



## **PODCAST TRANSCRIPTION SESSION NO. 187 / NIMA GHAMSARI**

Welcome to the Lend Academy Podcast, Episode No. 187. This is your host, Peter Renton, Founder of Lend Academy and Co-Founder of LendIt Fintech.

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Today's episode is sponsored by LendIt Fintech USA 2019, the world's leading event in financial services innovation. It's going to be happening April 8th through 9th, at Moscone West in San Francisco. We're going to be covering digital banking, blockchain, financial health and of course, online lending as well as other areas of fintech. There will be over 5,000 attendees, over 250 sponsors and registration is now open. Just go to [lendit.com](http://lendit.com) to register.

**Peter Renton:** Today on the show, I am delighted to welcome Nima Ghamsari, he is the CEO and Founder at Blend. Now Blend is a fascinating company, they are really a software company that has built a platform, a digital platform, for simplifying the mortgage process. They've been very successful, they've got banks, all the way up to the size of Wells Fargo, down to community banks on their platform and they're able to bring the mortgage process interestingly into a mobile device where people can complete the entire process on their device.

So we talk about how they've done that, we talk about what's preventing mortgages from being processed in a more efficient way, we talk about how they're able to get a large bank like Wells Fargo on board and we talk about their marketplace. They have a new Blend marketplace, we talk about anti-fraud and the addition of a very high profile advisory board member that they recently added. It was a fascinating interview, hope you enjoy the show.

Welcome to the podcast, Nima!

**Nima Ghamsari:** Thanks for having me, Peter.

**Peter:** Okay, my pleasure. So I like to get these things started by giving the listeners a little bit of background about yourself. I'd like actually to start...tell us about your story and how you came to the US and also your professional background.

**Nima:** Sure, so I was born in Iran and my family immigrated here in the 80's, came here, became academics. I grew up in the Midwest, in Ohio, and you know one of the things that I was very fortunate to see was the impact that buying a home can have and my parents, they got a mortgage 20 years ago with very little money down, there was almost no money in their savings to put any money down.

They were able to get that mortgage 20 years ago and now they're able to retire as a result. That house is fully paid off, it's an asset, they just sold off and now they're able to retire. So I guess that's kind of one of the things that made me passionate about this industry is seeing my family directly impacted by it and of course, there are millions of other stories like that.



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**Peter:** So then did the idea for Blend...is this something that germinated in your childhood or is this something that, you know, I know you've got a computer science degree from Stanford, when did you first think about the idea that was behind Blend?

**Nima:** Well I think almost nobody leaves college and says, I want to go build a mortgage technology company (Peter laughs) because almost nobody in college has gotten a mortgage. So I definitely didn't think...I was at Stanford, I was getting my computer science degree, you know, my sister had gone into financial services, on the trading side, just before the crisis and then in 2008, when I graduated, it was just before the crisis hit and I was considering between going to financial services and joining the company that she was or one of the other companies out there in New York or staying in tech.

It was a tough decision because I did really think that there was an opportunity on both sides, but ultimately I ended up staying in tech and saying, you know what, I got great advice from a fellow entrepreneur who turned to me and said, Nima, if you ever want to build anything great, you should probably stay around here and work in tech because you can't build things in New York, you know caught in this web. So anyway, I ended up joining a tech company here, it was Palantir in 2008, it was a fantastic experience and right then the entire financial services ecosystem started to collapse.

You know, Lehman Brothers went out of business, Citi, all of the others started to go down so I obviously looked like a genius because I hadn't made the decision to go out there just a few months earlier, I looked like I had predicted something (Peter laughs), but it really was just luck. I was passionate about technology and in this crisis, a big part of Palantir's business right after the crisis was working with the financial services institutions on their mortgage books to help them find better alternatives to foreclosure so that was how I got introduced into this space.

**Peter:** Okay, so you were introduced to that and you saw obviously a lot of people lost their homes, then what did you actually do? When you started the company, what was sort of the idea that really drove you to go and do this yourself?

**Nima:** As we were working with the financial services institutions on their mortgage books, I saw that basically everything that was being done in that space was being done using 20, 30, 40-year old technology and it was all paper-based. It was really bad for consumers because when you're doing a bunch of paper-based things, it's not the modern experience that people are starting to expect, it's bad for the lenders, it's high cost.

