Welcome to the Lend Academy Podcast, Episode No. 217, this is your host, Peter Renton, Founder of Lend Academy and Co-Founder of the LendIt Fintech Conference.

(music)

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 am delighted to welcome Jason Wilk, he is the CEO and Co-Founder of Dave. Dave bills themselves as banking for humans and they have a very friendly approach which we talk about in the episode here. We firstly talk about why the company is called Dave and why they decided to pay a lot of money for Dave.com, we talk about their approach to overdrafts and how they're able to really be proactive and predict when their customer's bank account balance is going to fall below zero.

We talk about some of the other ways that people use in the app particularly when it comes to budgeting, but also on the income side and their side hustle feature and several other things as well. We talk about the typical customer of Dave and what they look like, we talk about how they make money, their business model, and much more. It was a fascinating interview, I hope you enjoy the show.

Welcome to the podcast, Jason!

Jason Wilk: Thanks Peter, great to be here.

Peter: Okay, great to have you. So, you know, I like to get these things started by giving the listeners a little bit of background. You've had an interesting career to date, this is not your first rodeo so why don't you tell us a little bit about your background before Dave.

Jason: Yeah, sure. So, I've been an entrepreneur since I was...since I can ever remember, never really had a regular job. My first company was in the daily deals space, I was always trying to figure out different problems for myself. This instance, I wasn't a wealthy kid growing up, I always wanted the latest and greatest golf stuff, but generally couldn't afford it and I created a website called 1DaySports which would offer people last year's clubs at the lowest price in the country and that business took off from my dorm room and I ended up selling the company when I graduated college.

Peter: Okay, so you still actually graduated, unlike many other entrepreneurs that start stuff in college.
Jason: Yeah, absolutely, and that was a tremendous life event for me, I didn't make a ton of money off the deal, but it gave me enough to kind of make it to my next venture, ended up getting introduced to the guys from Y Combinator back in 2009.

Started a company with my then Co-Founder of Dave, we built an advertising business called AllScreen TV which we ended up selling in 2015, and got together again to start Dave and really this time with the goal of solving a pain point that we felt was affecting the majority of Americans, not just certain niche industries or certain markets.

Peter: So then was there like an “aha” moment, or something that triggered the idea for Dave?

Jason: Yeah, it wasn't necessarily an “aha” moment. I obviously had personal gripes with overdraft fees. It really was the persistence of seeing a story pop up on social media on sites like Reddit with people consistently talking about overdraft fees being punitive, being criminal. I figured there's got to be a way with today's technology to solve for that. Just knowing particularly why I overdrafted, I knew that there was a way you could build a cool application that could really remediate those two fundamental problems.

Peter: Okay, so then why did you decide to call your company Dave, I mean, it is Dave.com, so clearly you spent a little bit of money on the domain name. Tell us a little bit about that thought process.

Jason: We really wanted Dave to be this financial friend in your pocket and NPS at big banks were at an all time low, brand affinity with big banks was also low, we really wanted something that was friendly, that was trustworthy and that was really going to help you out. So, Dave...the first thing we do is we help you manage all your bills and upcoming expenses and that was something that no other budgeting app had ever tried to accomplish.

We looked at things in the market like Mint which was more focused on sort of middle to upper income earners that were spending too much money and really needed to know where all the dollars were flowing versus the majority of Americans don't have $400 for an emergency. They need to know where their paycheck is going each week and there was not an app out there to help people do that. Dave is now the number one budgeting app in the country.

The second piece was we realized that, you know, sometimes you just...as a kid or even going through your 20’s...sometimes you just need 20/30/40/50 dollars and you always have to turn to friends or family to borrow that. That can be an embarrassing situation and given the product is named Dave, he is this helpful bear, we want to be kind of be that friend disruptor that...hey, I know when you're getting paid, let me advance a small amount of it for you so you can go buy things like gas, groceries, at no interest, just like a friend would do, and we've replaced that entire experience for people.

