



July 1, 2021

*Via Electronic Mail*

Chief Counsel's Office  
Attention: Comment Processing  
Office of the Comptroller of the Currency  
400 7<sup>th</sup> Street SW  
Suite 3E-218  
Washington, DC 20219  
[Docket ID OCC-2020-0049]

Ann E. Misback  
Secretary  
Board of Governors of the Federal Reserve  
System  
20<sup>th</sup> Street and Constitution Avenue NW  
Washington, DC 20551  
[Docket No. OP-1743]

James P. Sheesley  
Assistant Executive Secretary  
Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street NW  
Washington, DC 20429  
[RIN 3064-ZA24]

Comment Intake  
Bureau of Consumer Financial Protection  
1700 G Street NW  
Washington, DC 20552  
[Docket No. CFPB-2021-0004]

Melane Conyers-Ausbrooks  
Secretary of the Board  
National Credit Union Administration  
1775 Duke Street  
Alexandria, VA 22314-3428  
[Docket No. NCUA-2021-0023]

**Re: Request for Information and Comment on Financial Institutions' Use of Artificial Intelligence, Including Machine Learning**

Ladies and Gentlemen:

Oportun, Inc. ("Oportun") appreciates the opportunity to respond to the Request for Information and Comment on Financial Institutions' Use of Artificial Intelligence, Including Machine Learning ("the RFI") submitted by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve, the Federal Deposit Insurance Corporation, the Consumer Financial Protection Bureau ("CFPB"), and the National Credit Union Administration (collectively, "the Agencies"). Oportun supports the Agencies' efforts to explore both the promises and the challenges of using artificial intelligence ("AI") and machine learning ("ML") in lending and is pleased to offer our views on the ways in which supervised AI and ML can improve access to responsible credit.



## Oportun's AI and ML Tools Help Consumers in Underserved Markets Access the Financial Mainstream

Founded in 2005, Oportun's mission is to provide inclusive, affordable financial services that empower its customers to build a better future.<sup>1</sup> We estimate that there are 100 million people living in the United States who find themselves outside the credit mainstream. According to a December 2016 study by the Consumer Financial Protection Bureau ("CFPB"), an estimated 45 million people in the United States are unable to access affordable credit options because they do not have credit scores.<sup>2</sup> We believe there are another 55 million people in the United States who are "mis-scored," primarily because they have a credit history that is too limited to be accurately scored by the credit bureaus.<sup>3</sup> Mainstream financial services, such as banks, typically rely on credit records maintained by nationwide credit bureaus and credit scores such as FICO® when making credit decisions. We built our business model around a holistic concept of financial inclusion for underserved consumers with little to no credit history. The entire customer experience is designed to help borrowers, in either English or Spanish, with little or no experience with financial services companies. Serving this large consumer segment with dignity and respect is what drives our desire to leverage AI and ML tools to continually improve how we serve our customers.

Oportun leverages our digital platform to provide affordable consumer credit to hardworking people who are outside the financial services mainstream. Using models that are developed with AI and built on more than 15 years of proprietary consumer insights and billions of data points, Oportun has extended more than \$10 billion in credit alternatives to payday and auto title loans. In recognition of our responsibly designed products that help consumers build their credit history and our efforts to support the communities where we do business, we have been certified as a Community Development Financial Institution ("CDFI") by the U.S. Department of the Treasury since 2009.

Since our founding, we have served more than 1.9 million customers and extended more than 4.2 million loans. Based on a study commissioned by Oportun and conducted by the Financial Health Network (formerly known as the Center for Financial Services Innovation), our customers have saved more than an estimated \$1.9 billion in aggregate interest and fees compared to alternative products available to them. We have also helped over 905,000 customers who came to us without a FICO® score begin establishing a credit history.<sup>4</sup> In addition, our proprietary credit scoring model and continually evolving data analytics have

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<sup>1</sup> In 2018, Oportun was named one of 50 businesses inventing the future in *Time Magazine's* "Genius Companies of 2018." Oportun was also the 2019 winner of a FinTech Breakthrough Award for Best Consumer Lending Product. In 2020, Oportun was named to *Fast Company's* list of "World's Most Innovative Companies" and "Top Ten Most Innovative Companies in Finance."

<sup>2</sup> *The CFPB Office of Research, "Who are the Credit Invisibles?"* at 2 (Dec. 2016) [https://files.consumerfinance.gov/f/documents/201612\\_cfpb\\_credit\\_invisible\\_policy\\_report.pdf](https://files.consumerfinance.gov/f/documents/201612_cfpb_credit_invisible_policy_report.pdf).

