SELL

Target Price: $2.00

84.5% Downside

# Greensky, Inc. (NYSE: GSKY)

Ronick Sanon

June 11th, 2019

GreenSky®

# Agenda

## This is a story of a lending institution that wants to be known as a tech company…

# Let’s Play a Game…2000ft High-Level View

**Please read all three clues before answering (in your head) the rhetorical Questions A-C**

## Clue #1

- Greensky is a lending institution that originates and holds a first-loss credit risk position in unsecured personal loans (largely home improvement and elective healthcare) that are held on partner banks’ balance sheets

## Clue #2

- In 2018, they started to run off origination levels of solar loans because of elevated customer complaints that arose when state legislatures cut solar tax credits and borrowers who expected to use those credits to pay down their loan were caught off guard

## Clue #3

- In June 2017 they reached a settlement with the NJ Attorney General’s Office for violation of New Jersey’s consumer protection laws with regard to an investigation of consumer complaints about loans taken out in their name, lack of opportunity to read loan documents before becoming obligated on the loan, not being provided with loan documentation, and for being held liable when no home improvement work had been performed

## Question A

- **Does it sound like this company has a cyclical earnings stream?**

## Question B

- **Given your answer to the previous question, what forward year P/E multiple do you think this company trades at, if you had to guess? (for context- banks generally trade at 9-10x while consumer finance companies generally trade at 6-8x)**

## Question C

- **Do you think maximizing credit origination growth is in the best interest of this company’s long term return profile?**

# Answer Key: A "Tech" Sandwich That Smells Fishy

**Question A**

Does it sound like this company has a cyclical earnings stream?

- Lending institutions, due to the earnings volatility that is incurred over time as a result of taking credit risk, are considered cyclical and, alongside industrials companies, thus trade at a discount multiple to the S&P
- Fortunately for Greensky, the company's nascency occurred in the financial crisis; as such, it has not undergone a real period of credit stress, and without a previous cycle for investors to base any thought of credit risk on, Greensky IPOed in May of 2018, marketing itself as a technology company, and investors originally ascribed it a juicy ~25x FY2 earnings

**Question B**

Given your answer, what forward year P/E multiple do you think this company trades at, if you had to guess?

- GSKY now trades at a healthy 14.0x 2020 consensus earnings, a significant discount to other fintech companies, but a significant premium to banks (which trade at 9-10x 2020e) and consumer/specialty finance companies (trade at 6-8x)
- Interestingly, Greensky trades at a large premium to the very banks it has a first-loss position to; while the 24.3% 4yr CAGR revenue growth is impressive and attracts tech investors, this stock still is pricing less cyclicality than is inherent in its business model → over time I expect that cyclicality to reflect itself in GSKY's earnings stream and the multiple to thus correct toward 7.6x

**Question C**

Do you think maximizing credit origination growth is in the best interest of this company's long term returns?

- Greensky would tell you that maximizing merchant growth and underlying credit sales of those merchants drive it's earnings growth; this is not untrue on a static basis, but primarily applies in a benign credit environment and poses risks, as seen in many cases when "in-house" financing to support sales can lead to poor credit discipline and elevated losses → and at the end of the day, they do effectively take credit risk
- Greensky has started to have issues with some of its merchants, and significant issues with its underlying customer base that could pose legal/regulatory risk

# Thesis Brief Summary

This pitch describes a lending institution that wants to be known as a technology company

Valuation should be much lower than currently trading reflecting the cyclicality of the cash flow stream and (increasing) potential for credit loss

GSKY has a margin headwind from increased funding costs as GSKY's bank partners have to change the way they reserve for loans per a new GAAP rule- one top 5 bank has already indicated it's not renewing its relationship

GSKY has displayed significant evidence of quality control problems that I think place them at high risk of further consent orders as well as legal action

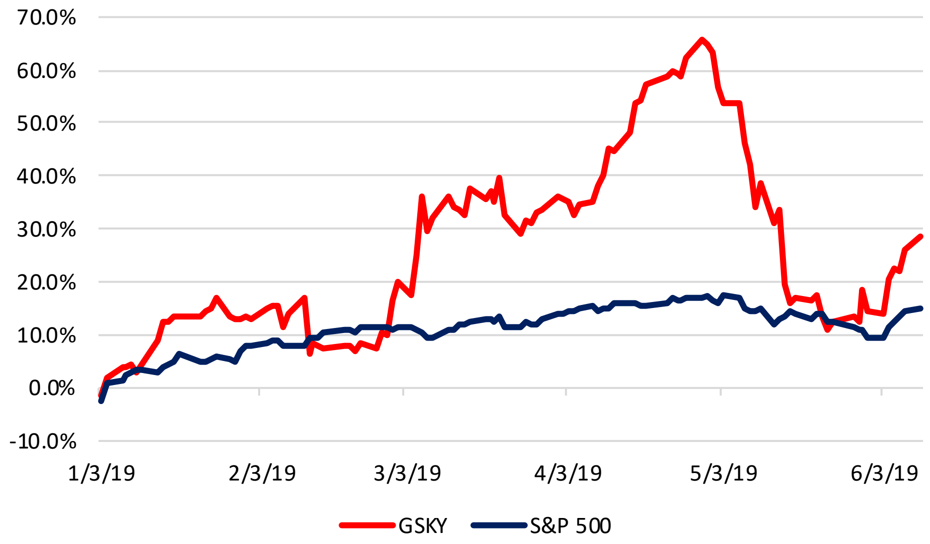
Lastly, the push into elective healthcare vastly increase the credit risk of this underlying book, but also slows their transaction volume growth relative to merchant growth as ticket sizes are smaller than in home improvement

# Executive Summary

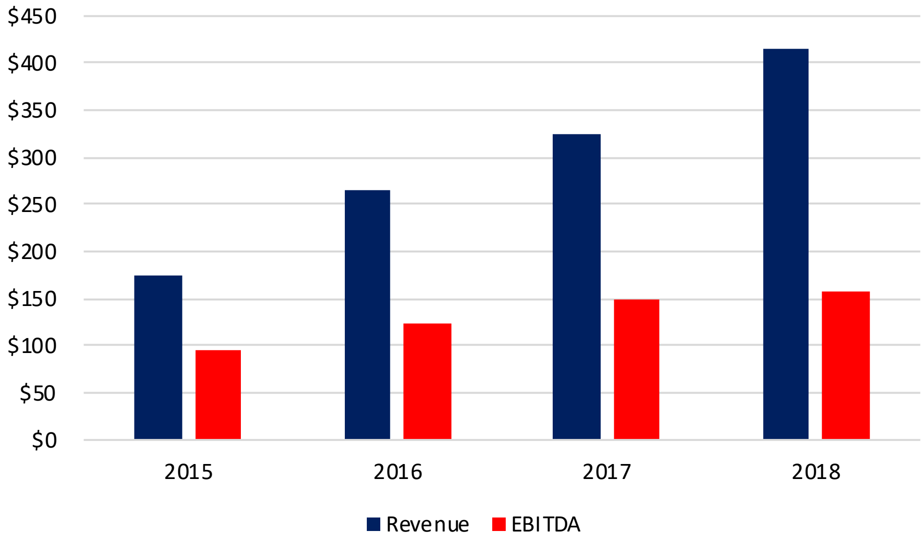
## GSKY uses bank partner capital to offer point-of-sale financing to customers of its merchant partners

- GSKY's offering is to originate, externally fund, and service, the financing of its merchant partners' sales
- GSKY has agreements with bank partners to use a specified amount of their capital to originate loans on their behalf; GSKY in turn takes a limited first loss position junior to the banks, holding reserves in escrow
- GSKY operates currently in two loan categories: home improvement, and most recently elective healthcare lending
- GSKY IPOed in May of 2018 at 25x 2019e EPS → the IPO largely marketed GSKY as a tech company, though they burnt trust with investors by lowering guidance in 3Q18 → CEO sold $520mm of stock on IPO (nice timing!)

## GSKY Stock Chart vs S&P YTD




## EBITDA vs revenue growth since 2015



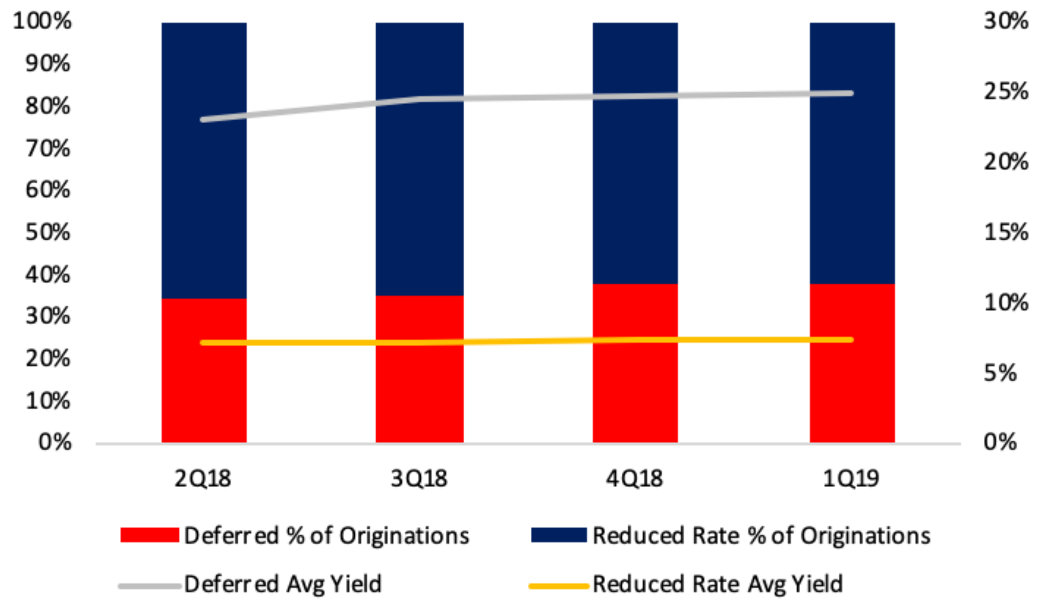

*4yr CAGR of 24.3% for revenue, 13.4% for EBITDA*

# Greensky's Offering to Consumers

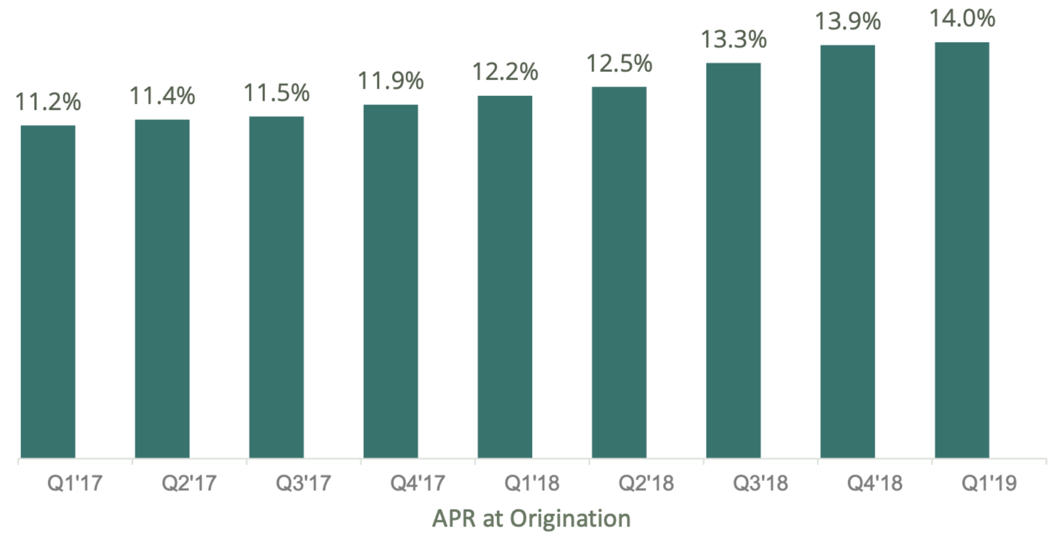
## Greensky by definition originates loans for merchant partners using its bank partners' capital

- Greensky offers "reduced rate loans" with APRs of 0% to 27% as well as deferred interest loans
- Deferred interest loans include a promotional period of 6-24 months during which interest accrues but is not actually payable if the borrower pays off the loan prior to the end of the promotional period
- Origination of the loans uses GSKY's proprietary credit examination system, and it places those loans on the banks' balance sheets at various economics per the loan origination agreements it has with each bank

## Deferred vs Reduced Rate originations




## Weighted avg APR over time

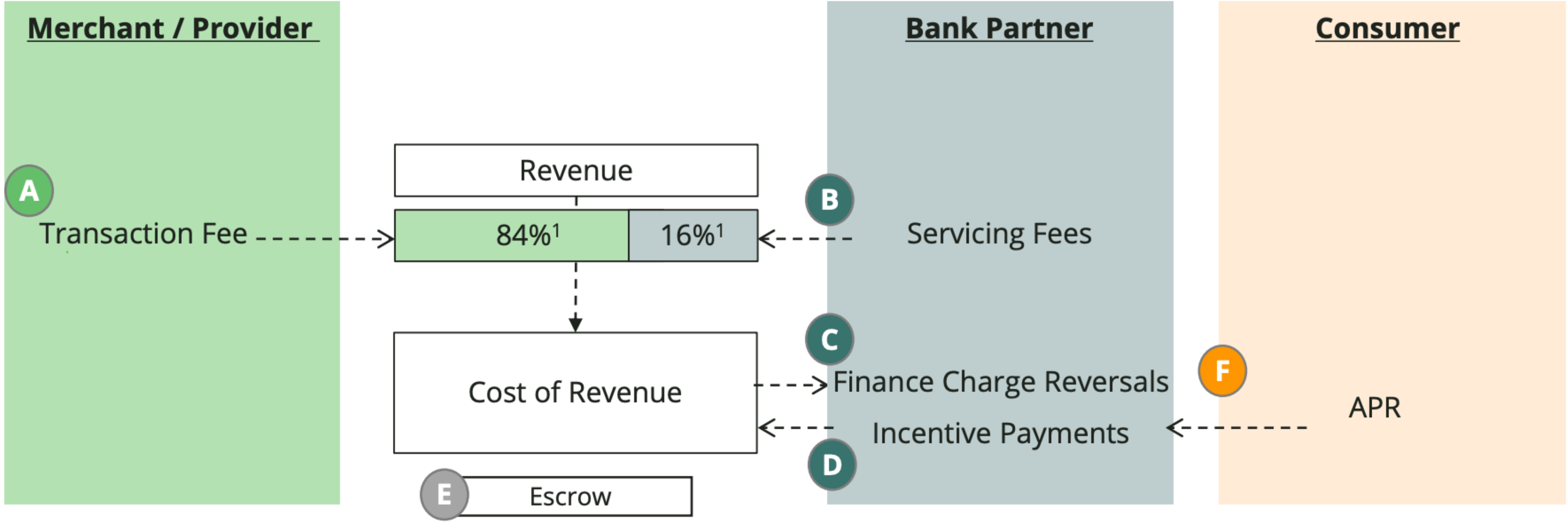


# Greensky Business Model: Revenues

## Greensky's revenues are drawn primarily from merchants; growth in merchants is GSKY's #1 priority

- Greensky takes a fee from the merchant as a % of the dollar value of the originated loan (2018 average was 6.9%)
- This is booked as transaction fees on the income statement; transaction fees can be built up to a projection by estimating merchant growth & volume per merchant (to get transaction volumes), and a transaction fee rate on TV
- GSKY earns a loan servicing fee from banks (~1% on average) and various fees (ex: late fees) from the consumer
- GSKY holds 1.4% of loan originations as restricted cash escrow as a credit-loss reserve to be drawn upon for credit losses that may occur within the portfolio and the portfolio is yielding below a level specified by bank partners

## Economic Model of Greensky Revenue Stream




<u>Remember</u>

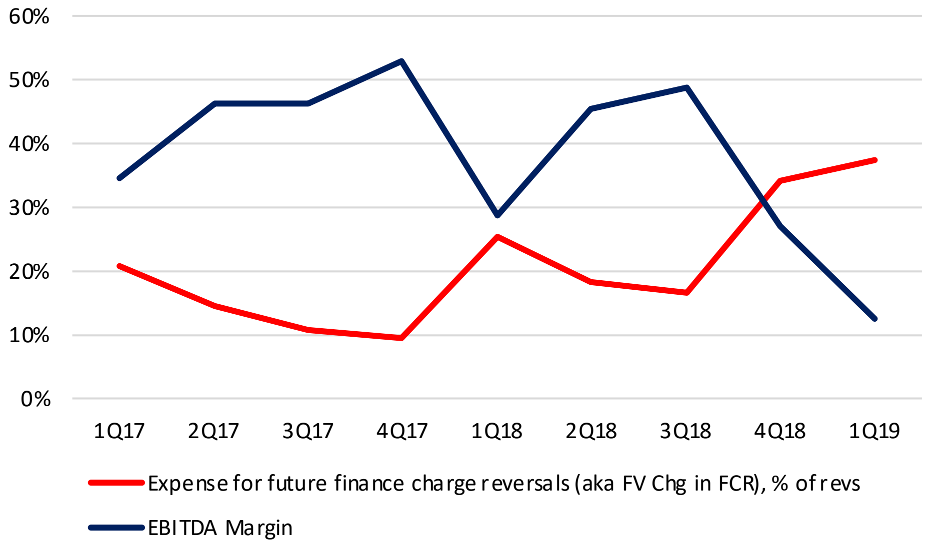
Greensky wants you to think it is a fast-growth <u>technology company</u>

# Greensky Business Model: Cost of Revenue

## Incentive payments represent a significant (and volatile) driver of GSKY's earnings stream

- Cost of revenue is comprised of 3 parts, the largest of which is the "fair value change in FCR liability"
- The FCR liability is a balance sheet item representing future settlement payments to bank partners that are driven largely by deferred interest payments that will likely be remitted back to the bank (and then back to the customer)
- A major part of the calculation of FV change in FCR is incentive payments (which can almost be thought of as a contra-revenue line); these represent payments (receipts) to GSKY within a given period for excess credit-adjusted yield from serviced loans→ the larger the incentive payments, the smaller the FV change in the FCR liability

## FV Chg in FCR is primary driver of GSKY margins

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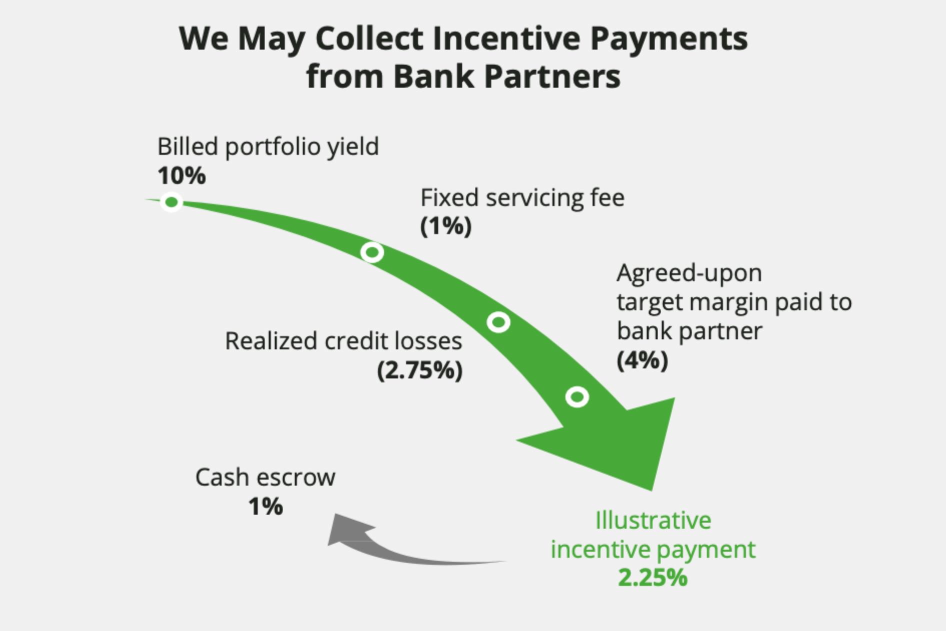
## Incentive payment graphic



# Greensky Business Model: Cost of Revenue

## Incentive payments (and thus, GSKY's contra-revenue) are extremely sensitive to charge-offs

- The expense for future finance charge reversals (aka, the "FV change in FCR") can be calculated by taking the difference between the beginning and ending FCR, adding settlement payments (remittance during the period of previously billed but uncollected interest for loans paid off within promo period) and subtracting receipts (incentive payments + proceeds from charged off loans sold)
- Incentive payments are credit-related cash inflows that represent excess yield when credit performs well; thus, when credit underperforms that specified yield, incentive payments could go to 0 (see below) and have a significant effect on GSKY profitability
- After incentive payments go to 0, GSKY starts to eat into its escrow reserve (the 1.4% of originations kept in restricted cash) and does not earn incentive payments until it builds back up the reserve → could cause flat/negative earnings at GSKY

## Incentive payment sensitivity to Charge-Offs

| | GreenSky | Base | +.50% | +1.00% | +1.50% | +2.00 | +2.50% | +3.00% |
|---|---|---|---|---|---|---|---|---|
| A | **Transaction Fee (Revenue)** | 7.50% | 7.50% | 7.50% | 7.50% | 7.50% | 7.50% | 7.50% |
| B | **Servicing Fee (Revenue)** | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% |
| | ***Waterfall*** | | | | | | | |
| | *Billed Yield* | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% |
| | *Fixed Servicing Fee* | -1.00% | -1.00% | -1.00% | -1.00% | -1.00% | -1.00% | -1.00% |
| | *Charge Offs* | -2.50% | -3.00% | -3.50% | -4.00% | -4.50% | -5.00% | -5.50% |
| | *Bank Margin* | -3.75% | -3.75% | -3.75% | -3.75% | -3.75% | -3.75% | -3.75% |
| | *Escrow Contribution* | | | | | | | 0.25% |
| | *Incentive Payment* | 2.75% | 2.25% | 1.75% | 1.25% | 0.75% | 0.25% | 0.00% |
| | FCR - Settlements | -3.75% | -3.61% | -3.47% | -3.33% | -3.19% | -3.09% | -3.00% |
| | FCR- Receipts (Incentive Payment) | 2.75% | 2.25% | 1.75% | 1.25% | 0.75% | 0.25% | 0.00% |
| C | **Fair Value Change in FCR (Cost of Revenue)** | -1.00% | -1.36% | -1.72% | -2.08% | -2.44% | -2.84% | -3.00% |
| D | **Escrow Reserve (Operating Expense)** | | | | | | | -0.25% |
| A+B+C+D +D = | **Total Contribution** | **7.50%** | **7.14%** | **6.78%** | **6.42%** | **6.06%** | **5.66%** | **5.25%** |

| Bank Partner | Base | +.50% | +1.00% | +1.50% | +2.00 | +2.50% | +3.00% |
|---|---|---|---|---|---|---|---|
| Billed Yield | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% |
| FCR | -3.75% | -3.61% | -3.47% | -3.33% | -3.19% | -3.09% | -3.00% |
| Cash Yield | 6.25% | 6.39% | 6.53% | 6.67% | 6.81% | 6.91% | 7.00% |
| Service Fee | -1.00% | -1.00% | -1.00% | -1.00% | -1.00% | -1.00% | -1.00% |
| Charge-Offs | -2.50% | -3.00% | -3.50% | -4.00% | -4.50% | -5.00% | -5.50% |
| Available Cash Yield | 2.75% | 2.39% | 2.03% | 1.67% | 1.31% | 0.91% | 0.50% |
| Incentive Payment | -2.75% | -2.25% | -1.75% | -1.25% | -0.75% | -0.25% | 0.00% |
| FCR Reversal | 3.75% | 3.61% | 3.47% | 3.33% | 3.19% | 3.09% | 3.00% |
| Excrow Draw | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.25% |
| **Bank Margin** | **3.75%** | **3.75%** | **3.75%** | **3.75%** | **3.75%** | **3.75%** | **3.75%** |

- Representative Bank Partner Portfolio under different credit shock scenarios
- Scenarios assume immediate increase in credit losses
- Prepayments under each scenario decline resulting in a forecasted decline of FCR rate by 7.5% for every 1% change in credit losses
- Escrow funds contributed to Bank Partner waterfall to offset shortfall in waterfall
- If Escrow is depleted, Bank Margin is reduced by shortfall

Notes:
1. Representative Bank Portfolio is not representative of the combined bank portfolio economics nor cash flows.
2. Assumes constant mix of originations during scenario time period
3. Impact of slower prepayments of deferred interest loans on portfolio's billed yield is factored into the scenario analysis
4. The forecasted decline in prepayment speeds and the resulting decline of the finance charge reversal rate are management estimates.

*Source: 2Q18 Investor Presentation, slide 49*

## Impact of 1% credit shock to FCR Expense, 2Q18 deck

- Calculations below show the illustrative impact to the Cost of Revenue (Fair Value Change in FCR) of an increase in credit losses by a 1% annualized rate to GreenSky on a Pro Forma basis.

| ($ milli | |
|---|---|
| Charge-offs increase by 1.00% of Avg. Serv. Portfolio<br>*(1% x 2017 Average Serving Portfolio of $4,501.3)*<br>*(Higher credit losses will decrease performance fees and the servicing portfolio balance)* | $ (45.0) |
| FCR Settlements decrease due to 15% decline in finance charge reversal rate<br>*(15% x 2017 FCR Settlement of $127.0)* | $ 19.1 |
| Finance Charges collected will increase on the Def. Int. Loans that do not pay-off<br>*(Def. Int. loans that have not paid off during promo. period will generate additional financial charges & result in higher performance fees)*<br>*(13% [15% decline in prepayments x 89% historical FCR % ] x $1,280 [def. rate loans originated in 2017] x 50% [average balance] x 19.25% [APR of 23% less bank margin of 3.75%])* | $ 16.0 |
| **Net Change in Performance Fees (FCR Settlements) that will increase Cost of Revenue** | **$ (9.9)** |

Cost of Revenue increase is $9.9 million, or **22%** of the increase in credit losses.

*Notes:*
- *Illustration assumes higher credit losses and slower prepayments start in the periods leading up to the credit shock scenario.*
- *Illustration assumes FCR Liability remains at $107,047 at the end of the pro forma period as the FCR reversal rate is based on the long-term average reversal rate.*

*It is important to note that the above ^ table is from GSKY's 2Q18 investor presentation. They have not released an updated version of the slide since. **The sensitivity to credit losses has likely increased on a % basis since then,** as **1)** the reversal rate has been declining since 2Q18 **2)** the assumption for FCR settlements declining 15% was based upon a financial crisis estimate and thus in a lesser credit downturn the settlement decline will likely be lower (increasing the impact of the credit shock), and **3)** potential for losses is higher as they have been ramping in elective healthcare loans which have an expected loss rate of 3x+ that of home improvement (which is what this slide is based off)*

# GSKY Wants You to Think it is a Technology Company

## Repeatedly called a "technology company" and wants you to pay attention to it's large "TAM"

**Business Overview**

We are a leading U.S.-based technology company Powering Commerce at the Point of Sale℠. Our platform facilitates merchant sales, while reducing the friction and improving the economics associated with a consumer making a purchase and a bank extending


< 1% market share in existing markets

Additional verticals to penetrate, currently under development

Total addressable market > $13 trillion

Upcoming Events | Past Events | Presentations

Needham Emerging Technology Conference
Tuesday, May 21, 2019 8:20 a.m. ET
Webcast: Click here for webcast

GreenSky, Inc. to Present at J.P. Morgan Global Technology, Media and Communications Conference
Wednesday, May 15, 2019 4:20 p.m. ET
Webcast: Click here for webcast

GreenSky, Inc. at at the Morgan Stanley Technology, Media and Telecom Conference
Monday, February 25, 2019 5:15 p.m. PT
Webcast: Click here for webcast
Location: San Francisco, CA

GreenSky, Inc. at the Goldman Sachs Technology and Internet Conference 2019
Tuesday, February 12, 2019 11:00 a.m. PT
Webcast: Click here for webcast
Location: San Francisco, CA

GreenSky, Inc. at the Raymond James 2018 Technology Investors Conference
Monday, December 3, 2018 2:25 p.m. ET

**GreenSky Technology Enabled Platform**

A Differentiator for Merchants. A Barrier to Competition.