It was something that they couldn't sustain as the other parts of the ecosystem were becoming more digital and it was bad for the system as a whole because, you know, I think...not to say that the crisis was caused by a lack of technology, but technology creates transparency, especially around data, a set of documents would have made it so much harder to make mistakes or do all the things that ultimately led to a lot of loans not going through and being as successful as they were.



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So I felt like there was a real opportunity and to the earlier point I made around why consumers or why college students don't leave college and go into mortgage startups, I was in this unique position, in 2012, when I saw this big opportunity, this big gap and this big impact, I felt like nobody else was going to do it if I didn't do it. I felt like I as a technologist who had seen this space and really understood this space to some extent would be able to go in and make a real impact by building a team and working with the ecosystem.

**Peter:** Okay, so let's just step back for a second. Why don't you just explain exactly what Blend does, give us sort of the elevator pitch.

**Nima:** Sure, so what Blend does is we...it starts with the consumer when they're first getting ready to apply for their loan and instead of asking you for a bunch of documents, as a consumer we ask you to, if you want, to aggregate your data instead. The benefit of this data over documents for consumers means that things can be done in a few taps for a consumer and all the information that's needed to underwrite you as a loan holder would be instantaneously collected by the lender using our software.

We partner with lenders, we're not a lender ourselves, we offer software as a service to the lenders, it's a white labeled solution or grey labeled powered by Blend and that technology then in real time evaluates the data, gives the consumer an approval and then gives them a one-stop shop shopping list of here's the next seven or eight items you have to do to close this loan.

And that's the idea, creating that one tap or close to one tap approval and then that one-stop shop for consumers. I think that's where sort of consumer behavior is driving across all different industries, but financial services will be, you know, I think pretty much all like that in the next five or ten years.

**Peter:** I notice you said one tap and not one click, is this really optimized for mobile? Is that where most of the people are coming from?

**Nima:** Yeah, especially in certain segments most of the traffic comes from mobile these days. In fact, when we started the company, people thought mobile didn't make any sense to focus on because it's such an important lending decision and it's such an important consumer life decision, but it doesn't mean it has to be a high friction decision.

It should be a highly thought out process, there should be a lot of education there, but it doesn't mean it should be a high friction process and so making it so it can be mobile friendly....you know, 56% of people on our platform who are aged 30 to 40 applies on their mobile device. It's not much lower for the next age band and so...and similar, especially with low income households when we're talking about accessibility of credit. They are three times as likely to use a mobile device as a high income household and it's because mobile devices are ubiquitous now and being able to have a mobile first experience means that there are certain populations that were previously really difficult to get to, that now people can serve. Those people might not want to go into a branch and go and talk to a banker before they know what they can afford.



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**Peter:** Right, right. So I just want to dig in a little bit to the process so all the listeners can understand and I can understand it. So you said you sort of aggregate data...when someone is applying for a loan on a Blend-powered product, what are you actually doing? Are you connecting bank accounts, how are you able to sort of aggregate the data?

**Nima:** We connect to bank accounts, we connect to the bureaus, we connect to payroll accounts, we connect to tax accounts, the IRS. Essentially the idea is, you know, the consumer shouldn't be messing with the data, the lender shouldn't be messing with the data. The data should be coming from a verified third party and if it's machine readable instead of a document, we can evaluate it in real time.

So one example of this process would be in the old way, let's say you're applying for a mortgage at ABC Bank and you go through as a consumer and they ask you for a bank statement. Of course, they need to know that you have enough money to get the mortgage and so they ask you for the bank statement, you provide the bank statement. A couple of days later, maybe somebody reads that bank statement, flags a few different items on there, checks to make sure the total balance is enough.

Then as they flag they go back to you a couple of days later with, hey, here's the items that I need from you, Peter, in order to finish this loan. And they send you an e-sign or worse an actual physically signed document that they need from you and then you do the work on that, you send it back to them a couple of days later and this is why the mortgage process becomes so frustrating. There are hundreds of examples of these things.

