



# Centralized Servicing Update

## Springleaf Holdings, Inc.

March 2015

# Executive Summary

- **Springleaf achieves outstanding servicing results by employing a hybrid model leveraging the best of branch and centralized servicing attributes**
  - Delinquency minimized through relationship-based branch servicing for 0 - 60 days past due accounts
  - Collections maximized through centralized servicing for 60+ days past due accounts (roll-out 45% complete; remaining by 2Q 2015)
- **Springleaf's rigorous underwriting, risk scoring and pricing centrally managed to maintain consistency**
- **Payments made at the branch represent 35% of all payments and only 14% are cash (both trending down)**
- **Ability to convert servicing to 100% centralize within 30 days; system switch-over in 1 day**
- **All Springleaf ABS transactions employ Wells Fargo as back-up servicer. Wells has option to retain Springleaf personnel and facilities**
- **In addition, a large 3<sup>rd</sup> party supplemental servicer (ACT) services Springleaf loans on Springleaf systems and is contractually obligated to provide further resources if requested**
- **Springleaf servicing and back-up servicing capabilities have been reviewed thoroughly by three nationally recognized rating agencies for ABS transactions**

# Springleaf Employs a Hybrid Servicing Model

- Springleaf employs a hybrid servicing model that leverages the best of branch and centralized servicing capabilities

## Branch Servicing

Community-based presence and face-to-face interaction builds personal relationships, improving both the quality of loan origination and servicing

- Loan applications and processing
- Relationship management
- Customer needs-based marketing
- Service inquiries

## Centralized Servicing

Benefits in efficiency, control & specialization while allowing branches to focus on growth

- Collections on accounts > 60 days past due
- Management of bankruptcy, litigation, and auto repossession
- Loss mitigation programs
- Post charge-off recoveries

## Common Features

- Shared servicing technology platform
- All servicing notes and transactions recorded on central system
- All documents electronically imaged
- Accounts can seamlessly move between branch and centralized teams

# Centralized Capabilities Materially Expanded

- **Springleaf has significantly expanded its centralized servicing capabilities over the last 2 years**

## Acquisition of Servicing Center in London, Kentucky

- Took ownership of operations center previously owned by HSBC in 3Q'13
- Long tenured staff with deep servicing experience and low attrition
- Licensed to service consumer and real estate loans in all 50 states

## Launch of New Center in Tempe, Arizona

- New servicing, sales, and underwriting facility launched in 1Q15
- Expanded support for Spanish speakers and West Coast operating hours
- Significant expansion options to support future growth objectives

## Onboarded Leading 3<sup>rd</sup> Party Supplemental Servicer (ACT)

- Fully integrated in multiple sites with live access to Springleaf platform
- Improves staffing flexibility and augments business continuity

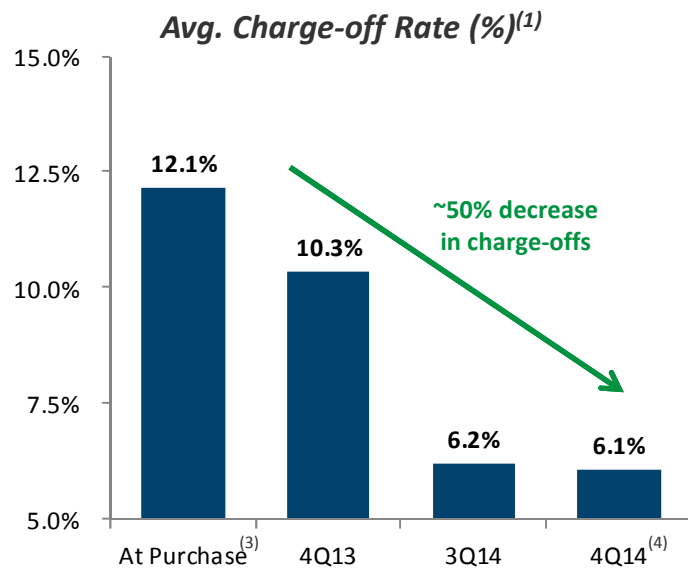
## Shared Servicing Platform Allows Seamless Transfer

