Podcast Transcription Session 63: RAM AHLUWALIA

Welcome to Lend Academy Podcast, Episode No. 63. This is your host, Peter Renton, Founder of Lend Academy.

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Peter Renton: Today on the show, I am delighted to welcome Ram Ahluwalia. He is the CEO and Founder of PeerIQ. They've been around for more than a couple of years now and they have become really the leading player when it comes to analytics, credit risk analytics in our space. They delve into the loan performance of the marketplace lending platforms and they really help investors manage their risk. Every time I talk with Ram, I learn something new, today is no exception. We actually delve into the securitization market, we actually unpack securitization and explain exactly how it works. Ram talks about the performance of the recent securitizations and of the platforms in general and he gives his prognosis for what lies ahead. Hope you enjoy the show!

Welcome to the podcast, Ram.

Ram Ahluwalia: Hi, thank you for having me.

Peter: Okay, so let's get started. Just give a little bit of background about yourself and your sort of career journey and how you came to start PeerIQ.

Ram: Sure, so the common theme in my career has been consumer credit and quantitative analysis. I started my career in management consulting, working with card issuers and various banks and dealers and helping them develop customer acquisition and risk pricing-based models.

I joined my client, Merrill Lynch in 2004 and after the acquisition by BAML (Bank of Americe/Merrill Lynch)I joined the senior leadership team down in Charlotte helping them to re-engineer their investment decisioning process. So while I was at BAML I observed that as a bank we made a decision to shut down the installment lending business as did many other banks at that time. Part of that was relating to the cycle economics, particularly ROE especially in a post Dodd-Frank and Basel III environment.

Meanwhile, looking over my shoulder, I thought platforms like Lending Club, Prosper and SoFi that were unencumbered by regulatory capital considerations and were doubling in size every nine months or so. It was very clear that the banks had withdrawn from this segment and were focused on spending rather than the revolver product segment as well as high FICO borrowers and that created the perfect opportunity for marketplace lenders and non-bank lenders more generally, to grow their business.

So PeerIQ was conceived in this environment where in my former life as an allocator of talking to various credit hedge funds and credit hedge funds started to deploy capital to marketplace lenders, they were buying these loans. When I would talk to the funds I would ask them how do you value your portfolio, what's the time series returns that I can use to compare your risk to someone else's performance. I saw four, five, six different valuation methodologies. I would ask them how do you ensure you have non-recourse match termed out financing for the loans that you own, particularly if you have certain monthly or quarterly liquidity redemptions that you might offer investors. I would ask how they might hedge their risk and how they would manage their loan portfolios, how would they benchmark and what was very abundantly clear to me was that there was a need for institutional grade credit risk data and analytics, the type of data and analytics that exist in every other mature credit risk asset class, but did not exist in this asset class. So that was really the germ of the idea behind PeerIQ.

Peter: Sure, so then when you started the company...can you just run us through what exactly your company offers today.

Ram: Sure, we help institutions develop a view on the risk. In particular, we focused on the institutional investors that buy pools of loans across multiple different platforms. We help them finance that and successfully fund via the capital markets and what we're doing is helping all the actors along the funding chain starting with the platform, then the institutional investors that buy those loans and that finance the loans, ultimately the ABS investors who price, finance and exchange that risk so getting more granularly into the product offering.

The first component is you have to have clean, normalized data. For instance, Prosper and their DTI calculation will include mortgage debt in their numerator; Lending Club will not, we need to standardize that.

Peter: Right.

Ram: Prosper and Lending Club will have a different definition of charge off that needs to be standardized, so on and so forth. Once you have a common, normalized data model, you can then start to do more advanced analytics so institutional investors...what they are concerned about is projecting cash flows on a pool of loans and then discounting those cash flows appropriately to understand what price is under various economic scenarios.

Now the analytics for that are especially important for peer to peer loans who are, for example, the weighted average life of a three-year term loan may actually be 15 to 18 months. The reason for that is there is a lot of pre-payment activity and so accurately developing a view on price and how the risk will perform in different environments means you have to model out a consumer pre-payment and default behavior as a function of macro conditions and their attributes. That is one particular example of how we might help institutions understand their risk.

Peter: What about platforms…how do you help platforms?

