

## PITCHIT FINTECH STARTUPS PODCAST NO. 5–KELLY IFILL

Welcome to PitchIt, the fintech startups podcast, one founder, one startup, one investor at a time. I'm your host, Todd Anderson, Chief Product Officer, LendIt Fintech.

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**Todd Anderson:** On Episode 5, we talk with Kelly Ifill, Founder and CEO of Guava. Guava's a digital bank with a mission to help Black-owned small businesses. If we've learned anything in the last 18 months, it's that small business is not only the backbone of the broader economy, but also of each of our communities. Small businesses have not been and continue to not be served by traditional financial firms and so that reality gets even more pronounced when you go into Black-owned small businesses, one and two-person entities, sole proprietorships.

And so, what Kelly and I delve into is kind of what's Guava's mission to help these companies, her time on the other side of the table as a VC in EdTech and now what has quickly become a PitchIt podcast theme, tennis. We had a lot of fun and I hope you all enjoy the show.

Welcome to the podcast, Kelly, how are you?

**Kelly Ifill:** Hi Todd, I'm great. How are you? Thanks for having me on.

**Todd:** Yeah, I'm good. Well, it's great to have you here. So first, just for the audience's perspective you can just tell everyone kind of you, your name, a little bit about your professional background and kind of what brought you to where you are today.

**Kelly:** Sure. My name is Kelly Ifill, I'm the Founder and CEO of Guava, we're a digital bank that is designed to serve Black, small business owners, we're a commercial bank and we have a particular audience. Of course, everyone's welcome, but we're really trying to serve the needs of Black-owned business owners. I started my career in education, I have worked in education for about ten years, got really interested in EdTech and financing so went to business school at Columbia to transition into venture capital and to that my business school essay came true actually. Ended up working at an EdTech venture fund after school which is not always the case. So, I worked in venture for a bit, I did a stint in management consulting and then started an organization with a colleague called Seneca Network and we were really thinking about the racial wealth gap and it's impact on Black and Latin founders at the friends and family stage.

This was 2015, not many people were talking about the racial wealth gap and we, you know, both had worked in impact fund at that point and understood that there weren't many people that looked like us. I'm Black, obviously it's a podcast, you can't see me (laughs) and so is my Co-Founder and we were really focused on supporting founders at the friends and family stage, because you know, deep pockets of wealth aren't really successful for those founders so we were making introductions to

industry experts to really support the founders as they were trying to, you know, level the playing field essentially. That work I did kind of in tandem while I was at another venture fund and then kind of had this reflective moment early on, you know, new year of 2020 as most of us do after asking about like what am I doing with my life.

While the work that I was doing was really important and super exciting and fulfilling and realized that I talked so much about the racial wealth gap and I wasn't actually creating any solution that was directly solving it. Venture scale starts out at such a small segment of entrepreneurship even though like you read TechCrunch and you don't think so (laughs), but, you know, there's about 98% of founders who won't get venture funding and that number is greater for Black entrepreneurs. And so, I knew that I wanted to kind of focus on the bigger segment of entrepreneurs which was small business owners and main street businesses who aren't going to TechStars or YC and support them.

I come from a family of small business owners, I'm first generation American. My family is from Trinidad and everyone is a small business owner, you know, it's just part of what the American Dream really looks like and I knew really intimately what that experience was like, to be a Black entrepreneur. It meant that you had an undercapitalized business, it meant that you were just fighting, you know, kind of this uphill battle consistently. Coming from venture, I think I automatically looked at capital as a solution or looked at financing as a solution and then I kind of how I got to Guava just thinking about the need for, you know, a focused solution for entrepreneurs who have been systematically boxed out of the game.

**Todd:** I'm curious, why the banking angle to it? So, I know that clearly Black small-business owners are not served by the traditional financial services industry, they clearly don't get the capital needs they're looking for and they clearly don't get the support that they're looking for. So, why the banking angle, did you think that was kind of the best angle to take to help those types of small businesses who need it the most versus maybe another angle?

**Kelly:** Well, you know, I didn't start with like I'm going to build a bank (both laugh), that wasn't.....

**Todd:** Every kid's dream,

**Kelly:** It really was like I just focused on the community and the questioning was what support do they need, okay. Well, they need access to capital, there are these structural elements that make it inequitable, you know, small business lending, something like 40% of Black small business owners are denied small business loans, okay. So well, that's something I can, you know, solve, I can figure out capital, I can figure out a lending facility. I say that as if it's a small feat, it is not, and then the question really started, the question around unbanked small businesses was what got me to where Guava is today.