Peter: Okay, so then how...tell us how it works exactly. So, you actually predict when people are going to overdraft their account and you proactively offer them this advance, so how are you able to do that?
Jason: Well, the way Dave works is someone comes in, they connect any checking account. We support 14,000 banks in the US, within seconds we are able to create a prediction for you and let you know where you typically spend your money each pay period and then off of that same type of data we're able to make an instant underwriting decision to allow you to access a small portion of your upcoming paycheck. There's no interest to avoid, an overdraft fee; just have an extra cushion before a paycheck date.

Peter: And so I'm looking on your website right now and it says you'll be alerted ahead of time if you can't afford a bill. So you say it simply, there are no overdraft fees for Dave banking members. What happens if someone has a medical bill that you really couldn't predict...like when you say no overdraft fees, what does that actually mean?

Jason: Well, we don't charge any fees if someone needs to go into the negative. So, the way we've really built overdraft is to empower the user to say, hey, instead of you going to swipe your card and having it get rejected, we're proactively going to give an extra $100 on that account so you have a little buffer to go for that medical expense or gas or groceries.

Typically in the past, we've seen neo banks go for this no overdraft model, but we really wanted to be the first ones to reinvent that and say, well overdraft actually is a useful and worthwhile concept, the predatory $30 or $40 fees associated with it are not. But, what people can't have is a situation where they hit zero and their card gets rejected because that could lead to a late fee on a credit card bill, it could lead to, like you said, not being able to fulfill a medical expense and now what?

So, really banking for humans in this instance is we are empowering you to go beyond zero if you need it, we're not there to kick you when you're down, and this is something that's going to truly be helpful for you.

Peter: Right, so my understanding is that you don't...I think I read this somewhere that you don't do any credit checks on this, this is available to all Dave members, so, I imagine like anyone, there's going to be certain people that are responsible and there'll be others that simply won't. So, firstly, maybe confirm that, yes, you are right, it is available to everybody and then how are you sort of handling kind of repayment of that sort of up to $100 you're advancing.

Jason: Yeah, we do offer it to everyone...our approval rating is almost every single user and as far as repayment goes, you know, that's why we have this kind of tip-based model where the users that like to contribute to Dave help cover those that don't pay it back. And given we are really in the business right now of building a brand and loyalty with our consumers...the fact that if we can come out slightly ahead on that, we are doing everything we hope to and more to really build a lifelong relationship with that customer.

Peter: So, just tell us a little bit...I mean, you said...I think I read somewhere it's like a dollar a month to be a Dave member, but there's also a tipping process on top of that, just tell us a little bit about why you did that and how it works.
Jason: That's right. Well, just like a GoFundMe or Twitch or any of these gaming companies or even apps like an Uber or a Square Checkout, tipping is a concept that people have become quite comfortable with and unlike others who have tried this in the industry, Dave being a business of helping you avoid overdraft fees, a tip seems like the most valuable way to...most valuable exchange with our customer in that we help save you from a $30/$40 fee, is that worth anything to you and is it worth 0% of the amount we gave you, is it worth 5%. That exchange works out quite well for both people involved.

Peter: Right, okay. Obviously, that's how you're able to offset losses, I take it, which there must be some. Can you share anything about the losses that are coming up on your portfolio now?

Jason: I can't really.

Peter: Okay, fair enough.

Jason: Another way we've really helped our users avoid overdraft fees is...we introduced this about six months ago, it's a product called Side Hustle and that's actually what...we partner with a dozen different gig economy and side income providers and our users have actually made millions of dollars to help them avoid overdraft fees through that as well. We'll say, hey, Peter, here are some last minute income creation opportunities for you. That's been an incredibly successful program for us and our users.

Peter: Right, I know Steady does something similar to that, and you're basically subtly pushing people into, hey, you need to earn more money if you really want to spend this extra $100.

Jason: That's right.

Peter: Yeah, okay. Okay, so then what else do you offer, I mean, you've got the Side Hustle, you've got the overdraft protection, you talked about budgeting tools, I mean, how are people actually...I mean, they've downloaded the app, I know you've got millions of customers downloading the app so you have a pretty big sample size of data for behavior. How are people using it...are they logging in every day, how do they use the app, do they just wait for notifications? Tell us a little bit more about that.

