team. The loss of the service of our senior management team or key team members, and the process to replace any of them, or the inability to attract additional qualified personnel as needed, all of which would involve significant time and expense, could harm our business.

Competition for our highly skilled employees is intense, and we may not be able to attract and retain the employees we need to support the growth of our business.*

Competition for highly skilled personnel, including engineering and data analytics personnel, is extremely intense, particularly in the San Francisco Bay Area where our headquarters is located. We have experienced and expect to continue to face difficulty identifying and hiring qualified personnel in many areas, especially as we pursue our growth strategy. We may not be able to hire or retain such personnel at compensation levels consistent with our existing compensation and salary structure. Many of the companies with which we compete for experienced employees have greater resources than we have and may be able to offer more attractive terms of employment. In particular, employee candidates, specifically in high-technology industries, often consider the value of any equity they may receive in connection with their employment so significant volatility or a decline in the price of our stock may adversely affect our recruitment strategies. Additionally, changes to U.S. immigration policies, as well as restrictions on global travel due to public health crises requiring quarantines or other precautions to limit exposure to infectious diseases, may limit our ability to hire and/or retain talent.

In addition, we invest significant time and expense in training our employees, which increases their value to competitors who may seek to recruit them. If we fail to retain our employees, we could incur significant expenses in hiring and training their replacements and the quality of our services and our ability to serve our customers could be adversely affected.

We are dependent on hiring an adequate number of hourly bilingual employees to run our business and are subject to government regulations concerning these and our other employees, including minimum wage laws.

Our workforce is comprised primarily of bilingual employees who work on an hourly basis. In certain areas where we operate, there is significant competition for hourly bilingual employees and the lack of availability of an adequate number of hourly bilingual employees could adversely affect our operations. In addition, we are subject to applicable rules and regulations relating to our relationship with our employees, including minimum wage and break requirements, health benefits, unemployment and sales taxes, overtime and working conditions and immigration status. We are from time to time subject to employment-related claims, including wage and hour claims. Further, legislated increases in minimum wage, as well as increases in additional labor cost components, such as employee benefit costs, workers’ compensation insurance rates, compliance costs and fines would increase our labor costs, which could have an adverse effect on our business.

Our mission to provide inclusive, affordable financial services that empower our customers to build a better future may conflict with the short-term interests of our stockholders.

Our mission is to provide inclusive, affordable financial services that empower our customers to build a better future. Therefore, we have made in the past, and may make in the future, decisions that we believe will benefit our customers and therefore provide long-term benefits for our business, even if our decision negatively impacts our short-term results of operations. For example, we constrain the maximum interest rates we charge in order to further our goal of making our loans affordable for our target customers. Our decisions may negatively impact our short-term financial results or not provide the long-term benefits that we expect and may decrease the spread between the interest rate at which we lend to our customers and the rate at which we borrow from our lenders.

If we cannot maintain our corporate culture as we grow, we could lose the innovation, collaboration and focus on the mission that contribute to our business.

We believe that a critical component of our success is our corporate culture and our deep commitment to our mission. We believe this mission-based culture fosters innovation, encourages teamwork and cultivates creativity. Our mission defines our business philosophy as well as the emphasis that we place on our customers, our people and our culture and is consistently reinforced to and by our employees. As we develop the infrastructure of a public company and continue to grow, we may find it difficult to maintain these valuable aspects of our corporate culture and our long-term mission. In addition, the widespread stay-at-home orders resulting from the COVID-19 pandemic have required us to make substantial changes to the way that the vast majority of our employee population does their work. Any failure to preserve our culture, including a failure due to the growth from becoming a public company or resulting from remote work arrangements, could negatively impact our future success, including our ability to attract and retain employees, encourage innovation and teamwork, and effectively focus on and pursue our mission and corporate objectives.

Misconduct by our employees could harm us by subjecting us to monetary loss, significant legal liability, regulatory scrutiny and reputational harm.*

Our reputation is critical to maintaining and developing relationships with our existing and potential customers and third parties with whom we do business. There is a risk that our employees, including our employees that are working from their homes due to COVID-19 related shelter-in-place orders, could be accused of or engage in misconduct that adversely affects our business, including fraud, theft, the redirection, misappropriation or otherwise improper execution of loan transactions, disclosure of personal and business information and the failure to follow protocol when interacting with customers that could lead us to suffer direct losses from the activity as well as serious reputational harm. Employee misconduct could also lead to regulatory sanctions and prompt regulators to allege or to determine based upon such misconduct that we have not established adequate supervisory systems and procedures to inform employees of applicable rules or to detect and deter violations of such rules. Misconduct by our employees, or even unsubstantiated allegations of misconduct, could harm our reputation and our business.

Our international operations and offshore service providers involve inherent risks which could result in harm to our business.*

As of September 30, 2020, we had 1,546 employees in three contact centers in Mexico. These employees provide certain English/Spanish bilingual support related to customer-facing contact center activities, administrative and technology support of the contact centers and back-office support services. We have also engaged outsourcing partners in the United States that provide offshore customer-facing contact center activities in Mexico, Colombia, and Jamaica, and may in the future include additional locations in other countries. In addition, we opened a technology development center in India in 2019. We have engaged vendors that utilize employees or contractors based outside of the United States. As of September 30, 2020, our outsourcing partners have provided us, on an exclusive basis, the equivalent of 521 full-time equivalents in Mexico, Colombia, Jamaica and India. These activities in Mexico, Colombia, Jamaica, India and other future locations are subject to inherent risks that are beyond our control, including:

- risks related to government regulation or required compliance with local laws;
- local licensing and reporting obligations;
- difficulties in developing, staffing and simultaneously managing a number of varying foreign operations as a result of distance, language and cultural differences;
- different, uncertain, overlapping or more stringent local laws and regulations;
- political and economic instability, tensions, security risks and changes in international diplomatic and trade relations;
- state or federal regulations that restrict offshoring of business operational functions or require offshore partners to obtain additional licenses, registrations or permits to perform services on our behalf;
- geopolitical events, including natural disasters, public health issues, epidemics or pandemics, acts of war and terrorism;
- the impact of, and response of local governments to, the COVID-19 pandemic;
- compliance with applicable U.S. laws and foreign laws related to consumer protection, intellectual property, privacy, data security, corruption, money laundering and export/trade control;
- misconduct by our outsourcing partners and their employees or even unsubstantiated allegations of misconduct;
- risks due to lack of direct involvement in hiring and retaining personnel; and
- potentially adverse tax developments and consequences.

Violations of the complex foreign and U.S. laws, rules and regulations that apply to our international operations and offshore activities of our service providers may result in heightened regulatory scrutiny, fines, criminal actions or sanctions against us, our directors, our officers or our employees, as well as restrictions on the conduct of our business and reputational damage.

If we discover a material weakness in our internal control over financial reporting that we are unable to remedy or otherwise fail to maintain effective internal control over financial reporting or disclosure controls and procedures, our ability to report our financial results on a timely and accurate basis and the market price of our common stock may be adversely affected.

The Sarbanes-Oxley Act requires, among other things, that, as a public company, we maintain effective internal control over financial reporting and disclosure controls and procedures including implementation of financial systems and tools. In 2017, we implemented a company-wide integrated financial reporting and human capital management system, which resulted in identification of significant deficiencies and delays in closing the accounting records for 2017 and the first quarter of 2018 and required significant remediation efforts in 2017 and 2018. If our remediation measures in 2017 and 2018 or future remediation measures are not fully successful, we may identify errors related to prior periods that could require a restatement of our financial statements and which may result in delays in filing our periodic reports. Any failure to maintain effective disclosure controls and procedures or internal control over financial reporting could have an adverse effect on our ability to accurately report our financial information on a timely basis and result in material misstatements in our consolidated financial statements.

To comply with Section 404A of the Sarbanes-Oxley Act, we may incur substantial cost, expend significant management time on compliance-related issues and hire additional accounting, financial and internal audit staff with appropriate public company experience and technical accounting knowledge. Moreover, if we are not able to comply with the requirements of Section 404A in a timely manner or if we or our independent registered public accounting firm identify deficiencies in our internal control over financial reporting that are deemed to be material weaknesses, we could be subject to sanctions or investigations by the Securities and Exchange Commission (the "SEC") or other regulatory authorities, adversely affect our ability to access the credit markets and sell additional equity and commit additional financial and management resources to remediate deficiencies.

Our business is subject to the risks of natural disasters, public health crises and other catastrophic events, and to interruption by man-made problems.*

A significant natural disaster, such as an earthquake, fire, hurricanes, flood or other catastrophic event (many of which are becoming more acute and frequent as a result of climate change), or interruptions by strikes, crime, terrorism, social unrest, cyber-attacks, pandemics or other public health crises, power outages or other man-made problems, could have an adverse effect on our business, results of operations and financial condition. Our headquarters is located in the San Francisco Bay Area, and our systems are hosted in multiple data centers across Northern California, a region known for seismic activity and wildfires and related power outages. Additionally, certain of our contact centers and retail locations are located in areas prone to natural disasters, including earthquakes, tornadoes and hurricanes, and certain of our retail locations and our contact centers may be located in areas with high levels of criminal activities.

Our IT systems are backed up regularly to highly available, alternate data centers in a different region, and we have conducted disaster recovery testing of our mission critical systems. Despite any precautions we may take, however, the occurrence of a natural disaster or other unanticipated problems at our data centers could result in lengthy interruptions in our services. In addition, acts of war, terrorism and other geopolitical unrest could cause disruptions in our business and lead to interruptions, delays or loss of critical data.

In addition, a large number of customers make payments and apply for loans at our retail locations. If one or more of our retail locations becomes unavailable for any reason, including as a result of the COVID-19 pandemic or other public health crisis, localized weather events or natural or man-made disasters, our ability to conduct business and collect payments from customers on a timely basis may be adversely affected, which could result in lower loan originations, higher delinquencies and increased losses. For example, from time to time we have temporarily closed a few of our retail locations due to public health orders or other concerns relating to the COVID-19 pandemic, which we believe partially contributed to the decrease in Aggregate Originations in the three and nine months ended September 30, 2020 as compared to the corresponding periods ending September 30, 2019. We may have to close retail locations as necessary due to public health orders or other concerns relating to the COVID-19 pandemic. The closure of additional retail locations would further adversely affect our loan originations, results of operations and financial condition.

All of the aforementioned risks may be further increased if our business continuity plans prove to be inadequate and there can be no assurance that both personnel and non-mission critical applications can be fully operational after a declared disaster within a defined recovery time. If our personnel, systems or primary data center facilities are impacted, we may suffer interruptions and delays in our business operations. In addition, to the extent these events impact our customers or their ability to timely repay their loans, our business could be negatively affected.

We may not maintain sufficient business interruption or property insurance to compensate us for potentially significant losses, including potential harm to our business that may result from interruptions in our ability to provide our financial products and services.

Unfavorable outcomes in legal proceedings may harm our business and results of operations.

We are, and may in the future become, subject to litigation, claims, investigations, legal and administrative cases and proceedings, whether civil or criminal, or lawsuits by governmental agencies or private parties, which may affect our results of operations. In 2018, we settled a class action with common stockholders alleging that certain of our directors, officers, former directors and officers, and certain of our convertible preferred stockholders breached their fiduciary duties to our common stockholders in their capacities as officers, directors and/or controlling stockholders by approving certain of our convertible preferred stock financing rounds that diluted the ownership of our common stockholders and that certain defendants allegedly aided and abetted such breaches. In June 2017, certain plaintiffs that were previously part of the class action in the lawsuit described above, filed suit alleging the same claims, but covering a more limited series of financings. See “Legal Proceedings” for more information regarding this and other proceedings.

If the results of any pending or future legal proceedings are unfavorable to us or if we are unable to successfully defend against third-party lawsuits, we may be required to pay monetary damages or fulfill our indemnification obligations or we may be subject to fines, penalties, injunctions or other censure. Even if we adequately address the issues raised by an investigation or proceeding or successfully defend a third-party lawsuit or counterclaim, we may have to devote significant financial and management resources to address these issues.

Risks Related to our Industry and Regulation

The lending industry is highly regulated. Changes in regulations or in the way regulations are applied to our business could adversely affect our business.

Our business is subject to numerous federal, state and local laws and regulations. Following the financial crisis that began in 2008, supervisory efforts to enact and apply relevant laws, regulations and policies have become more intense. Statutes, regulations and policies affecting lending institutions are continually under review by Congress, state legislatures and federal and state regulatory agencies. Further changes in laws or regulations, or the regulatory application or interpretation of the laws and regulations applicable to us, could adversely affect our ability to operate in the manner in which we currently conduct business. Such changes in, and in the interpretation and enforcement of, laws and regulations may also make it more difficult or costly for us to originate additional loans, or for us to collect payments on our loans to customers or otherwise operate our business by subjecting us to additional licensing, registration and other regulatory requirements in the future. For instance, bills have been introduced in Congress and in several states in recent years proposing various usury caps and other provisions that could otherwise greatly restrict the rates and fees that lenders can charge customers for late and returned payments. Although there is no evidence that such bills would ever be enacted into law, if such a bill were to be enacted, it would greatly restrict profitability for us.

Furthermore, judges or regulatory agencies could interpret current rules or laws differently than the way we do, leading to such adverse consequences as described above. A failure to comply with any applicable laws or regulations could result in regulatory actions, loss of licenses, lawsuits and damage to our reputation, any of which could have an adverse effect on our business and financial condition and our ability to originate and service loans and perform our obligations to investors and other constituents. It could also result in a default or early amortization event under our debt facilities and reduce or terminate availability of debt financing to us to fund originations.

Our failure to comply with the regulations in the jurisdictions in which we conduct our business could harm our results of operations*.

Federal and state agencies have broad enforcement powers over us, including powers to periodically examine and continuously monitor our operations and to investigate our business practices and broad discretion to deem particular practices unfair, deceptive, abusive or otherwise not in accordance with the law. All of our operations are subject to regular examination by state regulators and, in the future, may be subject to regular examination by federal regulators. These examinations may result in requirements to change our policies or practices, and in some cases, we may be required to pay monetary fines or make reimbursements to customers.

State attorneys general have stated their intention to fill any void left by diminished CFPB enforcement and have a variety of tools at their disposal to enforce state and federal consumer financial laws. First, Section 1042 of the Dodd-Frank Act grants state attorneys general the ability to enforce the Dodd-Frank Act and regulations promulgated under the Dodd-Frank Act's authority and to secure remedies provided in the Dodd-Frank Act against entities within their jurisdiction. State attorneys general also have enforcement authority under state law with respect to unfair or deceptive practices. The California Consumer Financial Protection Law passed on September 30, 2020, with an effective date of January 1, 2021, expands the jurisdiction of and reorganizes the existing state regulator to have broad authority over providers of financial services and products and gives the regulator broad enforcement authority against covered persons with respect to unfair, deceptive or abusive act and discrimination violations. Generally, under these statutes, state attorneys general may conduct investigations, bring actions, and recover civil penalties or obtain injunctive relief against entities engaging in unfair, deceptive, or fraudulent acts. Attorneys general may also coordinate among themselves to enter into multi-state actions or settlements. Finally, several consumer financial laws like the Truth in Lending Act and Fair Credit Reporting Act grant enforcement or litigation authority to state attorneys general. Should the CFPB decrease its enforcement activity under the Trump administration, we expect to see an increase in actions brought by state attorneys general.

We believe that we maintain all material licenses and permits required for our current operations and are in substantial compliance with all applicable federal, state and local regulations, but we may not be able to maintain all requisite licenses and permits, and the failure to satisfy those and other regulatory requirements could have an adverse effect on our operations. There is also a chance that a regulator will believe that we or our service providers or strategic partners should obtain additional licenses above and beyond those currently held by us or our service providers, if any. Changes in laws or regulations applicable to us could subject us or our service providers to additional licensing, registration and other regulatory requirements in the future or could adversely affect our ability to operate or the manner in which we conduct business, including restrictions on our ability to open retail locations in certain counties, municipalities or other geographic locations.

A failure to comply with applicable laws and regulations could result in additional compliance requirements, limitations on our ability to collect all or part of the principal of or interest on loans, fines, an inability to continue operations, regulatory actions, loss of our license to transact business in a particular location or state, lawsuits, potential impairment, voiding, or voidability of loans, rescission of contracts, civil and criminal liability and damage to our reputation.

A proceeding relating to one or more allegations or findings of our violation of law could also result in modifications in our methods of doing business, including our servicing and collections procedures. It could result in the requirement that we pay damages and/or cancel the balance or other amounts owing under loans associated with such violation. It could also result in a default or early amortization event under certain of our debt facilities and reduce or terminate availability of debt financing to us to fund originations. To the extent it is determined that the loans we make to our customers were not originated in accordance with all applicable laws as we are required to represent under our securitization and other debt facilities and in loan sales to investors, we could be obligated to repurchase for cash, or swap for qualifying assets, any such loan determined not to have been originated in compliance with legal requirements. We may not have adequate liquidity and resources to make such cash repurchases or swap for qualifying assets.

For more information with respect to the regulatory framework affecting our businesses, see “Business - Regulations and Compliance” included in our 2019 Form 10-K.

Financial regulatory reform relating to asset-backed securities has not been fully implemented and could have a significant impact on our ability to access the asset-backed securities market.

We rely upon asset-backed financing for a significant portion of our funds with which to carry on our business. Asset-backed securities and the securitization markets were heavily affected by the Dodd-Frank Act and have also been a focus of increased regulation by the SEC. For example, the Dodd-Frank Act mandates the implementation of rules requiring securitizers or originators to retain an economic interest in a portion of the credit risk for any asset that they securitize or originate. Furthermore, sponsors are prohibited from diluting the required risk retention by dividing the economic interest among multiple parties or hedging or transferring the credit risk the sponsor is required to maintain. Rules relating to securitizations rated by nationally-recognized statistical rating agencies require that the findings of any third-party due diligence service providers be made publicly available at least five business days prior to the first sale of securities, which has led and will continue to lead us to incur additional costs in connection with each securitization.

However, some of the regulations to be implemented under the Dodd-Frank Act relating to securitization have not yet been finalized. Additionally, there is general uncertainty regarding what changes, if any, may be implemented with regard to the Dodd-Frank Act. Any new rules or changes to the Dodd-Frank Act (or the current rules thereunder) could adversely affect our ability and our cost to access the asset-backed securities market.

Litigation, regulatory actions and compliance issues could subject us to significant fines, penalties, judgments, remediation costs and/or requirements resulting in increased expenses.

In the ordinary course of business, we have been named as a defendant in various legal actions, including class actions and other litigation. Generally, this litigation arises from the dissatisfaction of a consumer with our products or services; some of this litigation, however, has arisen from other matters, including claims of violation of do-not-call, credit reporting and collection laws, bankruptcy and practices. All such legal actions are inherently unpredictable and, regardless of the merits of the claims, litigation is often expensive, time-consuming, disruptive to our operations and resources, and distracting to management. In addition, certain of those actions include claims for indeterminate amounts of damages. Our involvement in any such matter also could cause significant harm to our reputation and divert management attention from the operation of our business, even if the matters are ultimately determined in our favor. If resolved against us, legal actions could result in excessive verdicts and judgments, injunctive relief, equitable relief, and other adverse consequences that may affect our financial condition and how we operate our business. We have in the past chosen to settle (and may in the future choose to settle) certain matters in order to avoid the time and expense of litigating them. Although none of the settlements has been material to our business, there is no assurance that, in the future, such settlements will not have a material adverse effect on our business.

In addition, a number of participants in the consumer financial services industry have been the subject of putative class action lawsuits, state attorney general actions and other state regulatory actions, federal regulatory enforcement actions, including actions relating to alleged unfair, deceptive or abusive acts or practices, violations of state licensing and lending laws, including state usury laws, actions alleging discrimination on the basis of race, ethnicity, gender or other prohibited bases, and allegations of noncompliance with various state and federal laws and regulations relating to originating and servicing consumer finance loans and other consumer financial services and products. The current regulatory environment, increased regulatory compliance efforts, and enhanced regulatory enforcement have resulted in significant operational and compliance costs and may prevent us from providing certain products and services. There is no assurance that these regulatory matters or other factors will not, in the future, affect how we conduct our business or adversely affect our business. In particular, legal proceedings brought under state consumer protection statutes or under several of the various federal consumer financial services statutes subject to the jurisdiction of the CFPB may result in a separate fine for each violation of the statute, which, particularly in the case of class action lawsuits, could result in damages substantially in excess of the amounts we earned from the underlying activities.

Some of our consumer financing agreements include arbitration clauses. If our arbitration agreements were to become unenforceable for any reason, we could experience an increase to our consumer litigation costs and exposure to potentially damaging class action lawsuits.

In addition, from time to time, through our operational and compliance controls, we identify compliance issues that require us to make operational changes and, depending on the nature of the issue, result in financial remediation to impacted customers. These self-identified issues and voluntary remediation payments could be significant, depending on the issue and the number of customers impacted, and could generate litigation or regulatory investigations that subject us to additional risk.

Internet-based and electronic signature-based loan origination processes may give rise to greater risks than paper-based processes.

We use the internet and internet-enabled mobile phones to obtain application information, distribute certain legally required notices to applicants for, and borrowers of, the loans, and to obtain electronically signed loan documents in lieu of paper documents with tangible borrower signatures. In addition, we have introduced the use of electronic signature-based loan origination processes with a tablet in our retail locations. These processes may entail greater risks than would paper-based loan origination processes, including risks regarding the sufficiency of notice for compliance with consumer protection laws, risks that borrowers may challenge the authenticity of their signature or of the loan documents, risks that a court of law may not enforce electronically signed loan documents and risks that, despite controls, unauthorized changes are made to the electronic loan documents. If any of those factors were to cause any loans, or any of the terms of the loans, to be unenforceable against the borrowers, our ability to service these loans could be adversely affected.

The CFPB is a relatively new agency which has sometimes taken expansive views of its authority to regulate consumer financial services, creating uncertainty as to how the agency's actions or the actions of any other new agency could impact our business.

The CFPB, which commenced operations in July 2011, has broad authority to create and modify regulations under federal consumer financial protection laws and regulations, such as the Truth in Lending Act and Regulation Z, the Equal Credit Opportunity Act and Regulation B, the Fair Credit Reporting Act, the Electronic Funds Transfer Act and Regulation E, and to enforce compliance with those laws. The CFPB is charged with the examination and supervision of certain participants in the consumer financial services market, including short-term, small dollar lenders, and larger participants in other areas of financial services. The CFPB is also authorized to prevent "unfair, deceptive or abusive acts or practices" through its regulatory, supervisory and enforcement authority. To assist in its enforcement, the CFPB maintains an online complaint system that allows consumers to log complaints with respect to various consumer finance products, including our loan products and our prepaid debit card program. This system could inform future CFPB decisions with respect to its regulatory, enforcement or examination focus. The CFPB may also request reports concerning our organization, business conduct, markets and activities and conduct on-site examinations of our business on a periodic basis if the CFPB were to determine, through its complaint system, that we were engaging in activities that pose risks to consumers.

There continues to be uncertainty about the future of the CFPB and as to how its strategies and priorities, including in both its examination and enforcement processes, will impact our business and our results of operations going forward. Actions by the CFPB could result in requirements to alter or cease offering affected financial products and services, making them less attractive and restricting our ability to offer them. The CFPB could also implement rules that restrict our effectiveness in servicing our financial products and services.

Future actions by the CFPB (or other regulators) against us or our competitors that discourage the use of our or their services or restrict our business activities could result in reputational harm and adversely affect our business. If the CFPB changes regulations that were adopted in the past by other regulators and transferred to the CFPB by the Dodd-Frank Act, or modifies through supervision or enforcement past regulatory guidance or interprets existing regulations in a different or stricter manner than they have been interpreted in the past by us, the industry or other regulators, our compliance costs and litigation exposure could increase materially. If future regulatory or legislative restrictions or prohibitions are imposed that affect our ability to offer certain of our products or that require us to make significant changes to our business practices, and if we are unable to develop compliant alternatives with acceptable returns, our business could be adversely affected.

