



## **Funding Circle Collections & Recoveries**

Funding Circle seeks to lend to established and successful businesses with legitimate plans for growth. However, there will be cases when some businesses will be unable to fully repay their loans. For example, a business may be the recipient of a late payment from one of their customers, causing cash flow problems. If a business experiences a temporary setback like this, we work closely with them to get their payments back on track. But in some cases, certain circumstances will cause a business to default on their loan.

We invest heavily in portfolio management and collections services to maximize recoveries for our investors, and our approach is rooted in three core tenets: early intervention, open communication, and accountability.

### **Portfolio monitoring**

The portfolio management team closely monitors the entire loan book and uses a data-driven approach to identify potential payment issues -- often even before missed payments occur. We leverage data to evaluate each borrower's individual circumstances and occasionally reach a mutually acceptable plan to resolve payment issues as they arise. Using a "Decision Day" approach, we set clear deadlines with the borrower to perform required actions and do not hesitate to enforce all remedies available under the Loan Documents against borrowers who are not responsive, transparent, and cooperative.

### **Defaults**

A borrower is in "default" when they are late on any outstanding payments. A loan is "defaulted" when it reaches 90 days past due. A loan may be defaulted before 90 days if a bankruptcy notice is filed. In rare cases, a loan may be defaulted early due to lack of responsiveness but the investor will always be notified. A core differentiator of our platform is that all of our loans are secured by business assets and a personal guarantee. When a loan defaults, our collections team analyzes the unique factors of the specific loan, and works with a small group of third-party recoveries agencies.

### **Collections & recoveries**

Upon default, Funding Circle demands full payment on the entire outstanding balance from the business and the guarantor. This enables us to commence legal action against the business and guarantors if required. Our approach is always one of cooperation to resolve these situations, with the first 45 days of delinquency typically



focused on understanding the borrower's financial situation and working with them to get them back to current on their debt obligation.

If the business remains unwilling to pay, the recovery activities are escalated. A borrower that has been unresponsive to all recovery activities may be offered a settlement to bring them to the table before pursuing litigation. If a borrower cannot or will not pay their arrears, Funding Circle will pursue litigation for a judgement against the business and personal guarantors. The personal guarantee gives us the legal right to pursue personal assets as well – such as real estate, savings, or other valuables – should a business default on its loan. Once a judgment is assigned, Funding Circle is able to start liquidating the business' and personal guarantors' assets for recovery. A judgment is effective for ten years and if not executed within this time frame, it can be renewed for another ten years. Due to the legal system in the US, the process required to get a judgment and then execute it is often slow; recoveries can often take years to materialize.

## **Communication**

Transparency is at the core of everything we do, which is why every two weeks our portfolio management team updates notes in your investor portal for each delinquent and defaulted loan. For each loan, please a) click on the loan; b) select the "loan information" tab; and then c) scroll down the "Notes" section of the page. This section will also provide the most up-to-date information on the recovery status of a loan. We are continuing to develop technology to allow us to share information more readily with our investors over time and look forward to sharing more updates in the future.

## **Questions?**

We're here to help. Please call us on (855) 849-1940 or e-mail [investor.relations@fc-securities.com](mailto:investor.relations@fc-securities.com).