<sup>3</sup> Company estimates based on credit bureau information.

<sup>4</sup> Customers who came to Oportun without a FICO® score, who have begun to establish a credit history. Since inception as of March 31, 2021.



enabled us to maintain strong absolute and relative performance through varying stages of economic cycles with net charge-off rates ranging between 7% and 9% from 2011 to 2019 and a 9.8% net charge-off rate for 2020. Put simply, responsible use of AI and ML can be good for consumers and for business.

AI and ML are critical tools that enable Oportun to fulfill its mission and help our customer base achieve their financial goals. The attributes and benefits of our AI and ML platforms include:

- *Unique, large, and growing data set expands access to affordable credit*—Our risk scoring models leverage billions of data points – derived from our research and development of alternative data sources and our proprietary data accumulated from more than 9.7 million customer applications, 4.2 million loans and 92.2 million customer payments – to score 100% of the applicants who come to us, enabling Oportun to serve millions of consumers others cannot. In comparison, incumbent financial institutions relying on traditional credit bureau-based and, in some cases, qualitative underwriting or legacy systems and processes either decline or conservatively underwrite loans due to their inability to accurately evaluate creditworthiness of consumers with thin file or no file. Breaking free from the antiquated way of building decisioning models that are rooted solely in credit bureau attributes, Oportun has advanced the way it looks at consumers with limited credit history by using AI and ML to build models that predict a consumer's ability and willingness to repay their debt.
- *Virtuous cycle of risk model improvement*—Oportun's lending platform leverages machine learning and processes large amounts of alternative data along with traditional credit bureau data to assess creditworthiness across more than 1,000 end nodes. The speed at which we can incorporate new data sources, test, learn, and implement changes into our scoring and decisioning platform, in a controlled manner, allows for highly managed risk outcomes and timely adjustments to changes in consumer behavior or economic conditions.
- *Refined fraud management*—Consumers with limited credit histories are often saddled with high-cost loans because creditors assume those loans bear a higher degree of credit and fraud risk. Our AI-driven fraud model helps us prevent fraud and manage risk while offering affordable interest rates. Oportun's technology enables our fraud models to learn how to deal with unusual activity by ingesting extensive data points including customer information as well as information from credit bureaus, fraud detection databases and other alternative data sources. Based on our calculations, early results indicate that Oportun's fraud model performs twice as effectively as commercially available alternatives. Fewer and more accurate fraud hits mean expanded access to credit for the underserved population. Additionally, Oportun leverages AI to comply with our customer identification requirements which help us determine which applicants may be required to submit additional verification information, such as physical identification documents.



- *100% automated and centralized decision making*—Our fully automated and centralized decision making does not allow any manual intervention, which in turn, enables us to achieve highly predictable credit performance and rapid, efficient scaling of our business. Here, AI helps us to meet our compliance requirements while also offering consumers a streamlined application experience.
- *Quick and easy lending process*—Our centralized and automated digital underwriting platform enables us to preapprove borrowers within seconds of a complete application. Our approved customers can receive their loan proceeds the same day.
- *Significant savings compared to alternatives*—According to a study commissioned by us and conducted by the Financial Health Network, we save our customers an estimated \$1,000 on their first loan with us compared to other available alternative credit products typically available to our customers, which are on average over four times more expensive than our loans.<sup>5</sup> Indeed, some options range up to nine times the cost of Oportun's loans.

### **AI and Alternative Data are Effective Tools for Lending to “Credit Invisible” Consumers**

Oportun's business model demonstrates the effectiveness of AI and alternative data in expanding access to credit. Oportun uses AI to manage risk, fraud, direct marketing, automated verification and collections. We also use alternative data, gathered from specialty credit reporting agencies, bank account transactions, credit applications, and other sources, to successfully lend to individuals who do not qualify for credit or loans under traditional underwriting standards. By expanding data sets beyond the criteria evaluated by the credit bureaus and mainstream lenders, alternative data allows us to assess an individual's ability to repay based, in part, on alternative factors such as how long a person has held the same job or home address. By leveraging alternative data to improve and broaden the scope of credit decisioning, Oportun creates economic opportunities for our customers and improves the financial health of consumers living outside or on the cusp of the mainstream financial system.<sup>6</sup> By offering credit on more reasonable terms than consumers with limited or no credit history may find elsewhere, we are helping them avoid the debt traps to which many consumers fall prey, especially for consumers with limited English proficiency (“LEP Borrowers”) who often face the added challenge of a language barrier in the credit application process. Oportun markets, originates and services its loans in English or Spanish based on the consumer's preference, to ensure equal access to credit.