Jason: It's pretty frequent, so we've really built and designed Dave to be a replacement for your existing bank. So whether you bank with Dave, or you come and connect with your existing checking account, Dave is there to help you understand your upcoming bills. You can look at your past transactions, we're going to tell you your monthly cash flow and we're going to tell you your low balance till paycheck date.

So, we are seeing extremely high daily usage of the product. As people are coming in, they start to trust this more than their own institution and that's why we've seen such a strong aversion towards our existing users opting in into our own bank account because of how close it is to their existing bank relationship and we can prove how much better it is to be with Dave.
Peter: Right, so tell us a little bit about that bank account. I mean, you don't have a banking license, I take it, so you're obviously partnering with an existing bank. What do they get when they open up an account with Dave, like a bank account?

Jason: Yeah, so they get a bank account, they get a Dave debit card, they have all the same features we've built, remote deposit capture, we've built everything you'd want, it comes with our award-winning Dave Overdraft Advance. It also is the first checking account that if you pay your rent through Dave...we have a partnership with the credit bureaus so that you can actually improve your credit score just by paying your rent through Dave. And so, you know, this is what we feel is the most empowering banking product in the country right now.

Peter: So, then do you have any intention to actually get your own banking license at some point, or are you happy with the relationship you have now?

Jason: I think we're fine with what we're doing right now. You know, at the end of the day, there are some attractive features of having our own bank charter, but at the moment, those are far dwarfed by the opportunity right now of just acquiring as many users and servicing them to the ultimate happiness we can.

Peter: Right, right. Can we just dig into those users for a second, tell us a little bit about them. These, I presume, are predominantly people living paycheck to paycheck, but can you give us a little bit more color on the typical Dave user?

Jason: They are paycheck to paycheck, some of them, you know, on average they are definitely making under $100,000 a year on average. The most popular age demographic is in the 22-ish range so, definitely a younger customer. They're in college or just out of college, they clearly have been working with a bank that their parents got them set up on and now we're helping with that digital transformation...people are really hungry for financial literacy.

As everyone can claim, you're not taught in school how to balance a checkbook or pay your taxes and Dave is a really nice and lightweight introduction to that by helping you forecast all your bills and expenses.

Peter: Sure, I think I read the other day that you just crossed five million customers, maybe you can give us the latest update on that and also maybe just tell us like who is included in that? Is it everyone that's downloaded the app, everyone that's actually using it, what do the numbers mean?

Jason: Those people who are using it that have passed through our entire registration process so that's where we look at that number and benchmarked against, you know, how others in the space count their user base as well.

Peter: Okay, what was the number at the beginning of the year and like how have you grown this year?
Jason: I think at the beginning of the year it was a million, now, we’re approaching five so it's been significant growth just in the past nine months.

Peter: Yeah, that’s one word to say, significant. (Peter and Jason laugh) I think most...any financial institution would die to have that kind of growth number. So, how is that happening, what has been the impetus to go, really you’ve quintupled your user base in let's just say nine months, how have you done that?

Jason: We've done that through strong brand messaging, through building a fair product that people want to talk about. It's what's helped us continue to have the lowest cost of card customers in the industry, and really, because we’re a friendly product with an easy to remember name with great investors and a product that works, it takes care a lot of that on its own.

Peter: Sure. So then, I've touched on it before, you launched, you didn't change your name, right, you launched with Dave.com, is that true? Can you give us...I mean, it couldn’t have been an inexpensive domain name to buy. Obviously, it was considered so important to you that you wanted to acquire it...tell us a little bit, who had the domain before you?

Jason: It was a guy named Dave (Peter laughs) in San Francisco, who owned a design agency named Dave Design. He had the domain since the 90’s, he, for some reason, wasn't using it, he was still using his other domains for the agency and I was persistent to try and acquire it. I emailed him every week or so for maybe six months to no response.

