Presentation

Operator

Good morning, everyone, and thank you for participating in today's conference call to discuss Dave's financial results for the second quarter ended June 30, 2024. Joining us today are Dave's CEO, Mr. Jason Wilk; and the company's CFO, Mr. Kyle Beilman. By now, everyone should have access to the second quarter 2024 earnings press release, which was issued yesterday. The release is available in the Investor Relations section of Dave's website at https://investors.dave.com. In addition, this call will also be available for webcast replay on the company's website. Following management remarks, we'll open the call for your questions. Certain comments made on this conference call and webcast are considered forward-looking statements under the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to certain known and unknown risks and uncertainties as well as assumptions that could cause actual results to differ materially from those reflected in these forward-looking statements. These forward-looking statements are also subject to other risks and uncertainties that are described from time to time in the company's filings with the SEC. Do not place undue reliance on forward-looking statements, which are being made only as of the date of this call. Except as required by law, the company undertakes no obligation to revise or update any forward-looking statements. The company's presentation also includes certain non-GAAP financial measures, including adjusted EBITDA and supplemental measures of performance of our business. All non-GAAP measures have been reconciled to the most directly comparable GAAP measures in accordance with SEC rules. You'll find reconciliation charts and other important information in the earnings press release and Form 8-K furnished to the SEC. I would now like to turn the call over to Dave's CEO, Mr. Jason Wilk. You may begin.

Jason Wilk
Co-Founder, CEO, President & Chairman

Thank you, and good morning, everyone. We continued to outperform expectations in the second quarter, delivering 31% revenue growth and materially improved profitability compared to the year ago period. This marks our third consecutive quarter of accelerating year-over-year revenue growth, which we accomplished while managing to reduce operating expenses for the fifth consecutive quarter. This resulted in achieving another record quarter of adjusted EBITDA. Given our performance year-to-date and strong outlook for the remainder of the year, we are raising the bottom end of our revenue guidance and increasing adjusted EBITDA guidance for 2024. This upper revision is further supported by continued growth in our monthly transacting member base, which reached 2.3 million members. Turning to the second quarter, I'd like to share more about our continued progress in executing on our growth strategy. This includes efficiently acquiring new members, engaging them through extra cash and deepening our relationships to the Dave Card. Our commitment to efficient member acquisition is paying off as we continue to reduce marketing spend when compared to year ago periods, yet still expand our monthly transaction member base as I'll discuss in more detail in a moment. In the second quarter, we acquired 3% fewer members relative to the year ago period, but with nearly 30% less marketing investment. This was driven by a 26% year-over-year decrease in CAC to $15 as we continue to optimize our marketing ROI in pursuit of profitable growth. On a sequential basis, we ramped up marketing spend by 18% to capitalize on the seasonal demand pattern for extra cash while reducing CAC by 7% at this higher level of investment. As we navigate an election year, we are closely monitoring its potential impact on customer acquisition costs. While we didn't observe election impacts in Q2 nor have we thus far in Q3, we'll remain disciplined as a member nears to ensure our marketing investments achieve or exceed our internal return hurdles. The environment for member acquisition has remained constructive in Q3, which adds to our confidence in sustaining efficient growth at higher levels of scale. The second pillar of our growth strategy is to drive greater MTM engagement while using our extra cash product as the primary entry point of our member journey. This focus has yielded impressive results with MTM growing 18% year-over-year to a record 2.3 million members. Our focused efforts to strengthen new member conversion, existing member retention and dormant member reactivation contributed meaningfully to this growth. Given the size and consistent growth of our member base as well as how our product capabilities have been expanding, we have been evaluating additional potential sponsor banks since late last year in an effort to diversify our key partner relationships. Dave is an attractive partner opportunity for the many reputable and qualified sponsor banks in the market given our scale and growth trajectory. These discussions have been constructive thus far, and we will report back when we have material updates on our progress. Extra cash delivered another strong quarter with originations reaching $1.2 billion. Originations grew 37% year-over-year and 13% sequentially, driven by our cash AI underwriting engine and reflecting strong continued demand for extra cash coming out of the seasonally softer tax refund season in Q1. Despite the solid growth, our net receivables portfolio totaled just $128 million at quarter end. We believe this highlights the short duration, high velocity nature of our product, which allows us to serve a vast number of everyday Americans without the need for a capital-intensive balance sheet. Cash AI enables us to expand access to liquidity for our members and increase average disbursement amounts without compromising credit performance. In Q2, we continued to improve our 28-day delinquency rate to 2.03%, down 80 basis points year-over-year. This equates to 28% improvement in credit performance over a period where we accelerate extra cash origination volume growth for the third consecutive quarter. We also rolled out a new underwriting model throughout the second quarter, which further optimizes the data used to manage credit risk within our cash AI underwriting engine. Credit performance has remained strong thus far in Q3, which we expect to continue in part because of the full quarter's benefit from this new model. The third and final pillar of our growth strategy is to foster deeper member relationships through Dave Card engagement. We believe offering quicker, more cost-effective extra cash transfer to the Dave Card is an efficient way for us to drive trial with the Dave Card. This trial is an important step in building the trust required to win direct deposits, which can generate 5x to 6x higher bank ARPU relative to non-DT users. Our Dave Card continued to demonstrate strong performance with spending volume climbing 28% year-over-year to reach $388 million in the second quarter. There is an untapped potential to further elevate this metric as we strategically incentivize direct deposit adoption. Please note, we are no longer reporting out on average transaction for MTM as we believe data card spending per MTM, which can be calculated from our existing disclosure is also a sufficient proxy for member engagement in our banking product. Our combined efforts in extra cash, Dave Card and subscriptions yielded a strong 11% year-over-year increase in ARPU during the second quarter due to improvements in both extra cash engagement and monetization as well as growth in Dave Card ARPU. Sequentially, ARPU increased 7% from Q1 as extra cash ARPU normalized coming out of a tax refund season, which typically experience seasonally lower demand for extra cash. I am proud of the positive impact we have had on our members' financial lives as well as our Dave team who remains dedicated to serving the majority of Americans partly served by incumbent banks, including those early in their banking journey and those living paycheck to paycheck. Our strategic focus remains on increasing customer value, expanding our member base and leveraging our disruptive technology to drive operational efficiency. We look forward to delivering exceptional value to our members and shareholders as we further solidify Dave's position as a premier banking solution for everyday Americans. With that, I will turn the call over to Kyle and take you through our financial results. Kyle?

