

Ebay for bank loans

Koi Discover Loans Sell Loans Deal Room

Discover Loans from... MSA Min. DSCR Go

Total Loan Amount: **\$11m** Available Loans: **26** Average Rate: **12.4%**

Your Search Results:

Lender 1 3 loans Unselect All

State	City	MSA	Vintage	Business Profile	DSCR	Gross Note Rate	Price(\$)	Borrower Profile	
NY	New York	NY-NJ MSA	2022	<= \$250K GAR	2.18	13.05%	151,000	Low-Income	<input checked="" type="checkbox"/>
NY	Recheater	Recheater MSA	2021	> \$250K < \$1M GAR	1.25	12.54%	320,000	Moderate-Income	<input checked="" type="checkbox"/>
NY	Syracuse	Syracuse MSA	2022	> \$250K < \$1M GAR	1.66	11.0%	687,800	Moderate-Income	<input checked="" type="checkbox"/>

Lender 2 5 loans Select All

usekoi.com New York, NY

Highlights

- 1 The team and advisors come from MIT, Harvard, Meta, Schmidt Futures, Fifth Third Bank, Sofi, & NCRC.
- 2 Only a few months into outreach, 23 institutions are interested in transacting on Koi.

Featured Investor

Darian Bhatena
Syndicate Lead

Follow Invested \$8,000

"Koi is a simple solution to a niche and complex problem, at a time when pressures to solve that problem are mounting. As a technology-first company, it has the potential to disrupt a previously manual, fragmented, and broken system in the secondary SMB loan market without re-inventing the wheel or needing to accomplish too much all at once. Increasing regulatory obligations under the Community Reinvestment Act (CRA) are increasing demand for exactly the elegant solution that Koi is proposing it can offer. Furthermore, the team at Koi has exactly the right determination, expertise, and

team at Koi has exactly the right determination, expertise, and - perhaps most importantly - motivation, to make this platform a reality. I have witnessed firsthand the progress the team has made so far, the patience they have had and the research they have done to find the correct positioning for the platform and company, and I am excited to become a part of their journey."

Our Team



Christien Williams CEO



Gavin Lifrieri COO

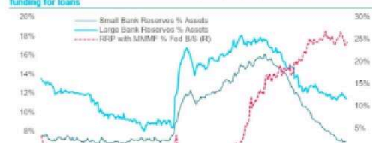
Pitch

Banks want to lend more but can't due to low reserves

With banks' loan-to-deposit ratios (LDRs) soaring, bank reserves are at their lowest comfort level, curbing lending

- Credit unions, CDFIs, and community banks
 - Currently have low reserves and high funding costs
 - High interest rate environments shrink deposits further and make other forms of capital even more expensive
- Large institutions
 - Are oversaturated lending in some markets and want to free capital to sell in others

Chart 5: Small bank reserves are as low as they are going to go, drying up a source of funding for loans



Banks are stuck with a high LDRs because they can't efficiently sell their loans

Banks hold \$127¹ in loans on their balance sheets, \$800B² of which are small business loans

Sources: 1 Assets and Liabilities of Commercial Banks in the United States; 2 Availability of Credit to Small Businesses, Federal Reserve

Banks want to sell their loans to gain liquidity, but the market of buyers for anything but conforming mortgage loans is opaque and accessing interested buyers is inefficient

... as a result, pricing is hard,

... and deal flow is slow.

In the current high interest rate environment, loans are below par, making the available offers suboptimal for sellers.

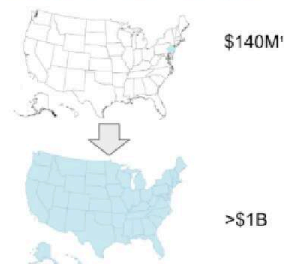
One result of this is essential debt capital is not reaching low-to moderate-income small and medium businesses

- Loans crucial to building small and medium businesses (SMBs) aren't reaching Americans living in low- to moderate-income (LMI) communities
- This problem disproportionately reduces opportunities for wealth creation among those that need it the most
- At the same time, regulators are demanding banks make more loans in LMI communities

