LEND ACADEMY

PODCAST TRANSCRIPTION SESSION 55: NOAH BRESLOW

Welcome to the Lend Academy podcast, Episode No. 55. This is your host, Peter Renton, Founder of Lend Academy.

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Peter Renton: So here on our second episode for 2016, I am delighted to welcome the CEO of OnDeck Capital, Noah Breslow, on to the show. We had Noah Breslow on about 18 months ago. I wanted to get him back on to obviously talk about his tenure as a public company CEO…just to find out how that's gone, talk about a lot of the partnerships. We all know about the Chase/OnDeck partnership, we delve into that in some depth and some of the other partnerships that OnDeck have penned recently...they've got a lot going on and we also talk about their growing suite of loan products, talk about the investor side of their business and also international expansion where they're focused. There's all that and much more. Hope you enjoy the show!

Welcome back to the podcast, Noah.

Noah Breslow: Thanks so much, Peter, really appreciate being here.

Peter: Okay, so I want to get started...here we are at the start of a new year and you've been a public company CEO for the last year and a bit so I wanted to just check in and see how you feel like things have been going and what has surprised you most about running a public company.

Noah: Yeah, things have been going great. I mean, 2015 was an amazing year for the company and I do think going public at the very end of 2014 was an important set-up process that we did for the year we had in 2015. You know, if you look at why we went public in the first place there were a number of reasons to it.

One was around brand, one was really around sort of reputation and the vetting of the company and the sort of professional grade nature of that public process, if you will, and obviously, the capital side as you know is very important as well, making sure the business is well capitalized for the future. So if I look at all the things that happened to us in 2015, you know many of the things we did…for example, we started to have folks like Bank of America and SunTrust fund our loans, we signed a very big deal with J.P. Morgan at the end of the year…those things, if I think about it, you know, going public really drove those outcomes. In terms of the surprises, I think it did surprise me a little bit how much time it takes to run a public company.

Certainly, I find a number of different demands of my time that are different than before and the other thing that surprises me a little bit is simply just the amount of noise that comes out around the company, people who understand the story well, but, conversely, people who may not understand the story as well and just sort of handling some of that noise has been a learning experience, but on the flip-side we're very excited about the long term trajectory of where we're going.

Peter: Right, right, that sounds good. So you've recently done some expansion to your product lines, I want you to take us through today...like sort of the whole suite of products, loan products that you offer, can you just take us through that so we are all up-to-date?

Noah: Absolutely, we are really focused on providing a complete financing solution to our customers. Small business owners require capital for a variety of different reasons at every stage of their business' life cycle and we want OnDeck to really be their first choice when they're looking for capital. So if you look at our product offerings today, historically, we have a short term loan product, up to 12 months that was kind of OnDeck's bread and butter, the product we pioneered, now nearly eight years ago.

We also now have longer term loans, we actually go out to $500,000 over terms as long as three years. That's a relatively new offering for us, but we felt very good about our longer term loan performance. Our prior limit had been $250,000 and two years and that portfolio has been performing very well and we also have a line of credit product which is a product maybe many people don't know about or associate with the company as much. It is a newer product, it's only about two years old now, but one of the things we did in 2015 is we actually raised the credit limit on that product to a $100,000.

It's very convenient, it's like having a credit card without the plastic, you can draw without any penalty as cash, you can draw from a mobile app that we have for iOS and Android. So that's really the day-to-day working capital solution for our customers so between the line of credit, the shorter term loans and the longer term loans, we now think we have a really, really nice breadth of offerings for our customers.

Peter: So can you break us down in any kind of way as far as how...obviously, the larger loans are going to have...the mere fact that they're large means they're going to be a big percentage of your volume, but can you break us down into how the product suites is spread?

Noah: Sure, I mean, I can do it a little bit on maybe loan volume as a percentage of our overall loan book, so to speak. I think if you look at the third quarter public numbers, the line of credit portfolio is about 8 to 9% of our outstandings or our loans under management, if you will, so that gives you a sense of the relative size there.