Kyle Beilman
CFO & Secretary

Thank you, and good morning, everyone. As Jason highlighted, we continue to demonstrate the strength and scalability of our business during the second quarter, where our results represent new high watermarks across most all key metrics. We achieved substantial operating leverage by accelerating revenue growth and remaining disciplined with our fixed cost base, which we believe has been further supported by our internally developed cash AI underwriting engine and our AI-enabled chatbot called DaveGPT. As you may recall, we raised our full year adjusted EBITDA guidance during the first quarter based on the strong performance in that period. During the second quarter, we continued to execute well, enabling us to once again raise adjusted EBITDA guidance for the full year. Q2 revenue reached $80.1 million, representing a 31% year-over-year increase. This was fueled by 18% growth in MTMs and ARPU expansion of 11%. New member acquisition remained efficient, allowing our marketing dollars to go further, while improved retention and reactivation further boosted our MTM base. The ARPU increase was due to both increased extra cash utilization as well as stronger engagement with the Dave Card. Non-GAAP variable profit in Q2 increased 57% on a year-over-year basis to $51.8 million, representing a 65% margin relative to GAAP revenue, up approximately 1,100 basis points from Q2 of last year. Our sustained improvements to variable margins have been driven largely by the continued optimization of our cash AI underwriting engine, which has ingested the credit performance of over 105 million unique extra cash transactions since our inception. We believe this continues to expand the competitive advantage we have in evaluating portfolio risk. The resulting improvement and credit loss experience has also allowed us to reduce loss rates while increasing the revenue we generate per extra cash origination Additionally, our variable margin performance in Q2 was bolstered by the progress we made in 2023 and optimizing payment processing costs and a key vendor contract we renegotiated in Q4 of last year. Now turning to second quarter operating expenses. Our provision for credit losses improved, decreasing approximately 9% year-over-year to $14.4 million, while extra cash originations grew by 37% over that time. As a percentage of extra cash originations, the loss provisions fell to 1.2% from 1.8% in the prior year. We believe these positive results underscore the effectiveness of our cash AI underwriting system. As Jason noted, credit performance in Q3 remained strong this far, which we expect to persist going forward. Despite the conviction we have in our credit performance, we anticipate our provision for credit losses to increase in Q3 and Q4 relative to Q2, both in absolute dollars and as a percentage of extra cash originations due to the calendar dynamics related to the day of the week on which the next 2 quarters end. Typically, extra cash disbursements are highest over the weekend days, which causes the extra cash receivables to peak on Mondays and Tuesdays. Extra cash settlements are typically highest on Thursdays and Fridays, which causes the receivables balance to trough on Fridays. Given that Q3 and Q4 and on a Monday and Tuesday, respectively, we expect higher receivables balances at those quarter ends, even after adjusting for our expectation of continued growth in extra cash originations. The higher expected receivables balance will likely drive a higher reserve for unrecoverable advances, resulting in a correspondingly higher provision for credit losses. Staying on the topic of credit performance, it's important to understand how our 28-day delinquency rate develops into a charge-off rate, which is different for extra cash relative to other financial products that are revolving in nature or paid off in multiple installments. Extra cash receivables are charged off for accounting purposes in instances where they remain uncollected for 121 days since the disbursement date. For example, the most recent quarterly vintage that has fully developed into 121 or more days since disbursement is Q4 of 2023. The 28-day delinquency rate for that vintage was 2.19%, and the ultimate static pull charge-off rate for that same quarterly vintage was 1.44%, which excludes the double-digit percentage of recoveries we typically generate after the point of accounting charge-offs. While assessing charge-offs relative to big gross receivables balance, may make sense for financial products, which are evolving or are those with multiple installments, we believe this approach can be misleading for a product such as extra cash, which involves a single repayment. The single repayment model used for extra cash implies that all receivables, which are paid fall out of the gross receivables balance, whereas in the case of revolving or installment-based products, the remaining principal would persist within the gross