



## **PODCAST TRANSCRIPTION SESSION NO. 100**

Welcome to the Lend Academy podcast, Episode No. 100. Yes, we have made it to the century mark! This is Peter Renton, Founder of Lend Academy.

(music)

**Peter Renton:** So for our special 100th episode, I thought we would take a step back and do something a little bit different. We're going to go back and look at some of the highlights of the Lend Academy podcast over the last 100 episodes and it's not just going to be just me, I'm going to bring in the Lend Academy team. The Lend Academy team is also the LendIt team when it comes to putting content together for all the LendIt conferences. Together, the four of us, put together all of the agendas so what we want this to be is not just sort of a...we're not going to go back and just tell you what we like. We're going to try and make it educational, we're going to tell everybody what we think are some of the key takeaways of some of the best podcasts that we've done. So with that, I'm going to let the team introduce themselves.

**Ryan Lichtenwald:** So my name is Ryan Lichtenwald. I've been part of the Lend Academy and LendIt team since 2015. My first ever LendIt conference was in 2014 so I've been around the space for quite a few years now, writing about this space and also helping out with the conference. I'll pass it over to Todd.

**Todd Anderson:** Thanks, Ryan.

My name is Todd Anderson. I've been with the LendIt team since 2015 as well. My primary role is working on each of the event agendas as well as our LendIt News and Lend Academy content. Many of you might know me as a speaker Manager/content manager. And Jason, I'll pass it to you.

**Jason Jones:** Thanks, Todd.

My names is Jason Jones, I'm one of the Co-Founders of LendIt with Peter and Bo Brustkern and I wear a lot of different hats, I am currently CEO of LendIt, but I'm also very active on the content team. My background, I was a research analyst and a portfolio manager so I just enjoy going deep on companies, understanding what they do and how they're structured and then understand the competitive landscape around them. So I don't get to write all that often, but I do enjoy that and I also work on building the agenda with the team. Thank you, Peter.

**Peter:** Okay, thanks guys.

Before we get started, I want to go through some of the statistics for the Lend Academy Podcast. I've never shared these publicly and I thought now would be a good time to do it.



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So firstly, we're going to go through the total downloads, I'm looking at our stats page right now. We've had 177,000, almost 178,000 downloads total. That's obviously across 99 episodes before this one. I want to go through the top five most downloaded podcasts of all time.

So the number one most downloaded by quite a considerable margin actually is Kathryn Petralia from Kabbage, that was Podcast 42, recorded in July of 2015. That podcast was quite amazing because it still gets on average more than one download a day. It's obviously almost two years old as we're recording this, but it has been by far the most popular podcast we've had, just under 4,000 downloads.

And then we have Aaron Vermut, the former CEO of Prosper. This was back in February of 2015 when this was launched. This has had 3,227 downloads.

Then we have Karen Mills at number three, she was Podcast 41 and that was also in July of 2015. She's the former head of the SBA and now a Senior Fellow at Harvard and she has just over 3,000 downloads.

Then we have Matt Burton, who I've actually had on twice but his first podcast back in December of 2014 is number four most downloaded, 2,859 downloads.

And then we have the fifth most downloaded podcast is Gilles Gade, he's the CEO of Cross River Bank and that was in March of 2015 at 2,794 downloads.

That's basically the five most popular downloads of all time.

Now I want to talk about geography because it's interesting to look at. You think this is a US podcast, focused primarily on US content, but it's interesting to see the geographic background.

Only 74% of the downloads come from the United States; that means 26% is coming internationally. Obviously, the number one country is the US, number two is the UK. The United States is at 132,000 downloads, the UK obviously a lot lower at 7,500. China is number three which is interesting because obviously people don't speak English very much in China, but still that is number three at 6,462. Australia is number four, my home country, at 3,790 and then Canada is number five at 2,200 downloads. Not big surprises there, but I think it's interesting to see the main countries.

And the biggest download day ever was actually in February of this year when we had just over a thousand downloads which happened the day after the Mike Cagney podcast came out. We are going to be talking about that in a little bit, but that's the most downloaded day. Interesting, we publish these on a Friday. I do that because I know that people like to...over the weekends they can download them and listen to them as they're working out or going for a walk or what have you and we always get a big day always on the Saturday, it's the biggest day of downloads every week. So that's a bit of a background on stats.