Ram: Sure, so platforms...you get a couple of different types of platforms. You have hybrid platforms that are also issuers as well as platforms that just sell whole loans. So platforms that are issuers are also investing in their own risk and they need to successfully fund via the capital markets. They need to represent their risk in a consistent and a coherent way that institutional investors can understand so institutional investors are looking across dozens of other investment opportunities either in the capital markets, typically credit spread products if you're a credit hedge fund or a macro fund or dozens of other potential platforms and helping them reduce the barriers to or frictions to understanding loan performance historically and projected performance is what we'll do for the platforms.

Now platforms may also have an active securitization program and platforms need analytics to model out what the deal economics look like for the note holders and certificate holders in a securitization and that type of analytical work is very, very challenging because you need a robust set of capabilities and it takes a highly specialized firm like PeerIQ to work the platform and do that.

So one thing, for example we'll do with the platform is what's called "waterfall analysis." We'll take a collateral pool, we'll project cash flows and run that through a liability structure and that enables the platform to better understand the pattern of cash flows under different attachment points or triggers as well as under different types of environments.

Peter: Okay, okay, so when you're working with investors do you...like they're obviously...particularly in the marketplace lending space there are plenty of investors who are not going down the securitization route, do you work with both or do you really focus on securitization?

Ram: So we focus on large platforms that have usually hundreds of millions of originations if not a billion plus of origination that are funding via institutional capital. We think that to the extent platforms aspire to have five billion plus, ten billion plus, fifty billion plus in origination volume, they need to access funding in size and at low cost via the capital markets. Securitization is one channels for that, it's not the only channel and it has its own set of unique challenges. There are other types of institutional capital as well.

For example, bank capital, pension endowment, real money buyers that can access via CUSIP type formats so we certainly are very strongly focused on securitization because it's very visible, there's a lot of activity around that today and we think it will become an essential feature as a funding channel for platforms, but certainly not an exclusive channel to us. So for instance, there are platforms that do not have their own securitization programs, however, the institutional investors that buy the loans off the platforms, they in turn may have a securitization program.

Peter: Right.

Ram: So in that case we will help the platform standardize, clean up their data, represent that risk to attract the institutional investors and help the institutional investors successfully fund via the capital markets.

Peter: Right, so would you also work with like the endowments or the pension funds, insurance companies who are not looking to securitize, they are looking to hold the loans through maturity…are those also a group that you work with?

Ram: To the extent that they are buying CUSIPs or whole loans which in general is very difficult for those types of institutions to own whole loans for a variety of regulatory and mandate restrictions, but to the extent that they can own CUSIPs or structured products, we can work with them.

Now the insurance company is an interesting category, we're starting to see some increased activity from insurance companies in the space, especially with the widening credit spreads. Insurance companies are looking to wrap pools of loans and potentially participate in that capacity and I think that might be a first step to engaging in the category.

We're also seeing insurance companies starting to award mandates to some of our customers which are institutional investors and in that manner gain more exposure to the asset class.

Peter: Right, okay, so I want to take a few minutes now and go through the basics of how a securitization works because I know it's not obvious to a lot of people and I know if you saw The Big Short you've got a bit of a lesson there, but for those who didn't I just want to go through...maybe we could take one of the recent Prosper securitizations as an example where Citi was the issuer. If you could in layman's terms take us through...like Citi buying the loans off Prosper and how that sort of flow worked.

Ram: Sure, sure. I'm very grateful for the movie The Big Short because it explains part of the value of what we are doing.

Peter: Right (laughs).

Ram: It helps people I interact with on a day to day basis to understand the role of standardization and transparency in the category. So let me start with the motivations for a securitization.

The primary motivations for a securitization are financing and liquidity and securitization offers some specific attributes in terms of the nature of the financing. Mainly, the financing is non-recourse, meaning that if your collateral does not perform well, there's no recourse to the sponsor or the issuer of the securitization as opposed to some other forms of financing such as a credit line where if the collateral does not perform then you can seek a recourse against the GP.

Second, securitization is very efficient because it can operate at scale, so the $1.2 trillion US auto securitization market is quite large and it does have access to very low cost and efficient capital. It has to be the case as securitization is an essential part of the funding model of platforms and investors to the extent that they see themselves continue to grow dramatically and we certainly see that as well in a responsible way.

Securitization also offers liquidity so what securitization is doing is transforming a pool of say tens or hundreds of thousands of idiosyncratic loans into bonds or securities or what sometimes are called CUSIPs and by the act of that process you have broadened out the universe of possible investors.