receivables balance. This should help us clarify our view that evaluating static pool credit performance is a more reliable way to track the progress we continue to make and optimizing our credit risk management and portfolio economics. Processing and servicing costs in Q2 increased 8% year-over-year to $7.8 million compared to $7.2 million in the year ago period. However, as a percentage of origination volume, these costs improved to 0.7% from 0.8%, demonstrating another aspect of our operating efficiency as originations increased 37% over that same period. Advertising and marketing costs decreased approximately 28% year-over-year to $10.7 million compared to $15 million in the prior year period as we were able to achieve our MTM growth goals at lower levels of spend. This efficiency is reflected in the 26% year-over-year decrease in CAC to $15. We anticipate increasing marketing investments in Q3 to capitalize on the strong demand we're experiencing and the attractive LTV to CAC returns we're generating on those investments. Now looking at compensation and headcount. Our compensation-related expenses grew by 2% to $24.5 million in Q2 from $23.9 million in the prior year period. However, as a percentage of revenue, compensation expense declined to 31% from 39%, further underscoring the operating leverage inherent in our business model resulting from the investments that we have made in our technology platform. Other operating expenses decreased approximately 16% to $17 million in the second quarter from $20.2 million in the year ago period, largely due to a $4.4 million legal settlement-related expense in the year ago period. Excluding this impact, other operating expenses grew modestly as a result of overall business growth. GAAP net income for the second quarter improved to $6.4 million compared to a GAAP net loss of $22.6 million in the year ago period. Beginning this year, we started disclosing adjusted net income or loss, which adjusts our GAAP net income or loss for stock-based compensation, changes in fair value to certain noncash liabilities as well as any onetime gains or losses such as the $33 million gain on the discounted repurchase of the FTX convertible note during the first quarter. With that context, adjusted net income for Q2 was $13.7 million compared to an adjusted net loss of $15.8 million in the second quarter of 2023. Adjusted EBITDA for the second quarter of 2024 was $15.2 million compared to an adjusted EBITDA loss of $13.1 million during the prior year period. We continue to attribute this improvement to a combination of revenue growth, margin expansion, CAC efficiency, and improved operating leverage. Our consistent execution has driven adjusted EBITDA profitability for 3 consecutive quarters with a 15% sequential increase from Q1. Looking ahead, we expect to continue to grow adjusted EBITDA profitability, though the trajectory may be nonlinear as we plan to opportunistically make marketing investments and as the provision for credit losses increases in the back half of the year, given quarter-end timing dynamics I mentioned a moment ago. Now turning to the balance sheet. As of June 30, we had approximately $89.7 million of cash and cash equivalents, marketable securities, investments and restricted cash compared to $101.5 million as of the end of last quarter. The decrease in cash was driven by an increase in advanced receivables outstanding at quarter end due to higher extra cash originations in the period. As of the end of the quarter, our net receivables balance was $127.8 million, an increase of approximately $22.8 million sequentially. It's important to think about this net receivables balance relative to the $1.2 billion of origination volume during Q2 as we believe this underscores our ability to grow extra cash originations, capital efficiency, given the short duration and high velocity of the portfolio. The amount drawn on our credit facility remained at $75 million as of the end of Q2 as we continue to rely on our balance sheet cash during the second quarter to fund extra cash originations versus our credit facility. Overall, with our strong balance sheet, we continue to believe we have ample liquidity to execute on our growth plan going forward. And now turning to our guidance. We're raising the bottom end of our full year 2024 revenue guidance by $5 million to a range between $310 million and $325 million, representing growth of 20% to 25% compared to the full year of 2023. With regards to profitability, we are raising our full year adjusted EBITDA guidance for the second consecutive quarter to a range between $40 million to $50 million. This compares to the guidance we provided last quarter of $30 million to $40 million and our original guidance at the start of the year of $25 million to $35 million. Overall, our outlook remains positive, and we believe we are well positioned for continued success. And with that, I will hand it back over to Jason to conclude our call.

