ONLINE LEAD GENERATION IN THE SMALL DOLLAR LENDING MARKET: SERVING NONPRIME CONSUMERS
INTRODUCTION

Let me start by stating the obvious — which is that lead generation is a well-established industry that has served an important role in the marketplace for many decades. In fact, lead generators are fairly ubiquitous across many different industries, and offer benefits to both consumers and advertisers. Consumers can spend hours, days, or even weeks, searching for the goods or services that meet their needs, at their price. Advertisers and businesses constantly are searching for new and better ways to reach these consumers. Lead generators serve the important function of connecting the two. That’s a good thing.

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Lead generation is a long-established marketing and advertising method used throughout the American business community that has become increasingly important in the age of internet commerce. Consumer-focused companies use third-party lead generators to reach people who are looking for specific goods and services. Through their own independent marketing and advertising, lead generators create marketplaces in which consumers looking for particular goods and services are connected with companies that provide these goods and services.

In today’s technology enabled marketing era, successful companies are laser-focused on the customer experience. A technology platform known as the “Ping Tree” has long been a staple of the online lead generation industry. This paper seeks to provide a better understanding of the Ping Tree model and how it helps borrowers meet their financial needs through ease of use and a faster approval process.
Paying for leads is an accepted and widespread business model that is not confined to the short-term loan or financial services industry. For example, Google Adwords has established a model of internet marketing in which advertisers pay a fee each time one of their ads is clicked on by a consumer. In other words, advertisers pay to attract visitors to their sites rather than trying to earn those visitors organically.

“Ping Tree” is the common term for an automated technology platform used by lead generators to distribute and offer consumer leads for review and possible purchase by lenders. Like Google, most lead generators determine placement in the Ping Tree by using a “Quality Score” calculation (based on the advertiser’s click-through rate, relevance, and landing page quality), in addition to considering the lender’s criteria. Similar to Google Adwords, the Ping Tree takes into consideration many different factors, including conversion rates, redirect speed, and other proprietary factors making the Ping Tree mechanics similar to Google Adwords.

The Ping Tree is based on lenders’ proprietary analytics and algorithms designed to introduce consumers to the lenders who would be most interested in doing business with that consumer.

The Ping Tree is especially well suited to address the particular needs of prospective nonprime borrowers. It creates an expedited electronic marketplace where consumers are able to connect with lenders who are prepared to offer loans quickly in order to solve the urgent financial needs of these borrowers.

Lead generators use the Ping Tree system to create a virtual marketplace where prospective borrowers can
submit information about their needs and qualifications and connect with prospective lenders who are interested in extending loans to people with those predetermined qualifications.

The Ping Tree is one part of a larger "ecosystem" that has evolved around the advertising of small dollar financial services—including broadcast advertising, direct mail, internet advertising, networks of affiliates and publishers, and sophisticated electronic underwriting techniques.

SHORT-TERM LENDING ONLINE PROCESS

HOW THE PING TREE WORKS

Ping Tree Online Marketplace Phase 1: Lead Contact Initiated

1. Consumers visit a marketing website of their choice.

2. As required by Online Lenders Alliance Best Practices, the consumer is notified that the lead generator is not a lender and does not make loans or credit decisions, but allows consumers to submit information to lenders who may provide such loans.

3. Once the consumer determines that they would like to work with the website, they enter the information requested by the form on that site.

4. As the information is entered, it is validated for proper format and fraud-prevention checks are run.

5. Once the form is completed, the consumer submits their information.

6. Based on the information provided by consumers, and the parameters established by the lenders, each lead is presented to lenders in the reverse auction manner described in the graphic on page 5.

The proprietary parameters and analytics are established by lenders when they contract with lead generators to receive specific types of leads—such as state of residency—which determines what leads are likely to give consumers the best opportunity to receive a loan. These parameters and analytics benefit both
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prospective lenders and prospective borrowers, by enabling a lender to react expeditiously to a loan request.

For example:

• Filters such as age (under 18 not allowed to apply), state of residency, hours of operation of the lead buyer

• Volume limits – limits on the number of leads a lender wishes to review or will accept

• Duplicate rules – whether the lead has already been seen within a certain timeframe

Ping Tree Online Marketplace Phase 2: Data Posted by Lead Generator and Lender Decision-Making

Once the marketing process is complete, the consumer is redirected to the lender. Lead generators play no role in the formation, terms, administration and collection of loan agreements once the prospective borrower has connected with a prospective lender.

When a lender accepts a lead (i.e. a consumer), the consumer is redirected to the lender’s website to review the terms and conditions of the offer and provide additional information.

