



Embedded Consumer Lending

Flexible finance for consumers at point of sale

Advanced Lending as a Service that enables financial institutions, distributors, and retail merchants to grow their customer base and revenues



Secure, convenient, proven: Embedded lending is the future of point of sale financing for merchants and consumers

What is embedded lending?

Embedded lending enables financial institutions (often referred to as 'providers') to offer loan origination products and services at the point of sale on a merchant's website. The loan application is delivered as a service via the existing financial institution's infrastructure. In most cases, the integration of the bank's loan product with the merchant website is facilitated by a financial technology organization (often referred to as a 'distributor').

Embedded lending is not Buy Now Pay Later

Embedded lending, including Finastra Embedded Consumer Lending is fundamentally different from the current batch of Buy Now Pay Later (BNPL) solutions. Unlike most BNPL products, embedded lending allows financial institutions to provide traditional lending products at the point of sale, using highly regulated and proven origination processes. This makes it suitable for high value purchases such as RVs or home improvements, unlike BNPL which typically has an upper limit of around \$1,000 – 2,000.

The arrival of embedded lending has opened the door to a marketplace worth up to \$391 billion annually - from point of sale finance alone (according to Filene Research Institute). For financial institutions, it offers the opportunity to broaden the reach of their loan products to large merchants as well as their customers—many of whom grew their savings during the Covid-19 lockdown.

But in most cases, financial institutions can't do it alone. Instead, most partner with fintechs, acting as 'distributors', who specialize in embedding loan products at the merchant's point of sale. This makes embedded lending a lucrative prospect for distributors, so long as they can build relationships and connect their technology with licensed financial institutions.

A platform model for growth

To profit in this fast-moving marketplace, the ability to scale is everything. However, building bespoke, one-to-one relationships is expensive and time consuming for both

financial institutions and distributors. The fastest way to scale a business is via a platform, and platform scale is achieved by allowing distributors and financial institutions to connect and exchange value with each other.

Finastra's FusionFabric.cloud open banking orchestration platform provides the ability to scale financial service offerings. FusionFabric.cloud allows distributors to access financial products and services to extend to their customers, and allows financial institutions access to loan applications from indirect lending channels. This many-to-many, platform model is crucial for scalable Banking as a Service offerings.

Our Embedded Consumer Lending solution is a unique end-to-end loan origination service that enables financial institutions to provide their products through APIs on the FusionFabric.cloud platform for distribution to end consumers. Financial institutions are able to process loan applications, provide automated-decisioning, generate

legal compliant documentation and create loan accounts in the core banking system. Consumers can complete a loan application in minutes, get instant approvals and receive immediate online disclosures – from any internet-enabled device. All transactions are processed with the highest levels of security, compliance, and automation

Today, Finastra facilitates four million loans a year in the United States alone. Using the FusionFabric.cloud platform, financial institutions can grow beyond direct lending channels, while distributors can take advantage of massive opportunities for scale and growth.

Who's Who in Embedded Consumer Lending?

When it comes to consumer lending, the old certainties are gone. The arrival of embedded lending blurs the lines between banks, retailers, and financial technology providers. In this fluid ecosystem, the ability to partner with organizations that complement your own business strengths and assets is paramount.

