October 18, 2021

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Re: Proposed Interagency Guidance on Third-Party Relationships: Risk Management. Docket No. OP-1752; FDIC RIN 3064-ZA026; Docket ID OCC-2021-0011

Dear Madam or Sir:

Upstart Network, Inc. ("Upstart") provides technology services to financial institutions to enable them to lend to consumers online. Upstart's credit underwriting platform, now nine years old, harnesses artificial intelligence ("AI") and machine learning ("ML") and uses data that goes beyond traditional credit scores, helping financial institutions of all sizes identify creditworthy consumers online and price risk more accurately.

Well-regulated partnerships between financial institutions and third party technology companies, like Upstart, are critically important today for the financial health of consumers and the banking system. Working with Upstart can help banks do more than convert a traditional loan product into a digital offering. Because of Upstart's use of additional data and AI/ML techniques, the banks and credit unions that work with Upstart are able to offer loans to more consumers who might not qualify using traditional underwriting methods. Upstart also provides technical integration support as part of the loan application processing and loan servicing services for our partners. Those functions are overseen based on this guidance for third party vendor relationships. Among other things, this comprehensive program enables partners to increase the percentage of consumer loans that are made to low-and-moderate income borrowers.[1] It is also critically important that the use of AI leads to fair outcomes, and Upstart has worked proactively with the Consumer Financial Protection Bureau to demonstrate that using AI technology in lending can improve credit access and reduce interest rates for borrowers in all demographic groups, when compared to traditional underwriting approaches.[2]

Despite the proven benefits, banks have been slow to embrace modern underwriting technology. All but the largest banks face challenges in building advanced credit underwriting models in-house because the employees with the skill set required to build such models (*i.e.*, highly advanced computer science and mathematics) are not available to traditional banks in all communities. Small and medium-sized banks with more limited resources are especially disadvantaged given the resource-intensive nature of building and managing such technology. In 2021, with physical bank branch networks continuing to shrink, effectively serving customers who need access to credit increasingly means offering convenient, fairly priced products *online*, *enabled for applications from mobile devices*. A study from Experian found that even before the pandemic, *50% of the US personal loan market was served online* by fintech platforms or lenders, up from 22% in 2015.[3] Offering technology that allows loan applications directly from smartphones can level the playing field; according to The Pew Charitable Trusts, more than eight in 10 Black and Hispanic Americans own smartphones today, nearly identical to the percentage of White Americans.[4]

Given these challenges (and opportunities), it makes more and more sense for banks to access the benefits of technology through partnerships with third-party vendors like Upstart. That can only happen in a policy framework that supports banks' reliance on well-managed third party partnerships.

1. **To what extent does the guidance provide sufficient utility, relevance, comprehensiveness, and clarity for banking organizations with different risk profiles and organizational structures? In what areas should the level of detail be increased or reduced? In particular, to what extent is the level of detail in the guidance's examples helpful for banking organizations as they design and evaluate their third party risk-management practices?**

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[1] Through March 31, 2020 45.5% of loans made relying on the Upstart model go to individuals who would meet the definition of being low or moderate income. LMI calculations in this internal analysis are approximate using Upstart borrower data: reported individual borrowers' income were used in lieu of household income and zip codes were used as a proxy for census tract information. Upstart By The Numbers. https://www.upstart.com/blog/upstart-by-the-numbers

[2] An update on credit access and the Bureau's first No-Action Letter. https://www.consumerfinance.gov/about-us/blog/update-credit-access-and-no-action-letter/

[3] https://www.experian.com/blogs/insights/2019/09/fintech-vs-traditional-fis-latest-trends-personal-loans/

[4] https://www.pewresearch.org/fact-tank/2021/07/16/home-broadband-adoption-computer-ownership-vary-by-race-ethnicity-in-the-u-s/

Lending is at the core of the mission of the vast majority of banks in the United States. Unfortunately, in Upstart's experience, many banks – especially medium-sized and larger banks – believe they face significant regulatory and supervisory uncertainty when adopting loan underwriting technology from third-party vendors, including with respect to both third-party relationship risk management guidelines, and the separate 2011 model risk management guidance.[5] While the proposed guidance provides many examples of third-party relationships, including the use of independent consultants, networking arrangements, merchant payment processing services, services provided by affiliates and subsidiaries, joint ventures, and other business arrangements in which a banking organization has an ongoing relationship or may have responsibility for the associated records, it does not explicitly cover an example of using a third-party lending/underwriting model.