- Servicing technology platform supports branch and centralized operations
- System is capable of rapidly moving accounts between servicing locations

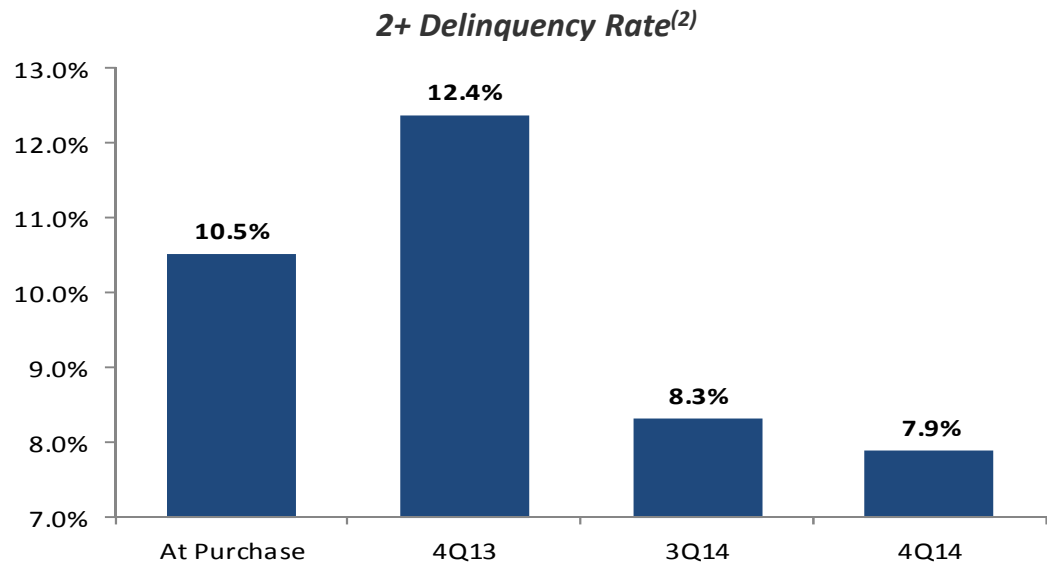
# Centralized Servicing Quality Evidenced by SpringCastle Results

- Springleaf completed a complex servicing migration of an acquired HSBC portfolio in September 2013 (approx. 400,000 accounts with ~\$4bn of receivables)
- Conversion from multiple technology platforms and servicing locations onto Springleaf systems centrally serviced in London, KY
- Average charge-off rate for SpringCastle cut in half since service transfer

## SpringCastle Credit Performance



## SpringCastle Delinquency Performance



(1) Charge-off Rate reflects Gross Charge-off calculated as a percentage of Principal Balance.

(2) Principal Balance.

(3) At purchase represents data at time of settlement on April 1, 2013.

(4) Excludes one-time charge off of \$16.5 million of aged bankruptcy inventory in November 2014.

# Central Servicing Ops; Springleaf Originated Loans

- Centralized servicing operations form a key component of Springleaf's hybrid servicing strategy

Centrally Serviced Springleaf Originated Loans

>60 Days Past Due Collections  
(Total Consumer Portfolio)

Out of Footprint Consumer Loans

- Executing phased roll out of centralized collections on branch originated loans at 60 days past due
- Allows branches to focus efforts on loan growth and early stage collections
- Leverage additional customer contact tools and enhanced risk modeling to optimize performance
- Execute analytically driven repossession, litigation, and loss mitigation decisioning
- Currently supporting 45% of branches, expanding to 100% by 2Q 2015

- End-to-end centralized servicing
- Out of footprint, originated online and impacted by previous branch closures

Non-Core Assets

- Servicing of non-core assets (PR & Caribbean originated, etc.)
- Centralized collections of runoff portfolio of legacy real estate loans

