



## Podcast Transcription Session 42: Kathryn Petralia

**Peter Renton:** Welcome the Lend Academy Podcast Episode number 42. This is your host, Peter Renton, founder of Lend Academy.

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**Peter:** There are some who say that what we're doing in the online lending industry is really not that different when it comes to providing loans to consumers and small businesses. It's really not that different to what was done 10 or 20 years ago. I think our guest today refutes that whole idea.

Kathryn Petralia is the Head of Operations and Co-Founder of Kabbage, that's Kabbage with a K, and they are one of the true innovators in this space. They are doing things completely differently, I mean, I think their underwriting model and a bank's underwriting model would look so incredibly different and have almost nothing in common. I mean, sure, they're looking at financial data, but that's just the start of what they're doing.

Kathryn, in this show, talks about social data and how Facebook data has been very predictive for them, and talks about digging into some of the other data points like UPS data, things that I have never considered, never heard of before and Kabbage is using these as standard inside their underwriting model. They're a fascinating company and I think this was a really fascinating interview. Hope you enjoy the show!

**Peter:** Welcome to the podcast, Kathryn.

**Kathryn Petralia:** Thank you.

**Peter:** Okay, so let's get started by giving the listeners a little bit of background about yourself and what you did before you started Kabbage.

**Kathryn:** Sure thing, well, I've been in the, I would say, technology and financial services arena for the last 17 years and this is, technically I guess, my seventh start-up, I love technology start-ups, and I guess about 15 years ago started blending that with financial services everywhere from more pure fintech start-ups like Revolution Money before we started Kabbage, to larger finance institutions and pure tech start-ups in the 90s.

**Peter:** Okay, so then let's just get around to.....did you start Kabbage with Rob? Was that the story? What was the reason for starting the company?

**Kathryn:** Sure thing, well, Rob, he's my Co-Founder and our CEO, had the idea. The idea was spawned by a public API that eBay launched in 2007. He was working with this different company that was using the data, presenting it a little bit different, but he thought to himself wow that's really, really rich transaction level data. I bet you could use that to make an underwriting decision about a small seller's credit worthiness on eBay and so he contacted me and told me



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about the idea. I said that's really cool, I love the idea and our third co-founder, Marc Gorlin, joined us as well so we started working on this concept in late 2008, started raising money in 2009 and spent the first two years basically building the technology and didn't start putting out funds in any meaningful way until May of 2011.

**Peter:** Okay, and when you started that was basically online only you were focused on eBay sellers completely or Amazon or what was the...who were you targeting right off the bat?

**Kathryn:** Off the bat, it was only eBay and Paypal. Now that was when we went live to the public in May 2011. By August, we were working with Amazon merchants and then by September, we had Yahoo and Etsy. We were integrated and are with some of the platforms that enable businesses to sell on multiple sites using multiple channels and we operated in that environment for a couple of years serving only online businesses.

**Peter:** Okay, so then you decided to move from online business only, which obviously you have access through the APIs, the rich transactional data that you mentioned into any kind of business. Can you just talk us through that transition, I mean, what was that like and how much did you have to really adjust everything internally to go beyond just online businesses?

**Kathryn:** Well it was always our plan to move beyond online businesses, but it happened that that's where the data was most readily available. Frankly, our business couldn't have existed at all ten years ago because the data wasn't there. 5 years ago we couldn't have access to the data that we do today to underwrite brick and mortar businesses, but luckily for us, we were sort of ahead of that curve and have been able to integrate new data sources that have come online. We were already collecting data from online businesses that we could have used for offline businesses. For example, information in their checking accounts or their accounting platform or their payment processing information or even shipping data and social data. So all of that information we had and what we did over time is we built a model that we were able to use to move offline. So we really didn't even have to add more data sources, but we simply had to expand the population to which we were marketing.