So taking a step back, if you look at capital around the world, the vast majority of capital is ratings sensitive so securitization can also be attached to a rating by a Kroll, Moody's, DRBS or an S&P and that in turn enables pensions, endowments, insurance companies or banks to buy or have access to this type of risk in a structured product format.

Peter: I just want to stop you there for one second. As you said, some of these investors...in their mandate they can not buy, they can not buy individual loans...they have to buy a pool not only a pool of loans, but a pool that has been rated by one of the major agencies. Right?

Ram: That's correct, there are various regulatory or mandate restrictions on what the real money investors, so called endowments, pensions and insurance companies can buy and access and securitization creates a host of investor protections. You have a bankruptcy remote trustee, you have representations, warranties, covenants and other indemnifications are taking place. You have verification agents monitoring the cash flows and also securitization smoothens out the patterns of cash flows into a very predictable way.

Let me elaborate on that a bit more. So imagine you own 100,000 loans and each of these are borrowers that have a very unique circumstance, a different type of credit risk, a borrower may take a three year loan out, but may seek to pay that back within three months after they receive their bonus for instance, and so you have all these events that are creating idiosyncratic cash flows at a low level and at a portfolio level it's very challenging to administer and manage that portfolio, one from an administration perspective.

If you have CUSIP or you have a bond, you can load up that bond in Bloomberg; with loans, you can not, there's no way for that type of risk to be represented into conventional technology solutions. So what securitization can do is transform this 100,000 pool of loans throwing off disparate cash flows into bonds that have very predictable, smooth monthly cash flows under base case scenarios, of course, that allow the investor to monitor their interest rate risk, their credit spread risk and also improve the consumability of the asset by virtue of the ratings process or the securitization process.

Peter: Right, okay, so then we come to an actual securitization where we have...let's use an example, Citi buying the loans off Prosper and they hold the loans for a certain amount of time and then what happens?

Ram: Sure, so Citi is an interesting special case because Citi was both a buyer of the loans and Citi also financed the loans using their own balance sheet. So typically, you have an institutional investor that'll seek financing from a bank and you have a separation of those roles. So maybe that's actually an easier case study to walk through just for pedagogical reasons, but for instance imagine you have an institutional investor that buys a pool of loans off of a major platform, now they may seek a net return of 10%. That's the hurdle rate of return because they have an expectation when their limited partners which are investors in that fund asset manager or that BDC to achieve that return target. They in concert with us, may have modeled out that the loss adjusted returns for investing in a platform is 6.5% so they may seek leverage to increase their returns to achieve their desired return target.

So what that institutional investor will do is they will seek a credit facility typically from a large bank or dealer so all the large major money center banks or from a bank that's not a dealer but can still provide the credit facility and they will negotiate financing terms. Those financing terms will include what an advance rate will look like. Is the advance rate 70%, is it 50%…there's also the financing cost arm, the term of the financing and other types of covenants relating to the collateral performance and other types of triggers. I won't get into too much detail there for the nature of our conversation. So that will be the second step they do. They bought the loans and now they finance the loans.

Now as they ramp up and consume the available line on the facility, that investor may seek to recycle their capital, buy more loans or seek liquidity and so they will then enlist a placement agent or a structure which is typically a function provided by a large broker/dealer and what they will do is transform the pool of loans into a security, the mechanics of that involves placing the loans at the stage of the credit facility level into a SPV where you have an independent trustee that is monitoring the cash flows.

You then create bonds off this pool of loans and these bonds are then placed to ABS investors in the capital markets and those are some of the investors that we talked about earlier. This could be insurers, this could be credit hedge funds, global macro funds that have a preference to buy securities that have the potential for liquidity or may have some type of rating.

Peter: Right, and so within that pool with those different tranches, right...so like the endowment might have a very different requirement than a hedge fund or some other institution that wants higher returns. So just explain how the different tranches work.

Ram: Yes that's right. For example, you may have a three-class structure, an A, B and C piece and the senior pieces are typically consumed by insurers or banks. They have a very low credit risk because they receive priority of payment as it relates to pre-payments and to the extent that losses are experienced at a higher rate than expectation there are other triggers or covenants that will protect those senior bond holders.

So for example, you may have a rapid amortization of the pool and directing of excess spread to the senior bond holders. Now the more riskier parts of the security are typically held by the sponsor. The riskiest piece of the securitization is called the junior tranche or the residual which is a nice feature because you typically want the sponsor who is motivating the securitization to have an interest in the ongoing performance of the collateral. They will understand how the collateral is performing and they will understand the origination and the servicing standards most likely better than anyone else in the securitization transaction.