Naples Daily News HOME NEWS SPORTS BUSINESS OBITUARIES JOBS

A technology company that arranges loans for home improvement projects cut its ties with Bruno Total Home Performance in Bonita Springs due to customer complaints.

GreenSky Inc: Investors Are Finally Waking Up to This Niche Tech Stock
https://www.profitconfidential.com › Stock › GreenSky Stock
Apr 25, 2019 - GreenSky Inc is a software company that provides mobile, online, and in-store financial

FACTSET | Today's Top News | Markets | News | Research | Company/Security
GSKY-US | LOCAL
Reference | Charts | News, Research, and Filings | All
GreenSky, Inc. Class A (GSKY) $12

Business Description
GreenSky, Inc. is a technology company. It powers of sale. Its platform facilitates merchant sales, whil

Seeking Alpha | Portfolio | People | News | Analysis
It's time to roll over the 401(k) from your old job.
Long Ideas | Services
**GreenSky Is A GARP Investor's Dream**
Apr. 16, 2019 12:02 PM ET | About: GreenSky, Inc. (GSKY)
This article is exclusive for subscribers.

**Covered Primarily By Technology Analysts and Not Analysts Whose Coverage is Mostly Credit (11 of 13)**

| Broker | Analyst | Coverage Universe | Rating | Target Price |
|---|---|---|---|---|
| Bank of America Merill Lynch | Jason Kupferberg | Technology Services | Neutral | $15 |
| Morgan Stanley | James Faucette | Communication Systems & Payments | Equal Weigh | $11 |
| **Raymond James** | **John Davis** | **Financial Technology** | **Overweight** | **$17** |
| JP Morgan | Tien-Tsin Huang | Data Processing Services | Overweight | $17 |
| Guggenheim Securities | Jeff Cantwell | Financial Technology | HOLD | |
| Citigroup Global Markets | Ashwin Shrivaikar | IT Services/Internet Software+Services | | |
| BTIG | Mark Palmer | Financial Technology and Services | HOLD | |
| Suntrust Robinson Humphrey | Andrew Jeffrey | Data Processing Services | BUY | $14 |
| Sandler O'Neill & Partners | Christopher Donat | Financial Technology & Consumer Credit | BUY | $14 |
| Goldman Sachs | James Schneider | Technology Services | Neutral | $15 |
| Autonomous (now part of Bernstein) | Robert Wildhack | Financial Technology | Outperform | $14 |
| Compass Point Research | William Ryan | Consumer Credit | HOLD | $13 |
| Singular Research | Christopher Sakai | Commercial Services | BUY | $19.50 |
| **Count: 13 Analysts** | | **Count of Tech Analysts : 11.5/13** | **Avg PT** | **$15** |

*Sources: Factset, Bloomberg, Broker Research*

# But….Greensky is a LENDING INSTITUTION

## GSKY's underlying earnings stream is dependent on credit performance and bank partner returns

- The change in fair value of the FCR liability comprises a significant portion of gross margin; upon origination of loans through merchant partners, GSKY sets aside escrow reserves to account for potential losses (in a benign credit environment, these reserves get billed back to GSKY as incentive payments for credit performance) → any credit losses first eat into GSKY's incentive payments, & then into the escrow reserve

- The potential for incentive payments to dry up (or further, for reserves to be drawn upon) in a credit deterioration scenario represents a major risk to GSKY's profitablility as this would vastly increase the FV change in the FCR liability; if the reserve is drawn upon, GSKY can't recognize future incentive payments until reserves are restocked

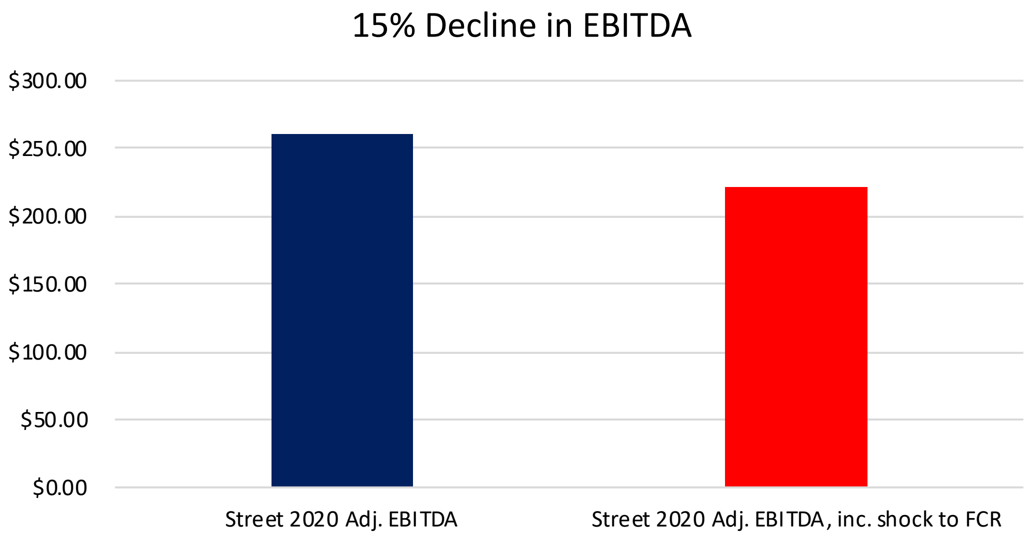
## Recalculated impact to FCR expense from 1% credit shock

| | |
|---|---|
| **$million** | |
| Charge-Offs increase by 1.00% of Avg Servicing Portfolio | **($93.6)** |
| *1% x 2020e Average Servicing Portfolio of $9,298* | |
| *Higher credit losses will decrease performance fees and the servicing portfolio balance* | |
| FCR Settlements decrase due to 7.5% decline in finance charge reversal rate | **$30.8** |
| *10% x 2020e FCR Settlement of 308* | |
| Finance Charges collected will increase on the deferred interest loans that don't pay off | **$23.73** |
| *(Deferred interest loans that haven't paid off during promo period will generate additional financial charges & result in higher performance fees)* | |
| (10% decline in prepayments x 86% reversal rate %) x (2830 deferred interest loans originated in 2020e x 50% to account for average balance) x (APR of 24% less 2020e bank margin of 4.50%) | |
| 6.5% x $1415 x 19.5% = $15.6 | |
| **Net Change in Performance Fees (FCR Settlements) that will increase Cost of Revenue** | **($39.05)** |

**Cost of Revenue increase is $39.1mm, or 41.7% of the increase in credit losses**

Impact to earnings could be even greater because of higher servicing costs for higher losses; incentive payments would dry up, funding would come into question if was higher losses (especially post CECL rule as explained later in deck; already modelling assumption for higher bank margin)

## Impact to '20 EBITDA **solely from FCR change**

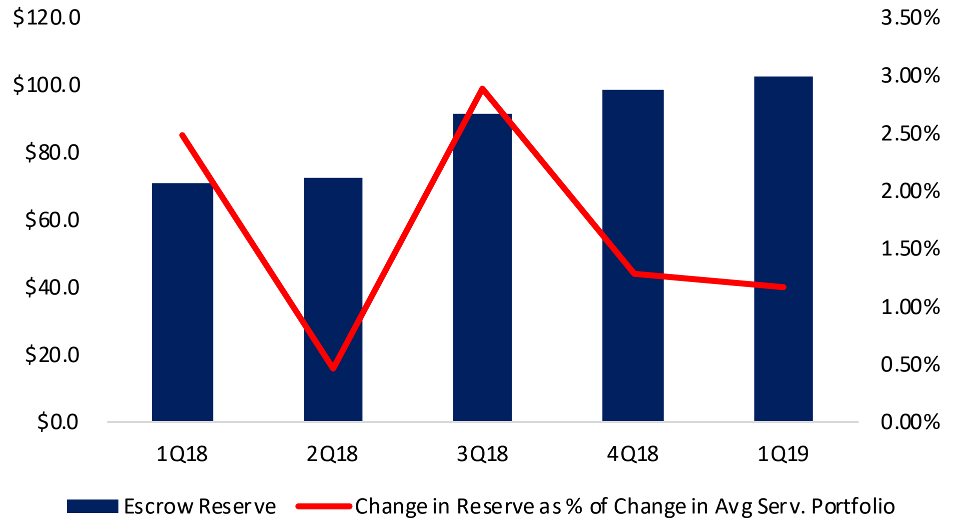


# Greensky is a LENDING INSTITUTION

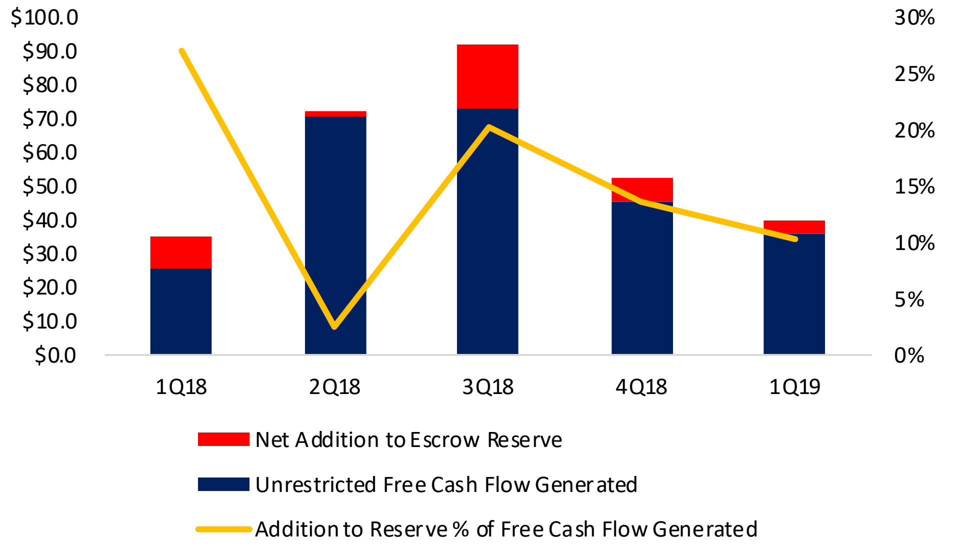
## Lending institutions have to carry reserves for potential credit losses; as does GSKY

- While GSKY is not taking definitional balance sheet risk, they are taking "free cash flow risk"; upon origination, GSKY holds 1.4% of originated balances in escrow (restricted cash on the balance sheet) as reserves held for potential credit losses and thus this "free cash flow" can't be utilized in the same way as normal FCF (it's not "free")
    - Current target rate for reserves is 1.4%, up from 1.3% a year ago; additions to reserves comprises a decent portion of their quarterly free cash flow
- Interestingly, while GSKY puts away cash in escrow as a reserve upon origination, this does not run through the GSKY income statement like a "provision" (addition to reserve upon origination) would for a lender such as a bank
    - This should be reflected in GSKY's earnings stream considering this cash flow isn't "free" to be utilized, which is why a bank books a "provision"

## "Reserve rate" was well above target for FY18




## FCF generation held in escrow reserves



# Greensky is a LENDING INSTITUTION

Do these 10-K risk section excerpts make Greensky sound like lending institution or a "tech company"?

*Increases in loan delinquencies and default rates in the GreenSky program could cause us to lose amounts we place in escrow and* ← Admitting earnings sensitivity to loss rates

***The increased scrutiny of third-party medical financing by governmental agencies may lead to increased regulatory burdens and may adversely affect our business.***

Save Link

We operate in the elective healthcare industry vertical, which includes consumer financing for elective medical procedures. Recently, regulators have increased scrutiny of third-party providers of financing for medical procedures that are generally not covered by health insurance. In addition, the CFPB and attorneys general in New York and Minnesota have conducted investigations of alleged abusive lending practices or exploitation regarding third-party medical financing services.

Regulatory risk ← →

Our Bank Partners also may terminate their agreements with us if we fail to comply with regulatory requirements applicable to them. We are a service provider to our Bank Partners, and, as a result, we are subject to audit by our Bank Partners in accordance with customary practice and applicable regulatory guidance related to management by banks of third-party vendors. We also are subject to the examination and enforcement authority of the federal banking agencies, including the Federal Reserve, the Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency, as a bank service company, and are subject to the examination and enforcement authority of the Consumer Financial Protection Bureau ("CFPB") as a service provider to a covered person under the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"). It is imperative that our Bank

Because the agreements we have with our Bank Partners are of short duration and because our Bank Partners generally may terminate their agreements or reduce their commitments to provide loans if credit losses increase, the overall volume of GreenSky program loans may decrease in the event of higher default rates. ← Admitting funding will dry up if credit losses rise significantly

***Because our business is heavily concentrated on consumer lending and payments in the U.S. home improvement industry, our results are more susceptible to fluctuations in that market than the results of a more diversified company would be.*** ← Admitting cyclicality in earnings stream

Even though we recently expanded into the elective healthcare industry vertical and may continue expanding our services into other industry verticals, our business currently is heavily concentrated on consumer lending in the home improvement industry. As a result, we are more susceptible to fluctuations and risks particular to U.S. consumer credit, real estate and home improvements than a more diversified company would be as well as to factors that may drive the demand fc home improvements, such as sales levels of existing homes and the aging of housing stock. We also are more susceptible to the risks of increased regulations and ← Admitting cyclicality in earnings stream

On January 16, 2018, a CFPB rule commonly referred to as the "Payday Loan Rule" became effective. Most of the substantive provisions of the rule require compliance by August 19, 2019. Resolutions are pending in Congress to cancel the rule through the Congressional Review Act. While the rule does not appear to be targeted at businesses like ours, some of its provisions are broad and potentially could be triggered by the promotional loans that our Bank Partners extend that require increases in payments at specified points in time. We are continuing to

↑ Admitting risk from CFPB scrutiny given its business model →

***he contours of the Dodd-Frank UDAAP standard are still uncertain and there is a risk that certain features of the GreenSky program loans could be deemed to olate the UDAAP standard.***

Save Link

The Dodd-Frank Act prohibits unfair, deceptive or abusive acts or practices and authorizes the CFPB to enforce that prohibition. The CFPB has filed a large ımber of UDAAP enforcement actions against consumer lenders for practices that do not appear to violate other consumer finance statutes. There is a risk that the FPB could determine that certain features of the GreenSky program loans are unfair, deceptive or abusive. The CFPB has filed actions alleging that deferred ..terest programs can be unfair, deceptive or abusive if lenders do not adequately disclose the terms of the deferred interest loans.

On June 2, 2016, the CFPB issued proposed rules that would impose numerous restrictions on certain "high-cost installment loans." It is not clear if or when the CFPB will publish the final version of these rules, or what their content will be. Among other things, the proposed rules would impose various obligations to determine a consumer's ability to repay a consumer loan. It is possible that the final rules, if enacted, could impact the GreenSky program. It is also possible that, depending on the form of the final rules, changes would be necessary to the GreenSky program, which changes could have a material adverse effect on the revenue that we derive from certain loans made by our Bank Partners, including transaction fee revenue, in particular.

(or not make) purchases of our merchants' products and services. The decline of sales by our merchants for any reason will generally result in lower credit sales and, therefore, lower loan volume and associated fee income

↑ When non-lenders lean on financing,what happens through a cycle?

the period that we own the receivables, we bear the entire credit risk in the event that the borrowers default. In addition, we are obligated to purchase from our Bank Partners the receivables underlying any loans that were approved in error or otherwise involved customer or merchant fraud. Our ownership of receivables also

CFPB complaint board

Please see next slide... →

determine compliance with applicable federal consumer financial laws and to assess whether consumers' interests are protected. In addition, the CFPB maintains an online complaint system that allows consumers to log complaints with respect to various consumer finance products, including those included in the GreenSky program.

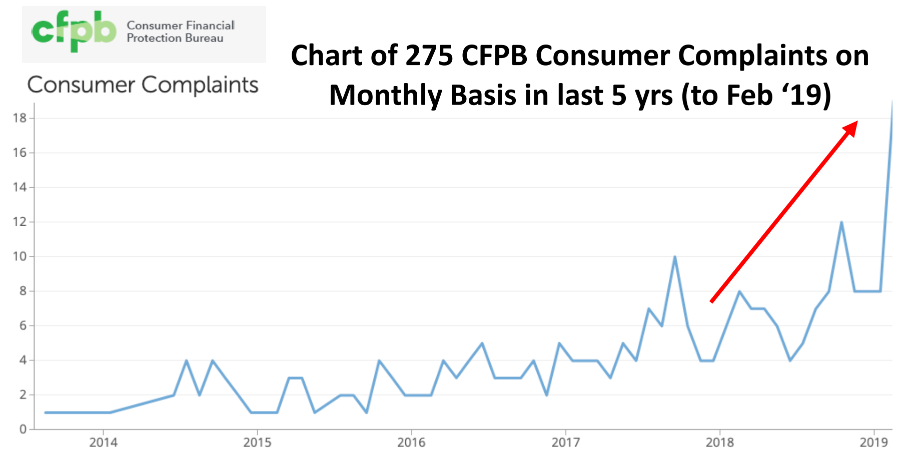
receivables, we do not hold the loans or the receivables underlying the loans that our Bank Partners originate, we are exposed to consumer credit risk in the form of both our FCR liability and our limited escrow requirement, as well as our ability to maintain relationships with our existing Bank Partners and recruit new bank ← Admitting they take credit risk

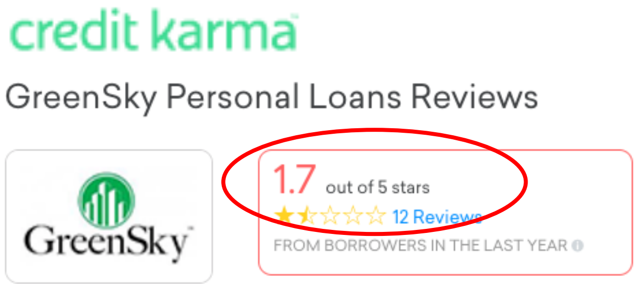
# Shiny Tech Company or Lending Institution?

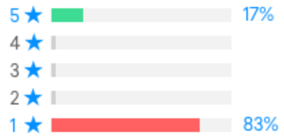
**Is it normal for a technology company to have consistently piss-poor ratings like Greensky?**

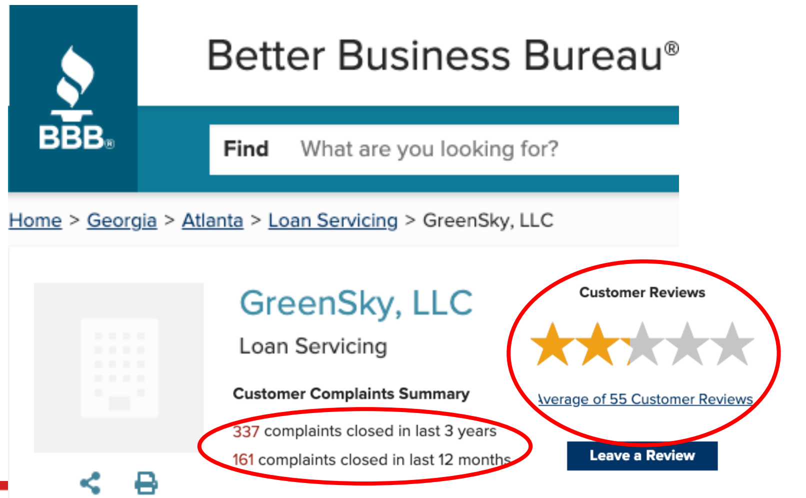
**Literally anywhere you look, there are hundreds and hundreds of horrendous stories of customer experience in dealing with Greensky**

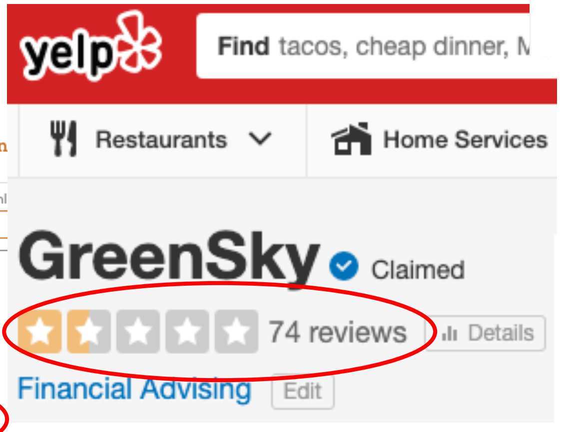
**Chart of 275 CFPB Consumer Complaints on Monthly Basis in last 5 yrs (to Feb ‘19)**

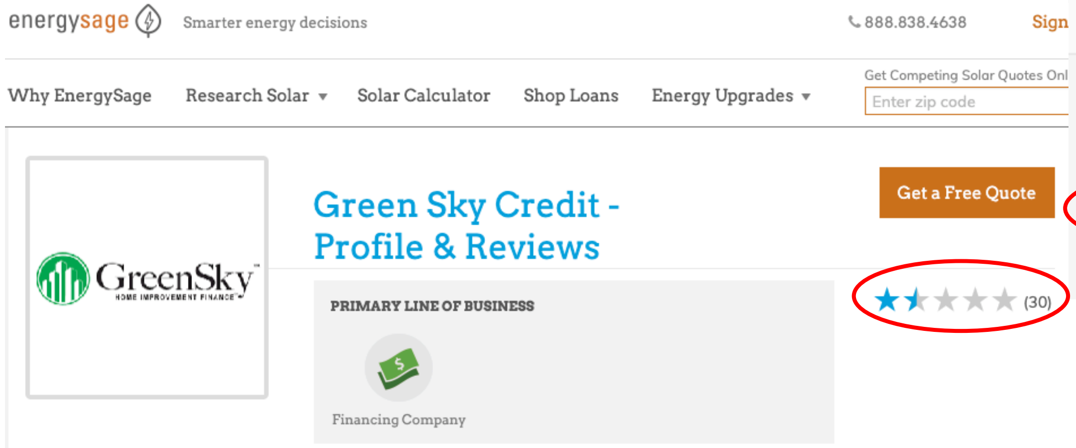


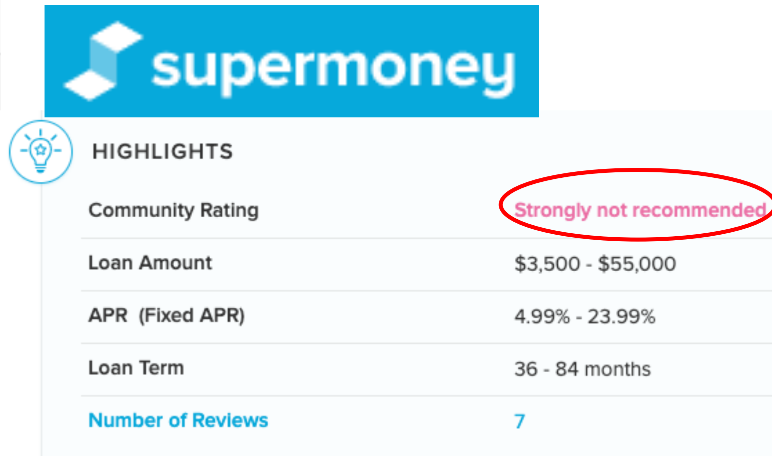



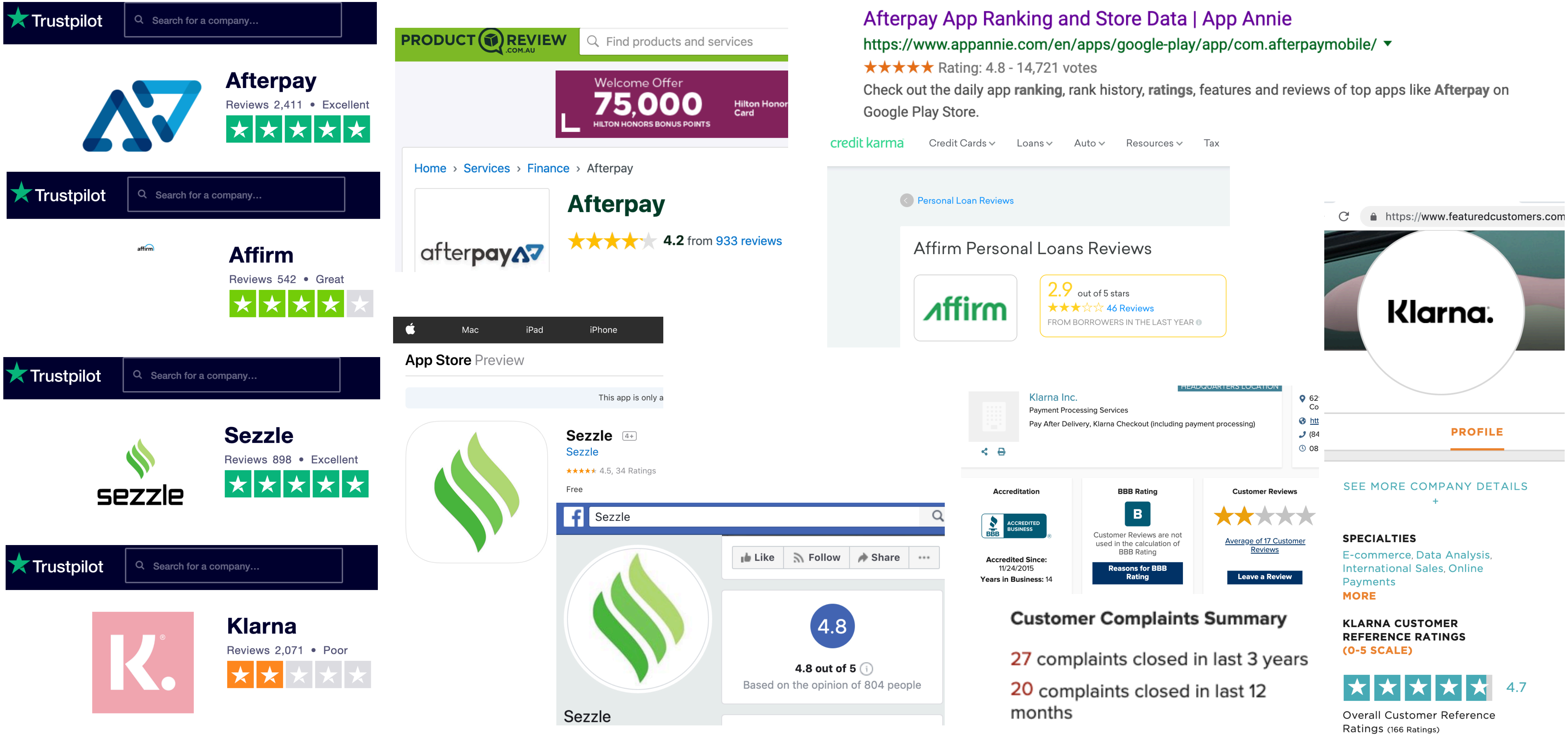



# Other POS Finance Companies Have Better Reviews

**Lending institutions generally get bad reviews, sure; but then let's call GSKY that, not a tech company**



# GSKY Complaint Detail: Payment Processing Issues

## Does the below smack of that of a predatory consumer lending institution or a ”technology company”?

10/22/201

For the last two months, GreenSky has received my payment two weeks in advance of the prescribed due date, each time they had taken close to 30 days to cash and post the payment. This results in a late fee. Each time we had talkec to several "managers" that said the problem would be fixed. With this last case, my bank (Bank of America) joined in a conference call between GreenSky and myself. Each time they state that they are not aware of payments and state that they need to collect the late fees which are overdue. It has come to my attentior that their accounting office only picks up payments (from their PO BOX) once a week if that (was admitted by a manager). So, every month I will be assessed a late fee even if my payment was sent (and received by GreenSky prior to the du date) due to the lack of motivation of the accounting office. Product_Or_Service AC Unit from Aire Serv of Clarksville Order_Number: N/A Account_Number:

**Complaint Type:** Billing/Collection Issues **Status:** Answered ?

02/05/201

Greensky has continually refused to process payments. I have opened up numerous claims through their loan department and heard nothing back from them. Each time a payment does not go through I have to pay a late fee, which also does not go through. I am left with a loan that now is higher than what I started with. It has went on since October of 2018. Greensky has said it is a problem with my bank, but have also talked to my bank and there is no problem on that end. I am out of options on how to pay back this loan. Product_Or_Service: Loan for AC unit Account_Number: ****************

**Desired Outcome**

Contact by the Business I would just like to be able to pay off my loan, that is all

**Complaint Type:** Billing/Collection Issues **Status:** Answered ?

01/03/2

Since March of 2018 I have been receiving incorrect statements even after we had a three way call with Renewal By **********. I have spent so many hours on email and on the phone trying to get this escalated to a manger and I keep getting no assistance. I just received another bill none of my papyments have been applied and statement is not for the correct amount. I financed $1300 m bill keeps coming as $1519.00. I have not been able to work with anyone that can help me and so at this point I want lodge a complaint as I am sure I am no the only one going through this.

