



PODCAST TRANSCRIPTION SESSION NO. 209 - AL GOLDSTEIN

Welcome to the Lend Academy Podcast, Episode No. 209, this is your host, Peter Renton, Founder of Lend Academy and Co-Founder of the LendIt Fintech Conference.

Today's episode is sponsored by LendIt Fintech USA, the world's largest fintech event dedicated to lending and digital banking. It's happening on May 13th and 14th, 2020, at the Javits Center in New York. Lending and banking are converging and LendIt Fintech immerses you in the most important trends of the day. Meet the people who matter, learn from the experts and get business done, LendIt Fintech, lending and banking connected. Go to lendit.com/usa to register.

Peter Renton: Today on the show, I'm delighted to welcome Al Goldstein, he is the CEO & Chairman of Avant and the CEO & Chairman of Amount, their digital banking-as-a-service brand. I wanted to get Al back on the show, he was on four years ago, and a lot has changed since then and we wanted to talk about the new developments at Avant, talking about their new credit card and some of the new things that are coming down the pipe there which were fascinating.

We also talk about Amount because they already have signed up a few large banks for their banking-as-a-service platform and some of them are public like Regions Bank, HSBC and others and we talk about that in some depth, how they were able to get these banks over the finish line, who really are their competitors and what their vision is. It's a fascinating look at where banking is going and Amount's role in the future of banking. It really was a fascinating interview, I hope you enjoy the show.

Welcome back to the podcast, Al!

Al Goldstein: Yeah, thank you for having me back on, Peter, it's been a while.

Peter: Yeah, it has. In fact, it was four years, the summer of 2015 when you were on and that was back in the go-go days of online lending and obviously, a lot has changed over the last few years, but why don't we just get started maybe by telling the listeners how Avant has changed over the past four years.

Al: Yeah, I like how you say the go-go days, I'm not sure of we've ever stopped going. It feels like we are running a marathon here at sprint pace which is always fun and it's been phenomenal and you and I get to spend time together all over the place so great to be here talking to you about Avant and Amount and our journey.

So, the last time we spoke, really we were talking about the Avant vision which we started this company about six and a half years ago to be the digital bank for non-prime, middle income consumers in the US. That's still the vision, we've executed really well, the company is now profitable, we have multiple products. Credit cards is our latest product that we've now launched and are really scaling up nicely that will be a huge growth engine for Avant.



LEND ACADEMY

Over the next three to five years, we're in the process of rolling out additional products, rolling out a secured personal loan product and then, ultimately, rolling out a full depository product so really completing that vision, that mission of being the full service digital bank for those middle income consumers.

Peter: I want to get into a lot of that stuff in a little bit, but before we actually dig into the details here, I'd like to ask you to reflect back. You know, this industry has gone through some challenges, I know Avant has had some challenges as have most companies in the online lending space over the last few years. Before we sort of get talking about what's happening now, looking back, knowing what you know now, do you think...would you have done anything differently in building Avant over the last three or four years?

AI: Yeah, so that's a great question and clearly the industry has faced its share of challenges, the public companies haven't fared nearly as well as I am sure they would have hoped, we scaled up very, very quickly when we started our business from zero to nearly a thousand people and we were trying to do a lot of things.

We also scaled down fairly quickly and fairly publicly as soon as the public markets melted down and I'll tell you the reason we did that. We wanted to control our own destiny and we went from a thousand people back to about 500 and grew profitably from thereon. I mean, in hindsight, it would have been great never to have gone through that experience, never to have grown so quickly, only to realize that markets were going to change that dramatically and take it more linearly.

But the reality is I don't know who could have predicted that and at the same time, I think, our DNA as a company is much stronger for having lived through that experience so I am very, very comfortable that if there's another time when we face a similar challenge, we're going to rise to the occasion which is really important in this world.

Peter: Right, right. Obviously, you've survived, you've come out stronger, it sounds like. So, now when you look at the lending landscape today, and it does look pretty different to what it was, you know, five/six years ago when you guys were getting started, so how do think online lenders like Avant have changed lending?