Heightened regulator pressure has banks scrambling to find and buy LMI loans

- The Community Reinvestment Act (CRA), since 1977, has legally obligated banks to lend and invest in LMI communities
- On October 24, 2023, a new modernized CRA rule dropped:
 - Banks have more assessment areas
 - Assessment areas are larger
 - Banks' CRA gaps are being more exposed
- 62 % of banks are "highly concerned about the new CRA rule"²

CRA Reform Expands Assessment Areas, Driving Increased Demand for LMI Loans



Sources: 1 Public Disclosure for a national online bank; LinkedIn: 2 Walters Kluwer CRA Deloitte

CRA SMB lending is already a big business and is about to

get much bigger because of the new rule

- \$285B¹ is spent annually on originations and purchases of SMB loans for CRA
- Failing CRA grades mean banks are **legally prevented from growing** (M&A, acquisitions, new branches)
- CRA qualifying loans are difficult for banks to source and even harder to purchase at scale - a market inefficiency problem

Source: ¹FRED (2022)

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Koi is the solution

A SECONDARY LOAN MARKETPLACE ENABLING STREAMLINED LISTING, MATCHING, AND EFFICIENT TRANSACTIONS AT SCALE



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Benefits for all parties



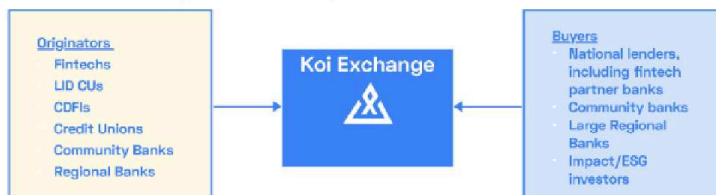
Metric listed are detailed in the appendix

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Koi's market consists of originators and buyers

Koi's TAM is the \$1.5T¹ESG debt market. Our beachhead is the \$265B² in annual CRA eligible SMB loan production.



Koi makes money just like any other exchange

Fees from investors (buyers) and originators (sellers)

- Flat rate for funded loans: 1% for buyers, 10% of above par value for sellers
- Possible subscription model for services standardizing diligence data

Go-to-Market

- In early partnership talks with CDFI; partner brings a network of 100+ CDFIs looking to immediately sell as well as buyers
- Pursuing partnerships with credit union leagues, bankers associations
- Already interest from 4 buyers and 4 sellers
- The bank industry is “lemming-like”, once a few join the others follow
 - CRA Officer at \$200B bank & CEO at leading CDFI

Competitors Comparison

Company	Facts	Provides sellers with buyer transparency so sellers get the best price	Tech platform that enables a high volume of transactions at scale	Opens listing up to all CDFIs, CUs, banks	Buyers can tailor search criteria at scale	Dynamic investor auction	Enhances regulatory compliance
Scale-Link	F2020: Private	✗ No	✗ No	✗ No	✗ No	✗ No	✓ Yes
CNote	F2018: Private	✗ No	✗ No	✗ No	✗ No	✗ No	✓ Yes
Investment managers	Solomon Hesse F2004: \$1B AUM, Community Capital Management F1998: \$4.6B AUM	✗ No	✗ No	✗ No	✗ No	✗ No	✓ Yes
Loan-Street	F2013: Series B	✗ No	✓ Yes	✗ No	✗ No	✗ No	✗ No
XChangeFi	F2022: Parent CDFI AUM \$25	✗ No	✓ Yes	✗ No	✓ Yes	✗ No	✓ Yes
Koi 	F2023: Private	✓ Yes	✓ Yes	✓ Yes	✓ Yes	✓ Yes	✓ Yes

We will eventually grow the pie of originations that supply our marketplace

- \$950B in SMB loans are denied annually^{1,2}. \$100B of these are low-risk and should get funded³, **\$25B of which are in LMI communities. This increases our opportunity by \$25B**
- Profitable loans are denied due to antiquated underwriting that misclassifies risk, and regulation that requires lenders reserve capital for losses
- In phase 2, Koi will build a second-look AI underwriting model to identify and facilitate the sale of profitable loans that would normally be denied

Sources: 1 [SBA](#) (2019), 2a [BisChicks](#) (2021), 2b [Urban-Institute](#) (2019), 3 [Zest AI](#)

