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The Most Powerful Name in Corporate News

Credit Reports and Ratings

Steve Ely - *CEO*

eCredable uses ALL your bill payments to create a credit report and rating so you can qualify for mainstream products and services that require a credit check.

Interview conducted by: Lynn Fosse, Senior Editor, CEOCFO Magazine

CEOCFO: ***Mr. Ely, what attracted you to the concept of eCredable?***
Mr. Ely: I have spent the last 10 years of my life in the credit reporting industry. Seven of those years, I worked at Equifax, one of the three national credit bureaus. I had the opportunity to see how credit fuels so much of the economy in the United States, both from the lenders' perspective as well as from the consumers' perspective. The credit bureaus really exist to serve businesses. That is how they get the data, and that is how they build credit scores. It's part of the efficiency of being able to lend and assign credit to consumers in the United States. What I wanted to do was to see if we could help consumers who really did not have credit yet. In the United States, three out of four adults already have a credit history. That means one out of four adults do not have a credit history. It's really hard to get started building credit. Credit is a catch-22 where nobody wants to give you credit unless you already have credit. What I saw in eCredable was the opportunity to focus on the 25 percent that don't yet have a credit history, and find the people are responsible enough to pay their bills on time and prove they are credit worthy - then we can help them cross over that credit chasm.

CEOCFO: ***How does eCredable achieve those goals?***
Mr. Ely: We work with the consumer to take information about the bills they are already paying. We verify their payment history on their behalf and we put it in a credit file and produce a credit report with a credit score so we can introduce them to lenders who are willing to use our score in underwriting for risk products like credit cards, personal loans, auto loans and home loans. Depending upon their circumstances, the process for the consumer can be a short process or a long process. Let's take a look at two different scenarios. The young person who is just out of school or the immigrant who just came to this country and has no prior history of paying their bills in their name. They sign up for free, and set up an account where they enter in all of the bills they are paying. They enter in their rent, mobile phone, water, power, satellite and whatever bills they are paying every month. It's just like setting up online bill pay. They tell us the name of the biller, the account number, when they opened the account, the due date, the amount they typically pay and all that sort of information. Once we have captured that information, we now have enough information to present a preliminary credit rating to the consumer. We call it a credit rating as opposed to a credit score because it is on a scale of A through F. We did that very intentionally. When you communicate a rating of A through F to a consumer, they very quickly understand that an A is very good and an F is very bad. We do not need to translate a score for them and try to explain all of those nuances, which is complicated for many consumers. Once they have their preliminary credit rating, they know where they stand. Someone who is an immigrant or a young person just starting out is going to be at F at the beginning. As they proceed on this journey of building their credit history with eCredable, they are going to be with us for a while. They could be with us for two years before they go from an F and graduate all the way to an A before they go apply for a credit product. While they are here though, we want to make sure we teach them sound financial habits. Some of the things we do for them is provide them with a budgeting tool so they know where their money is going and what their cash flow looks like. We provide them with access to all kinds of financial education so that we can teach them how a credit card works, how a checking account works and what APR means as well as all those things that are common terms in the financial services industry, but might be foreign to somebody who just moved to this country or a young person whose parents did not really teach them how the financial system works. While they are with us at eCredable, they are going through this process of logging in every month and acknowledging they paid their bills on time. That is very important because we want to reinforce the positive behavior of this consumer paying their bills on time. As you know, there is nothing more important than paying your bills on time when you are trying to build a credit history.

CEOCFO: ***What is the ultimate goal for eCredable?***
Mr. Ely: The ultimate goal for us is to verify this consumer's information so that we can get them a credit score that they can present to a lender and actually be approved for that product. They came to eCredable because they do not have a

credit history, and they are trying to be approved for a credit card, personal loan, auto loan or home loan. Once they have their first product and they are making payments, the finance company will report their payments to the three national credit bureaus. Now they are building a traditional credit history, which the mainstream lending community operates on, and that is exactly what we want to help that consumer do – break that catch 22 and get started building their traditional credit history so they can now focus on that for the rest of their lives.

CEOCFO: ***Are you working with lenders who are accepting your scores?***
Mr. Ely: Today, we have two lenders that accept our score. One is Santander. They are a very large Spanish bank. They operate an online lending site called RoadLoans.com. RoadLoans is where you go to get an auto loan. Our consumer can go through our process of earning either an A or a B. An A is going to perform pretty much like a 750, and a B is going to perform like a 675. These are people with prime credit ratings, but once they earn their A or B, they will qualify for a loan from RoadLoans. If they get an A, they get an APR with 11.99 percent. They need to put $500 down at the dealer, and there are more than 800 dealers around the United States that will accept the loan package from RoadLoans. The second one is a mortgage company. We work with a mortgage company in Nashville called Churchill Mortgage. Churchill has a very long history of manually underwriting mortgages for people who do not have typical credit history. If you can earn an A or a B from eCredable, then you can go to Churchill Mortgage and they will use our credit report and credit score as the credit component of underwriting a mortgage.