It is a newer product for us, we're very conservative as we roll out new products. We want to really incubate them, understand the credit dynamics before we grow them and then on the longer term side, we actually don't break out our outstandings by loan size, but the dynamic is exactly as you say, Peter, where our smaller loans are generally shorter term which means they come off the books a little more quickly, our larger loans are a little bit longer term in general, they stay on the books for longer.

So what that means is over time the percentage of our outstandings that are slightly larger loans are going to go up so we will see that dynamic both in terms of the duration of those loans. The term in our balance sheet will come up a little bit over the next couple of years as these larger loans that are longer play a bigger part of the overall dynamic and you will see kind of the average loan size continue to trend up as it has really for the last eight years.

Peter: Right, right, okay, so I want to talk about partnerships and in particular lets…everyone's been talking about the Chase partnership that you announced a couple of months ago. So, firstly, can you share a little bit about sort of how this partnership came about and whether...just a little bit of the timeline of sort of talking with Chase. I imagine this was not something that happened over even a two or three month period, can you just explain how it all kind of came to fruition?

Noah: Sure, happy to. You're exactly right in that. You know, a partnership with a major bank like Chase does not come about over two or three months. We've actually been working with Chase really for about a year at this point on building out this program and so if you back up even before that, it really was the middle of 2014 where we started to have some discussions with the Chase team. I think the Chase team at that time had had an off-site or some kind of strategic meeting where they had decided that really the smaller dollar, kind of the sub $500,000 loans to small business, was a pain point for them in terms of the process, in terms of the efficiency and they had a number of discussions about what options were available to them.

Around the same time, we were preparing to go public and we had had conversations with J.P. Morgan who was one of the book runners on our IPO and as those two processes kind of ran, they created an opportunity for us to talk to Chase about solving this problem with them and for them for their small business customers so that was really the genesis. Those discussions kind of snowballed and really by the beginning of 2015, we were working in earnest towards building out the solution that we will launch in 2016.

Peter: Okay, so it hasn't launched yet, is that true?

Noah: Correct, so the announcement before the holidays came a little bit earlier than we expected.

Peter: (laughs)

Noah: There were some comments made in a public forum and we decided rather than let the news spiral and speculate about who Chase's partner was in this endeavor, it was better to own the message and put that message out kind of on the same day. We were happy to do that, we had already gone very far down the path with them over the course of the year so it wasn't like it was a brand new effort for us at that point, but as we said around that time we haven't set a launch date or publicly announced a launch date. We have a very concrete plan internally, obviously, but we're optimistic. It's not like this is a pie in the sky process for us, we are very much heads down implementing at this point and we're excited. We think we can do a very nice product for their customers and get that live in 2016.

Peter: Just to get a little bit into the nuts and bolts, this is going to be a Chase product. What you are going to be providing is the underwriting engine so you'll tell Chase, obviously, one, whether or not this person is a good credit risk and then...do you tell them the interest rate, I mean, how's that going to work exactly?

Noah: Yeah, so it's really…the entire small business process for sort of approving someone for a loan, the originating that loan online, checking out with the loan and actually servicing the loans as well. So the model here is…imagine you're a small business owner that has a Chase checking account, you might log in into that checking account once a month or twice a month to check on your balances and when you do that you might see, based on your track record with Chase and based on the OnDeck kind of data and scoring capabilities, you might even see a pre-qualified or pre-approved offer right there in the portal. With several mouse clicks, you'll be able to navigate through and see your loan terms and then check out online with that loan that's all OnDeck technology and then it's really that simple and then your loan is funded either same day or next day and you're off to the races. So that's the product we're building.

Peter: So the customer will stay on Chase.com, they'll never actually go...it will be invisible to the Chase customer?