Centralized Operations Sites

|                           | <i>Function</i>               | <i>Staffing<br/>(Capacity)</i> |
|---------------------------|-------------------------------|--------------------------------|
| <b>London<br/>KY</b>      | >60 Day Collections           |                                |
|                           | Out of Footprint Servicing    | 300<br>(500)                   |
|                           | Non-Core Servicing            |                                |
| <b>Minneapolis<br/>MN</b> | Sales                         |                                |
|                           | Underwriting and Verification | 125<br>(200)                   |
| <b>Evansville<br/>IN</b>  | Non-Core Servicing            |                                |
|                           | Bankruptcy and Litigation     | 350<br>(450)                   |
|                           | Sales                         |                                |
| <b>Tempe<br/>AZ</b>       | >60 Day Collections           |                                |
|                           | Spanish Language              | 75<br>(275)                    |
|                           | Sales<br><br>Underwriting     |                                |

# Robust Business Continuity Plan

## Springleaf could execute a transition to 100% centralized servicing with minimal disruption

| Back-up Servicing Plan for Branch Serviced loans  | Common Tech Platform Simplifies the Process   | Springleaf's Customers are Well Positioned for Central Servicing   |
|---|---|--|
| <ul style="list-style-type: none"> <li>▪ Springleaf has 100% centralization capability                             <ul style="list-style-type: none"> <li>– Existing call center facilities and resources</li> <li>– Excess seat capacity</li> <li>– Existing 3<sup>rd</sup> party supplemental partner (ACT) with contractual obligation to increase staffing quickly</li> </ul> </li> <li>▪ ABS back-up servicer (Wells Fargo) has visibility to Springleaf controlled continuity plan</li> </ul> | <ul style="list-style-type: none"> <li>▪ Branch, Central and 3<sup>rd</sup> Party resources all operate on the same servicing technology platform</li> <li>▪ Branch loans can be transferred to central servicing in one day</li> <li>▪ All loan files are digitally imaged and accessible online (no physical transfer)</li> </ul> | <ul style="list-style-type: none"> <li>▪ The Springleaf customer base is not “un-banked” (95% have a checking account)</li> <li>▪ Branch based payments represent 35% of total payments and 14% are cash payments (trending down)                             <ul style="list-style-type: none"> <li>– All borrowers receive a self-addressed envelope to Lockbox</li> </ul> </li> <li>▪ Springleaf offers diverse set of payment options:                             <ul style="list-style-type: none"> <li>– Pay-by-Phone, Web Pay, Lockbox, Auto Debit, Debit Card, Western Union</li> <li>– Customers can make payment at any Wal-Mart (95% of branches are within 5 miles of a Wal-Mart) or a Checkfree retailer (~25,000 nationwide)</li> </ul> </li> </ul> |

| 100% Centralization Capability Within 30 days |  |                         |                                      |
|---|--|-------------------------|--------------------------------------|
| <u>Day 1</u>                                  | <u>Day 5</u>   | <u>Day 7</u>            | <u>Day 30</u>                        |
| System Transfer                               | All Customers Receive Notification of Servicing Change | 60% of Resources Online | 100% of Resources Online and Trained |

# Back-up Servicing Protections

- In addition to employing Wells Fargo as a back-up servicer, Springleaf has engaged ACT as an supplemental servicer

## Wells Fargo - Back-Up Servicer

Wells Fargo has duties / obligations based on a multi-stage plan which is divided into 3 periods:

- **Pre-Centralization Period** (business as usual):
  - Ensure ongoing system compatibility
  - Monitor the transaction through receipt of monthly tapes
  - Meets annually with Servicer to discuss changes to servicing procedures & processes
- **Servicing Centralization Period** (when Springleaf stops originating/servicing personal loans)
  - Access and control of central lockbox is fully vested with Wells
  - Participate in status meetings with Servicer and its personnel
  - Hire sufficient additional personnel for servicing (if necessary)
- **Servicing Transfer Period**
  - Upon the occurrence of a servicer termination event, Wells Fargo at the direction of majority of Noteholders, will take over responsibility for servicing, collections, and payment processing, and may seek to engage subservicers and / or centralize certain functions.

## 3<sup>rd</sup> Party - ACT

Advanced Call Center Technologies (ACT) provides seamless and live access to the Springleaf platform, serving as a business continuity partner today

- Already servicing portions of Springleaf's portfolio out of Sacramento, CA and Johnson City, TN servicing sites.
- Springleaf and ACT can assign a branch-based loan to ACT in 2 days
- Ability to staff an additional 200 FTE in 30 day period