



PODCAST TRANSCRIPTION SESSION NO. 222 - JAMIE WARDER

Welcome to the Lend Academy Podcast, Episode No. 222, this is your host, Peter Renton, Founder of Lend Academy and Co-Founder of the LendIt Fintech Conference.

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Peter Renton: Today on the show, I am delighted to welcome Jamie Warder, he is the Head of Digital at KeyBank. Now, KeyBank is a super regional, most people know them, they're actually one of the largest super regionals in the country and they've been making little waves in the fintech space doing some M&A, and wanted to get Jamie on the show to talk about all these.

Firstly, he'll give us some background, he talks about exactly what the Head of Digital does, what they're responsible for, talk about their approach to M&A, we do a deep dive into two of the M&A deals they've done over the last year or so. We talk a lot about financial wellness and how that's a really big priority for KeyBank and we talk about speed and user experience and what their approach to really incorporating a lot of the expertise and knowledge of these fintechs have into the bank. It was a fascinating interview, I hope you enjoy the show.

Welcome to the podcast, Jamie!

Jamie Warder: Peter, thanks for having me, I look forward to our discussion today.

Peter: Me too, okay, so let's get started. I like to kick these things off with giving the listeners a little bit of background about yourself. I mean, you've been a banker, it seems, for quite some time, for most of your career, it looks like, why don't you give us some of the highlights of what you've done today.

Jamie: Sure. Well, even before banking, I actually got started as an officer in the United States military, spent five years as an Army Officer and it's funny how often my army days end up shaping who I am these days. But, after a little bit of time in the Army, a little bit of business school and a little bit of strategic consulting, where I ended up doing a lot of healthcare as opposed to financial services, I did move into banking.

I guess that's been about 15 years ago and have had the opportunity to just serve in a variety of roles and serve a variety of great institutions, National City, P&C, Capital One, USAA, KeyBank and currently here at KeyBank. My experience has been in most aspects of banking so, you



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know, general P&L most recently over the last half decade or so, but before that channel and product roles along the way.

Peter: Okay. So then, I think everyone here would have heard of KeyBank, some may not know a lot about the bank, so why don't just give us a little bit of headline background like how old is the bank, where you operate, that sort of thing.

Jamie: Sure. So, Key is about a 150-year old super regional. Like many super regionals, we've grown up over the years through both organic growth and acquisition. Our footprint is an interesting one, it runs, I'd like to say, across the north although it's a little broader than that, but five time zones from Alaska all the way to Portland, Maine. I like it because we have some very robust mature market like Albany and Buffalo and Pittsburgh and Chicago.

We also have some hyper growth markets like Seattle and Portland and Salt Lake and Denver and Boulder. So, it's a really neat mixture of those hyper growth markets, but also some strong robust markets. These days, it's about 13 in almost any measure you look at, so whether assets or deposits, we serve everything from consumers to small businesses, middle market up to institutions, large institutions, Fortune 100 institutions, so the full gamut and we do everything from payments, lending, deposits, capital markets or perspective for those different customer bases, Peter.

Peter: Your official title is Head of Digital at KeyBank and I believe this is a new position. You moved into that from the Business Banking area, why don't you tell us a little bit about what you mean when you say Head of Digital.

Jamie: Yeah. So, you're right, Peter, this is a new role for Key. So, the Head of Digital as we reorganized recently, six or seven months ago, we thought there was a need to really bring together our digital capabilities from across the enterprise.

You start to think about those holistically and, again, from an enterprise perspective, everything from servicing to originations, from our consumer clients to our middle market all the way to our institutional clients, but really think of those things holistically. I want to say there's kind of two spectrums in digital, you know, one spectrum would say, well, digital is anytime you're using software or data to enable the business. Well, I think that's everything in every way.

Peter: Exactly. (laughs)

Jaime: So, that's a super liberal version of what digital is. There's also a very, very narrow definition of what digital is which says, well, there were browser tablet for servicing and originations, and as we thought about this role, we really thought about it, somewhere in between. It's almost thinking about where strategically is it most important for us to think about how we bring software data to enable the business, but there is a heavy emphasis on those areas where our clients, or our colleagues who are working with clients are kind of working with digital capability.



So, you know, I see that my job and my team's job to really think about where the leverage point is for digital and how do we influence those important leverage points for Key.

Peter: Okay. So, there's still quite a bit in play there, I mean, you came from the business banking side of things, so does this include small business, does it include consumer, you talk about the mobile app, you talk about Zelle, those sort of things, maybe what does that exclude, I guess, might be more important than what it includes.