AI: Well, so I think you're exactly right, the landscape is quite different, not only the fact that at some point there were probably 400 digital lending platforms of various forms in the US. I don't know what the number today is, but it's quite a bit smaller than that, probably sub-ten of any meaningful scale.

There are a lot of banks that are very active in the market who are looking to jump in and that's something we saw starting three or four years ago which is a big reason that we really focused on creating a technology business to enable banks to operate. But the online lenders of today that are focused on delivering products to prime consumers, to high income consumers are really going to have to face the challenge of the large behemoth banks coming in and that's something completely new.



LEND ACADEMY

Peter: Right, that makes sense. And so then with you guys...I want to talk about your banking-as-a-service offering in a little bit, but let's just talk about the credit card because that's new and, you know, you didn't sort of make a really big splash about it when it came out, so just tell us what the thinking is there. Is it the same demographic you're focusing on with the consumer loans, tell us a little bit more about the credit card.

AI: Yeah, our thesis continues to be that the middle income consumer in the US, and we define middle income as consumers between \$40,000 and 100,000 of household income, depending on where they live. We believe that consumer is pretty heavily underserved by great financial products and to the extent that they have those products available to them, those products tend to be pretty fee-heavy, they are not very transparent, not very user-friendly.

So, the thesis for our credit card offering is to provide that kind of a product that's really clean, transparent and easy to use to those middle income consumers and huge overlap between our personal loan borrowers and our credit card borrowers. The beauty of a credit card product, again, whether it's a physical card or a virtual card, whether it's plastic or a card that you can use via your mobile phone, via something like a Samsung Pay app or an ApplePay app, you're using it every day.

It's something that's really transactional that you carry around versus a personal loan that you really use once in a while when you need it. So our whole goal is to make ourselves high utility, to create products that customers that we serve value every day.

Peter: So then are you...obviously, you've got a massive customer base now that have taken out personal loans, but are you marketing the credit card yet beyond your customer base?

AI: No, so today we are marketing our personal loans and credit cards to new customers and offering the opportunity for them to move across to additional products. So, a card customer can then apply for a loan and a loan customer can apply for a card and I think that's really the long term value proposition, is providing the product the customer needs and wants at the time that they need and want it.

Peter: Right, right. And so, are you partnering with WebBank on both of those initiatives?

AI: So, WebBank is the originator of both the personal loan product and the credit card products that are marketed by Avant. We are the servicer, we are the ones interacting with the customers day to day.

Peter: Right, right, sure. Okay, so then when we last chatted you...I remember you saying the same vision that you just articulated, but back then your interest rates went beyond 36 APR. I just checked on your website, I see that 36 is your...you are below 36 now on all of your loans. Why did you decide to do that and to sort of come down below that level?

AI: Yeah, so Avant's products, credit products, have been below 36% for over three years at this point, maybe shortly after we spoke and that was really part of the original vision. I think the



LEND ACADEMY

whole idea to start broader was to really expand our availability of data so ultimately we could provide credit to the most number of consumers because it really is a data game.

The more information that we have to make decisions, the better quality decisions we can make so we can offer a lower cost product to the customers that are going to ultimately perform well, we could say no to the customers that are ultimately not going to be able to repay their loans or their credit card advances.

In the US, 36% has been an accepted level by the banks, by the various banking regulators and that's our view. We want to provide mainstream products for the middle income consumers that deserve them.

Peter: Right, right, okay. And so then, like what is your lowest rate? I mean, I imagine you won't turn someone down if they are a super prime credit will you, or I mean, are you pricing for the full spectrum of customers?

AI: So again, I think this is where the vision for what we do at Avant and at Amount which is our tech business makes a ton of sense when you look at it holistically because Avant's focus is really providing value to those middle income consumers and we offer rates down to 9% at our lowest level on the personal loan product.