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Our Team



Christien, Co-Founder

[Email](#) | [LinkedIn](#)

Product @ Schmidt Futures;
Software Engineering @ Meta;
Machine Learning Research,
MIT/ENS Paris-Saclay;
M.Eng. & S.B. in Computer Science
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Gavin, Co-Founder

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Software Engineering @ Meta;
Analyst @ D.E.Shaw
Dir. of Eng., Harvard T4SG;
A.B. in Computer Science and
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Appendix

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A Single Loan Transaction

Bank A has a \$200k loan with a 7yr term and 13% APR on its books. This loan, originated in Cincinnati, OH, is CRA eligible: it's a loan to a small business and the borrower is a low- or moderate-income individual.

1. The bank lists the loan on Koi, gaining exposure to a vast network of buyers. They'll sell 90% participation interest in the loan (\$180k)
2. Buyers with CRA obligations in Cincinnati filter their search based on their geographic needs as well as credit criteria
3. Multiple buyers submit bids for this loan, leading to a sale price premium of 1% (\$1.8k)



Sellers list loans



Buyers search for loans



Automated second price auction

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A Single Loan Transaction Cont'd

\$200k loan with a 7yr term and 13% APR

1. Seller gains (year 1 of the loan term)	
a. Proceeds from sale (includes premium):	\$182,000
b. Koi program income:	
i. Servicing fees from the buyer (.5% annually of the sold participation's outstanding balance):	\$900
ii. Interest income on the 10% principal retained:	\$2,500
2. Buyer gains (life of loan)	
a. CRA credit from 90% participation interest purchased:	\$180,000
b. Net income from 90% participation interest purchased (less fees and risk):	\$72,000

5yr PV on participation purchase through Koi is greater than 5yr PV of US 5-year T-Note at 3.87%: **\$46,000 vs \$34,000**

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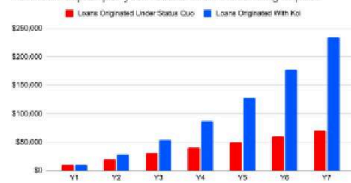
Koi's Benefits For Sellers Compound Over Time

> In this example, under current processes, a lender originates an additional \$10M of loans annually (7yr term, an average of 13% interest, 1.5% default risk)

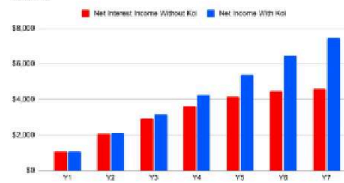
> With Koi...

- Reinvesting participation sale proceeds results in multiples greater community impact through boosted origination growth
- The same investment yields greater return on capital

Compared to the status quo, with Koi, the same \$10M worth of new loan capital per year results in 3x the lending impact



By year 7, the same investment has yielded 60% greater returns



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Future projections are not guaranteed

Seller Benefits Cont'd

Originator begins with \$10M of loans with 7yr term, an average of 13% interest, and 1.5% default risk

- During originator's process today, they only originate \$10M in new loans each year
- With Koi, originator sells 90% participation interest in the year's originations at the end of the calendar year and reinvests proceeds to grow origination program
- Servicing fees collected from the buyer help originators realize greater returns

