

United States House of Representatives
Committee on Financial Services
Subcommittee on Financial Institutions and Consumer Credit

“Examining the Opportunities and Challenges with Financial Technology (‘FinTech’): The Development of Online Marketplace Lending”

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**Written Testimony of Sachin Adarkar, General Counsel and Chief Compliance Officer
Prosper Marketplace**

Chairman Neugebauer, Ranking Member Clay, and Members of the Subcommittee, thank you for the opportunity to testify today. My name is Sachin Adarkar and I am the General Counsel and Chief Compliance Officer of Prosper Marketplace. I am honored to be here representing Prosper.

Prosper Marketplace launched in 2006 as the first U.S marketplace lending platform. Our proprietary online platform connects borrowers who are looking for unsecured loans with individuals and institutions who wish to invest in those loans. To date, more than \$6 billion in loans have been funded through the Prosper platform, helping people refinance high-interest credit card debt and pay for large expenditures, such as medical bills. All loans made through the Prosper platform are originated and made by WebBank, an FDIC insured industrial bank, under a credit policy approved by WebBank’s board of directors. Prosper services all of the loans originated through our platform.

Prosper is the second largest consumer marketplace lending platform in the United States. Some marketplace lending platforms, such as Prosper, offer investors the opportunity to invest in individual loans. Other marketplace lending platforms hold the loans themselves and collect interest and principal payments over the life of each loan.

Benefits to Borrowers and Investors

The Prosper platform offers borrowers access to fixed-rate consumer loans, ranging from \$2,000 to \$35,000, with fixed loan terms of three or five years. We facilitate a fast and transparent loan origination process that includes clear disclosure of all costs and fees, and we

offer access to competitive interest rates. The minimum FICO score for eligibility on the Prosper platform is 640, and the average FICO score is 705. The most common reason for taking out loans is to refinance existing unsecured debt, such as credit card debt, at lower interest rates and on more affordable terms.

Prosper uses mostly automated processes to verify the identity of borrowers and assess borrowers' eligibility and credit risk under the Prosper-WebBank credit policy. We have developed innovative technology to make these processes efficient and effective.

For investors, the Prosper platform offers access to an attractive asset class with steady cash flows and consistent returns. The estimated weighted average return on loans originated through our platform in June 2016 is approximately 7.4%. In order to help our investors make well-informed investment decisions, we provide them with a high level of transparency. At the time an investor on our platform is considering investing in a loan or related security, we provide them with detailed, *anonymized* data regarding the borrower's credit characteristics. After an investor has purchased a loan or related security, we also provide them with detailed performance data regarding the loan. We believe this approach creates an open and fair process for all participants in our marketplace.

Compliance and Regulatory Overview

Loans originated through the Prosper platform are subject to the same comprehensive regulatory framework as loans originated through any traditional consumer lending program. All of our loans must comply with the Truth in Lending Act, the Equal Credit Opportunity Act, the Fair Credit Reporting Act and the Patriot Act, among other laws and regulations. Because WebBank, our issuing bank, is FDIC-insured, the loan program is subject to direct regulatory oversight by the FDIC as well as the Utah Department of Financial Institutions. The FDIC also has examination and enforcement authority over Prosper under the Bank Service Company Act. Additionally, Prosper is subject to the enforcement authority of the Consumer Financial Protection Bureau and the examination and supervisory authority of a number of state licensing bodies. The Prosper retail investment product offerings are subject to oversight by the Securities and Exchange Commission as well as state securities regulators.

Prosper has developed a robust compliance management program that includes strong compliance-related controls, governance, and policies and procedures for all aspects of our operations. We are proactive in raising issues of potential concern with regulators, and we are committed to continuing this open and transparent dialogue. We recently joined with other leading marketplace lending platforms to form the Marketplace Lending Association (MLA), which aims to facilitate this dialogue and encourage the responsible growth of our industry.

Conclusion

We believe marketplace lending brings significant value to both borrowers and investors, and that it will play an increasingly important part in the financial industry in the years to come. I want to thank you for this opportunity to provide an overview of our business and industry, and I welcome future opportunities to discuss these issues.