As a prepaid debit card provider, we are subject to extensive and complex federal and state regulations, and new regulations, as well as changes to or inadvertent noncompliance with existing regulations, that could adversely affect our business.

We offer our customers a reloadable debit card marketed under the trade name "Ventiva" in six states in which we operate. Since March 2012, we are registered with the Financial Crimes Enforcement Network as a Money Services Business in relation to our reloadable debit card. Although we do not currently allow the Ventiva card to be reloaded with cash at our retail locations, in connection with our role as program manager for the issuer of our reloadable debit cards, we are required to be compliant with a variety of federal and state statutes and regulations which impact the manner in which we conduct our reloadable debit card business. These include, but are not limited to state money transmitter laws, the USA PATRIOT Act, the Office of Foreign Asset Control, the Bank Secrecy Act, Anti-Money Laundering laws, and Know-Your-Customer requirements, collectively referred to as AML Laws, indirect regulation and direct audit and examination by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation. Although we have committed resources to our AML Laws compliance program to ensure compliance with these various requirements, there could be heightened liability and reputational risk for us, our officers and our Board members if a regulatory agency were to deem our compliance program to be deficient or there were to be a break-down in compliance controls related to these regulations or heightened enforcement in this area.

Additionally, each state in which we offer a prepaid debit card has regulations governing money transmitters which could apply to the Ventiva card activities we conduct, or previously conducted, in that particular state. These regulations could require us to obtain a money transmitter license in a particular state. Although we believe that our activities in our states of operation do not require such licensing, the laws applicable to our debit card business or the interpretation thereof change frequently, are often unclear and may differ or conflict between jurisdictions. As a result, ensuring compliance has become more difficult and costly. Any failure, or perceived failure, by us to comply with all applicable statutes and regulations could result in fines, penalties, regulatory enforcement actions, civil liability, criminal liability, and/or limitations on our ability to operate our business.

The collection, processing, storage, use and disclosure of personal data could give rise to liabilities as a result of existing or new governmental regulation, conflicting legal requirements or differing views of personal privacy rights.*

We receive, transmit and store a large volume of personally identifiable information and other sensitive data from customers and potential customers. There are federal, state and foreign laws regarding privacy and the storing, sharing, use, disclosure and protection of personally identifiable information and sensitive data. Specifically, cybersecurity and data privacy issues, particularly with respect to personally identifiable information are increasingly subject to legislation and regulations to protect the privacy and security of personal information that is collected, processed and transmitted. For example, in June 2018, California enacted the California Consumer Privacy Act, or the CCPA, which broadly defines personal information and took effect on January 1, 2020. The CCPA gives California residents expanded privacy rights and protections and provides for civil penalties for CCPA violations, in addition to providing for a private right of action for data breaches. On November 3, 2020, California approved the California Privacy Rights Act, or CPRA, that amends the CCPA to create new and additional privacy rights and obligations in California and creates the California Privacy Protection Agency to enforce the laws. Whereas we have implemented the CCPA, compliance with other current and future customer privacy data protection and information security laws and regulations could result in higher compliance, technical or operating costs. Further, any violations of these laws and regulations may require us to change our business practices or operational structure, address legal claims and sustain monetary penalties and/or other harms to our business. We could also be adversely affected if new legislation or regulations are adopted or if existing legislation or regulations are modified such that we are required to alter our systems or require changes to our business practices or privacy policies.

We may have to constrain our business activities to avoid being deemed an investment company under the Investment Company Act.

The Investment Company Act of 1940, as amended (the "Investment Company Act") contains substantive legal requirements that regulate the manner in which “investment companies” are permitted to conduct their business activities. We believe we have conducted, and we intend to continue to conduct, our business in a manner that does not result in our company being characterized as an investment company, including by relying on certain exemptions from registration as an investment company. We rely on guidance published by the SEC staff or on our analyses of such guidance to determine our qualification under these and other exemptions. To the extent that the SEC staff publishes new or different guidance with respect to these matters, we may be required to adjust our business operations accordingly. Any additional guidance from the SEC staff could provide additional flexibility to us, or it could inhibit our ability to conduct our business operations. There can be no assurance that the laws and regulations governing our Investment Company Act status or SEC guidance regarding the Investment Company Act will not change in a manner that adversely affects our operations. If we are deemed to be an investment company, we may attempt to seek exemptive relief from the SEC, which could impose significant costs and delays on our business. We may not receive such relief on a timely basis, if at all, and such relief may require us to modify or curtail our operations. If we are deemed to be an investment company, we may also be required to institute burdensome compliance requirements and our activities may be restricted.

Our bank sponsorship products may lead to regulatory risk and may increase our regulatory burden.

We are currently in two bank sponsorship programs, one with MetaBank, N.A. for our prepaid debit card and one with WebBank for our credit card product. On November 10, 2020, we announced that we had entered into a bank sponsorship program agreement with Metabank, N.A. to offer unsecured installment loans, currently anticipated to launch in mid-2021. In addition, we continue to evaluate other options, including the possibility of obtaining a bank charter, in order to offer uniform installment loan product on a nationwide basis. State and federal agencies have broad discretion in their interpretation of laws and their interpretation of requirements related to bank sponsorship programs and may elect to alter standards or the interpretation of the standards applicable to these programs. For instance, the Colorado Credit Commissioner recently settled its lawsuit challenging two bank sponsorship programs requiring certain restrictions on such programs in order for them to continue in Colorado. Additionally, the OCC and FDIC recently issued "Valid when made" rules for which both regulators were sued by various states. The OCC also recently finalized a "true lender" rule but that rule is also expected to be challenged in court. The uncertainty of the federal and state regulatory environments around bank sponsorship programs means that our efforts to launch an installment loan product through a bank sponsor may not ultimately be successful, or it may be challenged by one or more states in which we launch such a program. Therefore, our efforts to launch an installment loan product through a bank sponsor may not ultimately be successful. Furthermore, federal regulation of the banking industry, along with tax and accounting laws, regulations, rules and standards may limit the business activity of banks and affiliates under these structures and control the method by which we can conduct business. Regulation by a federal banking regulator may also subject us to increased compliance, legal and operational costs, and could subject our business model to scrutiny or limit our ability to expand the scope of our activities in a manner that could have a material adverse effect on us.

Anti-money laundering, anti-terrorism financing and economic sanctions laws could have adverse consequences for us.

We maintain a compliance program designed to enable us to comply with all applicable anti-money laundering and anti-terrorism financing laws and regulations, including the Bank Secrecy Act and the USA PATRIOT Act and U.S. economic sanctions laws administered by the Office of Foreign Assets Control. This program includes policies, procedures, processes and other internal controls designed to identify, monitor, manage and mitigate the risk of money laundering and terrorist financing and engaging in transactions involving sanctioned countries persons and entities. These controls include procedures and processes to detect and report suspicious transactions, perform customer due diligence, respond to requests from law enforcement, and meet all recordkeeping and reporting requirements related to particular transactions involving currency or monetary instruments. No assurance is given that our programs and controls will be effective to ensure compliance with all applicable anti-money laundering and anti-terrorism financing laws and regulations, and our failure to comply with these laws and regulations could subject us to significant sanctions, fines, penalties and reputational harm.

We are subject to governmental export and import controls that could subject us to liability, impair our ability to compete in international markets and adversely affect our business.

Although our business does not involve the commercial sale or distribution of hardware, software or technology, in the normal course of our business activities we may from time to time ship general commercial equipment outside the United States to our subsidiaries or affiliates for their internal use. In addition, we may export, transfer or provide access to software and technology to non-U.S. persons such as employees and contractors, as well as third-party vendors and consultants engaged to support our business activities. In all cases, the sharing of software and/or technology is solely for the internal use of the company or for the use by business partners to provide services to us, including software development. However, such shipments and transfers may be subject to U.S. and foreign regulations governing the export and import of goods, software and technology. If we fail to comply with these laws and regulations, we and certain of our employees could be subject to significant sanctions, fines, penalties and reputational harm. Further, any change in applicable export, import or economic sanctions regulations or related legislation, shift in approach to the enforcement or scope of existing regulations or change in the countries, persons or technologies targeted by these regulations could adversely affect our business.

Risks Related to our Indebtedness

We have incurred substantial debt and may issue debt securities or otherwise incur substantial debt in the future, which may adversely affect our financial condition and negatively impact our operations.

We have in the past incurred, and expect to continue to incur, substantial debt to fund our loan activities. We depend on securitization transactions, warehouse facilities, whole loan sales and other forms of debt financing in order to finance the growth of our business and the origination of most of the loans we make to our customers. The incurrence of debt could have a variety of negative effects, including:

- default and foreclosure on our and our subsidiaries' assets if asset performance and our operating revenue are insufficient to repay debt obligations;
- mandatory repurchase obligations for any loans conveyed or sold into a debt financing or under a whole loan purchase facility if the representations and warranties we made with respect to those loans were not correct when made;
- acceleration of obligations to repay the indebtedness (or other outstanding indebtedness to the extent of cross default triggers), even if we make all principal and interest payments when due, if we breach any covenants that require the maintenance of certain financial ratios with respect to us or the loan portfolio securing our indebtedness or the maintenance of certain reserves or tangible net worth and do not obtain a waiver for such breach or renegotiate our covenant;
- our inability to obtain necessary additional financing if the debt security contains covenants restricting our ability to obtain such financing while the debt security is outstanding;
- our inability to obtain necessary additional financing if changes in the characteristics of our loans or our collection and other loan servicing activities change and cease to meet conditions precedent for continued or additional availability under our debt financings;
- diverting a substantial portion of cash flow to pay principal and interest on such debt, which would reduce the funds available for expenses, capital expenditures, acquisitions and other general corporate purposes;
- creating limitations on our flexibility in planning for and reacting to changes in our business and in the industry in which we operate;
- defaults based on loan portfolio performance or default in our collection and loan servicing obligations could result in our being replaced by a third-party or back-up servicer and notification to our customers to redirect payments;
- downgrades or revisions of agency ratings for our debt financing; and
- monitoring, administration and reporting costs and expenses, including legal, accounting and other monitoring reporting costs and expenses, required under our debt financings.

In addition, our Secured Financing carries a floating rate of interest linked to LIBOR. In July 2017, the U.K. announced the discontinuation of LIBOR which could result in interest rate increases on our Secured Financing which could adversely affect our results of operations.

A breach of early payment triggers or covenants or other terms of our agreements with lenders could result in an early amortization, default, and/or acceleration of the related funding facilities.*

The primary funding sources available to support the maintenance and growth of our business include, among others, asset-backed securitization, revolving debt facilities (including the Secured Financing facility) and whole loan sale facilities. Our liquidity would be adversely affected by our inability to comply with various conditions precedent to availability under these facilities (including the eligibility of our loans), covenants and other specified requirements set forth in our agreements with our lenders which could result in the early amortization, default and/or acceleration of our existing facilities. Such covenants and requirements include financial covenants, portfolio performance covenants and other events. For example, our securitizations contain collateral performance threshold triggers related to the three–month average annualized gross charge–off or net charge–off rate which, if exceeded, would lead to early amortization. We expect the economic impact of the COVID–19 pandemic to continue to cause our charge-offs to increase; depending upon how high charge–offs increase, the thresholds on our securitizations could be exceeded leading to an early amortization event. In addition, in response to the COVID-19 pandemic, we implemented certain credit tightening measures. Those measures, combined with lower customer demand, have led to lower originations. As such, to support our collateral requirements under our financing agreements, we have been using a random selection process to take loans off our warehouse line to pledge to our securitizations. An inability to originate enough loans to meet the collateral requirements in our financing arrangements, could result in the early amortization, default and/or acceleration of our existing facilities. Moreover, we currently act as servicer with respect to the unsecured consumer loans held by our subsidiaries. If we default in our servicing obligations or fail to meet certain financial covenants, an early amortization event or event of default could occur, and/or we could be replaced by our backup servicer or another replacement servicer. If we are replaced as servicer to these loans, there is no guarantee that the backup services will be adequate. Any disruptions in services may cause the inability to collect and process repayments. For more information on covenants, requirements and events, see Note 8 of the Notes to the Condensed Consolidated Financial Statements (Unaudited) included elsewhere in this report.

During an early amortization period or if an event of default exists, principal and interest collections from the loans in our asset-backed facilities would be applied to repay principal under such facilities and principal collections would no longer be available on a revolving basis to fund purchases of newly originated loans. If an event of default exists under our revolving debt or loan sale facilities, the applicable lenders' or purchasers' commitments to extend further credit or purchase additional loans under the related facility would terminate. If loan collections were insufficient to repay the amounts due under our securitizations and our revolving debt facility, the applicable lenders, trustees and noteholders could seek remedies, including against the collateral pledged under such facilities.

An early amortization event or event of default would negatively impact our liquidity, including our ability to originate new loans, and require us to rely on alternative funding sources. This may increase our funding costs or alternative funding sources might not be available when needed. If we were unable to arrange new or alternative methods of financing on favorable terms, we might have to curtail the origination of loans, and we may be replaced by our backup servicer or another replacement servicer.

Our securitizations and whole loan sales may expose us to certain risks, and we can provide no assurance that we will be able to access the securitization or whole loan sales market in the future, which may require us to seek more costly financing*.

We have securitized, and may in the future securitize, certain of our loans to generate cash to originate new loans or pay our outstanding indebtedness. In each such transaction and in connection with our warehouse facilities, we sell and convey a pool of loans to a special purpose entity ("SPE"). Concurrently, each SPE issues notes or certificates pursuant to the terms of an indenture. The securities issued by the SPE are secured by the pool of loans owned by the SPE. In exchange for the sale of a portion of the pool of loans to the SPE, we receive cash, which are the proceeds from the sale of the securities. We also contribute a portion of the pool of loans in consideration for the equity interests in the SPE. Subject to certain conditions in the indenture governing the notes issued by the SPE (or the agreement governing the SPE's revolving loan), the SPE is permitted to purchase additional loans from us or distribute to us residual amounts received by it from the loan pool, which residual amounts are the cash amounts remaining after all amounts payable to service providers and the noteholders have been satisfied. We also have the ability to swap pools of loans with the SPE. Our equity interest in the SPE is a residual interest in that it entitles us as the equity owner of the SPE to residual cash flows, if any, from the loans and to any assets remaining in the SPE once the notes are satisfied and paid in full (or in the case of a revolving loan, paid in full and all commitments terminated). As a result of challenging credit and liquidity conditions, the value of the subordinated securities we retain in our securitizations might be reduced or, in some cases, eliminated.

During the financial crisis that began in 2008, the securitization market was constrained, and we can give no assurances that we will be able to complete additional securitizations in the future. Similar to 2008, there is no assurance that sources of capital will continue to be available in the future on terms favorable to us or at all, particularly in light of capital markets volatility stemming from the COVID-19 pandemic. The availability of debt financing and other sources of capital depends on many factors, some of which are outside of our control. The risk of volatility surrounding the global economic system, including due to other disruptions and uncertainty surrounding the COVID-19 pandemic, continue to create uncertainty around access to the capital markets. Further, other matters, such as (i) accounting standards applicable to securitization transactions and (ii) capital and leverage requirements applicable to banks and other regulated financial institutions holding asset-backed securities, could result in decreased investor demand for securities issued through our securitization transactions, or increased competition from other institutions that undertake securitization transactions. In addition, compliance with certain regulatory requirements may affect the type of securitizations that we are able to complete.

If it is not possible or economical for us to securitize our loans in the future, we would need to seek alternative financing to support our operations and to meet our existing debt obligations, which may not be available on commercially reasonable terms, or at all. If the cost of such alternative financing were to be higher than our securitizations, we would likely reduce the fair value of our Fair Value Loans, which would negatively impact our results of operations.

The gain on sale generated by our whole loan sales and servicing fees earned on sold loans also represents a significant source of our earnings. Demand for our loans at the current premiums may be impacted by factors outside our control, including availability of loan pools, demand by investors for whole loan assets and attractiveness of returns offered by competing investment alternatives offered by other loan originators with more attractive characteristics than our loan pools and loan purchaser interest.

Our results of operations are affected by our ability to sell our loans for a premium over their net book value. Potential loan purchasers might reduce the premiums they are willing to pay, or even require a discount to principal balance, for the loans that they purchase during periods of economic slowdown or recession to compensate for any increased risks. A reduction in the sale price of the loans we sell under our whole loan sale program would likely result in a reduction in the fair value of our Fair Value Loans, which would negatively impact our results of operations. Any sustained decline in demand for our loans or increase in delinquencies, defaults or foreclosures may reduce the price we receive on future loan sales below our loan origination cost.

Risks Related to Ownership of Our Common Stock

You may be diluted by the future issuance of additional common stock in connection with our equity incentive plans, acquisitions or otherwise.

Our amended and restated certificate of incorporation authorizes us to issue shares of common stock authorized but unissued and rights relating to common stock for the consideration and on the terms and conditions established by our Board in its sole discretion, whether in connection with acquisitions or otherwise. We have authorized 8,819,821 shares for issuance under our 2019 Equity Incentive Plan and 996,217 shares for issuance under our 2019 Employee Stock Purchase Plan, subject to adjustment in certain events. Any common stock that we issue, including under our 2019 Equity Incentive Plan, our 2019 Employee Stock Purchase Plan or other equity incentive plans that we may adopt in the future, could dilute your percentage ownership.

The price of our common stock may be volatile, and you could lose all or part of your investment.*

The trading price of our common stock has been and may continue to be volatile and will depend on a number of factors, including those described in this "Risk Factors" section, many of which are beyond our control and may not be related to our operating performance. These fluctuations could cause you to lose all or part of your investment in our common stock, because you might be unable to sell your shares at or above the price you paid. Factors that could cause fluctuations in the trading price of our common stock include the following:

- failure to meet quarterly or annual guidance with regard to revenue, margins, earnings or other key financial or operational metrics;
- fluctuations in the trading volume of our share or the size of our public float;
- price and volume fluctuations in the overall stock market from time to time;
- changes in operating performance and stock market valuations of similar companies;
- failure of financial analysts to maintain coverage of us, changes in financial estimates by any analysts who follow our company, or our failure to meet these estimates or the expectations of investors;
- public reaction to our press releases, other public announcements and filings with the SEC;
- any major change in our management;
- sales of shares of our common stock by us or our stockholders;
- rumors and market speculation involving us or other companies in our industry;
- actual or anticipated changes in our results of operations or fluctuations in our results of operations;
- changes in prevailing interest rates;
- quarterly fluctuations in demand for our loans;
- actual or anticipated developments in our business or our competitors' businesses or the competitive landscape generally;
- litigation, government investigations and regulatory actions;
- developments or disputes concerning our intellectual property or other proprietary rights;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- changes in accounting standards, policies, guidelines, interpretations or principles;
- widespread public health crises such as the COVID-19 pandemic; and
- other general market, political and economic conditions, including any such conditions and local conditions in the markets in which our customers, employees, and contractors are located.

If financial or industry analysts do not publish research or reports about our business, or if they issue an adverse or misleading opinion regarding our stock, our stock price and trading volume could decline.

The trading market for our common stock is influenced by the research and reports that industry or financial analysts publish about us or our business. We do not control these analysts or the content and opinions included in their reports. Because we are a new public company, the analysts who publish information about our common stock have had relatively little experience with our company, which could affect their ability to accurately forecast our results and make it more likely that we fail to meet their estimates. If any of the analysts who cover us issue an adverse or misleading opinion regarding our stock price, our stock price would likely decline. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

Our directors, officers and principal stockholders have substantial control over our company, which could limit your ability to influence the outcome of key transactions, including a change of control.

Our directors, executive officers and each of our 5% stockholders and their affiliates, in the aggregate, beneficially own a significant number of the outstanding shares of our common stock. As a result, these stockholders, if acting together, will be able to influence or control matters requiring approval by our stockholders, including the election of directors and the approval of mergers, acquisitions or other extraordinary transactions. They may also have interests that differ from yours, and they may vote in a way with which you disagree or which may be adverse to your interests. This concentration of ownership may have the effect of delaying, preventing or deterring a change of control of our company, could deprive our stockholders of an opportunity to receive a premium for their common stock as part of a sale of our company and might ultimately affect the market price of our common stock.

We may need to raise additional funds in the future, including through equity, debt or convertible debt financings, to support business growth and those funds may not be available on acceptable terms, or at all.

We intend to continue to make investments to support our business growth and may require additional funds to respond to business challenges, including the need to develop new loan products, enhance our risk management model, improve our operating infrastructure, expand to new retail locations or acquire complementary businesses and technologies. Accordingly, we may need to engage in equity, debt or convertible debt financings to secure additional funds. If we raise additional funds by issuing equity securities or securities convertible into equity securities, our stockholders may experience dilution. Debt financing, if available, may involve covenants restricting our operations or our ability to incur additional debt. Any debt or additional equity financing that we raise may contain terms that are not favorable to us or our stockholders.

If we are unable to obtain adequate financing or on terms satisfactory to us when we require it, we may be unable to pursue certain opportunities and our ability to continue to support our growth and to respond to challenges could be impaired.

The requirements of being a public company may strain our resources, divert management's attention and affect our ability to attract and retain qualified Board members.

As a public company, we are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Sarbanes-Oxley Act, the Dodd-Frank Act, the listing standards of the Nasdaq Stock Market and other applicable securities rules and regulations, including changes in corporate governance practices and the establishment and maintenance of effective disclosure and financial controls. Compliance with these rules and regulations increases our legal and financial compliance costs, makes some activities more difficult, time-consuming or costly and increases demand on our systems and resources. We cannot predict or estimate the amount of additional costs we may incur as a result of being a public company or the timing of such costs.

Being a public company also makes it more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage, incur substantially higher costs to obtain coverage or only obtain coverage with a significant deductible. These factors could also make it more difficult for us to attract and retain qualified executive officers and qualified members of our Board, particularly to serve on our audit and risk committee and compensation and leadership committee.

In addition, changing laws, regulations and standards or interpretations thereof relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time-consuming. We intend to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to their application and practice, regulatory authorities may initiate legal proceedings against us.

Certain of our market opportunity estimates, growth forecasts, and key metrics could prove to be inaccurate, and any real or perceived inaccuracies may harm our reputation and negatively affect our business.

Market opportunity estimates and growth forecasts, including those we have generated ourselves, are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate. The estimates and forecasts relating to the size and expected growth of our target market may prove to be inaccurate. It is impossible to offer every loan product, term or feature that every customer wants, and our competitors may develop and offer loan products, terms or features that we do not offer. The variables that go into the calculation of our market opportunity are subject to change over time, and there is no guarantee that any particular number or percentage of the individuals covered by our market opportunity estimates will generate any particular level of revenues for us. Even if the markets in which we compete meet our size estimates and growth forecasts, our business could fail to grow at similar rates, if at all, for a variety of reasons outside of our control, including competition in our industry. Furthermore, in order for us to successfully address this broader market opportunity, we will need to successfully expand into new geographic regions where we do not currently operate. Our key metrics may differ from estimates published by third parties or from similarly titled metrics of our competitors due to differences in methodology. If investors or analysts do not perceive our metrics to be accurate representations of our business, or if we discover material inaccuracies in our metrics, our reputation, business, results of operations, and financial condition would be adversely affected.

Certain provisions in our charter documents and under Delaware law could limit attempts by our stockholders to replace or remove our Board, delay or prevent an acquisition of our company, and limit the market price of our common stock.

Provisions in our amended and restated certificate of incorporation and amended and restated bylaws may have the effect of delaying or preventing a change of control or changes in our Board. These provisions include the following:

- a classified Board with three-year staggered terms, which may delay the ability of stockholders to change the membership of a majority of our Board;
- our Board has the right to elect directors to fill a vacancy created by the expansion of the Board or the resignation, death or removal of a director, which prevents stockholders from being able to fill Board vacancies;
- our stockholders may not act by written consent or call special stockholders' meetings;
- our amended and restated certificate of incorporation prohibits cumulative voting in the election of directors, which limits the ability of minority stockholders to elect director candidates;

- stockholders must provide advance notice and additional disclosures in order to nominate individuals for election to the Board or to propose matters that can be acted upon at a stockholders' meeting, which may discourage or deter a potential acquiror from conducting a solicitation of proxies to elect the acquiror's own slate of directors or otherwise attempting to obtain control of our company; and
- our Board may issue, without stockholder approval, shares of undesignated preferred stock, which may make it possible for our Board to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to acquire us.