A recent study conducted by the Bank Policy Institute ("BPI") suggests that although the 2011 model risk management guidance *technically* "gives banks flexibility to modify the model risk management framework for validating vendor and other third party models," the reporting on the ground reveals that federal banking regulators and supervisors "have not consistently afforded this flexibility to banks with regard to vendor-developed AI credit underwriting systems." Also, according to BPI, regulators "have not applied a similar review or approval process to widely used conventional underwriting systems."[6] If this approach persists, it will create an unlevel playing field – one that fails to harness the benefits of new models or acknowledge that traditional models may be less accurate and more biased against protected groups. The proposed third-party risk management guidance is one opportunity to ensure that there is a level playing field.

In recent weeks prudential regulators have released two relevant documents: "Conducting Due Diligence on Financial Technology Companies – A Guide for Community Banks" and the OCC's "August 2021 Model Risk Management" handbook which includes a discussion of third party models.[7] Upstart believes that these documents provide useful information for financial institutions that could be leveraged by this third-party risk guidance document.

2. **What other aspects of third-party relationships, if any, should the guidance consider?**

Lending partnership relationships are multi-faceted, and a successful program requires more than an "Apply Here" button on a bank's website. From online customer acquisition to fraud protection to underwriting and pricing, to meeting the demands of modern mobile and online experiences, to

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[5] https://www.occ.gov/news-issuances/bulletins/2011/bulletin-2011-12.html
[6] *Id.*
[7] https://www.fdic.gov/news/press-releases/2021/pr21075.html
https://www.occ.gov/publications-and-resources/publications/comptrollers-handbook/files/model-risk-management/index-model-risk-management.html

servicing and collections using digital tools, in the current age, it is a complex enterprise. If, for instance, the bank identifies that there is compliance risk associated with not being able to explain a third party model's performance in deep technological detail, the Guidance could identify ways such risks can be effectively mitigated.

This new Proposed Guidance could build on the recent publication of the OCC's August 2021 Model Risk Management Handbook by adding examples or an FAQ explicitly covering the expectations of effective governance of a third party lending model that utilizes proprietary technology. For example, the guidance could explicitly reference the new August 2021 OCC model handbook's expectations, to ensure consistency:

> "When a bank uses third-party models, the extent of documentation that the bank has is typically *not as extensive as for models developed in-house*. Examiners should determine if documentation is sufficient for bank management to appropriately use and validate third party models."
>
> "Vendor products should…be incorporated into a bank's broader model risk management framework following the same principles as applied to in-house models, *although the process may be somewhat modified.*"[8]

3. **In what ways, if any, could the proposed description of third-party relationships be clearer?**

In Upstart's view, the guidance should provide additional clarity and details to *help banks distinguish the expectations surrounding the use of a third party's underwriting model compared to an internal underwriting model.* First, Upstart has found that banks have widely varying interpretations of what their regulators expect them to do in terms of initial diligence and ongoing governance of third party models. Many banks hold views that are inconsistent with other banks regulated by the same primary regulator. Second, despite a lack of documentation of such a requirement, banks often feel that policies surrounding third-party vendor risk management must be identical to the internal policies of the bank as it exists *pre-partnership*, without room for adopting new, tailored, oversight or management approaches that are appropriate for use of a third party model. The proposed Guidance, coupled with the 2011 model risk management guidelines, could be clearer on change management policies and procedures, namely that banks should be able to provide pre-approval of model updates that meet agreed on accuracy thresholds and fair lending test results, rather than needing to provide a third party with approval for every update concurrently.

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https://www.occ.gov/publications-and-resources/publications/comptrollers-handbook/files/model-risk-management/index-model-risk-management.html (Page 51)

4. **To what extent does the discussion of "business arrangement" in the proposed guidance provide sufficient clarity to permit banking organizations to identify those arrangements for which the guidance is appropriate? What change or additional clarification, if any, would be helpful?**

Upstart acknowledges that the Proposed Guidance would maintain a broad definition of "third-party relationship" and "business arrangement." The Proposal references principles that can be scaled to address a wide range of business arrangements and directs banks to tailor their risk management practices for each third-party service provider relationship to reflect the nature, complexity, and criticality of the service being performed for, or on behalf of, the bank. Upstart supports the proposed guidance' focusing on additional flexibility for banking organizations within a risk-based third-party risk management program. The Proposed Guidance does this, for instance, by listing factors at each stage of the third-party risk management life cycle that banking organizations "typically" consider, rather than the old approach of mandating consideration of each factor or certain actions or results by using terms like "should" or "ensure."