Noah: Yeah, it will be seamless to the Chase customer. So it's Chase's brand in the sense that the customer won't necessarily know it is OnDeck, but at the same time…let's say the customer is checking out a $55,000 loan and they have a question and they want to talk to someone about that loan, they'll be calling up someone from OnDeck, who will then work with them to understand that product, but we will be sort of serving Chase in that relationship.

Peter: Right gotcha. Okay, so can you give us some ideas of where on the credit spectrum the loan term, the suite of products that you offer, where this is going to sit?

Noah: So we haven't actually disclosed those exact details yet. What we have said is that the pricing on these loans will be very consistent with a bank-like or credit card-like pricing so, obviously, OnDeck's historical pricing has been higher than traditional bank pricing so these loans will be very much in Chase's sweet spot and I think from a loan size point of view, as I mentioned, the focus is on smaller dollar loans so I wouldn't expect any $2 million loans to be originated through this process anytime soon.

Peter: Right.

Noah: But the exact parameters or exact loan terms, we haven't released yet and we will obviously as the program gets closer to launch.

Peter: So why do you think...I mean, Chase...I know they haven't released their 2015 numbers, but they made like $20 plus billion in net profit in 2014, they have incredible resources, why do you think they decided to go with you guys and not do this themselves?

Noah: I think any bank who is looking to get into the online lending space has this fundamental kind of build, buy or partner choice. At this point, I think if you look at marketplace lenders and OnDeck obviously in our field, but folks like Lending Club or Prosper in the consumer loan space and others in different asset classes, there is a head start element and a level of investment in these platforms that even if you have $20 billion in net profit, it's hard for you to deploy that money quickly. You have to build a new team and technology platform from scratch in many cases and there's a time to market element and I think there's a risk element that's important.

At OnDeck we only focus on one thing, we want to be the best small business lender in the world and Chase is selling hundreds of different products and this particular category of customer may not be in their top ten priority. So I think for them, I mean, they wanted a solution here, they wanted to be in market quickly, they wanted to work with the market leader and market leading technology. I think for all those reasons we were a clear option for them.

Peter: Right, right, okay. And so this is not obviously the only bank partnership you have, it seems like it's one of the deepest partnerships that you have, at least today.

Noah: The deepest, yes, I think that's fair. (laughs)

Peter: (laughs) So I know you have a partnership with BBVA, how is it different? What is the BBVA partnership like?

Noah: Yes, the BBVA partnership is an excellent partnership for us and very consistent to a number of other partners that we work with, both banks and non-banks, but it is more of a referral relationship. The way that arrangement works is we do use some of BBVA's data to pre-qualify customers who would be great fits for the OnDeck product. We have a certain sort of set of OnDeck products available to those customers, but the branding and the originations and servicing are all done under the OnDeck brand. So the initial marketing might be co-branded, but then it's a straight referral to OnDeck and OnDeck pays BBVA a referral fee for sending us that customer.

That referral model, we think, is a great way for many folks to get started. I think in the case of Chase, they really wanted to go all the way to what I would call the end state of what one of these bank partnerships could look like, but for many banks that may be too far, too fast...and I think with BBVA we're optimistic that now that this referral relationship has been working really well for the last couple of years, we have the opportunity to deepen the integration over time, but I think different banks will move at different speeds as they look at getting into the space.

Peter; Right, and then you're also working with institutions that are not banks like Intuit. You talked about that on your third quarter earnings call that I just listened to last week. So the Intuit relationship and you referred to it as OnDeck as a service which seems kind of like the Chase relationship, what are you doing with the...and obviously Intuit has this massive number of small businesses that are probably right up in your sweet spot, many of them I imagine with QuickBooks, so how does that relationship work?

Noah: Yeah, it is very similar in many respects to the Chase relationship. A part of our strategy really is to build deep integrations with our strategic partners, especially partners that have millions of business customers, partners that have extensive data on those customers, that's how we think we build the most differentiated customer experience, the most efficient pipeline because you can do so much work on the front end to pre-qualify who's a good fit for the product, we don't have a lot of sad customers who get declined in the process. That's really important for all of these folks because, ultimately, their brand is at play here.