But really our partners, our bank partners, through the Amount tech platform are focused on prime consumer credit and their rates go down to as low as 3% with no fees. They hold those loans on their balance sheet, they expand their product mix to suit their customers and really, that's the holistic offering. We think our bank partners are the ones that are best suited to really provide great products to the prime, super prime consumer segment. The beauty of Avant is customers that don't fit that segment will still get a great product.

Peter: Right, right. So, are you actively referring on to banks yet today, or is this just something you're planning on?

AI: No, we're actively working with our partners to make sure that the customers that want a loan option get the broadest possible option.

Peter: Right, right. Okay, and so where are you at today as far as loan volume goes at Avant? Can you give us some sort of sense of the scale you guys are at?

AI: Yes, so at Avant, between personal loans and cards, we have originated over one million transactions to date since inception, about six years/six and a half years, which we're really, really excited about that milestone, are originating north of a billion dollars in personal loans, scaling up credit card very, very nicely...and our personal loan data is public because of our various securitizations.

The performance has been really, really strong. I think that's what has set us apart in the capital markets and we plan to continue to make sure that's the case. We've taken it a little bit slower in



LEND ACADEMY

credit card to make sure that we come out of the gates with strong credit card performance, but the goal is to originate over 200,000 credit cards this year and to scale up from there, so we're really excited about that progress.

Peter: Okay, so when you said a billion dollars, that's a billion dollars annually? Is that what you're talking about for the personal loans?

AI: Correct.

Peter: Okay, so let's move on to Amount and you know, I appreciate when we email backed and forth earlier this week and you made a clarification for me which I think is really important that the listeners understand and you said that Amount is a tech platform and Avant is one of the customers of Amount and obviously you've got other banks which we'll get into in a little bit. So, I guess, the first question on Amount is why did you decide to launch the new brand and not just keep it under Avant?

AI: Yeah, that's a great question and originally, you may know we started this tech business calling it "Powered by Avant" and the reality is that was when we were first testing it out really trying to make sure that it made sense for our partners and that the market was really big.

But, two or three years ago, we really came to believe that the opportunity to build a standalone technology business was gigantic; very different than Avant's vision, very different than Avant's goals in terms of serving partners, serving banks as its first priority where Avant's vision is to serve consumers.

And just to avoid any sort of confusion because if one of our banks has a product and Amount is its provider of technology, its vendor, we want to make sure that they're not even afraid of the fact that one of their customers could confuse their tech provider with Avant, the consumer brand...

Peter: Right.

AI: ...so number one, and they're just two different businesses. They have different risk profiles and different fundamental goals so the more and more we invest and think about these businesses, we think of them as two different businesses completely.

Peter: Okay, so then who is the target market for Amount, I mean, I know you have signed up Regions Bank and HSBC and a couple of others, I think, so who is the target market exactly?

AI: So if you think about what Amount is today, we started really providing technology around personal loans because that's what we know really, really well and helping banks with the experience, with understanding how to deal with fraud, with understanding how to digitally host their credit policies and service loans.

We've really expanded that vision, the vision for Amount is to be the company that helps banks digitize financial services and notice I say financial services, not only credit, because our vision



LEND ACADEMY

expands to account origination around deposit accounts, definitely around credit card accounts, around lending in various forms. And so our vision is we want to be the tech partner to large financial institutions that enables them to go digital so a la what Goldman Sachs has done with Marcus, building the digital bank from scratch, that's what we're helping our bank partners do.

To your point, we have about ten partners today, not all are public. TD Bank is another one of our partners that's public, HSBC Bank, you mentioned Regions Bank, Banco Popular through their brand Eloan, etc. and we're really, really excited. We now have partners that are using our technology beyond just personal loans, expanding that to other products and we're now really catering to, I would say, banks above \$50 billion of assets.

That's the market that we're going after today, but the long term vision is to expand products that really are useful for smaller banks as well.

Peter: So it sounds like you're going to go head-to-head with companies like Fiserv and Jack Henry, is that the case?

AI: It's actually not, just from the standpoint that I admire those companies, I think they've done phenomenally well, but their DNA is really around the payments and deposits universe and really focused on providing the core banking system for the large banks. That's not what our goal is.