5. **How could the proposed guidance better help a banking organization appropriately scale its third-party risk management practices?**

Banks should be able to scale or tailor their programs based on both the risk associated with the activities that are being performed by the third party, the significance of the program to the bank, and also (importantly) the sophistication of the third party's risk oversight programs, such as model risk management and compliance management systems. In lending, the expectations for third party risk management may be different, or the underlying risks sufficiently mitigated, for instance, if a third party has taken proactive action to validate its model with a recognized outside expert entity or with a regulatory body.

6. **In what ways could the proposed description of critical activities be clarified or improved?**

It is important that the Proposed Guidance provides for flexible risk management principles that can be employed as appropriate to the specific circumstances of each banking organization. This includes the definition of critical activities. For example, if a bank-fintech lending partnership with a third party involves only one or two products at the bank with minimal balance sheet exposure relative to the solvency of the bank as a whole, the bank should not feel forced to deem those "critical activities." Clarifying these descriptions would enable banking organizations to more effectively manage and meet supervisory expectations, and these key clarifications would inform whether supervisors will expect banking organizations to conduct heightened due diligence of a given third-party.

7. **What additional information, if any, could the proposed guidance provide for banking organizations to consider when managing risks related to different types of business arrangements with third parties?**

As an entity providing lending services, Upstart notes that the Proposed Guidance has added a factor to be considered at the planning stage: the banking organization's ability to provide adequate oversight and management of a proposed third-party relationship on an ongoing basis. Upstart believes a number of factors contribute to effective planning regarding ongoing oversight of a third party lending relationship. Examiners should expect third party model vendors to provide developmental evidence documenting the credit underwriting model components, design, intended use, implementation, limitations and validation procedures, to determine whether the model is appropriate for the bank's use. As a model vendor, Upstart makes appropriate modifications and updates to its model from time to time, and willingly provides updated or supplemented model documentation to bank clients at the time of each significant update.

The Proposed Guidance could be more descriptive in describing responsibilities in situations where banks rely on third-party vendors to assist them with ongoing performance monitoring and outcomes analysis on models. For instance the Guidance could describe in more detail an example of the appropriate cadence for a third party to regularly disclose results to the bank.

8. **What revisions to the proposed guidance, if any, would better assist banking organizations in assessing third-party risk as technologies evolve?**

Upstart believes this Proposed Guidance provides a critical opportunity for much-needed modernization as the prior guidance did not envision the role of third party technology companies powering consumer lending by banks using artificial intelligence and machine learning. Upstart recommends that the guidance incorporate and reference the clarity provided in the recently published document "Conducting Due Diligence on Financial Technology Companies – A Guide for Community Banks" to ensure consistency. In considering third party risk as technology evolves, the Proposed Guidance could be clearer about situations where the banking organization cannot obtain desired diligence information from a third party. This issue is particularly relevant to partnerships with fintech companies, and Upstart believes the Final Guidance should acknowledge that there are often widely differing circumstances leading to this particular situation. For instance, there is a critical difference between circumstances where desired diligence information cannot be obtained by the bank due to the fact that the third-party vendor sees it as confidential/proprietary information but the information has been reviewed, shared and validated by an external third-party expert or regulator, versus situations where there is a complete lack of historical information because the banking organization is looking at working with a new product or service-provider without the requested information or a strong performance history.

A recent example from the anti-money laundering arena shows the positive impact of clear and detailed guidance that is updated to recognize new approaches. Following the revised regulatory guidance that was put out in December of 2018 – the "Joint Statement on Innovative Efforts to Combat Money Laundering and Terrorist Financing" released by the FDIC, Federal Reserve Board, FinCEN, the OCC, and the National Credit Union Administration, banks and credit unions gained more clarity on how to prepare model documentation and how to perform validations of new AML models.[9] Prior to the release of the guidance, many banks were concerned that regulators might penalize them for changing technologies in this area; the implication being that the banks' existing AML/program was not succeeding, requiring new approaches. Banks continued utilizing outdated rule-based systems that were both inefficient (lots of false positives) and costly (expensive license agreements with third-party vendors). The new joint statement helped alleviate concerns around the use of AI and other innovative technologies in AML compliance, and helped to pave the way for the adoption of new and better technologies.[10]

