



September 17, 2021

Melane Conyers-Ausbrooks
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Re: Credit Union Service Organizations (CUSOs) (RIN 3133-AE95)

Ms. Conyers-Ausbrooks,

Upstart Network, Inc. (“Upstart”) is a leading Artificial Intelligence (AI) lending platform provider that partners with credit unions to help them grow their memberships and expand access to affordable credit. By leveraging Upstart’s all-digital, AI lending platform, Upstart-powered credit unions can grow their loan portfolios, lend to more creditworthy borrowers safely, and deliver a modern, all-digital experience for their members that allows them to originate loans in minutes. Over 70% of loans funded are fully automated with no human interaction.¹

Upstart’s AI model leverages over 1,000 variables and advanced machine learning algorithms to enable more accurate risk-based pricing and greater automation. With Upstart, credit unions can approve almost three times the number of borrowers at the same loss rates as traditional credit score-based models² with near-zero default rates.³ Our credit union partners can achieve these results while retaining full control over their credit policy.

Based on Upstart’s experience thus far working with roughly a dozen different credit unions, Upstart is supportive of the proposed rule (RIN 3133-AE95) to expand the list of permissible CUSO lending activities to include originating any type of loan that a federal credit union (FCU) is allowed to originate. The proposed rule would expand permissible lending activities to include general consumer loans, auto loans, unsecured loans and lines of credit which builds on the current mortgage, business, credit card, and student lending activities allowed. We believe that permitting CUSOs to originate any

¹ As of 3/31/2021. Fully automated loans are defined as loans originated end-to-end (from initial application to final funding) with no human involvement.

² In an internal study, Upstart replicated three bank models using their respective underwriting policies and evaluated their hypothetical loss rates and approval rates using Upstart’s applicant base in late 2017. Such result represents the average rate of improvement exhibited by Upstart’s platform against each of the three respective bank models.

³ Based on an internal Upstart data analysis of personal loans first payment defaults as of 9/30/2020.

type of loan that an FCU can already originate will help FCUs be more competitive in the lending marketplace and better serve their members.

Since their inception, CUSOs have assisted credit unions in obtaining access to lending products that would have been expensive and challenging to attain on their own. Without CUSOs, many credit unions would not have been able to effectively compete in the mortgage, business, credit card, and student lending areas due to a lack of scale. Through CUSO lending partnerships, credit unions have been able to grow and find stability. As markets have changed, CUSOs have helped credit unions adapt, manage risk and address changes. Given COVID-19 and unforeseen economic downturns, today's lending environment provides new and expanding challenges to credit unions. That is why Upstart is committed to helping credit unions across the country expand their lending activities through our AI/ML lending technology to better reach and serve the evolving needs of their members.

To summarize, the proposed rule is a welcomed modernization that will allow credit unions to remain innovative, build capacity and provide the ability to adapt to changing lending markets. If enacted, the proposed rule would provide additional tools to survive and thrive in the financial marketplace, assuming it is implemented in a manner that enables CUSOs to adopt and support the additional credit products.

If you have any questions, please contact Nat Hoopes, Head of Public Policy and Regulatory Affairs at nat.hoopes@upstart.com.