Jason Wilk
Co-Founder, CEO, President & Chairman
Our strong performance this quarter reinforces the continued positive trajectory of our company. I'm confident that our team will continue to drive growth and achieve new milestones in 2024 and beyond. Operator, we can now open the call for questions.

Question and Answer

Operator

[Operator Instructions] And our first question will be coming from Devin Ryan of Citizens JMP.

Devin Patrick Ryan
JMP Securities LLC, Research Division

So obviously, really nice step-up in extra cash volume this quarter, up 13% sequentially, 37% year-over-year. I know there can be a seasonal bump in the second quarter, but it looks like this was driven by both more originations and then higher average advances. So great to get just a little more color around the trends you're seeing with your customer base right now and then more broadly, the ability and comfort to take up the average advance size higher from here?

Kyle Beilman
CFO & Secretary

I'd say, overall, we're feeling really good just about the overall demand dynamics that we're seeing. I think as you can see in our customer acquisition costs were at multiyear lows despite the ramp-up in marketing spend sequentially. We're also seeing really favorable trends with respect to existing member retention and reactivation of dormant customers. So I think it's just overall the demand patterns are looking really solid at this point and gives us a lot of confidence going into the second half of the year. In terms of overall ability to increase origination size and therefore, monetization moving forward, I think we feel very comfortable that we still have room to run there. We rolled out a new model in the second quarter that both allows us to ramp up average advanced size as well as lower our loss rate performance, and we're going to continue to lean into that in the second half and feel that there is further upside there as we move through the rest of the year. And Devin, just to add to that real quick, we're able to do this because of the high velocity nature of the product. As you know, the average amount people use actually cash flow is around 10 days. And so we're able to test and learn on those new models. So rapidly that we can gain a lot of confidence so quickly compared to traditional credit providers that have to wait a long time with their vintages to season.

Devin Patrick Ryan
JMP Securities LLC, Research Division

And then a question on the CFPB proposal announced in July. You obviously issued a press release around your position, so we'll have to see how it all plays out. But if we were to play out a scenario where there are changes to the regulatory framework for the industry. And I think on one hand, you have COPD, which an overdraft could be really positive. It feels like if the large banks have to lower overdraft fees and there was a Wall Street Journal article in early July, talking about the impact on that. So I'd love to maybe get a little color there. But then on the more recent proposal, it would seem to squeeze a number of marginal players in the space. So I just love to think about some of the levers at your disposal around the monetization model, and then maybe just the elasticity of pricing to the extent there is any changes on that front. So maybe touch on both proposals and the implications on the business since there's a lot for I think the market on pack right now.