Our goal is to be the digital origination platform that integrates with all those different core banking platforms, but enabling these financial institutions to go digital in a native way, to be able to originate credit, to originate deposit accounts online seamlessly, integrate into their core servicing platforms which work really well, which are very proven and very, very hard to replace, but provides them with a modern user experience for their customers, for their bankers with great analytics that they just don't have today.

Peter: Okay, okay, that makes sense. So, you just mentioned some of the banks you've signed, some of these are very large banks. What is the process like and...I mean, obviously, the timeline, I imagine, is measured in years, from first contact to public announcement, so tell us a little bit about the timeline and how the process works.

AI: Yeah, no, you hit the nail on the head, unfortunately bank timelines tend to be pretty long. It makes sense if you think about the regulatory environment in which banks operate and they need to be sure that their partners are going to be able to comply with those rules and the process takes a long time.

Having said that, we've now been in the business for four years plus where we launched Regions Bank in 2016 and we launched one bank in 2017 and another bank in 2018 and we've launched four banks so far this year. So, we're really accelerating that timeline and part of that is it takes time to get that first product to market.



LEND ACADEMY

Our goal is once we launch a product with a bank, that's really just the first of hopefully many products that we're going to be able to help that bank launch. The product number two, three, four and five should be a lot simpler, a lot quicker, a lot easier just given that we, Amount, are hopefully at that point already a proven commodity, having shown that we know how to execute.

Peter: Right, but to date it's really focused on the personal loan offerings, right, is there anything beyond that you're offering today?

AI: No, we are. So, I would say the latest offering that we have is what we're calling our "Amount 360" platform which is a cross product verification platform that we're now selling across personal loans, credit cards, deposit account opening, all sorts of unsecured loans to help financial institutions with fraud, with identity, with income and bank account verification to create a seamless experience for customers.

Peter: Okay, so that could be even on-boarding a deposit account, or it could be on-boarding a credit card potentially....

AI: Correct.

Peter: Okay, okay.

AI: And we're already doing that, by the way, with some very large banks, it is just we haven't been able to share that publicly.

Peter: Right, right. So, when you're talking to these banks, what is the biggest challenge to get them over the line, are they looking to say, right, we can just build what you're offering. I'm sure many of the banks could, they have the capacity to build the technology that you guys are offering, but is that sort of...are you competing against that, or are you competing against other competitors, or are you competing against inertia? I mean, what is sort of the challenge with the banks?

AI: Yeah, I feel like it's one of those questions where you just say D, all of the above (laughs), but the reality is there are not a lot of competitors like Amount that have reached critical mass. There are some great companies like nCino and Blend that are attacking different parts of the ecosystem and I think that's great because the market is gigantic, as you said, these banks are very, very large.

Some banks want to build things themselves that tends to be only the largest banks that have giant technology budgets and it takes them a really long time. I personally think our target market is the regional and super regional banks. Today, I would say \$50 billion to \$500 billion is the target market because banks north of \$500 billion, the largest banks, tend to want to build and control everything...

Peter: Right.



LEND ACADEMY

AI: ...but the banks that are just a little bit smaller and you just look at the example. Even someone as big as a Suntrust and a BB&T decided to merge and the number one reason why they have publicly stated that they merged is to be able to have a larger technology budget to compete with the largest banks.

Our product and I think some of the products of a few of our newer competitors allow these regional/super regional banks to leapfrog, to really bypass the billions of dollars of tech investment and years in order to get digital products to market and ideally, pick up marketshare.

Peter: Right.

AI: So that's really where we are today. We're actively working on products to be able to sell products to smaller banks, call it the next leg down being the \$10 billion to \$50 billion banks. That are less customized, that are more off the shelf, that are easier to implement and use, but provide their customers with the same level of experience that the larger banks can provide.

Peter: Right, right. And so, one thing that we've noticed at LendIt is that we've had a lot more bankers coming to our event every year and this past year, we noticed there's a lot more senior bankers in attendance. So, it feels to me like the bankers are very aware now of their own challenges. How were the conversations, you said you started this three or four years ago talking to banks, is it an easier conversation today because banks are more open, how has it changed over the last few years?

