Before the
Federal Communications
Commission

In the Matter of	)	
Protecting and Promoting the Open Internet	)	**GN Docket 14-28**
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	)	**GN Docket 10-127**
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Reply Comments of LendUp

August 5, 2014

Sasha Orloff
Chief Executive Officer
LENDUP
237 Kearny Street, #372
San Francisco, CA 94108

I. **LendUp Provides Better Loans to Financially Vulnerable People**

LendUp is a direct lender that uses technology to fix what's broken about payday lending. We have created an online lending platform that changes the dynamics of a payday loan from what can be the first step into a debt trap to an opportunity to build credit and learn the benefits of responsible financial behavior. Our values center on transparency, dignity and access

LendUp began ten years ago when I read Dr. Muhammad Yunus' book *Banker to the Poor* about his work providing safe access to credit in order to help people improve their lives. Dr. Yunus founded the Grameen Bank, which pioneered the concept of lending small amounts of money to poor people in the rural areas in order to help them start small businesses. By structuring products that worked for those banks deemed too high-risk, he made loans a relationship, not just a transaction. Inspired by Yunus's work, I moved to Honduras to work with the Grameen Foundation and what started as a six-month, volunteer internship turned into a career committed to expanding financial services to new segments and markets, with the ultimate goal of improving lives.

This left me with a strong desire to use these lessons to provide a market alternative for the one in eight working Americans who take out a payday loan every year, and a belief that technology could empower us to do so in a sustainable way. For the forty-five percent of the population living paycheck to paycheck even the smallest unplanned expense can mean financial catastrophe. Last year 14 million people borrowed $45 billion in payday loans. Most frequently, these loans are the result of an emergency or uneven cash flow, such as a utility bill due two days before a paycheck. My co-founder and stepbrother Jacob Rosenberg and I knew there had to be a better alternative for this underserved section of the market. So with my background in financial services and his expertise building some of the largest websites in Silicon Valley, we created LendUp.

Technology underpins the aspects of LendUp that make it a better product for consumers, and a viable competitor within a fierce marketplace. First, consumers needed choice, so we created an online tool that allows them to build the loan that works for them. For example, in California this means choosing a loan amount between $100 and $250 for between 7 and 30 days. Customers can use our dynamic platform to build the exact loan that means their needs.

Next, our customers demanded speed and accuracy. Again, using technology, we have streamlined the application process and created a dynamic risk model that offers an instant decision. Our model specializes in evaluating those with poor and no credit histories, moving beyond FICO scores to recognize and approve the right customers. New or returning customers can take a loan any time of the day, any day of the week because the entire process in automated and online.

Finally, our borrowers deserve access to a broader array of services. We built the LendUp Ladder to give customers the chance to use their repayment history and engagement on the site to get access to more money, at lower rates, for longer periods of time. Actions like paying a loan early or on-time or taking one of our free credit education classes earn customers points. Points translate into new status levels – from Silver to Gold to Platinum to Prime. Our top two levels report payments to major credit bureaus, giving customers the chance to improve their credit score and get access to even more products. With the LendUp Ladder, Annual Percentage Rates (APRs) start at about half of market in key states and get drastically cheaper over time. This type of benefit – where a customer can know their status and what they can do to improve it at any time – can only be available through an online service.

We can reach our customers online through any desktop or mobile device 24 hours a day, 7 days a week. Since our inception in 2012 as a California-based direct lender, LendUp has expanded its services to eleven states, including Missouri, Louisiana, Mississippi, Oklahoma, Tennessee, Oregon, Illinois, Oklahoma, Wyoming, New Mexico and Texas. We aim to launch in a new state every few weeks for the duration of this year. As a result, we project that LendUp will process upwards of 300,000 loans in 2014.