9. **What additional information, if any, could the proposed guidance provide to banking organizations in managing the risk associated with third party platforms that directly engage with end customers?**

Upstart recognizes that third parties that interact with end customers can present risks that must be managed via sound oversight, reporting, and communication. Upstart has seen, in powering digital lending for more than two dozen banks and credit unions, that banking organizations and especially smaller institutions, must be able to rely on the regular documentation and reporting from their contracted third parties regarding ongoing program performance, including on any model updates/changes. Further, the Proposed Guidance should encourage the supervisory agencies to use this opportunity to promote responsible partnerships that meet the evolving demands of customers. Customers benefit from these third-party partnerships, by receiving lower prices through competition, increased access to products and services designed to meet their needs, and an elevated customer experience. Well-regulated partnerships are important to delivering benefits to banking organizations and their customers.

The Proposed Guidance could more explicitly outline what the specific expectations are via an example of a third party lending relationship, and acknowledge that banks will rely on these third party vendors to conduct ongoing lending performance monitoring and outcomes analysis, including in fair lending, and to disclose those results to the bank. Banks should require this to be a rigorous oversight process:

[9] https://www.federalreserve.gov/newsevents/pressreleases/files/bcreg20181203a1.pdf
[10] Ibid

as vendors make appropriate modifications and updates to the vendor model over time, the vendor should be required to provide updated or supplemented model documentation at the time of each significant update. In addition to the ongoing performance monitoring by the model vendor, examiners should expect banks to conduct ongoing monitoring and outcomes analysis of vendor model performance using the bank's own performance outcomes.

Upstart believes that while this must be a rigorous process, banking institutions should not feel they are required by their supervisors, or by the Proposed Guidance, or the separate 2011 model risk management guidelines, to approve, ex ante, every model update in a third party's model. Such a regime would stifle innovation within the banking system and limit the ability of third parties to nimbly serve many different supervised institutions as opposed to just a few. It is critical to note that existing bank policies governing internal model risk management are not applicable to third party models; instead, banks should feel free to establish appropriate separate approaches to third party vendor risk management with respect to models.

10. **What risk management practices do banking organizations find most effective in managing business arrangements in which a third party engages in activities for which there are regulatory compliance requirements? How could the guidance further assist banking organizations in appropriately managing the compliance risks of these business arrangements?**

When evaluating a third party that engages in activities for which there are regulatory compliance requirements, Upstart believes that the following four part test should help determine whether the program should move forward.

- Does the partnership help to meet legitimate business needs for the institution?
- Is it a competency that the bank can reasonably build itself in house?
- Under the relationship, does the bank have a plan to meet its compliance obligations and conduct appropriate ongoing oversight of the third party's role in meeting those requirements?
- Is there a business continuity/recovery plan if a vendor can't fulfill its obligations?

To address the third prong, banks and third party vendors like Upstart must be enabled to work jointly to develop regulatory compliance and risk management approaches that meet banks' requirements and examiner expectations in a rigorous, efficient and standardized manner. This can only be accomplished in an environment in which the basic expectations are clearly outlined and the examiners are consistent in their approach to the issue. This includes regulators taking a technology-agnostic approach. Absent a change in law or an implementing regulation, the regulatory compliance requirements or expectations should not be altered, ramped up, or seen as full of uncertainty, just because a bank is contemplating utilizing a vendor that has embraced a new technology. Regardless of technology, institutions should understand that they can take a risk-based approach, based on the risk of the third party, and set the level of oversight commensurate with potential risk.

11. **In what ways, if any, could the discussion of shared due diligence in the proposed guidance provide better clarity to banking organizations regarding third-party due diligence activities?**

Upstart supports the Proposed Guidance for adding an explicit acknowledgement that banking organizations may gain advantage by negotiating contracts as a group with other users. Recognized trade associations should be included as a recognized form of group negotiation. Upstart has seen in conversations with associations that group discussions can help to streamline the sales cycle for smaller institutions. In particular, Upstart has developed a partnership with the National Bankers Association (NBA) representing MDIs/CDFIs, where the NBA Technology/Innovation Committee members led the discussions and initial due diligence with all the member MDI banks benefiting from the conversations. In the credit union space, the utilization of a Credit Union Services Organization (CUSO) could be helpful in similar ways to promote a streamlined vetting process, incentivizing third-party lending technology companies to work with smaller institutions.