Jamie: Yeah. No, it includes all of those things. We really think about all of our different clientele and Key proudly serves 3 million consumers, but we proudly also serve 250,000 small and medium businesses and a number of really large institutionals, so that includes all of those clients. It includes.....you know, when they're servicing their accounts, so if they're logging in and authenticating and they want to do things like check their positions, or move money, or techniques and sign their accounts, it includes thing like you said, money movement so the bill pays them a Zelle and all of those things.

What it doesn't include....the one thing that we don't include in the organization formally, but I would tell you we have a very, very strong partnership would be on unauthenticated, so key.com and some of our unauthenticated. We just think that there's a better synergy with marketing there, so we work very closely with marketing, but they run those unauthenticated channels.

But, generally, if you are logging in and we have a lot of influence because we're sharing the underlying services on those systems that our colleagues use and those colleagues who are direct client-based. So, if you think about it, our branch colleagues and the technologies that they use, our relationship managers, the service and sales officers and the technologies that they use.

Peter: Right, right, okay. So, I want to talk a little bit about how technology has kind of shaped your thinking because you've been around banking, you said, for almost 15 years and fintech wasn't really a thing 15 years ago, that term didn't exist. It's now used with abandon today and considered....it's sort of an all encompassing term for technology's impact on finance. But, I'm curious sort of when you look at like the fintech players which are those players that are sort of natively digital online, how do you sort of think about those players and what's the impact it's had on a bank like KeyBank.

Jamie: Yeah. It's a great and important question. You know, I actually think if we go all the way back and probably back before my time in banking, Peter, you know, digital found some it's early roots in banking. I think if you go back to some early use cases you were probably talking about the travel industry where, you know, people could begin to book hotels and airfare online, but a very close follower to that was the ability to see your accounts online, BillPay came along, so I think some of those early use cases were digital.

We didn't call it digital back then, but those were early use cases of using the Internet for things that people could do every single day. I think, you know, there was probably, and this is my take on the whole thing, there are probably a 15-year roll or so where, you know, those were some of



the killer apps, BillPay and online banking, and, you know, at some point maybe, I don't know what the exact timeline would be, about five or ten years ago, probably starting with PayPal, I think there was this next evolution of fintechs and I think it became easier to start putting things together.

We started to see fintech players really focus on a particular area, be it in payments, or deposits, or investing, or lending, and they did it, I would say, the right way. They thought from customers back, they designed from an experience perspective, they picked, you know, these slivers of capability and did them extremely well, they did that thinking digital first, not necessarily branch, or call center first, and as you and I know, on the last decade we've just seen an enormous number of those really shape and change the industry.

So, I want to say fintech, although it's new, I think it's actually re-surfing, you know, I think it's been around for a long time, I think we can learn a lot from the fintechs. You know, I think they teach us things like build with design in mind, I think they teach us things like we're backwards from the experience, make it easy, make it fast, make it transparent like all of these things are in the digital make of DNA.

I think banks are reminding themselves of those things that they probably thought about 20, or, 30, or 40 years ago in an analogue version in their physical footprints, or their context and their footprint. You know, I think our digital fintechs are thinking about those truly in a digital way.

Peter: Right, right, that makes sense. So, I want to switch gears a little bit and talk about M&A and you guys have been moderately active in that space. There are a couple of acquisitions that I sort of want to sort of dig into here. Before that, do you have like an M&A strategy that the bank kind of adheres to, mainly talking about, obviously, fintech M&A. Is there something that you have sort of a real kind of overall strategy that we can dig into some of the acquisitions you've actually made?

Jamie: Sure. So, even before M&A, I actually....I'd like to talk about three areas in fintech broadly, and it's really the way we think about it here, Peter, along the spectrum and we have good examples of each.

So, first, and probably the most common, is where we just partner with fintechs, so one is Zelle. I guess we can call it Zelle a fintech at this point, but, you know, we didn't acquire Zelle, we don't have an equity partnership with Zelle, but we partner with them because they have a great capability that gives our customers something that they want and need, and we partnered with them as a way, you know, to bring fintechs to our customers.

So on one end of the spectrum it's just good old fashioned partnership, you know, supplier/vendor relationships. If you move over on the spectrum and something that we do quite often. As a matter of fact, we have an entire team that constantly evaluating these and finding the opportunity, but we'll actually invest in fintech.