Above the residual tranche holder you'll have a mezzanine bond which also has less risk than the sponsor of the securitization because they're not exposed to first losses, however, they have less subordination or credit enhancement or protection from losses so these are all really kind of interchangeable terms than senior bond holders and therefore, they will receive commensurately an increased return for bearing that type of credit risk.

Peter: Okay, so just explain this one last point, what do you mean when you say credit enhancement for like the senior tranche? What does that actually mean?

Ram: Sure, there are all sorts of protections that senior bond holders enjoy when they buy say the Class A security. Actually, there are differing levels of credit enhancement depending on where you sit in the capital structure. So I'll give you a couple of examples.

So one form of credit enhancement is called subordination. If you are the senior bond holder on a securitization, you are last in line relative to the Class B and Class C tranche to receive losses and the reason for that is losses flow up through to the bottom of the capital structure hitting the residual tranche first, then the mezzanine bond, than bonds that are more senior in the capital structure. That's one form of credit enhancement.

A second form of credit enhancement might involve insurance so an insurance company might wrap a bond. What that means is the insurance company is saying we will protect against losses on a particular bond and because the insurance company has a rating that may in fact be greater or higher than the bond itself that may in fact lower the financing cost on that bond. That provides an additional source of protection to the owner of that bond.

A third form of credit enhancement would be excess spread. So excess spread is the coupon generated on the collateral pool less the payment made to the bond holders, kind of like the excess cash flow and that flows to the residual tranche holder. To the extent that you have more excess spread, that creates a form of credit enhancement for senior bond holders because that excess spread can be redirected in the event you have an acceleration of losses, for instance.

So credit enhancements...these are all ways to reduce the credit risk of a security and there are multiple levers, some of which I described and during the securitization process the dealer that's arranging the securitization will work with the sponsor of the securitization and investors in the ABS market to strike the right balance in terms of the right mix of credit enhancement to achieve the pattern of cash flows and desired leverage for the sponsor.

Peter: Right, okay, that makes sense. So I want to step back a little bit and just talk about your securitization tracker. You've tracked every single securitization in the broader marketplace or online lending industry I guess. Can you talk us through like how, like how many and some of the different kinds of securitizations and how they have performed?

Ram: Sure, so there's been a remarkable growth in securitization activity. Year over year in the US consumer space there has been a 400% growth, about 800% percent growth in student lending securitization year over year. There's been 45 plus securitization deals in marketplace lending. We do track all the deals that we do see. There are some private transactions that by virtue of the nature of their disclosures and registrations that we may not see and it's been quite remarkable.

The first securitization we saw last year was with Blue Elephant securitizing a pool of Prosper loans and the first rated securitization we saw last year was Black Rock securitization of Prosper loans which we analyzed on PeerIQ's research page for those that want to learn more and what you've seen really since last August has been increased volatility in the credit market. It truly hit every credit marketplace and that includes high yield, includes the corporate loan market, it also includes all stripes across the ABS market.

We've started to see some recovery in credit asset classes, in particular, high yield on the corporate loan market and areas within the ABS market. However, marketplace lending has been slower to recover in the sense of the financing cost remain quite elevated as to prior periods.

For instance, the recent financing cost on the CHAI securitization which is Citi's shelf consisting of principally Prosper loans, but financing the weighted average spread or the financing cost on that deal was double than the prior deal from a couple of months ago. So that is creating a desire on the part of institutional investors that on the whole loans for a greater net return...if you were an investor buying whole loans your objective is to achieve a certain net return after defaults and after financing costs so financing costs are moving up substantially more and in recent periods. Therefore, that's created really a challenge I think for platforms and investors to come together on what the price and the appropriate yields are to clear the market in some cases.

Peter: Yeah, I actually want to dig into that one, one of the CHAI deals, because we saw the news Moody's put on notice of a possible downgrade of the three Citi securitizations. Ron Suber talked about it at LendIt a little bit. What is your take on the Moody's possible downgrade?