12. **In what ways, if any, could the proposed guidance further address due diligence options, including those that may be more cost effective? In what ways, if any, could the proposed guidance provide better clarity to banking organizations conducting due diligence, including working with utilities, consortiums, or standard-setting organizations?**

Currently the diligence process for banks to onboard third-party vendors is far too costly – in both time and financial resources – for both banks and third-party vendors. To ensure cost-effectiveness, Upstart strongly urges regulators to retain the proposed preamble language designed to explicitly reassure smaller and less complex banking organizations that they are not expected to adopt an approach that would be more appropriate for larger and more complex organizations. This should appear in the Final Guidance.

Upstart also strongly supports the Proposed Guidance for permitting banking organizations to rely on external services, organizations, or other entities to facilitate due diligence, an approach not discussed in the older OCC guidance. An example of this would be proof of recent validation of a credit decision model performed by a reputable third party expert. Upstart also believes that the recent FDIC proposal provides a framework that explores standardizing certain model risk management and third-party relationship due diligence functions through a voluntary certification process.[11] Overseen by regulators, the certification process could over time significantly reduce the barriers to adoption of certified models by individual community banks and smaller institutions, thereby increasing the speed of adoption of innovative technology via well-vetted partnerships. Smaller institutions, especially, need to be able to rely on audits by third party experts for compliance and information security as well as for model validation.

Upstart believes, however, that the Proposed Guidance and other regulatory guidance documents could provide more detail on how institutions, especially smaller institutions, are expected to manage risks presented by the use of vendor-provided tools that have demonstrated value over many years but operate at a level of sophistication that the institution's human and financial resources do not permit it to reproduce in-house. Many banking institutions are reluctant to commit resources to vendor relationships without clear assurance from regulators about how they can do so in a manner that is consistent with the regulators' expectations for prudent risk management.

13. **How could the proposed guidance be enhanced to provide more clarity on conducting due diligence for subcontractor relationships? To what extent would changing the terms used in explaining matters involving subcontractors (for example, fourth parties) enhance the understandability and effectiveness of this proposed guidance? What other practices or principles regarding subcontractors should be addressed in the proposed guidance?**

The Proposed Guidance states that banking organizations typically conduct due diligence on the third party's critical subcontractors under certain circumstances, such as when the third party outsources significant activities. Upstart recommends that the Agencies revise the Proposed Guidance in two important respects to address a bank's subcontractor concerns.

First, the Proposed Guidance should clearly define the terms "critical subcontractor" and "significant activities" that are conducted by subcontractors. The Proposed Guidance should state that a critical subcontractor is defined as an entity that conducts "critical activities," as defined in the Proposed Guidance, on behalf of a third party. It should also state that "significant activities" are those that correspond to the definition of "significant bank function," except as performed by a subcontractor on behalf of a third party. Upstart believes that clarifying these definitions would provide banks clarity to engage with a third party to more effectively manage and meet supervisory expectations. We believe

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11 https://www.federalregister.gov/documents/2020/07/24/2020-16058/request-for-information-on-standard-setting-and-voluntary-certification-for-models-and-third-party

that clarifying key definitions would inform whether examiners expect banks to conduct heightened due diligence of a subcontractor.

Second, the Proposed Guidance should acknowledge that, while a subcontractor may be designated as a "critical subcontractor," not all of the activities they conduct on behalf of the third party are necessarily critical to the third party and therefore should not warrant heightened due diligence by a bank. A critical subcontractor can perform both critical activities and non-critical activities, and banks should have the flexibility to tailor and target their due diligence in a risk-based manner, consistent with the risk-based approach articulated in this Guidance. Upstart believes that this approach also would align more closely with the Fintech Diligence Guidance, which emphasizes that the purpose of conducting diligence on the third party's monitoring of its subcontractors is to provide insight into the operational resilience of the third party.[12]

14. **What factors should a banking organization consider in determining the types of subcontracting it is comfortable accepting in a third-party relationship? What additional factors are relevant when the relationship involves a critical activity?**

As referenced above, the Proposed Guidance should make clear that while there are expectations for banks to evaluate a potential third-party's approach to managing its subcontractors, banks are not expected to themselves conduct such diligence. If a third party oversight program is robust and sufficient, banks can rely on the third party to conduct appropriate diligence on the subcontractors, with appropriate reporting. For example, a robust third party oversight program might include a trigger for a review by the appropriate supervisor of the relationship if there is a material change at a subcontractor entity that provides "critical services" related to a "significant bank function."

