

Second Party Opinion

OneMain Financial ABS Social Bond Framework

Feb. 8, 2022

OneMain Financial is a personal installment lending firm based in the U.S., with operations in 44 states. OneMain's primary customers are nonprime Americans. Through the provision of a variety of financial products, such as loans and insurance, OneMain aims to fulfill its customers' financial needs with transparent and responsible financial lending.

In our view, OneMain's ABS Social Bond Framework, published on Feb. 8, 2022, is aligned with:

 Social Bond Principles, ICMA, 2021

Issuer's Sustainability Objectives

The ABS Social Bond Framework aligns with OneMain's sustainability objectives to support socioeconomic progress and the financial empowerment of borrowers in rural locations that face credit-restrictive lending options and many of whom are lower-income individuals. OneMain works to improve financial inclusivity through a diversified product suite with multiple personalized loan offerings, fairer loan terms, and personalized customer service to protect borrowers against financial illiteracy. OneMain's extensive digital services and branch network is rooted in rural communities and works to make lending more accessible for rural borrowers.

PRIMARY ANALYST

Alán Bonilla
San Francisco
+1 415-371-5021
alan.bonilla
@spglobal.com

SECONDARY ANALYST

Lori Shapiro
New York
+1 212-438-0424
lori.shapiro
@spglobal.com


Sachi Jain
San Francisco
+1 202-213-7083
sachi.jain
@spglobal.com

RESEARCH CONTRIBUTOR

Craig Nelson
New York

Second Party Opinion Summary

Use of proceeds

Alignment  OneMain's ABS Social Bond Framework is aligned with this component of the Social Bond Principles (SBP).

Score Not aligned Aligned **Strong** Advanced

OneMain's ABS Social Bond Framework specifies that the net proceeds will be allocated solely to the acquisition of loans to rural borrowers (e.g., those residing in a zip code mapped to a rural or town locality) to promote financial inclusion in underserved communities. In addition, at least 75% of the balance of such loans being made to rural borrowers will be to lower-income borrowers, defined in the framework as any borrower with a net income of less than or equal to \$50,000.

Process for project evaluation and selection

Alignment  OneMain's ABS Social Bond Framework is aligned with this component of the SBP.

Score Not aligned **Aligned** Strong Advanced

OneMain's ABS Social Bond Framework outlines a clear process for the selection of qualifying loans by OneMain's Management Risk Committee. Loan criteria, including the borrower's zip code and net income, are specified in the framework.

Management of proceeds

Alignment  OneMain's ABS Social Bond Framework is aligned with this component of the SBP.

OneMain commits to track and monitor the net proceeds from social bonds issued under its framework. The net proceeds will immediately be allocated to the acquisition of qualifying loans.

Reporting

Alignment  OneMain's ABS Social Bond Framework is aligned with this component of the SBP.

Score Not aligned **Aligned** Strong Advanced

OneMain commits to conduct both allocation and impact reporting annually, until designated ABS social bonds are called or mature. All reporting will be available on OneMain's website.

Framework Assessment

Use of proceeds

The Principles make optional recommendations for stronger structuring practices, which inform our alignment opinion as aligned, strong, or advanced. For use of proceeds, we consider the commitments and clarity on how the proceeds are used.

 OneMain's ABS Social Bond Framework is aligned with this component of the SBP.

Commitments score

Not aligned

Aligned

Strong

Advanced

We consider OneMain's commitments to the overall use of proceeds as strong.

The issuer clearly commits to using 100% of the net proceeds from the issued bonds to acquire loans granted to borrowers, who at the time of origination, were considered vulnerable and/or historically underserved. We view this to be in line with the SBP category of access to essential services.

The portfolio will comprise of loans to rural borrowers (e.g., those residing in a zip code mapped to a rural or town locality) that typically face barriers accessing financing and financial instruments. The zip codes used for the issuance of designated ABS Social Bonds will be the most current as of the sale date of the bond and will remain the basis of OneMain's determination of "rural" until the revolving period has ended. At least 75% of the balance of such loans, financed by the social bonds, will be to borrowers with net incomes of less than or equal to \$50,000. OneMain states the look-back period for any designated ABS social bonds will be 36 months, which we view to be in line with market practice.