I soon just started sending over offers, unsolicited offers, through this email that I wasn't even sure if the guy was getting and after I, you know, got to a certain number, I finally got a response. I just knew that if we were going to be in this company to win it, that having a strong brand presence from the beginning was really important so owning Dave.com is ten times a better domain than any other challenger bank or budgeting product in the country. We feel like it's easy to spell, it captures what we're trying to do and it's easy to remember.

Peter: Yeah, for sure. It's a very friendly name, as you say, everyone has a friend named Dave and the way you've got it, it's an impressive way you've done the branding, for sure. So, then maybe give us a sense of like you’re funding these advances obviously, the capital has to flow through to your customers there, so how are you funding, who are your capital partners in this venture?

Jason: So, we've just done the advances off of our balance sheet, we have not raised any outside debt. We're nearing our deal with Victory Park to help supplement some of that, but we most recently, just raised our Series B with Norwest Venture and that will help us get to the next level as well.

Peter: And speaking of raising money, I know that you have famously, I’ve read before about the Mark Cuban relationship you have.
Jason: Yeah.

Peter: And he has also invested in previous companies…I think everyone here knows who Mark Cuban is, but tell us first how you got on his radar, how you met him.

Jason: I met Mark in 2008 when he was the keynote speaker of TechCrunch Disrupt. I think, back then, it was called TechCrunch40, he was on stage talking about the different ways to get him to invest in your company. At the time, he was really not doing any angel investing at all, he had several deals and I was at the time figuring out what I wanted to do next. In my free time, I was writing a personal blog about different startups that I liked and just different things in the startup community.

I happened to write an article on how to get Mark Cuban to invest in your company, the ten ways to get Mark to invest in your company which ended up on the homepage of Digg and Hacker News and one of the ways that he said for people to get him to invest was to email him and he gave the whole crowd his email address (Peter laughs) and I used that same proxy to send him this article. I ended up seeing him out at the TechCrunch party that evening, approached him.

He had seen the article, he had read the email and that was our first interaction. I had followed up with him many times on the various things I was interested in working on, was incredibly persistent with him and he ended up becoming the lead investor in my last company. That was a very successful outcome for him. I think we returned like 40 times his capital that he gave us and then he became the lead investor for Dave on our seed round and joined the board.

Peter: Okay, so he's on your board so do you have interaction with him on a pretty regular basis, I take it?

Jason: Yeah, absolutely. I mean, he responds to emails, you know, quicker than anyone else and he is really on it…I don't know how he manages his schedule, but he does it.

Peter: And so then, what kind of advice do you receive from him?

Jason: He will respond on whatever you want, from strategy to customer acquisition to customer success. He's really kind of been there and done it all, it's nice that he's an operator that's taken his own companies from zero to $5 billion so he has a lot of learning there and he and I have had a similar kind of background in that he grew up doing startups, sleeping on couches and doing whatever it took to make it. So, he and I have a similar respect for the work ethic there and I think that's why we've got along and have worked so closely together over the last ten years.

Peter: Okay, sure. So, I just want to dig in a little bit into your business model. If you could sort of tell us how you make money today and into the future maybe, but let's just focus on today first. You've mentioned a couple of things, but what are the major sources of revenue for you guys today?
Jason: So, we have our subscription for our budgeting product which is the most popular product that we offer. We have our Side Hustle product which we make referral fees from companies from Uber and Lyft and various other partners there. We have our Advanced Business where we make money out of optional fees, including the tip and then we have our banking product where we make money only from the card networks when someone swipes their card, we take a piece of the interchange off of that.

Peter: Right, right, okay, fair enough. I looked at your company here and you've got these millions of engaged customers. There's a lot of different ways that you could expand into other areas, but I'm curious to know, when you look at your customer base, and look at what you're doing, obviously, you want to keep delivering on a great experience on your core products, but what do you see as sort of some of the next logical steps for Dave, different areas that you could get into?

Jason: We're continuing to try to look for non-traditional products that we can kind of reinvent, what typically have been successful bank products in the past and that's all I can really say on that, but continuing to try and innovate this industry which has been kind of doing the same thing for the last 50 years. It's been a lot of fun to try and pull apart and rebuild things from the ground up.