With Blend, the alternative, you know, the new age way of doing this is...not everyone is forced to aggregate their data, but the ones that want to can, but the new age way of doing this is a consumer shows up, they connect their accounts for their bank account, for instance. We, in real time, verify the assets that are in the accounts to make sure they're enough. In addition to, we extract income streams that are in that asset statement and we verify with the consumer in real time and then we also look for things that might be the anomalies that a bank might look for a week or two weeks later.

So for instance, you're not supposed to have large deposits in your bank account that are loans from friends and count that towards your down payment. Another loan that counts for the down payment, kind of increases the amount that you're being loaned so it needs to be accounted for properly. So if we flag those things in real time, instead of an underwriter finding it in a week, two weeks later, we can have a consumer explain it in real time, we can have the underwriting team get a certified document that tracks who and when that was found, where and when that was found, who signed for it, etc. and have that filed over in the right folder behind the scenes.

There's no loss of information and there's a full audit trail. So creating that one tap consumer aggregation and then one tap of all the anomalies that need to be tracked in a mortgage process in real time in our system is part of the intelligence that we hope to bring to the process more broadly.



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**Peter:** Okay, so what about, like the documents that often times, you know, you have to go through anti-fraud, there are certain things that the process requires, is that all like a mobile experience, like can you take a photo of your driver's license and send that in or how does it work?

**Nima:** Yeah, so we have a whole marketplace of providers that provide things like identity verification to ensure that the person who says that they're this person is actually that person and that's mobile friendly, we have the ability to take photos and grab a driver's license and then scan that in, we have the ability to...and by creating this more marketplace approach, we enable these third party providers who are providing these services to integrate against a standardized platform that's being used by a huge amount of the industry and then have that technology innovation happen much faster.

**Peter:** So then...I mean, it's still...you know, when you talk to people today buying a house, most people are still having this sort of 6 to 8-week nightmare that's sort of extremely stressful. How long do you think it's going to be before that nightmare is over for the vast majority of consumers and they're going to be in a more, you know, digital stream where maybe you can close in less than month, how long do you think it'll be before that happens?

**Nima:** So I think the key inflection point for when mortgages become...the timeline compresses greatly, there's probably two that are top of mind for me. The first one is when there's enough adoption of this data instead of documents because then the information around assets, income, credit, employment are evaluated in real time and we see that compressing the timeline up to 20 days with some of our customers, we're doing this in real time, what they call instant decision and that's huge and that's a big, big part of it.

And then the other part on the collateral is how do we get smarter and smarter about how we evaluate the value of collateral such that, you know, an appraisal that typically took seven to ten days to get back, we can have back sooner. How do we get a better marketplace for that, how do we find better information for the...maybe we don't need an appraisal on some smaller number of cases and over time make that more of a digital process. So I think there's two major bullets and if we can solve both here at Blend we can cut the time down to the minimum required by law.

**Peter:** Right, which I think is what, seven days, ten days, it's pretty short, isn't it?

**Nima:** You can have a mortgage in ten days, yeah.

**Peter:** Ten days, yeah, that will be nice. Can you tell us some examples of who are some of the banks or non-banks, for that matter that you're working with today?

**Nima:** We did about \$230 billion in mortgage applications last year. We work with banks ranging from small credit unions to some of the biggest banks in the world, Wells Fargo uses us, US Bank, down to small, you know, sort of credit unions and independent mortgage banks. We aim to be a system that's sort of able to serve the entire ecosystem.



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**Peter:** I imagine it's a pretty different...I mean, a small community bank or credit union is going to be different to Wells Fargo. I imagine when you're implementing this process...so just talk about Wells Fargo for a second, I mean, if I go and apply for a loan at Wells Fargo today, will that be using Blend technology or is it just a subset of what they're doing?

**Nima:** If you go and apply on their website, you would be using Blend.

**Peter:** Okay, I guess, if you're applying in a branch in person that's probably their old system, I take it.

**Nima:** It sort of depends by channel how it's being used.

**Peter:** So what was it like, I mean, how did you get a bank like Wells Fargo to get over the line and say, right, we need your technology. I mean, they could have built it themselves clearly. I'm sure this wasn't an easy exercise for you so just tell me a bit about that process.