About 80% of Black, small business owners don't have commercial accounts, the folks are operating their businesses from their personal checking account at best and, you know, when you think about what that means like it works, right, you can pay people, you can work fees, revenue, but when you

think about, you know, having your books clean, when you think about being able to have the financial history to be ready to receive a small business loan, right,...so you have a line of credit, do all of those things that are required or necessary for you to scale your business or grow your business, it becomes...it's the first step.

**Todd:** If they're using their personal checking account, are they viewed as more of like a consumer loan versus a small business loan? How are they viewed as a potential borrower in terms of receiving these funds?

**Kelly:** So, I guess you start something.... like over 90% of Black, small businesses are sole proprietors so like one-man shops. And so with that, you don't have any employees, it's easy to do that. You can get a, you know, personal loan or a line of credit and there is some debt hesitancy that you can see in Black communities so that you find people using lines of credit less than other communities. But, the interesting thing about small business lending is that even as a regular "small business loan," it's still treated ultimately like a personal line of credit because the underlying metrics that they've assessed, whether or not you're credit worthy, is your FICO score, right.

If it's unsecured debt then like they're looking at the same determining factors and so you end up with the same outcomes that we have in consumer lending where Black folks or poorer folks have higher rates of denial and that's without regard to their ability to repay the loans. It really is based on historic factors that are not fair.

**Todd:** Can you talk a little bit about some of those historic factors and then kind of what are some of the pain points that Guava is specifically trying to solve. Kind of secondary to that is, how do you look to serve this community, at the same time it feels as if there's a fintech or bank or someone launching every week either to serve a similar community or there's just so many options today. And so, how does one looking to build a company like yourself think, alright, this is where I can find the best potential opportunity and serve ultimately the people that I want to serve who truly need either capital or banking or a service that can then better help them serve their ultimate needs for their business.

**Kelly:** Right. So, starting with like what are the problems that exist, yeah, so in terms of like the issues that exist for Black business owners. I think there is a spectrum from like a micro aggression where you are just treated poorly in a bank branch trying to open an account or just not getting their customer service and that, you know, it can be discriminatory, it could be that, you know, you live in a place where there aren't many banks and they don't have great, you know, staffing and whatever the case may be. There are more structural things where you're asked for more information when you're applying for an account, often banks will run credit check which obviously we think about the same problems or we talk about credit scores and scoring and so you will find that in Black neighborhoods that people are designated as higher risk even for opening an account.

So, you have even more number of folks opening an account or getting approval for accounts and I'm not even talking about lending and then you like have the real deep structural problems that we talked about how are people assessed for loans and for credit products that will allow them to grow their

business. So, you have things like FICO which is tagged to your zip code and home property value which we can kind of go all the way back so red lining and all of these things that exist and are still part of the process or part of the algorithms that we use to determine credit worthiness for people of color or for women. All of these folks are kind of working at a disadvantage because the data sets are based from the 1940's and 50's where it was still okay to discriminate.

And then the other part of your question was what are we doing. There are so many neobanks, why should anyone care. So, we are....you know, there are a lot, yes, but focusing on consumers. Big banks don't care about small businesses, if I'm being harsh, they're not a profitable group for them so they just kind of fall by the wayside or they take consumer products and try to like retrofit to, you know, work for entrepreneurs, that doesn't work.

You're not an individual, you're trying to build a business even if you are sole proprietor, you have an entity, you have EIN, you have a dream, you're trying to create something bigger than yourself and so, you know, creating something that isn't retro-fitted consumer banking specifically for folks that don't have, you know, inherent trust in the system because they have been mistreated thinking about how can I, you know, create an on-boarding process that doesn't do a hard pull of your credit or soft pull of your credit so that we're not using that as a factor, whether or not you can bank with us, it doesn't make any sense. It doesn't matter if you put your credit scores if you can get a bank account, not as if you're, you know, we don't want you to be a fraud, but other than not, come on, come on and bank with Guava.

And then in terms of what we're offering, we try to think about the opportunity for banking or kind of redefining what community banking means for Black small business owners like, yes, there's financial capital that you need to build your business, there's also social capital that's super important that a bank has the ability to facilitate. You know, you are going to bank with us, hundreds and thousands of people will be banking with us, there's no reason for us to stand in the way of those folks connecting with each other and so we're creating an opportunity for them to do that.

There is that noise so people won't be on these message boards trying to find answers that really will be this like hub of vetted business owners that are trying to build and grow together. We think about financial capital, we think about social capital and knowledge it's capital so that those opportunities to share best practices, to share knowledge for our partners to come on at key moments in an entrepreneur's life cycle to help them is really important and how we're thinking about it being a more robust platform that is underpinned by banking, but really supporting kind of the life cycle of an entrepreneur.