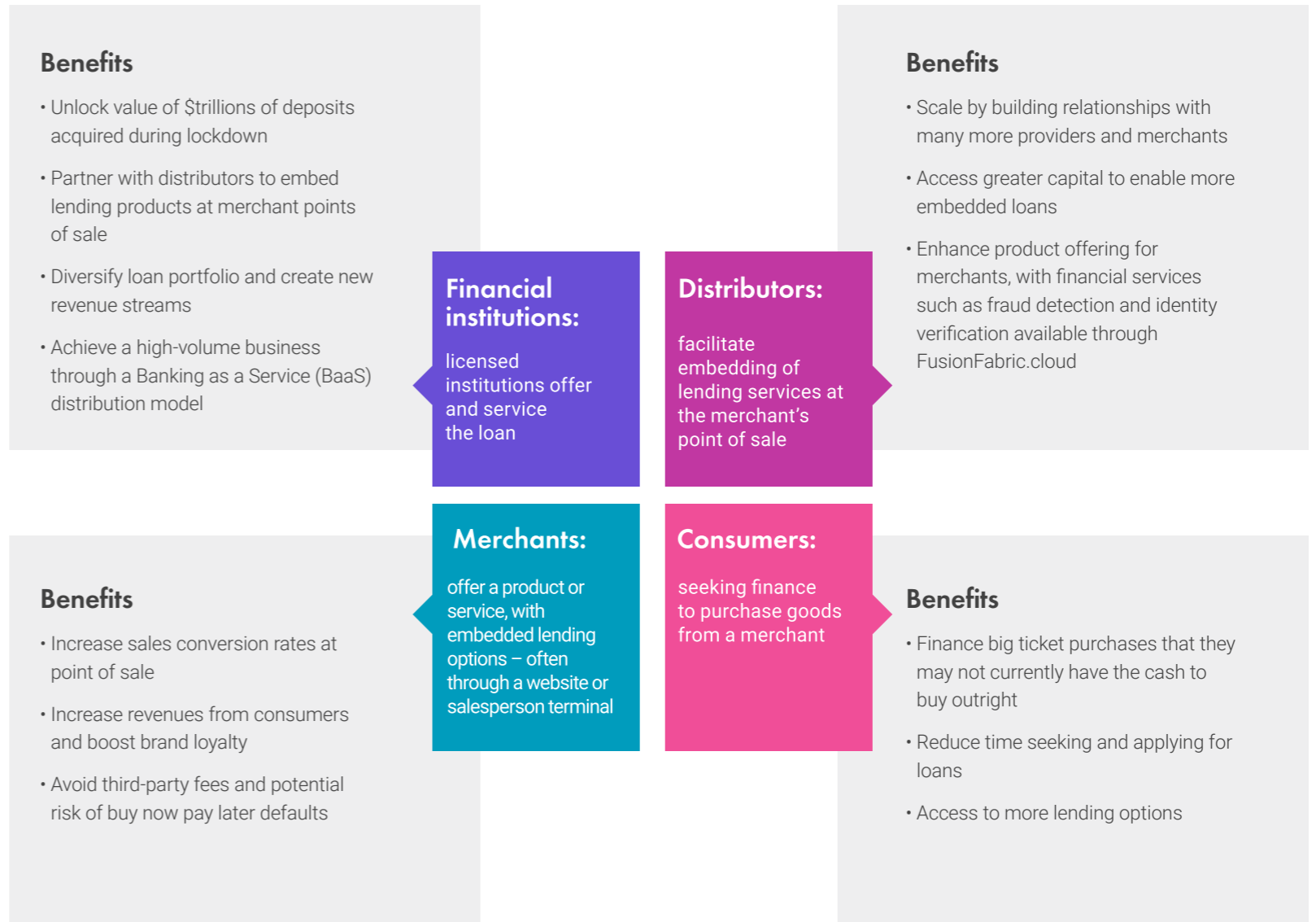
Distributors are more agile and largely unburdened by legacy systems. But while they benefit from advanced technology, they often lack brand awareness with financial institutions, retailers and consumers.

Financial institutions meanwhile enjoy a sturdy reputation but are threatened by new technology and business models encroaching on their territory—buy now, pay later, being an obvious example.

And merchants? They want to close deals fast. But customers often drop out of the buying cycle for expensive purchases. Imagine if the merchant could offer financing at the point of sale and give the customer an instant decision. The impact on conversion rates and revenue is potentially enormous.

Finastra Embedded Consumer Lending is more than just an advanced lending solution. We enable financial institutions, distributors, and merchants to quickly forge partnerships, leverage existing assets, and serve customers with flexible financing on high-end goods and services.

Embedded lending participants



Finastra Embedded Consumer Lending

Finastra Embedded Consumer Lending is an end-to-end consumer origination solution that enables financial institutions to offer lending products through distributors and/or merchants to consumers at the point of sale. Distributors access lending products through APIs on the FusionFabric.cloud platform and merchants offer these products to their customers at the point of sale. Financial institutions are then able to leverage FusionFabric.cloud platform orchestration to process the loan application, provide automated-decisioning, generate legally compliant documents, and create the loan in the financial institution's core banking system.

Proven technology

The Finastra Embedded Consumer Lending solution is orchestrated on the Microsoft Azure platform, taking advantage of Microsoft's cloud computing expertise including scalability, performance and security.

Integration is available with Finastra's core banking system, as well as third party core systems. In addition, Finastra's rich fintech ecosystem offers pre-integrated best-in-class fintech solutions.

How does it work?