AI: Well I think, you're exactly right, inertia, and you mentioned that earlier, was something that a lot of banks were probably facing five to ten years ago because they saw digitization happening on the horizon, they saw what I'm calling the "Amazon effect" start to really materialize where customers are demanding the product they want when they want it, virtually in real-time, but they didn't see their competition doing it I would say over the last three to five years.

And also, digital lenders have come in, but also banks have come in. Banks like Goldman Sachs have pushed the envelope with Marcus. I think it's raised the stakes and today, bank CEOs and bank product heads are more focused on the fact that they need to bring products to market and that's what we get excited about is working with champions at these banks that have timelines and have specific product goals. We have not had a lot of success going and convincing someone at a bank to do something they don't already feel like they need to do.

Peter: Right.

AI: But working with product heads, whether it's a personal loan product or credit card product or student loan product or whatever it may be, that have goals and business initiatives that they need to fulfill, those are the customers we want to work with because we think we can add a lot of value for them.



LEND ACADEMY

Peter: So when you're talking to them do you get ever...I mean, because a lot of these banks have significant branch networks, particularly some of the regionals are very committed to these branch networks and they're not actually reducing that much in the way...the number of branches, are they committed to 100% online or mobile, obviously digital, or is there...do you have to sort of incorporate how they're going to be using this in the branches to kind of make it a person-to-person experience as well as digital?

AI: Well, so for Amount, the goal is to create the omni-channel experience. So, in an ideal state, we value branches. A lot of banks have very strong branch networks and they are shrinking a little bit, but I think, largely, it's the type of branches that are being swapped over and they're becoming more urban.

Our goal is to create the same experience for customers, whether they are a brand new customer to a bank, they're in footprint, they're out of footprint, they're an existing customer, they're going into the branch. So, we're not always starting there, whether it's a personal product or everywhere else because we have to work our way in. Integrating into bank existing processes and systems is complicated, it's going to take more time, but that's the end goal, is to create the most seamless unified experience that we possibly can for our partners.

Peter: Right. So, is the way into these banks still today the personal loan market? The things you've released publicly has all been related around personal loans, is that still the way in to most of these banks?

AI: I would say I think it depends on the bank and our Amount 360 product which we used to call Amount Verify. I think we've put that out publicly at one of the conferences and that's very exciting. I think it's unique, it's something where we may be the best...we think we're one of the best in the world in really providing that seamless experience for banks to handle fraud and handle the customer on-boarding process across products.

And so that, we think, is a great way to get started that is in some ways easier to integrate with because it's more back-end facing versus front-end facing, it can integrate into the front-end experience and help banks scale their personal loan product, etc., but we're going to continue to build these more modular products that are easier to plug into, that ultimately, over time end up in big relationships. That's the goal.

Peter: Right, right, okay. So, you know, I want to actually go back...you've mentioned deposits a couple of times and you even talked about, you know, you said you want Avant to become the digital bank for the middle class. You haven't talked publicly about deposits at Avant as far as Avant offering them to their customers, where's that on your product roadmap, or can you sort of give us some sense of when you want to have a complete offering beyond loans and credit cards?

AI: We have a few additional products that we'd like to launch to really complete the credit offering but by the end of 2020. We want to make sure that we have a complete bank offering, including deposits for customers. So, it's something we wanted to do for a long time, we all have



LEND ACADEMY

to prioritize and we have to stay focused, but we think that our customers today want a clean, transparent deposit account offering and that's the goal...would be to help them achieve that.

Peter: So, are you going to achieve that through a charter of your own of some kind, or through a partnership?

AI: I would say both. We're interested in a charter, we've said that, I've said that publicly. At the same time, we acknowledge the fact that there still haven't been really charters granted to any of our peers and so we continue to be interested in that process, but in the meantime, we'd love to partner to provide great products to our customers.