In our opinion, OneMain's promotion of financial inclusion in targeted populations contributes to its sustainability objectives of alleviating poverty, promoting economic growth, and reducing inequalities. OneMain asserts that greater availability of financial education and access to transparent and responsible products will help build the targeted population's access to credit, improve their financial wellbeing, and increase financial inclusivity in the market. We note that higher interest rates resulting from the implicit increased financial risk of lending to vulnerable borrowers may negatively affect these borrowers (namely as a result of the financial burden of high monthly loan installments and the risk of default). However, OneMain performs an ability-to-pay assessment for all borrowers and lends based on the customer's net income or take-home pay (rather than gross personal or household income). The company also has a self-imposed maximum interest rate of 36% for all loans, even when not required by state law.

Process for project evaluation and selection

The Principles make optional recommendations for stronger structuring practices, which inform our alignment opinion as aligned, strong, or advanced. For our process for project selection and evaluation, we consider the commitments and clarity on the process used to evaluate and select eligible projects to fund with the proceeds of the sustainable finance instrument.

 OneMain's ABS Social Bond Framework is aligned with this component of the SBP.

Commitments score

Not aligned

Aligned

Strong

Advanced

We consider OneMain's overall process for project selection and evaluation to be aligned.

The ABS Social Bond Framework outlines the processes and internal bodies responsible for evaluating and selecting qualifying borrowers. OneMain commits to using the net proceeds to acquire loans in counties deemed to be "Town & Rural" by the Claritas PRIZM Premier urbanicity model. A Social Bond Committee is composed of internal risk, legal, financial, treasury, and corporate social responsibility stakeholders and is responsible for annual oversight and approval

Second Party Opinion

of the portfolio of qualifying social loans. In these reviews, the committee will check that the assets comply with OneMain's lending guidelines.

In addition, OneMain provides information related to its risk-management processes, which include the identification and management of social risks associated with the projects. For example, its custom budget and ability-to-pay analysis help customers develop a better understanding of their financial situation before and after borrowing. Additionally, OneMain outlines a comprehensive Customer Bill of Rights that aims to protect borrowers. The framework also outlines a list of prohibited loan types including those for gambling and illegal activities.

Eligibility criteria is met by the borrowers at the point of loan origination. However, OneMain does not ensure eligibility criteria are met throughout the life of the securitization due to the lack of information available--which is the result of legal restrictions concerning personal data protection, or private borrower data.

Management of proceeds

The Principles require disclosure of the issuer's management of proceeds from sustainable finance over the life of the funding. The alignment opinion focuses on how clear in the documentation is the issuer's commitment to ensure that the funds raised will remain dedicated to eligible sustainability projects throughout the life of the sustainable finance funding.

 OneMain's ABS Social Bond Framework is aligned with this component of the SBP.

The framework outlines that the net proceeds will be tracked and managed by OneMain's Social Bond Committee. At issuance, the net proceeds will be entirely allocated for the acquisition of qualifying social loans for specific underserved communities. As proceeds are exclusively used to refinance a portfolio of previously originated loans, we understand there will be no temporarily unallocated proceeds for current or future transactions.

Due to intrinsic challenges of the structured finance market today, there is no commitment to monitor loans' eligibility or to periodically adjust the portfolio to match allocations to eligible social assets during the time the instrument is outstanding.

Reporting

The Principles make optional recommendations for stronger disclosure practices, which inform our disclosure opinion as aligned, strong, or advanced. We consider plans for updates on the sustainability performance of the issuer for general purpose funding, or the sustainability performance of the financed projects over the lifetime of any dedicated funding, including any commitments to post-issuance reporting.

 OneMain's ABS Social Bond Framework is aligned with this component of the SBP.

Disclosure score

Not aligned

Aligned

Strong

Advanced

We consider OneMain's overall reporting practices to be aligned.

OneMain commits to annually reporting on the allocation and impact of social bond proceeds until designated ABS social bonds are called or mature. All reporting will be available on OneMain's website. An external reviewer will verify the allocation of social bond proceeds.

The annual allocation reporting will include information about the portfolio of qualifying loans, including the average loan balance, number of loans to borrowers in eligible zip codes, average net income of borrowers in rural communities, and average balance of rural borrowers' loans compared to the average balance of all OneMain borrowers' loans. The report will also include the net proceeds from each designated social bond issuance and the unpaid principal balance of loans to individuals in rural communities as a percent of the total OneMain portfolio. These metrics provide information on the proportion of historically underserved populations receiving access to responsible financial products and services. However, in our view the quantitative

Second Party Opinion


indicators chosen by OneMain do not directly measure the social impact of financed projects. That said, we believe defining such social impact is difficult for many issuers, and therefore OneMain's impact reporting practices are in line with current market practices.

