



## Oportun buying challenger bank Digit for \$213 million

By [Polo Rocha](#) November 16, 2021, 4:44 p.m. EST 3 Min Read

The consumer lender Oportun has agreed to buy the challenger bank Digit in a deal that the buyer says will accelerate its plan to offer a fuller suite of banking services.

Oportun, a Silicon Valley lender that offers personal loans and credit cards to consumers, announced the nearly \$213 million cash-and-stock deal on Tuesday. Less than six weeks earlier, Oportun [said](#) that it was withdrawing its application for a bank charter from the Office of the Comptroller of the Currency.

The proposed acquisition would allow Oportun to offer Digit's services, including mobile banking, automated savings tools and robo-investing, to its customers, and give Digit's 600,000 customers the option to borrow from Oportun.



**“We’re going to create a leading neobank focused on financial health,”** said Oportun CEO Raul Vazquez.

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well-being, Oportun CEO Raul Vazquez said in an interview.

“We’re going to create a leading neobank focused on financial health,” he said.

Oportun says that its products provide affordable alternatives to payday loans and that its artificial intelligence underwriting models help it offer credit to consumers who have struggled to qualify at traditional providers. The company has drawn criticism from consumer advocates, particularly in connection with its past debt collection practices.

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Oportun, meanwhile, is a publicly traded lender that focuses on lower-income borrowers, offering its products both at brick-and-mortar locations and through digital channels. The company reported nearly \$2 billion in loans receivable at the end of the third quarter. Oportun also has a partnership with Sioux Falls, South Dakota-based MetaBank.

Last month, Oportun [said](#) it was withdrawing its application for a national bank charter, which had been pending for nearly a year. The company had hoped to use the charter to offer checking and savings accounts, certificates of deposit and, eventually, personal installment loans, credit cards and auto financing.

Oportun is planning to file a new application to reflect both changes in its operations over the past year and the pending deal with Digit, Vazquez said Tuesday.

“Right now, we’re focused on really executing this combination, and at that point, we’ll make sure we update the plan and find the right time to resubmit our application,” he said.

Consumer advocates had taken issue with Oportun’s application and pressed the OCC to hold off on a decision until the completion of an investigation into the company’s past debt collection practices by the Consumer Financial Protection Bureau.

The CFPB’s probe followed [reports](#) from ProPublica, The Texas Tribune and The Guardian about both the affordability of Oportun’s [loans](#) and debt collection lawsuits the company filed earlier in the pandemic.

Oportun announced changes to its debt collection practices in July 2020 and announced it would cap the annual percentage rates it charges at 36%, which the company acknowledged it sometimes exceeded in the past.

Vazquez said that Oportun is continuing to cooperate with the CFPB and believes it was “absolutely complying with both the letter and spirit” of all consumer protection regulations. He also said that he respects

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Vazquez said that Digit offers a new way to improve customers' financial health, noting that the company's app has helped its members save more than \$7 billion and pay off \$300 million in debt.

"That only adds to the picture of how we help consumers," Vazquez said, "and we look forward to having conversations with the advocates about this in the future."

Digit founder and CEO Ethan Bloch plans to lead the Digit team as a unit of Oportun after the deal closes. The company's more than 100 employees will also join Oportun.

J.P. Morgan was Oportun's financial advisor on the deal, and the law firm Wilson Sonsini Goodrich & Rosati was its legal counsel. The investment bank Jefferies agreed to help Oportun finance the \$114.4 million cash portion of the deal.

Digit's legal counsel was the law firm Goodwin Procter, and Financial Technology Partners was its strategic and financial advisor.



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**Polo Rocha** Staff Writer, American Banker



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