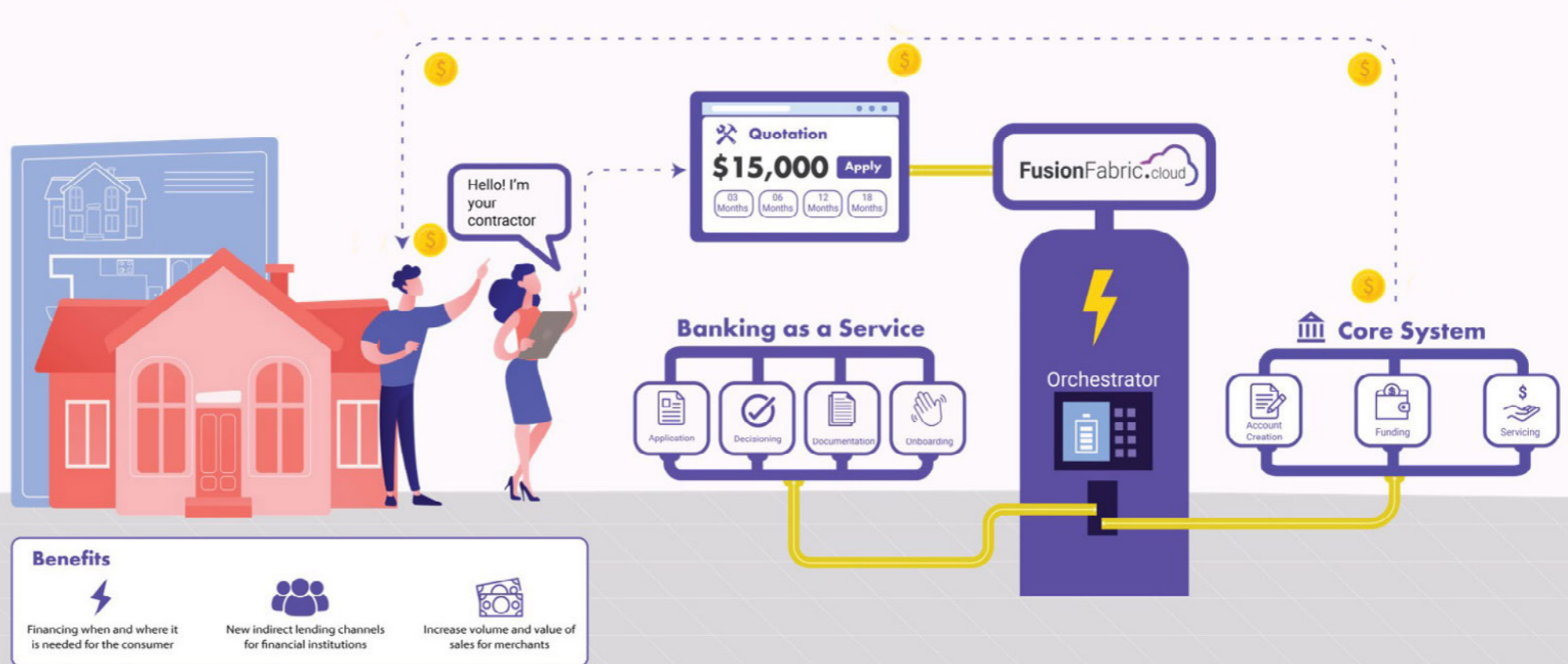
Finastra Embedded Consumer Lending provides origination workflow to third party point of sale (POS) systems, via APIs hosted on the Finastra FusionFabric.cloud platform. Our cloud based, modern, secure and scalable platform is the orchestrator of this origination workflow on behalf of Finastra's financial institution customers. The embedded lending process is typically broken down into the following steps:

- Financial institution identifies products for distribution through the BaaS solution. This can be configured based on the distributor, merchant or industry such as home improvement, window replacement or spa.

- Distributor embeds point of sale financing solution into merchant's channels (website, sales terminals etc.)
- Merchant offers a loan product to a consumer through the point of sale system, which collects the loan application details, including employment and income.
- The loan application is sent by the distributor to APIs on FusionFabric.cloud for decisioning. As the financial institution defines custom decisioning rules for the product according to their risk tolerance, the decisioning will be automatic.

- The distributor is notified of a decision immediately, documents are generated and sent for e-signature.
- The loan is then sent to the financial institution's core banking system for account creation, funding and servicing.

In most cases, the merchant can provide real-time feedback to the consumer on the progress of their loan application. This allows the merchant to proceed with the sale immediately and reduces the risk of abandonment.



Distributors

Rapid access to financial institutions and their lending capital

For distributors that specialize in embedding lending solutions at the point of sale, the challenge is clear. However innovative your technology may be, it still takes time and effort to build relationships with licensed financial institutions that bring capital to the table.