01/01/2019

Greensky is the company that ************ uses when you install a bathroom from them. Greensky in November 2018 took out the monthly payment and then without permission took an additional $5,786.19 from my account. When I couldn't pay for a dry cleaner item, I checked my balance and saw they took the money and left me with a deficit in my checking account. I called them and they sent the money back but never said who or why it was done. When I got my checking account back in order, two weeks later we get a call from Greensky telling us to send them the $5,786.19 back as they paid me back twice. My checking account does not reflect this transaction other than the original one done. I have been discussing this with Greensky case manager on my account for weeks. Their final decision was they did send me the money so now my account summary has added that amount to my outstanding balance. There is no reasoning with this company. I may or may not get a returned call from them. I have made my last call to them for cleaning up this mess they created. I cannot begin to tell you how upset and livid I am for their mistakes. If anyone ever has a product bought or done and is told that Greensky will handle the payments, run to your bank or some other institution because Greensky will make your life miserable when it comes to the billing and accounting department.

04/04/2018

When initially setting up my payment process for my brand new account GreenSky had issues processing my payments. I made my payments on-line but GreenSky's system would initially accept my payment then later invalidate the payment. I tried several time to make payments over a 60 period. They couldn't determine if one or more of my payments had processed so they initiated an investigation. Each time I received a new payment request I made a payment including anything they suggested was "past due". In the mean time I received phone calls from their "investigation department" leaving messages to call back, however when I called back the I was told the extension I had entered was "invalid". On March 9th I received an email from GreenSky indicating they were still investigating my issue, however on March 10th I was alerted by my credit monitoring service that GreenSky had reported my account as "past due". When I contacted GreenSky about this they acknowledged that they reported me as late even while they were still trying to figure out why they couldn't process my payments. I was finally able to get my account paid but only after completely re-signing up for auto-pay (still with the same bank account). I provided them with the email they'd sent as well as played their auto answer system with the errant extension message and they still denied any culpability for the issues. At this point I can only assume they are trying to invalidate my zero interest offer and are trying to force me to pay their absurd 23.9% interest rate.

**plaint Type:** Billing/Collection Issues **Status:** Answered ?

11/02/2018

Two months in a row GreenSky has received my on time payment check but has not processed it until approximately 12 days later. Bank records indicate payment sent multiple days in advance of due date, yet I have now been charged late fees twice for a company failing. How is one supposed to do business with a loan servicer that doesn't accept on time payment and then penalizes the customer?

09/15/2018

sent payoff in July of 2018 to the N.C. Pox box and was told they never received it. Their Address was changed. Sent again to ATL add., and nothing. I refinanced my home, and sent loan payoff checks to all companies I worked with on home repairs. All checks have been cleared by all companies expect for GreenSky. I sent all checks out at the same time. I sent my payment to the addresses listed on my billing statement. I sent GreenSky a payment to their NC P.O. Box address. I kept getting calls saying I hadn't payed. I called them and told them I sent a payment via mail. Then they told me their address had changed. Not sure how I was supposed know that without prior notification. I asked my bank to reissue the check, so I could resend to their new address. I mailed the check again, and I also faxed copies. I keep getting calls telling me my account has is past due, and I keep getting charged late fees. It's also affected my credit score. This has been going on for almost 3 months. No one is helpful. I've sent copies of checks and they keep saying they haven't received anything. I'm afraid to reissue another check, fearing that the same thing will happen. I pray to a God that this situation is fixed ASAP, and that I never have to work with this company again.

11/12/2018

We used Green Sky to finance our kitchen remodel this past summer. We were given a 90 day promotional period offer of no payments just pay finance charges. I received the first statement and realized I was dealing with a credit card not a loan, which was the first red flag as we were told it was a loan and were given the estimate of what our monthly payment would be. So I set up payments online and paid the finance charges for June & July. Aug & Sept I paid more than the finance charges I wanted to start paying toward the principle. I received a statement 9/23 which had another finance charge only. Our promotional period ended and on 10/1 I received a statement from them showing our account, all the payments made and our new monthly payment. This statement included the finance charge from 9/23 statement. So I changed my auto payment amount to the new monthly payment amount. We started to receive collection calls almost immediately! Harassing collections calls multiple times a day and night. Here we find out the 10/18 payment didn't go out. Green Sky says it was due to me changing the amount of my auto pay and it wouldn't go into effect for 30 days. But they want me to pay the finance charge from 9/23 statement. But that was included in the new monthly payment, why would I pay that twice? Customer service manager agrees to remove late charge and apply the over payments to the finance charge they say i need to pay. So I am covered and good to go. My auto pay is set up going forward so we are good. Next day...multiple harassing collection calls again now saying we owe half what we did before!? We requested a transaction history because they have something messed up. They can only mail that. But now we continue to receive harassing phone calls multiple times a day. Even though we resolved the issue on Nov 3rd with a collections manager. We are sick of being harassed for money we don't owe. Product_Or_Service: Loan

# GSKY Complaint Detail: Cancellation Issues

Does the below smack of that of a predatory consumer lending institution or a ”technology company”?

03/04/2019

Dentist office uses Greensky for loan servicing to finance dental work. The dentist performed $495.00 on same day of appointment. $1,000.00 in future crown work. Future work never took place. Greensky was informed and stated they would contact dentist to address dispute and contact me in 48 hrs. Greensky did not respond in 48 hrs. After 48 hrs, I called again, Greensky stated someone would contact us by end of day. Again no response from Greensky by end of day. Contacted Greensky again and they now state they could not reach us as my line was BUSY'. This was a lie. Asked if we currently moved. No lived at same address with same phone number for 12 years. We contacted dentist office and was told Greensky never contacted them. Greensky is not attempting in good faith to credit account that dentist office billing has stated as crediting Greensky acct. Product_Or_Service: Dental work

12/10/2018

In Nov '18, GreenSky, LLC began billing me for a landscaping project that had commenced by ******* Remodeling & Construction Company. Said project, to date, has not been completed. An application for financing was submitted to GreenSky, LLC in Oct'18. Upon approval, I was provided a guarantee that there would be NO OBLIGATION to pay "until you authorize a transaction on your account." To date, I have NOT authorized any transactions on said account yet I have been billed and am now receiving collection calls and letters. The welcome letter that I received dated 10/01/2018 reads: "You have ZERO liability for transactions that you did not authorize. Please monitor your statements and contact (866) 936-0602 to notify us of any unauthorized transactions. Any unauthorized transactions must be reported to GreenSky within 60 days." In Nov '18, I called the aforementioned customer service center to inform them that I had not authorized any transactions on my account. It was at that time, that I was informed by the customer service representative to contact ******* Remodeling & Construction to address the matter with them directly. Despite the fact, that this was not protocol according to the written agreement that I received directly from GreenSky, I contacted ******* Remodeling & Construction to no avail. In Dec '18, I again, phoned GreenSky, LLC to inform them that I had still not authorized any transactions on my account. During this phone contact, I asked to speak with a supervisor. Upon speaking with a supervisor, I informed her that I had not authorized any transactions on my account. It was at this time that I was informed by said supervisor that she would contact ******* Remodeling & Construction to obtain any and all paperwork from them in a concerted effort to investigate the matter at hand. She informed me that she would get back to me w/in 7 business days. I have not heard back, instead I am receiving collection calls and letters for monies that I did not authorize to be released on my behalf.

10/16/2018

We contacted Renewal by********* because we received a coupon in the mail; we needed to have a new patio door installed along with a wheelchair ramp built. The sales consultant **** ******n came to our home on September 9, 2018, we chose a door, he told us how the ramp would look, we discussed the price of the door & ramp; we told **** that we needed to submit the designs to our HOA for approval; we told **** that we could not proceed without HOA approval, despite this, **** asked if he could check my credit to see if I would be approved for the amount of the project, $7258.00 however I learned that **** applied for credit in my name to GreenSky; I contacted GreenSky/Sun Trust Bank on September 24, 2018 to discuss closing the credit account that I did not authorize; I was told by GreenSky that they could only have opened an application if it had been requested by the sales consultant, ****; we were told that a dispute would be opened and Renewal by********* would be contacted, I would be contacted by Greensky to follow up within 72 hours; **** told me that I would need to contact GreenSky to have the credit account removed from my credit report, I told the GreenSky supervisor that I only gave permission for a credit check to be done to see if I would be approved for the amount of the door and not an extra $20,000 above the price of the door. I told the supervisor that I discussed with **** repeatedly that I could not proceed with anything until the project gained approval from my HOA; The credit contract with GreenSky was not discussed at our consultation meeting; I told GreenSky & Renewal by********* that we will not be making any purchases as that would activate the fraudulent contract, I received a letter from GreenSky dated September 26, 2018 stating that the contract had been cancelled however I received a bill from GreenSky listing a purchase of $3629.00 that I did not make, finance charges for $8.34 which is due on November 4, 2018, unbelievable. Product_Or_Service: Exterior Patio

5/2018

Master Service companies and GreenSky Financial company's dispute, and need to solve it ASAP. Or else I have to pay more than $35,000 by 08/03/2018. Mr. Jacob Smith came to my house for waterproofing estimate. He set up the financing with GreenSky, which I did not the name at that time. He also wanted me to sign digitally in his iPhone, and did not let me show the entire contract. Later, the emailed contract shows many irrelevancies, and I cancelled the contract. His company called and said it gave me a refund which Idid not give to it. The mail the company sent the refund was Master Dry in TN., and I was told I had to contact GreenSky by myself. There is not many and materials transactions between Maser Service and me, and I cannot reach GreenSky by email nor phone number. I am as if I own to more than $3,500, due by Aug. 3, 2018. Help me!

06/05/2018

Greensky was notified almost 9 months ago to financing a job that was previously canceled, and putting a debt on my husband and I. My husband and I signed paperwork on August 18, 2017 to have ******** Home Solution to put siding on our home.(PHS Job #*****) We then within the three day window canceled their services on August 21, 2017. ******** Home Solution then came out on August 23, 2017 to "ask us cancellation questions." Which is when they offered us a better deal and we again signed to have them put siding on our home.(PHS Job #*****) However, after discussing the price with my husband we again decided to cancel their services within the three day window on August 24, 2017. On September 28, 2017 we received a letter from ***** ********, President of PHS, stating "It is very important that you contact me as soon as possible regarding the cancellation of your contracts dated 8/18/17 and 8/23/17;" he again tried to offer us a better deal to have them put siding on our home. We declined. Unaware to us, in the beginning of September 2017, ******** Home Solution pushed through the financing on the first job we canceled to Greensky. In early October 2017, we received our first bill from Greensky for over $36,000 dollars, which was given to ******** Home Solution for the job we canceled.(Account #****************) I immediately called Greensky, and informed them that I had canceled with PHS and should not have this debt to my name. I was told that I needed to call PHS and inform them of the error and that they had to call Greensky to close out the debt. Over several months I called Greensky 1 to 2 times every month to report that this issue has still not been resolved. On April 2, 2018 I filed with BBB against ******** Home Solution. My claim was not resolved, but was sent to the BBB Investigation Coordinator. I have shared all paper work, including cancellation documentation with Greensky. To date this issue has yet to be resolved.

**Customer Response** 01/24/2019

From: ****** ***** <**********@bbb-email.org>
Sent: Tuesday, January 22, XXXX X:XX PM
To: **********@bbb-email.org
Subject: Re: BBB Complaint Case# ******** (Ref#XX-XXXXXXXX-XXXXXXXX-X-XXXX)

I am giving you an update on this complaint. It should not be closed, as it has NOT been resolved. I was not contacted by GreenSky until today (January 22, 2019). I spoke with a woman named Sharmonica who told me that:

(1) The Loan applicant (******* ***** had been denied the loan, which is why they came to my husband and me (the co-signers) for payment. It has always been my understanding that if someone is turned down for a loan, no loan exists. It doesn't matter who agreed to co-sign on the loan. Co-signers are only responsible for paying if the person to whom the loan was granted fails to make payments. If this is not the way GreenSky operates, we were not informed of it. We have no paperwork. We never signed anything, nor did anyone give us a verbal explanation of the terms of any loan, if it exists.

(2) The GreenSky rep told me that as of today they have received $3,804 in payments from ******* **** who, according to them, was turned down for the loan. Why have they cashed her checks if she was not given a loan? (And yes, I have seen her cancelled checks, so I know the payments were accepted.)

(3) GreenSky now wants my husband and me to pay the full balance on the "loan," or according to the woman I spoke with they will have to contact the vendor to repossess the merchandise the loan was intended to purchase. In other words, if we don't fork over the remainder of the loan ($4,496, plus $195 in late fees), they will have the air conditioning and heating vendor that installed the system financed by the loan remove the heating from a 72-year-old handicapped woman's home in the middle of winter, or put a lien on her house. Does that sound like a threat? It sure does to me. And why are they going after her if they think WE owe the money?

(4) ) Finally, there's this question: If ******* **** was turned down for the loan, why are any of us getting invoices? Why is there even an account number? My husband and I verbally agreed to be co-signers, not the primary applicants. No confirmation or change of status including a notice of ******* ******* rejection for the loan was ever given to us. No phone call, no email, no letter. I'd like to see what kind of records GreenSky has on this "loan." All we ever get from them is harrassing phone calls, and the lame contention that we "agreed over the phone." What do they think "we" agreed to, and where is the hard documentation of it?

None of this makes sense to any of us who are being squeezed for this loan. No paperwork exists. We never signed anything. ******* **** was supposedly turned down for the loan, but we, as co-signers, started getting bills from GreenSky, a company we never heard of. Repeated requests for documentation of the loan application and terms were denied, and GreenSky insisted they had "nothing on paper" and we'd have to contact the vendor for that. Despite the fact that ******* **** who supposedly was never granted the loan has been making regular payments on it, my husband and I are still getting harrassed for payment by GreenSky. Now they are telling us (by phone, nothing in writing) that we'll have to pay off the current loan balance. To me, this absolutely reeks of extortion. If they think they can pressure three senior citizens to cave in to their demands, they're mistaken.

# Complaint Detail: Lack of Understanding of Terms

**Does the below smack of that of a predatory consumer lending institution or a ”technology company”?**

9/19/2018

This company is not truthful! It's basically a 3 step process to get a loan. They advertise it as "no payments/no interest for 24 months". But this is a lie, you still have to pay the minimum amount due every month or they will charge you penalties. I even call the office the day I applied for my loan. She clearly said I didn't have to make any payments. Then I received the loan documents after my Lasik surgery, of course...At that point I have already spent the darn money in the medical procedure. This company is a fraud!! Do not take a loan from them!!!

5 people voted for this review

Useful 5 | Funny | Cool

3/31/2018

This company is a joke! The "promotional period" starts from when you sign the documents....didn't even know I was on a promotional period. When I called to find out why my bill went up $30 (a lot of money when you're on a budget), they said my promotional period ended 3/28/18 (they only said this 10 times), and when I explained I didn't even receive my first bill until March 1st, they just kept repeating themselves and asked why I didn't read the loan agreement. That will teach me! I'm gonna sit down and read every F-ING piece of paper I get now! STAY AWAY FROM THIS COMPANY!!!! I also set up an auto payment 2 weeks prior to the due date, it didn't come out and I got a late fee...it takes a full billing cycle to set up don't ya know?! Wow! This company doesn't care about it's consumers AT ALL!! I am now looking into options to get this paid off....I don't want a company like this collecting interest from me!!!

Heather P. and 13 others voted for this review

Useful 14 | Funny | Cool

5/13/2016

This has got to be one of the most shady companies if you're having upgrades to your house I would not suggest using their low interest loan. If I had been given all the facts, I would have went with the 18 month 0% interest. When got the info on the loan in the mail (the contractor applied on line) I saw what the 9.99 % loan was really about. They said I could talk to the contractor & if he is willing to pay the loan back in full they would switch it. The contractor (Eagle Shield) had them call me back to explain the loan(what you think I'm stupid?), Eagle Shield didn't tell me the first 5 months of payments go towards interest only then the next 115 months is principle plus interest. They told me I could pay it off early but neglected to tell me the first 5 mo they're gonna get all interest first. So what's the incentive of paying off early? Also I wasn't told it's a 10 year loan on $13,000 (yeah I guess the minimum payment looks good to some, but I can pay $1000 mo the reason I didn't take the 18 mo deal was I was going to repipe my house too). My other plans are put on hold to now pay these shady people off as fast as I can.
Thanks for reminding me there's shady loan companies still out there! Janet D.

12/26/2018

I had an AC installed from gettoel ac. I was told payments would be around $160 month. They financed me thru greensky. After work was don't i made my payments and noticed my principal never went down. So I looked and noticed my first 6 payments was interest . So called greensky and they said that's how the contract works. I never received a copy of a contract. 2 that's not what I was told when I agreed . Who in thier right mind would just pay interest . No other finance company makes people pay interest for first 6 payments. I am going to contact the federal trades commission have them look into this pratice. Product_Or_Service: Air conditioning unit

08/24/2018

Deceptive loan billing practice. The loan is structured so that the first payments are for the interests only and no principal is ever paid. I was deceived into signing for a $27k loan for a solar project with a fixed rate of 3.99% but the actual agreement said that was only a promotional rate and that it will be calculated after the initial period which only included interest only payments.

12/26/2018

Before I made my purchase, with Energy Today, I was promised by their technician that Greensky would be 0% interest for the year, then when I set my account up that day, I was told by 2 separate service reps within GreenSky that the account would be interest free for one year. A couple of weeks later I checked my account online, noticed that there was no minimum payment due, so I called GreenSky to ask what was owed. They told me "Nothing, as long as you pay it off in one year, there is no interest or minimum payments" two weeks after that I'm charged an exorbitant interest fee. No wonder they can get away with scripting their reps differently than the actual paper work, since they're not FDIC insured and just BBB. I'll be reporting this negative and misleading interaction to Cool Today, Energy Today, Plumbing Today. Product_Or_Service:

11/27/2018

I purchased a spa and was offered 12 months interest free and no payments for 12 months. I went online to check my green sky account a month after my purchase and was charged almost $200 interest. I called green sky immediately and was assured that I wasn't being charged interest and that they just have to show it on the account in case I dont pay the loan in a year. I immediately asked to pay my account in full over the phone minus the interest. I was told I could do that and call back in 2 days to have the account closed and ask for a paid in full/account closed letter to be sent. I think this company is very shady and I think they were trying to charge me interest if I would not have caught it. I will be following up with them in 2 days to make sure my account is closed.

07/30/2018

Referred to GreenSky by our electrical company. Questioned at length the electrical company regarding financing details. Assured 0 interest for first 12 months. Received GreenSky contract in association with Regions Bank. Took it to bank to review in person. Assured no interest first 12 months. Paid 1st payment with 10 days of loan inception. Was charged $97 interest on first statement. Charged $114 on an additional statement. Haven't received 2nd statement yet. They explained they "show us" what interest "will be" if we don't pay in 12 months. Asked why the interest amount went up even though the balance was reduced. She couldn't explain. Possibly because they calculate interest daily. The disclaimer said if we pay the balance "and pay any additional fees" - no explanation what that means - interest will be waived. paid 2nd payment early and will pay off and close loan immediately. If you think I believe they will "waive the interest they are showing me" they are more stupid than is humanly possible. Told our electrical company if they want to maintain a good reputation they will sever their relationship with this company. Product_Or_Service: Loan for electrical work Order_Number: *************** Account_Number: **********

# Complaint Detail: Technology/Payment Issues (I thought this was a tech company!)

## Does the below smack of that of a predatory consumer lending institution or a "technology company"?

11/11/2017

!!!!BEWARE!!!!!RED RED RED!!!!!BEWARE!!!!!!!!

As you can see from all of the other 1 star feedbacks, Green sky is a horrible company to deal with. We have all been suckered into getting a loan with this company, and there is nothing we can do outside of finding a bank to buy the loan off of Green Sky.

My experience is the same as others, Green Sky is near impossible to make payments to. They do everything they can to incur as many fees as possible. I had to file a compliant with the Federal consumer protection agency to even get them to call me back, SO I COULD MAKE MY FIRST PAYMENT TO THEM! I capsed that so everyone could see how ridiculous that sounds. This is a loan company, that doesn't want you to make payments....they want you to drown in debt and fees for years.

After I finally got a payment made, and the automatic payments set up, magically, the auto payments didn't go through, and by the time they notified me, another late fee, awesome. They do not let you pay by any form that will hold them accountable. They only accept bank account routing and account numbers and they WILL NOT allow you to send in a voided check to hold them accountable. They want you to type in the information, into their poorly crafted website, so they can claim you entered in those 9 numbers incorrectly. THIS WILL HAPPEN, the feedback is all across the web, it's not some made up thing.

Green Sky was sued and put out of business and they just opened up a new office, doing the exact same thing they were doing before, and even kept the same name, just a different FiN and business license.

!!!!BEWARE!!!!!RED RED RED!!!!!BEWARE!!!!!!!!

Robert L. and 44 others voted for this review

Useful 45 | Funny | Cool 1

11/15/2018

Please, do not get embroiled in a GreenSky program. Just don't. Use SoFi, use your local credit union, use one of those sketchy checks from your credit card and pay it off as quick as you can, but do not use GreenSky. We used it to have windows installed. We really needed the windows and I love the windows. GeernSky, though... Nope! GreenSky neglected to provide statements for almost a year (illegal). GreenSky does not disclose a physical address (illegal). When I started complaining about not having statements, I was told they would open an IT ticket and that they know that their online statement provider does not work properly. They will not provide any information on why it doesn't work or when it may work, but every time you log in, it asks you to enroll in electronic statements (that do not generate). I still never received these statements. I placed a CFPB complaint. They closed it without providing the statements. We're getting out.

8 people voted for this review

Useful 7 | Funny 1 | Cool

3/18/2018

I've had so many issues with GreenSky, I finally looked here to see if others were having the same problems. Their automatic payment set up is broken, but I believe it's done on purpose. When you create the automatic payment, they don't allow you to specify the date. They create a date for you. And what do you know, this date is nearly always a day or two AFTER your due date. I've been lucky to get around it by making an extra payment on the first of every month. But if I didn't have the funds to do that, I would be accumulating late fees almost every month. Getting in touch with someone to fix the date is impossible.

Allison H. and 18 others voted for this review

Useful 19 | Funny | Cool

7/15/2017

Horrible online experience. If you intend to make online payments and generally manage your account, this company is broken, broken, broken. It is the worst experience I have ever had. Go to SOFI or some other finance company, but run away from these folks. Serious, borrower beware.

Heather P. and 20 others voted for this review

Useful 21 | Funny | Cool

01/10/2019

Upon financing a treadmill through Greensky Credit, I attempted on several different days to set up my online portal to make online payments. After verifying all my information several times, the portal kept saying that my information could not be verified. I then called the customer service number to have them help me set up my portal. They said their website had been down and needed to be reset. I was able to set up the portal but when I tried to make a payment (which at this point I wanted to pay off the account entirely and be done with the company), it would log me back out and not allow me to pay. I called the customer service line again and tried to make a payment over the phone several times with 6 representatives and all of them said there was an issue with my checking account. There is most definitely not an issue because I had just paid another bill using that same routing and checking number a few days earlier. They are now saying that it's a problem with the merchant and there is no estimated time when I will be able to make a payment. So now, my credit could possibly be ruined with late payments because they will not allow me to make a payment. Will never finance anything with this company again!

08/10/2018

GreenSky sold me a home improvement loan I cannot use. I am unable to access the funds and have contractors I need to pay. GreenSky's home improvement loan comes in the form of a limited-use credit card that I am supposed to be able to use to purchase goods and services related to home improvement. I was approved for a loan amount of $20,000 and I must use whatever portion of that I need, via this credit card, within six months. Understanding that I had been approved for this loan, I have signed contracts with two home improvement contractors who now need to be paid. I gave each of them my GreenSky credit card number and the charges were declined. When I called GreenSky to find out why, I was told that their "system was down" and there was no information available about when it would be functional. That was six days ago. I have called nearly every day since, and been told the same thing. I have never heard of a credit card company where customers have been unable to use the product they were sold for such an unbelievable length of time. There has been no attempt on GreenSky's part to communicate proactively about this with its customers. I know they have my email address because I receive marketing emails from them periodically, but I have never been contacted by them about this "system failure" issue or when/how it might be resolved. If I am not able to use my GreenSky credit card/loan to pay for the services I have already contracted for, then I will have to liquidate some assets and/or use another credit card to pay these contractors. Both of these options will incur real financial harm to me. So--GreenSky's inability to make good on the product it sold is not only inconvenient, it is also going to cost me real money.

**Desired Outcome**

I want their system back online within the next week. If they are unable to do that, then I want them to figure out a way to manually process payments outside of that system--within the same time frame--so that their customers can access the loans that they were sold.

# Complaint Detail: Merchants Are Trigger Happy to Extend Credit

## Does the below smack of that of a predatory consumer lending institution or a ”technology company”?

05/15/2019

On May 14,2019 I received an email from GreenSky that I was approved for a $10,000 credit loan.I called GreenSky and spoke with Sharina on their Customer Protection Dept.I informed GreenSky that I am not aware and this is an unauthorized credit application.I found out that Brinks Home Security applied the loan in my behalf which was not disclosed to me and did not seek any credit application.I do not need a loan.Sharina closed the account but I was told that this will hurt my credit score furthermore a hard inquiry that will stay for 2 years on my file.I wpuld Like to ask a dispute and removal of this fraudulent credit application on my credit history.

03/14/2019

My wife recently unwittingly went to a very shady business and she was provided false statements to get her to sign a document titled "Limited Transaction Authorization Form" that an employee verbally claimed was to perform a credit check to look into possible payment solutions. Stated document was then used to perform the functions of a loan application despite the fact that multiple conditions of the authorization could not have legally been met as she had never submitted a loan application (as required online or over the phone by GreenSky's own Transparency Principles stating "YOU must have applied directly with the program online or over the telephone, if your provider permit you to to apply directly with the program or required you to complete a paper application (the paper they provided was not even an application)you will have the right to reverse the charge from your account... if you exercise this right the program will chargeback your provider for the transaction.), nor received the loan agreement as the claimant had not applied for a loan from GreenSky lending, as well as had not been provided the entirety of the Transparency Principles that were stated to be contained in the document. After contacting the company and talking to representative "Giana" and explaining the situation and the clause in the contract she still refused to cancel the transaction stating she (my wife) signed the document and they had her ID even though the loan was nonexistent prior to this purchase and was never applied for by my wife. Looking at several lawsuits against this company it seems to be a recurring issue (along with several other shady practices). Seeing the fake reviews put up on this site and all the **** they put people through makes me really want to see this con-company sued into oblivion and shut down. Product_Or_Service: Empire Tech LED Face & Body Treatment Machine Account_Number: XXXXXXXXXX

GreenSky stated they have signed loan agreement but that is not possible due to the fact I still have the original unsigned loan agreement, the only form they have is the purchase authorization form. GreenSky does not want to be bound by their own loan condition that the consumer themselves must have requested the loan which she did not.