**Todd:** Curious to know, clearly we're still ....at least we're hoping to be out of the pandemic soon, but a lot of things came to the surface during the pandemic which is clearly, you mentioned it, the banks don't care about small business. That was heightened even more in the last year and I'm assuming for the businesses, the Black-owned businesses, it was probably even more heightened. At any point, when you're looking at the pandemic and kind of it's impact on small businesses, generally, did that kind of give you any second thoughts or has it kind of doubled down like we're needed now more than

ever before because the circumstances and kind of what we're currently living through or hopefully ending soon.

**Kelly:** Oh, it actually was doubling down or even just like moments and affirmations that I'm doing, something that is absolutely necessary and needed in the country. I mean, you know, I think what we do and I think, I might be guilty of it too, it's kind of bifurcating that Black community is separate from the entire country, but the impact of having resilient Black businesses has an impact on the entire economy. And as Citi did that study earlier last year basically quantifying what the impact of unequal lending and unequal banking has had on the US economy over the past 25 years and it was like \$13 Trillion. So, you know, it's not a matter of it just being like oh, this is for Black people, what we're talking about is for the country.

**Todd:** You know, you mentioned kind of the types of small businesses you're looking to serve, is there kind of an ideal small business that fits kind of the Guava name and what you're trying to build? Is it that sole proprietor, is it kind of a mix of that and kind of the small shop that has a few employees?

**Kelly:** Yeah, absolutely. It's kind of this range of sole proprietors, someone that has about, you know, one to two employees, has been in operation for about a year or more and, you know, we have a revenue range, but it really is kind of like these industries that are not focused on as much when we talk about entrepreneurship. So, a lot of service industries that we find higher percentages of Black businesses that are like the ones that we are thinking about really like really focused on for our launch and kind of scaling that.

**Todd:** You know, you mentioned in TechCrunch how most businesses are not kind in the realm of getting VC funding, I'm curious though, are small businesses finally beginning to get the tools and the options that they need. It feels like it there was pre-pandemic, we were kind of in the space that was, you know, I guess slowly getting better, but for a lot of businesses and a lot of companies not really. But then, there was this sea-change that had to happen because we were kind of all forced to either go into lockdown and change the way we operate. We did it here at LendIt, a lot of companies did it, they put up shops online for the first time, are we finally entering that age where small businesses are finally getting the tools that they've always sought or wanted. I'm just kind of curious as someone who's building for them if this is kind of ...we're entering a new era for that small business owner.

**Kelly:** Yeah, I'm optimistic about it and maybe we've been paying close attention to the tools that are being built for small businesses and the folks that are focused here, but I don't think that...you know, the language has changed a little bit about how we kind of collectively think about small business. A lot of folks are talking about, you know, small business being the backbone of America, I think that it means more now when folks are actually seeing businesses in the neighborhood closing down and we were able to live through what the impact of not having a small business sector looks like that everyone would have to go to one of these big chain restaurants and that's not fun for everyone, right, I think because we've all lived through it.

Everyone's like, I don't want to go Applebees everyday that we have a better understanding of the importance and the role that small business plays in our communities. Even as consumers of small business, we're making more conscious decisions, I know a lot of folks are thinking about their local bookstores differently and paying more attention there, you know, going directly to the take-out spot instead of using one of the delivery services and kind of having a better relationship. So, I think we, as a society and as an industry, recognize intimately the importance that these entrepreneurs play in our lives, we start building products with them and start kind of augmenting our offerings to solve their problems.

**Todd:** Now, you've been obviously building the company during a pandemic so how does that impact you, the team that you have around you, how have things been going, so far, and how do you also avoid kind of the trap of we're on Zoom calls all the time and it does get exhausting and keeping up with team members making sure they're, you know, not running themselves into the ground and kind of keeping a mental health awareness for those that you're bringing into the team.

**Kelly:** Yeah, yeah. Guava is my pandemic baby (laughs), we were born in the pandemic so we don't even know what it's like to not be remote, but, I think, you know, there has been moments where I realized that I wasn't taking a break because I was working in my living room and then I was sitting down and like relaxed in my living room and why not, just like continue working because it's right there.