**Nima:** So I think there was a big shift that happened in banks and I don't know exactly why or the exact moment it happened, but sometime in the last seven or ten years, there's been a greater desire within the banking ecosystem of wanting to partner with financial services technology companies like ours, and I think part of the reason is because the rate of change of consumer behavior has gotten so great that speed has become king.

So if we can divvy up the work, you do this part, I do this part, then we can necessarily be faster than the alternative. And so I think that there's been a great shift towards the partnership model which is very appreciated from I think both sides of the equation. I don't want to have to go and build a lender and I don't think, you know, as a bank you want to necessarily have to build all of your own technology anymore. There are parts that are really worth using out of the box and those are the parts that we aim to build and make available to the marketplace.

And so a lot of it has been first aligning on that, you know, here is what it takes to partner, here's what a good division of responsibility is and here's how we can get to our end goal the fastest together and aligning on speed of execution, aligning on iteration, aligning on not heavy customization because customization becomes a bit of a depreciating asset where now you have something that is being used that is no longer being supported because it's custom by definition and so how you continue to grow when that's the case.

So there are a lot of things that need to be philosophically aligned on to partner with a financial service institution or vice-versa for a financial services institution to partner with a fintech, but getting aligned on those things first and upfront has been critically important because without that alignment, I think we would have ended up sort of dying of indigestion as a small company.

**Peter:** Right, right. Do you think in ten years time, this is sort of going back to the question I asked before, but do you think in ten years time it will be impossible to walk into a branch and take out a loan, or do you think that that's really going...taking out a mortgage loan, do you think that's going to take a lot longer than ten years for that to disappear?



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**Nima:** You know, Peter, I would say that that's probably not the goal, right, if you go into the Apple Store, there's this Genius Bar, there's people who are helping you, there's great ability to understand the products better. And granted these are physical products versus digital products, but I think that the physical retail world in some ways is just changing.

It's becoming, I think, more consumer first and finding those really...I guess, if I can back up a second, the thing that I am focused on is there's a really large spectrum of consumer behavior, many of whom want to talk to a human and want to talk to a human in their way of talking to a human, whether it's in person or over the phone or on an online chat. I don't think that that's going to change, whether you're buying an iPhone or you're getting a mortgage, or buying a home, or whatever it is, I think that spectrum is going to exist forever, maybe not forever, but for a long, long time and we want to be the ones to enable that spectrum of behavior to be satisfied by the institution's user software.

**Peter:** Yeah, yeah, fair enough. So I want to talk a bit about some of the things that has happened at Blend in recent months. You launched the Blend Marketplace last year, so why don't you explain what that initiative is and what you're trying to achieve and the traction that you're getting.

**Nima:** One of the things that we have realized as we've gotten a lot of penetration into the financial institutions has been that we do a lot of volume, it was a lot of money, a lot of time it took to get those financial institutions on our system and continue to grow them. We realized that we, as the technology company, can no longer keep up with the demand of things that want to be built against our system.

We were getting approached by partners constantly saying, hey, can you integrate this thing, can you integrate this signing technology, can you integrate this closing technology, can you integrate this data source, can you integrate this credit provider and there's so much that's happening in this world now, there's so much innovation that's happening.

I didn't want to be the bottleneck and I didn't want to have our team build everything anymore for the things that...and I realized partnership was the best strategy, similar to what I had talked to the banks about, similar for us was how do we create a better set of partnerships and how do we enable our partners to do the things that they do best which is innovate and not be bottlenecked by us on our roadmap and our product roadmap.

So we created this marketplace to enable precisely that, the ability for a third party who is interested in integrating with Blend an open set of APIs in around certain parts of the process where they can build essentially an app and make it available to our customer base in a standardized way. And hopefully that means that they're going to get in more doors, they're going to work with more lenders and also for us, it means our customers are going to get more value. For our customers it means their customers, the consumers, are happier because the process is more connected and simpler.