This is where Finastra can help. When it comes to relationships with financial institutions, we've already done the hard work. By integrating to our Embedded Consumer Lending solution, you open the door to one of the largest networks of U.S. banks and credit unions – financial institutions who already trust

Finastra to provide financial service technology for their business.

These institutions have acquired billions of dollars in deposits in recent years and are seeking channel solutions, such as yours, to reach millions of new lending customers. This enables your business to scale and grow revenues fast with capital to support a far wider range of merchants and their customers.



Integrate your lending POS solution with multiple financial institutions

- Reduce the operational effort required to identify and onboard providing banks.
- Connect once, access many financial institutions across the whole of the U.S.
- Integrate fast via Finastra's FusionFabric.cloud platform.

Increase access to loan capital

- Connect with institutions keen to lend deposits acquired during the recent Covid-19 pandemic.
- Access to trillions of dollars of loan capital.
- Demonstrate your scale and value to merchants.

Take advantage of Finastra's open banking platform expertise

- Leverage the Finastra brand when you go to market.
- Focus on what you do best; leave the build to Finastra.
- Take advantage of Finastra's attorney team for compliance.
- Access Finastra's expertise in consumer lending origination.

Financial Institutions

A fast route to growth for financial institutions based on the latest point of sale lending technology

How do you get your lending products in front of customers seeking financing for home improvements, recreational vehicles, and other big-ticket purchases?

With Finastra you can quickly build partnerships with the many distributor organizations that specialize in embedding lending products, just like yours, at merchants' point of sale.

Based on our deep domain expertise, technology capability and network of third-party integrations for

consumer loan origination, Finastra Embedded Consumer Lending automates loan origination processes that reduce the cost of customer acquisition and create lucrative revenue streams via previously unavailable point of sale channels.

With automated underwriting processes, you also win back capacity to generate more loans and reduce processing costs at a time when the pressure to streamline operations is greater than ever.



Grow and diversify your lending business

- Win new customers with low cost of acquisition.
- Access loans from indirect lending channels such as spa, home improvements, medical elective procedures, recreational vehicles, for example.

A flexible, secure, embedded consumer lending solution that automates loan origination

- Retain control over risk at every step of the lending process.
- Enhance reputation as a forward-looking, responsible lender.
- Increase 'social good' activities such as small business loans to local community businesses.

Replace aging technology that blocks growth opportunities

- Access to the latest fintech lending technologies that connect you with a vast lending ecosystem.
- Based on the latest cloud-based core system and origination tools.
- Automation of the loan origination process requires fewer back-office staff.

Finastra: the enabler of embedded lending

Finastra is one of the largest pureplay financial software companies in the world. We understand the breadth and complexity of the industry while bringing next generation platforms and engineering talent to Banking as a Service (BaaS) opportunities including embedded lending.

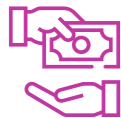
Some 30% of all U.S. financial institutions rely on Finastra mission critical software. Our software facilitates four million loans in the U.S. every year including \$6 billion of PPP (Payback Protection Program) loans in 2022.

As an orchestrator of open finance, we have established partnerships with finance innovators such as Wise, Google, Microsoft and Accenture to jointly deliver BaaS solutions to market.

As well as embracing innovation, our culture and mindset is equally focused on the monetization

of financial technology and advanced fintech solutions. We start by helping our partners frame their embedded lending goals, then quickly act to assemble the right solutions, partnerships and talents that bring your vision to life.

Embedded lending is about consumption, and we parallel any development work with identifying go-to-market partners, including financial institutions and fintechs. We are already working alongside more than 9,500 financial providers worldwide, including 5,000 in the Americas to modernize their banking ecosystems. Let us help you build the embedded lending solutions that you and your customers can bank on.



Finastra facilitates 4 million loans in U.S. every year



\$6b of PPP loans facilitated in U.S. in 2022



30% of all U.S. financial institutions rely on Finastra mission-critical software



9,500 financial institution clients worldwide

Find out more: www.finastra.com



About Finastra

Finastra is building an open platform that accelerates collaboration and innovation in financial services, creating better experiences for people, businesses and communities. Supported by the broadest and deepest portfolio of financial services software, Finastra delivers this vitally important technology to financial institutions of all sizes across the globe, including 90 of the world's top 100 banks. Our open architecture approach brings together a number of partners and innovators.

Together we are leading the way in which applications are written, deployed and consumed in financial services to evolve with the changing needs of customers. Learn more at finastra.com

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