While we understand the Agencies may have concerns that some lenders may improperly use alternative data as proxies for prohibited bases, or that some alternative data (such as

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<sup>5</sup> Based on research commissioned by Oportun and conducted by the Financial Health Network (FHN). Details available at [Oportun.com](https://oportun.com).

<sup>6</sup> See e.g. Oportun's Voices from our Community, “I think having good credit in the U.S. is indispensable. Thanks to Oportun, they gave me the opportunity to start building my credit and reach my goals.” <https://oportun.com/whyoportun/>



behavioral data) may not reliably predict an individual's ability to repay, Oportun strongly encourages the Agencies to continue to promote and allow the responsible use of alternative data to reach underserved consumers. In the absence of alternative data, consumers that are "not creditworthy" or "unqualified" for traditional loans have few alternatives to high-cost lenders and face significant barriers to the financial mainstream.<sup>7</sup> For the 100 million people who cannot obtain a loan using traditional data, alternative data provides the necessary solution for financial inclusion. Therefore, we encourage the Agencies to continue to allow lenders flexibility to use alternative data in credit decisions in accordance with sound compliance risk management principles and fair and responsible lending obligations.

**Question 1: How do financial institutions identify and manage risks relating to AI explainability? What barriers or challenges for explainability exist for developing, adopting, and managing AI?**

Oportun's products and services are designed to achieve financial inclusion by making loans to "credit invisible" consumers who are underserved by the financial mainstream. Because inclusion is so integral to our mission, we strive to ensure our AI models produce transparent and unbiased credit decisions. Financial inclusion therefore requires that our AI models be explainable and that we supervise our AI to validate our data, demonstrate model predictability, and identify and manage risks. Accordingly, we believe people play an essential role in ensuring our supervised AI models are explainable and neutral. While our risk engine is 100% automated during the credit decisioning process with no manual intervention affecting individual credit decisions, we build static scorecard models, which are then tested, monitored, and updated by a team with expertise in fair lending, model governance and credit risk management. In addition, all of our AI technology is governed by our Fair Lending Policy, processes and controls as well as our and model validation processes to ensure that models are functioning as designed.

**Question 8: How do financial institutions manage AI risks relating to dynamic updating? Describe any barriers or challenges that may impede the use of AI that involve dynamic updating. How do financial institutions gain an understanding of whether AI approaches producing different outputs over time based on the same inputs are operating as intended?**

Oportun uses some non-credit related AI models that are dynamically updated. However, all models must be reviewed and approved by individuals with expertise in fair lending, model governance and credit risk management before the model is deployed in production. These tools leverage training data sets that are limited and only include neutral attributes that have been reviewed for fair lending risk and approved by fair lending counsel.

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<sup>7</sup> See e.g. Oportun's Voices from our Community, "I was tired of all the nos. Once I found out about Oportun, all that went away. There's not a no. There's a yes. Approved. You're qualified." <https://oportun.com/whyoportun/>



Although we do not currently use dynamic models in our credit related AI models, Oportun uses both traditional and alternative modeling techniques to develop, test, implement and monitor credit models, including decision trees, random forests, and boosting algorithms. Our approach to supervised AI and ML reflects our company's high-touch, consumer-centric approach to lending and should not be confused with "set-it-and-forget-it" ML models that receive little to no human intervention or oversight while those models evolve and change without supervision. This, coupled with our robust set of fair lending, model governance and credit risk management controls, ensures that the models are functioning as designed in a neutral fashion.

There is a delicate but critical balance to leveraging AI to develop and improve models while still maintaining complete control over its use to ensure that model governance, change management and other risk management standards are fully integrated into business processes. That is why Oportun uses the term "supervised AI." We use AI and we learn from AI, but then we operate the models in a highly controlled environment, and for credit related models we currently only use a static environment.