	Y1	Y2	Y3	Y4	Y5	Y6	Y7	
Process Today	Principal Value of Loans Originated	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
	Outstanding Balance EOY, From Principal Repayment	\$9,002	\$17,098	\$23,839	\$29,238	\$33,065	\$35,161	\$35,101
	Interest Income	\$1,245	\$2,361	\$3,330	\$4,131	\$4,742	\$5,125	\$5,281
	ECL (1.5% of Outstanding Annually)	\$150	\$280	\$406	\$508	\$580	\$645	\$677
	Net Interest Income Without Koi	\$1,095	\$2,076	\$2,924	\$3,624	\$4,162	\$4,480	\$4,605
	Principal Value of Loans Originated	\$10,000	\$19,238	\$26,682	\$33,157	\$41,021	\$49,074	\$57,619
Process With Koi	Outstanding Balance EOY, From Principal Repayment	\$9,002	\$17,262	\$25,475	\$34,138	\$42,919	\$52,365	\$62,404
	Principal Value Sold Through Koi (90% of Outstanding Principal)	\$8,196	\$15,527	\$22,928	\$30,724	\$38,627	\$47,145	\$56,235
	Proceeds From Sale (includes Premium)	\$8,236	\$15,682	\$23,157	\$31,031	\$39,014	\$47,619	\$56,796
	Principal Value Retained (10% of Outstanding Principal)	\$906	\$1,755	\$2,548	\$3,414	\$4,292	\$5,255	\$6,249
	Cumulative Principal Value Retained (10% of Outstanding Principal)	\$906	\$2,631	\$5,179	\$8,593	\$12,885	\$18,123	\$24,332
	Interest Income From Loans Originated in Current Year	\$1,245	\$2,271	\$3,199	\$4,120	\$4,810	\$5,286	\$5,448
Interest Income From Current Loans Retained (Carried Over From Prior Years)		\$113	\$294	\$502	\$668	\$765	\$713	
Servicing Fees Received From Buyers	\$41	\$115	\$220	\$347	\$489	\$609	\$669	
Transaction Fee Above Par Paid to Koi	\$0	\$16	\$33	\$51	\$69	\$87	\$95	
ECL (1.5% of Outstanding Annually)	\$150	\$280	\$420	\$582	\$717	\$803	\$1,055	
Net Income With Koi	\$1,087	\$2,124	\$3,164	\$4,258	\$5,390	\$6,463	\$7,448	

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Loans purchased through Koi solve buyers' CRA problem and make 40% more than a T-Note

Investor buys 90% participation interest in \$10M of loans with 7yr term, an average of 13% interest and 1.5% default risk

Principal Listed on Koi (\$000 USD)	\$10,000
Participations Purchased Through Koi (\$000 USD)	\$9,000
ECL, 1.5% of Outstanding Annually (\$000USD)	\$677
Servicing Fee, .5% of Outstanding Annually (\$000 USD)	\$203
Prepayment Risk, 1.5% of Init. Loan Amt. (\$000 USD)	\$135
Transaction Fee, 1% of P+I Paid to Koi (\$000 USD)	\$139
CRA Credit from Participations Purchased (\$000 USD)	\$9,000
Net Yield (Life of Loan, Less Fees and Risk)	40%
Participation Gross Interest Income (\$000 USD)	\$4,753
Participation Net Income (\$000 USD)	\$3,600
Koi Program 5Yr PV (\$000 USD)	\$2,314
5Yr PV of US 5-Year T-Note, at 3.97% (\$000 USD)	\$1,684

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A small number of deals could yield significant fees for Koi

Originators sell 90% participation interest in loans with 7yr term and 13% interest rate

Koi receives a fee of 1% from buyers, 10% of above par value from sellers

	Y1	Y2	Y3
Originator Side			
Average Loan Value, Principal (\$000 USD)	\$146	\$149	\$152
Average Loan Value, Interest (\$000 USD)	\$77	\$79	\$80
Seller Origination Volume	1,500	1,562	1,676
Share of Loans Listed	5.09%	10.00%	20.00%
Percent Origination Market Penetration	0.19%	0.20%	0.30%
Number of Originators	6	12	18
# of Loans Listed on Platform (From Market Penetration With Originators)	460	1,875	8,033
Buyer Side			
Percent Buyer Market Penetration	0.04%	0.10%	0.30%
Number of Buyers	2	4	12
Average Participation Interest Percentage Purchased	90%	90%	90%
Koi			
Premium Achieved for Seller on Sale	1.00%	2.00%	3.00%
Transaction Purchase Price For 90% Participation Sold in a Single Loan (\$000 USD)	\$133	\$137	\$144
Outstanding Value on Participations Purchased (Purchased Principal + Interest) (\$000 USD)	\$202	\$207	\$213
% of Listed Loans Transacted	20.00%	25.00%	30.00%
# of Listed Loans Transacted	90	469	1810
Total Transaction Value on Platform (\$000 USD)	\$18,190	\$97,247	\$385,519
Transaction Fees From Originator (\$000 USD)	\$12	\$128	\$742
Transaction Fees From Buyer (\$000 USD)	\$182	\$972	\$3,865
Revenue (\$000 USD)	\$194	\$1,098	\$4,597

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