As a Delaware corporation, we are also subject to certain Delaware anti-takeover provisions. Under Delaware law, a corporation may not engage in a business combination with any holder of 15% or more of its capital stock unless the holder has held the stock for three years or, among other things, the Board has approved the transaction. Such provisions could allow our Board to prevent or delay an acquisition of our company.

Certain of our executive officers may be entitled, pursuant to the terms of their employment arrangements, to accelerated vesting of their stock options following a change of control of our company under certain conditions. In addition to the arrangements currently in place with some of our executive officers, we may enter into similar arrangements in the future with other officers. Such arrangements could delay or discourage a potential acquisition.

Any provision of our amended and restated certificate of incorporation or amended and restated bylaws or Delaware law that has the effect of delaying or deterring a potential acquisition could limit the opportunity for our stockholders to receive a premium for their shares of our common stock in connection with such acquisition, and could also affect the price that some investors are willing to pay for our common stock.

Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware or the U.S. federal district courts will be the exclusive forums for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or other employees.*

Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware is the sole and exclusive forum for the following types of actions or proceedings under Delaware statutory or common law: (1) any derivative action or proceeding brought on our behalf, (2) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or other employees to us or our stockholders, (3) any action asserting a claim against us or any of our directors, officers or other employees arising pursuant to any provisions of the Delaware General Corporation Law, our amended and restated certificate of incorporation or our amended and restated bylaws, (4) any action to interpret, apply, enforce or determine the validity of our amended and restated certificate of incorporation or our amended and restated bylaws, or (5) any action asserting a claim against us or any of our directors, officers or other employees that is governed by the internal affairs doctrine. This provision would not apply to suits brought to enforce a duty or liability created by the Exchange Act or the rules and regulations thereunder. Furthermore, Section 22 of the Securities Act of 1933, as amended ("Securities Act"), creates concurrent jurisdiction for federal and state courts over all such Securities Act actions. Accordingly, both state and federal courts have jurisdiction to entertain such claims. To prevent having to litigate claims in multiple jurisdictions and the threat of inconsistent or contrary rulings by different courts, among other considerations, our amended and restated certificate of incorporation further provides that the federal district courts of the United States of America will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act. While the Delaware courts have determined that such choice of forum provisions are facially valid, a stockholder may nevertheless seek to bring a claim in a venue other than those designated in the exclusive forum provisions. In such instance, we would expect to vigorously assert the validity and enforceability of the exclusive forum provisions of our amended and restated certificate of incorporation. This may require significant additional costs associated with resolving such action in other jurisdictions, which could adversely affect our business and financial condition, and there can be no assurance that the provisions will be enforced by a court in those other jurisdictions.

These exclusive forum provisions may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, or other employees, which may discourage lawsuits against us and our directors, officers and other employees. If a court were to find either exclusive-forum provision in our amended and restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur further significant additional costs associated with resolving the dispute in other jurisdictions, all of which could seriously harm our business.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Unregistered Sale of Equity Securities

None.

Use of Proceeds

On September 30, 2019, we completed our initial public offering, (the "IPO"). The offer and sale of all of the shares in the IPO were registered under the Securities Act pursuant to a registration statement on Form S-1 (File No. 333-232685), which was declared effective by the SEC on September 25, 2019. There has been no material change in the use of proceeds from our IPO as described in our final prospectus filed with the SEC pursuant to Rule 424(b) of the Securities Act and other periodic reports previously filed with the SEC.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibit Index

		Incorporated by Reference				
Exhibit	**Description**	**Form**	**File No.**	**Exhibit**	**Filing Date**	**Filed Herewith**
10.1¥	Program Agreement, by and between Oportun, Inc. and MetaBank, N.A., dated as of August 11, 2020.					x
31.1	Rule 13a-14(a)/15d-14(a) Certifications of the Chief Executive Officer and Director of Oportun Financial Corporation					x
31.2	Rule 13a-14(a)/15d-14(a) Certifications of the Chief Financial Officer and Chief Administrative Officer of Oportun Financial Corporation					x
32.1*	Section 1350 Certifications					x
101	Interactive data files pursuant to Rule 405 of Regulation S-T:					
	(i) Condensed Consolidated Balance Sheets,					
	(ii) Condensed Consolidated Statements of Operations and Comprehensive Income,					
	(iii) Condensed Consolidated Statements of Changes in Stockholders' Equity,					
	(iv) Condensed Consolidated Statements of Cash Flows, and					
	(v) Notes to the Condensed Consolidated Financial Statements					
104	Cover Page Interactive Data File in Inline XBRL format (Included in Exhibit 101).					

¥ Portions of this exhibit have been omitted from the exhibit because they are both not material and would be competitively harmful if publicly disclosed.

* The certifications attached as Exhibit 32.1 that accompany this Quarterly Report on Form 10-Q are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of the Registrant under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

The instance document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document.

Signature

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the date set forth below.

OPORTUN FINANCIAL CORPORATION
(Registrant)

Date: November 10, 2020

By: /s/ Jonathan Coblentz
Jonathan Coblentz
Chief Financial Officer and Chief Administrative Officer
(Principal Financial and Accounting Officer and duly authorized signatory of the Registrant)

Certain information identified with brackets ([****]) has been excluded from this exhibit because such information is both (i) not material and (ii) competitively harmful if publicly disclosed

Program Agreement

by and between

MetaBank, National Association,

and

Oportun, Inc.

Dated as of August 11, 2020

Table of Contents

ARTICLE I DEFINITIONS AND CONSTRUCTION	1
Section 1.1. Definitions.	1
Section 1.2. Construction	11
ARTICLE II GENERAL PROGRAM DESCRIPTION	11
Section 2.1. General Description.	11
Section 2.2. Program Modifications	12
Section 2.3. Allocation, Retained Loans, and Purchased Loans.	13
Section 2.4. Use of Customer Information	15
Section 2.5. Funds Flow	17
ARTICLE III DUTIES OF COMPANY AND BANK	17
Section 3.1. Duties and Responsibilities of Company	17
Section 3.2. Duties and Responsibilities of Bank	22
Section 3.3. Conditions Precedent to the Obligations of Bank	23
Section 3.4. Conditions Related to Retained Loans	25
ARTICLE IV TRADE NAMES, ACCOUNTING SYSTEM; ADVERTISING AND PROGRAM MATERIALS; PLATFORM	27
Section 4.1. Trade Names and Trademarks	28
Section 4.2. Accounting System	27
Section 4.3. Advertising and Program Materials.	27
Section 4.4. Intellectual Property	28
Section 4.5. Relationship Managers	29
ARTICLE V LOAN ORIGINATION, COMPENSATION, AND RESERVE ACCOUNTS	29
Section 5.1. Loan Origination	29
Section 5.2. Compensation	29
Section 5.3. Risk Reserve Account.	29
Section 5.4. Performance Reserve Account	30
ARTICLE VI EXPENSES	30
Section 6.1. Expenses	30
Section 6.2. Taxes	30
ARTICLE VII TERM	30
Section 7.1. Term	30
Section 7.2. Renewal	30
ARTICLE VIII TERMINATION	31
Section 8.1. Termination.	31
Section 8.2. Effect of Termination	34
ARTICLE IX REPRESENTATIONS AND WARRANTIES	35
Section 9.1. Company's Representations and Warranties	35
Section 9.2. Bank's Representations and Warranties	38
ARTICLE X MISCELLANEOUS	40
Section 10.1. Indemnification.	40

Section 10.2. Limitation of Liability	43
Section 10.3. Governing Law	43
Section 10.4. Confidential Information.	43
Section 10.5. Privacy Law Compliance; Security Breach Disclosure; Data Security and Business Continuity.	46
Section 10.6. Force Majeure	49
Section 10.7. Relationship of Parties; No Authority to Bind	50
Section 10.8. Severability	50
Section 10.9. Successors, Third Parties, and Assignment	50
Section 10.10. Notices	50
Section 10.11. Waiver; Amendments	51
Section 10.12. Counterparts	51
Section 10.13. Specific Performance	51
Section 10.14. Further Assurances	52
Section 10.15. Entire Agreement	52
Section 10.16. Survival.	52
Section 10.17. Referrals	52
Section 10.18. Interpretation	52
Section 10.19. Headings	52
Section 10.20. Disputes	54
Section 10.21. Grant of Security Interest; Set Off	53
Section 10.22. Subcontracting	53

Exhibits and Schedules

Exhibit A	Program Supplement
Exhibit B	Compliance Guidelines
Exhibit C	Service Levels
Exhibit D	Loan Allocation Schedule
Exhibit E	Company Audit Scope
Exhibit F	ACH Procedures
	Exhibit F-1 Current ACH Standard Rates
Exhibit G	Compensation
	Exhibit G-1 Form of Compensation Statement for Purchased Loans
Exhibit H	Insurance Requirements
Exhibit I	Accounting Reports
Exhibit J	Data Submissions and Reports
Exhibit K	List of Program Critical Subcontractors and Subcontractors
Exhibit L	Retained Loan Representations and Warranties
Exhibit M	Corrective Action Plan Details
Exhibit N	Vendor Management Policy
Exhibit O	Program Cash Flow

These schedules, exhibits and other attachments have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The registrant undertakes to provide such information to the Commission upon request.

PROGRAM AGREEMENT

THIS PROGRAM AGREEMENT (as amended, restated, supplemented or otherwise modified from time to time, and including all schedules, attachments, exhibits and Program Supplements, this "*Agreement*") is made and entered into as of this August 11, 2020 (the "*Effective Date*"), by and among METABANK, NATIONAL ASSOCIATION, a national bank ("*Bank*"), and Oportun, Inc., a Delaware corporation ("*Company*"). Company and Bank are sometimes referred to herein as a "*Party*" or together as the "*Parties*."

WHEREAS, Bank is engaged in the business of making consumer loans throughout the United States;

WHEREAS, Company is in the business of soliciting, marketing, underwriting and servicing consumer loans;

WHEREAS, Bank desires to receive, and Company desires to provide, certain services, including soliciting, marketing, underwriting, data analysis and fraud prevention, with respect to consumer loans made by Bank; and

NOW, THEREFORE, in consideration of the foregoing and the terms, conditions and mutual covenants and agreements contained herein, for good and valuable consideration, the receipt and sufficiency of which are hereby conclusively acknowledged, the Parties agree as follows:

ARTICLE I

DEFINITIONS AND CONSTRUCTION

Section 1.1. Definitions. In addition to definitions provided for other terms elsewhere in this Agreement and except as otherwise specifically indicated, the following terms shall have the indicated meanings set forth in this Section 1.1.

"Accounting Reports" is defined in Section 10.5(e).

"ACH" means automated clearing house.

"ACH Instructions" is defined in Exhibit A.

"Active Retained Loan Average Balance" is defined in Exhibit G.

"Advertising Materials" means, with respect to any Program, all materials used by Company and approved by Bank in the performance of its marketing and solicitation services contemplated under this Agreement, including, without limitation, advertisements, direct mail pieces, digital ads, brochures, website materials and any other similar materials.

"Affiliate" means, with respect to any specified Person, any Person who directly or indirectly controls, is controlled by or is under common control with the specified Person. For the purpose of this definition, the term "control" (including with correlative meanings, the terms controlling, controlled by and under common control with) means the power to direct the management or policies of such Person, directly or indirectly, through the ownership of fifty percent (50%) or more of a class of securities having ordinary voting power for the election of directors of such Person.

"Agreement" is defined in the Preamble.

"Anti-Money Laundering Laws" is defined in Section 9.1(j).

"Applicable Laws" means all federal, state and local laws, statutes, ordinances, regulations and orders, together with all written rules and guidelines established by self-regulatory organizations, such as Nacha, or government sponsored entities, applicable to a Party or relating to or affecting any aspect of any Program (including, without limitation, the Loans), and all written requirements of any Regulatory Authority having jurisdiction over a Party or any activity provided for in this Agreement or any Program Document, as any such laws, statutes, regulations, orders and written requirements may be amended and in effect from time to time during the term of this Agreement. Without limitation of the foregoing, "Applicable Law" shall include any order, decision, injunction or similar pronouncement of any court, tribunal, or arbitration panel as well as any written regulations, policy statements, published interpretations, directives, consent orders or any similar written pronouncement of a Regulatory Authority applicable to the acts of Bank, Company, or a Subcontractor as they relate to any Program or a Party's performance of its obligations under the Program Documents.

"Bank" is defined in the Preamble.

"Bank Origination Fee" is defined in Section 1.1 of Exhibit G.

"Bank Privacy Notice" means the privacy notice prepared by Bank to be provided to Borrowers in connection with Loans.

"Bank Required Interest" is defined in Section 2.3(a)(i) of Exhibit G.

"Borrower" means, with respect to any Loan, each Person who is a borrower under such Loan (including each co-borrower if applicable) and each other obligor (including any co-signor or guarantor) of the payment obligation for such Loan.

"Business Day" means any day upon which national banks located in South Dakota are open for business, but excluding Saturdays and Sundays.

"Cash Annual Percentage Rate" is defined in Section 3.6(b).

"Change of Control Event" means, with respect to the other Party, any transaction or series of transactions (as a result of a tender offer, merger, consolidation, reorganization, recapitalization, stock acquisition or otherwise) that results in (A) any Person or "group" (within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder acquiring, directly or indirectly, a majority of the combined voting power of the outstanding securities of such other Party (or its Controlling Parent (as defined below), if there is one) entitled to vote generally in the election of directors (or any equivalent governing body); provided, however, that any merger or consolidation of such other Party with and into any of such other Party's direct or indirect subsidiaries or parent companies or direct or indirect subsidiaries of such parent company, shall not constitute a "Change of Control" hereunder so long as the Controlling Parent prior to such merger or consolidation shall, after giving effect to such merger or consolidation, own and control, directly or indirectly and beneficially and of record, not less than a majority of the combined voting power of the outstanding securities of the surviving entity from such merger or consolidation entitled to vote generally in the election of directors (or any equivalent governing body), (B) the sale, lease, license, exchange, conveyance, transfer or other disposition of all or substantially all of the assets of such other Party (or its Controlling Parent, if there is one), or (C) the Controlling Parent (if there is one) ceasing to own, directly or indirectly and beneficially and of record, a majority of the combined voting power of the outstanding securities of such other Party entitled to vote generally in the election of directors (or any equivalent governing body). "Controlling Parent" means, with respect to such other Party, the ultimate Person (if any) that owns and controls as of the date hereof, directly or indirectly and beneficially and of record, a majority of the combined voting power of the outstanding securities of such other Party entitled to vote generally in the election of directors (or any equivalent governing body).

"Charged-Off Loan" means any Loan that has been charged off in accordance with the Charge Off Policy (as defined in the Loan Servicing Agreement), including due to the death or bankruptcy of the Borrower, a settlement with the Borrower, or identity fraud; provided, however, that, notwithstanding the foregoing, any Loan with respect to which any scheduled payment remains unpaid for more than 120 days from the related due date or for which the Borrower becomes deceased or bankrupt shall be a Charged-Off Loan as of the month-end calculation in which such event occurs.

"CMS" is defined in Section 3.1(i).

"Collection Account" is defined in Section 2.3(b) of Exhibit G.

"Collections" is defined in Section 2.3(b) of Exhibit G.

"Commencement Date" is defined in Section 1.4 of Exhibit G.

"Company" is defined in the Preamble.

"Company Platform" means, with respect to any Program, the technology, including all computer software, proprietary system information, know-how and other technology and information, together with all related documentation, developed and owned by, or licensed by third parties to, Company relating to the Loans originated by Bank pursuant to this Agreement, including the website or websites (including any sub-domain thereof) operated by Company, and any and all future versions thereof, and any and all enhancements, upgrades, modifications and improvements thereto and derivative works thereof owned by Company or licensed by third parties to Company, and all Intellectual Property Rights therein owned by Company or licensed by third parties to Company.

"Company's Profit Share" is defined in Section 2.4(c) of Exhibit G.

"Compliance Guidelines" means, with respect to a Program, the Compliance Guidelines entered into by Bank and Company with respect to such Program, in form and substance substantially identical to the form of Compliance Guidelines attached hereto as Exhibit B, as amended from time to time in accordance with Section 2.2.

"Confidential Information" is defined in Section 10.4(a).

"Credit Model" means the models, algorithms, formulae and others aspects of the automated credit scoring system used to approve or deny an application for credit under a Program and adopted by Bank, as further described in documentation for the Loan risk model provided by Company to Bank from time to time. For avoidance of doubt, the Underwriting Guidelines shall not be considered part of the Credit Model.

"CST" means Central Standard Time.

"Customer Information" is defined in Section 10.5(a).

"Disclosing Party" is defined in Section 10.4(b).

"Dispute" is defined in Section 10.20(a).

"Effective Date" is defined in the Preamble.

"Excess Interest" is defined in Section 2.3(a)(ii) of Exhibit G.

"FDIC" means the Federal Deposit Insurance Corporation.

"Federal Funds Rate" is defined in Section 2.3(a)(iii) of Exhibit G.

"Fee Start Date" is defined in Section 1.4 of Exhibit G.

"FFIEC" means the Federal Financial Institutions Examination Council.

"Funds Flow" is defined in Section 2.4.

"Funding Facility" is defined in Section 2.3(c)(iii).

"GLBA" means Title V of the Gramm-Leach-Bliley Act, 15 U.S.C. §§ 6801 *et seq*.

"Government List" means (i) the Annex to Presidential Executive Order 13224 (Sept. 23, 2001), (ii) OFAC's most current list of "Specifically Designated National and Blocked Persons" (which list may be published from time to time in various mediums including, but not limited to, the OFAC website, https://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/default.aspx or any successor website or webpage) and (iii) any other list of terrorists, terrorist organizations or narcotics traffickers maintained by a Governmental Authority that financial institutions are required by Applicable Laws to screen against prior to originating a loan or that Bank notifies Company in writing is now included in "Government List."

"Governmental Authority" means any court, board, agency, commission, office or authority of any nature whatsoever or any governmental unit (federal, state, commonwealth, county, district, municipal, city or otherwise), including without limitation, the Office of the Comptroller of the Currency, the Department of Justice, the FDIC, and the Consumer Financial Protection Bureau whether now or hereafter in existence, including without limitation, any Regulatory Authority.

"Holding Period" is defined in Exhibit A.

"Information Security Incident" is defined in Section 10.5(b).

"Initial Term" is defined in Section 7.1.

"Intellectual Property Rights" means all intellectual property rights, worldwide, including without limitation, any invention, whether patentable or otherwise, copyright, Marks, trade secret or patent rights and any United States or foreign registrations or letters patent or applications for any of the foregoing including any renewals, extensions, divisionals, continuations, continuations-in-part or reissues thereof and any reexamination certificates relating thereto. The Parties agree that Intellectual Property Rights belonging to Company shall not include any Marks or other Intellectual Property Rights of Bank. The Parties agree that Intellectual Property Rights belonging to Bank shall not include Marks or Intellectual Property Rights of Company.

"Interim Interest" is defined in Section 1.1 of Exhibit G.

"Loan" means an unsecured consumer installment loan made by Bank to a Borrower under a Program.

"Loan Agreement" means, with respect to a Loan, Bank's form of document or documents containing the terms and conditions of such Loan, including the loan agreement, Truth In Lending Act disclosures, all attachments and schedules thereto and any related Bank Privacy Notice or other disclosures required by Applicable Laws.

"Loan Allocation Schedule" is defined in Section 2.3(a).

"Loan Applicant" means each prospective Borrower (including each prospective co-Borrower if applicable) that has completed a Loan Application for a Loan.

"Loan Application" means the paper document, electronic application, or verbal application made in person and captured electronically by Company, submitted by a Loan Applicant when requesting a Loan, together with any exhibits, supporting documentation and other ancillary materials.

"Loan Documents" means, collectively, with respect to any Loan, the single, authoritative, original, signed version of the Loan Agreement, the note (if one is used to document the Loan), and any other documents signed by the Borrower in connection with the Loan Agreement.

"Loan File" means the file maintained by Company or its Subcontractors with respect to a Loan which shall contain the Loan Application, credit report(s), underwriting score (if any), a copy of the Loan Documents and the payment and servicing history associated with that Loan.

"Loan Losses" is defined in Section 2.3(b)(ii) of Exhibit G.

"Loan Origination Fee" means, with respect to a Loan, any up-front origination fee charged to the related Borrower or Borrowers for such Loan pursuant to the Loan Documents, the calculation of which is described in the related Program Supplement and Underwriting Guidelines.

"Loan Proceeds" means, for any Loan, the funds disbursed to or on behalf of a Borrower pursuant to a Loan funded by Bank under the related Program.

"Loan Production Office" means an office, working location, or storefront open to the public that is established and operated solely by Company, which may include a work site located within a business establishment not exclusively operated by Company, at which Company performs certain customer support services as an agent of Bank and administrative functions to assist Loan Applicants and Borrowers. For the avoidance of doubt, a Loan Production Office is not a branch of Bank.

"Loan Purchase Agreement" means any loan sale or purchase agreement, including all schedules and exhibits thereto, as the same may be amended, restated, supplemented or otherwise modified from time to time, related to a Program that is entered into among Bank, as seller thereunder, a Purchaser, as purchaser thereunder, and Company, as servicer thereunder, pursuant to which Bank agrees to sell to such Purchaser the related Loans.

"Loan Servicing Agreement" means the loan servicing agreement, including all schedules and exhibits thereto, as the same may be amended, restated, supplemented or otherwise modified from time to time, related to a Program that is entered into between

Bank and Company as servicer thereunder, pursuant to which Company agrees to service Loans held by Bank during the Holding Period and Retained Loans.

"Loan Servicing Services" means all services that Company is obligated to perform under the Loan Servicing Agreement.

"Loan Trailing Risk Retention Fee" is defined in Section 1.3 of Exhibit G.

"Losses" is defined in Section 10.1(c).

"Marks" means trademarks, trade names, service marks, logos, brands, corporate names, trade dress, domain names, designations and other source identifiers or indicia of goods or services, whether registered or unregistered, and all registrations and applications for registration of the foregoing, and all issuances, extensions, and renewals of such registrations and applications, and the goodwill associated with any of the foregoing.

"Maximum Facility Amount" is defined in Section 3.2(c).

"Maximum Retained Loan Amount" is defined in Section 2.3(b)(i).

"Minimum Monthly Fees" is defined in Section 1.4 of Exhibit G.

"Minimum Performance Reserve Balance" is defined in Section 2.4(d) of Exhibit G.

"Minimum Retained Loan Amount" is defined in Section 2.3(a).

"Monthly Distribution Date" is defined in Section 4.2 of Exhibit G.

"Monthly Excess Interest Vintage" is defined in Section 2.3(a)(iv) of Exhibit G.

"Monthly Documentation Fee for Purchased Loans" is defined in Section 1.5 of Exhibit G.

"Monthly Documentation Fee for Retained Loans" is defined in Section 2.2 of Exhibit G.

"Notification Related Costs" is defined in Section 10.5(c).

"OFAC" means the Office of Foreign Assets Control of the U.S. Department of Treasury.

"Other Buyer" is defined in Section 2.3(b)(ii).

"Other Purchaser" means a third party unaffiliated with Company that enters into a Loan Purchase Agreement for non-Charged Off Loans with Company.

"Party" is defined in the Preamble.

"Patriot Act" means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act (USA PATRIOT ACT) of 2001, as the same may be amended from time to time.

"Patriot Act Offense" is defined in Section 9.1(j).

"Performance Reserve Account" is defined in Section 2.4 of Exhibit G.