03/17/2019

I got an estimate for a roofing job from Summit Contracting in Feb 2019. At the time, I also requested to see if I would qualify for financing. I contacted Summit telling that I would not be going ahead with the roofing estimate. About a week later, I received a letter from GreenSky Financing stating that I was approved for a $10,000 home improvement loan. It stated, "Although approved for a GreenSky Program loan, you have no obligation until you authorize a transaction on your account." It also stated "You have ZERO liability for transactions that you did not authorize." I called GreenSky customer service to confirm that I would not be taking out this home improvement loan. I contacted Summit again to let them know I would not be going ahead with the estimate for roofing. Several days later, a semi full of shingles showed up in front of my house. I told the driver that I was not doing a roofing project. The driver said that this was not the first time he tried to make a delivery of shingles from Summit to other customers who did not order a roofing job. Again, I called Summit about the driver showing up and was told that someone in the office forgot to cancel the delivery order. Several days later another semi showed up in front of my house with a large dumpster, ordered by Summit. This second driver also stated this was not the first time he tried to make a dumpster delivery to people who hadn't ordered a roofing project. I went from getting a roofing estimate from Summit to getting a $10,000 bill from GreenSky, as they opened an account in my name and sent the money to Summit, all without my authorization.

01/30/2019

On 10/09/18 I contacted Choice Home Warranty when my HVAC system was not working. In response Choice sent Seabee AC & Heating to my home on 10/11/18 to address the problems. After evaluating my HVAC system, Seabee was unable to fix the problem and told me the system was 'Shot'. Seabee then stated the system had to be replaced. I told Seabee to do what they needed to do as long as Choice was paying for the work. At that time, Seabee said that to get an HVAC system ordered and installed they needed my name and SSN otherwise it could take up to 3 weeks for Choice's approval of a new system. This information would allow Seabee to 'reference? a loan application pending but never actually submit one as we both expected that Choice would cover the replacement system. It had been over 90 degrees in my home for several days and I felt I had to give Seabee the information. With that said, I still presumed that Seabee was working with Choice to resolve my claim. Seabee then brought out a portable AC unit to allow me to stay in my home until the system could be replaced. I had no other calls or follow ups with Choice or Seabee as I presumed they were communicating with each other. On 10/12/18 Seabee came out and installed a new HVAC system. On 10/15/18 I learned that Seabee had formally initiated a loan through a financing company called GreenSky on my behalf to pay for the HVAC unit. Upon learning about the loan, I immediately contacted GreenSky and Choice. On 10/16/18 I received a document from GreenSky stating that the account was closed with a $0 balance. At that point I presumed my dealings with GreenSky were complete. However, on 01/14/19 I received a bill from GreenSky with a balance of $8015.33. I don't feel that this is my responsibility and that Seabee/Choice should be obligated to pay for the

08/10/2018

I HAVE NEVER HAD AN ACCOUNT WITH GREENSKY YET THEY CALLED ME DAILY, (EVEN ON WEEKENS) FOR THE PAST 3 MONTHS TELLING ME TO PAY OVER $8000.00. I ASKED THEM TO SEND ME SOMETHING SHOWING I HAVE AN ACCOUNT THEY CANT AND WONT, THEY WERE NEVER AUTHORIZED TO EVEN CHECK MY CREDIT. NOW ALL THREE CREDIT BUREAUS HAVE NEGATIVE REPORTS FROM GREENSKY.

10/10/2018

Bruno Total Home has a relationship with GreenSky to perform loan services for Bruno maintenance service fees contract. Complainant is alleging that a loan application for Bruno Maintenance Service was unknowingly issued by Bruno to GreenSky, resulting in a charge of $5729 to be paid with interest in installments by the complainant. This was initiated as a result of a Bruno service call on 9/5/2018. On 9/5/2018, Bruno Total Home was contacted as air conditioner had quit working. We had not done prior service with Bruno. Technician responded timely and got AC working by cleaning drain pipe; he said another part was needed to ensure it keeps running, but he did not have that part and would need to be installed later. He briefly showed a brochure on different maintenance services offered by Bruno. The complainant did hot have his hearing aids on. Apparently, a social security number was given to the Bruno technician. The technician asked the complainant to sign on an electronic pad which to the complainant recall was a blank page; the complainant thought he was signing a work order. The spouse of the complainant who made the service request, was 20 feet away in eye view, preparing for a dinner party and one couple had arrived and was sitting a few feet away from technician and complainant. Spouse of complainant, gave the email address to the technician and requested summary of what work had been completed which is noted above. The part was installed the next week by the same technician. No other work to our knowledge was performed. 9/17/2018, complainant received a document in the mail from GreenSky that listed an application ID.; it was almost discarded because we thought it was just a loan promotion. GreenSky was contacted and found out from GreenSky that Bruno Total Home had submitted a loan application to bill maintenance services in the amount of $5729. GreenSky indicated the loan was approved the same day as our service call on 9/5/2018. Also, discovered, that Bruno submitted charge of $5729, GreenSky remitted $5729 to Bruno, and charge was being applied to complainants new loan account that we knew nothing about. Bruno was contacted after GreenSky and they indicated an email should have been sent right after the service call on 9/5/2018. There were no emails received at the email address given to the Bruno Tech. The Bruno Operations Manager, indicated it must have bounced off the server. He also, said that complainant had signed his name on the electronic device and provided his social security number for both the maintenance contract and loan application with GreenSky. Bruno emailed the document that should have been sent on 9/5/2018. We called Bruno and alleged that this is a fraudulent document and that the three day waiting period as shown on the document was violated by both GreenSky and Bruno with the payment transaction that was initiated on 9/6/2018. In addition, there was no conversation about a maintenance plan at $5729, nor any mentioned of GreenSky and loan terms. Bruno has denied any type of request and compromise to resolve the issue. A complaint was opened with GreenSky on 9/18/2018, and the necessary dispute form and a notarized affidavit. Multiple conversations, email and documentation has been provided to GreenSky Customer Solution reps and supervisor. On 10/4/2018, complainant was advised that GreenSky's CGM (Bruno's client manager), who had other Bruno complaints, reviewed the processes/documents Bruno was using and it was determined that our complaint was being denied. Complainant requested another escalation, and was promised that we would be called within 24-48 hours. GreenSky has failed to respond as promised, even after follow-up emails were sent. Order_Number: XXXXXXXXXX

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### Consumer loan facilitator GreenSky cuts ties to Bruno Total Home Performance

Laura Layden, Naples Daily News Published 6:01 p.m. ET Jan. 25, 2019

A technology company that arranges loans for home improvement projects cut its ties with Bruno Total Home Performance in Bonita Springs due to customer complaints.

Gerry Benjamin, a vice chairman of Atlanta-based GreenSky, said his fintech company suspended an agreement with Bruno in December after receiving a rash of complaints about the local business.

"Once you're suspended, you're done," he said.

GreenSky terminated the merchant agreement a few weeks before the Florida Attorney General's Office and Cape Coral Police confirmed they're investigating Bruno Total Home, an air-conditioning, electrical, plumbing and general contracting business.

Bruno Total Home isn't the first contractor GreenSky has booted from its financing program, but it doesn't happen very often, Benjamin said.

"It's minuscule. It's few in number, but we do it," he said.

The Attorney General's Office has received more than 90 complaints about Bruno Total Home, press secretary Kylie Mason said in an email. The office had 10 before law enforcement's search and seizure last week.

Several of the complaints consumers have made to the Attorney General's Office mention GreenSky, including one by Cape Coral resident Lance Henderson, who said he never applied for a loan through GreenSky but ended up with one for $18,950 to cover duct work for his new air-conditioning system from Bruno.

When Henderson contacted GreenSky, a company representative told him to report his issues with the loan to Cape Coral police — and he did, he said.

A couple living in Ave Maria, east of Naples, filed a complaint claiming Bruno's company submitted a loan application for them without their knowledge to GreenSky for a maintenance contract. They said the charges totaled $5,729, which they'll have to pay back with interest.

The Attorney General's Office has received seven complaints about GreenSky's business practices, but the office doesn't have an open consumer investigation into the business, Mason said.

# Complaint Detail: Merchants Are Trigger Happy to Extend Credit

**Does the below smack of that of a predatory consumer lending institution or a ”technology company”?**

9/26/2018

A loan was applied for in my name without the approval or consent to run my credit. I have contacted Green Sky numerous times and the refuse to assist and have threatened to ruin my credit. I have called the district attorney to report this. STAY AWAY!

3/30/2019

Green sky started sending me a bill for windows I never purchased. I threw the bill for months un-opened thinking it was just junk mail cause I never even heard of them. I opened their mail yesterday only to find out that they are billing me for $15000.00 in windows I never received. And if I don't pay immediately they are sending to collections. When I called no one was able to help me and they said someone would get back to me. In the meantime they have stuff reported on my credit report that is false. I even invited them to my house to see I have no new windows

5/23/2017

We received a "GreenSky Program Loan Account" with an account number, undetailed Purchase date of 04/19/2017, and a 'balance' of 4,446.10, including $70.10 in interest. Problem is: we have made no purchase of that amount on that date, or any other amount or any other date. A phone call to their number confirmed that we had only been 'approved' for that amount on that date, and that no money was actually loaned. No wonder they have a D- from BBB!

Sandy D. and 24 others voted for this review

5/9/2014

First to Review

This company opened a home improvement loan without our permission. When we received their notification letter inviting us to start spending it, we called them to protest. Their representative said we'd get a letter "in 7-10 days" confirming the account was closed. 3 weeks later we had no letter. Called again. The representative said he would send a letter. I asked to talk to a supervisor who eventually accused me of impersonating my husband to cancel the account, which was in his name. Then my husband had to call and he was pissed! We reported them to Atlanta BBB and DAs office. Oh yeah - their correspondence has no street adress, only toll free number and web address. Any legit financial instituion advises you of their licenses, address and your rights. Steer clear!

Dani M. and 50 others voted for this review

04/30/2018

THE GREENSKY AGENT WAS TOO EAGER TO SHARE MY INFORMATION TO THE VENDOR, WHICH I DECIDED NOT TO USE FOR THE SERVICE; BUT GREENSKY PAID THEM Mr. ****** ********, Director of Customer Service CC: Mr. ***********, CEO RE: Application ID ********** I am contacting you because I have tried to resolve this with the regular customer service office. I attached a copy of the Retail installment credit agreement (UNSIGNED) and a copy of the purchase receipt from the vendor for your reference. The bottom line is that Greensky issued my credit and paid Skin Essentials without my consent. Yes, skin essentials ran a receipt with a green sky account number which was supposed to be mine. At the time I was at Skin Essentials, I was simply applying for GreenSky credit; No where did I say that GreenSky could pay Skin Essentials. This was automatically done by the Greensky agent giving the information to Skin Essentials. I did not even know that my credit to GreenSky had been issued until the following week. I never used any of Skin Essentials services. I never gave the final authorization to Greensky to pay this vendor. I changed my mind a few days after the 12th of April; that's when I called the vendor and they told me that there were no refunds. I was shocked because How could I get a refund if I never paid them or had given them the information for Greensky to pay them. I have a right to change my mind but your overly eager agent at Greensky did not confirm that I wanted this vendor to be paid. I need this to be resolved. This is fraudulent. Absolutely no services were received from this vendor.

Raleigh NC Feb 19, 2015

I had a heat pump installed at my home in North Carolina. I asked the contractor if he wanted half down when the equipment arrived and remainder after final inspection. He declined the half down and I told him I would pay him in full when the job was complete. Long story short was that I received a call from collections at Green Sky saying that I was overdue with my loan. What loan I asked? Their contention was that by signing an agreement to do a credit check that I had agreed to a loan. Their next contention was that I was bound to the loan because they had sent it to me via mail. Understand we are talking snail mail and not e-mail.They asked me to send them $80.00 for the first payment which would go for the interest of the loan. Don't worry because if the loan is paid off in six months then those interest payments would count towards the principle. I am truly perplexed because they are asking me for money on a loan I never signed and a loan I have never seen. I received two e-mails from Green Sky today. One was a link where I would go so I could get a loan. The other was a link to give a survey on their service which I deleted. I called the contractor and paid my account up in full even though I have not yet got a final approval. He says that I have to close the account with Green Sky because the account is in my name. I am at a dilemma. The contractor has placed me in an awkward place. I do not wish to communicate with either party. It appears the Better Business Bureau is protecting Green Sky but I will file a worthless complaint against a company with lame business practices that shows absolutely no humane regard for the general public which they prey upon. The contractor shall feel my wrath by getting a complaint filed with the BBB and low regards on Angie's list.

Carrie McGrath Jul 15, 2017

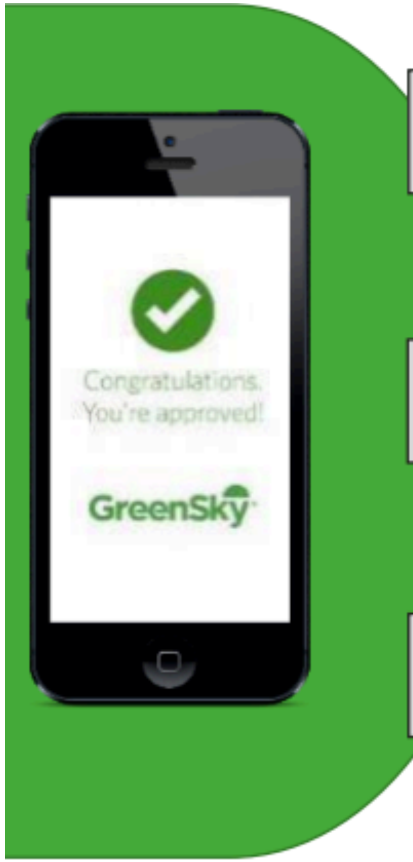
@Raleigh NC My situation is similar, I was told by The Hot Tub Store, Utica, MI that I would be applying for credit at 9.99% interest for $19, 000. They told me I was approved. Nothing was given to me as far as paperwork at the time. Three weeks later, I discovered that The Hot Tub Store actually took out a loan in my name with GreenSky for 17.99% interest and the credit amount was $24, 500. I also discovered that The Hot Tub Store also charged on the account over $4, 000, even though they were not going to deliver the item I ordered in the time frame they said they were going to deliver. I immediately contacted GreenSky and told them that I didn't authorize the company to open that account at those rates and for that much money. After a few months of agruing with GreenSky, they finally decided to file a charge back. The Hot Tub Store was charging me a restocking fee of 25% because I didn't cancel my order within three days. I didn't receive the "loan" information until three weeks and then cancelled immediately. GreenSky told me they don't allow merchants to charge restocking fees on their lines of credit. I have been contesting this entire account and the usage of the account for over a year. GreenSky has ruled that I am responsible for this "loan" even though I do not have anything and no services were provided. They are charging me 17.99% interest on restocking fees for a hot tub that I never received and for a loan that I never agreed to open or use. I was told my only recourse is to take them to court. So that is what I am going to do, unfortunately, I have to take time and money (which I don't have) out of my life to fight something I never signed up for in the first place.

02/21/2019

My mother needed a walk in shower because she is 80 years old and can barely get in the bathtub. I contacted Kohler for showers, they do their financing through greensky. The guy From Kohler came in, I signed all the contracts not my mother he said that it was OK for me to sign her name, then they will send a packet with the information to where she signs. The Guy at Kohler told me that our payments will be a $100 a monthl. I was never told about a promotional period. I was told to put a 100 down and I receive an email saying a transaction has been made on that account which we had given no body permission to take anything from the account. When I called greensky they said that because we signed the contracts with Kohler we gave the merchant the permission to take money from the loan but if the contractor didn't have our card number and we didn't give that number out how was he able to take the money off and nowhere did I read it is said that they were able to take the money out and I also notice when i did open up documents and agree to docusign that it automatically signed everything even a piece of paper that wasn't a part of the agreement that just mysteriously popped up and was back dated to the 16th. We called green sky and told them that we did not authorize any transactions but as I said before they say because we sign a contract with Kohler that they were able to take money off. At this point we froze the account and greensky told us that we would just have to pay back the $1344 but I'm not understanding it. We did not authorize that, they didn't have the credit card number from green sky how were they able to get money off that account and why are we responsible for paying it back? Also again as I said before I signed the contracts not my mother. The Kohler guy never spoke to my mother he never seen my mother he just had me give him all of her information and told me to sign her name and later on they will send in documents that she was to sign and we will go from there. Now I am $1344 in the hole And we hadn't used any of the money, they also have my mother at an outrageous interest rate so she will be paying on a $6000 loan $4000 in interest, that doesn't make any sense why would she pay $4000 on a $6000 loan? That brings the total to $10000 my mother is on a fixed income and we never had a chance to discuss anything with green sky just when we log in is said that we have been approved for the $6000 loan, but we never accepted anything and we never open up the green sky email until we had an email stating that a transaction was made and after their promotional period that we knew nothing about they said that they were going to calculate something else to where it will become more and my mother can not afford that. So I'm trying to figure out how are we responsible for this loan when my mother didn't sign anything and I'm not her authorized representative but the Kohler guy again just kept saying just sign her name It will be OK and when she received the other paperwork she could sign it and then we go from there. This is not how it was explained. The Kohler guy said that our amount financed all together was $6577 and $1344 was non-refundable and I'm not happy about the process and I'm not going to be stuck with a $10,000 and plus loan there we could never pay off and with her having a great credit score why is her interest rate so high? Who pays for $4000 for a $6000 loan that makes no sense. Its outrageous. We knew nothing about greensky and didn't sign their contract about accepting this loan. They also state that we have ZERO liability for u authorized purchases, so how are we responsible. It also says we will have a remainung 115 months to pay tthis loan, my mother wont be living in 115 months. They guy originally got us approved for $20,000 that we did not need and when i asked the guy at Kohler to refund the money he said that's not happening. The lady at Kohler said the only way they could let this go is if my mom made a forgert report to the police saying i forged her name, which is insane. So at this point we are at a standstill. They guy at Kohler kept saying how great of a company greensky is, from what i see its a SCAM....TAKING ADVANTAGE OF ELDERLY AND ALL PEOPLE!! Kohler included, their sales guy just sugar coated everything. How do you people live with yourselves. Product_Or_Service: Greensky loan Account_Number: XXXXXXXXXX

# Congratulations. You're screwed!

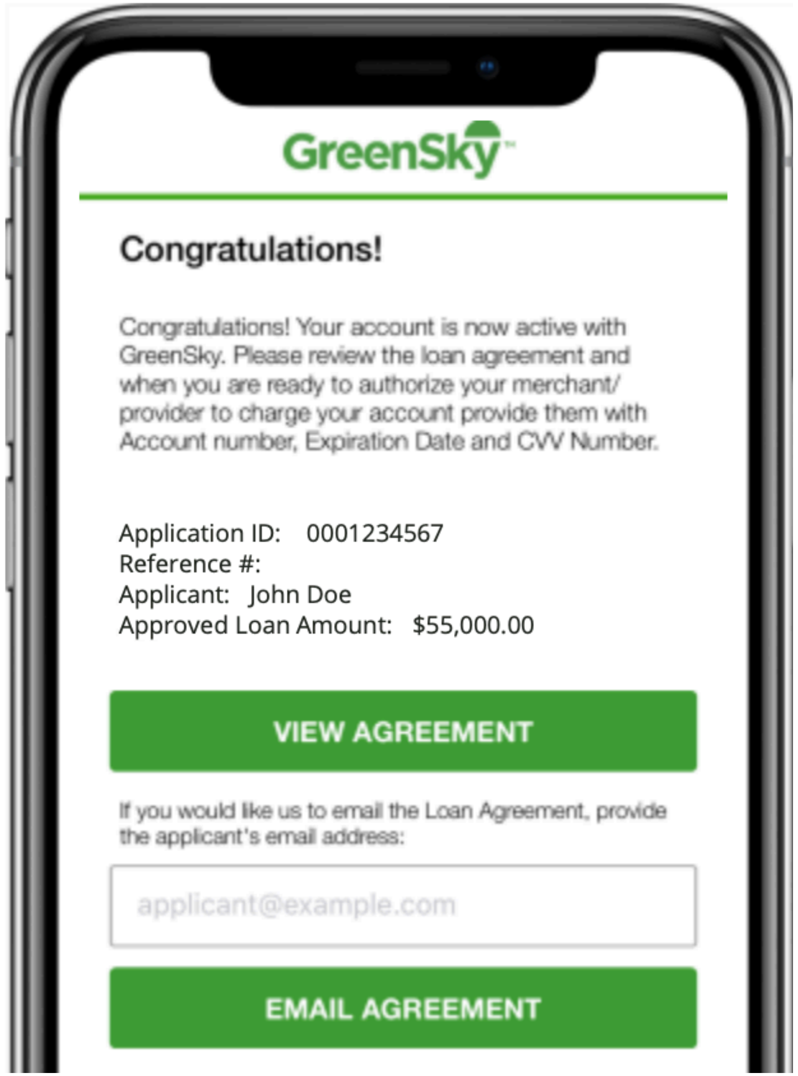
**Does the below smack of that of a predatory consumer lending institution or a "technology company"?**




| | | | |
|---|---|---|---|
| **Fast, Simple Origination** | Application | Simple internet based process | Maybe too easy, hm?? Would be nice if merchants didn't open accounts on behalf of consumers |
| | Underwriting | Designed underwriting process that incorporates credit performance over a full economic cycle | This is why they are accelerating growth in high-single digit loss-rate elective healthcare, right? |
| | Credit Decisioning | Rapid decisions for credit line increases and applications requiring second looks | They'll often give you a loan for way more than you need! (paying the merchant is the priority, remember) |
| **Instant Funding / Payment** | Round Robin | GreenSky's proprietary rules engine assigns loan applications to bank partners | |
| | Loan Doc Issuance & Accounts | Unique transaction flow eliminates need for customer signatures; use of account number constitutes loan acceptance | Forget loan docs, forget signatures → we'll give you a loan as long as you tell us your name! |
| | Transaction Processing | Real-time transaction processing allows for immediate merchant funding and greater sales and / or cash flow | Remember, the merchant ALWAYS gets paid right away! |
| | Settlement & Funding | Leverages MasterCard or closed-loop rails to authorize / settle funds | A lot of consumers have payment problems, guys… |
| **High Quality Servicing / Back-Office** | System of Record | "Big Money" platform serves as GreenSky's core technological backbone and system of record | Sounds like the technology was created to make payments difficult… where have we heard this before? |
| | Bank Reporting | Quarterly reviews and rigorous bank reporting | |
| | Controls | Robust merchant management program to ensure highest quality consumer experience from their service provider | The evidence would say lowest quality consumer experience from their service provider…. |
| | Customer Service | Customer service is 100% in-house to enhance customer experience / service quality | How many reviews talk about being treated super rudely? Or not being able to contact someone at GSKY? |

# Beware In-House Financing…

GSKY's offering is effectively utilized as in-house financing for merchants; **how'd that work, Signet??**




← This is written for the person who the loan is being made to

← This also displays how before you even review the loan agreement, they've made you the loan! You already have your account number! No signature needed!!!

← This is written to the merchant… whose phone are we using for the loan application? The merchant's. No wonder so many stories of credit being pushed upon consumers. It's always in the merchant's interest. Beware "in-house" financing…

# Complaint Detail: Merchant Quality Issues

## Does the below smack of that of a predatory consumer lending institution or a "technology company"?

07/30/201

In August 2015 I contracted with GreenSky via an HVAC contractor I used to replace some equipment. The loan was for $10,000, and it was only after continued issues with this equipment, and several calls to GreenSky for assistance, that I hired another HVAC contractor for a second opinion. It was at that time I was informed that what I had on my roof was not what I had contracted for (new company saw the initial contract). I would like to interject tha the contractor I originally used is out of business and has filed bankruptcy. For many months while GreenSky was "investigating" my dispute, I received statements with a credit showing on my account. I had the AZ Registrar of Contractors rule in my favor that the original contractor was in fact in violation o the contract, and I did not have on my roof what I contracted for. GreenSky is telling me there is nothing more they can do for me because I signed a "completion form", and when I explained that I, along with most other homeowners, are not going to climb on their roof to confirm the equipment. The said there is nothing more they can do for me and I would have to reach out to the merchant. On at least a dozen occasions during this process, GreenSky was informed that the merchant is out of business. I will NEVER work with or recommend them, ever to anyone. They just care about their money and not the fact the customers were taken advantage of. Product_Or_Service: Rheem 3.5 T Pkg Heat Pump

**Desired Outcome**

Billing Adjustment I will not pay another dime for something I don't have. I want the now expected balance that they chose to remove the credit from to be removed from my account, so I never have to work with them again.

07/23/201

I contracted with Paramount Pest Control to service my home on a quarterly basis. First quarter work was done satisfactorily. On the home inspection for pests they recommended work be done to remove attic insulation and replace and repair. The work was done and I paid them $1000.00 on the invoice of $2,795.00. The remainder of the invoice, $1,795.00 was to be financed by GreenSky. After receiving the paper work from Greensky I noticed they had added the wrong name and the amount to be financed. I have been waiting for the correction for 2 months. I never signed the contract and have repeatedly called both Paramount (who never returns my calls) and Greensky who will not work with Paramount. Paramount does not return their calls either. The problem exists that Paramount had added the quarterly charge of $240.00 which was the quarterly charge for pest contraol that I wanted to pay separately...not finance!!!! Attic work was completed on May 15, 2018. I am 74 years old and so tired of this go-round by both of these companies.

04/23/201

This company financed my roofing project. In the process of my roof being replaced the roofing company damaged my house. The damages exceed the cost of my roof;therefore, I am disputing the charges. I contacted Greensky regarding my concerns about the charges. they informed in writing that they would contact the roofers and try to resolve the issue. They took a while to get back me to tell me that they could not help me and that I am responsible for the charges. Meanwhile, they reported the payments as late on my credit and my fiances credit and charged me late fees and finance charges.

04/04/2018

Greenky credit released funds to the contractor without me signing off of the project. The project is still unfinished and is a disaster. I had a water leak which resulted in a homeowners claim being filed. I called a local contractor out and was given an estimate and insurance approved the project. My deductible portion of the claim was financed by greensky credit (1500) The term of the deal was, 12 months no interest and I sign off of the project before funds are released. The contractor started dropping the ball and we were having problems. I called greensky and asked if my account had been charged yet, I was told NO. I stated that I DID NOT want my account charged and explained the problems I was having with the contractor. I was told that my account would not be charged. Then I get a statement in the mail where MY ACCOUNT HAD BEEN CHARGED. 2 MONTHS AFTER I CALLED AND SAID I DID NOT WANT IT TO BE! I got in touch with greensky credit customer service rep. ******* ********* Nothing she told me was true or correct. She informed me they had asked the contractor 4 ties for the sign off paper and they never produced it. And she STILL left them with the money. She just kept requesting more stuff and never worked on my complaint. I sent pictures, emails from myself and contractor, written statement to both the contractor and greensky. Then she asked for a list of thigs that weren't completed yet, Although I had sent everything to her on several occasions. Then she says, well if you don't want to send it, I'll close your complaint. I said you cant close my complaint there are still unresolved issues. well, not only did ******* ******** close my account, greensky credit CHARGED me to "open" a complaint.. BUYER BEWARE!!!! And then, even though my account was in dispute FROM THE VERY BEGINNING greensky credit still reported to my credit report.

thegardeningelectrician
Verified Customer

"Liars and crooks" Reviewed Aug 07, 2018

★☆☆☆☆

Don't believe anything these people tell you. They are liars & Crooks just like Power Home Remodeling. They issued out funds in my name without my approval. The work on my home is still incomplete! Yet they expect me to pay for inferior and incomplete work. Customer service is non existent. Do not do business with these people you will regret it!!!