So what Intuit identified is…we have been working them for a couple of years on their QuickBooks financing platform and that had been going very well and we're the leading lender on that platform, but it's a multi-lender platform and so Intuit had said..there is a set of customers we're serving with QuickBooks financing, there's another set who aren't really attracted to the offers in QuickBooks financing, they may be a little bit more passive seekers, we need something that's probably up market, lower priced, more flexible and they ultimately looked at a number of companies to provide that solution.

They chose us and we've built a very nice integration now where, again, you really don't have to leave the Intuit environment, you can be pre-qualified. It's called the Intuit QuickBooks line of credit powered by OnDeck, it's 8% to 20% annualized interest rate line of credit product and so it's basically co-branded and actually, OnDeck and Intuit are co-funding those lines of credit as well. We have a $100 million fund set up to back-up that production so that's why we call it a kind of OnDeck as a service because, again, there's APIs now that have been implemented between the companies. We're using similar technologies with Chase and we think that's the beginning of what, hopefully, over time turns into a number of important bank relationships as well as important non-bank relationships where we use these APIs to have a really integrated customer experience based on the data that these partners have as well as the OnDeck score.

Peter: Right, okay, that makes sense. So with that one your brand is part of the whole...

Noah: That's correct, we're like the sub-brand in that relationship so it's a powered by OnDeck.

Peter: Okay, so I just want to talk about your customer base a little bit. You talk about how your typical customer, you said that over 11 quarters takes out three loans. These are, I presume these to be relatively short term loans, are you seeing that...when you're building your OnDeck score, obviously, you're building it for any kind of business, but you obviously have much more rich data on your existing business because you know how they're paying. So do they get a cheaper rate, I mean, just talk us through again your small business customers, what kind of loans they're going after and when they come back and take out another loan.

Noah: Absolutely, so our typical customer is mature...they've been in business on average seven years, established a sizable small business, average revenue is around $600,000 and so what we've found is that customers who take multiple loans with us, there's a positive selection effect there. We are selective when we look at our renewal loan applications, so it's not like you're automatically approved if you took a loan with us in the past. We actually have better data the second time around because as you noted we have the repayment behavior, we also can compare the business as it looks on the second loan application to the first so what we've done with the OnDeck score is now underneath the hood there is a renewal sub-model in that OnDeck score that takes that specific data and makes a higher quality decision with it and so what that allows us to do is a few things.

Renewal customers for us not only get lower pricing and we do have loyalty benefits that are even independent of the risk that we pass on to these customers, but they also can get higher offer quality which we would define as longer term options as well as higher loan amounts. So it's kind of all three of those dimensions; it's pricing, term and loan amount all typically improved for renewal customers because we have built out our scoring now that take advantage of that data.

Peter: So these are typically…they'll come to you after they've paid off their loan or do you ever do refis of existing loans?

Noah: We do both so you sometimes have a model where folks have been 100% paid down on that first loan and they go away for a while, they come back, they have another episodic kind of project in their business. You've got a number of other folks who buy inventory every six months and they basically refi their loans when they're 70 or 80% paid down. For us the cut off is around 50% so you need to pay down your loan down to 50% and then you're eligible to apply for another loan and then we roll the original balance into the new loan forgiving all interest on obviously the first loan. So that's sort of the two dynamics we see and we see both in substantial fractions in our portfolio.

Peter: Right, right, okay. So I want to talk about the Small Business Borrowers' Bill of Rights. Its been brought up many times in recent episodes of the podcast including the last episode with Renaud from Lending Club. You have not signed on to that and I want to find out why. Are there some pieces of that that you guys don't like or what's the reason?