"Person" means any individual, corporation, partnership, limited liability company, business trust, joint tenant or tenant-in-common, joint venture, estate, trust, unincorporated association, any other entity of whatever nature, any Governmental Authority and any fiduciary acting in such capacity on behalf of any of the foregoing.

"Privacy Requirements" is defined in Section 10.5(a).

"Program" means any loan program established by Bank in accordance with and subject to the terms and conditions of this Agreement, the Loan Purchase Agreement and the Loan Servicing Agreement, and that is described in a Program Supplement and a Program Requirements Document, which loan program includes the marketing and servicing by Company of Loans made by Bank to Borrowers who are identified by Company and meet the Underwriting Guidelines for the Program.

"Program Critical Subcontractor" means any Subcontractor engaged by Company in connection with the Program (a) that has products or services involving critical financial services, regulated business activities or functions or critical business activities, (b) that could cause Company to face significant regulatory and/or business risk if such party failed to perform, (c) that engages in consumer-facing activities with significant consumer impact, (d) that provides information that Company may rely upon (or is the basis for the derivation of data) in the preparation of Company's financial statements, financial reporting or related disclosures, (e) that receives, stores, transmits, processes, or otherwise has access to Customer Information, or (f) that is identified on Exhibit K as a Program Critical Subcontractor.

"Program Documents" means this Agreement, each Loan Purchase Agreement, the Loan Servicing Agreement, and any other documents delivered or executed by Company and Bank in connection with the Program.

"Program Guidelines" means, as and to the extent applicable to the obligations to be performed by each Party hereunder, the written policies, procedures, guidelines, manuals, and servicing instructions regarding the administration of a Program which have been delivered to Company by Bank or developed by Company and approved by Bank in writing for use by Company, including in its management of its Subcontractors (as the same may be modified from time to time in accordance with Section 2.2), which policies, procedures and guidelines shall include, without limitation, the applicable Program Requirements Document, the Compliance Guidelines, Vendor Management Policy, Funds Flow, Loan Production Office guidelines and risk management program, and the Underwriting Guidelines related to such Program as well as other written guidelines set forth in the applicable Program Supplement. For the avoidance of doubt, if any term or condition of this Agreement or the Loan Servicing Agreement conflicts with a similar term or agreement in the Program Guidelines, the Program Guidelines shall control.

"Program Materials" means all documents, materials and methods used in connection with the performance of the Parties' obligations under this Agreement, including without limitation the forms of the Loan Applications and Loan Agreements, disclosures required by Applicable Laws or Bank policies, change in terms or E-SIGN disclosures, training materials, Loan Applicant and Borrower communications and scripting, collection materials, and the like. For the avoidance of doubt, the term shall not include Advertising Materials or Program Guidelines.

"Program Records" is defined in Section 3.1(j).

"Program Requirements Document" means a description and explanation of the parameters and features of each Program using the form provided by Bank, together with any accompanying exhibits or schedules, which may be amended from time to time in accordance with Section 2.2 of this Agreement.

"Program Supplement" means the program supplement attached hereto as Exhibit A with respect to the Program, which sets forth the mechanisms by which the Loans are decisioned and funded. For the avoidance of doubt, if any term or condition of this Agreement conflicts with a similar term or condition in any Program Supplement, the Program Supplement shall control.

"Purchase Failure" means a failure by a Purchaser, for any reason, to purchase any Loan allocated to such Purchaser by Company pursuant to Section 2.3(a) as required by the applicable Loan Purchase Agreement.

"Purchase Price" is defined in Section 1.1 of Exhibit G.

"Purchased Loan" is a Loan that is not a Retained Loan and is purchased by a Purchaser pursuant to a Loan Purchase Agreement.

"Purchaser" means Company or any Affiliate of Company that enters into a Loan Purchase Agreement with Bank to purchase Loans.

"Recoveries" means with respect to any period, all collections (net of expenses) received during such period in respect of a Loan after it became a Charged-Off Loan.

"Regulatory Authorities" means the Office of the Comptroller of the Currency ("OCC"), the FDIC, the Consumer Financial Protection Bureau ("CFPB"), and any other local, state or federal regulatory authority that currently has, or may in the future have, jurisdiction or exercise regulatory or similar oversight with respect to Bank, and in connection with activities relating to the Program, Company or Program Critical Subcontractors (except that nothing herein shall be deemed to constitute an acknowledgement by Bank that any Regulatory Authority other than the OCC and the FDIC has jurisdiction or exercises regulatory or similar oversight with respect to Bank).

"Release Date" is defined in Section 2.3(a)(iv) of Exhibit G.

"Remediation Efforts" is defined in Section 10.5(b).

"Renewal Term" is defined in Section 7.2.

"Restricted Party" is defined in Section 10.4(b).

"Retained Loan(s)" is defined in Section 2.3(b)(i).

"Retained Loan Profit Sharing" is defined in Section 2.3 of Exhibit G.

"Retained Loan Net Annualized Loss Rate" means the ratio of (i) the gross Charged-Off Loans during the prior calendar month less Recoveries received during such calendar month for all Retained Loans, multiplied by twelve (12); and the outstanding balance as of the last day of such calendar month for all Retained Loans.

"Risk Reserve Account" is defined in Section 5.4(a).

"Risk Reserve Minimum Amount" is defined in Section 5.4(a).

"SEC" is defined in Section 10.4(f).

"Shortfall Obligation" is defined in Section 1.4 of Exhibit G.

"Subcontractor" means those Program Critical Subcontractors and other Subcontractors identified on Exhibit K as well as any third-party service provider retained by Bank or Company to perform one or more obligations of such Party under this Agreement. For the avoidance of doubt for purposes of this Agreement, neither Company nor Bank shall be considered a "Subcontractor" of the other.

"Term" is defined in Section 7.2.

"Third-Party Purchaser" means a third party unaffiliated with Company that enters into a Loan Purchase Agreement with Company and Bank to purchase Loans.

"Transfer Event" is defined in Section 3.5.

"Underwriting Guidelines" means, with respect to a Program, the underwriting requirements adopted by Bank, as amended from time to time pursuant to Section 2.2, which shall consist of the program standards, the underwriting operations manual, risk model white paper and shall be applied by Company in processing Loan Applications in connection with such Program on behalf of Bank; provided, however, that (a) outputs of the Credit Model may be part of the Underwriting Guidelines, but (b) the Credit Model itself shall not be considered part of the Underwriting Guidelines.

“Vendor Management Policy” is defined in Section 10.22(c).

“Waterfall” is defined in Section 2.3(b) of Exhibit G.

Section 1.2. Construction. As used in this Agreement: (i) all references to the masculine gender shall include the feminine gender (and vice versa); (ii) all references to “include,” “includes,” or “including” shall be deemed to be followed by the words “without limitation;” (iii) references to any law or regulation refer to that law or regulation as amended from time to time and include any successor law or regulation; (iv) references to another agreement, instrument or other document means such agreement, instrument or other document as the same may be amended, supplemented or otherwise modified from time to time in accordance with the terms thereof; (v) references to “dollars” or “$” shall be to United States dollars unless otherwise specified herein; (vi) unless otherwise specified, all references to days, months or years shall be deemed to be preceded by the word “calendar”; (vii) all references to “quarter” shall be deemed to mean calendar quarter; (viii) unless otherwise specified, all references to an article, section, subsection, exhibit or schedule shall be deemed to refer to, respectively, an article, section, subsection, exhibit or schedule of or to this Agreement and (ix) unless the context otherwise clearly indicates, words used in the singular include the plural and words in the plural include the singular.

ARTICLE II

GENERAL PROGRAM DESCRIPTION

Section 2.1. General Description.

(a) The Parties have initially agreed to offer one Program, namely the Oportun Personal Loan Program issued by MetaBank. The Program Supplement for this Program is attached hereto as Exhibit A. The Parties further agree that, in accordance with the Program Guidelines, the Program shall consist of the making of Loans by Bank in the states listed in the Program Requirements Document, as may be amended from time to time, and the marketing, underwriting, administration, data analysis, modeling, fraud prevention and servicing of the Loans by Company, on behalf of Bank and subject to Bank’s control, oversight and direction, pursuant to the Program Documents. The Parties further agree that any review, approval, consent or other involvement by Bank in any action, any document preparation, any review or any other Company action, shall not relieve Company from its obligation to ensure that the Loans originated by Bank and Loan Applications are processed in compliance with Applicable Laws, the Program Guidelines and the Program Supplement for the Program.

(b) The Parties may from time to time agree to add additional Programs, each of which shall be subject to the terms and conditions of this Agreement, by executing and delivering an amendment to this Agreement in accordance with Section 10.11. Additionally, Bank shall work in good faith with Company to explore the terms and conditions for such additional Programs and Program Guidelines. As part of the Program Guidelines, the Parties hereby agree to further cooperate in good faith to develop a Program

Requirements Document, subject to Bank's final written approval, for each such additional Program proposed to be offered under this Agreement. Company shall perform its obligations under the Program Documents in accordance with Applicable Laws, the Program Guidelines and the Program Supplement, including without limitation the Program Requirements Document.

(c) Bank shall be the only lender in the Program unless and until one of the following events occurs: (i) at any time, Bank has originated Loans in the immediately preceding twelve (12) calendar months having a total maximum original principal balance exceeding the current Maximum Facility Amount (as herein defined), (ii) the total aggregate outstanding principal balance of Loans originated in the Program has exceeded [****], or (iii) Bank has decreased or suspended Loan originations in the Program. Bank acknowledges that the Program for purposes of this subsection does not include any similar consumer installment loan program in which Company or Company's Affiliate acts as the lender. If any of the events described in (i), (ii) or (iii) occurs, Company may engage another FDIC-insured depository institution to make Loans in the Program, provided that before Company negotiates credit program terms with another FDIC-insured depository institution, Company shall notify Bank of its intent and Bank shall have the right to exclusively negotiate with Company for a period of thirty (30) days and the right, during such period, to make a first offer to originate in respect of Company's loan origination programs.

Section 2.2. Program Modifications.

(a) Company may suggest changes to a Program, the Program Guidelines, Program Materials or Advertising Materials at any time, subject to the prior written consent of Bank, which consent shall not be unreasonably withheld or delayed and in any event shall be denied or approved within ten (10) Business Days of request from Company. Company shall be responsible for all costs associated with any such changes suggested by Company and approved by Bank. Bank may require changes to a Program, the Program Guidelines, Program Materials or Advertising Materials in its good-faith and reasonable discretion upon sixty (60) calendar days' notice to Company, provided, however, that such advance notice period shall not be required if such change (i) is necessary to respond to any concern from a Regulatory Authority or recent enforcement trends, (ii) is necessary in order to cause the Program to remain in compliance with Applicable Laws, or (iii) is necessary to alleviate safety and soundness risk to Bank or avoid harm to Borrowers in connection with the Program and providing sixty (60) calendar days' prior notice is not feasible, in which case Bank shall provide notice as soon as commercially practicable. Bank shall take commercially reasonable steps to prevent undue expense for Company when making any changes that would impact Advertising Materials or Program Materials and that are already in production. Unless otherwise mutually agreed upon by the Parties, upon Company's receipt of written notice from Bank of any such changes to a Program, the Program Guidelines, Program Materials or Advertising Materials, Company shall implement such changes as soon as commercially practicable upon receipt of notice of such change or determination (or such shorter period required by Applicable Law or a Regulatory Authority). Company shall take all actions deemed necessary by Bank, in Bank's commercially reasonable discretion, taking into account any legally-binding effective date with respect to any change in Applicable Laws and the legal, compliance and reputation risks to the Parties, to implement the modification in the manner and time period specified by Bank. Notwithstanding the foregoing, in the event Bank requires any modifications to a Program, the Program Guidelines, Program Materials or Advertising Materials that would require modifications to any aspect(s) of the Company Platform, Bank agrees to provide Company with adequate time as may be necessary for Company to implement such changes (provided that, for modifications resulting from a change that Bank, in its sole discretion, reasonably determines is necessary to comply with Applicable Laws or by request of a Regulatory Authority, Bank shall not have any obligation to originate Loans until such modifications have been completed). Company shall bear all reasonable costs related to any changes requested by Bank pursuant to the circumstances set forth in clauses (i), (ii) or (iii) of this Section. Bank shall reimburse Company for all reasonable out of pocket costs related to any other changes requested by Bank pursuant to this Section.

(b) Company shall ensure that any changes or modifications proposed by Company or required by Bank pursuant to this Section are implemented in compliance with Applicable Laws and that all Borrowers who may be affected by such changes or modifications receive notice in a communication approved by Bank pursuant to Section 4.2 below if required by Applicable Laws. Company shall preserve evidence of its compliance with the requirements set forth in this subsection and shall provide a copy of such records to Bank upon request.

Section 2.3. Allocation, Retained Loans, and Purchased Loans.

(a) Allocation. Subject to Bank's rights under this Agreement to suspend or terminate Loan originations and retentions and to modify Retained Loan amounts, Bank shall, in accordance with the allocation process described on Exhibit D (the "*Loan Allocation Schedule*"), retain the allocated portion of all Loans originated by Bank in the Program up to an aggregate original principal amount equal to [****] ("*Minimum Retained Loan Amount*"). When the Minimum Retained Loan Amount is reached from time to time, Company shall, on behalf of Bank and upon initial approval of each Loan, continue to allocate Loans for sale to Purchasers or retention by Bank using the allocation process described in the Loan Allocation Schedule, which process, in all cases, shall designate Loans for sale or retention in a random, equitable and nondiscriminatory manner without the application of any adverse criteria. Company shall ensure that Loans allocated for sale to Purchasers are tagged as "Held for Sale" and that Loans allocated for retention by Bank are tagged as "Held to Maturity" on the accounting and loan tracking system, including databases and analytic interfaces, used in the Program. Company shall provide Bank with a monthly estimate of Loans to be retained by Bank and those to be sold to a Purchaser five (5) days prior to the first day of each month.

(b) Retained Loans.

(i) Provided Company has administered Bank Loan Applications in compliance with the Underwriting Guidelines in sufficient volumes necessary for Bank to originate such Loans and subject to Company's performance of its obligations under the Program Documents and Bank's right to cease retaining Loans as described in this Agreement, Bank shall, in accordance with the Loan Allocation Schedule, retain Loans up to the Minimum Retained Loan Amount and, thereafter, Loans designated for retention by Bank in accordance with Section

2.3(a) (collectively, "*Retained Loans*") on its balance sheet in an amount not to exceed [****] (the "*Maximum Retained Loan Amount*"). The Maximum Retained Loan Amount shall be calculated each calendar month as the aggregate outstanding principal amount of the Loans as of the last day of each calendar month. Company shall use commercially reasonable efforts to generate Loan volume sufficient to meet the Maximum Retained Loan Amount, and the Parties may mutually agree to modify the Maximum Retained Loan Amount in Banks' discretion, but subject to Company's consent, which shall not be unreasonably withheld. Bank reserves the right to reduce the Maximum Retained Loan Amount based on a breach of the conditions set forth in Section 3.6 (Conditions related to Retained Loans), or an inadequate minimum reserve balance in the Risk Reserve Account as described in Section 5.4 (Risk Reserve Account) or Performance Reserve Account as described in Section 2.4 (Performance Reserve Account) to Exhibit G (Compensation).

(ii) Notwithstanding Section 2.3(b)(i), Bank shall have the right to sell the Retained Loans to any third party (an "*Other Buyer*") at any purchase price satisfactory to Bank; provided, that Bank shall provide written notice to Company of Bank's desire to sell the Retained Loans and provide Company the right of first offer to purchase such Retained Loans at a purchase price equal to [****], within sixty (60) calendar days of Company receiving such notice from Bank. If Company does not elect to exercise its right of first offer and complete such purchase by paying Bank the purchase price within sixty (60) calendar days of Company receiving such notice from Bank, Bank may proceed in selling the Retained Loans to an Other Buyer, provided (A) Company shall have the right and agrees to continue servicing such Loans on behalf of the Other Buyer and the Other Buyer shall agree to the terms of a servicing agreement with Company that are substantially the same as the Loan Servicing Agreement, including with respect to servicing fees and costs payable by each party and (B) the Parties shall arrange for payment by Bank to Company of the future Excess Interest pertaining to the sold Retained Loan to an Other Buyer by either (1) [****], or (2) [****]. Upon the earlier of notification from Company that it will not be exercising its right of first offer or the lapse of the sixty- (60-) day offer period, Bank shall notify Company of its payout election. In the event Company declines to exercise its right of first offer as described above, the Parties agree that Bank may elect to reduce its Maximum Retained Loan Amount by the amount of Retained Loans offered by Bank to Company.

(c) Purchased Loans.

(i) Company shall be responsible for securing Purchasers with sufficient funding capacity to purchase all Loans allocated for purchase pursuant to this Agreement and the Loan Allocation Schedule. If at any time there are not any Purchasers with sufficient funding capacity to purchase all Loans allocated for purchase pursuant to this Agreement and the Loan Allocation Schedule, Company shall promptly notify Bank and Bank shall have the right to immediately suspend the origination of Loans. Company acknowledges and agrees that each Purchaser must be approved in advance by Bank, which approval will not be unreasonably withheld or delayed by Bank, and must enter into a Loan Purchase Agreement with Company and Bank on terms reasonably acceptable to Bank. Each Purchaser approved by Bank will enter into a Loan Purchase Agreement with Bank that shall provide for Purchaser to purchase from Bank, on the terms and conditions set forth in such Loan Purchase Agreement, such Loans that are originated by Bank hereunder and designated for purchase from time to time. Bank must hold Loans designated for purchase for the Holding Period set forth in Exhibit A and shall sell such Loans to Purchasers on a daily basis each Business Day after the expiration of the Holding Period, unless otherwise mutually agreed upon by the Parties. At all times prior to receipt by Bank of the Purchase Price for a Loan, Bank shall be the sole owner of such Loan, shall bear the risk of loss of such Loan for any charge off event occurring during the Holding Period, and be entitled to any and all payments of interest and principal thereupon, less the compensation owed to Company with respect to Purchased Loans as described in Exhibit G (Compensation) for such Loan.

(ii) Termination or Breach of a Loan Purchase Agreement.

A. Purchase Failure by Purchaser. If a Purchase Failure occurs under a Loan Purchase Agreement with a Purchaser that is not cured within three (3) Business Days, Company (if not the Purchaser) shall purchase Loans affected by the Purchase Failure within three (3) Business Days. If any such Loans have not been purchased by Company for the full Purchase Price within three (3) Business Days of receiving notice of such Purchase Failure, Bank may sell such Loans to a third party or choose to retain such Loans. If Bank elects to retain such Loans as Retained Loans, Company shall promptly re-tag such Loans from “Held for Sale” to “Held to Maturity” on Company’s accounting and loan tracking system. If, despite Bank’s reasonable efforts, Bank is required to sell such Loans at less than the Purchase Price, Bank shall be entitled to recover such deficiency (i.e., the difference between the Purchase Price and the amount received by Bank from such purchaser) first from any funds available to Bank in the cash or letter of credit reserve maintained by the Purchaser pursuant to a Loan Purchase Agreement, and if such amount is insufficient, second, from Collections pursuant to the Waterfall described in Exhibit G, and if such amount is insufficient, third from the Performance Reserve Account.

B. Purchase Failure by a Third-Party Purchaser. If a Purchase Failure occurs with respect to a Third-Party Purchaser that is not cured within three (3) Business Days, Company or another

Purchaser designated by Company may purchase such Loans. If any such Loans have not been purchased by Company or its designated Purchaser for the full Purchase Price within three (3) Business Days of receiving notice of such Purchase Failure, Bank may sell such Loans to a third party or choose to retain such Loans. If Bank elects to retain such Loans as Retained Loans, Company shall promptly re-tag such Loans from “Held for Sale” to “Held to Maturity” on Company’s accounting and loan tracking system. If, despite Bank’s reasonable efforts, Bank is required to sell such Loans at less than the Purchase Price, Bank shall be entitled to recover such deficiency (i.e., the difference between the Purchase Price and the amount received by Bank from the purchaser) first from any funds available to Bank in the cash or letter of credit reserve maintained by the Purchaser pursuant to a Loan Purchase Agreement, and if such amount is insufficient, second, from Collections pursuant to the Waterfall described in Exhibit G, and if such amount is insufficient, third from the Performance Reserve Account.

C. In the event of an uncured Purchase Failure where Company does not purchase the affected Loans, Bank shall not have any obligation to pay Company its share of Excess Interest in the Performance Reserve Account until the Loans affected by the Purchase Failure have been sold and Bank has recovered any Loan sale deficiency that it experiences pursuant to Section 2.3(a).

D. Upon receipt of notice by Bank to Company that a Purchase Failure has occurred with respect to a Purchaser or that a Purchaser has breached any other material obligation, representation or warranty under the Loan Purchase Agreement, Company shall immediately suspend designating any new Loans for purchase to such breaching Purchaser until the Purchaser has cured the Purchase Failure or other material breach to Bank’s reasonable satisfaction. Company shall have five (5) days to identify a replacement Purchaser for such Loans, which purchaser is subject to Bank’s approval, which approval shall not be unreasonably withheld. Bank shall be entitled to suspend origination of new Loans if there are not any Purchasers to purchase Loans in lieu of the breaching Purchaser.

E. In the event of chronic Purchase Failures by two or more Purchasers, where Company does not purchase the Loans, Bank shall have the right to terminate this Agreement if Company does not correct the Purchase Failures and address the Purchase

Failures with the Purchaser to the reasonable satisfaction of Bank within a reasonable time agreed to by the Parties.

F. If, for a period of thirty (30) days or more, there are not any Purchasers in good standing with Loan Purchase Agreements obligating them to purchase Loans from Bank, Bank may terminate the Program Documents.

Section 2.4. Funds Flow. The parties shall mutually agree upon the flow of funds with respect to Loan disbursements, repayments, purchase transactions and the distribution of compensation between the Parties and such funds flow shall upon finalization be incorporated in this Agreement by reference ("*Funds Flow*"). Each Party agrees to comply with the finalized Funds Flow in performing its obligations under the Program Documents.

ARTICLE III

DUTIES OF COMPANY AND BANK

Section 3.1. Duties and Responsibilities of Company. Company shall perform and discharge the following duties and responsibilities in connection with the services provided to Bank:

(a) Company shall be responsible for the marketing of the Program and the Loans thereunder on behalf of Bank to persons through use of the Advertising Materials and the related Program Materials for such Program, as approved by Bank pursuant to Section 4.2. In marketing the Program and the related Loans, Company shall at all times and in all material respects comply with Applicable Laws, the terms of the Program Documents and Program Guidelines, which shall include, without limitation, the regular monitoring of Company's website, third party websites and other Advertising Materials. If an additional lender is added to the Program under Section 2.1(c) and to the extent that potential Borrowers would qualify for approval under both Bank's underwriting criteria and the other lender's underwriting criteria, Company shall refer potential applicants to Bank or the other lender using a random selection process in a good-faith, equitable and nondiscriminatory manner without the application of any adverse criteria. Notwithstanding any other provision of this Agreement, Bank shall have the right to audit or verify Company's compliance with this Section 3.1(a) at any time.

(b) Company shall provide all services contemplated by this Agreement and the Loan Servicing Agreement with promptness and diligence and in a professional and workmanlike manner (unless some other time frame or manner is set forth herein, in which case such other time frame or manner shall apply), and, as applicable, at least in accordance with the service levels set forth in Exhibit C (each, an "*SLA*"). Company and Bank shall periodically review and measure overall performance against the SLAs to ensure consistency with the goals and objectives of this Agreement, and the Parties shall reasonably cooperate to update such SLAs as necessary.

(c) Company shall perform services under this Agreement in strict adherence to the Program Guidelines. Company shall maintain policies and procedures for services it provides to Bank that are designed to implement the Program Guidelines for each Program and comply with all Applicable Laws. Such policies and procedures shall be subject to Bank's approval, not to be unreasonably withheld or delayed, and shall include policies and procedures relating to periodic training and on-going monitoring and auditing of Company and Subcontractors for compliance with this Agreement, the related Program Guidelines and Program Supplement, and all Applicable Laws. The Vendor Management Policy (as that term is defined in Section 10.22(c) herein) sets out Company's obligations for training, monitoring and auditing Subcontractors in accordance with the terms of this Agreement.