CEOCFO: ***How do you reach potential users?***
Mr. Ely: The way that we reach consumers who could benefit from eCredable is through a couple different methods. We have affiliate marketing partnerships with various companies that are already talking with this consumer and believe that by recommending eCredable to them, they are going to be providing them the benefit of building a credit history. Those consumers would in turn come to eCredable and enroll in our system and go through the process. That is one source. The bigger opportunity for us is a very important strategy to partner with companies that issue pre-paid debit cards.

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>
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CEOCFO: ***How will that program work?***
Mr. Ely: Most the consumers in our target market don't have a credit card. They might have a checking account with a debit card, but they probably don't have a credit card. But if they don't have a checking account with a debit card, they'll need a prepaid debit card so they can shop online. When you use their pre-paid debit card, instead of just using it to just pay for gas, groceries and movies, we want them to load enough cash on it to pay for things like rent, utilities, insurance and mobile phone – all those big bills. We ask them to opt in and share their payments with eCredable, so we can use those payment transactions to update their file at eCredable on a monthly basis so that we can automate the process of knowing that they paid their bills on time. It is a convenience to the consumer, but it is a big win for the prepaid debit card issuer. We can increase cash loads and extend card life.

CEOCFO: ***Do the consumers understand? How do you overcome reluctance from a customer?***
Mr. Ely: For consumers who do not understand credit, credit is a very complicated conversation for them. They don't know where to get started, they don't know who to trust and they don't know who to believe. They are going to ask their friends and family, and run around the web looking for information about credit. What they will probably find is people telling them they need to get started building credit. There are really only a couple ways to do that today. One way is to go to a bank, a credit union or online sites that offer these products, and they will offer you something called a secure credit card. A secured credit card is where you put money down – think of it as a deposit – that you do not get back any time soon. You are going to leave those funds in the bank, which is security against you charging more than the amount deposited when you use that card. Let's say you put $500 onto your secure credit card. You are going to leave that in the bank, then every month you can charge up to $500 on that card, and you simply keep paying that back every month. You do not have to pay the full amount every month. If you do not, you are going to incur interest, but you are going to use that as a way to make a payment every month. When you make that payment, it gets reported to the national credit bureaus, so you are starting to build a credit history. That is one way to get started building credit, but it does require that you tie up some funds to do that. The second way to get started is with a starter loan. Credit unions are well known for this where you can go to them and ask for a starter loan for $500. They will keep the $500 in a bank and the consumer will simply make payments to get that $500. That way, it is being reported to the bureaus, they are building a credit history, but they do not really get their hands on the $500 until they have actually paid it off. We are trying to provide an alternative. You can get credit for the bills you are already paying but not getting any credit for. Bill payments like rent, utilities, water, power and mobile phone are not typically reported to the national credit bureau, so even though the consumer is making on-time payments, they are not getting any credit for their good behavior. We are trying to educate the consumer that they

can use this to their advantage. It does not cost them anything to join, and that is a way to get started building a traditional credit history. They only pay us when they need their payment history verified, so they can have a verified credit report and credit score they can present to a potential creditor.

CEOCFO: ***Are people typically coming to your site, reading and understanding? How do you get them to your site?***
Mr. Ely: We get them to our site through our relationships with affiliate marketers – people who are already talking to this consumer, they are making some other product offer or there is some message on the website the consumer cares about. Many consumers read blogs on how to build credit. We are reaching out to those bloggers and educating them on what eCredable does so that when they talk about how to get started building credit, one of the alternatives they can put forth to their readers is they should go check out eCredable. Another way we reach consumers is through a process called turndown traffic. When consumers go to a website, and maybe they are applying for credit, trying to buy a credit report or maybe they are trying to get their free credit score, they might not have a credit score because they do not have a credit file. If the consumer goes to myfico.com and tries to order their credit score or get a credit report and they do not have one, they now get a message at myfico.com that says they do not have a credit history yet. If you want to get started building one, go to eCredable.com, join eCredable and start building your history there. We have many relationships like this that are driving consumers to eCredable today.

CEOCFO: ***eCredable is certainly not the only company in the industry generically. What are some of the distinctions? How do you stand out from the competitors?***
Mr. Ely: We are very different from most of the people who deal with credit because we are consumer facing. Most credit companies such as the big three credit bureaus and many of the smaller firms that are dealing with credit data are basically business to business models where they are collecting payment information, credit-related information, collections, judgments, bankruptcies and all those kinds of things. They are collecting that data from the source and putting it into their files, which drives their credit reporting models and credit scoring models that they then in turn sell to lenders and creditors that want to use that in making a risk decision. That is where landlords buy their data. If you go try to get a new apartment, they are going to check out your credit first to make sure you have a good history. We are nothing like that. Even though we operate under the same legal rules as companies like Equifax, TransUnion and Experian -- we all operate under a law called the Fair Credit Reporting Act – we are 100 percent consumer facing. In our business model, the consumers who come to eCredable are the ones who enter in their information. They tell us which bills they want to have included in their credit report. We do all the verification work on their behalf so that only verified information is included in the report, but it is 100 percent driven by the consumer. That is a very different business model than these other business models. From a competitive perspective, we are going to compete in some ways with payday lenders. Think about what that consumer is going to do if they need a loan and they cannot get it from a bank or a credit union. They are going to go to payday lender. In some ways, they are a competitor of ours even though we are not a lender, but we are going to help that consumer with options besides payday lenders to get a loan, even though they do not have their traditional credit history.