Noah: Yeah, so I think we felt strongly as one of the leaders in the space that any industry standard would ideally include OnDeck's perspective or point of view so sadly, we were not asked to participate in the drafting of the document. We've actually had an OnDeck core principles document on our website well before the BBOR was put together, but more importantly than that, I think if you look at the actual principles and the way the document is written, there is a clear bias towards longer term loans in the document.

So what we feel having reviewed it is that and also having loaned, you know, over $3 billion over the course of a 8 years is that if you ignore the potential of shorter term lending to businesses, you're going to wind up leaving a lot of businesses out in the cold. We don't think a three-year product is appropriate for many types of small businesses out there, but if you can't get access to a long term loan we don't think that means you shouldn't get a loan at all. So what we'd love to see either in the BBOR or some other industry standard that you might see developing over the next year is a broader perspective on what types of financing businesses should have access to and to be clear, we're very supportive over time, kind of inclusive industry standards that encompass the range of products that we think small businesses should have access to and that access should be fair, efficient and transparent.

So, I think, you'll see the...I think the BBOR is an important step for a group of folks, but they kept that circle relatively small and I think you'll see a number of the other players such as OnDeck, such as some others I'm familiar with, putting together their own thoughts about how the industry should evolve. I'm confident in a year or two, you'll see some kind of a reconciliation between the different pieces of the puzzle here because I think everyone sort of wants the same thing ultimately which is a transparent and fair marketplace.

Peter: Yeah and we want a common voice if this does sort of evolve into an industry association. I mean, we feel like we want that to be an all-inclusive thing as well.

Noah: Exactly.

Peter: Anyway, I want to switch gears over to the investing side, the other side of your marketplace. It seems like you're at around 35/40% of your volume, at least in the third quarter, was done through your marketplace. My first question is who are the participants, who are the investors now coming to OnDeck to invest in your marketplace?

Noah: Sure, yeah, we've really scaled up the marketplace program quite a bit over the last 12 to 18 months now. I mean, as you noted, between 35 and 40% is the public guidance on the percentage of loans in the marketplace. Our gain on sale premiums have increased nicely as we've built more of a track record and the investors are all institutional investors. That's the first really important distinction about what OnDeck is doing versus what some of the other platforms in the space have done, but it's a very big variety of institutions within that group.

So you've got everything from banks and asset managers and hedge funds, business development corporations and really it's a broad spectrum, some are very small, some are much larger, some are household names and so what we've seen is that the platform, we have a nice backlog of institutional demand and we've been sort of very methodically, every quarter, adding some new investors to the platform and scaling up our production with the ones who are already on.

Peter: Are they investing in all products or range of products? What are investors choosing?

Noah: Yeah, so to be clear, the line of credit product is not yet available in the marketplace. It actually is a kind of more difficult product in some ways to fund in a marketplace structure because the draws and the sort of dynamic nature of those draws. But on the term loans side, I believe, all of our products are now available in the marketplace and what you see from investors really is we do loan grading very similar to how you might see it on a Prosper or Lending Club. We band those loans together and we typically will fill the order for an investor every month.

So an investor might say, I want 20% A loans, 20% B loans and 20% CDE and then we would sort of pick a portfolio. We do that randomly with clear audit trails, so it's very transparent about how that how is done of those loans and then we will sell them to the investors. It's a little bit different than some models where investors are picking individual loans or re-underwriting. It really is more based on the overall loan grade, overall profile and then you get a pool of loans that perform at a certain level based on the risk level you've chosen.

Peter: Right, it sounds like you've got a well and truly full marketplace participants. I guess my question is, are you taking on new investors as well right now?

Noah: Yes, we are and we have a nice pipeline of investors kind of waiting to get on to the platform. So I think these are very attractive assets, they're shorter term in general than traditional kind of small business loans, they are relatively higher yield, they're self liquidating, you have frequent payments, so we can provide really dynamic reporting either on a daily or weekly basis for loans to these investors. So, yeah, the investor demand is strong and we anticipate that to continue.

Peter: Okay, so I want to switch gears to international. You're in Canada, I don't know how long it's been, almost a year I guess.

