



Trust the Asset. Trust the Transaction.™

CASE STUDY

First Investors Finds Perfection in Management of Assets in Digital Ecosystem



Who is First Investors?

First Investors Financial Services Inc., through its wholly-owned subsidiaries (“First Investors”), is a consumer finance company founded in 1988 to serve the special finance needs of automobile dealers and consumers.

First Investors has created a unique business model that encompasses indirect and direct lending, as well as portfolio acquisitions and third-party servicing. This multi-channel approach provides asset and revenue diversification as well as a deep understanding of the auto financing needs of both dealers and customers.

The company’s indirect lending business primarily serves franchise automobile dealerships, offering a wide range of financing programs that generally target consumers with credit scores of 510 and greater, including a focus on consumers who have gone through a bankruptcy process. In addition, the company places a strong emphasis on high levels of service to its dealer clients as well as stability in its funding process.



Why Did They Choose eOriginal?

Initially, First Investors was hesitant to adopt digital lending technology due to concerns over how key loan documents, specifically chattel paper and promissory notes, would be managed and controlled. They also had questions as to whether accepting electronic contracts and promissory notes would be cost effective. These were critical points in light of the volume of other documentation typically required to complete funding of subprime auto financing transactions.

However, there were growing opportunities from several of First Investors' online loan originator partners who were moving to electronic contracts to create a better loan closing experience for consumers. To support these partnerships, First Investors did not want to miss out on this emerging market and the origination growth created by these partners. Specifically, the company had become intent on purchasing such loans from a leading marketplace lender, which was using eOriginal to manage the financial assets in a fully digital environment.

Spurred by this opportunity, the company committed themselves to conducting due diligence on the process and finding ways to capture business in emerging digital markets.



The eOriginal Advantage

First Investors funds its operations by borrowing money from warehouse lenders and then, ultimately, offering securitizations. A custodian is used throughout the lending life cycle.

To operate digitally, the company focused on the ability of warehouse lenders, custodians and investors to perfect the assets in a portfolio, whether they were retail installment contracts or promissory notes.

The legal concept of perfection is critical to ensure security interests are protected against third parties or as it relates to borrower default. *[see box below]*

First Investors and its partners' concerns about digital asset management steadily diminished. As they analyzed the digital lending technology, they developed a deep understanding of how eOriginal's protocols and controls have elevated trust and transparency in the lending ecosystem, regardless of whether the purchase was an auto loan, consumer loan, or any other asset type. First Investors, its partners and its lenders became increasingly comfortable with the perfection risk and the protections provided by the eOriginal protocol and controls.

The Value of Perfection

In lending, perfection relates to the steps required to be taken to protect security interests and defend lenders' rights with an asset's legal documentation (loan agreements, chattel paper, promissory notes, etc.).

Under the Uniform Commercial Code (UCC), Article 9, in order to become a secured party with a legal authority to take possession of tangible goods (i.e. collateral) in the event of default, the lender must take specific steps, including registering with the appropriate statutory parties on the state level.

In the digital world, there is additional guidance in UCC Article 9, Section 105, which sets the criteria for control of electronic chattel paper as being the equivalent of ownership and confirmation of security interest in the collateral. These standards establish the need for an authoritative copy with the secured party designated as the assignee of records with clear control of the document.

While not applicable for all types of assets, such as unsecured consumer loans, the statutory guidelines still provide best practices for digital perfection and have been proven to prioritize security interest over the claims of other creditors in the case of a bankruptcy or default.



The Results



We view eContracting more favorably than we did a year ago both in terms of perfection risk as well as how the eContracting process integrates with our operational workflow, but that is specific to eOriginal. We've moved our lenders and rating agencies along the learning curve to understand digital best practices and to address concerns around contract control and perfection, and feel like the heavy lift is behind us now.



Bennie Duck

Executive Vice President and Chief Financial Officer at First Investors Financial Services.

Since it started collaborating with eOriginal, First Investors has looked to increase its purchase and management of loans through its digital platform. This includes working with a leading auto originator to convert its previous paper processes into digital transactions.

The firm also became so confident in the digital lending technology that it was willing to acquire loans from another auto originator that stored 100% of its loans using eOriginal.

To date, First Investors has:

Increased ecosystem **confidence in legal perfection** of loans acquired



Expedited access to auto loans originated digitally by partners



Enabled portfolio acquisition of **more than 25K digitally originated loans**





About eOriginal

eOriginal guarantees trusted transactions of digital financial assets for all parties from the borrower to the secondary market. We create a 'digital original' document that combines all the legal and enforcement rights of a paper contract with the capital and operational efficiency of digitization. Our proven network provides the confidence, visibility and compliance lenders and buyers need by providing certainty in how these assets are maintained.

As a pioneer in the space, we are a trusted partner for digital lending transformation and management by major financial institutions, leading law firms and credit ratings agencies. For more information, visit www.eoriginal.com.

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