**Peter:** Right.

**Kathryn:** So about two years ago, we began expanding that. Two years ago if you would have asked me what percentage of my customer base were online businesses, I would have said 95. Today, that number is more like 30%, so 70% of my customers are traditional brick and mortar retailers.

**Peter:** Right, right.

**Kathryn:** Not just retail, I should say, it's businesses in general. It includes service providers and it includes retail, restaurants, you name it, any industry we're covering them.



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**Peter:** Right, and so what kind of loans do you make? Are these just lines of credit or are these like merchant cash advance loans? Describe exactly what you're providing.

**Kathryn:** So our product is a little bit unique. We provide a line of credit to our customers. Every loan is actually amortized as an individual installment loan taking up multiple concurrent loans up to the total line amount that we make available. The reason that we're able to provide a line of credit where most are providing a single installment loan is because we stay connected to the data.

So we're not just getting access to the information at the point of origination. Everyday, we are continuing to gather the data from the sources that our customers have given us access to so that we have an ongoing picture of their business. This allows us to manage their lines appropriately. For the most part, 90% of the time, we're actually raising lines and lowering rates. Sometimes, we're shutting off access for the folks that are struggling, but in every case, we're working with those customers to get them in a better situation so that they can take advantage of the opportunities that they are being presented with.

**Peter:** Okay, so that is a little different. So are you monitoring each of your customers...what is it, a daily, monthly, weekly basis?

**Kathryn:** Well, daily we're collecting the data. I'm not changing people's key pricing terms on a daily basis because that's not a very good user experience.

**Peter:** Yes.

**Kathryn:** We have certain triggers...for example, immediately restrict access to capital and there are several triggers that create that, but on an ongoing basis, we're reviewing customer accounts and determining I would say more periodically and in larger batches...how we handle accounts where we're seeing change in behavior over time.

**Peter:** Right, okay so you'll find out something....is this just through the financial data? Does someone have to share their bank account, their Quickbooks? I presume something is going to trigger a change where you cut someone off. That's got to be a pretty substantial trigger to make that change, right?

**Kathryn:** That's exactly right, so for every customer it looks a little bit different. We have some of our customers who are giving us access to ten data sources and some are giving us two. On average, we're getting five from every customer so the way we review those customer accounts is different, depending on the information that we've collected.

**Peter:** Okay, okay. I want to dig into that a little bit. Before I do that, I wanted to just talk about something you have on your website which when you go to your homepage and it says, you can have what is it like \$2,000 to \$100,000 in your account by 2:51 pm is what it says on mine because obviously you're taking the actual time and adding seven minutes to it. So can you talk a little bit about this seven minutes thing and how you're able to do that and why you do it?



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**Kathryn:** Well, at first glance it comes off kind of kitchy, but we did not make that number up, but what happened is we started monitoring the amount of time that our customers are spending on the application and it averages about seven minutes. Actually, it's gone down, it's a little lower than that because we sort of....monkeying with our user experience to make it more seamless, I guess, and easier for our customers.

The seven minutes is really how long it takes to get through the process because most of the time is actually spent typing. Our customers come to the site, give us a little bit of information, then they authorize these third party sources to share data with us so the decision is actually made instantly and depending on how they choose to take delivery of the funds, we can actually have the funds in their account in seven minutes. For customers who use PayPal or who give us access to their debit card details, we can actually push funds instantly to their account which is really fantastic.

Now, it's not because people are desperate for cash, it's not because they have this dying need and their business is going to go out of business if they don't get funds right away. It's really much more about peace of mind, so it's about not investing a lot of time into a process when you're trying to run a business and knowing that you're going to get an answer, you're not going to be kept waiting.

**Peter:** So if you have a PayPal account, you can automatically give their PayPal account or debit card, but, obviously a bank account.....I imagine a good chunk of your customers are going to want their funds in their bank account, what's the turnaround time on that?

**Kathryn:** The debit card actually puts funds directly in their bank account, just to be clear, it's the debit card that they have with their banks.