(d) Company shall process Loan Applications from Loan Applicants using a Loan Application form, technology and process that is approved by Bank. Company shall provide reasonable assistance to each prospective Loan Applicant in completing the related Loan Application. Company shall operate, on behalf of Bank, technology that uses the Credit Model and applies the Underwriting Guidelines as set forth in the Program Guidelines to each completed Loan Application and, in addition to Company's fraud processing, shall either pass, fail or refer such Loan Application on an automated, nondiscretionary basis. Referred loans will be placed in a queue where the Loan Application will be manually reviewed by a fraud analyst per Company's procedures. Company shall ensure that underwriting determinations are produced in accordance with such technology. Bank shall have and at all times shall retain the right, in its sole discretion, to reject any Loan Application and, if a Loan Application is accepted, Bank shall originate and fund a corresponding Loan. Except as otherwise specified by Bank in the Program Guidelines, all underwriting determinations will be automated. Company shall have no discretion to override any Underwriting Guidelines or automated underwriting determinations without Bank's prior written approval. All Loan approvals shall be based upon the information provided by Loan Applicants to Bank through Company and such other information as may be obtained by Company at the direction of Bank and pursuant to the applicable Underwriting Guidelines. Company shall not forward a Loan Application to Bank unless it complies with the Program Guidelines. At the time Company forwards to Bank any Loan Application that satisfies the Program Guidelines, Company shall be deemed to represent to Bank that the identity of the Loan Applicant has been verified in accordance with Applicable Laws and the Loan Applicant is not listed on any Government List. All Loan Application processing functions to be performed by Company hereunder shall be supervised by Bank and Bank shall have the right to review and audit Loan Applications to ensure compliance with the applicable Program Guidelines.

(e) On behalf of Bank, Company shall take reasonable measures to verify the identity of all Loan Applicants consistent with Applicable Laws and the Program Guidelines for the related Program and shall, be responsible for performing initial and periodic OFAC screenings of Loan Applicants and Borrowers in accordance with all Applicable Laws, including such elements thereof as are designed by Bank to ensure compliance with Applicable Laws and any internal policies or procedures of Bank as they may be modified from time to time, and as have been communicated to Company by Bank in writing. Company shall take such further steps as it or Bank deems reasonably necessary or as are expressly identified to Company by Bank (including through modification of the Program Guidelines) to prevent fraud in connection with each Program.

(f) On behalf of Bank, Company shall provide notices required by Applicable Laws, including an adverse action notice and/or notice of incompleteness, using forms that satisfy or are included in the Program Guidelines, to any Loan Applicant whose Loan Application is denied for failing to meet the Program Guidelines or whose Loan Application is started but not completed.

(g) Company shall, on behalf of Bank and within the timeframes and in the manner required by Applicable Laws, (i) prepare and deliver to the Loan Applicant all Loan Documents and all notices required by Bank to document the Loan, including but not limited to the Loan Agreement, in connection with any Loan Application for the Loan; (ii) obtain from the Loan Applicant the executed Loan Agreement; (iii) deliver a copy of the Bank Privacy Notice to the Loan Applicant, and (iv) produce and deliver any other disclosures to Loan Applicants and Borrowers that may be required by Bank from time to time pursuant to Applicable Laws.

(h) Company or its Subcontractor shall maintain and retain on behalf of Bank all Program Records, including all original Loan Applications and evidence of all adverse action notices, notices of incomplete applications, and other documents relating to the decisioning of Loan Applications in accordance with the Program Guidelines and for no less than the period required by Applicable Laws. Company or its Subcontractor shall further maintain copies, as applicable, of all Loan Documents and any other documents provided to or received from Borrowers for the period required by Applicable Laws. Company shall provide Bank with reasonable access to such records described in this Section, or such other reasonable access Bank may require from time to time to audit the Program, protect its economic interest in the Loans or respond to requests from a Regulatory Authority or external auditor.

(i) Company shall adopt and maintain compliance management systems ("*CMS*") reasonably approved by Bank and reasonably designed to achieve and maintain a "a satisfactory" rating pursuant to the examination manual of the CFPB and the FFIEC consumer compliance rating system.

(j) Company shall provide to Bank data submissions and reports in a form and format and at such frequencies as reasonably required by Bank to maintain effective internal controls and monitor Company's performance under the Program Documents (including monitoring of its Subcontractors) or to comply with any Applicable Laws, as set forth in Exhibit J. In addition, Company will deliver to Bank any information or Program records reasonably requested by Bank with respect to the Program, including without limitation, Loan Files, and information relating to loan performance, internal and external audits, funding and repayment information, approval rates, decline rates, losses, delinquencies, and collection information and methods ("*Program Records*").

(k) Company shall deliver to Bank annual financial statements, including, but not limited to, balance sheets, related statements of income and cash flow and all notes and schedules thereto, audited by an independent accounting firm reasonably acceptable to Bank within one hundred twenty (120) days after the end of Company's fiscal year. Such financial statements shall be accompanied by an opinion of such independent accounting firm that the consolidated financial statement presents fairly, in all material respects, the financial position of Company and the results of its operations in accordance with accounting principles generally accepted in the United States of America. This section shall not apply so long as Company is directly or indirectly wholly-owned by a publicly traded company subject to the reporting requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended ("Exchange Act").

(l) Within forty-five (45) days following the end of every calendar quarter, Company shall provide Bank with unaudited financial statements, including balance sheet and related statements of income, cash flow and forecast, compiled by Company and certified by the Chief Financial Officer of Company as presenting fairly the financial position and results of operations of Company and as having been prepared in accordance with GAAP consistently applied. This section shall not apply so long as Company is directly or indirectly wholly-owned by a publicly traded company subject to the reporting requirements of Section 13(a) of the Exchange Act.

(m) Company shall take action, and, as may be applicable, shall cause any of its Program Critical Subcontractors to take any reasonable action, pursuant to Company's Bank-approved Bank Secrecy Act, Anti-Money Laundering, and OFAC Policy to enable Bank to comply in all material respects with all applicable Anti-Money Laundering Laws. Without limiting the generality of the foregoing, to the extent required by the Anti-Money Laundering Laws, Company shall, and, as applicable, shall cause its Subcontractors to, (i) maintain an anti-money laundering compliance program that is designed to be in compliance, in all material respects, with the Anti-Money Laundering Laws, (ii) conduct, in all material respects, the due diligence required under the Anti-Money Laundering Laws in connection with all Loan Applicants and Borrowers, including with respect to the legitimacy of the applicable Borrower and (iii) maintain sufficient information to identify the applicable Borrower for purposes of compliance, in all material respects, with the Anti-Money Laundering Laws. Company shall provide notice to Bank, within five (5) Business Days of receipt, of any notice, written or otherwise, of any Anti-Money Laundering Law violation or action involving Company or any of its Subcontractors.

(n) Company shall make available to Bank, for review and approval prior to use in connection with the Program, the Credit Model adopted by Bank for the Program, together with the assumptions incorporated therein and all supporting data, model validations and analysis, and any modifications or changes thereto. Notwithstanding anything to the contrary set forth in this Agreement or elsewhere, Bank acknowledges and agrees that the Credit Model constitutes "Confidential Information" (as that term is defined in Section 10.4 hereof) of Company, and shall remain subject to the provisions of that section notwithstanding any termination of this Agreement. Additionally, the Parties entered into a Non-Disclosure Agreement , dated May 1, 2020 and subsequently amended by the First Amended and Restated Non-Disclosure Agreement, dated July 7, 2020 (collectively, the "*HCI-NDA"*), to set forth the treatment of certain Company highly confidential information (as defined therein) and hereby incorporate by reference that HCI-NDA into this Agreement with the intent of giving that HCI-NDA the full force and effect under the terms stated therein. The HCI-NDA shall control with respect to the Company information covered by the HCI-NDA. The Credit Model may be reviewed by those individuals identified in the HCI-NDA. Company retains the right to implement reasonable procedures, including the use of a third-party reviewer, that Company determines are needed to maintain the confidentiality of information to be provided by Company under this Section 3.1(n).

(o) Each Party shall cooperate reasonably with the other Party with respect to any proceedings before any court, board or other Governmental Authority that may in any way affect any of the Program Documents or any of the rights hereunder or thereunder, including any Loan, and, in connection therewith, permit such other Party, at its election, to participate in any such proceedings.

(p) Each Party shall cooperate with the other Party or any of its Subcontractors with respect to the Program, including, but not limited to, adopting and implementing such policies and procedures as Bank reasonably requests in connection therewith.

(q) Company shall remain in material compliance with Company's covenants and obligations under the Program Documents as well as any other ancillary agreements between Company and its Subcontractors or other third parties critical to the successful operation of the Programs.

(r) Company shall provide ACH files to Bank in accordance with Exhibit F.

(s) Company shall act as the servicer of originated Loans and perform certain services, including, but not limited to, collecting and receiving Loan payments and Recoveries, maintaining the system of record for the Loans and providing customer support pursuant to the terms of the Loan Servicing Agreement. The Parties shall cause each Purchaser to enter into a servicing agreement with Company that is substantially similar to the Loan Servicing Agreement for Retained Loans.

(t) Subject to Applicable Laws, Company may, as an agent of Bank, establish and operate Loan Production Offices, as an agent of Bank, to assist Loan Applicants and Borrowers with certain pre-Loan-origination administrative activities related to the completion of Loan Applications and Loan Documents and customer support for Loans. The Parties shall work in good faith to maximize the post-Loan-origination activities to be performed by Loan Production Offices; provided that Company must obtain Bank's prior approval for the location of and services performed at any Loan Production Office. Company shall not be required to operate Loan Production Offices in any certain location and Company may terminate any Loan Production Office at any time upon prior notice to Bank. Company is solely responsible for the operations of, employees at and expenses of any Loan Production Office and shall ensure that any Loan Production Office is operated in accordance with Applicable Laws, Program Guidelines, Program Documents, and Loan

Documents. Company and any Loan Production Office will obtain and maintain any licenses, notifications, registrations or authorizations necessary to perform services at and operate the Loan Production Office. Company shall establish and maintain at all times during the term of this Agreement Bank-approved risk management programs detailing Company's requirements for overseeing, monitoring, and managing the activities and services of any Loan Production Office that Company decides to operate in the Program to ensure compliance by each such office with Applicable Laws and the Program Guidelines. Company shall provide Bank a copy of such risk management programs and any subsequent amendments thereto, which shall be subject to Bank's prior written approval, such approval not to be unreasonably withheld or delayed. Company shall establish, oversee, monitor, and manage the services and activities of all Loan Production Offices in connection with Loans made by Bank under the Program in accordance with the Bank-approved risk management program for such Loan Production Offices.

Section 3.2. Duties and Responsibilities of Bank. Bank shall perform and discharge the following duties and responsibilities in connection with the Program:

(a) Bank shall establish the initial Program Guidelines for the Program in consultation with Company, subject to Bank's final approval, such approval not to be unreasonably withheld, conditioned or delayed. Bank may modify the Program Guidelines from time to time in its reasonable discretion subject to and in accordance with Section 2.2.

(b) Bank shall put in place and maintain such controls as may be reasonably necessary to adequately control, monitor and supervise each Program and Company's services under this Agreement. Bank's failure to establish and maintain any such controls shall not relieve Company of its separate and independent obligations to establish and maintain its own controls or to comply with all Program Guidelines and Applicable Laws.

(c) Bank shall originate and fund Loans in the manner set out in this Agreement. Provided Company has presented to Bank Loan Applications that are in compliance with the Underwriting Guidelines in sufficient volumes necessary for Bank to originate such Loans and subject to Company's performance of its obligations under the Program Documents and Bank's suspension rights as described in Section 8.1(d) of this Agreement, Bank shall originate and fund Loans having a total maximum original principal balance of [****] annually (the "*Maximum Facility Amount*"), unless Bank otherwise agrees to increase such amount in its sole discretion. For all originated and funded Loans, Bank shall enter into a Loan Agreement with the Borrower(s) and shall open a Loan account at Bank for the Borrower(s) with an associated identification number assigned by Company. Such account will remain with Bank and any subsequent Loans that Bank makes to the Borrower in the Program will be associated with such Bank Loan account. For avoidance of doubt, and notwithstanding anything in this Agreement to the contrary, (A) any subsequent loan originated by Company under its state lending license with a Borrower in a state in which the Program is not offered will not be associated with the pre-existing Bank Loan account, and the Borrower under such subsequent loan will be a joint customer of Bank and Company, and (B) if the Loan is subsequent to a Borrower loan originated by Company under its state lending license in a state in which the Program is not offered, such Borrower will be a joint customer of Bank and Company.

(d) Bank shall sell all Loans allocated to be sold in accordance with the terms and conditions of this Agreement and the related Loan Purchase Agreement.

(e) Bank shall retain all Loans allocated as Retained Loans in accordance with the terms and conditions of this Agreement.

(f) Bank shall be "well capitalized" as that term (or any replacement term therefore) is defined from time to time in federal banking regulations applicable to Bank's capital, and shall have an overall "Satisfactory" or better rating under the Community Reinvestment Act.

(g) Bank shall maintain its national charter in good standing under federal law and, as of the Effective Date, Bank shall have the authority under 12 U.S.C. § 1463(b) or 12 U.S.C § 85, as applicable, to charge interest allowed by the laws of South Dakota on a Loan made to a Borrower who resides anywhere in the United States.

Section 3.3. Audit

(a) Company agrees that Bank and/or its authorized representatives and agents, and any Regulatory Authority (collectively the "*Auditing Party*") shall have the right, at any time during normal business hours and upon reasonable prior written notice that includes a clearly defined audit scope, or at any other time required by Applicable Laws or by a Regulatory Authority, to cause an agreed-upon third party auditor (or with Bank's consent, which consent shall not be unreasonably withheld, a Company internal auditor) to inspect, audit, and examine all of Company's facilities, records, personnel, books, accounts, data, reports, papers and computer records relating to the activities contemplated by this Agreement including, but not limited to, financial records and reports, Company's information security program, associated audit reports, summaries of test results or equivalent measures taken by Company and/or any Program Critical Subcontractor, except as may have otherwise been approved by Bank, to ensure Company is in compliance with the terms of this Agreement, Applicable Law and Program Guidelines. Company shall make all such facilities, records, personnel, books, accounts, data, reports, papers, and computer records available to the Auditing Party for the purpose of conducting such inspections and audits, and the Auditing Party shall have the right to make copies and abstracts from Company's books, accounts, data, reports, papers, and computer records directly pertaining to the subject matter of this Agreement.

(b) As a service provider of Bank, Company acknowledges and agrees that (i) the performance of activities by Company on behalf of Bank is subject to OCC examination oversight, including access to all work papers, drafts, and other materials, and (ii) the OCC generally has the authority to examine and to regulate the functions or operations performed or provided by Company to the same extent as if they were performed by Bank itself on its own premises. Company agrees to cooperate with any examination, inquiry, audit, information request, site visit or the like, which may be required by any Regulatory Authority with audit examination or supervisory authority over Bank, to the fullest extent requested by such Regulatory Authority or Bank. Company shall also provide to Bank any information which may be required by any Regulatory Authority in connection with their audit or review of Bank or any Program and shall reasonably cooperate with such Regulatory Authority in connection with any audit or review of Bank or any Program. Company shall also provide such other information as Bank or Regulatory Authorities may from time to time reasonably request with respect to the financial condition of Company and such other information as Bank may from time to time reasonably request with respect to third parties who have contracted with Company relating to or in connection with this Agreement.

(c) At least annually, Company shall, at its sole expense, retain an independent third-party compliance auditor to conduct an audit reasonably designed to determine Company's compliance with its obligations under the Program Documents. If the Parties agree, provided that Bank's agreement shall not be unreasonably withheld, Company's internal audit department may perform such audit instead of an independent third-party compliance auditor. Such audit shall include, but not be limited to, a review of application processing, monitoring and risk management programs utilized by Company to oversee services provided by each Loan Production Office and Program Critical Subcontractor in connection with Loans made by Bank under the Program. The scope of any such audit shall be as set forth in Exhibit E unless otherwise mutually agreed upon by the Parties. Company shall promptly provide an unredacted copy of each such audit report to Bank upon completion. Company shall oversee, monitor and manage the services of any Subcontractors in connection with Loans made by Bank under the Program in accordance with the Bank-approved Vendor Management Policy.

(d) Company shall prepare a written response to Bank (a "*Response to Audit Letter*") to all criticisms, recommendations, deficiencies, and all alleged violations of Applicable Laws identified in reviews conducted by Bank, any Regulatory Authority or independent auditor ("*Audit Findings*"). The Response to Audit Letter shall be delivered to Bank within thirty (30) Business Days of Company's receipt of such Audit Findings, unless directed otherwise by a Regulatory Authority. The Response to Audit Letter shall include, at a minimum, a detailed discussion of the following, if applicable:

(i) the planned corrective action to address the Audit Findings ("*Audit Corrective Action Plan*");

(ii) remedial actions proposed to be directed to current or past Borrowers negatively impacted by the Audit Findings (provided no such action shall be taken without express written approval from Bank);

(iii) steps to be taken to prevent any recurrence of the Audit Findings;

(iv) a specific timeframe, not to exceed the timeframes, expressed as Business Days, assigned in accordance with the risk categorization pursuant to Exhibit M, unless otherwise approved by Bank in advance, to implement the Audit Corrective Action Plan ("*Corrective Action Plan Deadline*");

(v) documentation evidencing that the Audit Corrective Action Plan has been implemented;

(vi) if additional time is needed to implement the Audit Corrective Action Plan or deviations from the Audit Corrective Action Plan are necessary, a written request shall be submitted to Bank detailing the extenuating circumstances that necessitate an extension of the Corrective Action Plan Deadline and such extension request shall be subject to the reasonable approval of Bank; and

(vii) identification of any Audit Findings disputed by Company or where corrective action is not possible or necessary, supported by a detailed explanation of Company's position.

Section 3.4. Conditions Precedent to the Obligations of Bank. The obligations of Bank under this Agreement are subject to the continuing satisfaction of the following conditions precedent, which conditions shall be applicable so long as this Agreement is effective:

(a) In each state where Loans are offered, Company shall have delivered to Bank prior to offering Loans in such state (in each case reasonably acceptable to Bank in its sole discretion and at sole the expense of Company) (i) memorandum from legal counsel (which may be in-house counsel) experienced in such matters regarding all necessary licenses to perform Company's obligations under the related Program, including but not limited to any applicable brokering or lending licenses and compliance with such licensing requirements, and (ii) such other documents, information and reports reasonably requested by Bank;

(b) With respect to making a Loan, such Loan shall meet the standards set forth in the approved Program Guidelines for the related Program then in effect;

(c) No action or proceeding shall have been instituted or threatened against Company, a Loan Production Office, any Purchaser or Bank to prevent or restrain the origination of any Loan or the consummation of the transactions contemplated in the Program Documents and there shall be no injunction, decree, or similar restraint preventing or restraining such origination or consummation;

(d) The representations and warranties of Company set forth in Section 9.1 shall be true and correct in all material respects;

(e) The obligations set forth in this Agreement to be performed by Company or, to the best of Company's knowledge, any applicable obligations of any Subcontractor on or before each date that Loan Proceeds are advanced shall have been performed in all material respects as of such date by Company or the Loan Production Office, as applicable;

(f) The Loan Purchase Agreement pursuant to which such Loan is to be sold to a Purchaser shall be in full force and effect and Purchaser shall not be in default thereunder; and

(g) Company is not in material default of its any of its obligations under the Program Documents.

Section 3.5. Purchase Obligations. Upon discovery by Company or notice by Bank of a breach of any of the representations and warranties provided in Exhibit L with respect to Retained Loans that materially and adversely affects Bank's interests in such Retained Loans, Company shall have thirty (30) days to correct or cure such breach. If such breach is not corrected or cured within the thirty (30) day period or is not capable of cure within thirty (30) days, Company shall purchase, or arrange for a third party to purchase, the impacted Retained Loans at a purchase price equal to the then-outstanding principal balance (inclusive of any Loan Origination Fees capitalized into principal) plus the accrued interest and fees on such Loan up to the date of sale. Any such purchase is hereinafter referred to as a "*Transfer Event*." Upon any such Transfer Event and receipt of the purchase price, Bank will transfer legal title to each such Retained Loan, free and clear of all liens and encumbrances, to the applicable purchaser. The purchaser shall assume all rights and liabilities of Bank to the applicable Borrowers with respect to such purchased Retained Loans following a Transfer Event.

Section 3.6. Conditions Related to Retained Loans. If any of the conditions specified in this Section 3.6 occurs, then for so long as such condition continues, Bank shall have the right upon not less than ten (10) Business Days' advance written notice to Company, but not the obligation, to stop originating Loans or retaining additional Loans for its balance sheet, in which case Company shall begin allocating any additional Loans for sale to Purchasers as soon as commercially practicable and in no event later than ten (10) Business Days of receiving such notice from Bank.

(a) [****].

(b) [****]

ARTICLE IV

ACCOUNTING SYSTEM; ADVERTISING AND PROGRAM MATERIALS; INTELLECTUAL PROPERTY

Section 4.1. Accounting System. Company shall establish and maintain, at its sole cost and expense, a comprehensive accounting and loan tracking system to accurately and immediately reflect all Loan Applications, Loans, underwriting decisions, and related information regarding a Program to satisfy the information requirements of Bank, its Regulatory Authorities and Bank's internal and external auditors. Company shall provide, or shall ensure the system to provide, Bank with view access to, copies of all records and documentation authenticated by Loan Applicants and Borrowers, including the information needed to underwrite and approve Loan Applications pursuant to the Program Supplement for the related Program; provided, however, Company shall provide the models and attributes used in the risk strategy and not the detailed credit reports. Company further agrees to ensure that the information reporting features, integrity and security of the system shall be designed to operate to the reasonable satisfaction of Bank, its Regulatory Authorities and Bank's internal and external auditors. Company further agrees to cause the system to provide such daily settlement reports, including reports noting the Loan Applications ready for underwriting and a summary report of Loans that have been approved, denied, or pended, and any other items as reasonably agreed to by the Parties.

Section 4.2. Advertising and Program Materials.

(a) Subject to paragraph (b) below, Company shall prepare the Advertising Materials and Program Materials to be used in connection with each Program and shall ensure that these materials comply, at all times, with Applicable Laws, the terms of this Agreement, Bank's trademark usage guidelines (to the extent that such guidelines have been provided to Company), and the related Program Guidelines and are true and accurate and not misleading in any material respect. The Parties shall use Program Materials and Advertising Materials only as permitted herein for the purpose of performing their duties under the Program and shall not use Program Materials or Advertising Materials in any manner that would violate Applicable Laws, the terms of this Agreement, or any provision of the Program Guidelines.

(b) Company shall submit all proposed Advertising Materials or Program Materials to Bank for its written approval prior to Company's use thereof, such approval not to be unreasonably withheld or conditioned. Bank shall complete a review of all Advertising Materials and Program Materials proposed by Company and approve or reject such materials in its sole, but reasonable, discretion within ten (10) Business Days of its receipt thereof, or advise Company that that the proposed Program Materials or Advertising Materials present novel or complex issues that will require additional time for consideration by Bank. In the event the proposed Program Materials or Advertising Materials present novel or complex issues, Bank shall have a reasonable period of time, but in no event more than thirty (30) days, to consider the same. Advertising Materials and Program Materials will be considered approved and authorized by Bank for use only after such approval and authorization is clearly communicated by Bank in writing, including via email. All Advertising Materials and Program Materials shall be reviewed and approved by Company's compliance and/or legal advisors prior to submission to Bank. Bank shall have the right to reject proposed changes by Company to the Advertising Materials and Program Materials, or further modifications thereof, in Bank's reasonable and good-faith discretion. If Bank rejects any Advertising Materials or Program Materials, Bank shall provide a written explanation to Company of why Bank has rejected such materials. Company shall make appropriate corrections and resubmit for further review before there is any use of the rejected materials. Company hereby agrees that any approval by Bank of any such items shall not relieve Company of its responsibility for the preparation and maintenance of Advertising Materials and Program Materials in accordance with this Section 4.2.