II. The FCC's Proposal Might Have Prevented Us from Starting LendUp

As with most startups, the early success of LendUp depended on a belief that an innovative idea and exceptionally hard work would allow us to take on and succeed within an incredibly competitive industry. Jacob and I were the first to take the jump, leaving our jobs as a SVP at Citigroup and CTO of Platform at Zynga in 2012. Since we could not have afforded to build LendUp with our own money, we needed investors to also believe in our vision. Through our hard work and good fortune, we received funding from some of the most prestigious incubators and venture capital firms in Silicon Valley, such as Y Combinator, Google Ventures, Kleiner Perkins, Andreesen Horowitz and many more. It was in part the encouraging environment of the FCC's current open Internet rules that allowed all of us to take this risk, a calculation that would have been much harder under the Chairman's proposal.

Competition within this industry is fierce and, if we were founded under the rules laid down in the Chairman's proposal, our initial cost projections could have proven prohibitive. We would have needed to pay a substantial premium in order to ensure customers could find and access us within a crowded marketplace. We compete not only against established brick-and-mortar and licensed online lenders, but also growing ranks of unlicensed lenders who operate online from outside of Federal and/or state jurisdiction. These unlicensed lenders can circumvent state usury laws, are free from other state compliance and regulatory burdens, and have no incentive to provide the consumer protections and disclosures customers deserve. With lower regulatory and compliance costs and higher revenue potential, these unlicensed lenders can price out compliant lenders, leaving the industry less competitive and more dangerous. Free of usury caps, this cost can easily get passed on through higher fees for low income, working class Americans.

Beyond competition, core aspects of our business depend on Internet speed and efficiency. From underwriting to transaction processing, we rely on large amounts of data flowing quickly to meet customer needs and ensure accuracy and security. Speed also enables our value proposition as no customer is going to sit through a credit education video that takes too long to load. Again, with competition so intense and the alternative lenders so lacking our benefits, the consequences of a borrower abandoning us for a less compliant lender that could pay more for bandwidth are high. Furthermore, as investors evaluated the potential of our business, if these would-be risks had been a reality, I am confident conversations would have been different.

Assuming investors were willing to take on these risks, an even graver one may still have given them pause. The Chairman's proposal permits ISPs to strike exclusive deals with edge providers, carrying their traffic but not that of their competitors with priority. These deals would certainly come at a high price – a price we could not afford even with the most generous investment, but which our competitors might have purchased to exclude us.

III. The FCC's Proposal Still Impacts Us Today

Many of the concerns we would have had at our founding remain today. It is likely that the capital we have raised to date could allow us to afford premium Internet access if necessary; however, that would come at a cost – whether diverting money away from growth, passing the cost along to our customers, or reducing investment in our programs' social impact – only to enrich ISPs' shareholders and executives. Meanwhile, the threat of being excluded by a special deal struck with a major financial institution, or group of institutions, remains.

IV. The Chairman's Proposal Hurts Social Enterprises

Many of my fellow social entrepreneurs would be unable to survive in a pay-to-play market permitted by the Chairman's proposal. Social entrepreneurs pursue both profit and a social mission. They often take lower margins or figure out ways to serve parts of the market that are not addressed. If they have to pay Internet access providers for preferences to ensure their content loads quickly and reliably, it erodes their ability to pursue their missions profitably. Without net neutrality, social entrepreneurs would often be unable outbid incumbent competitors.

V. "Commercial Reasonableness" Tests Will Not Help Us At All

A two-tiered Internet would slow our growth and potentially put us out of business. It is of no comfort to us that, under the Chairman's proposal, we would be able to sue ISPs for abuses under a vague standard of "commercial reasonableness." Each broadband provider has billions of dollars in revenue and armies of lawyers at its disposal. We lack not only the desire but also the resources for a legal fight.

Government policy should encourage innovation and competition in the lending industry. It should also support individuals and social enterprises willing to join the government to address major national crises ongoing today. We urge the FCC to classify broadband providers under Title II of the Communications Act, and to enact *per se* rules prohibiting blocking, technical discrimination, and paid prioritization. Refraining from doing so may result in more of our communities trapped in a cycle of debt.

Respectfully Submitted,

/s/Sasha Orloff

Chief Executive Officer
LendUp