**Peter:** So can you give us some examples of the type of companies that are in the marketplace?

**Nima:** Sure, so we have a number of CRMs that connect to Blend. You know, a lot of different banks use different ways of managing their customer relationships and so information asymmetry is not a good thing, you want to have the same information in both systems. The CRMs are connected to our marketplace and the data in one shows up in the the other and vice-versa, as an example.

Also, some of the lead gen providers, the online marketplaces that point out to or link out to our lenders from their online search tools like LendingTree, they connect to Blend. Credit providers, there's so many different credit agencies out there, we want to be able to support them for our customer base; they're connected in our marketplace as well.

**Peter:** Okay, okay, but interestingly you also launched I was reading an insurance agency last year, it's interesting that you chose to...I'm curious to know why you chose to do that as opposed to just adding them into your marketplace and connecting there, and is this a standalone business or are you really just...is this really to be offering insurance inside the Blend software?

**Nima:** Well that is actually done through partnerships as well, the insurance marketplace was done through partnership as well, Peter, where we partner with a number of carriers and we show them as a marketplace to the consumers at the right point of the process. We do not do this as a standalone, we only do this as part of the mortgage process because we want to streamline the mortgage process for our customers and their customers and we are sort of...the mechanics of being able to create a marketplace like that is we have to become a licensed agency and so we did that.

And then we created the partnerships, got them in the marketplace. Now a consumer can go in and in a couple of taps, get a full quote for insurance from a number of carriers and create kind of the best possible experience for them.

**Peter:** Right, okay, okay, that makes sense, that makes sense. So I want to talk about anti-fraud for a minute because, you know, in the financial crisis anyone...you could lie, they even called them liar loans I think, you could sort of lie on your application about how much money you earned and that sort of thing. I'm not so much talking about fraud insofar as someone is trying to really steal money, but they're trying to get a mortgage that they really don't qualify for. So how are you combating that today with your software?

**Nima:** I think to the credit of the system that's in place now, it is very, very difficult to get a loan that you're not qualified for because there's so many requirements around verifying assets, income, credit, etc. that are required to be done now which were not necessarily required to be done before. The problem that's created is that's created a lot of overhead, I shouldn't just say overhead, a lot of human capital...using technology powering that for most lenders and so what that means as a lender is, mostly before it was you would collect a bunch of documents and



read through it and then flag things and go back and forth, the process I mentioned earlier. The problem with that approach is there's still some possibility of fraud because those can be altered.

So if somebody doesn't catch something in reading through the documents or catch an inconsistency between your pay stub and your bank statement, you know, maybe there's a possibility that there's still some fraud. Now what we do is we go and we get the data from the source and it's not altered by the consumer or the lender, it's purely a third party that shows up in Blend and it can't be changed and I think that's a huge benefit because not only is it cheaper and a better experience, but because it can't be changed, we can be really sure the data is the data that should be used to underwrite that loan.

**Peter:** Okay, okay. So I want to talk about a big name that I read that's joined your advisory board Jack Lew, who's the former Treasury Secretary, certainly a very significant name in the world of finance, how did you get him interested into joining a company like yours?

**Nima:** I think we had a shared belief that after the crisis, things could be better. He had a very different view, obviously, we came from different perspectives where he has a very policy perspective on things and I have a very technology perspective and I was introduced to him through an investor and we talked about some of these things and it just felt like a really good fit and something that he could help us to accelerate, in terms of understanding how to fit in with some of the aspects of other constituents in the industry, policy, etc. So we had a common, I guess, vision for how things could be and were able to come to an understanding that it would be good to work together.

**Peter:** I'm curious about the policy piece. Is he helping you navigate that world because certainly there's a lot of...I mean, Washington has still...there's Dodd-Frank and all sorts of other things in place that are impacting the mortgage industry, so is he helping you navigate that world or is there something specific that he's working on?

**Nima:** I guess from a high level perspective Blend as a company has been paying attention to compliance and policy since we were founded because mortgage is such a regulated space...

**Peter:** Sure.

**Nima:** ....and (inaudible) we've reached volume where we have to and our customers won't even use our product if we don't. Where he's really helpful with us right now is we have a few kind of special projects that we're working on that will be incredibly impactful, technology projects that will be incredibly impactful if successful and are also, I guess, somewhat complicated from a policy perspective in a good way, right. These are things that will be really, really good for consumers and really good for all sorts of constituents in the industry, but we had to find a way to navigate all that and that's where he's been really valuable.