I was really being intentional with myself and with folks about....you know, really more focused on outcomes rather than just checking in and knowing that people need their weekends even if I'm online, I'm not pinging people. I try to be cognizant with that and to also get to know people as humans. I think, you know, what Zoom does, take away those moments of serendipity where you can kind of small talk. You feel like you just jumped right into the thing so, you know, just getting to know folks and be trying to learn who they are, what they like, what they don't like. We haven't been able to meet in person yet which is very strange. (laughs)

**Todd:** (laughs) I'm sure.

**Kelly:** I think we're all vaccinated now so that's, hopefully, on the horizon. We have a small team so, you know, it's a lot easier for us than some other companies, but I'm looking forward to maintaining hybrid, that's for sure.

**Todd:** You know, any point during the last year.....was there ever a time like I don't know if I can do this, maybe this is a bit too much, not only building the company which is obviously a task in and of itself, but, you know, with the pandemic on top of that, was it like alright, I'm not sure if this path was the right one or, you know, I'm on this mission and this mission is where it's going to take me.

**Kelly:** That's such an unfair question to like a CEO of an early stage founder (laughs). All the time, I dream about, you know, having like wine and cheese shop in Hudson, I think that might be harder than what I'm doing now, to be honest. Yeah, I think, there's always that like moment of insecurity or just like, why did I sign up for this, what is it, but, you know, for me there is like a larger mission that I'm

trying to accomplish and so that has and does motivate me everyday, but that's not say it isn't hard at all.

**Todd:** In terms of.....I'm not sure if your guys have raised any outside capital or if you're in the process of doing that, but I'm curious.....

**Kelly:** Yeah, we raised a pre-seed round.

**Todd:** So, in terms of talking with investors, I'm curious to know A) did you run into any discrimination or like thinking, you know, this type of company is not for us. I've talked to a lot of founders recently who, you know, are either focused on a digital bank for the LGBT community or a digital bank for Black consumers and there has been a point where people have run into either, you know, this is only for this community and so I'm just kind of curious if you run into any of that and kind of what investor interest is in what Guava's trying to build.

**Kelly:** Yeah. I don't know, no one has been outright with me about any discrimination, but I won't say that....I've had some awkward conversations, for sure. I mean, I start my investor conversations, most conversations talking about the racial wealth gap, you know, and talking about structure races. And so, I'm pretty clear about where I stand (Todd laughs) and so I think, you know, it becomes really evident for investors quickly where we are, what we're building and who we're building it for.

I think the most awkward conversation, the most awkward question I've gotten when pitching was what if a white entrepreneur wants to bank with Guava? Of course, my answer is like they can bank with us too, we're not turning anyone away, it's just about who we're solving for and if that means that someone in Arizona benefits from the products that we're building, of course, come on and use it as well, like we're not discriminating against, it's more like who we're centering and I think that is also dependent with change and understanding. So, it's not because it's for someone doesn't mean it's against anyone else, you know,

**Todd:** Yeah. I'm curious, you were on the venture side of the table and now you're on the other side, any lessons there or how does it feel kind of going from one.....I know it's in EdTech so it's a little bit different, but how does it feel being on the other side of the table now.

**Kelly:** Yeah. I mean, the fund that I worked at was an agnostic fund most recently. You know, there are moments of like awkwardness where I'm talking to investors that I know professionally or kind of personally and it's like do I give them the back story of who I am even though they know me, but that's my pitch (both laugh). There have been those moments.

**Todd:** That's interesting.

**Kelly:** Yeah, I think it's been, I don't know, it's been interesting because it's like this inside baseball thing like I know how investors are thinking, how they would kind of take apart the deck and try to anticipate questions, but I've never been on this side before so I'm trying to be as me as possible and

kind of just showing up authentically as myself and what I'm building and being as prepared as possible. So, like I think it helped me maybe have a couple of warm intros, a couple of more warm intros than not, but, at the end of the day, they professionals and I'm professional too so it may be a familiar face and, you know, still got a no from some people that I knew. (laughs)

**Todd:** I'm most curious to know like, you know, there's a lot of entrepreneurs who haven't been on the investor side and kind of when building that deck and getting the presentation ready, I'm sure you're thinking through your experience in venture and you kind of know some things to look out for so preparation-wise I'm sure it's beneficial. I'm just kind of curious if there was anything outside of the awkward conversation of some of the people that you knew and kind of how to pitch to maybe someone that you've known, if there was kind of anything else that was kind of super beneficial coming from the venture side.

**Kelly:** Yeah. I mean, honestly, I wonder, like sometimes I wonder if it was a detriment than anything because I wasn't naive about the process. It meant that I over-thought things probably and I couldn't go in and just say like, hey, this is me like I know all of these, the steps like I know how the sausage is made a little bit and so I'm thinking about like okay, they're deployed X amount of their fund size or they raised five years ago, like I'm doing all of that work which isn't my job to be doing.