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Now I want to pass it over to Ryan. We're going to go through and talk about some of our favorite podcasts. We're going to have this sort of as an open discussion between the four of us and talk about what we learned on some of these. So over to you, Ryan.

**Ryan :** So one of my favorite podcasts has to be Mike Cagney from SoFi. Firstly, I'd say I kind of have a soft spot for SoFi because I am a millennial (Peter laughs) so I follow them pretty closely, but one of the things I love about Mike Cagney is that he's really open, he speaks his mind and our recent podcast with him was no exception. I find that I'm always kind of taking notes or going back and really trying to figure out kind of how the business is doing, any numbers that he gives to kind of dig in deeper and understand the progress the company has made.

I guess, you know, from the last one my perspective was over the last year, they've come so far. They continue to deliver on additional products so wealth management, insurance and then actually in the podcast, Peter, you and him talked about the bank that they're offering which actually got announced just after the podcast and that's all within right around a year. I mean, it's just fascinating how fast they're able to move and at scale as well.

I think one of the other things that is really interesting about the company is that they're pretty open about...they're not necessarily beating on price right, they're beating on customer service and providing value to the SoFi community and kind of around the SoFi community. Their dating events, their networking events so they've really kind of turned traditional banking on its head and they're super unique and that's one of the things that I just love about SoFi.

**Peter:** Jason, you're actually a SoFi customer so why don't you tell us a little bit about your experience as a SoFi customer and also what you thought about that podcast.

**Jason:** Yes, I'm happy to say that I'm in the SoFi club, it's an exclusive club.

**Peter:** (laughs) It's an exclusive club, yes.

**Jason:** Honored to be in the SoFi club. Actually Ryan and I decided one day that we should...I wanted to refi some credit card debt so we chose three platforms. Actually, we chose Karrot which was Kabbage's platform and BestEgg which is Marlette's platform and SoFi and we just decided to videotape my application process just to understand what the user experience was like at all three of those companies. I went into each one of them cold, I directly typed in the URL and went through the process with them.

Surprisingly, I was rejected at Kabbage and at BestEgg and I was approved...I joined the club at SoFi. I only had one option at the end of it, but the option was really good. The rates were extremely low, the user experience was excellent and I'm very happy with the refinancing of the loan that I got. Now they offer me...they're up-selling things like mortgages and other products and I'd definitely consider using other products that SoFi offers. I haven't been to a dating event yet (Peter laughs), I am married.



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**Peter:** Yes, your wife might not like that (laughs).

**Jason:** But I did go to their mortgage 101 when they launched in New York and that thing was packed, there were hundreds of people there, it was like a meetup, there was a lot of excitement and they were teaching people about how to buy their first home. That was a pretty cool event so I definitely see their involvement with the community aspect and this feel of being part of the club. SoFi is doing well with that.

**Peter:** Yeah, and I think...I mean, that's to me...no other financial institution has done as good a job as SoFi has of making that sort of club like feel into making a sort of a high end, more exclusive type experience and I think they've done a good job with that.

The other thing, going back to what Ryan said, I mean, the execution that they show...Mike Cagney will talk about something and then it will be done, it will be executed, it'll be out the door a month or two later and this happens again and again and again. I've had private conversations with him and he talks about stuff that's coming down the pipe and next thing you know it's out and it's not only just out, it's executed and it's done well.

I think they're really, really good at executing and they really have taken the leadership position in this space. What Mike Cagney said on that show which I thought was an amazing takeaway was he wants SoFi to be a hundred billion dollar company that's a valuation with 2 million customers in the foreseeable future that would put them on par with any financial institution in this country and I think it would be brave man that would bet against the SoFi team at this stage.

Okay, so maybe, Todd, you want to go and tell us what one of your favorites have been?

**Todd:** Sure, thanks, Peter.

Yeah, one of the I think more interesting ones, especially to someone like myself, I guess I'm still considered a millennial, though I'm more on the outskirts of being a millennial, was Stephen Dash of Credible. As someone who still has a fair amount of student loans. I know we just talked about SoFi as a student refi, but I think Credible...their business model, the way Stephen runs the company, how much they've grown in the last few years was really something that I thought was pretty exceptional.