Section 4.3. Intellectual Property.

(a) Trade Names and Trademarks. Neither Party shall have any authority to use any Marks of the other except in connection with the Program as explicitly provided in this Section 4.3 below, including by means of Program Materials or Advertising Materials, in each case approved in advance and in writing by the other Party. Bank acknowledges that such approved Program Materials or Advertising Materials may contain trade names, trademarks or service marks of Company, and Bank shall have no authority to use any such names or Marks separate and apart from their use in the Program Materials or Advertising Materials or as otherwise approved hereunder or in writing by Company. Each Party's right to use the Marks of the other Party shall immediately and automatically terminate upon the termination date of this Agreement (and any applicable wind-down or transition period), except that the Parties may retain samples of Program Materials and Advertising Materials after such termination date for non-public archival purposes or as required by Applicable Laws.

(b) Subject to the terms and conditions of this Agreement, Bank hereby grants Company a non-exclusive, non-assignable license, without the right to sublicense, to use and reproduce Bank's Marks provided to Company by Bank in the United States, as necessary for Company to perform its obligations under this Agreement; provided, however, that (i) Company shall obtain Bank's prior written approval for any use of Bank's Marks and any such use shall comply with all written instructions provided by Bank regarding the use of Bank's Marks; (ii) Company acknowledges that it shall acquire no interest in Bank's Marks; and (iii) Company shall obtain Bank's prior written approval (which shall not be unreasonably withheld) for the release of any press release incorporating Bank's name or Marks. Upon termination of this Agreement (or any applicable wind-down period), Company shall cease using Bank's Marks.

(c) Subject to the terms and conditions of this Agreement, Company hereby grants Bank a non-exclusive, non-assignable license, without the right to sublicense, to use Company's Marks provided to Bank by Company in the United States, as necessary for Bank to perform its obligations under this Agreement; provided, however, that (i) Bank shall obtain Company's prior written approval for any use of Company's Marks and any such use shall comply with all written instructions provided by Company regarding the use of Company's Marks; (ii) Bank acknowledges that it shall acquire no interest in Company's Marks; and (iii) Bank shall obtain Company's prior written approval (which shall not be unreasonably withheld) for the release of any press release incorporating Company's name or Marks. Upon termination of this Agreement (or any applicable wind-down period), Bank shall cease using Company's Marks.

(d) Each Party recognizes the value of the goodwill associated with the other Party's Marks and acknowledges that the other Party owns all right, title and interest in and to the other Party's Marks and all goodwill pertaining thereto.

(e) A Party shall not, anywhere in the world, use or seek to register in its own name, or that of any third party, any Marks that are the other Party's Marks, that are colorably or confusingly similar to the other Party's Marks, or that incorporate the other Party's Marks or any element colorably or confusingly similar to the other Party's Marks.

(f) Company shall retain sole and exclusive right, title and interest to all of its Intellectual Property Rights, including without limitation its Marks, its website(s), the Company Platform and Company technology related thereto, and Company's proprietary information, including but not limited to any models or algorithms furnished to Bank pursuant to Section 3.1(o). Bank shall retain sole and exclusive right, title and interest in and to all of Bank's Intellectual Property Rights, including without limitation, its Marks, websites, promotional materials associated with Bank, proprietary information, and technology. This Agreement does not transfer any Intellectual Property Rights between Company and Bank.

Section 4.4. Relationship Managers. Company and Bank shall, for each Program, each designate a respective principal contact to facilitate day-to-day operations and resolve issues that may arise in the implementation of such Program. Each relationship manager shall be capable of answering questions and resolving discrepancies that arise between the Parties relating to each Party's obligations under this Agreement and the Company relationship manager shall be well-versed in the functionality of Company's systems and platforms. If the relationship managers are unable to reach agreement with respect to any Dispute that arises between the parties, such Dispute shall be handled in accordance with Section 10.20.

ARTICLE V

LOAN ORIGINATION, COMPENSATION, AND RESERVE ACCOUNTS

The following loan origination, loan funding and compensation procedures, shall apply to all Loans made pursuant to a Program, unless otherwise amended by the Program terms and conditions in the related Program Supplement.

Section 5.1. Loan Origination. The loan origination and funding procedures for Loans shall be as set forth in Exhibit A.

Section 5.2. Compensation. For services that Company renders to Bank under this Agreement with respect to Loans made by Bank under the Program, Bank shall provide Company with the compensation set forth on Exhibit G (Compensation).

Section 5.3 Risk Reserve Account.

(a) No later than the Commencement Date (as defined in Section 1.4 of Exhibit G), Company shall establish and fund a risk reserve account at Bank (the "*Risk Reserve Account*"), which account shall be established as a Bank-controlled custodial account for the benefit of Company. Company shall maintain a minimum amount in the Risk Reserve Account at all times equal to [****] (the "*Risk Reserve Minimum Amount*").

(b) The Risk Reserve Account is intended to provide protection against Bank's operational risk, compliance risk, Program risk, losses that are not related to the economic performance of a Loan, and any significant deterioration in the market for selling Loans.

(c) Company will have access to view the balances of the Risk Reserve Account. Bank may debit the Risk Reserve Account for amounts for which Company is liable to Bank under this Agreement or the Servicing Agreement, except to the extent Company disputes such amounts in good faith pursuant to Section 10.20 in a writing delivered by Company to Bank that sets forth in reasonable basis the nature of Company's dispute.

(d) Bank will provide Company with at least two (2) Business Days advance written or electronic notice before debiting any undisputed amounts from the Risk Reserve Account. Company will replenish any undisputed amounts to the Risk Reserve Account within five (5) Business Days after such notice from Bank, up to the Risk Reserve Minimum Amount.

(e) If Bank or a Regulatory Authority finds that the required Risk Reserve Minimum Amount is not sufficient to cover the risks collateralized by the Risk Reserve Account, Bank shall immediately provide written notice to Company of such finding and the amount that Bank or such Regulatory Authority determines will be a sufficient reserve to mitigate such risks, along with such additional documentation and substantiation of such amount as Company may reasonably request, to the extent not prohibited by such Regulatory Authority. Upon receipt of such notice, Company shall have thirty (30) days to increase the Risk Reserve Account to the amount determined to be sufficient by Bank or such Regulatory Authority, and this amount shall then become the Risk Reserve Minimum Amount. If Company has not increased the amount of the Risk Reserve Account within such thirty (30) day period, Bank may terminate this Agreement immediately upon written notice to Company. Notwithstanding the above, if the increase is not at the direct and specific request of a Regulatory Authority, Bank shall have the right to require an increase in the Risk Reserve Account only if an adverse material change occurs with respect to (i) the financial condition of Company, or (ii) the risks the Risk Reserve Account is intended to protect against as described in Section 5.3(b), and in either case, only to the extent the increase is reasonable in relation to such adverse material change. If the Regulatory Authority requiring an increase to the Risk Reserve Account does not specify the amount of increase, Bank's determination of the amount of increase shall be reasonable in relation to the finding from the Regulatory Authority prompting such increase.

(f) At any time that the Risk Reserve Minimum Amount is increased above [****], Company shall have the right to terminate this Agreement.

Section 5.4. Performance Reserve Account. Company and Bank shall establish the Performance Reserve Account as further described in Section 2.4 (Performance Reserve Account) of Exhibit G (Compensation).

ARTICLE VI

EXPENSES

Section 6.1. Expenses. Except as otherwise set forth in the Program Documents, each Party shall pay its own expenses (including, without limitation, the fees and expenses of the Party's agents, representatives, counsel, and accountants) incidental to the preparation and performance of such Party's obligations under the Program Documents.

Section 6.2. Taxes. Each Party shall be responsible for payment of any federal, state, or local taxes or assessments applicable to such Party associated with the performance of its obligations under this Agreement and for compliance with all filing, registration and other requirements applicable to such Party with regard thereto.

ARTICLE VII

TERM

Section 7.1. Term. This Agreement shall be effective on the Effective Date and shall continue in full force and effect through the date five (5) years following the Effective Date (the "*Initial Term*"), unless terminated as provided in Section 8.1 of this Agreement. The termination of this Agreement shall not terminate, effect or impair any rights, obligations or liabilities of either Party hereto that may accrue prior to such termination or that, under the terms of this Agreement, continue after the termination.

Section 7.2. Renewal. After the Initial Term, the Agreement shall automatically renew for successive terms of two (2) years each (each a "*Renewal Term*" and, collectively, the Initial Term and Renewal Term(s) shall be referred to as the " *Term*"), unless either Party provides written notice to the other of its intent to terminate this Agreement at least one hundred eighty (180) days prior to the end of the Initial Term or any Renewal Term.

ARTICLE VIII

TERMINATION

Section 8.1. Termination.

(a) A Party shall have the right to terminate this Agreement upon written notice to the other Party in any of the following circumstances:

(i) if the other Party shall default in any material respect in the performance of any obligation or undertaking under this Agreement (so long as the failure is not due to the actions or failure to act of the terminating Party) and such failure, if curable, continues for a period of (A) in the case of a failure involving the payment of any amount due hereunder or violation of Applicable Laws, ten (10) days after the non-performing Party receives written notice from the terminating Party specifying such failure, and (B) in the case of any other failure, thirty (30) days after the non-performing Party receives written notice from the terminating Party specifying such failure; provided, however, that either Party shall have the right, in its sole discretion, to terminate this Agreement without giving effect to any cure period (a) [****], or (b) if a cure is not reasonably practicable or possible by its nature or within the cure period specified above;

(ii) by Bank, if any other Program Document is terminated for cause due to the actions or inactions of Company (for avoidance of doubt, if any Program Document is terminated due to the breach of Company's representations, covenants or obligations under such Program Document and such termination is likely to have a material adverse effect on the Program or Bank, the breach by Company under such Program Document shall also be deemed a breach of this Agreement, provided that (A) any limitation on liability in a Program Document other than this Agreement under which such breach occurs shall apply with respect to any liability under such other Program Document for such breach, and (B) nothing in paragraph (A) shall in any way limit Company's liability under this Agreement for liability in connection with early termination of this Agreement);

(iii) by Company, if any other Program Document is terminated for cause due to the actions or inactions of Bank (for avoidance of doubt, if any Program Document is terminated due to the breach of Bank's representations, covenants or obligations under such Program Document and such termination is likely to have a material adverse effect on the Program or Company, the breach by Bank under such Program Document shall also be deemed a breach of this Agreement, provided that (A) any limitation on liability in a Program Document other than this Agreement under which such breach occurs shall apply with respect to any liability under such other Program Document for such breach, and (B) nothing in paragraph (A) shall in any way limit such breaching Bank's liability under this Agreement for liability in connection with early termination of this Agreement);

(iv) by Bank, if any other Program Document is terminated for any reason other than due to Bank's failure to perform its obligations under such agreement, but only if the termination is likely to have a material adverse effect on the Program or Bank and the Parties have been unable to negotiate, to Bank's reasonable satisfaction, a replacement solution for the obligations to be performed under such Program Document prior to the date such Program Document is terminated;

(v) if any representation or warranty made by the other Party in this Agreement is incorrect in any material respect and is not corrected within thirty (30) days after written notice thereof has been given to such other Party;

(vi) if the other Party commences a voluntary action or other proceeding seeking reorganization, liquidation, or other relief with respect to itself or its debts under any bankruptcy, insolvency, receivership, conservatorship or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, conservator, custodian, or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of a trustee, receiver, liquidator, conservator, custodian, or other similar official or to any involuntary action or other proceeding commenced against it, and such action is not dismissed or stayed within thirty (30) days of its commencement; or

(vii) immediately, if the other Party becomes subject to an involuntary action or other proceeding, whether pursuant to banking regulations or otherwise, seeking reorganization, liquidation, debt arrangement, dissolution, winding up, receivership or composition or readjustment of debts or other relief with respect to it or its debts under any bankruptcy, insolvency, reorganization, winding up, receivership, conservatorship, composition or adjustment of debts or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, conservator, custodian, or other similar official of it or any substantial part of its property; or an order for relief shall be entered against either Party under the federal bankruptcy laws as now or hereafter in effect.

(viii) upon thirty (30) days' written notice to the other Party, or earlier if necessary to avoid the potential for material loss to the terminating Party, if a Change of Control Event shall have occurred with respect to Company or Bank, with the exception of a Change of Control Event to any Person or "group" (within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder) (A) whose stock is publicly traded on a national stock exchange or (B) has a net worth and cash flow as of the date of the Change of Control Event at least as much as the net worth and cash flow of such other Party, and, in each case (C) is not currently subject to any written order or action by any Regulatory Authority that presents increased reputational, credit, compliance or safety and soundness risks for the first Party and (D) complies with the first Party's current written due diligence requirements.

(b) A Party has the right to terminate this Agreement immediately upon written notice to the other Party if such Party determines in its reasonable discretion, based on an opinion of counsel that is familiar with Applicable Laws, that the activities of the Parties contemplated under this Agreement or the Program are illegal under or prohibited by any Applicable Laws, provided, however, that (i) the illegality or violation of Applicable Laws was not caused by the terminating Party's failure to perform its obligations under the Program Documents; (ii) to the extent practicable under the circumstances, prior to the termination, the Parties shall work together in good faith for a period of thirty (30) days to determine if the impacted Program or activities of the Parties under this Agreement can be modified in such a way as to enable the continuation of the impacted Program or activities without violation of such Applicable Laws; and (iii) if the illegality or prohibition is a state or local rule, the right to discontinue the Program shall be limited to discontinuance only in those states or localities affected by such Applicable Laws without terminating this Agreement in its entirety.

(c) A Party shall have the right to terminate this Agreement upon written notice to the other Party if (i) any Regulatory Authority having jurisdiction over the terminating Party requests or requires that such Party terminate this Agreement, or (ii) if Bank determines in its reasonable discretion that the continuing operation of the Program will materially adversely affect the safety and soundness of Bank, provided that, in the case of (c)(i) to the extent practicable under the circumstances, prior to the termination, the Parties shall work together in good faith for a period of thirty (30) days to determine if the impacted Program(s) or activities of the Parties contemplated under this Agreement can be modified in such a way as to resolve the concerns of the Regulatory Authority.

Notwithstanding anything to the contrary in this Section 8.1, in the event that a termination event occurs that impacts only a particular state or states, but does not otherwise have a material adverse effect on the Program in other states, the Parties agree that such termination event will apply solely with respect to the impacted state or states; provided, however, that the Parties shall negotiate in good faith to determine whether the Program can continue to be offered in such impacted state, and take agreed upon steps to modify or wind down such Program in such state, as applicable.

(d) Bank Suspension. In addition to the termination rights provided in this Section 8.1, Bank shall have the right, upon the giving of written notice to Company, to decrease Loan originations, temporarily or permanently suspend the Program (in whole or in part) or decrease the Maximum Facility Amount or Maximum Retained Amount in Bank's sole discretion if Bank determines that (i) such action is required to respond to criticism or a directive from a bank regulator or (ii) any activities of Company, any Subcontractor, any Loan Production Office, any Purchaser, or any aspect of the Program or this Agreement results in or could result in (A) a material violation of Applicable Laws or (B) a material risk to the safety and soundness of Bank; and provided that in the case of either (i) or (ii) in this subsection, the circumstances giving rise to Bank's suspension rights cannot be alleviated by the good faith consultation between Company and Bank within a reasonable time after written notice from Bank to Company of Bank's exercise of its rights under this subsection.

Section 8.2. Effect of Termination. Upon the termination of a Program or this Agreement:

(a) The Parties will cooperate in good faith to ensure the orderly winddown of each Party's obligations under this Agreement as soon as commercially practicable, which may include, at Bank's option, continued servicing by Company of Retained Loans until they are paid in full or become Charged-Off Loans or purchase by Company of the outstanding Retained Loans at the Purchase Price. Each Party acknowledges that the main goals during the winddown period are (i) to avoid harm or inconvenience to Borrowers and Loan Applicants by minimizing any possible burdens or confusion, (ii) to minimize operating costs, and (iii) to protect and enhance the names and reputations of the Parties.

(b) Bank shall terminate the origination and funding of any new Loans under such Program or this Agreement.

(c) Company shall cease marketing such Program or under this Agreement and the solicitation of new Borrowers thereunder.

(d) Each Party shall immediately discontinue the use of the other Party's Marks except in connection with Loans made or funded prior to the termination of the Agreement.

(e) Except as otherwise required by Applicable Laws or a Regulatory Authority or mutually agreed upon by the Parties, Bank and Company shall continue to be bound by the terms of the Program Documents until the wind-down of each Party's obligations under the Program Documents has been completed (regardless of whether the Term has expired or been terminated) including, but not limited to the terms of this Agreement for the Waterfall; provided, however, Company's obligation to pay fees pursuant to Section 1.4 of Schedule G shall not continue during the wind-down after non-renewal or termination of this Agreement.

(f) Termination Costs. Except as specifically set forth in this Agreement or the agreed upon plan for winddown, each Party shall bear its own outofpocket costs and expenses associated with the winddown of this Agreement. Notwithstanding the foregoing, if either Party terminates this Agreement for cause as permitted under Section 8.1 due to the actions or inactions of the other Party, such breaching Party shall pay, or the non-breaching Party may withhold from any amounts due, the breaching Party all costs associated with notifying impacted Borrowers and Loan Applicants, and any amounts payable to third-party service providers to ensure the provision of their services continue through the completion of the winddown plan, any deconversion costs, liquidated damages, termination fees or ongoing servicing fees payable to any Subcontractor that would not have been incurred by the non-breaching Party but for the related Program, and all other out-of-pocket costs and expenses reasonably incurred by the non-breaching Party in connection with the winddown activities described in this Section 8.2(f).

(g) Communications. Except as required for a Party to comply with Applicable Laws or direction from a Regulatory Authority, in no event will any Party make any public statement or customer communication regarding the termination or wind-down of this Agreement or Program without the express prior written approval of the other Party, which approval shall not be unreasonably withheld or delayed. Notwithstanding the foregoing, the Parties agree that each Party may communicate the termination or expiration of this Agreement with any Subcontractor with which Company has contracted to provide any third-party services with regard to a Program.

(h) Release of Funds in the Risk Reserve Account. Upon termination of the Program, Bank shall release to Company the balance of funds remaining in the Risk Reserve Account [****] after the wind-down of the Program has been completed.

(i) Release of Funds in the Performance Reserve Account. Upon termination of the Program, Company may, at its option, (i) purchase the Retained Loan portfolio, in which case Bank shall release to Company any remaining funds held in the Performance Reserve in accordance with the sale of assets, or (ii) decline to exercise its right of first offer pursuant to Section 2.3(b)(ii), in which case Bank shall release to Company any remaining funds held in the Performance Reserve upon receipt of the purchase price for each Retained Loan purchased by an Other Buyer.

Section 8.3. Retained Loans Transfers. In the event that a Program Document between Bank and Company is terminated for any reason other than a breach by Bank, Company shall buy, or arrange for a third party to purchase, all Loans held by Bank upon termination of the Program Document regardless of whether the Loan is being held by Bank during a Holding Period or as a Retained Loan. Any potential Third-Party Purchaser under this section is subject to approval of Bank, such approval not to be unreasonably withheld, delayed or denied. The Parties agree that loan transfers under this Section 8.3 are Transfer Events and are part of the orderly wind-down of the Program required by this Agreement. The Parties will follow the Transfer Event provisions set forth in Section 3.5 when transferring Loans held by Bank under this Section 8.3.

ARTICLE IX

REPRESENTATIONS AND WARRANTIES

Section 9.1. Company's Representations and Warranties. Company makes the following warranties and representations to Bank, each of which shall be made continuously during this Agreement:

(a) This Agreement is valid, binding and enforceable against Company in accordance with its terms, except (i) as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, or other similar laws now or hereafter in effect, which may affect the enforcement of creditors' rights in general, and (ii) as such enforceability may be limited by general principles of equity (whether considered in a suit at law or in equity) and Company has received all necessary approvals and consents for the execution, delivery and performance by it of this Agreement.

(b) Company is duly organized, validly existing, and in good standing under the laws of the state of its organization and is authorized, registered and licensed to do business in each state in which the nature of its activities requires such authorization, registration or licensing.

(c) Company has the full corporate power and authority to execute and deliver this Agreement and perform all of its obligations hereunder.

(d) The execution of this Agreement and the performance of all actions required or contemplated to be taken by Company hereunder are within the ordinary course of Company's business and in compliance with Applicable Laws.

(e) The provisions of this Agreement and the performance of each of Company's obligations hereunder do not conflict with Company's organizational or governing documents, or any material agreement, contract, lease, order or obligation to which Company is a party or by which Company is bound, including any exclusivity or other provisions of any other agreement to which Company or any related entity is a party, and including any non-compete agreement or similar agreement limiting the right of Company to engage in activities competitive with the business of any other party.

(f) Except as licensed or otherwise permitted, Company does not use the intellectual property, trade secrets or other confidential business information of any third party in connection with the development of the Program Materials and Advertising Materials or in carrying out its obligations or exercising its rights under this Agreement.

(g) Other than as previously disclosed to Bank in writing prior to the Effective Date, none of Company nor any principal thereof has been or is the subject of any of the following that would have a material adverse effect on the Program or Company's ability to perform its obligations hereunder:

(i) An enforcement agreement, memorandum of understanding, cease and desist order, administrative penalty or similar agreement concerning lending matters, or participation in the affairs of a financial institution;

(ii) An administrative or enforcement proceeding or investigation commenced by the Securities Exchange Commission, a state securities regulatory authority, Federal Trade Commission, any banking regulator or any other state or federal Regulatory Authority, with the exception of routine communications from a Regulatory Authority concerning a consumer complaint and routine examinations of Company conducted by a Regulatory Authority in the ordinary course of Company's business; or

(iii) A restraining order, decree, injunction or judgment in any proceeding or lawsuit alleging fraud or deceptive practices on the part of Company or any principal thereof.

For purposes of this Section 9.1(g) the word "principal" of Company shall include (i) any person owning or controlling ten percent (10%) or more of the voting power of Company, (ii) any officer or director of Company and (iii) any person actively participating in the control of Company's business.

(h) Other than as previously disclosed to Bank in writing prior to the Effective Date, there are no investigations or proceedings pending threatened against Company (or any of its Affiliates) (i) seeking to prevent the completion of any of the transactions contemplated pursuant to this Agreement (ii) asserting the invalidity or unenforceability of this Agreement, (iii) seeking any determination or ruling that would adversely and materially affect the performance by Company of its obligations under the Program Documents, (iv) seeking any determination or ruling that would adversely and materially affect the validity or enforceability of the Loans or this Agreement or (v) that would have a materially adverse financial effect on Company, or its operations if resolved adversely to it.

(i) Unless otherwise prohibited by Applicable Laws or a Regulatory Authority, Company shall promptly notify Bank of any action, suit, litigation, proceeding, facts and circumstances, and of all tax deficiencies and other proceedings before governmental bodies or officials affecting Company (or its Affiliates or a Loan Production Office), and the threat of reasonable prospect of same, which (i) relate to a Program or this Agreement, (ii) might give rise to any indemnification obligation pursuant to Article X or (iii) might materially and adversely affect Company's ability to perform its obligations under this Agreement.