Peter: So, do you hear from banks, from traditional banks? I'm curious about how you're kind of viewed...because in many ways...I've read articles that are both positive and negative about you guys, and I'm curious about...I mean, because you're sort of attacking a pretty big cash cow for a lot of these banks, you know, that make...some of them make billions of dollars from overdraft fees. So, do you hear from these banks, or what is your relationship like with them?

Jason: We don't really hear from them often. We do have Capital One, J.P. Morgan and I guess by proxy, Norwest, their main LP is Well Fargo, so we do have several major institutions that are invested in the business and they've all been a pleasure to work with. They're generally curious about the space, we have meaningful conversations and we're all looking for different ways we can continue to work together or partner.

I will say we are serving a demographic and customer income profile that has generally been less attractive for them so to some extent they are supporters of what we're doing in that their legacy structure is not been known to support this ecosystem to date. Dave is finding ways to do that through being a digital first product.

Peter: So then what do you think about overdraft fees? It's something I've thought about for a while and I read a quote from you recently. You said something like it just makes no logical sense to charge $35 when someone goes overdrawn by $10. Are you on a mission to sort of eliminate them completely, or do you feel that this kind of fee will be a thing of the past eventually?

Jason: I think overdraft is always going to have to be there, it's just we need to be thinking about how to properly underwrite and charge for it. Really, banks have gotten away with it being
carved out as not a credit type of product so really, the whole thing needs to be reinvented because the reality is how do people just have their cards rejected at zero is not going to save anyone.

So, the way that Dave is approaching it, we think, is the right one which is let the user pay what they think is fair, don't base it off of a credit score, don't make it a loan and finally, to empower users with it versus hit them with heavy fees. And I think the challenge for a lot of big banks here is you have to focus relentlessly on having a great brand that people trust and people will pay accordingly, but you know, I think that will be a challenge if that is the model that the banks need to try and emulate in the future.

**Peter:** Right, right, okay. We're almost out of time, but I'm really curious about your vision for Dave. I mean, do you want Dave to be like the J.P. Morgan Chase of the 21st century, or something else? I mean, really you are a financial institution in many ways, but when you sort of talk to investors, or when you talk to your staff, what is the vision that you provide?

**Jason:** Yeah, we think building the next J.P. Morgan one step at a time is where want to take it. We realize that's a tall order, but, you know, the side meaning of Dave is David versus Goliath, that's the story we're telling and that's what we're trying to accomplish.

**Peter:** So, one day do you feel like this…you obviously have the customer base to be a very sizable operation, but what do you think is the maximum, or is there an upper limit to where you can go with this, particularly as far as users is what I'm really thinking.

**Jason:** Yeah, I don't think there is a limit, I mean, we’re continuously growing each month, we're adding more customers every month than Wells Fargo is. We’re in a really interesting position right now.

**Peter:** Yeah, you are indeed. Well, thank you very much for coming on the show today.

**Jason:** Thanks a lot.

**Peter:** Okay, see you.

You know, it really is impressive being able to go from one million customers to five million customers in nine months, adding more on a monthly basis than a large bank like Wells Fargo. Clearly, Dave is offering something that people value and people are telling others about it. What it speaks to, as far as I can see, is that people want tools that are useful, that can actually help them in their daily life and as Jason said, their customers are in Dave a lot, they're using it, they're appreciating the overdraft protection and the fact that they can get notified proactively when their account is in risk of being overdrawn.

The fact is, banks have this information, they could have done exactly what Jason and the team at Dave has done, they haven't, certainly not in a way that Dave has implemented. Not to say that banks' mobile offerings are poor, I think there's some really excellent offerings, but what
they haven't done is really, I think, get to these really practical applications that consumers are truly hungry for.

Anyway on that note...before I actually sign off, I have a favor to ask. If you've been listening to this podcasts for a while, I would really appreciate you going to your favorite podcast platform, whether that is Apple Podcasts, Stitcher, Spotify, what have you. I would very much appreciate an honest review. I read every single review and certainly appreciate them very much. So now 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, 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.

(closing music)