I think the fact that they are very much integrated with the partners that they have...I mean, recently they had signed a deal with Sallie Mae, but the more partnership models that we've begun to see in this space, whether it's banks and fintechs, fintechs and banks, I think Credible has done a really good job at integrating with, whether it's local credit unions in Massachusetts or Sallie Mae, they really offer something that's a bit unique and something that gives a lot of choice when it comes to looking at options at lowering your rates.

The most interesting aspect I thought was we always hear about ownership of the customer, who's going to own the customer offering them different products over the course of the customer's lifetime, Stephen has a slightly different view on this which I thought was very



interesting. It's more of a co-ownership look at the customer in that you can't offer them everything and so understanding who your partners are, understanding that the borrower or the customer is not necessarily just owned by the lender. It's a really fascinating point, it's a different way to look at it. As more companies are looking to offer more products, whether it's adding on insurance or adding on wealth management, he's come to the understanding that you have to kind of co-own this customer through different partners and through different companies and I think that view is really unique.

As more companies are trying to add stuff, he's really trying to refine what they currently do well and I think that's a little bit different than some of the other companies out there. I think they do a really good job at that and I think he comes across very knowledgeable...the company has grown to 75 employees now so they obviously have been doing quite well the last few years.

**Peter:** Yeah, I agree. I really enjoyed that podcast and not just because Stephen is a fellow Aussie, but I think he has a really interesting concept. What I got out of that one was that the whole idea that he put forward of...he sort of wants to re-intermediate in a way that is best for the customer. Oftentimes, you want to go and obtain a loan and you don't want to go and apply at ten different sites, it's a waste of time and energy so what Credible has done is okay, give us your information and the fact that he has been able to get like the underwriting models of some of these platforms to really tightly integrate with them so he knows when he's sending them to a platform that they're going to get approved and he can take all of that and say, right, I know you're going to be approved at these three platforms, this one has the lowest rate and I'm going to send you there. I think it's a tremendous service, it's sort of a re-intermediation that adds value to the customer.

As you say, it's like a co-ownership of the customer, but the reality is having these comparison sites which we don't really have in the US for the online lending space very much. I think in other countries, Australia, the UK, these comparison sites are what drives almost all traffic to these online lending platforms. So it's interesting that he's got something that has, to my idea, really a lot of legs and it's adding value for the customer.

**Todd:** Yeah, and I think that the fact that a lot of the partners are also like local banks or local credit unions in different regions is really helpful as well because it gives the borrower who's going to that local community or local regional college a choice that is familiar with them. So it's not just a big bank, it's not just a countrywide choice, but it's also a local choice so I think the partnerships they've struck also offers something unique that it gives that community type feel to it as opposed to just offering lenders that are countrywide, it gives a little more of a regional feel to it.

**Peter:** Sure. Okay, Jason, what's been your favorite...what's caught your eye over the last 100 episodes?

**Jason:** So first I'll start with saying that I feel like I've done this about 15 to 20 times where after I've listened to one of your podcasts, Peter, I come back and say, oh, Peter, that was the best



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podcast yet (Peter laughs) and it keeps happening so you asked me to go find my favorites. There are so many that I really like and I would definitely say that this is one of the best products that Lend Academy makes, in my opinion. I enjoy listening to every podcast and I learn so much about the companies and about people in our industry from the podcast. So tough question, who is the best one?

I'll first say that recently I loved the Cagney, the SoFi interview recently. Grameen was awesome, so interesting. Congressman McHenry, fascinating to see from the government's perspective, what's going on there so lots of picks that I could have came up with and I know we're going to discuss some of them, but I'm picking two.

My first one is one from about six or eight months ago, Podcast No. 73, Todd Nelson from LightStream. The reason why I picked this one is because LightStream is an auto finance online lender that is owned by SunTrust Bank and this is...what was interesting to me here is that this is the only notable successful marketplace lending M&A deal that I've seen where a bank has bought a marketplace lending company or an online lending company and it's worked really well for them so I loved hearing his story.