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So, you know, we continue to be independent. Before we buy equity in them, we find this to be a great way to help them shape their roadmaps and help really make sure that there's good synergy. We can usually help them with a client base and distribution and they can help us by pushing our thinking on great design and great capability, so we've recently, over the last couple of years, we have half dozen examples. SnapSheet2 has a great insurance product for some of our insurance clients; InstaMed which helps some of our providers, doctors, dentists, ambulatory clinics with billing.

We partnered with those two fintechs and invested in them. And then, finally, as you mentioned, the M&A and we certainly have some of those examples. You have read about HelloWallet, Bolstr and most recently, Laurel Road, but we do that as well, all out acquisition. So, we are constantly searching and all in the name of bringing our customers the best capabilities and the best products out there. We're searching with who can we partner with, who can we invest in, and in cases, where can we acquire outright.

Peter: Right, right. So, let's dig into the latter one you mentioned, the Laurel Road. I think many listeners would know that name, we had Gary Lieberman on the show a couple of years ago and he was the Founder and CEO.

Jamie: Yeah, I am not nearly as articulate...let's just put it in the right perspective.

Peter: (laughs) I don't know about that. Anyway, so maybe...first, Laurel Road, obviously, focused on student loans re-refinancing. They became one of the major players in the nation in that space, but what was it that attracted you to the company initially.

Jamie: Yeah. Well, you mentioned one which is Laurel Road is just a terrific company. As we looked at them, we saw, one, a digital first company that it created a very nice consumer lending platform. As you mentioned, the third or fourth largest graduate loan re-finance program, student lending, re-finance in general, so we thought, one, as a source of just high quality consumer loans done the right way, done with credit in mind and making sure we're originating very credit worthy customers, an experience, you know, that has Disney-like net promoter scores, so just a really terrific experience.

So, we liked, one, the consumer lending growth. They also have built over the last several years just really good digital capabilities, not just around student loan, but also around mortgage and real estate lending and we saw that as an opportunity to use some of their technology and design and be able to import that into our large and growing mortgage and home equity business, so we really liked the lending.

You know, the core business that Laurel Road is bringing along, we liked the technology around real estate lending, but, third, we're still figuring out exactly what and how we use these going forward, but what Laurel Road really represents is thousands of customers who come and use Laurel Road are very satisfied with the experience. And, you know, our millennials, they are, generally, on a more affluent side because a good portion of them are graduates and have



graduated from graduate programs rather, so we really like the fact that it's also a source of household growth for Key.

We need to figure out is there a way for us to really....you know, can those customers do more, do those customers want to do more with us. So, just to summarize, a great lending business, some terrific technology that we think is leverageable and then, finally, a set of clients who would introduce things to KeyBank and we think we can do more. We have given some of the services that Key has.

Peter: Right, right. So then, I'm curious, I know it's only been a few, like six months, since the acquisition closed, so it's not that much time. If you go to laurelroad.com today, it's the same experience, or a similar experience that it was a year ago, so Key hasn't taken over the brand. You do make it clear that this is a brand of KeyBank. Is the plan to keep this as a standalone brand, or eventually fold it in and havethis will be a KeyBank student loan re-finance?

Jamie: Yeah, we really like the brand that Laurel Road has created and they've created a brand specifically with the healthcare industry through partnerships with, you know, some of the largest healthcare associations. So, we really like the Laurel Road brand and for that reason we want to build on that brand and right now, there are no.....never say never, but, right now, there are no plans for us to change the Laurel Road brand, we will leave it as an independent brand.

We'll think about how we grow and expand the capabilities of that brand. We're not going to hide, like you said, Peter, that Laurel Road is a division of KeyBank, it is, but if you're deep into your statement, you're going to see KeyBank written all over them, but, right now, plan is for Laurel Road to continue to be an independent brand.

Peter: Okay, okay, interesting. So, let's maybe talk about one more that you've done and that's Bolstr. Bolstr may not be quite as well known, but they were a small business lending platform. I think this was done...might have been done I think last year, from memory.

Jamie: Right.

Peter: Tell us a little bit about that acquisition and how....firstly, what attracted you and how you're kind of using that kind of intellectual property and brand that you've acquired them.

Jamie: Yeah. So, Bolstr had, as you mentioned, some really unique capabilities around small business lending and, you know, the ability for a small and medium enterprise to go through an application process, know exactly where they are in that application process, be able to submit documents pulled from external data, e-sign, you know, all of those capabilities, it's not easy, again, in true fintech form.