15. **What additional information should the proposed guidance provide regarding a banking organization's assessment of a third party's information security and regarding information security risks involved with engaging a third party?**

Upstart applauds the Proposed Guidance for including risk assessments to the itemized lists of significant documentation required in the diligence process. To be useful, however, these risk assessments should cover the portion of risk that is relevant to the relationship between the bank and the third party, not documentation of the entire enterprise risk profile of the third party. Upstart also acknowledges that the Proposed Guidance has also added reports from third parties of service disruptions, security breaches, vulnerabilities, or other events that could pose a significant risk to the banking organization. Upstart believes that these should be focused on situations that are material to

[12] Fintech Diligence Guidance, 17. This guidance continues, "For example, a community bank may inquire as to whether the fintech company depends on a small number of subcontractors for operations, what activities they provide, and how the fintech company will address a subcontractors' inability to perform."

the bank or its critical service provider.

16. **To what extent should the concepts discussed in the OCC's 2020 FAQs be incorporated into the guidance? What would be the best way to incorporate the concepts?**

Overall, Upstart sees the OCC’s 2020 FAQs as helpful in providing more information to the industry and other stakeholders in this critical area than was previously made available. If they are to be incorporated into this broader interagency Third Party Relationship guidance, or otherwise formally referenced, Upstart would offer the following comments to ensure they achieve the maximum positive impact.

First, Upstart has some concern about the application and interpretation of FAQ Question 5, which is clearly intended to address business relationships where the third-party is reluctant to provide additional information or address and respond to lender due diligence questions and inquiries. Without clarification, this guidance could be misconstrued to also be referring to third-parties leveraging proprietary technology (such as AI and ML) and who may want to be protective of their core IP, but that otherwise are proactively responding comprehensively to questions and satisfying all requests made by lenders.

Second, Upstart appreciates that Question 12 suggests that lenders should pool resources and collaborate to perform testing, which is an important message, especially to small and mid-sized banks. The FAQ could, however, provide additional relevant examples of this beyond just ongoing monitoring, due diligence, and contract review. Additional examples that could be provided could include fair lending testing and model validation testing.

Similarly, Upstart sees FAQ Question 14 as helpful in that it addresses the fact that lenders may (and most likely will) need to rely on a third-party’s provided reports, certificates of compliance, or independent audits, in order to complete their third-party vendor reviews (for example, SOC reports). Here it would be helpful if a more expanded list of illustrative examples were provided, since lenders are sometimes confused about what type of reports they can rely on during exams. This FAQ could make clear that regulators encourage third parties to have an independent expert securely review the information that lenders need to have access to, without jeopardizing and exposing the proprietary technology each time they are contracting to provide technology and other services to a lender. For example, it could be helpful to the marketplace if the OCC included independent model validation reports or assessments as concrete examples. This would help lenders to better understand and become comfortable with their use when doing diligence on potential fintech partnerships – especially in situations where the third-party being evaluated leverages proprietary artificial intelligence and machine learning models.

Overall, these helpful FAQs could provide more concrete examples of the level of detail that the OCC has typically found to be sufficient for lenders to provide during examinations when justifying or validating their higher criticality (risk) third-party relationships. Providing more detail specifying the types of reference materials, documents, analyses, policies and procedures would provide for a more concrete roadmap to achieve a successful exam, which in turn would improve lender confidence when engaging in these types of relationships to improve their lending.

Conclusion

Upstart recognizes the work of many parties in updating this critical guidance, as well as the recent publication of documents related to due diligence of financial technology companies. It is important work; third party partnerships with technology firms are likely the only way that the vast majority of banks and credit unions will be able to overcome the barriers that stand in the way of a successful digital transformation of their traditional branch-based consumer lending programs. It is simply too much to expect that any but the largest banks in the United States will be able to organically develop the software, methods and the associated technical expertise, to manage a successful online consumer lending program that uses advanced AI/ML underwriting techniques. To avoid stifling innovation and greater financial inclusion, regulators should pay careful attention to the interaction between various guidance documents and their supervisory applications. A lack of clarity regarding expectations may leave banks to remain overly conservative with respect to both entering new relationships with third parties as well as the appropriate model risk management governance and oversight responsibilities banks have when they engage a vendor that provides services that rely on complex models. If you have any questions, please contact the undersigned at nat.hoopes@upstart.com.

Sincerely,

Nathaniel Hoopes
VP - Head of Government and
Regulatory Affairs