Auto finance is a trillion dollar business and there is \$50 million auto sales per year and LightStream has built this kind of direct to consumer auto lending solution. About five years ago, SunTrust went out and bought the company, it was kind of a bare bones company at the time and SunTrust is not really a bank that is forward thinking in terms of technology. At first they were really just thinking about buying the LightStream portfolio and then as they started talking to the management team they realized that they could buy the whole company and kind of incubate it inside their business.

It was a big step for SunTrust to do that and Todd described kind of that process. What SunTrust had to go through to kind of decide to buy a little tiny startup, like a tech startup, but it's been incredibly successful. It took about a year and half for them to get the compliance right, to get the operations right before they relaunched it inside of SunTrust. Now that they have, they have grown it from basically nothing to one of the top five online consumer lenders in the country with a huge presence in the auto finance space.

So great story, great example of a successful M&A deal and something that's a little bit under the radar. I don't think...most people talk about online lending, they think of Lending Club and Prosper's and companies like that but LightStream is a great example of a bank that's done well in our industry.

**Peter:** Yeah, I would echo those remarks. I think they have done well and you know, it is interesting, they have flown under the radar, they just haven't done a whole lot of branding and outreach like a company like SoFi has done, but the reality is they have the advantage of cost of capital and their rates are really competitive. I remember doing that episode and thinking it was really interesting, their mix of loans like auto, as you said is one of their primary, I think it was the primary category they have and they don't do much in the way of debt consolidation so they



don't see themselves as really directly competing necessarily against Lending Club and Prosper and SoFi because they feel they're after a slightly different demographic. They're not after the debt consolidation crowd and I think they have been sort of a quiet achiever over the last few years and I think they're going to be a force to be reckoned with from here on out.

**Jason:** Yeah, they said...one interesting quote, you know they focus on prime and super prime borrowers and when they issue auto loans they are obviously at a lower interest rate than a debt consolidation loan so they said if you don't have an interest rate starting at 1% or 2% then you're just not competitive and you need to price aggressively in this market. And using the bank's balance sheet, the deposit base they are in a position where they can have an online lending business but priced at a very competitive rate...it's super interesting, that's what Goldman is doing with Marcus now using the deposit base to lend and rates are going to be really competitive as these banks think about how they roll out their online lending businesses. Again, M&A, it's the only bank that I know of that has bought an online lender, so far.

**Peter:** So far.

**Jason:** And there's a lot of chatter about it. Clearly lots of bank partnerships that are happening, but this is the example that a M&A can work in the industry and I wouldn't be surprised if we see more in the next few years. Someone is going to recognize LightStream eventually and say...some banks are going to say, oh, SunTrust did well with LightStream, we should go do it ourselves.

**Peter:** Okay, I'm just going to briefly go through one of my favorites which was one that was done very recently, just a bit over a month ago, it was with Andrea Jung, the CEO of Grameen America. You just mentioned it, Jason, the thing that...I thought it was just absolutely fascinating how they've been able to build a business serving I would say some of the riskiest borrowers of any online lender. I mean, these are people who are first time entrepreneurs that are taking out loans, sometimes they're not very educated, I mean, either they have no credit score or they have a low credit score and they're getting a default rate of 0.3%.

That's just incredible if you're lending to a super high credit score, really experienced entrepreneur, who's got a very established cash flow generating business, but these are first time entrepreneurs and oftentimes they don't even have a business when they take the loan, they're just getting started so to me that was really interesting. They run a primarily offline business, but to me it says what is possible, it points to what is possible that you can have these businesses if you can sort of duplicate what they've done offline and bring it online. I know there are companies trying to do that, but it basically points to me what is possible.

**Jason:** Yeah, I think an important part there was the fact that they've also originated more than \$600 million in loans, if I remember correctly. So, I mean, they've done this at scale, I mean, these default rates are proven at scale which is amazing, amazing. Can you talk a little bit about how the group support system works, I think that's a big part of Grameen.



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**Peter:** Yeah, one thing that I learned, you don't need to have a lot of experience or a good credit score, as I said, but you have to have a commitment, you have to take a week off and go to a weeks training and then you have to go to these meetings once a month where you get this sort of group support kind of thing. That's been the key to what they've done and also they work with a local loan officer who is really a coach as well as a loan officer and helping them get their business going. I think that's been a critical piece.