Peter: Right, right, okay. So, we're running out of time, but before we go a couple of more things. I'm curious about...you personally, you've talked about a lot of initiatives, you've got a lot on your plate, I mean, how are you spending your time between Avant and Amount these days?

AI: Yeah, so I've been spending more of my time on Amount for the last three years and really that's just the function of the people that we have. We have some great people at all levels of our company and I really pride myself on the fact that I do very few things well (Peter laughs), but I've been pretty successful at trying to surround myself with really smart, hungry people that like to fight. We like the idea of creating value and we understand that it's going to be difficult and challenging so we have great people like that throughout the organization.

We have great people like Adam Hughes, who's our President, who's really been driving the Avant business from the very beginning, we have James Paris who has been helping me run the Amount tech business, who has been with us really for four or five years, we have some great folks throughout the organization.

So, we try to continue to be selective, we have a lot of interests, but we really focus on prioritizing what's really important and making sure our partners...If I put my Amount hat on, our core goal is that our partners, be it Avant, be it the banks, are happy, they get what they signed up for.

Peter: Right, right, that makes sense. So, do you spend any time on Spring Labs? I know they've been sort of been incubated by you guys, are you an advisor, or are you completely separate from Spring Labs?

AI: So, Spring Labs is a really exciting company, I think you've met some of the folks there and we really seeded the company here at Avant and the goal of Spring is to be a decentralized credit and identity bureau and network that is much safer, much more secure that addresses really some of the same needs that our partners at Amount, our bank partners have, in terms of being able to share information, share their views on customers without sharing underlying data and putting that at risk.

We seeded it, it's got a phenomenal team that we know very, very well. So, Avant has an interest in that company and I'm on the board, but really representing Avant's interest and really,



LEND ACADEMY

I would say, Amount's interest, and helping to make the Spring Labs product available to our bank partners.

Peter: Okay, I'm a big supporter of Spring Labs. I think that kind of offering is so desperately needed today and I hope to get Adam on the show at some point. I've chatted with him about it, I've got to go follow up with him. Anyway, before you go, what's coming down the pipe the next 12 months, what can you share about what you're working on right now?

AI: Yeah, we've talked about a lot of stuff. So, I'm really focused on our collective vision of these two businesses, two separate companies driving value on the Amount side. We have a number of banks that we're in the process of helping to launch and helping to extend them into different products and verticals, so really excited about really building beyond just personal loans as we've talked about, really putting out that Amount 360 product and making our product available to a larger array of banks, not only the largest banks and that's a big push, that's a ton to do.

On the Avant side, we want to continue to scale our existing products and you're going to see us launch a couple of new products as we've talked about. Secured lending and deposits is definitely on the horizon.

Peter: Okay, well that's exciting. It's impressive what you've been able to achieve, AI, and your team there. I really appreciate you coming on the show today.

AI: Thank you so much, Peter.

Peter: Okay, see you.

AI: Bye.

Peter: After hanging up the phone with AI, I was struck by really how much we have matured as an industry. You know, we really began as this peer-to-peer lending, online lending offering and people dismissed us and then we had a few hiccups and challenges and scandals along the way and people dismissed us even more. Now, it feels like companies like Avant are changing the banking world.

We are going to be completely embedded in the future of financial services through initiatives like what Avant and what Amount is actually doing and I can really see a day where, you know, the digital footprints that really had their roots in the online lending space are going to be prevalent in all of banking and all of the different areas of banking and really all the different online offerings, consumer facing offerings. I feel like the online lending industry really began all this and now it's branching out into all areas of banking.

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

Today's episode was sponsored by LendIt Fintech USA, the world's largest fintech event dedicated to lending and digital banking. It's happening on May 13th and 14th, 2020 at the

www.lendacademy.com

©2019 Lend Academy. All Rights Reserved.



LEND ACADEMY

Javits Center in New York. Lending and banking are converging and LendIt Fintech immerses you in the most important trends of the day. Meet the people who matter, learn from the experts and get business done, LendIt Fintech, lending and banking connected. Go to lendit.com/usa to register.

(closing music)