**Peter:** Okay.

**Kathryn:** We're using the debit networks to move funds instantly. Now for ACH, it's usually next day. ACH, as you know, we have a rather antiquated payment network in the US. Theoretically, we are working on expediting that, but I am not holding my breath so we're always looking for other ways to get our customers' funds in a faster, safer way.

**Peter:** Right, so that is why you sort of go around ACH and I can see. So as long as they have a debit card associated with a bank account, boom, they can have their money in seven minutes.

**Kathryn:** That's exactly right, and our customers love, love, love that part. It's also a great way to validate identity because we're making sure, we're getting the information on your checking account. We're able to confirm the debit card, the transactions match to the transactions in their account and we're able to see the name on the debit card. It's a great way to continually confirm identity, although we really don't have much of a problem with fraud. Just because we're triangulating across so many data sources.



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**Peter:** Right, right, sounds like it, yes. So let's just dig into that for a little bit. I want to go back actually to the LendIt Conference in 2013 where you spoke on a panel and I sat in on this session and I was amazed at how creative it seemed, from my perspective anyway, the data sources that you use. I don't know if you remember it, but I remember it distinctly. At the time you talked about UPS box size was a data point that you use and the spread of zip codes taking UPS data and so I guess that's kind of fun and sexy and that sort of thing so I wanted to dig into a little bit about some of the sources that you use that you wouldn't call traditional. Like everyone's going to look at the financial information, can you just give us some of the sources of information that are not necessarily traditional.

**Kathryn:** Sure thing, the UPS story is fun and I talk about that a lot and we've actually refined it even more since 2013, when we talked about it. We have a unique relationship with UPS and so we're able to get access to information that most folks wouldn't have. UPS is interesting because they actually know the location of every small business on the planet and it's not just for shippers. Imagine if you're receiving packages at a location, UPS knows how long you've been receiving packages there and they can also see the quantity of the packages that have been received over a period of time.

So let's say you operate a nail salon and you are getting at first three boxes a week of a certain size and a certain weight and over time you see that go up because you are ordering more supplies now, that's only one piece of it because obviously they're receiving shipments from other places, but it's a way for confirming sort of the longevity of the business and UPS is great and shipping is fun, but we actually have a new one now, related to social data.

We've been collecting social data for several years now. We actually launched that program, I think it was maybe in 2011 or 12, anyway, our customers give us access to their Facebook and Twitter pages and what we found, their business pages, their fan pages, what we found is that businesses that give us access to an active Facebook account, a business account, are 20% less likely to be delinquent than those who don't.

**Peter:** Interesting.

**Kathryn:** When we started that, we didn't know what we were going to find and we didn't know why. What we've learned is it's because it is a measure of reciprocal engagement, so our customers who are actively interacting with their customers are simply running better businesses. And we actually built a Facebook only model that I can tell you about if you want.

**Peter:** Yeah, I was actually going to ask you about that in a follow-up question because I saw an article just last week where you made a statement that I thought was quite controversial or certainly something I hadn't heard before and you said something like, I can just basically underwrite from Facebook data, that's all I need. So could you explain....I'm probably misquoting you precisely, but, anyway, can you explain what you said and what you mean?

**Kathryn:** Sure thing, and what happened is we built a model using Facebook data that is as effective as using a FICO score for a small business loan. Its predictive power is equally as



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effective. Now, nobody would say, including FICO, that using a FICO score for a business owner is the only data you should use to make an underwriting decision about a small business. Having said that, we're pretty excited about the fact that the model we built using Facebook data is more predictive than just using a FICO score and we do layer that in with other data. I'm not running a Facebook only model today, it's unlikely that I will.

Having said that, to qualify customers based on Facebook data that's a really, really powerful tool and, again, it simply means that there's a lot of really rich data on how our customers actually interact with their customers and because we're a commercial product not consumer and we're using a commercial application of Facebook, we don't have the same sort of FCRA risk that you have with a consumer loan.