Jason Wilk
Co-Founder, CEO, President & Chairman

So on the first part around the proposed overdraft regulation, we think we sit in a really good spot there, just given our lower cost to serve as we pointed out for the first time in our supplement, how much lower our cost to serve is compared to traditional bank. And that Wall Street Journal article you're mentioning specifically references how much it cost the banks to operate, which means they have to charge a certain amount of fees just to break even on a checking account. By our calculation, it's about $300 per year for a major bank to break even on a basic checking account. Therefore, they have to make up for that with minimum balance overdraft fees. And so if overdraft were to go away or be significantly limited, prices have to go up in different areas. And so we think that continuing to lean in on our lower cost to serve puts us in a significant advantage to have lower fees, yet still have great gross margins as we have today. On the proposed EWA, yes, we did issue a statement that we don't believe we're subject to this role. If it were to become effective, we feel very strongly in our position as an overdraft product similar to traditional banks, albeit at significantly cheaper fees. And if the rule were to pass, yes, I agree that it could squeeze some players out there that are continuing to offer unlicensed credit that is not regulated. Dave is a federally regulated overdraft product, and we spent a lot of time developing and building our business in a very compliant way leading up to going public.

Devin Patrick Ryan

JMP Securities LLC, Research Division

And can you maybe just on the price elasticity as well of just the overall platform? So I think that plays in here, too, that there's potentially other levers around the business model that the world wouldn't stay static.

Kyle Beilman
CFO & Secretary

Just to jump in here. I think what we've shown and what our results have shown is that there is a high willingness from customers to pay for the product that we offer. And I think that given the evolving landscape, we have flexibility, should we need to evolve what we're doing from a pricing standpoint. So just point back to the ARPA trends that we've seen over the past, call it, 6 quarters as we continue to ramp up origination size. Monetization has also increased. And I think that just points to the fact that customers are willing to pay for what we're offering. And that gives me a lot of confidence that we can continue to operate effectively regardless of what happens within the broader regulatory landscape.

Jason Wilk
Co-Founder, CEO, President & Chairman

Yes. I would say just to add to that we do like the optionality within our fee structure, which we can continue on today with our model, but should we be pressed there, we could always move to a mandatory fee model similar to traditional banks and discharge significantly in lower fees than the incumbent. So either way, we think there's a lot of flexibility in the pricing to reach our desired ARPU level, which we feel very confident to continue moving forward.

Operator

And our next question will be coming from Jeff Cantwell of Seaport Research.

Jeffrey Brian Cantwell
Seaport Research Partners

These are medium-term questions. First, on revenue growth, that was 31% this quarter came in above the expectation. Can you talk about thinking further out how sustainable is call it, 20% revenue growth, what your thoughts are there? Second is on adjusted EBITDA. It looks like you're very profitable here, 30 to second quarter positive adjusted EBITDA. When we drill down, again, we can see the business expenses a little bit below, but you're also talking about the remainder of the year. So can you help us understand how sustainable you think it is in terms of positive adjusted EBITDA over the next, call it, several quarters, and what the major callouts are there?

Jason Wilk
Co-Founder, CEO, President & Chairman

So Jeff, look, I think we feel very confident in our ability to continue to deliver 20%-plus growth for many quarters and hopefully, years to come. And so the 31% growth for the quarter was tremendous. We hope to continue that. We're not committing to 30-plus percent growth, but we feel that the company can continue at a very healthy trajectory at these levels and supported by our low CAC levels as well. As far as that continued EBITDA, I think Kyle mentioned in the script that we plan to continue on as a positive EBITDA company, there may be some fluctuations in that based on marketing trends where we may take advantage of some increased marketing to take advantage of the demand. But overall, we do want to maintain positive EBITDA moving forward to the company here on out and not have to access any additional capital.

Jeffrey Brian Cantwell
Seaport Research Partners

Dave is on Evolve in your bank plan clearly in order to talk about the first 2 are you just discuss your revenue and profitability, that supposed to be viewing how things are going to be maintained optionally going forward. So can you comment on your relationship with Evolve. Maybe talk about whether there's any contingency plans in place to finding new bank partners over time in the event something would happen that would change that relationship.

Jason Wilk
Co-Founder, CEO, President & Chairman

Yes. So we noted in the call that we are evaluating a second bank partner, we'll report back when we've made material progress on our negotiations. We think that we are a very attractive partner opportunity for many of the qualified sponsor banks that are out there.

There are several of them that have approached us and conversations are ongoing at this point. And I just want to note that because of our established risk and compliance programs, we feel very well suited to be an attractive partner for these new firms.

Kyle Beilman
CFO & Secretary

And just to jump in there, I would also just say that our relationship with Evolve is still positive and healthy. Nothing about what happened with the consent order there and some of the other challenges that they're facing as it impacted our business. We have a close relationship with their leadership team over there and are continuing to work positively in that partnership. So the second bank is really just a risk mitigation step that we're taking, but nothing about the business has been impacted in any capacity to date.