**Peter:** Right, right, got it. Okay, so I think you mentioned this earlier, but I'd love to know...tease a little bit out about the scale you're at today, how many employees you have, I mean, how



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many mortgage applications you're processing. I'm curious even about what percentage of US mortgages are going through Blend's systems now. Do you have some of that info?

**Nima:** Yeah, we did about \$230 billion last year, I think we'll do a multiple of that this year because we have a number of customers who are scaling up mortgage applications. Our customers represent more than 25% of the mortgage market, we had our best...you know, despite I think there's some macro things, interest rates, things like that, that are in flux, and despite that we had our best volume weeks ever in the first couple of weeks of this year already which is fantastic to see our lenders thriving in a difficult environment. We have 350 employees spread from the West Coast to the East Coast, mostly in San Francisco, although we have a pretty big New York presence, and we're growing pretty quickly and hopefully we can find a way to continue to scale and grow our impact at the pace that we have up till now.

**Peter:** So are you looking beyond mortgages? There's obviously lots of other verticals, I mean, mortgages are the biggest, but there's clearly other places that could use some improvements in how loans are processed. So are you looking at other verticals?

**Nima:** As we've started to work with and become the trusted partner to these banks, I've actually started to hear that there's a lot of applicability to the things that we do around data verification, understanding the consumer's credit in real time that would apply to other aspects of consumer finance, other aspects of consumer lending and so we've started to understand and get a perspective that our product and platform could be valuable in those areas and started to expand.

We launched home equity last year, we've launched some other products end of last year as well, and we're hoping to continue to expand. I think there's a lot of overlap between underwriting a consumer in one tap for a mortgage and all the other products and we think we can serve the institutions across all their needs.

**Peter:** Sure because I mean in some ways the mortgage loan is the most complicated. It would be easier, I imagine, even to do an auto loan or home equity obviously is still very, very much a real estate product, but I could see many different ways.

Anyway, we're just about out of time, so last question, I'm curious about what are you most excited about for this year, what's on tap for Blend in 2019?

**Nima:** What I'm most excited for Blend in 2019 is we are going to have the first one tap consumer approval for a mortgage and that's a full verified approval, I believe in 2019 which will be a fantastic moment for hopefully the whole industry.

I'm also excited to...you know, as we've gotten deeper into the process we're going to have our first end-to-end workflow done in Blend, meaning every aspect of, not necessarily the back office aspects which are handled by loan origination systems, but everything that the consumer has to do all done in one system. There's a lot of moving pieces from the application to approval to, you know, the loan estimate, to the appraisal and title and insurance, to the closing



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disclosure to the closing itself. There's a lot of components to that and getting that all together has pretty much never been done before for consumers and so we're excited that that's going to happen. We think it's going to happen this year.

**Peter:** That is fascinating, fascinating indeed. Well I wish you the best of luck and I really appreciate you coming on the show today, Nima.

**Nima:** Yeah, thank you so much, Peter.

**Peter:** Okay, see you.

You know, Blend are doing some really amazing work, there's no question about that. It's interesting what Nima said about the bank branch question I asked, whether it would be possible to take out a mortgage in a bank branch and I think sometimes, most of us in fintech, myself certainly included, we tend to forget that people still want face-to-face interactions and doing it online is not the right way, not the preferred way for everybody to operate.

Even though it may be more efficient, even though it certainly will be more convenient, people like person to person contact and I think it's something to keep in mind as we build all of these wonderful automated systems that the human touch, the personal contact is something that is still very much treasured by a good percentage of the population.

Anyway on that note, I will sign off. I very much appreciate your listening and I'll catch you next time. Bye.

Today's episode was sponsored by LendIt Fintech USA 2019, the world's leading event in financial services innovation. It's happening April 8th through 9th, at Moscone West in San Francisco. It's going to be the largest fintech event held in the Bay Area in 2019. We'll be covering online lending, blockchain, digital banking and much more. You can find out all about it and register at [lendit.com](http://lendit.com).

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