Noah: A little bit longer.

Peter: A little bit longer, okay, and then you just recently announced your Australian operation which I'm personally very, very pleased with. (laughs)

Noah: So are we, so are we. (laughs)

Peter: So where are you at? Can you give us an update on both those countries.

Noah: Sure, happy to. So Canada has actually been about 18 months for us and is proceeding very, very well. We've seen substantial growth in that business over the last year as you'd expect, obviously, from a relatively slow start. What I find particularly interesting is if you overlay the Canada growth on our original growth in the US, we're doing a lot better in Canada so what that shows is that some of the lessons of building this business here are eminently transportable.

I mean, even if the payment system is different or the data sources are a little bit different, our hypothesis here is that a restaurant in the US is similar to a restaurant in Canada, at least similar enough that you can market to that restaurant in a similar way, you can underwrite and service and sell that restaurant in a very similar way. So we're very pleased there, we hired a gentleman named Gary Fearnall over the last couple of months to come in and be our country manager in Canada so he's based up in Toronto and we're building out a small team around him. The nice thing obviously about Canada is we've staffed a lot of that right from our operations here in the US. It has been very cost effective, I think, in terms of kind of our investment to return.

If you pivot over to Australia that is not close to the US, last time I checked (laughs), and so we're very excited about our Australia business. It's obviously much further away from the US and if you look at why we went to Australia next after Canada because it wasn't actually such a close country, the thinking there was we had about seven different teams from Australia reach out to us about building the OnDeck business over there in Australia.

One of those teams, in particular, involved this company called MYOB. MYOB is the largest accounting software company in Australia and we thought that it just presented an amazing opportunity to get our business off the ground over there based on the success we've had here in the US with Intuit. So we announced the relationship in April of last year, we said we would be live by the end of 2015 and on schedule, on budget, we got that business live at the end of November. We're very pleased, so far, with how it's come together.

I should also mention that not only do we have a partnership with MYOB, we announced in December a partnership with the CBA which is the largest bank in Australia so I think what's really interesting is that if you look at our US business, it took us kind of eight years to build a marquee relationship with Intuit and the relationship with J.P. Morgan, the largest bank, and if you look at Australia, really without having made a single loan, we built a relationship with MYOB and CBA so the largest accounting software company and the largest bank and that, we think, is indicative of the track record we've built up. That makes us very optimistic for how we can grow the business over there.

Peter: That's very impressive. I mean, Commonwealth Bank, CBA, is…they are a very large bank. Australia's four largest banks control 90 plus percent of the market…

Noah: Exactly.

Peter. Much larger, comparatively speaking, to the size of the industry than in the US so that's a huge win for you guys and I'm pleased that you have decided it's not too far to go to set up a business. It's a little bit further from New York, you need to...

Noah: Right. (laughs)

Peter: California, it's a straight shot, but New York, you've got to get to the West Coast first.

Noah: Yes, I'm heading over there in a couple of months and I'm going to have to download a lot of TV shows to watch on the plane or something, it's going to be a long trip.

Peter: Yeah, yeah, you'll get used to it. I've done that, I've done the flight over the Pacific, I think 100 plus times.

Noah: Oh, my gosh! (laughs)

Peter: You get used to it. It's not that bad, I like it now because it's 14 hours to yourself, no one can bother you. (laughs)

Noah: Exactly.

Peter: Anyway, so another question. You've talked about a full suite of loan products which you pretty much have, what you don't have is an SBA-backed loan and this has been something I've been personally curious about for a while. I mean, like the banks have had a strangle hold or monopoly virtually on SBA-backed loans so we...are you talking to the SBA? Are we ever going to see OnDeck have a SBA backed loan?