★☆☆☆☆ 1/8/2019

green sky is thee biggest, major, rip off lending company in the united states!!
do not,
i re-text!
"do not' have anything to do with this company.
just know that they are attempting to rip me off for $1000
for work i never had done!
trust me folks!
when its this complicated to try to explain you know somethings very wrong!
i'm so unbelievably mad!!!

★☆☆☆☆ 12/12/2017

Stay away from these people. They work for the contractors not for you. I was charged 1644.00 for a paint job at my home by five star painting in Charlotte, Richard Piciuotto, he never completed the job. I was to get an interest free loan from Greensky if I paid before 1/22/2018. Even though I am pursuing a lawsuit against the painter I wanted to pay this bill in full. After two years they say I owed 2432 and now 1677 to pay off the loan. They claimed all of my payments went towards the interest, what interest? Needless to say I will be filing an official complaint against Greensky and pursue recovery in court.

Would love to start a class action suit against this company, who's in?

Robert L. and 54 others voted for this review

★☆☆☆☆ 2/28/2019

Beware!!! I've always been told that if something looks to good to be true it usually is. No interest for twelve months is a very attractive offer unless you have major problems with the company who sold your financing contract to GreenSky! So here is the "rub". Or should I say the Co-conspiracy? Andersen Windows and Doors sells me a window and door replacement. They then offer me this great financing package. It seems like a great deal on the surface. I paid Andersen a substantial down payment and financed the balance with GreenSky. Start date was February 2018. Work was not done professionally or completed " To This Date!" February 28th 2019. GreenSky was notified in August of 2018 that Andersen Windows was in "Breach of Contract" and that the financing contract was " Null and Void", do to the Breach of Contract. The GreenSky representative Kathryn Studer-Charlton, was told of the Breach of Contract by phone in August of 2018, and again on September 9th 2018 by e-mail. I have documented all conversations and correspondence yet GreenSky continues to send me Billing statements and has done nothing to resolve the "Contract Issues" as of today.

★☆☆☆☆ 7/22/2017

Stay away from this company. They offer NO Protection when you have any issue with the contractor you hire, plus they allow the contractor to make additional charges to your account without your authorization. Hired a Local company to remodel 2 showers in my house and that company offered third party financing which was through greensky. I applied for $12,786 which was approved. I gave the contractor the account info, which is required from greensky for the contractor to make charges to the account. After a month of not hearing from my contractor, I asked to cancel my order with them. They declined and gave me an ETA of 3 months. I refused and asked greensky for help. There only answer is to allow the merchant time to do their job, you basically cant cancel. Long story short, contractor came to my house on 3 different occasions for the installation and after multiple installation issues and crappy work, I filed a complaint with greensky. Provided Greensky with the required documention showing the company had done horrible crappy installation, provided a second estimate from another company showing what the first company did wrong and what was needed to correct the issue, provided emails from the manufactures of the products the contractor used showing the contractor did the installation wrong, yet greensky, after 3 months of disputes, declined the entire claim without any valid explanation. Now have to hire a lawyer to deal with this mess. I hope people read this before they consider using greensky to finance a project as you are NOT protected at all. Their website is another issue. You have to open 2 accounts on 2 different sites, one to view your account, one to pay your account, and it seems every 2-3 weeks, you get locked out of your account and have to call greensky to get back in. Horrible company. Not sure how they remain in business.

Sandy D. and 17 others voted for this review

# Complaint Detail: Solar Problems Evident

## Does the below smack of that of a predatory consumer lending institution or a ”technology company”?

10/25/2018

Purchased a energy saving device in april 2018 that was to be installed. They delivered device in box and never came to install. Have been contacting them by phone ever since and they keep telling me they do not have time to install. Told them to come pick device up and cancel order. No response. They are sendung me a bill every month wuth late fees and 12% interest

07/23/2018

Disputed account/charges for work/good NEVER received. Disputed in March 2018 when first bill recvd. July (5 months) no resolve. Company Envirosolar at presentation ran a pre-approval with Greensky. 5 Days later, Envirosolar charged account approved by Greensky for 32K. Envirosolar project was cancelled because they were unable to meet promised Solar savings. Mar '18 recvd bill from Greensky for 32k, immediately disputed charge..advised project cancelled, no work or products delivered. Two notarized (dispute) statements provided GreenSky. FOr over 90 days GreenSky refuses to Close complaint. They continue to say "were working on it" when asked to define "working on it" Agents (have had 4 so far) it above me, I don't know. "when can we finalize the situation?, response: "I don't know" Advised only signed documents for pre approval not project to be started or done until an inspector and designer coul determine if solar panels would in fact "fit" and full fill reduction of 80% decreased utility bill. They were also informed that I have only received the alleged contract from Envirosolar that I was supposed to have signed. Which as stated I only signed to run a pre approval (as presented in presentation) that wa

05/07/2018

GreenSky is billing me for a loan I did not procure. ********** asked GreenSky to give us an estimate for the purchase of a solar sytem for our home in the amount of $26,955, which we did not accept. Our contact at ********** is ******.************************************************************ Our complaint is that I am being haranged for payment of service I did not agree to. We are concerned about our credit rating as the last haranger who called, said our credit rating would be affected if we did not pay. Product_Or_Service: None

"Liars. Changed everything said." Reviewed Jul 23, 2018

★☆☆☆☆

Jessica lied about everything she said. They said I had a loan which was canceled by the company. They also said that all of the work was completed none of the work was completed. I would never ever recommend this company for any kind of business because they are liars. Between green sky and easy energy/EnergySage they are both crooks!!

pmscott_91

04/13/2018

My wife and I were approved by GS Loan Srvc/Suntrust for a $28k loan back in August '17 for solar panels on our house. Before the project could be completed, Hurricane Irma damaged our roof which had to be fixed before the solar panels could be put up. Through no fault of our own, it took until mid February for the roof to get done. In the meantime, the creditor in question released the first $2,500 of the loan to the solar panel company (Sunlight Solar) for initial setup and supplies. This initial partial loan was to be repaid interest only until the remaining money was lent, at which time the payments would be principle and interest for the entire loan amount. But the interest only payments for this first partial loan were only $6/ month. Sunlight Solar agreed to make these payments for us until the panels were installed. They paid the first month (Nov.) but apparently stopped paying them for us. As soon as I found out, I immediately called the creditor in question and paid the full amount of the past due (Dec. and Jan.), plus the next month's payment (Feb.). The total was just over $18 and it was paid on February 2, 2018 via debit card over the phone with a GS Loan Srvc/Suntrust rep. FURTHERMORE, I was told the 'delinquency? had NOT been reported to the credit bureau at that time, and since I was bringing it current, it would not be reported. I thought it was over at that point. Then I got a letter in the mail yesterday from GS Loan Serv/Suntrust saying they have reduced our loan amount, and now cannot lend the full $28k for the solar panels, and instead will only lend $7,500, which doesn't cover the cost of the solar panels. The worst part about it is that their reason for the reduction is b/c they did another credit inquiry on me and my credit score had gone down 40 pts since the last inquiry. But that only happened b/c of THEIR inquiry and b/c they never updated my account w/ my Feb. 2nd payment, so it still comes up as delinquent on my repor I can prove that payment was made on Feb. 2. Account_Number: ****************

04/09/2018

Received two bills from Greensky that are for interest only loans that expire after a promotional period. We were dealing with a Solar System company who used Greensky to finance our project. At no point was anything received for review or acceptance of the loan and terms of the loan. However, two bills were received from Greensky with the following terms: 1st loan - If you pay the current pay off amount of $...., plus any additional purchases or fees by your Promotion Expiration Date, 05052019, your account will be credited the total interest charged for this statement of $...., plus any additional accrued interest, APR 23.99% Promotion expiration date:*********, payment amount is $0.00. 2nd Loan - On your your promotion expiration date,*********, a new monthly payment will be calculated for the remaining 139 months of your loan, payment amount is $...... and is for interest /finance charge that is listed as minimum payment due. We never signed any documents accepting these loan terms. Never received any documents providing these loan terms. My wife called Greensky and spoke with**** ********** at ************, extension *** and advised her that we never received any documents for the term of the loans, nor did we sign anything approving the acceptance of the loan. She advised that the vendor provided them with paperwork with signatures accepting loan, which is not true. I have the documents that were signed, they have no company name on them and were for the purpose of getting this process started. Mrs ********** then stated that the documents were signed electronically. I again advised her that we were never provided with anything to review, approve, accept, or sign for any of these loans and if you have an electronic signature it is fraud. She stated that she was going to get the vendor on the line and placed me on hold. After about a 10 minute wait, she came back and stated that the vendor told her they gave us everything. The vendor would not conference the call. Product_Or_Service: Financing of Solar System obtained by Vendor

04/05/2018

We have had these solar panels up for a year now and they still do not work. We contact the company all the time and they tell us that it is no longer their problem and their part is done. They tell us that we have to call the city so that they can come and turn it on. When the city comes they tell us its not connected right and that they need to come fix it. We then proceeded to call ****** and they told us that they used a system that is not prohibited in the U.S. During the process of them installing it they would take several weeks to come back and finish. They also installed the main box on the side of our patio without letting us know it was going to go their. Another thing is that one day I came home and saw that they were putting the lining through my main door and making holes to connect the wire. I asked them to please remove it because it looked bad being there. This was also something they did without informing me first. When they were supposably done I noticed that the wiring they had did was very messy and sloppy. I have called them many times and theres always some type of excuse, they once told us that the main person in charge was on vacation and I `would have to wait or them to come back to resolve the problem. It was until I informed them that I will file this complaint that I was finally able to speak to someone in charge. We have been paying them and still have not been using it. Our light bill is still the same. They also always ask us who came to do the job as if we are suppose to know. If they are offering this service they should know who is

randon

Verified Customer

"Worst Solar Finance company ever!!" Reviewed Oct 22, 2018

★☆☆☆☆

DO NOT use this company to finance your solar deal. If you are are Solar company do not use the company to finance your deals. They are the biggest waste of time ever. Their company has the worst communication of any company I have ever dealt with. They steal money from you and hose and harass your customers

Read Less

thrynm.lee1

Verified Customer

"Worst customer service and no help" Reviewed Apr 03, 2018

★☆☆☆☆

We were lied to by the Solar company we used to install our solar panels. We were told that we would get our solar credit and be able to pay off first loan by Apr 15th. Well, you don't get the full refund credit, the government holds those refund funds for 5 yrs and deducts any taxes you might have to pay in the next 5 yrs, if you don't owe you loss. I asked Greensky to refinance the one loan and bring the interest rate down to the second loan of 3.99%. The customer service rep, said well your credit wasn't good enough at the time of loan to give us 3.99%. Well both loans were made at same time, large loan is 3.99% but the smaller loan at 23.99%. I have questioned them over and over with no reply. The customer service went so far as calling me a lair. I have shared my opinions to the solar company and they are no help either. Five calls and still nothing done. My suggestion is find another finance company, this company sucks !!!!!!! Had to give them ones only because no zero's.

https://www.fox8live.com/story/33337462/fox-8-defenders-solar-panel-financing-lawsuit/

# Complaint Summary: What Did We Learn?

**Broad evidence of bad customer experiences at GSKY are indicative of a subpar lending institution**

- It's evident that GSKY engages in classic subprime finance tactics, such as taking weeks to post payments, playing games with autopay setup/dates, having poor technology/payment systems, having confusing terms
- It's also evident that not only do merchants often do subpar work, but there is no way to cancel a loan extended; this also is evidenced by the warped incentives created as GSKY acts as merchants' in-house finance arm to lean upon to support sales, unfortunately leading to trigger-happy extension of credit
- Overall from the ratings and these complaint examples, it's fair to say consumers' experiences with GSKY have been generally indicative of a terrible customer experience; could put GSKY at risk of legal/regulatory problems

# Alabama Circuit Court: Receiver Report

## Let the legal/regulatory problems … begin!

https://americanplumbingreceivership.com/wp-content/uploads/2019/03/2019-03-07-Receivers-Report-of-his-Investigation-of-GreenSky-Loans-1.pdf

- The state of AL, through the AL AG, in August 2018 filed an emergency action in the Circuit Court of Calhoun County, AL against American Plumbing and Septic Service, appointing a Receiver responsible for taking control of their assets and effectively investigating the company for fraudulent activities and abuse against consumers
- Many of the fraudulent activities were financed by Greensky loans, and it was determined that the plumbers pushed extra work onto the consumers *(this reeks of classic in-house financing with easy credit)*; **the receiver published a detailed report on 3/7/19 detailing GSKY's role in enabling APSS's fraudulent behavior**
- The next 5 slides comprise the conclusions/legal analysis and recommendation sections of the receiver's report

## Excerpts from the body of Receiver's report on his investigation of Greensky loans

In addition, the Receiver has discovered that GreenSky does not have a license to engage in lending activity in the State of Alabama. Section 5-19-1(3) of the Alabama Code defines a creditor as "a person who regularly extends *or arranges for the extension of credit for which the payment of a finance charge is required*. . . ." And creditors are required to obtain licenses from the State of Alabama before lending, as penalties may be imposed for failure to do so.

Finally, it does not appear that GreenSky performed any meaningful due diligence on APSS before making it one of its merchants, even though GreenSky had agreed with the Attorney General of the State of New Jersey that it would conduct due diligence on its merchants. GreenSky's failure to meet its basic lending standards mandates invalidation of all of the loans at a minimum and may very well subject it to fines and penalties to be determined by this (and other courts) at a later time.

The Receiver's team has reviewed the documents produced by GreenSky and has listened to the recordings of hundreds of calls between GreenSky representatives and APSS customers. Of approximately 183 customers, there were recordings of calls regarding 84 of those loans. The Receiver's team compiled a spreadsheet detailing the issues discussed in those calls.[2] Because

APSS's plumbers were paid a percentage of the amounts collected from work done by their teams, they were incentivized to maximize the amounts charged (and collected) for their jobs.

Incredibly, without examining any supporting documentation, GreenSky approved credit limits above what was even requested on the application, resulting in what it called its "Shopping Pass" program, where additional work by the plumbers could be done and "paid for" through GreenSky. The customers could not use this unnecessary and unrequested additional sum for other home improvements—they could only use it for work performed by APSS. Thus, the plumbers were further incentivized to recommend work that was not necessary.

# Alabama Circuit Court: Receiver Report

**"Receiver's belief that this entire business model is fundamentally flawed as designed and as executed"**

**Conclusions and Legal Analysis**

It is the Receiver's belief that this entire business model is fundamentally flawed as designed and as executed. GreenSky outsourced its responsibilities as a lender to APSS (and its plumbers), which had a payment structure that encouraged its plumbers to use GreenSky loans whenever possible and for as high an amount as possible. GreenSky engaged in no oversight of APSS's practices at all, and extended loans without any supporting documentation. Despite being on notice of problems with APSS's business practices generally and the practices by which the loans were offered in particular, GreenSky did nothing. Despite having entered into the consent agreement with the New Jersey Attorney General after an investigation of its business practices, GreenSky apparently did not incorporate its obligations to the New Jersey Attorney General to the rest of its business, or APSS.

Most of the APSS plumbers seemed motivated to maximize charges for repairs because they were paid a percentage of the jobs performed by their teams, so they had an incentive to increase those charges, especially when the payment would be made by GreenSky once the customer was approved for a loan. GreenSky provided next to no training to the plumbers. It did not even obtain lending licenses in the State of Alabama.[3]

← In house financing creates warped incentives

It did not require the plumbers—its loan officers—to submit paperwork to justify the amounts of the loans sought, and then it both authorized loans without confirming that requisite disclosures had been made and, in many instances, authorized loans significantly higher than that which had been requested. These "Shopping Passes" were described as an opportunity for the home owner to pay for additional home improvements or repairs, but they could only be used

[3] It may argue that it was not the actual lender; that it merely facilitated loans by other banks. However, it is beyond dispute that GreenSky arranged for the extension of credit and serviced those loans.

with APSS and no other repair company, so they provided a further incentive to APSS's plumbers to increase the work done to tap into those higher pre-approved amounts.

Moreover, because no paperwork was required in advance, this arrangement allowed APSS plumbers to obtain loans for themselves for non-plumbing work and run the charges through APSS. For example, one APSS employee (name withheld for privacy, but can be provided to the Court and GreenSky) financed approximately $15,000 worth of air conditioning work done by another merchant by seeking a loan from GreenSky through APSS. No work was done by APSS. APSS simply received the funds from GreenSky and paid them over to the air conditioning company. Had GreenSky required supporting documentation at the time it approved loans, a scheme like this would not have been possible. (While the loan may have been approved on its own, had that air conditioning company been a GreenSky authorized merchant, this arrangement highlights the potential for fraud based upon the lack of required paperwork.)

← No documentation

Countless customers advised GreenSky that they had no idea about the terms of their loans, or that their understanding of their loans based upon conversations with the plumbers were markedly different that the actual terms of the loans. Further, the paperwork from GreenSky provided to the customers after the loans were extended, and often, after the money was paid to APSS, was confusing, because the repayment terms were based upon those maximum potential loan amounts, rather than just the actual amounts financed for the work performed by APSS. IN the Receiver's view, there was no clear disclosure of fees that would be charged by GreenSky, or by APSS for processing the loans, to the customers.

← Lack of understanding of loan terms, lack of documentation

Many customers also called GreenSky starting in late August 2018, after this Receivership commenced, because their bills contained line items noting a "provisional credit"

# Alabama Circuit Court: Receiver Report

GSKY "did not perform even the most basic due diligence about APSS before allow[ing] it to be a merchant"

due to a dispute. These customers were not aware of any disputes, and when they called to inquire about the credit, they were told in vague ways that there was a dispute between GreenSky and APSS, but they were not told that the accounts were frozen because of the request of the Receiver and an order of this Court.

GreenSky seemed to know (or should have known) that there was an issue with the way APSS was handling the application process, as it received multiple calls in 2017 describing such problems. Further, there were emails exchanged between GreenSky and APSS as recently as May 2018, discussing up to 5 open cases at one time, in which all the customers on that list had advised that they had not authorized any GreenSky transactions. Yet GreenSky continued to allow APSS to offer its loans and services for months before taking any action. GreenSky had been put on notice early in its relationship with APSS about the way APSS handled the loan process, but it did nothing.

Importantly, GreenSky did not perform even the most basic due diligence about APSS before making the decision to outsource its lending obligations to APSS and allow it to be an authorized GreenSky merchant. Because it had entered into a consent agreement with the New Jersey Attorney General in June 2017 regarding its lending practices there, GreenSky was on notice that it was required to verify the licensing and registration of its merchants. Here, GreenSky failed to do so, because, as this Court has already determined, APSS had no licenses in Calhoun County (where this Court and APSS's principal place of business were located) until April 2018, and no licenses in the surrounding counties where APSS routinely did business: Etowah, Randolph, St. Clair, Marshall, and Talladega. (October 4, 2018 Stipulated Order for Permanent Injunction and Final Judgment, DE 272, at 8, ¶ 13.) Pursuant to that consent agreement, GreenSky was also required to check consumer complaints against all of its

← GSKY knew there were issues at APSS yet didn't break off the relationship

← No due diligence on the merchant despite agreeing in settlement with NJ AG that it would perform due diligence

merchants. At the time APSS became a merchant for GreenSky, there was publicly available information regarding complaints with agencies like the Better Business Bureau.

**New Jersey consent agreement**

On June 9, 2017, GreenSky entered into the consent agreement, a certified copy of which is attached to this Report as Exhibit C. The Receiver requests that this Court take judicial notice of the consent agreement. In it, after the New Jersey Attorney General had conducted an investigation into whether GreenSky had violated the New Jersey Consumer Fraud Act, GreenSky entered into a consent agreement with the NJ Attorney General agreeing to, *inter alia*, take the following actions:

a. "exercise due diligence with respect to all prospective Merchants, which shall hereinafter include: (a) verifying active registration or licensing of such Merchant in the State; (b) (i) ascertaining the number of consumer complaints, if any, filed against such Merchant with the Division [of Consumer Affairs]. . . and (b) reviewing any Better Business Bureau ("BBB") information about such Merchant that is publicly available on the BBB website and (c) conducting a judgment, lien, and bankruptcy filing search in the State with respect to such Merchant;

b. "shall hereinafter ensure that the purpose of what it refers to as the "Shopping Pass" is Clearly and Conspicuously disclosed to all Borrowers;"

c. "no later than one hundred thirty five (135) days after [June 9, 2017], [GreenSky] shall ensure that no Borrower can be charged by a Merchant for a transaction with such Merchant unless and until Respondent has confirmed electronically, via telephone or in writing, that such Borrower has received his or her Loan Agreement;"

# Alabama Circuit Court: Receiver Report

"Greensky failed to follow its commitments to the NJ AG and incorporate [them] in its practices"

[Alabama Code] "defines a creditor as…a person who ***regularly arranges for the extension of credit***"

d. "require each Merchant to obtain a Borrower's written (or electronic) authorization to process a transaction on such Borrower's Account with such Merchant;

e. "send a transaction alert either by a text message . . . or by email . . .notifying such Borrower each time that a transaction is charged to [a Borrower's] Account and providing such Borrower with a means to timely file an objection thereto.

(Consent agreement at pp. 6-8, ¶¶ 3.6; 3.8, 3.9.) As part of its obligations under the consent agreement, GreenSky paid $100,000.00 in settlement to the NJ Attorney General.

Despite having gone through an investigation of its practices and entering into a consent agreement in New Jersey regarding those practices, GreenSky seems to have failed to follow its commitments to the NJ Attorney General and incorporate those commitments in its business practices throughout the country. As mentioned above, GreenSky failed to confirm that APSS had the requisite licensing in the State of Alabama. Notably, APSS did not even have the license required in its home county. Yet, at the same time it was entering into that consent agreement and agreeing to conduct due diligence regarding its merchants (at least in New Jersey), GreenSky was beginning its relationship with APSS without having engaged in such basic due diligence. Further, the initial documents included with this Report and shown to the customers at the time of their applications did not mention or explain the Shopping Pass. The Receiver acknowledges that the "Congratulations" paperwork sent to the customers after the loan was approved and usually after the down payment (or full amount) was charged by APSS discloses the structure of the Shopping Pass.

← GSKY very obviously not altering it's practices post-NJ AG consent order, at least outside of NJ

**Applicable Alabama Code provisions**

The Receiver believes that Chapter 5-19 of the Alabama Code is applicable to these transactions. Section 5-19-1(3) defines a creditor as "a person who regularly extends *or arranges for the extension of credit for which the payment of a finance charge is required. . . .*" Section 5-19-22 requires such creditors to obtain a license before making loans to Alabama residents. The Receiver has searched for evidence that GreenSky obtained a license to lend money in Alabama, and he could not find one. Section 5-19-19(3) describes the penalties for a creditor failing to obtain a license before conducting lending business in Alabama, which include stays of enforcement proceedings and civil penalties equal to three times an investigation fee and license fee for each year that the creditor has engaged in the business of making consumer loans without a license.

← GSKY is a "creditor" by definition in Alabama as they arrange the extension of credit; receiver believes they need a lending license

Section 5-19-6 requires that the disclosures be clear and that documents be provided to consumers at the time of the transaction. "Any creditor, when extending credit with respect to a consumer credit transaction, other than under an open-end credit plan, shall at that time furnish to the debtor a copy of each instrument executed by the debtor in connection with the consumer credit transaction." *Id.* The documents provided by APSS (on behalf of GreenSky) at the time of the transaction did not meet the basic standards set by this section. Most often, the initial down payment was charged before the actual loan documentation was even provided to the customer.

← Receiver believes that GSKY does not make the terms of its loans sufficiently clear upon credit extension

Because GreenSky used APSS plumbers as its loan officers, the Receiver submits that portions of Title 8, Chapter 2, of the Alabama Code, concerning agency, are also applicable. Notably, section 8-2-7 provides that ". . . a principal is responsible to third persons for the negligence of his agent in the transaction of the business of the agency, including wrongful acts

# Alabama Circuit Court: Receiver Report

"Receiver submits that Greensky is likewise liable for violations of multiple deceptive acts or practices"

committed by such agent in and as part of the transaction of such business, and for his willful omission to fulfill the obligations of the principal." Ala. Code § 8-2-7 (2017). Further, "both principal and agent are deemed to have notice of whatever either has notice of and ought in good faith and the exercise of ordinary care and diligence to communicate to the other." Ala. Code § 8-2-8 (2017). Accordingly, because GreenSky's loans facilitated many of APSS's violations of § 8-19-5, GreenSky seems to also be responsible for such violations. Those violations are detailed by Plaintiffs in their complaint and confirmed in the permanent injunction entered in this case, and when they are combined with the various omissions and misrepresentations regarding the loans themselves, the Receiver submits that GreenSky is likewise liable for violations of multiple deceptive acts or practices prohibited by section 8-19-5, such as violations of the following provisions:

"(2) causing confusion or misunderstanding as to the source, sponsorship, approval, or certification of goods or services. . .

(5) representing that goods or services have sponsorship, approval, characteristics, ingredients, uses, benefits, or qualities that they do not have or that a person has sponsorship, approval, status, affiliation, or connection that he or she does not have. . .

(27) Engaging in any other unconscionable, false, misleading, or deceptive act or practice in the conduct of trade or commerce."

Ala. Code § 8-19-5 (2017). Section 8-1-10 sets forth the penalties for violations of these consumer protection laws.

Although directed mostly at mortgage brokers and lenders, the State Banking Department's Opinion 2007-3 is also instructive here. A copy is included with this Report as Exhibit D. In that opinion, the State Banking Department noted that "communications with

← Receiver submits that GSKY is liable for violating clauses that exist to deter deceptive business practices

consumers, including advertisement, oral statement, and promotional materials, should provide clear and balanced information about the relative benefits and risks of the products. This information should be provided in a timely manner to assist consumers in the product selection process, not just upon submission of an application or at consummation of a loan." *Id.* at 8. The State Banking Department also noted that lenders should develop control systems to insure their practices are consistently and well-implemented. "Important controls include establishing appropriate criteria for hiring and training loan personnel, entering into and maintaining relationships with third parties, and conducting initial and ongoing due diligence on third parties." *Id.* at 9. The State Banking Department goes on to state that lenders "should have procedures and systems in place to monitor compliance with applicable laws and regulations, third-party agreements, and internal policies. A provider's controls also should include appropriate corrective actions in the event of failure to comply with applicable laws, regulations, third-party agreements or internal policies. In addition, providers should initiate procedures to review consumer complaints to identify potential compliance problems or other negative trends." *Id.*

GreenSky wholly failed to meet these guidelines. It used plumbers as loan officers. It received numerous complaints from consumers regarding the disclosures and practices by APSS during the loan process. It did not follow the requirements of the New Jersey consent agreement. It did not insist upon additional training of the plumbers after receiving complaints. It did not institute requirements for estimates of the work to be done and associated charges to be submitted during the application process. When receiving complaints, rather than taking the initiative to resolve the customer complaints, it generally required the customers to first send in their invoices and then try to work out the disputes with APSS themselves. In sum, GreenSky

← Receiver takes issue with GSKY policy of having customers work out complaints with merchants

# Alabama Circuit Court: Receiver Report

“Greensky had no controls in place to ensure compliance its own obligation under the consent agreement”

had no controls in place to ensure compliance with either the Alabama code, basic banking standards, or its own obligations under the consent agreement.