(j) Neither Company nor any of its Affiliates, any of its or its Affiliates' respective officers, directors or members is a Person (or to Company's knowledge, is owned or controlled by a Person) that (i) is listed on any Government Lists, (ii) has been determined by competent authority to be subject to the prohibitions contained in Presidential Executive Order No. 13224 (Sept. 23, 2001) or any other similar prohibitions contained in the rules and regulations of OFAC or in any enabling legislation or other Presidential Executive Orders in respect thereof, (iii) has been previously indicted for or convicted of any felony involving a crime or for any Patriot Act Offense, (iv) has been advised that they are currently under investigation by any Governmental Authority for an alleged felony, (v) is otherwise the target of U.S. economic sanctions laws to the extent that a U.S. Person cannot deal or otherwise engage in business transactions with such Person, or (vi) is controlled by (including by virtue of such Person being a director or owning voting shares or interests), or acts, directly or indirectly, for or on behalf of, any Person on any Government Lists or a foreign government that is the target of U.S. economic sanctions prohibitions such that the entry into, or performance under, this Agreement or any other Program Document would be prohibited under Applicable Laws. For purposes hereof, the term "*Patriot Act Offense*" means any violation of the criminal laws of the United States of America or of any of the several states, or that would be a criminal violation if committed within the jurisdiction of the United States of America or any of the several states, relating to terrorism or the laundering of monetary instruments, including any offense under (A) the criminal laws against terrorism; (B) the criminal laws against money laundering, (C) the Bank Secrecy Act, as amended, (D) the Money Laundering Control Act of 1986, as amended, (the "*Anti-Money Laundering Laws*") or (E) the Patriot Act. "*Patriot Act Offense*" also includes the crimes of conspiracy to commit, or aiding and abetting another to commit, a crime that constitutes a Patriot Act Offense.

(k) Company and each of its Affiliates and Subcontractors are, in connection with the Program, in compliance in all material respects with Company's Bank-approved Bank Secrecy Act, Anti-Money Laundering, and OFAC Policy.

(l) Company is in compliance in all material respects with all Applicable Laws and agrees to maintain policies and procedures relating to all Applicable Laws that are reasonably acceptable to Bank, including procedures relating to periodic training and on-going monitoring of Company, each Program, and its Subcontractors.

(m) Company has a CMS in place that is designed to reasonably ensure compliance with the terms of this Agreement, including all Program Guidelines, Applicable Laws, and the standards established by the Consumer Financial Protection Bureau, that includes but is not limited to management of consumer complaints filed with Company that provides Company with the ability to track and respond to consumer complaints and update the Consumer Financial Protection Bureau company portal within the required time period.

(n) Company is solvent and has the financial capacity to perform its obligations under the Program Documents to which it is a party.

(o) Company, with its Affiliates, has in full force and effect and will maintain at its sole expense, insurance in such amounts and with such terms, as set forth in Exhibit H. Policies are held with financially sound and reputable insurance companies acceptable to Bank, in such amounts, with such deductibles and covering such risks as are customarily carried by companies engaged in similar activities; provided that it is understood and agreed that such insurance may have higher deductibles than the deductibles customarily carried by such similar companies.

(p) All information heretofore or hereafter furnished by or on behalf of Company to Bank in connection with a Loan (other than information provided by a Loan Applicant, Borrower or other third party) is true and correct in all material respects. Company shall make commercially reasonable efforts to promptly correct any incorrect or inaccurate information furnished by it following discovery thereof by Company.

Section 9.2. Bank's Representations and Warranties. Bank makes the following warranties and representations to Company, each of which shall be made continuously during this Agreement:

(a) This Agreement constitutes a valid and binding obligation of Bank, enforceable against Bank in accordance with its terms except (i) to the extent that such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, or other similar laws now or hereafter in effect, which may affect the enforcement of creditors' rights in general, and (ii) as such enforceability may be limited by general principles of equity (whether considered in a suit at law or in equity) and Bank has received all necessary approval and consents, to the extent applicable, for the execution, delivery and performance by it of this Agreement.

(b) Bank is a national bank, duly organized, validly existing, and in good standing under federal law, and is authorized, registered and licensed to do business in each state in which the nature of its activities makes such authorization, registration or licensing necessary or required.

(c) Bank has full corporate power and authority to execute, deliver and perform all of its obligations under this Agreement.

(d) The execution of this Agreement and the performance of all actions required or contemplated to be taken by Bank hereunder are within the ordinary course of Bank's business and not prohibited by Applicable Laws.

(e) The provisions of this Agreement and the performance of each of Bank's obligations hereunder do not conflict with Bank's organizational or governing documents, or any material agreement, contract, lease, order or obligation to which Bank is a party or by which Bank is bound, including any exclusivity or other provisions of any other agreement to which Bank or any related entity is a party, and including any non-compete agreement or similar agreement limiting the right of Bank to engage in activities competitive with the business of any other party.

(f) Other than as previously disclosed to Company in writing prior to the Effective Date, there are no investigations or proceedings pending threatened against Bank (or any of its Affiliates) (i) seeking to prevent the completion of any of the transactions contemplated pursuant to this Agreement (ii) asserting the invalidity or unenforceability of this Agreement, (iii) seeking any determination or ruling that would adversely and materially affect the performance by Bank of its obligations under the Program Documents, (iv) seeking any determination or ruling that would adversely and materially affect the validity or enforceability of the Loans or this Agreement or (v) that would have a materially adverse financial effect on Bank, or its operations if resolved adversely to it.

(g) Unless otherwise prohibited by Applicable Laws or a Regulatory Authority, Bank shall promptly notify Company of any action, suit, litigation, proceeding, facts and circumstances, and of all tax deficiencies and other proceedings before governmental bodies or officials affecting Bank (or its Affiliates), and the threat of reasonable prospect of same, which (i) relate to a Program or this Agreement, (ii) might give rise to any indemnification obligation pursuant to Article X or (iii) might materially and adversely affect Bank's ability to perform its obligations under this Agreement.

(h) Other than as previously disclosed to Company in writing prior to the Effective Date, neither Bank nor any principal thereof has been or is the subject of any of the following that would have a material adverse effect on Bank's ability to perform its obligations hereunder:

(i) An enforcement agreement, memorandum of understanding, cease and desist order, administrative penalty or similar agreement concerning lending matters, or participation in the affairs of a financial institution;

(ii) An administrative or enforcement proceeding or investigation commenced by the Securities Exchange Commission, a state securities regulatory authority, Federal Trade Commission, any banking regulator or any other state or federal Regulatory Authority, with the exception of routine communications from a Regulatory Authority concerning a consumer complaint and routine examinations of Bank conducted by a Regulatory Authority in the ordinary course of Bank's business; or

(iii) A restraining order, decree, injunction or judgment in any proceeding or lawsuit alleging fraud or deceptive practices on the part of Bank or any principal thereof.

For purposes of this Section 9.2(f) the word "principal" of Bank shall include (i) any person owning or controlling ten percent (10%) or more of the voting power of Bank, (ii) any officer or director of Bank and (iii) any person actively participating in the control of Bank's business.

(i) Bank is solvent and it does not believe, nor does it have any reason or cause to believe, that it cannot perform its obligations contained in this Agreement.

(j) Excluding any compliance obligations, the performance of which Bank has delegated to Company pursuant to the terms of this Agreement, Bank is otherwise in compliance in all material respects with all Applicable Laws so as not to have a material adverse effect on the Loans, including the Retained Loans and Bank has not delegated any obligations on its part in connection with the permissibility of the exportation of South Dakota rates to the Loans.

(k) Bank is located in South Dakota for purposes of 12 U.S.C. § 1463(b) or 12 U.S.C § 85, as applicable, and, as of the Effective Date, has the authority under such section to charge interest allowed by the laws of South Dakota on a Loan made to a Borrower who resides anywhere in the United States.

ARTICLE X

MISCELLANEOUS

Section 10.1. Indemnification.

(a) Indemnification by Company. Except to the extent of any Losses (as herein defined) which arise from the material breach of this Agreement by Bank or an Affiliate of Bank or by gross negligence, bad faith or willful misconduct on the part of Bank or its Affiliates, Company shall be liable to and shall indemnify and hold harmless Bank and its respective shareholders, directors, officers, employees, agents and Affiliates and permitted assigns from and against any and all Losses arising out of (i) the failure of Company or any Subcontractor of Company to comply with any of the terms and conditions of this Agreement or the Program Guidelines, (ii) the inaccuracy of any covenant, representation or warranty made by Company herein, (iii) a failure of Company or any of Company's Subcontractors to comply, in respect of its obligations in connection with the Program hereunder, with any Applicable Laws, and/or (iv) any claim that the method of delivery to a Loan Applicant or Borrower of Loan Documents or Program Materials by Company or the population of the Loan-specific data in the Loan Documents or Program Materials by Company was improper, inaccurate or in violation of any Applicable Laws or Program Guidelines, or Information Security Incident with respect to the systems maintained by Company or its Subcontractors.

(b) Indemnification by Bank. Except to the extent of any Losses (as herein defined) which arise from the material breach of this Agreement by Company, an Affiliate of Company, or a Subcontractor of Company, or by gross negligence, bad faith or willful misconduct on the part of Company, its Affiliates, or Company's Subcontractors, Bank shall be liable to and shall indemnify and hold harmless Company and its directors, officers, employees, agents and Affiliates and permitted assigns from and against any and all Losses arising out of (i) the failure of Bank or any Subcontractor of Bank (other than Company or Company's Subcontractors) to comply with any of the terms and conditions of this Agreement or the Program Guidelines, (ii) the inaccuracy of any covenant, representation or warranty made by Bank herein, (iii) a failure of Bank or any of its

Affiliates to comply, in respect of its obligations in connection with the Program hereunder, with any Applicable Laws, and (iv) any Information Security Incident with respect to the systems maintained by Bank or its subcontractors and Affiliates.

(c) Losses Defined. For the purposes of this Agreement, the term "*Losses*" shall mean all direct out-of-pocket costs, damages, losses, fines, penalties, judgments, settlements and expenses whatsoever, including, without limitation, reasonable outside attorneys' fees and disbursements and court costs reasonably incurred by the indemnified Party in connection with any judicial, administrative, or other proceeding or claim made by a third party; provided, however, that no Party shall suffer a Loss until a claim has been (i) finally resolved by a court or other adjudicatory body, without recourse to or abandonment of further appeal, or (ii) settled with the consent of both Parties.

(d) Notice of Claims. In the event any claim is made, any suit or action is commenced or any Party comes to possess knowledge of a state of facts that, if not corrected, would give rise to a right of indemnification of a Party hereunder by the other Party, the indemnified Party will give notice to the indemnifying Party as promptly as practicable, but, in the case of lawsuit, in no event later than the time necessary to enable the indemnifying Party to file a timely answer to the complaint. The indemnified Party shall make available to the indemnifying Party and its counsel and accountants at reasonable times and for reasonable periods, during normal business hours, all books and records of the indemnified Party relating to any such possible claim for indemnification, and each Party hereunder will render to the other such assistance as it may reasonably require of the other (at the expenses of the Party requesting assistance) in order to ensure prompt and adequate defense of any suit, claim or proceeding based upon a state of facts which may give rise to a right of indemnification hereunder.

(e) Defense and Counsel. Subject to the terms hereof, the indemnifying Party shall defend any suit, claim or proceeding for which the indemnified Party has the right to indemnification under this Section 10.1. The indemnifying Party shall notify the indemnified Party via email, with a copy by mail, within ten (10) days of having been notified pursuant to this Section 10.1 that the indemnifying Party has employed counsel to assume the defense of any such claim, suit or action. The indemnifying Party shall institute and maintain any such defense diligently and reasonably using experienced counsel reasonably approved by the indemnified Party and shall keep the indemnified Party fully advised of the status thereof. The indemnified Party shall have the right to employ its own counsel if the indemnified Party so elects to assume such defense, but the fees and expense of such counsel shall be at the indemnified Party's expense unless: (i) the employment of such counsel shall have been authorized in writing by the indemnifying Party; (ii) such indemnified Party shall have reasonably concluded that the interests of such Parties are conflicting such that it would be inappropriate for the same counsel to represent both Parties or shall have reasonably concluded that the ability of the Parties to prevail in the defense of any claim are improved if separate counsel represents the indemnified Party (in which case the indemnifying Party shall not have the right to direct the defense of such action on behalf of the indemnified Party if the indemnified Party shall have reasonably concluded that it is necessary to institute separate litigation, whether in the same or another court, in order to defend the claims asserted against it); or (iii) the indemnifying Party shall not have employed counsel reasonably acceptable to the indemnified Party to take charge of the defense within ten (10) days of having been notified of the claim pursuant to this Section 10.1.

(f) Settlement of Claims. The indemnifying Party shall have the right to compromise and settle any suit, claim, or proceeding in the name of the indemnified Party; provided, however, that the indemnifying Party shall not compromise or settle a suit, claim, or proceeding (i) unless it indemnifies the indemnified Party for all Losses arising out of or relating thereto and (ii) with respect to any suit, claim or proceeding which (A) seeks any non-monetary relief or (B) does not provide for the unconditional release of the indemnified Party without any admission of fault, culpability or failure to act by or on behalf of the indemnified Party in connection with all matters relating to such suit, claim or proceeding that have been asserted against the indemnified Party in such suit, claim or proceeding by the other parties to such settlement and for which indemnification may be sought hereunder, without the consent of the indemnified Party, which consent shall not unreasonably be withheld, conditioned or delayed. Any final judgment or decree entered on or in, any claim, suit or action for which the indemnifying Party did not assume the defense in accordance herewith, shall be deemed to have been consented to by, and shall be binding upon, the indemnifying Party as fully as if the indemnifying Party had assumed the defense thereof and a final judgment or decree had been entered in such suit or action, or with regard to such claim, by a court of competent jurisdiction for the amount of such settlement, compromise, judgment or decree.

(g) Indemnification Payments. Amounts owing under this Section 10.1 shall be paid promptly upon written demand for indemnification containing in reasonable detail the facts giving rise to such Losses; provided, however, that if the indemnifying Party notifies the indemnified Party within thirty (30) days of receipt of such demand that it disputes its obligation to indemnify, or the Losses being claimed, and the Parties are not otherwise able to reach agreement, the controversy shall be settled as described in Section 10.22.

Section 10.2. Limitation of Liability. NEITHER PARTY SHALL BE LIABLE TO THE OTHER PARTY FOR INDIRECT, SPECIAL, INCIDENTAL, PUNITIVE, CONSEQUENTIAL, OR EXEMPLARY DAMAGES OR LOST PROFITS (EVEN IF SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES) ARISING OUT OF OR IN CONNECTION WITH THE PROGRAM DOCUMENTS; PROVIDED, HOWEVER, THAT NOTIFICATION RELATED COSTS SHALL NOT BE DEEMED INDIRECT, SPECIAL, INCIDENTAL, PUNITIVE, CONSEQUENTIAL, OR EXEMPLARY DAMAGES and further provided that the limitations set forth in this Section shall not apply to or in any way limit the damages or other losses RELATING TO AN INFORMATION SECURITY INCIDENT or for which a Party is entitled to be indemnified by the other Party or any other Person under this Agreement in connection with a third-party claim.

Section 10.3. Governing Law. This Agreement shall be construed and enforced in accordance with and governed by the laws of the State of Delaware and the obligations, rights and remedies of the Parties hereunder shall be determined in accordance with the laws of the State of Delaware, without regard to conflicts of law principles. Any action or proceeding brought by a Party seeking to enforce any provision of, or based on any right arising out of, this Agreement shall only be brought against the other Party in the federal courts in Delaware, and each of the Parties hereby consents to the exclusive jurisdiction of such courts (and of the appropriate appellate courts) in any such action or proceeding and waives any objection to venue laid therein.

Section 10.4. Confidential Information.

(a) In performing its obligations pursuant to this Agreement, a Party may disclose to the other Party, either directly or indirectly, in writing, orally or by inspection of intangible objects (including, without limitation, documents), certain confidential or proprietary information including, without limitation, the names and addresses of a Party's customers, marketing plans and objectives, research and test results, and other information that is confidential and the property of the Party disclosing the information, and in the case of Company, shall include highly confidential information as defined in the HCI-NDA ("*Confidential Information*"). The Parties agree that the term Confidential Information of a Party shall also include the following with respect to such Party: (i) all business information (including products and services, employee information, business models, know-how, strategies, designs, reports, data, research, financial information, pricing information, corporate client information, market definitions and information, and business inventions and ideas), and (ii) all technical information (including software, algorithms, models, developments, inventions, processes, ideas, designs, drawings, engineering, hardware configuration, and technical specifications, including, but not limited to, computer terminal specifications, the source code developed from such specifications, all derivative and reverse-engineered works of the specifications, and the documentation and software related to the source code, the specifications and the derivative works). This Agreement shall be the Confidential Information of both Parties and the Underwriting Guidelines shall be the Confidential Information of Bank.

(b) Each Party agrees that Confidential Information of the other Party shall be used by such Party solely in the performance of its obligations and exercise of its rights under the Agreement and the Program Documents and as allowed by Applicable Laws. Except as required by Applicable Laws or legal process, no Party (the "*Restricted Party*") shall disclose Confidential Information of the other Party (the "*Disclosing Party*") to third parties; provided, however, that the Restricted Party may disclose Confidential Information of the Disclosing Party (i) to the Restricted Party's Affiliates, agents, directors, representatives, auditors, accountants, professional advisors or Subcontractors with a need to know such Confidential Information for the sole purpose of fulfilling the Restricted Party's obligations under the Program Documents (as long as the Restricted Party exercises reasonable efforts to prohibit any further disclosure by such third parties), provided that in all events, the Restricted Party shall be responsible for any breach of the confidentiality obligations hereunder by any of its Affiliates, agents, representatives, auditors, accountants, professional advisors, or Subcontractors, (ii) to the Restricted Party's auditors, accountants and other professional advisors with a need to know such Confidential Information, as long as the Restricted Party exercises reasonable efforts to prohibit any further disclosure by such third parties, provided that in all events, the Restricted Party shall be responsible for any breach of the confidentiality obligations hereunder by such third parties; (iii) to a Regulatory Authority or pursuant to a valid subpoena or court order, or (iv) to any other third party as mutually agreed by the Parties.

(c) A Party's Confidential Information shall not include information that:

(i) is generally available to the public (other than due to a breach of this Agreement by the Restricted Party);

(ii) has become publicly known, without fault on the part of the Restricted Party, subsequent to the Restricted Party's acquiring the information;

(iii) was otherwise rightfully known by, or available to, the Restricted Party prior to entering into this Agreement;

(iv) is independently developed by the Restricted Party without use of or reference to any of the Confidential Information of the Disclosing Party; or

(v) becomes available to the Restricted Party on a non-confidential basis from a Person, other than a Party to this Agreement, who is not known by the Restricted Party after reasonable inquiry to be bound by a confidentiality agreement with the Party that disclosed the Confidential Information, either directly to the Restricted Party or to the Party that disclosed the Confidential Information to the Restricted Party, or otherwise prohibited from transmitting the information to the Restricted Party.

(d) Upon written request of a Party after the other Party does not need such Party's Confidential Information, or upon the termination of this Agreement, each Party shall, within thirty (30) days, return to the other Party (or, upon such other Party's request, certify to the other Party in writing the destruction of) all Confidential Information of the other Party in its possession that is in any written or recorded form, including by way of example, but not limited to, data stored in any computer medium; provided, however, that either Party may maintain in its possession all such Confidential Information of the other Party required to be maintained under Applicable Laws relating to the retention of records for the period of time required thereunder or stored on such Party's network as part of standard back-up procedures (provided that such information shall remain subject to the confidentiality provisions of this Section 10.4).

(e) In the event that a Restricted Party is requested or required (by oral questions, interrogatories, requests for information or documents, subpoena, civil investigative demand or similar process) to disclose any Confidential Information of the other Party, the Restricted Party shall provide the other Party with prompt notice of such request(s) so that the other Party may seek an appropriate protective order or other appropriate remedy and/or waive the Restricted Party's compliance with the provisions of this Agreement. In the event that the other Party does not seek such a protective order or other remedy, or such protective order or other remedy is not obtained, or the other Party grants a waiver hereunder, the Restricted Party may furnish that portion (and only that portion) of the Confidential Information of the other Party which the Restricted Party is legally compelled to disclose and shall exercise such efforts to obtain reasonable assurance that confidential treatment shall be accorded any Confidential Information of the other Party so furnished as the Restricted Party would exercise in assuring the confidentiality of any of its own Confidential Information.

(f) If a Party intends to file this Agreement or any other documents related to the Program as an exhibit to any report or other filing with the U.S. Securities and Exchange Commission ("*SEC*"), such Party shall file with the SEC an application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, at or about the time of such filing; provided, however, that no such filing shall be deemed to violate this Section 10.4. If a Party intends to file or files this Agreement or any other documents related to the Program with any other Governmental Authority, such Party shall take all reasonable efforts to obtain confidential treatment for this Agreement or such other documents; provided, however, that no such filing shall be deemed to violate this Section 10.4. Each Party shall use reasonable efforts to cooperate with the other Party's attempts to obtain confidential treatment for this Agreement in accordance with this subsection (f).

(g) Except as otherwise provided in this Agreement, as between Company and Bank, Bank shall own all Customer Information, Program Records and Borrower relationships with respect to the Loans for so long as Bank holds title to such Loans and, subject to the provisions of this Agreement and Applicable Laws, shall have all rights, powers and privileges with respect thereto. All Customer Information and Program Records shall be the Confidential Information of Bank for so long as Bank holds title to the Loans. Notwithstanding anything to the contrary herein, at no time will Company or its Affiliates (i) represent that the Loans have been originated or funded by any Person other than Bank and (ii) be deprived of any rights it may have to Customer Information subject to the opt-out and notice requirements pursuant to Regulation P or as allowed by Applicable Laws.

(h) Notwithstanding anything to the contrary in the foregoing and subject to any rights Company may otherwise have to Customer Information pursuant to Regulation P or other Applicable Laws, Company shall be entitled to use any Customer Information obtained in connection with the performance of Company's obligations under this Agreement for the sole purpose of marketing companion credit products offered by other institutions, so long as such use (i) does not identify Bank, (ii) does not disclose the terms of this Agreement, (iii) does not involve the selling of Customer Data to third parties, (iv) does not violate any Applicable Laws, (v) does not compete with the Loans offered pursuant to and during the Term of this Agreement, and (vi) does not harm the reputation of Bank. The Parties agree to cooperate in good faith to amend the Bank Privacy Notice to permit Bank to share Customer Information with Company for such purpose, including affording Loan Applicants and/or Borrowers a means of opting-out of such sharing. Company shall be responsible for managing and honoring any opt-out requests received from Loan Applicants and/or Borrowers with respect to the Bank Privacy Notice in compliance with Applicable Laws. For avoidance of doubt, the Parties' rights with respect to information obtained in connection with servicing the Loans are addressed in the Loan Servicing Agreement, and the provisions of this Agreement do not in any way limit such rights described therein. Company's right to use and disclose Customer Information as described in this Section 10.4 shall survive the termination of this Agreement.

Bank shall not solicit Loan Applicants and/or Borrowers with offerings of financial products that are then-currently offered by or for which Company then-currently provides services without Company's written consent.

Notwithstanding the above provisions, (i) Bank may make solicitations for services to the public, which may include one or more Loan Applicants or Borrowers; provided, that Bank does not (A) target such solicitations to specific Applicants and/or Borrowers, (B) use or permit a third party to use any list of Loan Applicants and/or Borrowers in connection with such solicitations, or (C) refer to or otherwise use the name of Company; and (ii) Bank shall not be obligated to redact the names of Loan Applicants and/or Borrowers from marketing lists acquired from third parties (e.g. subscription lists) that Bank uses for solicitations.

Notwithstanding the above provisions, Company may make solicitations for financial products that are offered by or for which Company provides services to the public without Bank's consent, so long as such goods and services are completely independent of the Program.

(i) Neither Bank nor Company shall make, or cause to be made, any press release or public announcement in respect of the Program or this Agreement or the transactions contemplated hereby, or otherwise communicate with any news media regarding the Program or this Agreement, without the prior consent of the other Party. Bank and Company agree that the foregoing does not limit or restrict any legal or regulatory disclosure obligations of Bank or Company.

Section 10.5. Privacy Law Compliance; Security Breach Disclosure; Data Security and Business Continuity.