Anyway, I want to keep going because we've got a few more to cover. Ryan, why don't we go back to you and tell us another one that you really like.

**Ryan:** Sure, so another one I really enjoyed was PeerStreet. You know, it feels like over the last year or so the real estate crowdfunding companies, a lot of them were kind of coming of age and we're really starting to see the true players and I really feel like PeerStreet is one of those. I just love their story. You interviewed Brew and Brett is one of the co-founders who originally founded Google Analytics which was fascinating. Everyone uses Google Analytics. They come from this data background and I think you can kind of see that permeating throughout the business, especially in the interview.

You know, one other interesting fact that I learned was Michael Burry, famous for calling the mortgage crisis is on their advisory team which is obviously a huge boon to the company. But specific to their business model, it was really interesting to hear how they operate through these origination partners. So they partner with these people who have traditionally made loans to these fix & flip properties and these are really experts in their individual area, in that community and so they know the market and that's really important. That kind of model helps the company scale. It's a win-win so the origination partners now have a market for them to sell their loans into with PeerStreet and PeerStreet goes and re-underwrites the loan so the interests are aligned because the origination partner also has skin in the game.

You know, I think it's at least 10% of the loan and I guess the other interesting takeaway was learning kind of about the borrowers that they have. So the average interest rate to borrowers is around 8% and they are short term, average nine months term and an average of 62% loan to value which in my opinion is extremely safe, you know, from a real estate perspective and I think that's one of the things that differentiates PeerStreet and why I like the company and why it's so interesting.

**Peter:** Yeah, I've actually been an investor on PeerStreet for going on a year now and I've been very happy. I think the interesting piece that they have...I think what's important to any platform, whether you're real estate, small business, consumer, is to have a customer acquisition channel, a borrower acquisition channel, most importantly that can deliver you low cost borrowers. I think those companies that are going out of business didn't have that and I think PeerStreet with working with these sponsors that they have, they've sort of developed this proprietary channel. It means that they can bring on deal flow inexpensively and that's been a real critical piece.



Anyway, Todd, I want to get on to you for another one of your picks.

**Todd:** Thanks, Peter. This next one I think was interesting because...you know, one things that interests me in the online lending industry is lenders that focus on a specific niche and I think in Podcast 71 that Peter did with the two founders of StreetShares the focus they have right now on veterans and veteran owned businesses, now it's not 100% of their focus, but it's their primary focus. As someone who's brother is a veteran, it's always unique to hear someone from a veteran background like Mark who used to try people in Iraq for terrorism to move then into lending. So the unique background of Mark and then Mickey who's from South Africa...I think what first interests me in the podcast was their unique backgrounds and then focusing on the veteran community and using an affinity model which is really what they pride themselves on is using that community of veterans to then I guess you could say pressure the borrower into repaying, but it's really a community driven site and company that they're running.

The new Reg A+ now opens them up to non-accredited investors, they offer their business bonds at a fixed rate of 5% so they're offering a unique opportunity to a unique group of people in veterans. I think it's something that goes beyond just lending to small businesses, looking for scale, trying to get as many loans and capital as possible. It's looking at a different model which is really focused on a specific community and offering them the best product that fits that community.

So I think it's a different way of looking at online lending and I really like to look at some of those niche areas when looking and reading on companies, it's really an interesting space and I think you see some more areas that are ripe to be targeted when it comes to niche areas, but I think Mark and Mickey are really doing an interesting job over at StreetShares and I thought it was an interesting podcast that you did, Peter.

**Peter:** Yeah, I agree and I think the other piece is they actually have an offering for non-accredited investors which is somewhat unique, the veterans bonds where you can invest in those loans to veterans and get a return even if you're not an accredited investor.

Anyway, I want to get to Jason one more time. Talk about another one that you really like.

**Jason:** Okay, my next one is Podcast No. 74, this is Direct Lending Investments run by Brendan Ross. I loved this podcast because we've known Brendan since before he started, when he was just an entrepreneur with a dream and (Peter laughs) we've seen him develop one of the best fund manager growth stories in our industry. We actually had him on the podcast twice. The first time he was on the podcast his fund was at \$73 million; we brought him back two years later and his fund was at \$730 million so he grew ten times over two years.