We really liked the technology and it was area to us that filled the gap, not only for the small business experience, but also some of the underlying services that we think and are leveraging more broadly for other kind of commercial banking applications. So, this one was a little more....we didn't keep the Bolstr brand in this case, it was a little more of a technology and



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talent opportunity for us and we have integrated that in, we have pilots out in market today, so clients are able to do, you know, small business loans at their place of business in 15 or 20 minutes.

You know, we're getting approvals done within the day, we're getting funded loans within days, so, again, all on the journey to make things faster, easier and more customer-centric. We saw Bolstr as a way to accelerate us on that front in the small business space.

Peter: Right, right, okay. So then, is this going with your SBA loans, or is this just sort of more of the other kinds of loans you do?

Jamie: Yeah, this is both. So, one of the things we really liked about Bolstr was the ability for us to customize the flow of the application based on what we were learning about you. So, as the borrowers are providing more information, we can then customize the flow, and if it makes sense, the customer may want to consider an SBA loan and, you know, we can start to present those options. And, if they tell us something like, hey, I'm a non-profit, we know we can't do SBA loans for non-profits then we can send them down the conventional path.

But, building that logic in, building kind of the brain and advice of a relationship manager, or a good branch associate into the technology was important to us. So, it's not just capturing information, but it's actually providing, you know, advice and insight along the way. Bolstr's done a nice job at kind of building that into their product and we're carrying that forward for our customers here at Key.

Peter: Right, right, okay. So then, going forward, I mean, I'm curious to get your take on....you know, super regionals like yourself, do you think that this is going to be a big driver of M&A in fintech? I know you can't think for banks, but I'm just curious about.....are we going to see a flurry of activity over the next couple of years, what's your take?

Jamie: My take is what we've been seeing over the last several years which is banks partnering.....so, I think about, you know, Chase, although I don't want to talk about other banks, but Chase just...they got started in their small business lending through a great partnership with OnDeck. We can look at where there's been acquisition, we just talked about a couple at Key, but, you know from reading the papers, these are happening literally everyday, and I do think that middle category we talked about which is equity investments to help drive the roadmap.

I don't see that slowing down. As a matter of fact, in a world where our customers are telling us they want to do more with us digitally, matched with the world where fintechs are thinking about how do we do, you know, the things that we do every day better, faster, more digitally, I think those are natural marriages, Peter. So, I don't expect it to slow down, if anything, I expect it to speed up.

Peter: Yeah, it's really interesting to me to see through the.....you talked about the equity investments and when you see these deals, there's been a lot of deals this year, some large deals, in fact, so often there is a bank that's.....they want to be leading the deal, but they're



involved. It seems to me that banks are becoming really big suppliers of capital for a lot of these fintech firms which, I think, is super interesting.

Jamie: Indeed. I think they see it as a part of how do they evolve, how do they accelerate, how do they, you know, quickly get capability that would take them a lot longer to build in-house. I think we're all becoming comfortable with that, you know, I think the regulators are becoming more comfortable with that and getting experience on how these types of partnerships work.

Peter: Sure. So, I'm particularly curious aboutyou know, you talked a few times here about the technology, the hiring of the technology expertise and one of the things that sets these online lenders apart is the speed that they've been able to ...speed of approvals, the speed of the application process.

You said you got the small business process done in 15 or 20 minutes which I think is great, but is that.....what I'm really getting at is the sort of the focus on speed really permeating throughout the bank? I mean, the millennials, they don't want to sit around and wait, they get very impatient with any sort of slow process, maybe you could talk a little bit about the speed aspect.

Jamie: Yeah, this is just something that I think, again, the fintechs have probably really figured out as their designing experience is in their talking to customers about the experience that customers are looking for. You're right, customers.....you and I and all of our friends and family, they don't want to spend a lot of time doing this stuff.

They want it to be fast, they want it to be easy, more and more they want it to be done on their phone and make a decide where they want to do it, so, I think, you know, if these fintechs have been designing their solutions and products they've really been thinking how do we make it fast, transparent and easy, and that's just part of the principles of priorities that they put into their design and, you know, by doing that, I think, they're teaching us, banks, how much work it is to do.

You might say, well, gosh, the banks should do the same thing. In one way, I think, the fintechs have an advantage because they're typically picking certain use cases, so they're not trying to (garbled) every use case, they're picking a narrow use case, they're getting very good at that narrow use case and designing it, you know, in a digital first way. So, I think it's important, I think they're teaching us that, and, I think, more and more speed up to be a design principle that we're all thinking about.