**Question 11: What techniques are available to facilitate or evaluate the compliance of AI-based credit determination approaches with fair lending laws or mitigate risks of non-compliance? Please explain these techniques and their objectives, limitations of those techniques, and how those techniques relate to fair lending legal requirements.**

Defensible AI and ML methodologies promote fair lending because they have been rigorously tested and are continuously monitored. Therefore, to ensure fairness in model development and model validation, lenders must have sufficient regulatory latitude to innovate and improve models without the constraints of an overly proscriptive, complicated, or punitive compliance regime. As such, Oportun encourages the Agencies to preserve a regulatory environment that promotes responsible innovation and the use of AI and ML. Additionally, while Oportun has historically not participated in initiatives like the CFPB's Project Catalyst or No-Action Letter program, these opportunities provide industry participants important vehicles to evaluate the compliance of AI-based credit determination approaches with fair lending laws and we support the CFPB in making these tools available to lenders.

To comply with responsible lending practices when AI-based credit determinations are used, Oportun carefully reviews our data on an on-going basis to ensure data used to predict creditworthiness does not serve as impermissible proxies for race, ethnicity, gender, or another prohibited bases. Oportun uses a list of neutral attributes (features) that are unbiased and logically correlate with an applicant's ability to repay, willingness to repay, and the applicant's overall stability. Accordingly, we do not use, and have never used, behavioral data sources, such as social media profiles or activities in credit underwriting.

In this respect, the existing model risk management framework offers guidance that not only informs lenders about the Agencies' regulatory expectations for model development and model validation, but also provides appropriate safeguards to reduce model risk and promote responsible lending. Oportun's modeling techniques offer proof that AI and ML can leverage





safe and sound predictive power to promote fairness and financial inclusion in the credit decisioning process. Importantly, Oportun's AI and ML models have shown technologies can be used to reach, not exclude, low- and moderate-income ("LMI") communities and provide a bridge to the financial mainstream.

**Question 17: To the extent not already discussed, please identify any benefits or risks to financial institutions' customers or prospective customers from the use of AI by those financial institutions. Please provide any suggestions on how to maximize benefits or address any identified risks.**

Oportun's AI driven technology platform and data science has helped us design personal loans and credit cards that are both easy to use and available at a lower cost compared to market alternatives. Unlike traditional underwriting tools that operate to exclude consumers from the financial system, our company uses a data-driven understanding of traditionally underserved market segments – most notably LMI borrowers, LEP borrowers and credit invisibles. Consumers in these underserved populations are often unfairly characterized as uncreditworthy, high fraud risk, and unprofitable. Many of Oportun's customers today would have never even been run through a creditor's underwriting model 20 or even 10 years ago because the applicant would not have had a sufficient credit history or credit score to be considered for credit. Through the use of AI and ML, companies like Oportun have developed innovative methods of predicting risk, ability to pay and willingness to pay. Our AI and ML tools allow us to score 100% of applicants who come to us, including consumers with a thin file or no credit history.

Ultimately, the benefit of AI is that the learning never ends. With each new credit model we build, we modify and improve them based on how the prior model performed. As we learn through the use of AI and ML, everyone benefits – creditworthy borrowers are approved for the right amount of credit on affordable terms, and Oportun has the opportunity to develop long-lasting relationships with loyal customers.

Because AI enables Oportun to drive credit availability to underserved consumers, we strongly urge the CFPB to ensure the regulatory framework governing AI and model risk remains flexible, promotes innovation, and continues to allow lenders like Oportun to develop solutions to benefit these communities. To accomplish this outcome, the Agencies should consider creating a safe harbor from unfair, deceptive, or abusive acts and practices ("UDAP/UDAAP") liability for a limited subset of responsible AI tools, data points, and practices specifically designed to benefit and reach "credit invisible" consumers. By establishing clear guardrails and rules of the road, a UDAP/UDAAP safe harbor could accomplish the related benefits of encouraging responsible AI usage and improving credit availability, while also deterring troubling AI practices that do not satisfy the safe harbor. Related, Oportun would welcome clarification from the Agencies about alternative data points that regulators agree pose minimal fair lending risk. Clear communication from the Agencies about appropriate uses of alternative data or the steps lenders may take to determine whether AI and ML tools comply with fair lending laws would



provide us greater assurance to continue developing supervised and responsible AI tools to expand access to credit.

Oportun appreciates the Agencies' interest in hearing about the growth and evolution of AI and ML, and how it can help provide access to credit to those that would not have access under more traditional credit modeling techniques. We encourage the Agencies to consider the positive impact technology can have on underserved populations and to use this RFI process as a springboard for promoting the responsible use of these tools as a bridge to financial inclusion.

Sincerely,

*Joan Aristei*

**Joan Aristei, General Counsel and Chief Risk Officer**