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## PeopleFirst founders first again with paperless lending: web site offers up to \$100k to elite borrowers.

by Allen, Mike  
San Diego Business Journal • March 3, 2008 • FirstAgain LLC

After selling their online loan business and cashing out with \$17 million in stock, partners Gary Miller and Dave Zeller could have taken up a life of leisure.

Instead, they took a year off, and started work on their next online venture, FirstAgain.com, which they claim is the nation's first paperless consumer lender.

Their first startup, PeopleFirst.com, provided auto loans to the creme de la creme of borrowers, sending them a blank check the next day, huge leverage in getting the best deal. McLean, Va.-based Capital One Finance Corp. bought PeopleFirst in 2001.

With FirstAgain, the partners have taken the same concept, lending to the best customers, doing only unsecured loans from \$10,000 to \$100,000, all of it done over the Internet.

[ILLUSTRATION OMITTED]

For Any Purpose

The loans from FirstAgain can be used for any purpose, including home improvements, cars, educational and medical expenses, as well as time-share condos. Among the more exotic uses have been several horses, and property in foreign countries, Miller says.

From their perch on the 14th floor in DiamondView Tower overlooking Petco Park, things are looking up for Miller and Zeller.

The key to the partners' new business and its prior one is simple: Take care of customers, but limit the risk.

"This is not a credit product. This is a service product. Through our underwriting, we get rid of the credit risk almost entirely," said Miller, 51, FirstAgain's chief executive officer.

Just as the partners observed in the auto lending game, the best quality borrowers have to go through the same hoops as those with sketchy or blemished credit histories.

Even though they may have top credit scores and tons of assets, the best borrowers still have to submit the same paperwork, and bankers still have to conduct an analysis to determine how much they can lend.

"It's going to take probably a day to a week to actually complete the transaction," Miller said. "They may get a very attractive rate at the end of the day, but the experience is not pleasant."

[ILLUSTRATION OMITTED]

Zeller, 49, who is president, told a story of one customer who had been with his bank for 20 years, but needed a loan to expand his business. He got frustrated because of the complexity of the process.

He applied with FirstAgain and obtained the loan in one day.

The customer then left the bank, Zeller says.

Longtime local banker Vince Siciliano, chief executive of 1st Pacific Bank of California, says the lending model has its advantages and disadvantages.

"They're appealing to people who are completely computer comfortable and literate, and don't have an easy way to get unsecured credit," Siciliano said. "But the preferred way to borrow (for consumer uses) is on a home equity line of credit because the interest is tax deductible."

Siciliano said unless the borrower is wealthy and has a spotless credit history, "You can't just walk into a bank and borrow \$25,000."

\$5m Assembled

The two partners assembled \$5 million from friends and family to build the FirstAgain technology platform. They later obtained a warehouse line of credit and a venture capital investment from two units of Merrill Lynch.

The business is not a bank, doesn't take in deposits, and doesn't have to report its financial operations to government agencies. The warehouse line provides the funds for the loans.

Last month, it announced that Arsenal Capital Partners of New York invested \$30 million for working capital.

The two declined to reveal loan data, or profits or losses, but claimed it has thousands of satisfied customers, with zero loan delinquencies or defaults.

That isn't surprising given the short time the loans have been made, bankers say.

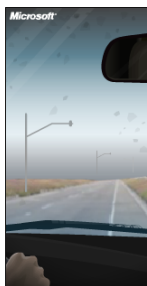
Still, even for the long term, the business may have hit on a winning strategy.

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"Getting instant credit is not new and online application for credit is not new," said Fritz Elmendorf, spokesman for the Consumer Banking Association in Arlington, Va. "What sounds unique is their strategy of only going after the top-tier customers."

INFO

\* Company: FirstAgain LLC.

\* Launched: 2004; began making loans in July 2007.

\* Parnters: Gary Miller, CEO; Dave Zeller, president

\* Employees: 44

\* Address: 350 10th Ave., San Diego 92101.

Business: Lender of unsecured loans on the Internet.

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