He's had an incredible growth story and Brendan is a fun guy to listen to, he's one of the industry's best self-promoters which is entertaining, but in addition to that, he's one of the smartest guys in the industry. I just love how he has built his business. When he started several years ago, everybody was launching peer to peer funds on Lending Club and Prosper and



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Brendan looked at that and said...no, that's not what I want to do, I'm going to focus on small business lending and specifically on short duration, high yielding loans.

So from the very beginning he took a different tack than most of the other fund managers that were out there and then in addition, he's a tough negotiator right off the bat. He bought whole loans, but when he bought them he negotiated credit enhancements right off the bat. He basically said...I will buy loans from you, real tiny small business lending platforms, but you're telling me what your interest rate is. If your interest rate starts to decline then the service fee that I'm paying you will decline at the same rate so, therefore, I'm baking in protection if you don't deliver what you say you're going to deliver.

He also went ahead and he created a segregated bank account right off the bat so all loans would go into this bank account and it would be independent of the actual lending platforms so he's setting up bankruptcy remote structures right off the bat. He also loved this segment because he could see the identity of the borrower, he knew the businesses he was lending to and in some cases he would talk to the owners and work directly with them.

So lots of really interesting insight there right off the bat, and I think it set him in a different position than all of the other new startup fund managers that were in this space and he quickly moved to extending credit facilities much like a bank would do where the loans would be put into a SPV and he would extend one loan to that SPV, it would be a fixed rate and then in that case he would have the lenders lock in a fixed rate to that pool of loans so, basically, they were guaranteeing the rates. So if a loan pool actually defaulted, the lender would eat the losses and Brendan would get a locked in rate.

So really tough negotiator, smart negotiator and that's why he has been able to do so tremendously well. Also, he picked a category where duration was short so the payback is quick which protected him from any kind of rise in interest rates and very high yielding, areas like invoice financing and areas like secured real estate. He lends to a bunch of different platforms at this point and his performance has been great, one of the best performers, as Peter knows in his quarterly reports. His fund is always one of the best performing investments in the industry.

**Peter:** Yeah, Brendon has done a great job. I've been a big fan, obviously I've been an investor now for four years in the fund and I was certainly one of the very early ones on board because I had known Brendon for a while, I first actually interviewed him for a Q & A on Lend Academy back in 2012, I think it was about five years ago. I think, as you say, he's a very smart guy and I think he deserves all the success he gets.

Anyway unfortunately, we are out of time and I still have others that we wanted to cover here. I wanted to talk about Jeff Stewart from Lenddo which was a fascinating episode; Anthony Hsieh from loanDepot who's probably the biggest big time entrepreneur I've had on the podcast in the first 100 episodes. He's built up a company from zero to 5,000 employees in just a small number of years and Kathryn Petralia, the number one most downloaded. There is a reason her podcast is the number one most downloaded and I think she had some really unique things to share.



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But we're out of time so with that I think we'll wrap it up, hope you found that useful.

I want to thank Jason, Todd and Ryan for coming on the show and sharing your thoughts. Thanks guys!

**Jason:** Thank you, Peter.

**Todd:** Thanks, Peter.

**Peter:** I just want to share a little personal note on this, the occasion of our 100th podcast. You know, I love my job, I love what I do, I love the industry, I enjoy putting the conferences together, working on the agenda, inviting speakers and I enjoy writing pieces on Lend Academy and doing the investing side and all of those. I really enjoy all of the different pieces of my job, but the thing I enjoy most is this podcast.

This is the thing that I feel like I get to sit down every week and talk with some of the most interesting people in the industry and it's something that I truly love to do and I'm committed to doing it for the foreseeable future.

Also, we have the Lend Academy team on this time, we're going to be doing more with the Lend Academy team, the LendIt content team, we are interchangeable. So as we go forward, you'll find some special things that we're going to do which will give you more access to us and help us share our thoughts with you more.

Anyway on that note, I will sign off, but before I do on this 100th episode I just want to make one more request to please go and give us a honest review on iTunes or Stitcher. We'd love to get some more reviews out there. That helps people find the show. Anyway, thank you very much for listening and I'll catch you next time. Bye.

(closing music)