**Peter:** Sure, sure, that is fascinating. I mean, really people have talked about predictive power of social data, but no one until now, since you said that, have I seen anybody saying definitively that it can be predictive. Obviously, you wouldn't build a business around Facebook data and nothing else, but it's fascinating nonetheless. So I want to ask like other social...you mentioned Twitter, what about Yelp for a restaurant because one of the things you also said back in 2013 was you don't care whether they've got a 4.5 star rating, it's more about the consistency of reviews. Is that something that you're still looking at and have you refined that any further?

**Kathryn:** Yes, we have refined it further and, yes, it is very important that it's consistent. It's funny, when I travel, my husband and I use Trip Advisor a lot to find restaurants abroad and we're always worried if there is a restaurant that only has five reviews, but it has 5 stars as opposed to one that has 250, but it has 4.5 stars. So it's really frankly quite logical how you would approach the review data, but I will say the review data again, it works works a lot like this UPS data for somebody who receives packages, you know how long they have been receiving reviews, what has that trajectory been for volume and quality over time and we found it to be really, really unbelievably predictive. Whether it is Yelp or Foursquare or Facebook or Amazon or eBay, review data is really quite powerful.

**Peter:** Yeah, okay, that makes sense. So you've been going since 2011....I mean, you've been growing pretty rapidly, can you tell us...we're recording this right at the very end of June, can you tell us how the first six months have been this year compared to last year?

**Kathryn:** Oh, well, we're around three times bigger than we were last year. From the volumes perspective, we're almost...we're putting out almost three times as many loans as we did and three times as many dollars as we did last year, it's really been remarkable. A lot of that is due to our shift in business, but a lot of it is due to sort of the economies of scale, the brand recognition that you get with....as you increase the number of impressions that you make in every customer's mind and, frankly, a lot of it is getting much better at finding those customers.



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My Co-Founder, Rob, likes to say, there are a thousand shitty ways to find small business customers and we have to be good at all of them. And it's true, it's very hard, but we've gotten really good at marketing and sales and business development in that area.

**Peter:** Right, so how do you find customers? What are the main channels that you're using today?

**Kathryn:** Well, we have three channels, marketing is the largest by quite a big margin and that includes search engine optimization and search engine marketing, display advertising and all of the usual suspects, creating content and driving traffic and so we've really, really nailed that.

In our industry what you find is a very strong reliance on referral deals with ISOs, independent service organizations that typically are selling credit card processing to small businesses and they charge a very hefty fee. In order to do that sort of, it's anywhere from 8% to 15% is what a normal ISO will charge or a broker so to speak. So our broker network is less than 2% of our business and we cap their fees at 4%, so we don't do a lot of broker business because, frankly, they can get more money from our competitors.

**Peter:** Right, right.

**Kathryn:** But we do have a sales team and we didn't have a sales team a year ago, we've really built that up and it has been a fantastic add to our growth because you know again, you need to have a multi-prong approach, about 20% of our volume this year is going to come from referral partners that our business development team is bringing in and those are companies that are also serving the same population. Like we just announced the deal with UPS recently and they want to offer our products to their customers. The reason they want to do that is because they recognize the flywheel effect of providing capital to their customers. They know that that will help their customers grow and therefore buy more stuff from them.

**Peter:** Right, right, that makes sense. Okay, so I want to talk about the other side of your business, the investor side. You've been a balance sheet lender from day one, is this something that you're committed to staying true to that model or are you going to take on like a marketplace type approach?

**Kathryn:** I would say we're very open-minded about that. We're a balance sheet lender today because we've been able to do it very efficiently. The operational leverage that we have from a fully automated product is really quite remarkable. I am probably 50% more efficient if not more than almost anybody in our space and that is the case because 95% of our customers have a 100% automated experience.