Peter: Right, right, okay. We're almost out of time, a couple of things that I really want to get to. I want to talk about financial wellness. You mentioned HelloWallet before and you guys have an entire financial wellness section of your website, and, I mean, that's something that I'm personally pretty passionate about, how we need to be doing more to really help the masses and the population that are not doing all that well financially. So, maybe you can talk a little bit about the approach, you know, from a digital perspective, what's driving the financial wellness movement at Key.



Jamie: Yeah, well, important to know, financial wellness is the absolute core of our strategy and I'm certainly not sharing any secrets. As you said it, it's on our website, we talk about it, we're proud to talk about it, and what do we mean by financial wellness? We want to help you understand your current position and financially well are you and then we really want to be able to help you become more financially well and that could be, you know, that could be across the spectrum.

So, it could be someone who's struggling, it could be that individual who is saving for their retirement, it could be the small business who's trying to figure out how to, you know, finance the next piece of equipment. So, this concept of we want to help you understand how we are doing, but that'll also give you hints and advice and feedback on how to become more financially well, and we want to do that across the board. We want to do that if you stop in and have a wellness review with one of our bankers, but we also...if you're not going to do that, if you're going to be at home, we want to be able to do that digitally as well and just leave it up to our customers.

So, in every touch point, we are looking for ways, Peter, where we can help clients understand their position and help them do better. So, HelloWallet, if you think about what HelloWallet was doing, it allowed you to aggregate all your accounts, whether they were with Key or not, it provided with a financial wellness score which gave you a good indication of how are you doing versus others like you.

It gave hints and tips and not just around spending and saving and things that we thought could make you more financially well. Those are the things we're integrating into all of our digital capabilities, those are the things that are integrated into all of our human touch points. You know, if you're talking to someone from KeyBank, they're going to be talking to you about your financial wellness. So, it starts with strategy, translates then to both our digital and non-digital properties, and is all around kind of a higher mission of helping our clients do better financially.

Peter: Right, right. I think that's super important because, you know, everyone has a banking relationship, not everyone, most people have a banking relationship and if you're not getting them there, I feel like that's the touch point that people need to be to be able to get the information and the education about how to improve their financial lives, so that's great.

Anyway, last question, just curious about what you're working on now, what's coming down the track. I know you're a public company, you can't tell me any secrets, but what's coming down the track for you guys?

Jamie: You know, I'm not giving away any secrets, 91% of our interaction to a client is happening digitally these days. We want to make that experience great for them, so just giving our clients the ability to do more on their phone, to do more at their mobile browser tablets, we want to make it easy and fast for clients to do more business that they want to, you know, grow their relationship with Key, we want to make that easy and fast, so we're really thinking about all



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of our products and originations, again, across consumers, small to medium enterprise and the largest institutions.

And, finally, as we talked about, we're really looking for those ways to embed financial wellness through our capabilities and products. If a client doesn't happen to interact with us in a face-to-face, we want to be able to still provide them financial wellness digitally. So, as I think about those different areas, as I think about, you know, a great servicing experience when our clients need to service their existing banking relationship, when I think about the origination experience and wanting to do more business with us and make it easy for them to do so and not just embedding financial wellness across the board, I think those are our priorities. You know, you find those in all of our public statements and it really is what we're spending our time and focus on.

Peter: Okay, that sounds great. I really appreciate you coming on the show today, Jamie.

Jamie: Hey, thank you very much, Peter, and thanks to all for listening.

Peter: Okay, see you.

You know, I think banks like Key are going to play a bigger and bigger role in the future of fintech. We've already seen them do some pretty significant acquisitions, they're clearly not finished, and, obviously, there's new fintech companies being started all the time. There's also more that are getting rapid scale and, you know, I think you're going to see these banks....they're going to jump in and be able to bring their resources to bear on taking sort of all the best practices and the positives and all the good that Jamie talked about in the interview, what fintech does really, really well and bring them into the bank and having them become really part of the bank DNA because that's really, I think, what we're getting at here.

Banks haven't been known for their speed, for their user experience, and, I think, bankers like Jamie are very clear about that and wanting to change that narrative and I think it's going to be interesting. I think we already are seeing it happen and I think it's only going to become more so where banks are going to behave much more like fintechs going forward.

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

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