(a) In addition to the requirements of Section 10.4, each Party understands and agrees that the Customer Information (as defined below) is subject to the GLBA, the CFPB's Privacy of Consumer Financial Information, 12 CFR §§ 1016.1 *et seq.*, the Standards for Safeguarding Customer Information, 16 CFR Part 314 and any other Applicable Laws regarding the privacy or security of Customer Information (the "*Privacy Requirements*"). Each Party agrees that it shall comply with the Privacy Requirements and shall cause all of its agents, employees, Affiliates, Subcontractors and any other person or entity acting under such Party's direction and control that receives the Customer

Information from such Party or from any other source in connection with the Program to comply with the Privacy Requirements. Furthermore, Company shall maintain, at is sole cost and expense, (and shall cause all of its respective agents, employees, Affiliates, Subcontractors and any other person or entity that receives the Customer Information from it to maintain) appropriate administrative, technical and physical safeguards to protect the security, confidentiality and integrity of Customer Information, including, if applicable, maintaining security measures designed to meet the Privacy Requirements. For purposes of this Agreement, "*Customer Information*" means information concerning Borrowers and Loan Applicants obtained in connection with the Program, including nonpublic personal information (as such term is defined by the GLBA and its implementing regulations, as amended), names, addresses, numbers, account numbers, customer lists, credit scores, and account, financial, telephone transaction information, consumer reports and information derived from consumer reports, that is subject to protection under Applicable Laws. Other than as set forth in this Agreement or in accordance with Applicable Laws, Company shall not disclose or use Customer Information, except to carry out the purposes for which such information has been disclosed to it hereunder or in any other Program Document consistent with the Bank Privacy Notice and subject to the provision of consent by Borrowers and Loan Applicants pursuant to Regulation P. Further, Company shall by written contract require any of its Subcontractors and any other person or entity that receives the Customer Information from it to maintain the confidentiality of said information in a manner no less restrictive than the requirements set forth herein. Nothing contained in this Section 10.5 or elsewhere in this Agreement shall apply to, limit or prohibit the use in any manner of, any Loan Applicant or Borrower information maintained by Company or its Affiliates to the extent such information has been independently obtained by Company or its Affiliates.

(b) A Party shall immediately inform the other Party in writing of any actual or reasonably suspected material unauthorized access to or acquisition, use, disclosure, modification or destruction of any Customer Information housed on the systems of such Party or its Subcontractors ("*Information Security Incident*") of which the notifying Party becomes aware, but in no case later than the end of the following Business Day after it becomes aware of the Information Security Incident. Such notice shall summarize in reasonable detail, to the extent reasonably known or identified by notifying Party, (i) the nature of the Information Security Incident, (ii) the type of information at risk, and (iii) what Remediation Efforts (as defined below) the notifying Party took or, to the extent known, will take to prevent further non-permitted or violating uses, unauthorized access, or disclosures. Notwithstanding any other provision of this Agreement, each Party will undertake and pay for all Remediation Efforts at its sole expense with respect to Information Security Incidents of the systems maintained by such Party or its Subcontractors and any other person or entity that receives the Customer Information from it. "*Remediation Efforts*" will mean any activity designed to remediate, directly or indirectly, an Information Security Incident which may be required by Applicable Laws or which may otherwise be necessary, reasonable or appropriate under the circumstances, and including, but not limited to, all claims, fees and fines levied against the Party that did not experience the Information Security Incident by any party (including, but not limited to, Regulatory Authorities) because of the Information Security Incident. With respect to any Information Security Incident suffered by Company or its Subcontractors, Company shall promptly take all necessary and advisable corrective actions, and shall cooperate fully with Bank in all reasonable and lawful efforts to prevent, mitigate or rectify such Information Security Incident, including conducting, or having a third party conduct, a forensic investigation of the Information Security Incident, the report of which is satisfactory to Bank. To the extent not prohibited by Applicable Laws, the content of any filings, communications, notices, press releases or reports related to any Information Security Incident must be approved by Bank in reasonable consultation with Company prior to any press publication or communication to any unaffiliated third party thereof.

(c) Upon the occurrence of an Information Security Incident involving nonpublic personal information in the possession, custody or control of a Party or for which a Party is otherwise responsible, such Party shall reimburse the other Party on demand for all Notification Related Costs (defined below) incurred by such other Party arising out of or in connection with any such Information Security Incident. "*Notification Related Costs*" shall include all internal and external costs associated with investigating, addressing and responding to the Information Security Incident, including but not limited to: (i) preparation and mailing or other transmission of notifications or other communications to consumers, employees or others as such other Party deems reasonably appropriate; (ii) establishment of a call center or other communications procedures in response to such Information Security Incident (e.g., customer service FAQs, talking points and training); (iii) public relations and other similar crisis management services; (iv) legal, consulting, forensic expert and accounting fees and expenses associated with such other Party's investigation of and response to such incident; and (v) costs for commercially reasonable credit reporting and monitoring services that are associated with legally required notifications or are advisable under the circumstances.

(d) In addition, neither Party shall make any material changes to its security procedures and requirements affecting the performance of its obligations hereunder which would materially lessen the security of its operations or materially reduce the confidentiality of any databases and information maintained with respect to Borrowers and Loan Applicants without the prior written consent of Bank.

(e) The systems maintained by Company as described in this Section 10.5 shall be reviewed and tested annually by an independent third party (or, with the consent of Bank, not to be unreasonably withheld, an independent, internal review and test by Company), and the results of such audit shall be promptly reported to Bank. To the extent material deficiencies are identified in any such audit, Company shall remediate such deficiencies as soon as commercially practicable. Company shall have in place at all times internal control processes reasonably designed to ensure compliance with Applicable Laws and shall, commencing in 2021, forward (or cause to be forwarded) to Bank promptly upon request, a copy of the most recent SOC 1, Type I and Type II reports (or successor reports on internal controls) or arrange for Bank to coordinate with Bank's outside auditors to perform testing, in each case, addressing the activities of such party for the previous twelve- (12-) month period (or, in the case of the 2021 review, such shorter applicable period) ending between June 30 and September 30 no later than November 15 of each year. If Company does not deliver such report or reports in accordance with the preceding sentence, Company shall comply, at Company's sole expense, with Bank's auditor's testing and other procedures required in lieu of such report. The SOC 1 reports, as listed on Exhibit I, shall include applicable controls relating to loan system applications functionality and accounting reports reflecting the mechanics of the financial activity in accordance with this Agreement ("*Accounting Reports*").

(f) At all times during the Term and for so long as this Agreement remains in effect, Company shall prepare and maintain disaster recovery, business resumption, and contingency plans appropriate for the nature and scope of the activities of and the obligations to be performed by Company. Company shall ensure that such plans are sufficient to enable Company to resume, as soon as commercially practicable, the performance of its obligations hereunder in the event of a natural disaster, destruction of facilities or operations, utility or communication failures or similar interruption in operations and shall ensure that all material records, including, but not limited to, Customer Information, are backed up in a manner sufficient to survive any disaster or business interruption. These plans shall ensure that such resumption takes place as soon as commercially practicable and in no later than the resumption period provided in the applicable business resumption plan, as approved by Bank. Company shall make available to Bank copies of all such disaster recovery, business resumption, and contingency plans and shall make available to Bank copies of any changes thereto. Company shall periodically, and no less than annually, test such disaster recovery, business resumption, and contingency plans as may be appropriate and prudent in light of the nature and scope of the activities and operations of Company and its obligations hereunder. Company shall further facilitate and cooperate with any requests by Bank to participate in, monitor or audit the annual testing process of Company under this Section 10.5. A complete report of the results of such annual testing shall be promptly provided to Bank. To the extent material deficiencies are identified in the annual testing process of Company, Company shall remediate such deficiencies as soon as commercially practicable.

Section 10.6. Force Majeure. Notwithstanding anything in this Agreement to the contrary, in the event that either Party fails to perform its obligations under this Agreement in whole or in part as a consequence of events beyond its reasonable control (including, without limitation, acts of God, fire, explosion, public utility (including the Internet) failure, accident, floods, embargoes, epidemics, pandemic, war, terrorist acts, nuclear disaster or riot), such failure to perform shall not be considered a breach of this Agreement during the period of such disability. In the event of any force majeure occurrence as set forth in this Section 10.6, the disabled Party shall use its best efforts to meet its obligations as set forth in this Agreement. The disabled Party shall promptly and in writing advise the other Party if it is unable to perform due to a force majeure event, the expected duration of such inability to perform and of any developments (or changes therein) that appear likely to affect the ability of that Party to perform any of its obligations under this Agreement in whole or in part. If a force majeure event continues for a period exceeding thirty (30) consecutive Business Days then the other Party shall be entitled to terminate this Agreement without further liability.

Section 10.7. Relationship of Parties; No Authority to Bind. Bank and Company agree they are independent contractors to each other in performing their respective obligations hereunder. Nothing in this Agreement or in the working relationship established and developed hereunder shall be deemed or is intended to be deemed, nor shall it cause, Bank and Company to be treated as partners, joint venturers or otherwise as joint associates for profit. Company understands and agrees that Company's name shall not appear on any Loan Document as a maker of a Loan and that Bank shall be responsible for all decisions to make or provide a Loan. Company shall refer to Bank any written complaints concerning the accuracy, interpretation or legal effect of any Loan Document during the period that Bank owns the related Loan. Company shall not represent to anyone that Company has the authority or power to take any actions on behalf of Bank other than as expressly provided in the Program Documents and shall make no representations concerning Bank's transactions except as Bank shall expressly authorize in writing or as provided in the Program Documents. Bank shall not have any authority or control over any of the management or employees of Company. Without limitation of the foregoing, Bank and Company intend, and they agree to undertake such mutually-agreed upon commercially reasonable actions as may be necessary or advisable to ensure, that: (a) each Program complies with applicable federal law guidelines regarding outsourcing of bank-related activities, installment loans, bank supervision and control and safety and soundness procedures; (b) Bank is the lender under applicable federal law standards and is authorized to export its South Dakota home-state interest rates and matters material to the rate under 12 U.S.C. § 1463(g); and (c) all activities related to the marketing and origination of a Loan are made by or on behalf of Bank as disclosed principal for any relevant regulatory, agency law and contract law purposes.

Section 10.8. Severability. In the event that any part of this Agreement is ruled by a court, Regulatory Authority or other public or private tribunal of competent jurisdiction to be invalid or unenforceable, such provision shall be deemed to have been omitted from this Agreement. The remainder of this Agreement shall remain in full force and effect, and shall be modified to any extent necessary to give such force and effect to the remaining provisions, but only to such extent. In addition, if the operation of any Program or the compliance by a Party with its obligations set forth herein causes or results in a violation of an Applicable Law, the Parties agree to negotiate in good faith to modify such Program or this Agreement as necessary in order to permit the Parties to continue such Program in full compliance with Applicable Laws.

Section 10.9. Successors and Assignment. This Agreement and the rights and obligations hereunder shall bind and inure to the benefit of the Parties hereto and their successors and permitted assigns. The rights and benefits hereunder are specific to the Parties and shall not be delegated or assigned without the prior written consent of the other Party. Nothing in this Agreement is intended to create or grant any right, privilege or other benefit to or for any person or entity other than the Parties hereto.

Section 10.10. Notices. All notices, requests and approvals required or permitted by this Agreement shall be in writing (including communication by electronic means) and addressed/directed to the other Party at the address /electronic mail (email) address below or at such other address/email address of which the notifying Party hereafter receives notice in conformity with this Section 10.10. All such notices, requests and approvals shall be deemed to have been duly given when delivered in person, by express or overnight mail delivered by a nationally recognized courier (delivery charges prepaid), by registered or certified mail (postage prepaid, return receipt requested), or when confirmation of receipt is made for any email or other electronic communication, to the respective Parties as follows, or as designated from time to time:

To Bank: MetaBank, National Association
5501 S. Broadband Lane
Sioux Falls, SD 57108
Attn: [****]
Email: [****]

With a copy to: [****]

To Company: Oportun, Inc.
Two Circle Star Way
San Carlos, CA 94070
Attn: Chief Operating Officer

With a copy to: Oportun, Inc.
Two Circle Star Way
San Carlos, CA 94070
Attn: Legal Department
Email: [****]

Section 10.11. Waiver; Amendments. The delay or failure of either Party to enforce any of the provisions of this Agreement shall not be construed to be a waiver of any right, power, or remedy of that Party. All waivers must be in writing and signed by both Parties. Alterations, modifications or amendments of a provision of this Agreement, including any exhibit and schedule attached hereto, shall not be binding and shall be void unless such alteration, modification or amendment is in writing and signed by authorized representatives of Company and Bank.

Section 10.12. Counterparts. This Agreement may be executed and delivered by the Parties hereto in any number of counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument. The Parties agree that this Agreement and signature pages may be transmitted between them by electronic mail and that PDF signatures may constitute original signatures and that a PDF signature page containing the signature (PDF or original) is binding upon the Parties.

Section 10.13. Specific Performance. Certain rights which are subject to this Agreement are unique and are of such a nature as to be inherently difficult or impossible to value monetarily. In the event of a breach of this Agreement by either Party, an action at law for damages or other remedies at law would be inadequate to protect the unique rights and interests of the Parties. Accordingly, the terms of this Agreement shall be enforceable in a court of equity by a decree of specific performance or injunction. Such remedies shall, however, be cumulative and not be exclusive and shall be in addition to any other remedy which the Parties may have.

Section 10.14. Further Assurances. From time to time, and subject to the terms of this Agreement, each Party will execute and deliver to the other such additional documents and will provide such additional information as such other Party may reasonably require to carry out the terms of this Agreement.

Section 10.15. Entire Agreement. The Program Documents, including this Agreement and the documents executed and delivered pursuant hereto and thereto, constitute the entire agreement between the Parties with respect to the subject matter hereof and thereof, and supersede any prior or contemporaneous negotiations or oral or written agreements between the Parties hereto with respect to the subject matter hereof or thereof, except where survival of prior written agreements is expressly provided for herein.

Section 10.16. Survival. The terms of Sections 2.3(b), 2.4, 3.5, 4.3, 5.3, the wind-down-related provisions under Section 8, for the purposes of paying any compensation or expenses incurred prior to the termination date under Articles V and VI, Sections 8.2(i), 9.1, 9.2 and Article X as well as any related Exhibits and Schedules shall survive the termination or expiration of this Agreement, except as otherwise expressly provided.

Section 10.17. Referrals. Neither Party has agreed to pay any fee or commission to any agent, broker, finder or other Person for or on account of such Person’s services rendered in connection with this Agreement that would give rise to any valid claim against the other Party for any commission, finder’s fee or like payment.

Section 10.18. Interpretation. The Parties acknowledge that each Party and its counsel have reviewed and revised this Agreement and that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting Party shall not be employed in the interpretation of this Agreement or any amendments thereto, and the same shall be construed neither for nor against either Party, but shall be given a reasonable interpretation in accordance with the plain meaning of its terms and the intent of the Parties.

Section 10.19. Headings. Captions and headings in this Agreement are for convenience only, and are not deemed part of this Agreement.

Section 10.20. Disputes.

(a) In the event of any dispute, controversy or claim arising out of or relating to this Agreement or the construction, interpretation, performance, breach, termination, enforceability or validity thereof (hereinafter, a "*Dispute*"), the Party raising such Dispute shall notify the other promptly and no later than sixty (60) days from the date of its discovery of the Dispute.

(b) The Parties shall cooperate and attempt in good faith to resolve any Dispute promptly by negotiating between persons who have authority to settle the Dispute and who are at a higher level of management than the relationship managers with direct responsibility for administration and performance of the provisions or obligations of this Agreement that are the subject of the Dispute. If such persons are unable to resolve the Dispute within [****], then the Dispute will be referred to the President of Bank and the Chief Executive Officer or other authorized officer of Company who will work together in good faith towards a resolution.

(c) The proceedings contemplated by this Section 10.20 shall be as confidential and private as permitted by law. To that end, the Parties shall not disclose the existence, content or results of any proceedings conducted in accordance with this Section 10.20, and materials submitted in connection with such proceedings shall not be admissible in any other unrelated proceeding, provided, however, that this confidentiality provision shall not bar disclosures required by Applicable Laws.

(d) The Parties agree that no services to be provided under this Agreement shall be disrupted as a result of any Dispute while such Dispute is pending between the Parties, except as otherwise provided herein.

Notwithstanding the foregoing, this Section 10.20 shall not limit a Party's right to obtain any provisional remedy, including, without limitation, specific performance or injunctive relief from any court of competent jurisdiction, as may be necessary, in the sole discretion of the aggrieved Party, to protect its rights under this Agreement or to institute formal proceedings prior to the expiration of the time periods set forth in this Section 10.20 to preserve a superior position with respect to other creditors.

Section 10.21. Grant of Security Interest; Set Off. Company hereby grants to Bank a continuing security interest in all of Company's accounts with Bank, the Performance Reserve Account, and the Risk Reserve Account, and all proceeds of the foregoing, to secure the payment and performance of the obligations of Company under this Agreement. Company agrees that it will not permit any lien to exist against any such accounts in favor of any party other than Bank. In addition, subject to Bank's obligation to provide at least two (2) Business Days' advance written or electronic notice to Company before debiting the Risk Reserve Account, Bank shall have the right to set off and apply against all obligations of Company to Bank not otherwise disputed in good faith by Company pursuant to Section 5.3(d) at any time (with concurrent written or electronic notice to Company) any and all deposits or other sums at any time credited by or owing from Bank to Company.

Section 10.22. Subcontracting.

(a) Company may from time to time in its discretion retain the services of one or more Subcontractors and shall manage such Subcontractors in accordance with the Bank-approved Vendor Management Policy.

(b) Exhibit K attached hereto is a true and complete list of all Subcontractors used by Company and approved by Bank as of the Effective Date in connection with performing Company's obligations under this Agreement. Company shall obtain, or require any Program Critical Subcontractor to provide to Bank, all information regarding such Program Critical Subcontractor reasonably requested by Bank in connection with the Program except as may have otherwise been approved by Bank; provided, however, Company shall not be required to provide information in breach of its confidentiality obligations to a Program Critical Subcontractor. Company shall be responsible for obtaining a written agreement with each Program Critical Subcontractor, and such written agreements shall be available to Bank for review upon Bank's request. Bank may in its sole and reasonable discretion deny approval of a Program Critical Subcontractor, or rescind its approval of a Program Critical Subcontractor by providing written notice to Company of such rescission in the event that Bank determines, in its sole discretion, that such Program Critical Subcontractor's actions or failure to act has resulted or could result in (i) a material breach of the obligations of Company or Bank; (ii) a reputational risk to Bank or a threat to the safety and soundness of Bank; (iii) a material adverse impact to Loan Applicants or Borrowers; or (iv) a risk of an Information Security Incident. Promptly upon any such rescission, and unless a remediation plan acceptable to Bank is in place, except as may be modified by a Regulatory Authority, Company shall no longer utilize such Program Critical Subcontractor for any Programs.

(c) Company shall establish and maintain at all times during the term of this Agreement a Bank-approved vendor management program consisting of policies and procedures detailing Company's requirements with respect to the initial and periodic due diligence, approval, training and on-going monitoring, auditing and management of its Subcontractors ("*Vendor Management Policy*"). Company shall provide Bank a copy of its Vendor Management Policy and any subsequent amendments thereto, which shall be subject to Bank's prior written approval, such approval not to be unreasonably withheld or delayed. Company shall onboard and oversee all Subcontractors retained in connection with the Program in compliance with its Vendor Management Policy and shall, within fifteen (15) days prior to the end of each quarter, provide Bank an updated list of its Program Critical Subcontractors, which list shall include the legal name, address, and tax identification number of the contracted Program Critical Subcontractor, together with a description of the services provided by such Program Critical Subcontractor and the type of Customer Information the Program Critical Subcontractor will have access to, store or process in connection with the Program. No less than annually, Bank shall be permitted to test, or test Company's testing of, a random sampling of Program Critical Subcontractors retained by Company after the Effective Date in order to demonstrate compliance with the Vendor Management Policy.

(d) Company shall notify Bank in writing of any changes in Program Critical Subcontractors at least thirty (30) days prior to entering into a contractual relationship with a new Program Critical Subcontractor and, except if a shorter termination period is advisable in Company's discretion or as provided in the applicable Program Critical Subcontractor agreement, at least sixty (60) days prior to terminating any contractual relationship with any existing Program Critical Subcontractor. Company shall further promptly notify Bank in writing of any material changes in the scope or terms of any written agreement with any Program Critical Subcontractor.

(e) Company shall be responsible for all fees and expenses of each Subcontractor, and shall remain liable for any services performed by any Subcontractor.

(f) Company shall be responsible for ensuring that each Program Critical Subcontractor complies with the applicable terms of this Agreement and all Applicable Laws.

(g) Company shall be responsible for ensuring that each Program Critical Subcontractor (i) holds and utilizes all Customer Information in accordance with the terms of this Agreement and Applicable Laws, (ii) does not transmit or otherwise convey any Customer Information to any Person other than Company, another Program Critical Subcontractor, or Bank, without the prior written approval of Bank, (iii) complies with the audit schedule and annual testing process consistently with Section 10.5(e) and Section 10.5(f) appropriate for the nature and scope of the activities of and the obligations to be performed by Company hereunder, except as may have otherwise been approved by Bank, including in accordance with the Bank-approved Vendor Management Policy; and (iv) maintains disaster recovery, business resumption, and contingency plans consistently with Section 10.5(f) appropriate for the nature and scope of the activities of and the obligations to be performed by Company hereunder, except as may have otherwise been approved by Bank, including in accordance with the Bank-approved Vendor Management Policy.

(h) Subject to the confidentiality provisions of Section 10.4, Company shall deliver such evaluations and reports, and such other information as shall be reasonably requested by Bank (with such redactions as may be required to protect confidential information of third parties) to enable Bank to evaluate (i) Company's oversight of Program Critical Subcontractors and (ii) Program Critical Subcontractors' compliance with the term and conditions of its agreement with Company related to the services to be provided under this Agreement.

(i) Bank acknowledges that agreements in place between Company and any Subcontractor as of the Effective Date are deemed approved and, notwithstanding any provision herein to the contrary, they are not required to conform to certain Subcontractor-specific terms of this Agreement until such time as such agreements are renewed or as may be otherwise approved by Bank, at which point any such renewed agreements must be in compliance with the terms and conditions applicable to Subcontractors under this Agreement. Notwithstanding the foregoing, Company acknowledges that any existing agreements between Company and any Subcontractor that do not conform to the terms and conditions otherwise applicable to Subcontractors hereunder must nevertheless comply with Applicable Laws.

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties have entered into this Agreement as of the date set forth above.

METABANK, NATIONAL ASSOCIATION

By: _/s/ Jeff Aegerter_________________
Name: Jeff Aegerter
Title: Divisional President, Consumer Lending

Oportun, Inc.

By: _/s/ Jonathan Coblentz_____________
Name: Jonathan Coblentz
Title: Chief Financial Officer

Exhibit 31.1

CERTIFICATIONS

I, Raul Vazquez, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Oportun Financial Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 10, 2020

/s/ Raul Vazquez
Raul Vazquez

Chief Executive Officer and Director
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS

I, Jonathan Coblentz, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Oportun Financial Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 10, 2020

/s/ Jonathan Coblentz
Jonathan Coblentz

Chief Financial Officer and Chief Administrative Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATIONS

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), Raul Vazquez, Chief Executive Officer of Oportun Financial Corporation (the "Company"), and Jonathan Coblentz, Chief Financial Officer and Chief Administrative Officer of the Company, each hereby certifies that, to the best of his knowledge:

1. The Company's Quarterly Report on Form 10-Q for the fiscal period ended September 30, 2020, to which this Certification is attached as Exhibit 32.1 (the "Quarterly Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and

2. The information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 10, 2020

IN WITNESS WHEREOF, the undersigned have set their hands hereto as of the 10th day of November, 2020.

/s/ Raul Vazquez	/s/ Jonathan Coblentz
Raul Vazquez	Jonathan Coblentz
Chief Executive Officer and Director (Principal Executive Officer)	Chief Financial Officer and Chief Administrative Officer (Principal Financial and Accounting Officer)

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Oportun Financial Corporation. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.