So I can have a direct business and take advantage of those margins and I don't have to worry so much about the balance sheet risk, so to speak, by the same token, we just increased our securitized warehouse to just over \$900 Million, I believe, so we are excited about that opportunity and we can keep growing it. However, we're open to other options for our consumer



product, the Karrot product. We actually take that off balance sheet and we're selling those whole loans to investors.

**Peter:** I do want to get to Karrot in just a little bit, but before we go there, I also wanted to ask you about your app. So you have a standalone app, Kabbage and I want to get some idea on the traction that's getting, is this something...and just mobile in general...not everyone is going to use your app...a lot of people are going to use a mobile device to access a loan so can you give me some idea of what sort of traffic is coming from mobile?

**Kathryn:** Roughly 25% to 30% of our traffic is coming from mobile, now that's not the app and I don't know the actual breakdown there, but that means that folks who are accessing the site...so we have the mobile app, but, frankly, our site is mobile optimized, it's responsive so it's a very easy process, whether you're looking at it from a phone or a tablet or a laptop. More and more we are finding that people are accessing it with a phone or a tablet and what's important about the mobile app is that it's a really quick way to get access to capital for any existing customer so they can login super quickly, see what they have available, take funds, have them in their bank account instantly or in their PayPal account and they can move on. If they have an opportunity or if they need funds for some reason.

**Peter:** Right.

**Kathryn:** So what you're going to see from us over the next four months is in addition to that integration that will allow customers to complete the entire application using a mobile device and leveraging the actionable features of the mobile device to complete that application instantly, whether it's scanning, documentation or geo-location information. The idea is that somebody can actually complete their application in two minutes instead of seven and all from a mobile device.

**Peter:** Yes, so I could see how that will be very convenient for existing customers because...again, seven minutes is convenient but two is even better.

**Kathryn:** So two would be for a new customer, yeah, exactly.

**Peter:** Exactly, so I want to talk about Karrot because you launched that last year and you've gone now from small business loans to consumer loans. So why did you do that?

**Kathryn:** Well, there were two real reasons for it. The first one is that 30% of the customers who are coming to our site...that's 30% sorry I'm talking quickly...who are actually consumers. Either they were true consumers or they were start-up entrepreneurs who didn't have enough business for a traditional bank to underwrite them as a business, but they're still looking for credit and they were willing to borrow personally. So we said, well, we should probably take advantage of this market. All of these customers are coming to the site anyway. That was one reason.

The other one was to demonstrate the power of the platform. We talked a lot about our platform today and we've observed that a lot of people who are sort of parroting that term "platform" and



platform is a really important thing for us because what it means is a system that is able to stand on its own two feet and can be used for something else, for someone else, for a different purpose, not just a replication of a bunch of processes somewhere else to achieve the same goal, So what we were able to do in 60 days, is using the Kabbage platform, is launch a consumer product off of the same skeletons, so to speak, really, really quickly and we're really excited about the ability to do that.

**Peter:** So you didn't start from scratch then, creating a new underwriting model, I mean, obviously, if you're doing a consumer loan you're not looking at UPS data or Yelp data, or that sort of thing, so there's a whole bunch of data that you've had to just throw away, I imagine, so how are you able to create a consumer underwriting model so quickly?

**Kathryn:** I wouldn't say we threw away data because we're collecting different data for consumers. There are two things we're doing that are unique in the consumer lending space. One of those things is we are instantly verifying customer's income by using bank account data to confirm deposits and to confirm income.

That's important for two reasons, number one, it's a risk mitigation function so we can be sure that we're providing the right line, the right amount to the right person and secondly, from a regulatory purpose to be really focused on the ability to repay with good reason so we're able to confirm that we're not giving our customers more than we should and I think that's something that's very different in this space.