Jason Wilk
Co-Founder, CEO, President & Chairman

And I would just add that the risk mitigation has been part of the plan for quite some time. These bank conversations have stemmed from last year. This is nothing reactionary from the most recent news. As we noted in the call, we've reached a significant customer scale at this point of 2.3 million paying members, and it's the right decision for risk to have some redundancy set up just in case.

Jeffrey Brian Cantwell
Seaport Research Partners

And then lastly, just a follow-up on Devin's question. On regulation, again, can you give us some more color on your thoughts about the CFPB's ruling. It seems like certain areas like PIPs are coming into focus, the all-in costs are in focus. Can you comment on those areas in terms of what your position is and how that might play out for yourselves over time?

Jason Wilk
Co-Founder, CEO, President & Chairman

Look, we feel confident in our ability to keep offering the fees that we have. They are completely optional, and they're also within an overdraft program as we set up the program as an overdraft product similar to how major banks are offering overdrafts as well. So we don't think this ruling does apply to us. We think that the callout they have around tipping seem mostly aimed at people that are forcing tipping on customers, which we have never done as a business. There are several firms out there that require you to disclose your tip ahead of being approved for credit or condition your credit approval based on how much you tipped last time, we do nothing on the such and so I'm actually a fan of seeing regulation around that piece because there is and has been some various activity, which is disappointing because shipping is in an optional state is a great way to monetize customers as many people can choose to pay when they can afford it and access it for free when they can't.

Operator

Our next question will be coming from Jacob Stephan of Lake Street Capital Markets.

Jacob Michael Stephan
Lake Street Capital Markets, LLC, Research Division

I just wanted to start out with the customer acquisition costs. And obviously, you guys said that you're not seeing any impact from the election. But maybe what is it that you're doing differently here to see that cost effectiveness in the new customer adds?

Jason Wilk
Co-Founder, CEO, President & Chairman

Well, we are continuing to see a positive trajectory in our word of mouth. That's been our largest form of acquisition since the beginning of the business. We also see that we're doing very well across our channel distribution. In the beginning of the company, we were quite focused on just word-of-mouth in a couple of digital channels. Now we are everywhere from TV, streaming, all the social channels, search affiliate. We have a very healthy distribution of all of our marketing dollars, and it's given us a lot of confidence to spend moving forward with seeing this reduction in CAC, which is not typical for a growth company at this stage.

Jacob Michael Stephan
Lake Street Capital Markets, LLC, Research Division

And maybe, Kyle, I think you pointed out that in Q3 here, we could see some elevated marketing spend, but maybe help us kind of size the magnitude of the increase.

Kyle Beilman
CFO & Secretary

Yes. Look, I think we haven't provided specific guidance on what the elevated level of marketing spend will be on a sequential basis or 2H as relative to 1H. I wouldn't expect anything overly dramatic, but just healthy quarterly ramping, maybe consistent with what we saw last year as we work through the rest of the calendar at least from Q2 to Q3, just taking advantage of the more attractive demand environment over the summer periods with the go-to-market message there. But I'd say overall, what's really driving our our decision-making around increasing marketing is just the LTV to CAC trends that we're seeing, our payback periods on a gross profit basis at this point. They're in the 4- to 5-month range, just really attractive, and we're just leaning into that opportunity to drive attractive returns on that spend. I hope that helps to answer your question.

Jacob Michael Stephan
Lake Street Capital Markets, LLC, Research Division

Just one last one for me here. Maybe just give us some more color on the updated pricing on the subscriber plans. I know this has been a focus in the past, but any update there would be helpful.

Jason Wilk
Co-Founder, CEO, President & Chairman

So no official update. We're still evaluating the test results and don't have a firm timeline for a full rollout. It's important to note though that it's not in any of our guide it's not modeled in any upside. So we're continuing to test, but nothing firm.

Operator

And our next question will be coming from Gary Prestopino of Barrington.

Gary Frank Prestopino
Barrington Research Associates, Inc., Research Division

Jason, a couple of questions here. Could you maybe discuss the attach rate of the extra cash to the Dave Card in terms of what you're seeing out there sequentially and year-over-year in terms of improvement?