Not all loans are funded because the lender may require additional information or apply additional analytics, resulting in the loan request being denied. In fact, the majority of leads circulated by lead generators are not accepted, and not all leads that are accepted ultimately result in loan agreements. The core function of the Ping Tree is managing customer lead submissions to multiple lead buyers. Lead distribution is governed by criteria established by individual lenders based upon their proprietary analytics and the products they offer to consumers.
Ping Tree Online Marketplace Phase 3: Consumer Notification of Results

When a lender accepts the lead and decides to make a loan offer to a consumer, the consumer then makes a decision to accept the loan and its terms. The consumer is free to reject the offer if they find the terms unfavorable and leave the lender behind to seek assistance elsewhere. This ensures that the consumer always remains in control of accepting or rejecting the loan.

CONSUMER BENEFITS OF THE PING TREE
WHY THE PING TREE ONLINE MARKETPLACE BEST SERVES THE NEEDS OF NONPRIME BORROWERS

The Ping Tree online marketplace is advantageous for many consumers, particularly those who are nonprime and underserved by more mainstream financial services institutions. Nonprime consumers have a hard time finding credit and small dollar borrowers typically need cash quickly. The Ping Tree online marketplace allows consumers’ credentials to be presented to multiple nonprime lenders in real time and maximizes the opportunity of these consumers to obtain a loan quickly, conveniently and in the privacy and convenience of their own home.

The Ping Tree lead generation system provides a positive consumer experience because the consumer will be contacted quickly by a legitimate lender, and the decision to accept or reject a loan remains squarely in the consumer’s hands. If the Ping Tree did not exist, consumers would spend hours applying individually on numerous lending websites, trying to find a lender that would offer them a loan. The Ping Tree model is a much more consumer efficient method for finding an online loan.

Online lenders are able to make decisions quickly and to serve consumers with “thin” or less-than-prime credit histories. They also are able to fund loans electronically so that loan proceeds are available to borrowers quickly, often by the next business day. Speed and convenience are important to online customers. Participating lenders, who are vetted and monitored for compliance with OLA Best Practices, are often the only financial lifeline to consumers in an underserved market segment.
Fast Response in the Online Lending Process

The Urban Institute found that households that use nonbank financial services are increasingly from middle and upper incomes. The average age of borrowers of small dollar single-pay loans and installment loans is 41 and 43 respectively.

People looking for a small dollar loan are likely having a liquidity crisis. This liquidity crisis may have been caused by an emergency expense such as a car repair or medical expenses. Sometimes it is a liquidity issue for regular expenses, such as rent, utilities or a car payment for which they need immediate funds. These customers do not want and/or would not qualify for a larger loan from banks and other traditional lenders. They need the cash immediately and cannot wait several days to find out if they have been approved for a loan.

When a prospective borrower creates a lead by submitting information through a lead generation website, the Ping Tree online marketplace automatically circulates that lead in real time to a group of lenders whose basic lending parameters are already met by that prospective borrower. The prospective borrower is notified very quickly if a prospective lender is prepared to offer the borrower a loan. If none of that group of lenders is prepared to offer the prospective borrower a loan, the borrower learns almost immediately that they will have to pursue a different strategy. Even if they are approved for the loan, the borrower can decline the loan if they do not agree with the offered terms. If the borrower declines the loan offer, they can start the process again for another quick response from a different site with a different group of lenders.

Streamlined application process

The Ping Tree process provides a desirable consumer experience in that it provides an optimized platform for the consumer to access multiple lenders at the same time by completing only one application. As a result, the consumer is not needlessly divulging personally identifiable information on multiple sites.

In other models, consumers would have to submit their personally identifiable information to each lender and await each lender’s decision. For credit-challenged consumers this could mean: many applications, long wait times, and ultimate disappointment when the application is denied. In the Ping Tree model, lenders serve consumers with “thin” file or poor credit histories. Leads are only presented to those lenders who might approve the application. Because the lenders offer to fund the loan directly to the borrower’s bank account by ACH (Automated Clearing House), funds can frequently be available on the next business day.

The small dollar lending Ping Tree Online Marketplace operates in a consumer-friendly manner. Consumers connect with a lender, and in most cases become that single lender’s customer. This result is a much better experience for a credit-challenged consumer.
CONCLUSION

THE PING TREE ONLINE MARKETPLACE IS SIMPLY OPEN MARKET ECONOMICS AT WORK

Lead generation is the foundation of the internet economy. The marketplace for financial services, including short-term loans, ultimately consists of willing borrowers and willing lenders. The Ping Tree online marketplace presents consumers who need loans to lenders who are willing to make those loans. This entire process is based upon the lender's—not the lead generator's—evaluation of whether that borrower represents a desirable risk.

As described above, the Ping Tree online marketplace is a neutral technology platform for establishing an online connection between borrowers and lenders. Placement in the Ping Tree online marketplace does not depend solely on the offered price, but on algorithms based on the participating lenders' filters and rules, as well as the lenders' past performances. Once presented with a loan and its terms, the borrower remains in control about deciding whether or not to accept the loan.