The other thing we're doing is we're actually instantly funding it, so that way our customers can get access to the capital more quickly. Most consumer lenders who are in the space are actually not instant because they actually have to...it never was, it's not automated. Renaud from Lending Club was quoted recently saying that 30% of their customers had an automated experience and many of those still had a manual fraud review so it's not actually instant. Then they have to sell the loans on the back-end and place them so to speak with the appropriate investors. We don't have to do any of that, it's all very close (inaudible).

**Peter:** So, again, how are you doing the seven-minute deals? You go to Karrot and I like the branding that you've done, you got a Karrot with a K and you see a very similar feel to the website as Kabbage. There's the seven-minute thing as well so...

**Kathryn:** It's three minutes.

**Peter:** Is it three, I stand corrected.

**Peter:** No, actually, it's...on my computer, on my browser it's seven minutes....get your loan offer and rate as soon as 3:10 pm and it's 3:03 pm on my time.

**Kathryn:** So we're lying since we're doing it faster.

**Peter:** (laughs)



**Kathryn:** But that's okay.

**Peter:** Anyway, regardless, so how is the consumer getting those funds because they don't have a PayPal account or, again, is a debit card, is that the primary way?

**Kathryn:** That's ACH. We will have debit with the re-launch of our mobile application and our mobile responsive site. It will be debit card also for consumers, but today it's ACH. Most of them are getting it the next day.

**Peter:** I see, now I read it more carefully and it says...get your loan offer and rate. It doesn't say get your money. You got me there for a second, I assumed it was the same as Kabbage. Anyway...

**Kathryn:** We are all sneaky marketers.

**Peter:** Yes.

**Kathryn:** I don't think the intention there was to obfuscate or confuse but it's true that...the risk manager in me says, I'm not sure I want a customer that needs the money instantly. It makes me a little nervous, but by the same token, we want to be done with it. You don't want to hold the transactions. You don't want to decide you're going to go to Bloomingdale's and buy a pair of shoes, but then they're like, yeah, you need to come back tomorrow and sign the paper to get the shoes. You just want to be done with the transaction.

**Peter:** Yeah, yeah, that's exactly what happens. So what are the loan terms that you're offering to your borrowers today on Karrot?

**Kathryn:** Today, we're only offering consumer and commercial loans. We just announced actually the Kabbage Loan Card so our customers actually will be receiving plastic cards in the mail. They can use this to swipe at the point-of-sale and access their Kabbage funds immediately. So we're very excited about that because it creates again, another level of utility for our borrowers.

**Peter:** That is interesting. What about on the Karrot side, are you...these are installment loans?

**Kathryn:** These are installment loans and I think you'll see by the end of the year some innovative new products. I keep saying innovative, you're making me sound like I'm British!

**Peter:** (laughs)

**Kathryn:** Innovative new products that will be for consumers, but, again, are directly tied to our permanent access to data to continually underwrite our customers.

**Peter:** Right, right, and you mentioned the whole loan program you have on Karrot. I know you're a part of the Orchard platform. So are you actively soliciting or trying to attract investors or do you just have enough that you don't really need to market that side of your business?



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**Kathryn:** I don't think so, you always have to market it because we're new, it's a new product and it's untested even though...consumer lending, frankly, is really quite limited. The number of data points that you can use and how you can assess that data and everybody's using credit reports with a couple of other things, but you're really...your improvements are in the margin for the most part with consumer lending. So I think that the next six months will give us enough track record to get a sense with the need to continue to seek new investors. We are having great luck on the Orchard platform as well as the folks who have been coming to us to buy them.

**Peter:** Right, yes, fair enough. So are you using your balance sheet at all for Karrot or is it all marketplace?

**Kathryn:** I guess you could call it marketplace. We're selling all the loans via the platform, it's not a balance sheet business.

**Peter:** Right, so how are you deciding...is there a randomized kind of selection? If you've got a bunch of different investors, how are you deciding who gets what?