CEOCFO: ***How long has eCredable been available?***
Mr. Ely: We have been around for about four and a half years and we have been very active in the market for the last three years. Our business is growing very steadily right now. We need to create more relationships with more lenders so that we have more competitive offers for consumers. That is a very important part of our business, and that is what we are focused on every single day.

CEOCFO: ***What is the key to developing the relationships?***
Mr. Ely: The key is getting the lender to use our credit score in their underwriting process. That is important because that eliminates any friction between the consumer applying for that product and being approved for that product. Effectively, what we have on our website is a marketplace of offers from partners. Some of them are offers that use our credit score and some are not, but we try to focus on relationships where they are using our score. We have three criteria for potential creditor partners. One is that it must be a firm offer credit, meaning that the offer says if you get an A, you will get this product with these terms. There might be other conditions like verifying employment, income and things of that nature, but it must be a firm offer credit so that when the consumer pays eCredable for their credit report, they know they can apply for that product and eventually be approved for that product. The second requirement is they must report to at least one of the three national credit bureaus. That is really important to us, because that is part of our promise to our consumer – that we are going to help them build their traditional credit history. The third thing is that we do not have any offer on our website from lenders that have an APR higher than 36 percent. That's the generally acceptable ceiling for having something that is egregious, and we do not want to work with egregious lenders. That is just not what we are trying to build as a company, so we avoid those kinds of relationships.

CEOCFO: ***Why pay attention to eCredable?***
Mr. Ely: The biggest reason to pay attention to eCredable is that we are uniquely positioned to help lenders and creditors provide products to people who today are invisible to them. Lenders and creditors are very accustomed to dealing with

people who have traditional credit scores and they have built very sophisticated scoring models within the risk department to understand how to value that consumer -- what kind of offer to make to that consumer. They have been doing that for a very long time and it is highly automated and well understood. The problem is that using that model means they are going to miss opportunities with a next generation of wealth builders. That is the person we can potentially present to that lender and it is a customer every one of them would love to have. If the consumer could walk in to a credit union or bank that had the equivalent of a credit score of a 750, but yet they cannot see that today using the traditional credit bureaus, I guarantee you they would love to have that consumer as a customer. Over the long term, that is going to be a very profitable relationship for them. That is what eCredable brings to the lending market and the business marketplace – the opportunity to look at consumers that today are invisible to them and now approve them for a credit product and have a very positive relationship with that consumer.

CEOCFO: ***What might people miss when they look at eCredable?***
Mr. Ely: If you look at what is going on in the regulatory environment today with the Consumer Financial Protection Bureau – The CFPB – is playing a big role in the future of the financial services industry and how products are positioned for consumers, how they are serviced and how they are delivered -- all the aspects of a financial services product that gets presented to a consumer. eCredable has spent a great amount of time working with the CFPB so that everything that we do is consumer facing and favors the consumer. That is a very good thing, and the CFPB likes that aspect of our business model. When we deal with a consumer, everything about our relationship with the consumer is 100 percent transparent. The consumer knows while they are on this credit building journey exactly what they need to do to get from an F to a D to a C to a B to an A. That is one of the wonderful things about our business model that the CFPB likes and that we think the lenders would like as well. Our scoring model, even though we do not expose that to the consumer, is still something we expose enough to the consumer so that they understand what they need to do to complete this journey so they can graduate to traditional credit.

CEOCFO: ***Final thoughts?***
Mr. Ely: Looking at the big picture about how eCredable could impact the American economy, there is roughly 25 percent of the population that is on the outside looking in. These are people who do not have a chance to access mainstream financial services. eCredable has the opportunity to really impact the lives of these people and help them gain access to the same financial products that you and I enjoy, and get them away from alternative financial services that are extremely expensive. We can help give them a chance to access better financing and improve their financial lives.

BIO: Steve Ely is the CEO of eCredable, a consumer-oriented Credit Reporting Agency that is focused on helping consumers establish an initial credit history, and empower them to access mainstream financial services. eCredable uses bill payments for accounts like rent, utilities, mobile phone, and insurance to create a credit history and credit score lenders can use to assess their creditworthiness, even if the consumer does not have a traditional credit history.

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eCredable
P.O. Box 634
Alpharetta, GA 30009
888.732.7337
www.ecredable.com