**Recommendations**

The Receiver believes that all of the above practices are either violative of Alabama law or of GreenSky’s own obligations under its consent agreement with the New Jersey Attorney General. Therefore, it is the Receiver’s conclusion that all of the GreenSky loans were improper. The Receiver recommends that, at a minimum, all of the loans should be invalidated. However, simply invalidating the loans does not provide full relief to those individuals who paid more than they should have, or who received unnecessary or poorly performed plumbing work because of incentives provided by GreenSky, or who have already paid off their loans. It does not deter GreenSky from continuing these practices elsewhere. Obviously, because of the New Jersey consent agreement, GreenSky was on notice that at least one governmental agency took issue with its business practices, but GreenSky did not make broadscale changes to the way it conducts business across the country, and certainly didn’t change the way it did business here in Calhoun County with APSS. Because some of the loans have already been refunded or paid in full, it is difficult to fashion a remedy that suits all situations and treats all victims fairly, while at the same time providing a deterrence to GreenSky. Obviously, it is the Court’s discretion as to how to proceed at this point, but the Receiver recommends that GreenSky be required to pay to the Receivership Estate at least the value of all loans provided to APSS customers, from which the Receiver can make distributions pro rata to the customers. Because GreenSky chose to align itself with APSS, it is just as liable as APSS for the injuries suffered by those customers who financed their repairs through GreenSky, and it should be required to take responsibility for those injuries. Obviously, GreenSky will have an opportunity to challenge these recommendations and

← loans to be invalidated

← GSKY did not change its business practices across the country despite NJ AG consent order

the Court is free to make its own determinations as to the right result here, but the Receiver is convinced that GreenSky’s practices here were rife with problems and that the APSS customers were harmed as a result.

Dated: March 7, 2019

Respectfully submitted,

Jeffrey C. Schneider, P.A.
*Court-Appointed Receiver*
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By: /s/ Jeffrey C. Schneider
JEFFREY C. SCHNEIDER, P.A.
*Court-Appointed Receiver*

**CERTIFICATE OF SERVICE**

I hereby certify that on March 7, 2019, the foregoing document was served this day on all counsel of record identified on the attached Service List via electronic mail.

/s/ Jeffrey C. Schneider
Jeffrey C. Schneider, P.A.
*Court-Appointed Receiver*

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# Alabama Circuit Court: Receiver Report

***Does anyone still think that Greensky is a "technology company" rather than a LENDING INSITUTION?***

- This ruling essentially indicates that Greensky is definitionally a "creditor" in the state of Alabama and should thus have applicable lending licenses that it is currently lacking
- It also finds GSKY effectively guilty of engaging in practices that, from the trove of complaints we discussed earlier, we are aware that seem to be common practice for Greensky (across many similar consumer experiences)
- Lastly, GSKY states in it's 10-K risk section that if it were to be determined by a court to be operating without needed licenses, or if it was found to be a "true lender", or if originated loans were voided as a result of fraud, it would have a **MATERIAL ADVERSE IMPACT** upon Greensky's business, as stated in the excerpts below

## Material adverse impact of licensing/void loans

***If we were found to be operating without having obtained necessary state or local licenses, it could adversely affect our business.***

Certain states have adopted laws regulating and requiring licensing by parties that engage in certain activity regarding consumer finance transactions, including facilitating and assisting such transactions in certain

30

circumstances. Furthermore, certain states and localities have also adopted laws requiring licensing for consumer debt collection or servicing. While we believe we have obtained all necessary licenses, the application of some consumer finance licensing laws to the GreenSky program is unclear. If we were found to be in violation of applicable state licensing requirements by a court or a state, federal, or local enforcement agency, we could be subject to fines, damages, injunctive relief (including required modification or discontinuation of our business in certain areas), criminal penalties and other penalties or consequences, and the loans originated through the GreenSky program could be rendered void or unenforceable in whole or in part, any of which could have a material adverse effect on our business.

## Material adverse impact if court defines GSKY a creditor

***If loans originated through the GreenSky program are found to violate applicable state usury laws or other lending laws, it could adversely affect our business.***

Because the loans originated through the GreenSky program are originated by and held by our Bank Partners, under principles of federal preemption the terms and conditions of the loans are not subject to most state consumer finance laws, including state licensing and usury restrictions. If a court, or a state or federal enforcement agency, were to deem GreenSky-rather than our Bank Partners-the "true lender" for loans originated through the GreenSky program, and if for this reason (or any other reason) the loans were deemed subject to and in violation of certain state consumer finance laws, we could be subject to fines, damages, injunctive relief (including required modification or discontinuation of our business in certain areas), and other penalties or consequences, and the loans could be rendered void or enforceable in whole or in part, any of which could have a material adverse effect on our business.

# NJ AG Settlement

## GSKY seems to have only "rectified" its behavior in the state of NJ (as evidenced by the below excerpt)

- As mentioned in the Receiver's report, GSKY entered into a consent agreement with the New Jersey Attorney General in June of 2017, agreeing to change it's behavior such that it would better adhere to NJ's consumer protection laws in informing consumers of lending information and doing better diligence on merchant partners (and prevent them from taking advantage of their customers)

- I have not been able to find any <u>explicit</u> mention of this consent order in any pre-IPO or post-IPO documents filed with the SEC

- It is evident from the complaints online as well as the AL receiver's report that GSKY seems to have not changed its behaviors outside of NJ; a below excerpt from a 2018 merchant agreement identifies different standards specifically for merchants operating in NJ → it does not appear (from this contract's example) that these standards are expected to be met outside of NJ

## Excerpt from a solar **roofing Merchant Agreement** stating that different rules apply to acting in NJ

Program Agreement v. 3.2

**GreenSky® Merchant Program Agreement**

This GreenSky® Merchant Program Agreement ("<u>Agreement</u>") sets forth the terms between Merchant and GreenSky ("<u>Program Administrator</u>") relating to the GreenSky® Program. Capitalized words have the meaning set forth in the definition section at the end of this Agreement. By participating in the GreenSky® Program Merchant accepts the terms of this Agreement as follows:

(f) **For Merchants operating in New Jersey:** If Merchant offers products to consumers located in the state of New Jersey, Merchant represents and warrants that Merchant will comply with the New Jersey Consumer Fraud Act (N.J.S.A. 56: 8-1, *et seq.*), the New Jersey Contractors' Registration Act (N.J.S.A. 56:8-136 *et seq.*), the New Jersey Contractor Registration Regulations (N.J.A.C. 13:45A-17.1 *et seq.*), and the New Jersey Home Improvement Regulations (N.J.A.C. 13:45A-16.1 *et seq.*). In the event Program Administrator learns that Merchant has failed to comply with this <u>Section 11(f)</u>, Program Administrator will terminate this Agreement and may seek any other remedies available under this Agreement or otherwise.

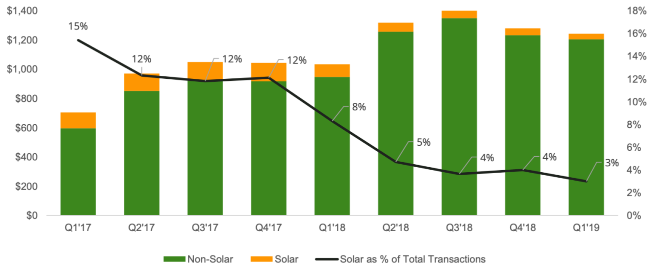
Consent order link: https://nj.gov/oag/newsreleases17/pr20170622a.html
Senger Roofing Merchant Agreement link: https://sengerroofing.com/files/2018/09/Merchant-Program-Agreement.pdf

# Greensky: Solar Runoff

## GSKY has been reducing its quarterly dollar originations of solar loans since 1Q18 (just in time for IPO!)

- Why runoff solar when the transaction rate is almost double that of the rest of the book? Because they were having quality control issues that made the loans experience a higher level complaints, lawsuits, and credit losses
- If you go back to slide 26 of this deck, I give examples of some complaints related to solar loans; also recall from slide 15 that the solar roofing review site EnergySage had an avg 1.5/5 stars for Greensky solar loans
- One of the commonalities on EnergySage and other energy reviews is multiple instances of bad merchants (incomplete work, fraud, etc), as well as instances of an expectation to receive a tax credit to pay off the loan that ended up being insufficient (see below for example) → evident that GSKY's quality control was insufficient here

## Solar runoff from GSKY deck




| Transactions ($M) | Q1'17 | Q2'17 | Q3'17 | Q4'17 | Q1'18 | Q2'18 | Q3'18 | Q4'18 | Q1'19 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Non-Solar | $596 | $851 | $925 | $917 | $947 | $1,256 | $1,349 | $1,232 | $1,204 | $3,289 | $4,784 |
| Solar | 109 | 119 | 124 | 126 | 86 | 62 | 51 | 47 | 38 | 478 | 246 |
| Transactions ($M) | $705 | $970 | $1,049 | $1,043 | $1,033 | $1,318 | $1,400 | $1,279 | $1,242 | $3,767 | $5,030 |
| % of Solar | 15% | 12% | 12% | 12% | 8% | 5% | 4% | 4% | 3% | 13% | 5% |

| Transaction Fee % | Q1'17 | Q2'17 | Q3'17 | Q4'17 | Q1'18[1] | Q2'18 | Q3'18 | Q4'18 | Q1'19[1] | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| TF % Non Solar | 6.9% | 6.5% | 6.5% | 6.6% | 6.4% | 6.5% | 6.6% | 6.8% | 6.6% | 6.6% | 6.6% |
| TF % Solar | 13.2% | 12.9% | 12.6% | 12.8% | 12.9% | 12.8% | 13.1% | 12.9% | 13.5% | 12.8% | 13.0% |
| Avg. TF% | 7.8% | 7.4% | 7.3% | 7.3% | 6.9% | 6.8% | 6.9% | 7.1% | 6.8% | 7.4% | 6.9% |

## Transcript excerpts re-solar runoff

**Gerry R. Benjamin**
Vice Chairman & Chief Administrative Officer, GreenSky, Inc.

A

One that we wouldn't jump into. We think the value proposition is very, very tough. We saw in Louisiana the state legislature basically just discontinued their investment tax credit midyear, and a number of merchants in that state that bought solar panels based on a payback analysis of both the federal and state ITC. We're truly left holding the bag for the next 20 years. They won't to see a payback on that investment. So we don't view sort of tax legislation driven investment as a great place to be long-term, and we don't want to be associated with consumer dissatisfaction. That's not what GreenSky is all about. So that's an area that I don't think you'll see us jump into.

**Gerry R. Benjamin**
Vice Chairman & Chief Administrative Officer, GreenSky, Inc.

A

Level of customer complaints. Customers were sold a value proposition that the combination of their monthly solar amortization plus their new energy bill would be less than they were paying historically. We saw a number of states discontinue their investment credit program mid-year. Louisiana did it with no notice on a July 1 date. All that value proposition that justified the purchase for all those Louisiana purchasers just went down the drain, so complaints surged. And we as a group said we don't want our technology being used to exploit consumers in a way that leads to disappointment. We don't care what the transaction fee is. Walk away from it. There were two large merchants in California that had no complaints and continue to do a great job, but they're offering responsible loans with a 10-year life, not a 25-year life, and it's making sense for those consumers we continue do good business with them.

## Class action suit in '16 over solar issues

By Shelley Brown | October 7, 2016 at 12:01 AM CDT - Updated August 10 at 1:27 PM

NEW ORLEANS, LA (WVUE) - A New Orleans law firm files another class action lawsuit in the wake of what some call devastating changes to the state's solar panel tax credit program. This latest suit centers around the credit company consumers used to finance their solar energy systems.

"Some of these consumers are talking about possibly declaring bankruptcy. They're on a fixed income. They are taking out home equity lines of credit in their house to pay off this finance agreement," said Larry Centola, a plaintiffs' attorney who filed the class action complaint last Friday against GreenSky, LLC and SunTrust Bank, Inc.

It alleges Louisiana solar companies acted as GreenSky's agent when they presented consumers with 18-month interest-free bridge loans by GreenSky, a partner in the loans with SunTrust Bank.

"The finance agreements that were signed were interest-free for one year, and some of these consumers were promised by the solar company, 'Don't worry because...when this finance agreement comes due, you will have your tax credit from the state so you can take your tax credit to pay off your finance agreement,'" explained Centola.

The suit claims rather than being interest-free, the loan with GreenSky "actually incurred interest from the moment of purchase," an "interest rate of at least 17.99 percent." It also mentions that if a consumer paid off the loan within 18 months, the interest adding up over all of that time would be waived.

"So these consumers thought they would have money from the state tax credit to pay the finance agreement. Now they don't, and now they owe a considerable amount of interest that they thought that they wouldn't owe. So that's where the panic sets in," Centola said.

https://www.fox8live.com/story/33337462/fox-8-defenders-solar-panel-financing-lawsuit/

# Greensky has Underappreicated Quality Control Issues

## I believe the street is underestimating the legal/regulatory/reputational risk to GSKY's business model

- I think it is evident given the complaints online, the NJ consent order and lack of seeming change to country-wide behavior, the AL receiver's report, and the solar runoff, that **GSKY has demonstrated quality control issues; I have not seen any sell-side/buyside research detailing any of these risks to GSKY**

- AL AG initially announced emergency request for a temporary restraining order against APSS; the Receiver's report was published in March 2019 and **states that there could be fines associated with this process, and recommended the voiding of the GSKY loans**; I would guess there could be potential for a consent order situation in AL, or recommendation for action from other agencies→ reputational risks

## GSKY 10-K: reputational risk could put Bank Partner relationships at risk

***If we experience negative publicity, we may lose the confidence of our Bank Partners, merchants and consumers who use the GreenSky program and our business may suffer.***

Reputational risk, or the risk to us from negative publicity or public opinion, is inherent to our business. Recently, consumer financial services companies have been experiencing increased reputational harm as consumers and regulators take issue with certain of their practices and judgments, including, for example, fair lending, credit reporting accuracy, lending to members of the military, state licensing (for lenders, servicers and money transmitters) and debt collection. Maintaining a positive reputation is critical to our ability to attract and retain Bank Partners, merchants, consumers, investors and employees. Negative public opinion can arise from many sources, including actual or alleged misconduct, errors or improper business practices by employees, Bank Partners, merchants, outsourced service providers or other counterparties; litigation or regulatory actions; failure by us, our Bank Partners, or merchants to meet minimum standards of service and quality; inadequate protection of consumer information; failure of merchants to adhere to the terms of their GreenSky program agreements or other contractual arrangements or standards; compliance failures; and media coverage, whether accurate or not. Negative public opinion can diminish the value of our brand and adversely affect our ability to attract and retain Bank Partners, merchants and consumers, as a result of which our results of operations may be materially harmed and we could be exposed to litigation and regulatory action.

***Fraudulent activity could negatively impact our business and could cause our Bank Partners to be less willing to originate loans as part of the GreenSky program.***

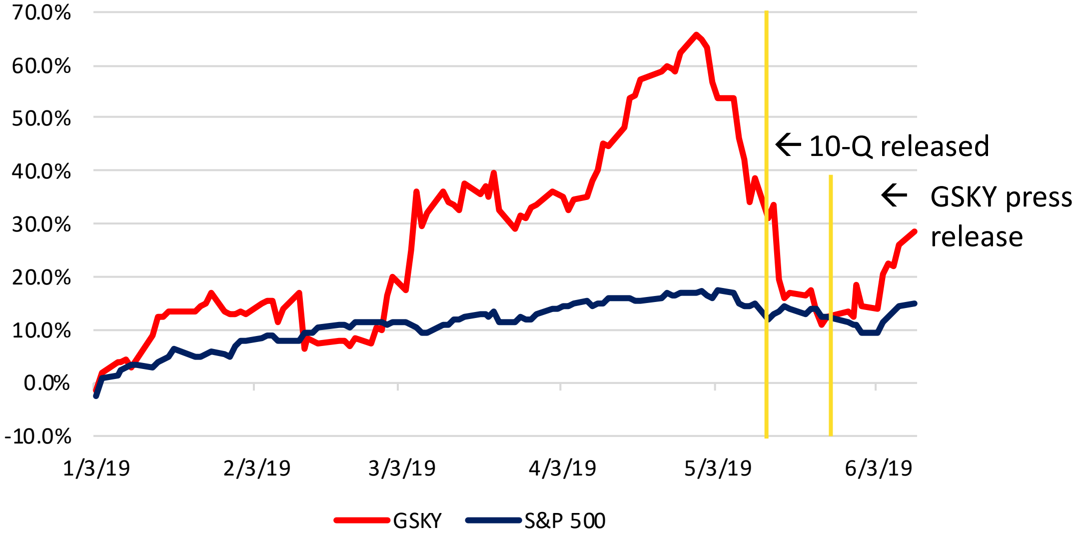
Fraud is prevalent in the financial services industry and is likely to increase as perpetrators become more sophisticated. We are subject to the risk of fraudulent activity associated with our merchants, their customers and third parties handling customer information. Our resources, technologies and fraud prevention tools may be insufficient to accurately detect and prevent fraud. The level of our fraud charge-offs could increase and our results of operations could be materially adversely affected if fraudulent activity were to significantly increase. High profile fraudulent activity also could negatively impact our brand and reputation, which could negatively impact the use of our services and products. In addition, significant increases in fraudulent activity could lead to regulatory intervention, which could increase our costs and also negatively impact our business.

# But… GSKY's Bank Partnerships are Already at Risk

## One of GSKY's 5 largest bank partners is quitting…

- In GSKY's 1Q19 10-Q, they state that $RF, Regions Financial, (one of their 5 largest bank partners) has indicated that they do not intend to extend their loan origination agreement with GSKY when it expires later in 2019
- This caused a precipitous drop in GSKY's stock price as investors began to fear GSKY's funding drying up
- GSKY put out a press release indicated they had bought $100mm of stock in the two weeks since the 10-Q came out; stated that they planned to "continue to buy back shares aggressively" and that the expiration of the Regions agreement was "hardly noteworthy" (<u>though GSKY's own SEC findings would call it "materially adverse"</u>)

## Relative performance after 1Q19 10-Q hit




## Are material adverse events "hardly noteworthy"?

Based upon current commitment levels, our five largest Bank Partners are BMO Harris Bank, Fifth Third Bank, Regions Bank, SunTrust Bank and Synovus Bank. As of December 31, 2018, they provided approximately 89% of the overall commitments to originate loans through our program. If any of our larger Bank Partners, or a substantial number of our smaller Bank Partners, were to suspend, limit or otherwise terminate their relationships with us, it would have a material adverse effect on our business. If we need to enter into arrangements with a different bank to replace one of our Bank Partners, we may not be able to negotiate a comparable alternative arrangement. *Source: GSKY 2018 10-K*

"When we ultimately decided to become a public company last year, we committed to be fully transparent in connection with our financial reporting. We take this responsibility seriously and, thus, always strive to publicly share with our investors information that we believe could be helpful in evaluating our Company," said David Zalik, Chairman and CEO of GreenSky. "With greater than $4.5 Billion of unused bank commitments available to fund GreenSky transaction growth well into 2020, our disclosure that, for its own strategic reasons, we do not expect Regions Financial, to renew its existing commitment with GreenSky upon expiration of its term, is hardly noteworthy. While we anticipate periodically announcing both new bank partner funding commitments along with the expansion of existing bank funding commitments in the ordinary course of business, given our year plus of funding headroom, we feel no sense of urgency today to add new bank partners to our GreenSky funding consortium." *Source: GSKY Press Release 5/23/19 titled: "CEO David Zalik's Comments on Recent Stock Price Volatility"*

# GAAP Change → Banks Required to Hold Higher Reserves

## Banks will likely push GSKY to increase ”bank margin” economics upon renewal of current agreements

- As of 12/15/19, US banks will experience a change with regard to GAAP accounting treatment of loan loss reserves called “CECL”; specifically, they will now be required to reserve for full life-of-loan expected losses
- Currently, bank reserve methodology is somewhat subjective to management decision making; upon adoption of CECL, reserve methodology will largely lose subjectivity and be mostly quantitatively determined → longer duration loans **& higher loss content loans** will need a much higher reserve level upon origination (example math below)
- Most bank partners of GSKY currently do not carry reserves on GSKY loans (given restricted cash escrow acts as a first-loss reserve) → there will be sizable step-up in GAAP reserve requirements upon origination of GSKY loans given unsecured personal loans’ historically higher loss content (especially with a remix toward elective HC)

## High-level calc for CECL reserve-requirements across loss scenarios *(CECL methodology per Piper Jaffray)*

| | A | B | C | D | E | F | G | H | I | J | K | L | M |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *Let Lifetime period = 20 yrs* | Charge-off History | | | Supportable | Reversion Period | Product Avg | | Supportable | Reversion Losses | | Lifetime | CECL Implied | CECL Implied |
| *Let Recent History period = 2 yrs* | Last 2yr Avg. | Lifetime | Total Loans | Period (Years) | (Years) | Duration (Years) | Remaining Years | Losses | (Year 1) | (Year 2) | Losses | Reserve | Reserve % of Loans |
| Industry-wide SF Residential Mortgage (call report data, actuals | 0.01% | 0.40% | $1,000 | 2 | 2 | 6 | 2 | $0.20 | $1.40 | $2.70 | $8.00 | $12 | 1.23% |
| Industry-wide Other Consumer (call report data, actuals) | 0.90% | 1.35% | $1,000 | 2 | 0 | 2 | 0 | $17.90 | $0.00 | $0.00 | $0.00 | $18 | 1.79% |
| Other Consumer Charge-off Scenario 1 | 0.45% | 1.31% | $1,000 | 2 | 0 | 2 | 0 | $9.00 | $0.00 | $0.00 | $0.00 | $9 | 0.90% |
| Other Consumer Charge-off Scenario 2 | 0.50% | 1.31% | $1,000 | 2 | 0 | 2 | 0 | $10.00 | $0.00 | $0.00 | $0.00 | $10 | 1.00% |
| Other Consumer Charge-off Scenario 3 | 0.55% | 1.32% | $1,000 | 2 | 0 | 2 | 0 | $11.00 | $0.00 | $0.00 | $0.00 | $11 | 1.10% |
| Other Consumer Charge-off Scenario 4 | 0.68% | 1.33% | $1,000 | 2 | 0 | 2 | 0 | $13.50 | $0.00 | $0.00 | $0.00 | $14 | 1.35% |
| Other Consumer Charge-off Scenario 5 | 0.95% | 1.36% | $1,000 | 2 | 0 | 2 | 0 | $19.00 | $0.00 | $0.00 | $0.00 | $19 | 1.90% |
| Other Consumer Charge-off Scenario 6 | 1.25% | 1.39% | $1,000 | 2 | 0 | 2 | 0 | $25.00 | $0.00 | $0.00 | $0.00 | $25 | 2.50% |
| Other Consumer Charge-off Scenario 7 | 2.00% | 1.46% | $1,000 | 2 | 0 | 2 | 0 | $40.00 | $0.00 | $0.00 | $0.00 | $40 | 4.00% |
| Other Consumer Charge-off Scenario 8 | 1.35% | 1.40% | $1,000 | 2 | 0 | 2 | 0 | $27.00 | $0.00 | $0.00 | $0.00 | $27 | 2.70% |
| Other Consumer Charge-off Scenario 9 | 2.50% | 1.51% | $1,000 | 2 | 0 | 2 | 0 | $50.00 | $0.00 | $0.00 | $0.00 | $50 | 5.00% |
| Other Consumer Charge-off Scenario 10 | 4.00% | 1.66% | $1,000 | 2 | 0 | 2 | 0 | $80.00 | $0.00 | $0.00 | $0.00 | $80 | 8.00% |
| | | B= Previous Scenario B + ((A - Previous A) * 2)/20) | | Subjective (forward period that acts like recent history) | Subjective (forward period that reverts to lifetime | Historical | G= F - D - E | H = D * A * C | I = (Average of A, A, B) * C * (E/E) --> if E=0, then I= 0 | J = (Average of A, B, B) * C * (E/E) --> if E=0, then I= 0 | K= G * C * B | L= H + I + J + K | M= L / C |

*Given the short duration of the “other consumer” asset class, the CECL implied % reserve is basically just the last 2yr avg % * 2; while this doesn’t seem terrible, keep in mind that GSKY has stated their whole book right now has an expected loss rate of 2.75% → the banks likely would rather just bundle them with call report bucket “other consumer” which has lower loss rates than 2.75% → **using industry-wide call report data would imply a minimum 1.79% reserve**. Right now we are very close to peak consumer credit quality environment; as losses rise, reserves upon origination will need to be higher, potentially reducing bank willingness to originate*

# GSKY Doesn't Understand CECL Implications

## CECL will be a definitive negative for GSKY; I don't think GSKY understand the risk

- When I spoke to GSKY's IR Rebecca Gardis, she said that they think CECL will be a positive for bank partners re-GSKY loans (as they'll be able to subtract the GSKY 1.3% reserve from required reserves)

- **Most banks are still working to understand CECL impacts right now** (most will update on 3Q call); GSKY evidently has a minimal understanding of the new accounting standard → there is no exception under new GAAP reserve requirements for banks to be able to include externally held reserves to <u>their</u> GAAP reserve calculation → even if you *could* subtract GSKY's reserve, the new necessary reserve is > 0!