Ram: Sure, sure, the cumulative loss expectation that Moody's initially had on the mezzanine bonds of the CHAI securitizations were 8% initially. They revised that to about 12% or so and subsequently have placed these bonds on negative ratings watch. I think in terms of the 12% number that's about accurate. I think the cumulative loss expectations previously for seasoned vintages clocked in around 12% as well so I think that's consistent with historical experience. I think Moody's was right to revise their cumulative loss assumption to 12%. I think the market and Prosper and the bond investors may have been better off if Moody's started with the 12% cumulative loss assumption. I think they're in a very difficult role, this is a very new business model with very difficult analytical challenges which we're here to help solve so...

Peter: That's a question I had. So you looked at this, did you agree when you first saw what Moody's had done with that 8% projected losses or did you think that was being a little bit too optimistic?

Ram: We definitely were the view that it's too optimistic. By the way, I think that was the consensus of most of the market participants that we interact with on a daily basis. You know, as I said, it's challenging to take the data and model out risk and estimate cumulative losses so, you know, Moody's did the right thing by revising their cumulative loss estimate in a responsive fashion and there are multiple different views on how cumulative losses will perform, but, certainly, our estimated cumulative losses is much closer to where Moody's has revised their loss estimate today.

Peter: Okay, and speaking of projected losses, I want to talk about Lending Club because we just saw yesterday the 8-K came out where Lending Club are projecting slightly higher losses and they've adjusted their interest rates. I mean, this is not that unusual, but it's happened many times, but I wanted to get...obviously the headlines you see in the Wall Street Journal, "Losses are increasing", "Marketplace lenders are struggling". What is your take? I know it just happened yesterday so you haven't had probably a big chance to delve into it deeply, but just broadly speaking, what are your thoughts on the projected losses and them moving up?

Ram: Sure, sure, I think...first is that it's worth noting that Lending Club and other platforms have been very responsive in revising pricing in anticipation of a global slowdown or anticipation of increased delinquencies so the platforms really got ahead of it. I believe Lending Club started raising rates in December in response to the Fed increase and another rate increase a bit afterwards in response to concerns about potential global slowdown and then again recently.

So I think that responsiveness to market conditions is really quite something that's unique to the category. If you look at credit cards for instance, which are benchmarked at the prime interest rate, those rates are invariant except of the prime rate which is not nearly as responsive to market conditions, but I think that's something worth noting.

The second is that we certainly have seen an increase in delinquency. In fact actually PeerIQ was the first to identify this phenomenon. You know, we're careful to caveat that. The current pace of delinquencies is still at multi-decade lows as compared to credit cards so you're going to have a re-normalization of credit performance especially coming off of 2008 for whoever maintained their credit score, really defended their credit. So you've come up a period of unusually benign low credit losses post 2008, it's reasonable to expect a re-normalization of credit performance.

We also have seen that there have been some geographic effects so in particular shale states for instance may have a higher pace of...a somewhat higher pace of delinquency as well. There are also some vintage effects that are at work so loans originated in first half of 2015 outperformed the loans originated in the second half of 2015, all things being equal, meaning the underwriting standards.

Part of this is driven by macro phenomena and this is just the nature of credit risk. Credit risk has vintage specific effects…we'll have to conceive a study on the macro environment, how this plays out. We've actually been doing that for multiple different asset classes and what you find is that lower credit risk scores for higher risk borrowers has increased delinquencies year over year. That's true in credit cards, it's true in installment loans, it's also true in auto loans as well as student loans so I don't think this is something inimical to Lending Club, I think. That's just a fact of credit performance for higher credit risk borrowers.

There are also some underwriting effects. I think as Lending Club described that there are pockets of underperformance.

A platform is continuously seeking to price credit risk based on historical experience. The way a platform works to give you an analogy, it's kind like you're driving with your rear view mirror. You set pricing today for a loan that you originate, but you observe subsequent behavior over the next 6, 9, 12, 15, 18 months and you determine your degree of precision in calculating rates in hindsight and the question is how responsive can you be to incoming data. I think we're seeing a remarkable level of responsiveness at the platform level to re-pricing, to account for increased financing costs and delinquencies. So in terms of our numbers, we see about a 30 to 50 basis points increase in delinquencies on a year over year basis.

Peter: Right, and obviously there's no telling whether that's just going to keep going in that direction or whether it's going to top out. I mean, that's something none of us can know. I guess the point is...what you're saying is these platforms are being responsive and probably don't deserve the negative press that is lumped on them as soon as they make these kinds of moves. Would you agree with that?

Ram: I agree, I would absolutely agree. The other point to make is that the financing costs are actually where the real story is. The financing costs have increased multiples of the increase in delinquencies and that is actually driving more of the challenges for institutional investors that are buying whole loans. So the financing costs have gone up hundreds of basis points as compared to say 30-50 basis points on delinquencies by our own estimate.