Mapping To The U.N.'s Sustainable Development Goals

The sustainable development goals (SDGs), which the U.N. set up in 2015, form an agenda for achieving sustainable development by 2030.

We use the International Capital Market Association's (ICMA) SDG mapping for this part of the report. We acknowledge that ICMA's mapping does not provide an exhaustive list of SDGs and that ICMA recommends each project category be reviewed individually to map it to the relevant SDGs.

OneMain's ABS Social Bond Framework intends to contribute to the following SDGs:

Use of proceeds	SDGs		
Access to essential services**	 *1. No poverty	 *8. Decent work and economic growth	 *10. Reduced inequalities

* The eligible project categories link to these SDGs in the ICMA mapping.

**The framework document refers to access to essential services projects as "financial inclusion" projects.

Second Party Opinion

Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P) receives compensation for the provision of the Sustainable Financing Opinions product (Product). S&P may also receive compensation for rating the transactions covered by the Product or for rating the issuer of the transactions covered by the Product. The purchaser of the Product may be the issuer.

The Product is not a credit rating, and does not consider credit quality or factor into our credit ratings. The Product does not consider, state or imply the likelihood of completion of any projects covered by a given financing, or the completion of a proposed financing. The Product encompasses Second Party Opinions and Transaction Evaluations. Second Party Opinions consider features of a financing transaction and/or financing framework and provide an opinion regarding alignment with certain third-party published sustainable finance principles and guidelines ("Principles"). For a list of the Principles addressed by our Second Party Opinions, see the Analytical Approach and Analytical Supplement, available at www.spglobal.com. Transaction Evaluations provide an opinion which reflects our assessment of the potential relative environmental benefit of the funded or resilience projects. The Product is a statement of opinion and is neither a verification nor a certification. The Product is a point in time evaluation reflecting the information provided to us at the time that the Product was created and published, and is not surveilled. The Product is not a research report and is not intended as such.

S&P's credit ratings, opinions, analyses, rating acknowledgment decisions, any views reflected in the Product and the output of the Product are not investment advice, recommendations regarding credit decisions, recommendations to purchase, hold, or sell any securities or to make any investment decisions, an offer to buy or sell or the solicitation of an offer to buy or sell any security, endorsements of the suitability of any security, endorsements of the accuracy of any data or conclusions provided in the Product, or independent verification of any information relied upon in the credit rating process. The Product and any associated presentations do not take into account any user's financial objectives, financial situation, needs or means, and should not be relied upon by users for making any investment decisions. The output of the Product is not a substitute for a user's independent judgment and expertise. The output of the Product is not professional financial, tax or legal advice, and users should obtain independent, professional advice as it is determined necessary by users.

While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Product. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for reliance of use of information in the Product, or for the security or maintenance of any information transmitted via the Internet, or for the accuracy of the information in the Product. The Product is provided on an "AS IS" basis. S&P PARTIES MAKE NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, INCLUDED BUT NOT LIMITED TO, THE ACCURACY, RESULTS, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE WITH RESPECT TO THE PRODUCT, OR FOR THE SECURITY OF THE WEBSITE FROM WHICH THE PRODUCT IS ACCESSED. S&P Parties have no responsibility to maintain or update the Product or to supply any corrections, updates or releases in connection therewith. S&P Parties have no liability for the accuracy, timeliness, reliability, performance, continued availability, completeness or delays, omissions, or interruptions in the delivery of the Product.

To the extent permitted by law, in no event shall the S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence, loss of data, cost of substitute materials, cost of capital, or claims of any third party) in connection with any use of the Product even if advised of the possibility of such damages.

S&P maintains a separation between commercial and analytic activities. S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

For PRC only: Any "Sustainable Financing Opinions" or "assessment" assigned by S&P Global Ratings: (a) does not constitute a credit rating, rating, sustainable financing framework verification, certification or evaluation as required under any relevant PRC laws or regulations, and (b) is not intended for use within the PRC for any purpose which is not permitted under relevant PRC laws or regulations. For the purpose of this section, "PRC" refers to the mainland of the People's Republic of China, excluding Hong Kong, Macau and Taiwan.

Copyright © 2022 by Standard & Poor's Financial Services LLC. All rights reserved.