

**Statement by Stephanie Klein**  
**Testimony for Senate Hearing:**  
**“Are Alternative Financial Products Serving Consumers?”**  
**Before the Financial Institutions and Consumer Protection Sub-committee of the**  
**Senate Banking, Housing and Urban Affairs Committee**  
**March 26, 2014**

My name is Stephanie Klein, and I am a Director of Consumer Lending for Enova, a global leader in online financial services headquartered in Chicago. Thank you for the opportunity to share Enova’s experience before this Committee.

Senators, I am here to tell you about the exciting new credit solutions we have been developing, what we have learned, who we are serving, and how we can help underserved consumers have equal access to quality credit. We believe we can change the dynamics in the industry and provide a pathway toward upward mobility that will benefit millions of hardworking Americans who have been left behind by traditional Banks.

At Enova, since our launch in 2004, we have been using advanced technology and analytics to create products that meet consumers’ evolving credit needs. I oversee NetCredit, one of Enova’s newest installment loan products for U.S. consumers. With NetCredit, customers can borrow 1 to 10 thousand dollars and pay back in fully amortizing installments over 6 to 48 months. Payment amounts are typically just 6 to 8 percent of gross paycheck. We derived this ratio through rigorous testing, but we have

also released a new tool where customers can vary their payment amount and see the impact on total duration and total cost of borrowing in real-time.

Our customer demographic presents a unique challenge when it comes to pricing. While our customers typically have moderate incomes, usually ranging from 40 to 60 thousand dollars per year, they also have very low credit scores. Compared to the average U.S. FICO score of 689, 90 percent of NetCredit customers score below 650, and the majority fall well below 600. In short, we are serving very high-risk borrowers who traditional Banks are not willing or able to serve.

Our answer to this challenge is a unique risk-based pricing algorithm. By leveraging multiple data sources and evaluating hundreds of variables, we've been able to successfully distinguish high-risk customers from low-risk customers and price accordingly. As a result of this innovation, our average interest rates are 50 percent lower than other leading online lenders and almost 75 percent lower than a typical payday loan product. Furthermore, because we use the simple daily interest method, customers can save money by making early payments when they have extra funds. In fact, roughly one-third of our customers choose to pay off their loans early.

Over the past two years, we've been working hard to foster relationships with the major credit bureaus and have dedicated significant resources to building the technology necessary to report performance data. We are very excited to help our customers build credit history in order to achieve a brighter financial future.

Now that I've told you about one example of how Enova is innovating and the benefits we can offer our customers, let me tell you about the significant challenges we face due to the current regulatory landscape. It is our belief that the current state laws do not adequately serve consumers. Instead of working toward innovative solutions that can be scaled across 50 states, we are forced to develop new products for individual states within the constraints of antiquated consumer credit statutes that were not drafted for current technologies or Internet lending. In many cases, instead of allowing customers a choice of quality credit options, current state law forces borrowers into single payment loans.

Our mission at Enova is to create high-quality, innovative products that can not only serve an immediate credit need, but can also help consumers achieve a better financial future. We have proactively shared our experience with groups like Center for Financial Services Innovation and the CFPB's Project Catalyst in an effort to promote policies that will help working families throughout the country achieve equal access to quality credit. We envision uniform federal standards that enable innovation to meet the needs of today's increasingly mobile, tech-savvy consumers.

I encourage you to support legislation to modernize our laws. Thank you, Chairman Brown and Committee Members, for permitting me to present this testimony. I would be happy to answer any questions you may have.