

# LendIt Fintech



Welcome to the Fintech One-on-One Podcast, Episode No. 308. This is your host, Peter Renton, Chairman and Co-Founder of LendIt Fintech.

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Before we start this episode, I want to tell you about a brand new event from LendIt Fintech. Fintech Nexus, the Dealmaker Summit, will be the first major in-person fintech event of the past 18 months, a hand-curated audience of venture capitalists, bankers, fintechs and debt investors will be meeting face-to-face at an event 100% focused on doing deals. It will be happening in Miami on September 1st and 2nd. You can apply to join and find out more at [lendit.com](http://lendit.com)

**Peter Renton:** Today on the show, I'm delighted to welcome B.C. Silver, he is CEO of ChangeFi and the President of The Change Company. Now, The Change Company calls themselves America's CDFI and they're really focused on providing equal access to financial services, particularly when it comes to home ownership, that's one of their core focuses. We talk in-depth about how they do that, how their underwriting works and how they're able to provide differentiated products to really encourage the disadvantaged and the underserved to really bring them into home ownership.

We talk about the changes that has happened over the last 14/16 months, there's a lot more awareness of systemic racism in the financial system, we talk about that. We talk about how.... B.C. gives his perspective on why he's optimistic that we're really going to make a difference and how things are actually changing. It was a fascinating interview, hope you enjoy the show.

Welcome to the podcast, B.C.!

**B.C. Silver:** Thank you, Peter, thanks for having me.

**Peter:** My pleasure. So, let's get started just by giving the listeners a little bit of background. You've got a sort of, not your typical fintech background, you've worked with some of the major consumer goods companies in the world as part of your background so tell us a little bit about some of the highlights and how you kind of got interested in fintech.

**B.C.:** Yeah, sure. I'm very honored and thanks for having me here on the podcast. You know, I have a very interesting background, I come from more of a classic CPG background from the start so post-MBA, I worked for a company called Procter & Gamble for close to 10 years, worked on some really cool brands, everything from Tide to Old Spice, a lot of resurgence in that brand, Secret, Febreze and then moved over to Clorox, worked on the bleach brand and then also Glad trash bags and then eventually Mars on the Snickers brand and a couple of other cool brands.

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And, I was given the opportunity to work for a company called Green Dot which is a fintech organization that also had a very rich history in retail and more of a classic CPG environment and so a company called Green Dot reached out to me and said, hey, we really would be interested in coming in and help us refresh our brand, but also help with brand awareness, help us launch some vertical products. I was very familiar with the brand because I come from an inner city or underserved community background and so I was really excited to potentially join the organization like Green Dot. I was doing very, you know, creative things which was for folks, if you're not familiar with Green Dot, they were the founders of the pre-paid cards space so they actually have products in the store.

So, if you walked into a retail store next to Snickers and all those other places, you'll see a gift card section and they also had pre-paid cards so you could walk-up to register and load money on a card and start using it like a debit. So, think of it as a .....for underserved communities or places that are in bank deserts, you could get a card so if you need to pay online, e-commerce, you need to order pizza online, you could get a card that you could load money on and use it for your traditional banking account. And then we eventually started to offer personal cards and then we launched debit cards and so it was a really great experience in terms of transitioning into fintech.

Now, the thing that I would say has been consistent across my entire life is, what has been more consistent and more true is I was an orphan so I was an orphan in Atlanta, Georgia. I lost my parents at an early age and because of that, I was a ward of the state so I was in the foster care system and eventually emancipated at a very early age. Now, my background and my upbringing gave me first like a lived experience of financial institutions or secondary financial institutions are much more prominent in inner city communities than in your classic banks. And so, you know, I was one of the kids that had a payday loan, I was one of the kids that, you know, use a check cashing place so they'll pay location versus having a traditional bank account which is very different than most families or most kids have for the first, you know, banking product, right.

So, because of my lived experience, I always had a passion towards the underserved community, banking and that was always a passion and direction I wanted to go. I just kind of went on a long route before I got to....I hope that makes sense..