Peter: So does that mean...do you predict a slowdown in securitization activity over the next six to nine months then?

Ram: I think we see about nine deals in the pipeline that are in various stages and I think what we're seeing is a moving down of deal activity to until more favorable market conditions emerge. I think you're going to see some securitization activity take place relatively soon, it’s publicly known that Funding Circle is going to market and a couple of other platforms as well so the securitization market is open for business. The question is, are you willing to pay and lock in those higher financing costs in today's conditions or do you want to wait for conditions to ameliorate. So I think part of our role here is to help investors navigate those challenges.

Last year this time, financing costs were incredibly low and so institutional investors may not have been as mindful to what it means when their credit facility rolls over or their ability to access a securitization market at a reasonable cost. Again, you need very sophisticated analysts that think through how to make the best decisions and also to drive best execution on your deals as well.

Peter: Right, right, okay we're running out of time and before I let you go, I want to talk a little bit about LendIt. As we're recording this, we are nine days removed from the conference. You were there, I know you spoke on several panels. What are some of the things that you heard? It's certainly a different conference than New York the previous year, the mood was different, but I still thought it was surprisingly upbeat. What are some of the things you heard coming out of the conference?

Ram: First off, congratulations to you and Jason, I thought it was a terrific conference…

Peter: Thank you.

Ram: …in terms of content and scope...I mean it was 3,500 people, I think it was up 60% from last year and you guys should create a nice little index monitoring the industry activities.

Peter: (laughs)

Ram: I'm still working through the videos. As you pointed out, we were in a couple of panels, had a talk on securitization which was standing room only. I thought that was quite surprising. Just focusing on institutional investors and platforms to ensure they can successfully lower their cost of capital. I think the unifying theme for me was the increased funding challenges for the category. There is strong demand for the paper. At the same time, lenders, platforms were competing with other credit spread products that have widened in recent quarters and so, therefore, platforms are responding by sourcing capital from additional channels that includes banks and regional banks. You saw a deal, for example, between Avant and Regions Bank recently, we see similar deal activity across the platforms. I want to say almost all the platforms that we work with. We're seeing increased engagement from the insurance community as well.

Overall, I am very upbeat about the prospects of the industry. I think this is a healthy period for the industry, it's really a dress rehearsal in anticipation of a broader credit slowdown and you have a chance for platforms and institutional investors to pause and reflect on do they have the appropriate funding lines and risk management capabilities and resilient sources of funding in place to ensure that they will be well prepared in a more challenging environment. We see this as a broad, long term, secular trend. As you know, Peter, marketplace lending is growing dramatically, it's a global phenomenon.

China, I think, is also an interesting story that is probably not as appreciated, but it's really quite remarkable to see that activity in China is 3X the size of the volume in the US. Actually the securitization market went from zero to sixty in something like three years, to the number 2 in the securitization market globally and we don't think that these trends are going to stop because they are driven by regulatory capital considerations such as Basel III.

I think we're still in the early innings of this industry and I think institutions and consumers are recognizing that platforms are extending credit to traditionally underserved segments and to the extent you can offer a better rate to a borrower than other alternatives, that's a great thing and doing that with the best in class experience as well. So very optimistic about the outlook for the industry. I think it is a healthy exercise for the participants.

Peter: Yeah, I agree. On that note, we are overtime so I'm going to have to let you go. I could keep talking for ages, but we need to wrap it up now. Thank you very much, Ram, it's always fascinating chatting with you. Thanks for being on the show.

Ram: Thank you, Peter, take care and have a good one.

Peter: You too, bye.

I just want to piggyback on one of Ram's last points there and that's something that I mentioned in my presentation at LendIt as well. It is true defaults have been increasing, not necessarily at every platform, but certainly at some and I think the press makes out that these platforms are all going to go out of business because no investors are going to want to invest. The reality is that's just not true.

There are pockets of under performance, some investors are leaving, but it doesn't mean the entire industry is falling apart and that’s what came out of LendIt that I was pleased about is that whereas there is certainly concern, there are still a lot of good things happening in this industry. This industry is here to stay. There will be some players that won't make it, but the major players are going to be around for a long, long time.

On that note, I will sign off. I very much appreciate your listening and I will catch you next time. Bye.

(closing music)