**Todd:** Yeah. At least, not anymore. (laughs)

**Kelly:** For sure. (laughs) Yeah, I don't know, I don't know if it was actually particularly helpful other than like having, you know, some relationship, honestly. I don't have a better answer for that one.

**Todd:** No. I like the answer because, you know, I think.....when I think about who listens, potential listeners of this, they are ultimately more than not fellow founders and I think some of the things you're saying there just being authentically you is kind of what ultimately the best advice is because if you're not yourself then they're not investing in someone that they potentially might not otherwise invest in if you're trying to be someone that you're not.

So, I particularly, do like that answer. You know, as we're getting here with just a few minutes left, I always like to kind of shift to a little bit of fun towards the end of the episode. So, curious if there is a favorite book, if you have one, and then the last book that you read. I know that you're probably busy so I'm not sure if you're doing a lot of reading when you're building a company, but just got me curious if they are a favorite or a last book you read to tell the audience about.

**Kelly:** Yes, a favorite is hard for me because I read so much, I read a lot of fiction, I love getting lost in a story that is not mine and not the news. So, I don't know if it's a favorite, but a book I recommend all the time is one called Behold the Dreamers and it is a story of two Cameroonian immigrants, a husband and a wife that have service jobs, but they're like intimately impacted by the financial crash. One is a driver of a Lehman Brothers banker and he's just like gets all of these insight into how the financial crash is happening, of this guy getting laid off or getting fired and this is their welcome to America. I mean, it kind of takes you on their story as they try to navigate the financial crisis as they



are new immigrants to the country so really interesting, you know, look at something that we all experienced. I don't think New Yorker counts as a book.

The last book I read was called the Water Dancers by Ta-Nehisi Coates, this magical realism story about a guy who gets on the underground railroad, but it's like magic and there's a Harriet Tubman character and like has powers to kind of move people like water is a big part of it. It's this beautiful and horrific story, he's an amazing writer, he's one of my favorites. I don't know if that was the last book I read, but it's the one that stuck with me the longest most recently.

**Todd:** Are you a sports fan and if you are, is there any favorite sports or teams that you root for.

**Kelly:** Not a team, Serena Williams period. (laughs).

**Todd:** That's funny, I ask this question to everyone and tennis has come up more than once. One of the Founders of Cheese digital bank for Asian Americans was a big tennis fan and so, you know, tennis it's interesting. Tennis has come up more than anything else on the podcast, so far.

**Kelly:** That's funny.

**Todd:** Last question is biggest inspiration in life.

**Kelly:** My family. You know, as I've gotten older, I don't know if this is true for other folks, but more and more stories about how my parents and my grandparents were raised, you know, come to light. You know, as child you don't really get these explanations and growing up I knew that my grandmother immigrated here and was a cleaning lady and it's always has been the business that she had and allowed my parents, my Mom to go to college and me to have the life I've had. It's always been an inspiration, but as I understand more of their stories, I am even more inspired by what they had to overcome and how gracefully it was all done, it's beautiful and I can only like aspire to that.

**Todd:** Well, Kelly, I really greatly appreciate your coming on the show. I had a lot of fun and I wish you all the best with Guava and, hopefully, we see you taking on small businesses and really improving, you know, a lot of the lives of small businesses because as someone who's only worked for small businesses and never a big company, I always greatly appreciate those that are trying to help those that especially need it the most and are overlooked by the traditional powers at play. So, good luck with your venture and, hopefully, we'll see you back on the podcast soon.

**Kelly:** Thank you so much.

(music)

**Todd:** You know, I really think we're about to embark on a great era of fintech. You have Kelly and her team at Guava, they were born in the pandemic, she called it I think her pandemic baby. They've had to operate, they've had to build under these really tough set of circumstances. And so, I believe, you

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have not only companies like Guava, but just fintech, in general. We're about to have a really great run of fintech innovation, achievement and just these next cohort of companies, you know, building our future digital financial ecosystem.

And, you know, one of my biggest takeaways from the conversation with Kelly is I really think small businesses are finally getting the tools they need. For so long they've been overlooked or just forgotten about when it comes to their financial needs of small businesses, especially the smallest of the small. And so, as we've witnessed this last 18 months, the upheavals has started to really change our communities, you know, you have storefronts that are empty and so, you know, I think we need people to help serve those small shops more now than ever before. So, I hope you enjoyed the conversation with Kelly and I hope you come back again real soon to PitchIt, the fintech startups podcast.