Noah: You know, I can't speak about our exact future product plans, but I think it's a very intriguing idea. We've obviously watched the SBA program for years. The SBA program has a huge amount of what I would say brand awareness with small business owners. If you look at the way OnDeck has built it's business, we really haven't been subsidized at all, we've had no government subsidies for the loans that we make which gives us, I think, on the plus side some independence. On the negative side that means we have to absorb all of our component costs directly and ultimately that gets reflected in our pricing so we're definitely intrigued by the idea of a SBA loan.

You know, our first priority probably in the near term is to build a comprehensive, unsubsidized, if you will, solution and toolkit for small business owners, but, no, it's simply something we are intrigued by…there is a really interesting company called Live Oak. I don't know if you're familiar with them, but they're a publicly traded, they're the number two, I think, SBA lender now in the country. They built their entire business from scratch on SBA loans to very specific small business verticals so we think they're up to some interesting stuff over there.

And I think a lot of our technology around improving the lending process could be applied to the SBA loan process because actually that's the slowest process, we believe, out there at least on average that we hear about from small business owners so, anyway, a huge process opportunity there. There are only, I believe, 13 non-bank SBA licenses out there so those are controlled by a number of different companies and so we'll take a look at it over time for sure. On the meantime, I think what you've seen with us are, again, the length of our loans has been extending, the size has been extending as well so we should be very competitive even if we don't have an SBA product on the shelf anytime soon.

Peter: Right, right, okay. I know we're just about out of time, but I want to ask you one last question. You have a pretty unique view of the economy, particularly as it pertains to small businesses and as we are recording this…the stock market is not doing very well and people are saying, are we going to see a recession coming up here later this year. I mean, I guess I'd like to get your perspective given the data that you see, are small businesses starting to struggle? Have you seen anything that would be a forward indicator that we are going to have some economic difficult times ahead?

Noah: Yeah, it's a great question particularly in light of what's going on, you know, overseas, some of the drama out of China in the last few weeks, some of the drama around energy prices, clearly what's going on in the public markets. From our vantage point, the US economy remains strong and maybe not gangbuster strong. I don't think anyone's going to see massive GDP growth anytime soon, but we're not seeing the economy contract either so, you know, small business confidence went up a little bit in December, it's been trending up steadily for the last five years or so, but if you put that in perspective, you look at that confidence level in December, it's still lower than it was back in 1986, it's lower than it was pre-credit crisis.

So, I think, plodding along is probably too negative, but certainly it's not a rocket ship of growth in the US. If you look at our own delinquencies statistics...I think our Q3 write offs were down from the Q2 write offs number so even by that metric and even some of our leading indicators...you look at our provision rate which is our expectation of loan defaults in the future, I mean, that was trending very, very well below our 6 to 7% target in the third quarter as well.

So, no, I think our read on things is definitely more in the center than in the sort of the negative territory and if anything on the center, it's towards positive territory, not negative, but we'll keep an eye out for sure. I mean, we've seen our data in the past be a very strong leading indicator of other stuff going on in the economy and so we definitely watch it everyday.

Peter: Okay, well that's good news. I need to let you go, I really appreciate you coming on the show today, Noah.

Noah: Thanks so much, Peter.

Peter: Okay, see you.

Noah: Take care.

Peter: Bye.

Well that is good news indeed that Noah's not seeing anything in his data that would suggest that we're about to head into recession, but the reality is it's going to happen at some point and as an industry we're going to have to deal with it. One of the big hits on the industry that many people have is that we haven't been through a full credit cycle so we're not all that tested in a downturn. Now I personally think that the underwriting at most companies is quite robust and we are really preparing for another recession and, sure, defaults will go up, but, I think, with good underwriting you can really mitigate some of the downside there and we will see, hopefully, not actually anytime soon.

If Noah's right, we may not be about to head into recession, but we certainly are overdue and it will happen one of these days and the industry will, I think, have its moment of truth in some ways if we can come through that well then, I think we're going to see a lot of investors who have been on the sidelines for a long time jump back in.

Anyway, on that note, I would like just to say thank you very much for listening, I appreciate it and we will catch you next time. Bye.

(closing music)