- While mgmt. teams get an opportunity for some qualitative overlay of the CECL adjustment (and go-forward implications) as to how they view each loan category, I find it unlikely that auditors would allow banks to hold minimal reserves for a loan product that carries such a high life of loan loss (current avg is 2.75%)

## Reserve level commentary, quantitative overlay

| Reserve Level | Implied 2019 Charge-Off Rate for "Other Consumer" | Commentary |
|---|---|---|
| 0.00% | 0.00% | Unlikely |
| 0.90% | 0.00% | Unlikely |
| 1.00% | 0.20% | Unlikely |
| 1.35% | 0.45% | Unlikely |
| 1.79% | 0.89% | 2019 Charge-Off = 2018's --> my estimate of 100% quant overlay |
| 2.25% | 1.35% | 2019 Charge-Off = LT Avg |
| 2.50% | 1.60% | Slightly higher than LT avg |
| 4.00% | 3.10% | Realistic in credit cycle |

**<u>Calculation Explanations:</u>**

2020 Reserve level = 2 x Last two years' blended charge-off rate (2018 & 2019)

Implied 2019 Loss Rate = Reserve level – 2018 charge-off rate of 90bps

**<u>Other Notes</u>**

It's also worth noting that "other consumer" loss rates have a 54bp standard deviation (LT avg 1.35%) so when credit deteriorates it goes fast → 2001 & 2002 loss rates were 2.47% and 1.51%, and 2008, 2009, 2010 loss rates were 2.11%, 2.44%, and 1.77% respectively

## My base case target reserve level estimate

| 1.79% | – | 0.79% | = 1.00% |
|---|---|---|---|
| **Quantitative Overlay** | **–** | **Qualitative Overlay** | **= Target** |

*Assuming 2019 charge-offs for industry "other consumer" loans are equivalent to the 2018 loss rate*

*I am <u>conservatively</u> adjusting target reserve level with a qualitative overlay*

# CECL Magnifies GSKY Cyclicality → Margin Headwind

## CECL is considered to be procyclical for banks; it will likely be extremely procyclical for GSKY

- Step up in origination reserve (provision) will reduce implied economic return upon origination (see below)
- I would expect banks to push to maintain their returns by getting more economics from GSKY on the portion of the APR that the bank gets ("bank margin" as sensitized below) → I believe this is a conservative analysis as it assumes that they reserve for GSKY loans as if they had a lower loss rate than the actual loss rate
- Investors consider CECL to be procyclical for banks as (especially for short duration loans) the way you arrive to an expected lifetime loss reserve is using a historical duration-adjusted loss lookback as in previous slide; but when credit is soft, lookback period will penalize for cycle-high losses in current origination reserves (provisions)
- It is likely to be even more procyclical for GSKY, as bank returns will be more volatile as credit performance varies → will change the bank return math (& thus the willingness to originate w/o compensatory terms from GSKY)

## Representative example of projected possible bank economics before & after adopting CECL standard

Sensitizing Reserve Level (%) Assumptions to Resulting Bank ROE on GSKY Loan Economics before/after Adjusting Bank Parnter Yields to Maintain Current Bank Estimated ROE of 19.6%

| | 0% Reserve Assumption | 0.90% Reserve Assumption | | 1.10% Reserve Assumption | | 1.35% Reserve Assumption | | 1.79% Reserve Assumption | | 2.50% Reserve Assumption | | 4.00% Reserve Assumption | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Current Outlay | Pre-Adjusted | Post-Adjusted | Pre-Adjusted | Post-Adjusted | Pre-Adjusted | Post-Adjusted | Pre-Adjusted | Post-Adjusted | Pre-Adjusted | Post-Adjusted | Pre-Adjusted | Post-Adjusted |
| Loan Balance | $1,000 | $1,000 | $1,000 | $1,000 | $1,000 | $1,000 | $1,000 | $1,000 | $1,000 | $1,000 | $1,000 | $1,000 | $1,000 |
| Bank partner yield | 4.00% | 4.00% | 4.89% | 4.00% | 5.01% | 4.00% | 5.26% | 4.00% | 5.80% | 4.00% | 6.51% | 4.00% | 8.01% |
| Cost of funds (GSKY's own example | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% |
| Net Spread | 3.00% | 3.00% | 3.89% | 3.00% | 4.01% | 3.00% | 4.26% | 3.00% | 4.80% | 3.00% | 5.51% | 3.00% | 7.01% |
| Bank's Reserve Level | 0.00% | 0.90% | 0.90% | 1.10% | 1.00% | 1.35% | 1.35% | 1.79% | 1.79% | 2.50% | 2.50% | 4.00% | 4.00% |
| Net Interest Income | $30.00 | $30.00 | $38.94 | $30.00 | $40.06 | $30.00 | $42.57 | $30.00 | $47.96 | $30.00 | $55.06 | $30.00 | $70.06 |
| Expenses (Efficiency ratio @ 10%) | $5.25 | $5.25 | $5.25 | $5.25 | $5.25 | $5.25 | $4.26 | $5.25 | $5.25 | $5.25 | $5.25 | $5.25 | $5.25 |
| Pre-Provision Net Revenue | $24.75 | $24.75 | $33.69 | $24.75 | $34.81 | $24.75 | $38.31 | $24.75 | $42.71 | $24.75 | $49.81 | $24.75 | $64.81 |
| Provision | $0.00 | $9.00 | $9.00 | $11.00 | $10.00 | $13.50 | $13.50 | $17.90 | $17.90 | $25.00 | $25.00 | $40.00 | $40.00 |
| Pre-Tax Income | $24.75 | $15.75 | $24.69 | $13.75 | $24.81 | $11.25 | $24.81 | $6.85 | $24.81 | ($0.25) | $24.81 | ($15.25) | $24.81 |
| Tax Rate | 21% | 21% | 21% | 21% | 21% | 21% | 21% | 21% | 21% | 21% | 21% | 21% | 21% |
| Net Income | $19.55 | $12.44 | $19.51 | $10.86 | $19.60 | $8.89 | $19.60 | $5.41 | $19.60 | ($0.20) | $19.60 | ($12.05) | $19.60 |
| Risk Weight | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| RWA $ | $1,000 | $1,000 | $1,000 | $1,000 | $1,000 | $1,000 | $1,000 | $1,000 | $1,000 | $1,000 | $1,000 | $1,000 | $1,000 |
| Avg Bank CET1 | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% |
| Capital Associated | $100 | $100 | $100 | $100 | $100 | $100 | $100 | $100 | $100 | $100 | $100 | $100 | $100 |
| Return on Equity | 19.6% | 12.4% | 19.5% | 10.9% | 19.6% | 8.9% | 19.6% | 5.4% | 19.6% | -0.2% | 19.6% | -12.0% | 19.6% |

- If I'm a bank planning to make an agreement to originate $1bn of GSKY loans in a CECL GAAP world, depending on my reserve requirement <u>I would probably require an increase in my "bank margin" to compensate for a lower return profile</u>
- "Bank Margin" is the yield GSKY gives guaranteed to the banks (see slide 9)
- **Bank Reserve Level % Assumption Scenarios rationale on previous slide**

# CECL Impact to GSKY's "Bank Margin" → My Estimate

## Accounting change for US banks will lower the value proposition of current GSKY relationships

- CECL is likely to be extremely impactful as GSKY bank partners figure out their CECL implementation and subsequently then renew their contracts with GSKY over the remainder of 2019 before the accounting standard implementation at the end of the year
- Assuming bank partners push back on GSKY to give them compensatory economics to account for lower returns under CECL, GSKY's "bank margin" will likely rise (a headwind to the incentive payment calculation, see slide 9)
- The question is- where does GSKY's overall "bank margin" go in 2020? I conservatively expect mgmt. teams to hold a 1% reserve on their BS for GSKY loans (implying a 5% bank margin to maintain returns) and I subtract 0.5% from that bank margin for recent downside in 2yr yields = 4.50%

## 4.50% 2020 bank margin estimate rationale

1.0% target reserve → 5.0% bank margin – 0.5% change in 2yr yields QTD = 4.5% bank margin

My base case for post-CECL bank balance sheet reserve level is 1% as described on slide 38 (which, adding the 1.3% held by GSKY, still represents a lesser amount GSKY loans' current loss rate of 2.75%) → a 1% reserve rate implies a 5% estimated bank margin to maintain bank partner returns (see previous slide) → Lastly, I'm subtracting 50bps as GSKY has stated that directionality of the 2yr yield affects bank margin as defined within their loan origination agreements (and the 2yr yield has declined ~50bps this quarter… no clue if this gets entirely passed on though) → 5.0% - 0.5% = 4.5%

I believe this estimate will prove to be conservative, and thus sensitize the impacts to GSKY's profitability by a rise in bank margin on the next slide

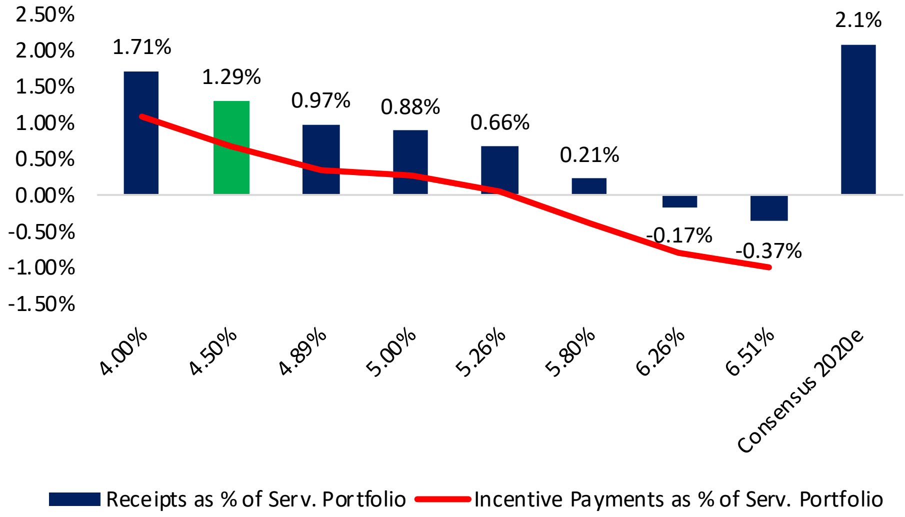
## Assumptions/considerations through analysis

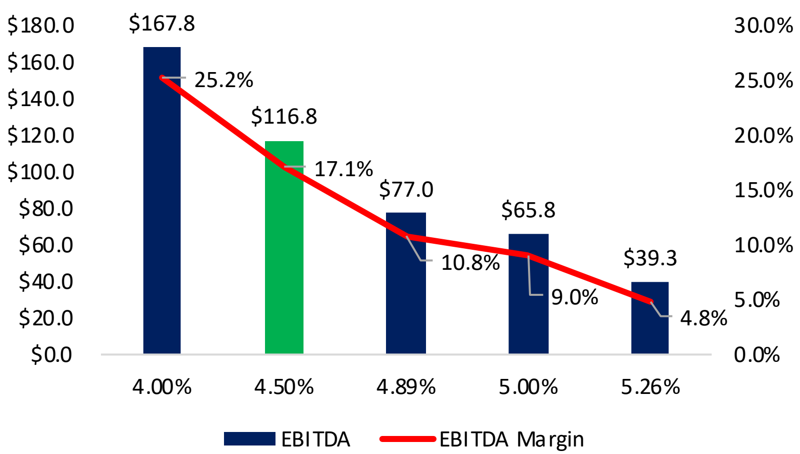
# "Bank Margin" Sensitivity to Profitability

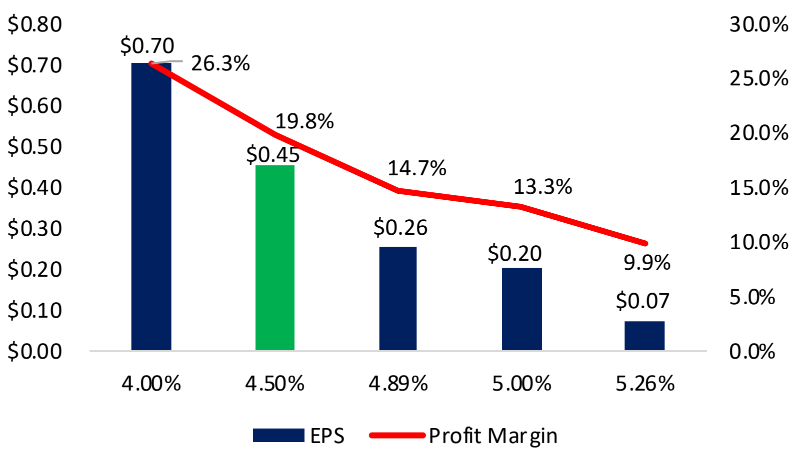
## I expect banks to push back on GSKY for compensatory economics given less appeal of GSKY loans

- One management team of a top 5 GSKY bank partner that I recently spoke with indicated they intend to renew their loan origination agreement with GSKY **if they can maintain similar economics** after adjusting for lower day 1 economic return given the need under CECL to put aside [larger] reserves for these loans
  - I would expect most US banks to push for more "bank margin" as this loan category is much less appealing to banks under CECL GAAP acct
- As "bank margin" increases as shown below, GSKY's incentive payments (and thus margins/EPS) will be reduced
- Bank reserve subjectivity being reduced makes them more sensitive to losses in short duration asset classes (ex: GSKY loans) as reserve (provision) levels rise with losses → lower returns need to be compensated for by GSKY

## My model: GSKY 2020 margins and profits across varying "bank margin" scenarios from previous slide




*Solely sensitizes 2020 bank margin…all else in model held equal*

*Base case of 4.50% bank margin highlighted in green* ***(again, I think this is conservative)***

# Expected Lack of Increasing Bank Partner Interest

## I doubt most banks want to **add** exposure to unsecured personal loans given already, given cycle timing

- I think their other current funding commitments are at best at risk of not being expanded, and at worst at risk of expiration upon annual renewal dates later this year; STI is merging with BBT, FITB and SNV likely maxed out, and FBC is small and having credit problems → at minimum, I expect most banks to push for compensatory economics if renewing given CECL lowers economic return
- After credit spreads widened in 4Q18 and the market (and especially bank stocks) sold off, banks have approached higher loss content lending exposures in a much more cautious manner & have tightened standards for "other consumer loans" (ex: GSKY personal unsecured loans) as per the Fed Senior Loan Officer Survey, displayed in bottom right chart
- As a result, I think GSKY will find it difficult to raise significant amounts of new funding from US banks given the cycle time & CECL
  - That said, they could find other funding partners (insurance companies, endowments, foreign banks) though I'd expect they'd be at worse terms

## My guesses on Bank Partners & increase potential

| Bank Partner | Current Commitment ($M) |
|---|---|
| Partner 1 | $2.5 |
| Partner 2 | $2.0 |
| Partner 3 | $2.0 |
| Partner 4 | $0.8 |
| Partner 5 | $0.4 |
| Partner 6 | $0.2 |
| Partner 7 | $0.1 |
| | **$8.0** |

| Bank Partner | Maximum Commitments ($B) |
|---|---|
| Partner 1 | $4.0 |
| Partner 2 | $2.0 |
| Partner 3 | $2.0 |
| Partner 4 | $1.5 |
| Partner 5 | $0.9 |
| Partner 6 | $0.5 |
| Partner 7 | $0.4 |
| Partner 8 | $0.1 |
| Partner 9 | $0.1 |
| | **$11.5** |

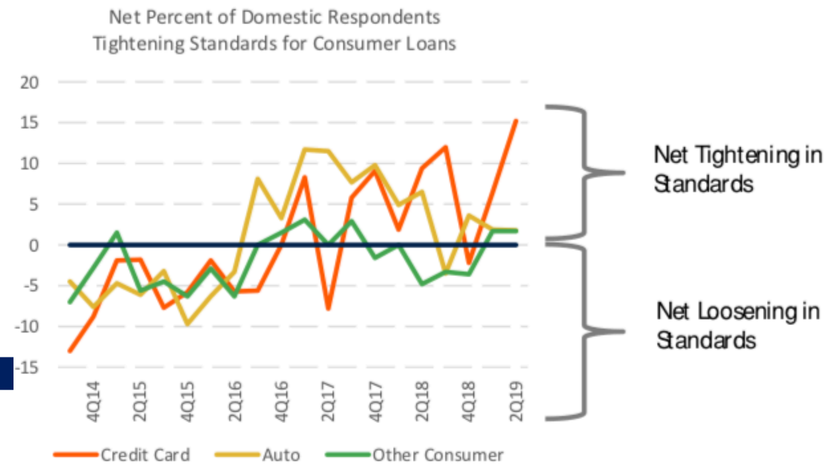
| Bank Partner | Max Commit. ($B) |
|---|---|
| Partner 1 | $4.0 |
| Partner 2 | $2.0 |
| Partner 3 | $2.0 |
| Partner 4 | $1.5 |
| Partner 5 | $1.0 |
| Partner 6 | $0.6 |
| Partner 7 | $0.5 |
| Partner 8 | $0.1 |
| Partner 9 | $0.1 |
| **Total** | **$11.8** |

*Source: GSKY investor presentations*

**My Guesses as a Banks analyst and after studying the reported Banks # 1-7 & 1-9 as well as my commentary on potential to increase their commitment**

| Bank # | My Guess | $ Commitment | Reason for Guess | Commentary, as a bank analyst myself |
|---|---|---|---|---|
| Partner 1 | Suntrust | $4.0 | Suntrust has put 4 presentations w/slides detailing GSKY exposure, 4Q18 it was over $2bn | I doubt they will increase; merging w/BBT who have been wary/critical of GSKY; & BBT mgmt in charge for first 2 years + have similar exposure in-house |
| Partner 2 | Fifth Third | $2.0 | Has to be a bigger bank and was not new in 2018; Synovus too small | They could potentially increase (though it would surprise me); $2bn is only 2% of total loans…I would be surprised if they went past 3% of loans |
| Partner 3 | Regions Financial | $2.0 | We now know this is RF | Not renewing relationship per 10-Q |
| Partner 4 | BMO Harris Bank | $1.5 | Was new in 2018 | The only top 5 bank I personally could envision sizably expanding the relationship |
| Partner 5 | Synovus | $1.0 | Part of the original big 4, now part of the big 5; process of elimination | I doubt they will increase given investor attention on SNV on credit post FCB acqusition |
| Partner 6 | Flagstar Bancorp | $0.6 | New in 2018; largest of the remaining banks | I doubt they will increase as it's already a sizable concentration + just had a credit issue outside their mortgage focus area |
| Partner 7 | Midland States Bancorp | $0.5 | Complete guess | Whether Ion or Midland, doubt whoever is $0.5 will increase as both are very small |
| Partner 8 | Ion | $0.1 | Complete guess | I guess this could increase a bit, but again, not much considering very small banks |
| Partner 9 | Renasant | $0.1 | Used to be Union (acquired by RNST, very small) | Could theoretically increase given RNST's size, but mgmt is very conservative |

## Senior Loan Officer Survey reports tightening



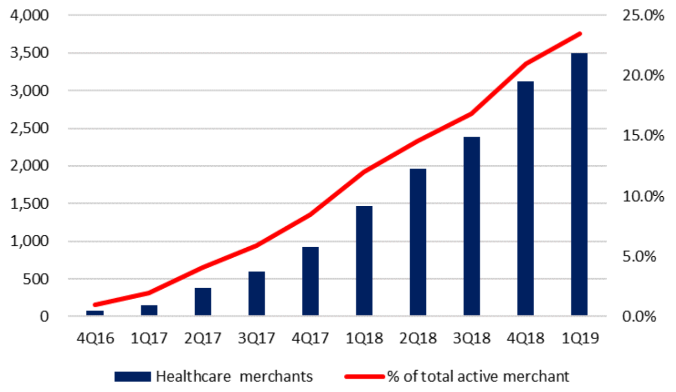

*Source: Sandler O'Neill Research & Fed Senior Loan Officer Survey*

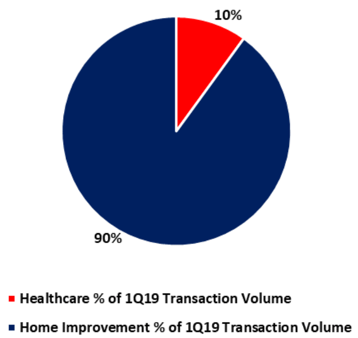
# Elective Healthcare = Growth at Higher Risk

## GSKY's new "growth" area is in elective healthcare, which is a much higher loss content asset class

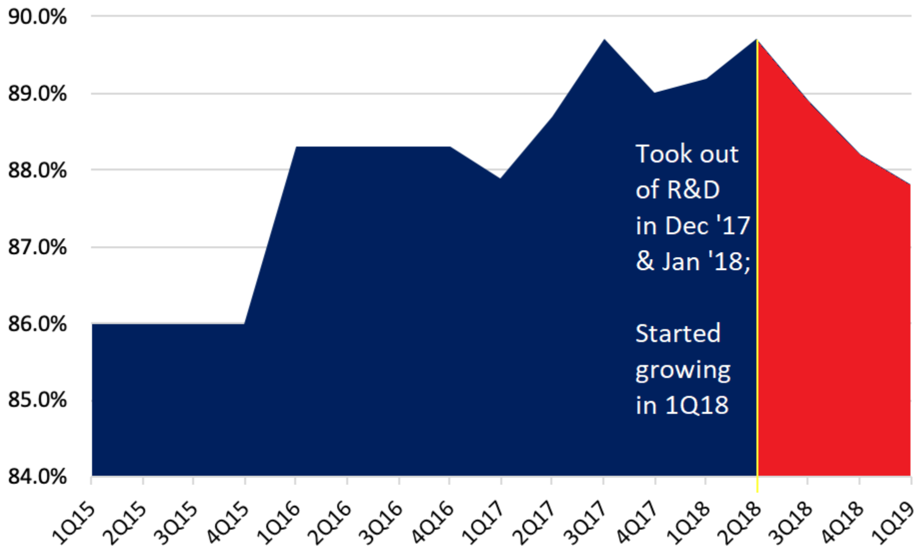
- GSKY stated at the JPM TMT conference 5/16/19 that elective healthcare loans were expected to experience loss rates of "high single digits" (gave example of 9%);for context, home improvement is at 2.5%
- Not only do banks have less appetite for a much higher risk asset class of unsecured personal loans (as well as a much higher required reserve given higher expected loss content); but this will also largely change the math re- their incentive payment waterfall with higher bank yields/losses → if they underestimate losses it will be **very** costly
- The higher risk profile of these loans is also evident in a declining FCR reversal rate (aka the % of deferred interest loan balances that does pays off during promotional period) → ST EPS positive, LT indicative of riskier credit book

## HC merchant growth & 1Q19 HC % of total TV




## Historical FCR reversal rate; declining since IPO

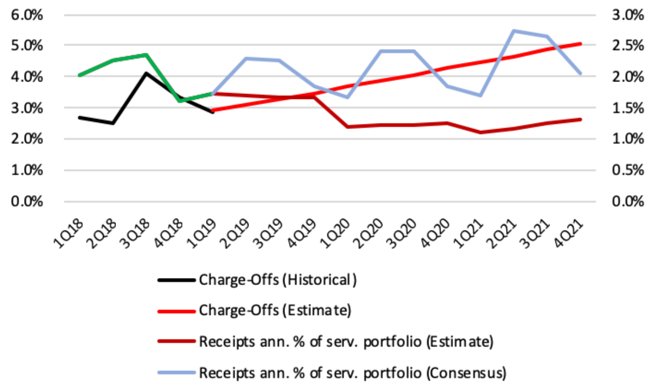


# Worsening Credit Risk From Elective Healthcare

## GSKY's new "growth" area is in elective healthcare, which is a much higher loss content asset class

- GSKY mgmt.'s guidance of HC loss rates relative to HI indicative that as they rapidly remix the loan servicing book to be a higher mix of HC, the charge-off rate of the book will naturally drift higher which reduces incentive payments, all else equal
  - I think the street is undermodeling impact to receipts & hence FCR for loss rates in out-years '20 and '21 (simply the remix will increase loss rate)
- Elective HC receivables were R&D receivables for <2 years (weighted avg life = 2yrs!); I highly doubt that they learned sufficiently within one life cycle what full cycle credit seasoning will look like for an asset class whose base case for loss content is high single digits → if/when losses are much higher than expected, could rapidly drive incentive payments to dry up
- Street doesn't understand that disclosed "credit statistics" can obfuscate deterioration by simply growing the loan book very fast

## Historical & estimated charge-offs and receipts % of servicing portfolio + notes explaining chart




**Charge-offs reduce incentive payments, reducing receipts… Keep in mind lower receipts → higher FV change in FCR → higher cost of revenue. Most sell-side (and probably buy-side) analysts model out incentive payments as a % of serv. portfolio as opposed to building it up with a waterfall structure (which make assumptions, but allows you to better understand the drivers of FV change in FCR and thus, margins)**

Keep in mind that GSKY mgmt. has guided to 2019 healthcare transaction volumes doubling those of 2018; I think it's fair to assume they will continue to grow volumes (and hence corresponding servicing balances) within healthcare at a 30+% rate through 2021 (considering 2019 growth is estimated @ 100%); thus, the charge-off rate will naturally move towards a closer weighted blend of the guided charge-off rates of the two businesses (mgmt. has said LSD, example of 2.5% for HI and HSD, example of 9%, for HC) → **I have the 2021 full year avg charge-off rate at 4.8%, up from 3.2% in avgTTM @ 1Q19…….**Also keep in mind my "receipts as % of serv. portfolio" here assumes no change in bank margin for GSKY (assuming 4% as in 1Q19 slides) and billed yield % (assuming 10% as in 1Q19 slides); in reality, I expect bank margin to rise some as CECL impact requires higher provision levels (though lower 2yr yields lower it somewhat); billed yield should also decline as this represents incoming cash flows from borrowers / avg servicing portfolio (it's so low because the denominator includes prmoo-period balances where consumers are paying 0%)→ **I expect receipts could go to 0 or close to 0% if bank margins & charge-offs step up**

## Notes on credit statistics

**What We Get**

Charge-Off Rate = Charged-off balances (promo balances can't go bad) / Total balances (includes balances in promo period)

DQ Rate = Delinquent balances (promo balances be late) / Total balances (includes balances in promo period)

**What We Should Get**

Charge-Off Rate = Charged-off balances (promo balances can't go bad) / **Total balances not in promo period**

DQ Rate = Delinquent balances (promo balances be late) / **Total balances not in promo period**

# Credit Shock Potential Impact Has Worsened

## GSKY removed the "credit shock" slide after their first earnings call; below I lay out what the math now looks like

- GSKY has removed the disclosure (included on pg7 of this deck) on the impact of worsening credit from investor presentations since their first earnings call for 2Q18; the math now must have significantly changed because the credit mix is changing at such a rapid pace (expected loss rate on the elective HC book is 3x+ that of the HI book)
- Further, the FCR reversal rate has already declined 2%, indicating that less borrowers are paying back during the promotional period **(and the DQ/default rate of the post-promotional book has to be much higher) → reversal rate to keep declining**
- Lastly, the 15% assumption for decline in finance charge reversal rate is likely flawed; GSKY uses this assumption because a HI loan specialist bank Enerbank saw this activity at peak of financial crisis (but unless we have a similar downturn, it's likely excessive) → on the following slide in 2Q18 deck, GSKY mgmt. uses 7.5% assumption for decline in reversal rate → so I use 10%

## Taking the GSKY 2Q18 slide deck credit shock example from page 7 of this report → 2020 expected

| ($ million) | |
|---|---|
| Charge-offs increase by 1.00% of Avg. Serv. Portfolio<br>*(1% x 2017 Average Serving Portfolio of $4,501.3)*<br>*(Higher credit losses will decrease performance fees and the servicing portfolio balance)* | $ (45.0) |
| FCR Settlements decrease due to 15% decline in finance charge reversal rate<br>*(15% x 2017 FCR Settlement of $127.0)* | $ 19.1 |
| Finance Charges collected will increase on the Def. Int. Loans that do not pay-off<br>*(Def. Int. loans that have not paid off during promo. period will generate additional financial charges & result in higher performance fees)*<br>*(13% [15% decline in prepayments x 89% historical FCR % ] x $1,280 [def. rate loans originated in 2017] x 50% [average balance] x 19.25% [APR of 23% less bank margin of 3.75%])* | $ 16.0 |
| **Net Change in Performance Fees (FCR Settlements) that will increase Cost of Revenue** | **$ (9.9)** |

Cost of Revenue increase is $9.9 million, or **22%** of the increase in credit losses.

| $million | |
|---|---|
| Charge-Offs increase by 1.00% of Avg Servicing Portfolio<br>*1% x 2020e Average Servicing Portfolio of $9,298*<br>*Higher credit losses will decrease performance fees and the servicing portfolio balance* | **($93.6)** |
| FCR Settlements decrase due to 7.5% decline in finance charge reversal rate<br>*10% x 2020e FCR Settlement of 308* | **$30.8** |
| Finance Charges collected will increase on the deferred interest loans that don't pay off<br>*(Deferred interest loans that haven't paid off during promo period will generate additional financial charges & result in higher performance fees)*<br>(10% decline in prepayments x 86% reversal rate %) x (2830 deferred interest loans originated in 2020e x 50% to account for average balance) x (APR of 24% less 2020e bank margin of 4.50%)<br>6.5% x $1415 x 19.5% = $15.6 | **$23.73** |
| **Net Change in Performance Fees (FCR Settlements) that will increase Cost of Revenue** | **($39.05)** |

**Cost of Revenue increase is $39.1mm, or 41.7% of the increase in credit losses**

**The 2018 10-K & the 2Q18 slide deck seem to disagree on the impact of a 1% increase to charge-off rate to 2017 FV of FCR expense…10-K says $55mm which is greater even than the -$45mm in above example…**

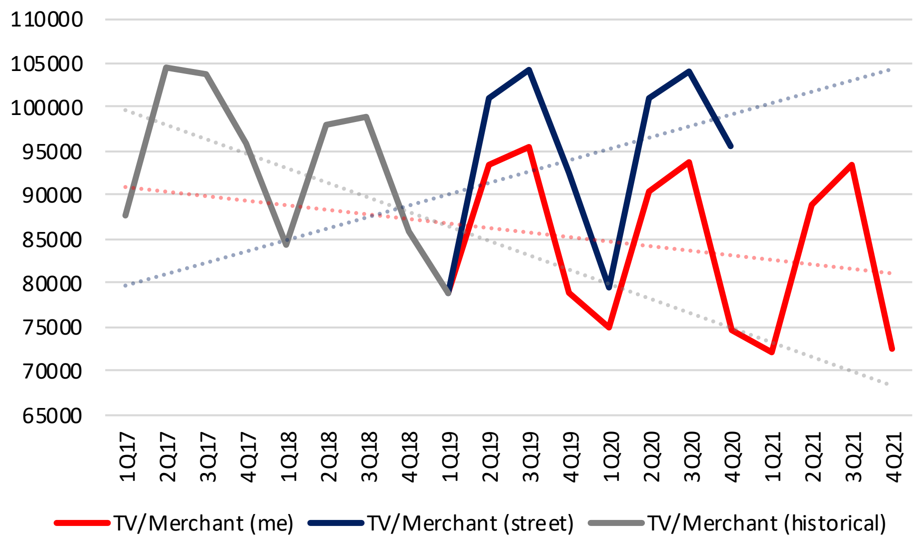
Based on our incentive payments during the years ended December 31, 2018 and 2017, and holding all other inputs constant (namely, the size of our loan servicing portfolio and settlement activity), a hypothetical 100 basis point increase in loan servicing portfolio credit losses would have resulted in increases of $55.0 million and $37.7 million, respectively, in the fair value change of our FCR liability. Further, such an increase in credit losses would have caused us to incur additional general and administrative expense of $5.5 million and $4.3 million for the years ended December 31, 2018 and 2017, respectively, related to Bank Partner escrow utilization.