**Kathryn:** Well, it is tiered based on risk and certain investors are seeking certain yield so that's generally how we do it and if there are multiple investors in a particular tranche then randomizing the delivery of account and receivables to those investors in that tranche.

**Peter:** Right, and so what is the range of interest rates you're charging on Karrot?

**Kathryn:** On the low end, I think we're 6%. On the high end, it might be 25, it might be 25.6.

**Peter:** Right, okay, so then...

**Kathryn:** Our average is in the low teens.

**Peter:** Right, and do you have...like I know you might cringe at this question, but do you have like an average FICO score? It's one way to compare platforms to platforms as far as the typical borrower?

**Kathryn:** Ours is probably higher because we are targeting a higher FICO population. I don't actually know the answer to that question. I should, I'm sorry.

**Peter:** It's okay.

**Kathryn:** I can tell you that our cut-off is probably higher than other consumer lenders.

**Peter:** What is your cut-off?

**Kathryn:** Higher.

**Peter:** Higher. (laughs)



**Kathryn:** (laughs) Is that too evasive, I'm sorry...I don't know if I can say that.

**Peter:** That's okay.

**Kathryn:** Is it for the general public?

**Peter:** No, a lot of companies have it on their website. I didn't realize that was something you did not share. No worries.

**Kathryn:** Now the reason I haven't...I honestly don't know if I can share it or not. It's funny, there are things...wow I am not allowed to say that, that's fascinating.

**Peter:** (laughs)

**Kathryn:** But I think it's because they're selling their receivables to the public so as a result they have a lot of restrictions and requirements on disclosure that I don't have because we're not selling to retail customers.

**Peter:** Yeah, yeah, okay, so I want to let you go and before I do, I want to find out what's next for Kabbage. You kind of have this fun thing happening with vegetables (laughs). Is cauliflower going to be next with a K? Are you going to go into student loans, I mean, what is next for Kabbage?

**Kathryn:** It really ought to be Kauliflower, no, I mean, Kantaloupe.

**Peter:** Kantaloupe, well, it's not a vegetable though. (laughs)

**Kathryn:** (laughs) I know, exactly, we should go into the fruit business, but what we're excited about next is actually this platform concept that I mentioned earlier. So we're launching this month in Australia with Kikka Capital and they're actually...the parent company is one of the largest and the largest consumer lender in Australia and we'll be launching in the fall in Europe actually with a large Pan-European bank and so we're very excited about that.

We have many other relationships in the pipeline with large banks. They want to license and customize the platform so they can serve customers that are already their customers. Today, 80% of my small business customers bank with the top 10 banks, they're mainstream businesses, but the banks don't have the ability to provide them with working capital, not because they don't want to, they're not bad guys, they just don't have the technology to do that cost effectively so our goal is help those banks provide these products and services to their customers.

**Peter:** That's fascinating, that's great to hear, I think. That certainly was one of the themes of LendIt a couple of months ago and it's great to see some of those things coming to fruition because partnering with banks, I think, is a win-win for everybody and I'm hoping this industry does continue that sort of thing.



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Anyway, on that note I very much appreciate you coming on the show, Kathryn, it was fun.

**Kathryn:** Thank you so much, Peter, this has been fantastic.

**Peter:** Okay, see you later.

**Kathryn:** Take care.

**Peter:** Bye.

What is curious to me is that here we have a really cutting edge company and they are doing things very differently, but partnering with traditional banks because let's face it, businesses, at least for the foreseeable future, are going to need a checking account. They're going to need to have some kind of formal banking relationship and so there's thousands of banks and with these business relationships, but they're not leveraging the relationship. It's a huge opportunity for this industry and I know Kabbage is doing it. There are other online lenders that are also really looking to leverage those relationships the banks have with their checking account customers. It's a massive opportunity that I think will...if this industry is going to become successful and mainstream, those are the sort of relationships that will make it so.

On that note, I will sign off. Thank you so much for listening and I will catch you next time. Bye.

(closing music)