Kyle Beilman
CFO & Secretary

So we don't disclose this explicitly. But what we've seen over the last handful of quarters is roughly 30% attach rate from EC volume being sent to the Dave Debit Card. It's been relatively consistent, I'd say, over the last 2 to 3 quarters. And we do have some product development stacked against that opportunity later this year that we hope to drive further attach rates there, which our view is that there's an opportunity there just to help further drive card adoption as well as increase the penetration of direct deposit within our overall MTM base. So hopefully, some more to come on that strategy and performance there later this year. But yes, the attach rates are roughly 30%.

Jason Wilk
Co-Founder, CEO, President & Chairman

And we do see definitively that when customers do attach to the Dave Card that retention does go up on those customers. So our strategy is playing out well there, and we want to find more ways to get people to adopt the card and then ultimately direct deposit.

Gary Frank Prestopino
Barrington Research Associates, Inc., Research Division

And retention is going up, but obviously, transaction should rise commensurate as well, correct?

Jason Wilk
Co-Founder, CEO, President & Chairman

Transactions and overall ARPU. So it's a really healthy opportunity for us to go after as it just increases lifetime value from both a tension and monetization standpoint. So yes, something we're really focused on and again, have some product development stacked against that later this year that we're optimistic about.

Gary Frank Prestopino
Barrington Research Associates, Inc., Research Division

Could you also comment on your progress on direct deposit of paychecks to the Dave Card?

Jason Wilk
Co-Founder, CEO, President & Chairman

We don't disclose direct deposit penetration. We feel there's a model room to run on that metric still. But extra cash to Dave Card is a good way for us to drive that initial trial of the card and ultimately, a good proxy to see how we're doing against direct deposits just to keep monitoring how we're doing on total transaction growth as you see a higher percentage of people from direct deposit would be adding up in that total monthly Dave Card spend.

Gary Frank Prestopino
Barrington Research Associates, Inc., Research Division

And then just lastly, you talked about rolling out a new underwriting model that's improved your loss ratios. I know directionally, you're not going to tell us exactly what you did, but directionally, can you talk about where the proof points of this new model are benefiting you?

Jason Wilk
Co-Founder, CEO, President & Chairman

Yes. I mean I think it just shows up in our 28-day loss rate performance, Gary. As you can see, year-over-year, we continue to drive down those loss rates, which ultimately just drive the economics of the portfolio. So in the context of both the rising average revenue per origination as well as the reduction in the 28-day loss rate, and ultimately, our 120-day charge-off rates. It's a really powerful equation there as we're able to drive both sides of that equation by further optimizing the model. So I'd point to those as the proof points of how we're doing and the effectiveness of the strategy and the execution from the team.

Gary Frank Prestopino
Barrington Research Associates, Inc., Research Division

Yes, I asked the question, Ron. I guess what I'm trying to get at is what's changed in the focus of what you're doing, maybe just to give us an idea of how you've tweaked this. Can you talk about that?

Kyle Beilman
CFO & Secretary

I'd say it's just the addition of new data points into the model. We've added substantially more just data points into the overall model, I think that just allow us to better risk split within the portfolio. I'd say that's all we're willing to share at this point is just the introduction of more data points.

Jason Wilk
Co-Founder, CEO, President & Chairman

Sorry, Gary, just to add to that. It's largely the same approach, just I'd say, a more robust and comprehensive model versus the prior versions.

Gary Frank Prestopino
Barrington Research Associates, Inc., Research Division

And then I think in the discussions with you that you were testing with giving individuals who have higher credit rating risk parameters, more bites at the apple for extra cash. I think you're allowed 1 every 2 weeks. Is that starting to gain a little bit of traction or can you tell us how that testing is working?

Jason Wilk
Co-Founder, CEO, President & Chairman

Yes. So we've had an ongoing initiative here to give our higher-- we don't use credit score as a proxy but our internal scoring based on their transaction data that our highest-quality customers were giving assets to a little bit additional credit if they need it within the same paycheck period, and that is working quite well. We're seeing increased ARPU on those customers and increased levels of retention. So overall, it's been a great strategy. We're not yet to a 100% rollout. We plan to do so hopefully, by the end of the year. Yes, I think just, Gary, to that point, what we would expect the impact to be is just higher average origination size per customer and that's driving average revenue per origination up as well. So just upside from a monetization standpoint there.

Operator

And this concludes the question-and-answer session as well as today's program. Everyone, have a great day. You may now disconnect.