# Elective Healthcare Impact on Revenue Modelling

## Transaction volume per merchant been declining year-over-year for 6 quarters; street modelling rebound

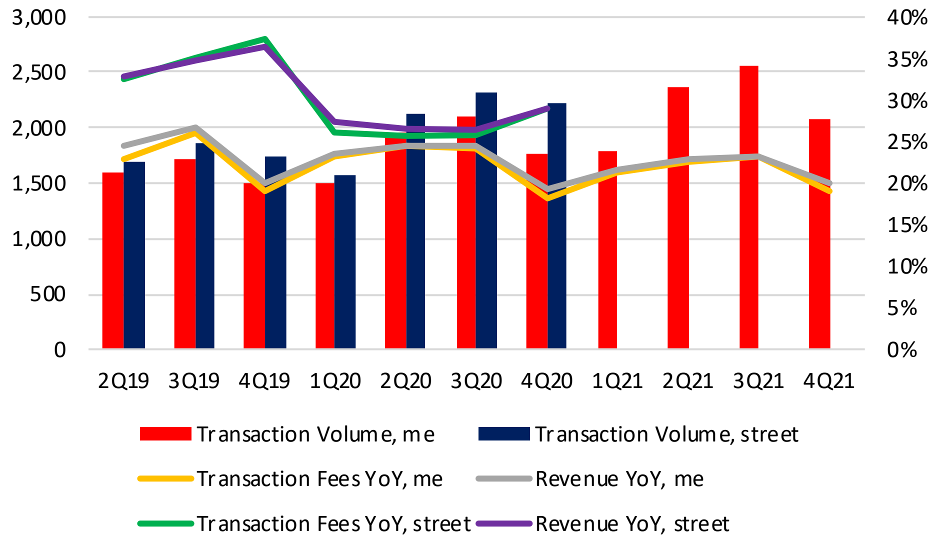
- As GSKY has started to ramp growth in elective healthcare, transaction volume per merchant, a key modeling tool, has been declining on a year-over-year basis since '18 (street is implying it rebounds per TV & merchant modeling)
- Why does this make conceptual sense? Well, average ticket sizes for elective healthcare transactions are much less than those of home improvement (windows/roofing could cost $10-20k, but a crown at a dentist or getting Lasik surgery might only cost $1-4k); also, considering the smaller ticket size, consumers thus generally have a lesser need for financing → less transaction volume per merchant → less transaction volume
- Can also make the argument they've largely saturated the large-volume home improvement contractors market

## Transaction volume per merchant, street vs me




*TV estimate from 11 brokers; '19 merchant estimate from 5 brokers, '20 merchant estimate from 3 brokers*

## Resulting impact on TV & Revenue, street vs me




*I am roughly in line for active merchant growth in 2019/2020; slightly below street on transaction fee take rate in 2019, and slightly above for the same metric in 2020 (HC has a higher take rate)*

# Thesis Summary #1: Valuation

## We have sufficient evidence that GSKY is a lending institution rather than a technology company

GSKY is basically an enabler/facilitator of in-house financing for its home improvement & elective healthcare merchant partners

It is an originator & servicer of credit, and also takes effective credit risk itself; it's earnings stream is dependent upon credit performance to receive incentive payments and its FCF is dependent on credit performance (given FCF is held as an escrow reserve)

Given it's cyclical fundamental nature, and taking into account the many failed instances of in-house credit that merchants use to lean on to support sales (ex: SIG, HOG, )… I believe GSKY should trade at a multiple indicative of it taking credit risk before banks

Especially considering where we are in the economic cycle, I think GSKY should trade at a 6x 2020 P/E based on the comps (see table on right) within the consumer lending space and those that have utilized in-house financing heavily over the past few years

**Comparable Companies Analysis**

| Name | Ticker | FY2 P/E | FY2 EV/EBITDA | Reasoning Group | Reasoning for use as a comp |
|---|---|---|---|---|---|
| Signet Jewelers | SIG | 6.4x | 4.8x | In-house Financing | Prime example of in-house financing gone wrong --> now outsourced, and hurting sales |
| Harley-Davidson | HOG | 9.1x | 11.2x | In-house Financing | Has been supporting sales with in-house financing |
| Conn's | CONN | 5.4x | 5.9x | In-house Financing | Has had periods of credit weakness when has overreached on in-house financing |
| Synchrony Financial | SYF | 7.2x | | Consumer Lender | Its Care Credit unit is the largest competitor to GSKY's elective healthcare loan option |
| One Main Financial | OMF | 5.1x | 9.0x | Consumer Lender | Does personal loans |
| On-Deck Capital | ONDK | 8.2x | | Consumer Lender | Does unsecured personal loans |
| Goldman Sachs | GS | 7.5x | | Bank | Its Marcus unit is a very common alternative for a consumer to use a GSKY loan |
| Synovus | SNV | 8.0x | | Bank | It risk comes only AFTER Greensky takes losses |
| Fifth Third | FITB | 8.7x | | Bank | It risk comes only AFTER Greensky takes losses |
| Suntrust | STI | 10.7x | | Bank | It risk comes only AFTER Greensky takes losses |
| | **Average:** | **7.6x** | **7.7x** | | |

# Thesis Summary #2: Regulatory/Legal Risk

GSKY, as displayed, demonstrated significant quality control issues that place it at risk of legal action

From the many reviews and lawsuits available online, it is evident that the customer experience at GSKY is not a very pleasant one for the consumer; rather, they prioritize merchant growth and transaction volume growth (which will lead to its own problems from a credit perspective)

It was disingenuous of GSKY to not disclose explicitly in pre-IPO filings that it had entered into a consent agreement with the NJ AG less than a year prior to the IPO; furthermore, it has evidently not changed its business practices nationwide

The AL Receiver's report displays the potential for GSKY to be defined legally as a "creditor" in certain states; it could be barred from business practices or required to obtain licenses → in this situation, I wouldn't be surprised if it ended with GSKY entering into a consent order with the Office of the AL AG

The AL Receiver's report also mentioned GSKY will be "subject to fines and penalties to be determined by this (and other courts) at a later time; the BBB and CFPB complaints indicate evidence of this behavior broadly by GSKY → risk of further legal/regulatory risk is underappreciated

# Thesis Summary #3: Funding/Margin Risk

GSKY's bank partners will be more sensitive to "bank margin" and "credit losses" given GAAP change

GSKY's bank funding commitments are much less secure than a year ago, as demonstrated by Regions Financial indicating that it will let it's relationship with GSKY expire; a major reason for this is the new change in GAAP reserve calculation methodology

CECL will effectively reduce bank economic day 1 returns as they will need to provision much higher for these loans → they are likely to push GSKY to at least in part compensate them with a higher "bank margin" which reduces GSKY incentive payments and increases credit sensitivity

Prior to CECL, given the high level of management subjectivity with reserving, most banks held no reserves for GSKY loans (considering GSKY holds reserves for first-loss); however, CECL reduces management subjectivity and thus the ROE profile of GSKY loans from a bank perspective change significantly

Lastly, short-duration loans with historically higher relative loss content (such as GSKY loans) are considered to be procyclically impacted by CECL; also, banks are shying away from expanding concentrations in personal unsecured loans at this part of the cycle (& GSKY's production will be increasingly risky)

# Thesis Summary #4: Credit

**Credit loss potential is underappreciated by the street given rapid expansion into elective healthcare**

GSKY's business model is complex, and given it is covered largely by tech/fintech analysts I think the potential for credit deterioration is an underappreciated element of the GSKY story

GSKY started growing elective healthcare receivables in a non-R&D capacity at the start of 2018; they had only been originating them for <~18mo (head of HC joined in March '16) which is at best the loans' weighted avg life; point being, they did not hold the loans long enough to see them season

This presents an issue because they expect (as a base case, per Zalik at JPM conf) a high-single digit loss rate for these loans (he said 9% as an example) → these loans have a lower FICO borrower base and are much more often deferred interest loans, increasing GSKY's earnings sensitivity to losses

If GSKY's expected HC loss rate is wrong (at minimum, HC loss rates are probably extremely volatile & HSD loss rates in a "good economy" could get a lot worse in a bad one), it may present a significant headwind to earnings considering the extremely fast growth seen in healthcare receivables already

# Thesis Summary #5: Revenues (TV/merchant)

**Transaction volume per merchant been declining year-over-year for 6 quarter; street modelling rebound**

Lastly, I think the street is overmodelling transaction volume per merchant; as they've expanded into elective healthcare the last 6 quarters, this metric has been declining on a yoy basis

I think the reason is simply that elective healthcare ticket sizes (think dental work, Lasik surgery, plastic surgery) are much smaller ticket sizes than that of fixing a window, or a plumbing system, or a HVAC unit

As such, unless GSKY puts up a significantly higher than street estimated merchant growth (I am conservatively modelling north of the street), I don't see them getting to transaction volume guidance

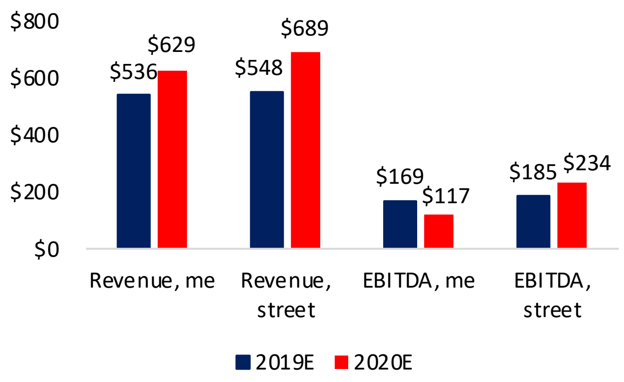
It sounds like they have largely saturated the biggest merchants within their traditional home improvement market; given that growth is coming from elective HC, this presents slower transaction volume uptake despite very fast merchant growth

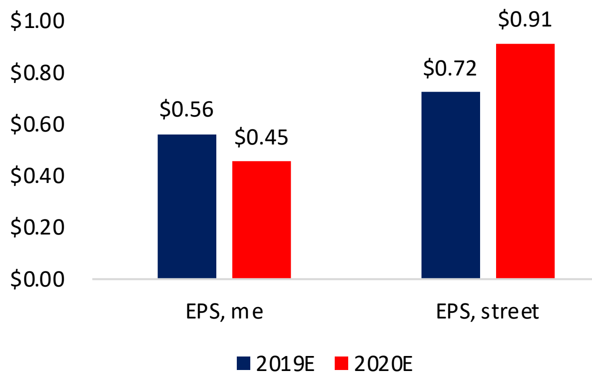
# Model/Estimate Summary & Valuation

## Well below street on #s & multiple; PT of $1.50

- Combination of higher charge-off rate + bank margin → lower incentive payments, higher FV change in FCR, reducing margins significantly
- Lower transaction volume per merchant driving lower TV and thus lower revenues
- I think GSKY should trade closer to comps shown below that have depressed multiples given a) cyclicality from credit and b) resulting earnings impact of in-house financing gone wrong

## Revenue, EBITDA, & EPS vs street




## Summary table of primary metrics

| | 2019E | 2020E | 2021E | 1Q19 | 2Q19 | 3Q19 | 4Q19 | 1Q20 | 2Q20 | 3Q20 | 4Q20 | 1Q21 | 2Q21 | 3Q21 | 4Q21 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Active Merchants EOP | 18,912 | 23,465 | 28,697 | 15,745 | 17,135 | 17,945 | 18,912 | 19,918 | 21,545 | 22,411 | 23,465 | 24,682 | 26,602 | 27,537 | 28,697 |
| Transaction Volume | 6,052 | 7,294 | 8,800 | 1,242 | 1,602 | 1,714 | 1,494 | 1,491 | 1,949 | 2,100 | 1,754 | 1,781 | 2,366 | 2,571 | 2,082 |
| Transaction Fee Rate | 7.02% | 7.14% | 7.20% | 6.77% | 6.92% | 7.12% | 7.24% | 6.94% | 7.07% | 7.22% | 7.29% | 7.04% | 7.14% | 7.27% | 7.32% |
| Revenue | $536.1 | $628.8 | $766.9 | $103.7 | $131.5 | $144.3 | $131.9 | $128.2 | $163.8 | $179.5 | $157.3 | $156.0 | $201.1 | $221.3 | $188.5 |
| FV Change in FCR | $161.9 | $269.9 | $364.2 | $38.8 | $35.3 | $39.7 | $48.1 | $64.0 | $61.6 | $67.7 | $76.5 | $86.8 | $84.2 | $92.5 | $100.6 |
| Opex | $131.0 | $149.1 | $181.1 | $34.2 | $33.2 | $33.2 | $30.4 | $39.3 | $36.5 | $37.8 | $35.4 | $47.3 | $45.9 | $45.9 | $41.9 |
| EBITDA | $168.7 | $116.8 | $105.6 | $13.0 | $45.9 | $52.0 | $33.1 | $2.8 | $44.0 | $49.2 | $20.8 | ($5.3) | $43.6 | $51.3 | $16.0 |
| Receipts | 129.9 | 122.7 | 138.2 | 32.1 | 33.7 | 35.8 | 37.3 | 27.6 | 29.7 | 32.6 | 35.1 | 31.1 | 35.0 | 40.1 | 44.7 |
| Incentive Payments | 90.7 | 63.3 | 52.4 | 23.9 | 24.6 | 25.4 | 25.7 | 15.0 | 15.8 | 17.0 | 17.8 | 12.7 | 14.8 | 17.5 | 20.1 |
| Avg Servicing Portfolio | 7,525.1 | 9,493.6 | 11,756.5 | 7,477.0 | 7,908.0 | 8,517.3 | 9,003.1 | 9,325.8 | 9,823.7 | 10,548.1 | 11,093.7 | 11,423.8 | 12,002.3 | 12,882.3 | 13,523.3 |
| Charge-Off Rate | 3.2% | 4.0% | 4.8% | 2.9% | 3.1% | 3.3% | 3.5% | 3.7% | 3.9% | 4.1% | 4.3% | 4.5% | 4.7% | 4.9% | 5.1% |
| Bank Margin | 4.00% | 4.50% | 4.75% | 4.00% | 4.00% | 4.00% | 4.00% | 4.50% | 4.50% | 4.50% | 4.50% | 4.75% | 4.75% | 4.75% | 4.75% |
| Billed Yield | 9.39% | 10.11% | 11.04% | 9.15% | 9.31% | 9.46% | 9.61% | 9.81% | 10.01% | 10.21% | 10.41% | 10.66% | 10.91% | 11.16% | 11.41% |
| EPS (non-GAAP) | $0.56 | $0.45 | $0.40 | $0.04 | $0.18 | $0.22 | $0.13 | ($0.02) | $0.19 | $0.21 | $0.07 | ($0.06) | $0.19 | $0.22 | $0.05 |

## Valuation table & price target

**Comps Analysis & Target Price Methodology**

| Name | Ticker | FY2 P/E | FY2 EV/EBITDA |
|---|---|---|---|
| Signet Jewelers | SIG | 6.4x | 4.8x |
| Harley-Davidson | HOG | 9.1x | 11.2x |
| Conn's | CONN | 5.4x | 5.9x |
| Synchrony Financial | SYF | 7.2x | |
| One Main Financial | OMF | 5.1x | 9.0x |
| On-Deck Capital | ONDK | 8.2x | |
| Goldman Sachs | GS | 7.5x | |
| Synovus | SNV | 8.0x | |
| Fifth Third | FITB | 8.7x | |
| Suntrust | STI | 10.7x | |
| | **Avg** | **7.6x** | **7.7x** |

*Using earnings as a proxy for cash flow*

*But subtracting estimated addition to escrow reserve (can't use that $)*

| | |
|---|---|
| 2020e non-GAAP EPS | $0.45 |
| 2020e addition to escrow reserve (per share) | ($0.18) |
| Proxy for earnings attributable to unrestricted cash | $0.27 |
| Target multiple | 7.6x |
| **Target price** | **$2.10** |

# Investment Risks: What is the Bull Case?

| Risks to thesis | Mitigants |
|---|---|
| **We don't hit a credit cycle anytime soon** | Firstly, I'm not even modelling a credit cycle; Second, bank reserve acct methodology impacts to "bank margin" + charge-off rate accelerating (from HC remix) will keep incentive payments and earnings growth limited |
| **Banks could use a qualitative overlay to maintain lower reserves for GSKY loans, and/or accept lower returns than previously on GSKY loans** | I think to some extent they will use qualitative overlay (and I model this accordingly); given banks probably don't want to increase exposure to unsecured personal loans, they have pricing power |
| **GSKY's avg borrower base are 700+ FICO scores** | The point of my thesis is that the business is sucsceptible to credit losses; even high FICO borrower bases display higher loss content in a credit cycle (also, healthcare is ~40 FICO points less than home improvement borrowers) |
| **What if they don't experience any legal issues from the AL receiver's report, NJ AG, or CFPB** | This is very possible, though reading the report at minimum it seems like fines are necessary; it does seem like there is a decent likelihood that they have to enter into a consent order, and/or their operations in AL (and NJ?) will have to change |
| **They put up sufficient merchant growth to beat transaction volume guidance** | I think the other elements of the thesis will continue to cause them to miss estimates |
| **In your valuation methodology, you penalize them for additions to the escrow reserve; why?** | If a bank has to subtract a "provision for credit losses" (aka an addition to the reserve from operating income, why shouldn't we look at GSKY the same way (considering they have a reserve) |
| **The stock is down ~5.4% QTD, 50% of the float is already short; why still short it here?** | Firstly, the multiple on this business should reflect 1) the cylicality of the earnings stream 2) the lack of ability to use cash flow generated as it remains in restricted cash 3) the flaws of easy-credit in-house financing… secondly, the earnings downside I project is significant from here |

# Who Owns GSKY?

## 2 hedge funds just announced (via Form 13Gs) increased stakes in GSKY that now comprise 40%+ of Class A shares

- Dragoneer Investment Group, per 6/10/19 13G, increased their stake in GSKY to 22.8% of the Class A shares as of 5/31/19 (7.6% of shares outstanding), up from 14.7% at the end of March per Dragoneer's 13-F
- Shapiro Capital Management, per 6/7/19 13G, increased their stake in GSKY to 16.8% of the Class A shares as of 5/31/19 (5.2% of shares outstanding), up from 14.9% at the end of Amarch per Shapiro's 13-F
- Dragoneer is a public/private tech-focused investment fund; looking at their 13-F history, they don't dabble in cyclical companies very often (very growth focused- see below); Shapiro is more diversified, with a tech/consumer bend, but has 3 investment professionals (per website) running ~$4.5bn across 75 stocks in multiple sectors
- I think that Dragoneer's perspective is likely focused around a "growth at a reasonable price" thesis, & I think they underestimate the cyclicality of the cash flow stream; I think we see them sell as cyclicality starts to impede growth

## Dragoneer's largest investments, March 13-F

| Stock | | Sector | Shares Held or Principal Amt | Market Value | % of Portfolio |
|---|---|---|---|---|---|
| TWLO | | INFORMATION TECHNOLOGY | 3,255,478 | $420,543,000 | 25.44 |
| BABA | | COMMUNICATIONS | 1,070,320 | $195,280,000 | 11.81 |
| CDAY | | INFORMATION TECHNOLOGY | 2,772,832 | $142,246,000 | 8.60 |
| TME | | INFORMATION TECHNOLOGY | 7,852,770 | $142,135,000 | 8.60 |
| SPOT | | COMMUNICATIONS | 937,410 | $130,113,000 | 7.87 |
| GSKY | | INFORMATION TECHNOLOGY | 9,017,341 | $116,684,000 | 7.06 |
| NOW | | INFORMATION TECHNOLOGY | 377,777 | $93,118,000 | 5.63 |
| WUBA | | CONSUMER DISCRETIONARY | 1,334,194 | $87,630,000 | 5.30 |
| FB | | COMMUNICATIONS | 481,266 | $80,222,000 | 4.85 |
| MELI | | COMMUNICATIONS | 89,500 | $45,442,000 | 2.75 |
| LYFT | | INFORMATION TECHNOLOGY | 500,000 | $39,145,000 | 2.37 |
| UPWK | | COMMUNICATIONS | 1,600,000 | $30,624,000 | 1.85 |
| NFLX | | COMMUNICATIONS | 81,805 | $29,168,000 | 1.76 |

## Shapiro's largest investments, March 13-F

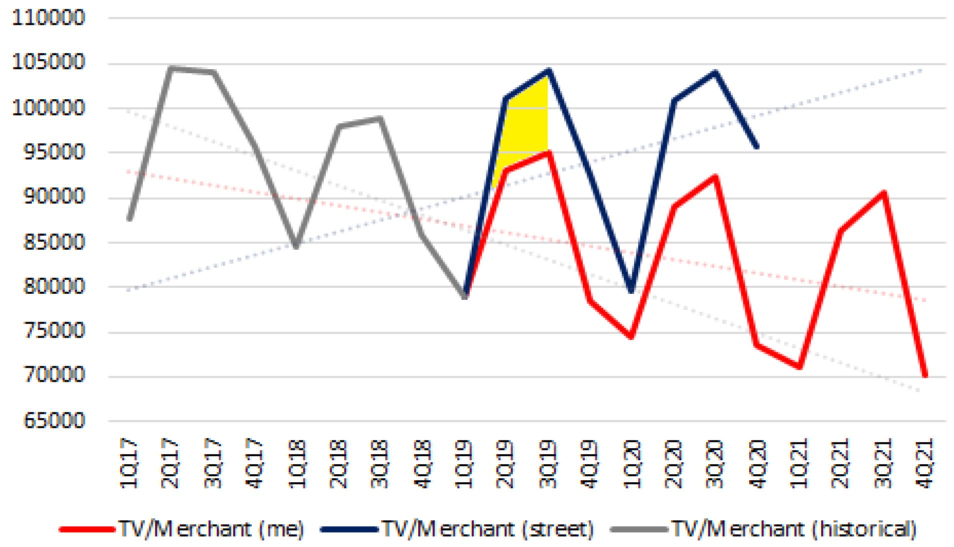
| Stock | | Sector | Shares Held or Principal Amt | Market Value | % of Portfolio |
|---|---|---|---|---|---|
| HBI | | CONSUMER DISCRETIONARY | 14,933,804 | $267,016,416 | 6.24 |
| FEYE | | INFORMATION TECHNOLOGY | 13,811,535 | $231,895,672 | 5.42 |
| CZR | | CONSUMER DISCRETIONARY | 26,653,711 | $231,620,748 | 5.41 |
| LGF.B | | COMMUNICATIONS | 14,441,085 | $218,060,383 | 5.10 |
| AXTA | | MATERIALS | 8,536,418 | $215,203,097 | 5.03 |
| GPK | | MATERIALS | 15,985,635 | $201,898,570 | 4.72 |
| BWXT | | INDUSTRIALS | 3,918,254 | $194,267,033 | 4.54 |
| ENTG | | INFORMATION TECHNOLOGY | 4,652,890 | $166,061,644 | 3.88 |
| WPX | | ENERGY | 12,175,296 | $159,618,130 | 3.73 |
| AAPL | | INFORMATION TECHNOLOGY | 719,027 | $136,579,246 | 3.19 |
| BAC | | FINANCE | 4,806,770 | $132,618,784 | 3.10 |
| CBS | | COMMUNICATIONS | 2,553,781 | $121,381,210 | 2.84 |
| IMAX | | COMMUNICATIONS | 5,297,405 | $120,145,145 | 2.81 |
| AMCX | | COMMUNICATIONS | 2,272,199 | $119,903,941 | 2.80 |
| GSKY | | INFORMATION TECHNOLOGY | 9,694,957 | $107,420,124 | 2.51 |
| MDRX | | HEALTH CARE | 10,944,786 | $104,413,258 | 2.44 |

# Why Now?

## Why short GSKY now? Especially as stock has lagged and short interest has risen post-Regions disclosure?

- First and foremost, GSKY is probably in conversations with its bank partners about their willingness to renew (and under what economics); bank mgmt. teams are just understanding CECL impacts and over the next ~3 months we will likely hear about any further changes to bank partners/their economics with new GSKY origination agreements
- GSKY's biggest transaction volume quarters are seasonally in 2Q and 3Q; the impact of smaller ticket sizes from HC on TV/merchant I expect to become magnified in quarters in which TV is highest
- Lastly, despite the strong(ish) economy, credit card DQs/defaults are beginning to rise → if this were to be displayed in unsecured personal loans such as those of GSKY, it would manifest itself in lower incentive payments

## Transaction volume per merchant, street vs me




## Other reasons

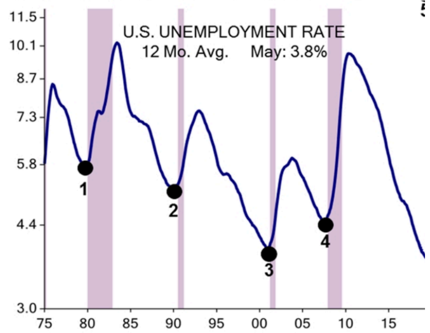
- If GSKY has to lower guidance, it will likely do it in the next quarter or two; when issuing 2020 guidance, its bank margin issues could be highlighted
- I think the potential for legal/regulatory action resulting from the AL AG Receiver's report to be imminent is high; investors are probably not even really aware of the NJ AG agreement
  - This is also the part of my thesis in which I think is completely underappreciated by both buyside/sellside → I have not seen or heard of any deep dive into GSKY's quality control issues from either side of the street

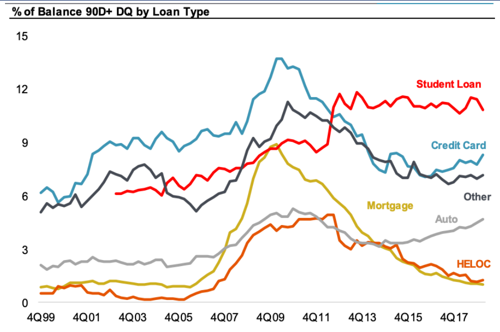
# Investment Summary Slide

## GSKY is a cyclical- growth in this business is good… until it isn't; I recommend a short on GSKY to $2

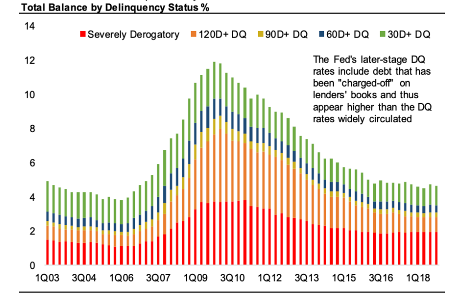
- GSKY is essentially an enabler of in-house financing for its merchant partners; the credit risk that it incurs as part of its bank partner relationships isn't currently reflected in its 13x 2020 earnings multiple (a premium to banks)
- GSKY has been experiencing quality control issues that put it at significant risk of legal/regulatory remediation
- Expansion into high-loss content elective healthcare loans will slow TV growth relative to merchant growth, and thus slow revenue growth relative to sell-side modelling; further, places their book at much higher credit risk
- Bank margins (and bank funding) are at risk from a FASB change in bank reserve methodology per GAAP (CECL)

## At the end of the day, **credit risk is cyclical**


Source: Federal Reserve, Piper Jaffray Research




## We started w/ 3 questions; let's end w/3 questions

- Why do you think GSKY so badly wants you to think of it as a technology company?
- Why do you think CEO David Zalik sold more than half his stake (for a payout of $520mm) on the IPO?
- Which is more cyclical (volatile through a cycle)?
  - GSKY's cash flows
  - The cash flows to the banks on the GSKY loans

SELL

Target Price: $2.00

84.5% Downside

# Thank You