**Peter:** (laughs) Right. That makes perfect sense to me. I mean, Green Dot is a great company and they are really helping, and have helped for decades now, those underserved communities. So, let's move to Change Company and ChangeFi, maybe you could tell us a little bit about the background about the companies and why you decided to join them.

**B.C.:** So, post-Green Dot, I decided to start my own fintech. So, I started an organization called Grind Banking and at that time I found out about a place called Vector90 which was where a very awesome leader started WeWork, he's a guy named Nipsey Hussle. He had founded

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almost like a WeWork in Inner City, Los Angeles, this was before he passed away and so I founded my own fintech company and kind of launched together and unfortunately, he passed away. We still launched the company, but things are going down a very path which is talking about diverse ownership and the importance of really doing what's right by the community in the financial sector as well as from a home ownership perspective, etc. etc. and ownership of small businesses, so on and so forth.

And so, from Grind, during the time we did these vertical things through an active base, I won a couple of awards and I was introduced to a group of guys who started the Bank of California. They were going down a similar path so they founded the Bank of California, I had founded Grind and so we decided, hey, we're going down the same path together of helping the underserved community so more specifically, African American and Hispanic, we can be more powerful if we joined forces together. And so, that was kind of the origin of why I chose.....at that time, The Change Company didn't exist, ChangeFi didn't exist, that was something that we partnered together, collaborated on the brand and then launched collectively together.

**Peter:** Maybe you could describe exactly what the company is. I have been to the website, I see the different offerings you guys have and your like the CDFI certification, maybe tell us a little bit about what the company is.

**B.C.:** The company is a very, very awesome company that does, you know, offer several different product solutions for the underserved community. I guess it all started with kind of a mission which is eliminates social and racial inequities, close the wealth gap, grow African American, Hispanic, underbanked businesses and home ownership and then also with the primary emphasis on closing that wealth gap.

And so, if you think about that as being the primary mission or purpose of why exist then every product that we offer, from a solution standpoint, is an attempt to almost support that mission or that goal. And so, if you think of whether we offer traditional or non-traditional home loans today...so we lend over \$6 Billion in loans in underserved communities, right, but then also you'll see an escrow, you'll also see an appraisal business, we've added on and then we're now.....when you think of ChangeFi, you can think of it more like a SoFi, if you will, where you have multiple product solutions all intending to serve the same community in a much more comprehensive and caring way.

**Peter:** Right. And so you said that you've lived the underserved experience so you know it really well and firsthand, I mean, what is it that underserved communities need most, you know, when it comes to banking?

**B.C.:** That's such an awesome question to think about. Before I give my answer, I'll start by saying, I've lived the underserved experience, but my answer will not speak for everyone. I'm just going to, you know, speak from my perspective. You know, there are people that will have

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other experiences as well too, but, you know, I continue to learn from as well. But, from my experience, I would say it's a multi-prong approach in terms of what the underserved community needs. Typically, when you hear about the underserved community, you only hear about financial literacy so education, that's a very big buzzword that you often hear. In short, financial literacy will be a part of it.

I think the more powerful thing would be two components. One would be the products and the technology that supports those individuals so think of it this way, I'm assuming you already have a traditional bank account and for most of the listeners, if you have a Bank of America account, Chase account, Wells Fargo, you name it, with that account you have P2P transfers so you can send money back and forth, you have connectivity to Zelle, you may have remote check capture, you may be able to pay bills, etc., right, and eventually you may be able to secure a credit card so on and so forth.

If you don't have one of those classic banking solutions or banking accounts then more than likely you're using several other financial solutions or fragmented solutions. So, you could be using a payday advance if you need short term cash instead of using a credit card, you may be using a pre-paid card instead of a debit account, in order to send money back and forth to your friends and family. You may be using Western Union or using PayPal, Cash App, you name it, right, but, each one of those individual solutions cost money and it takes away from your take home profit even if you don't have a checking account, right.

And so if you think about what we want to offer is give the people all those same solutions that all of the rich individuals or more traditional accounts have, but offering it to everyone and not with the intent of price gouging. So, just because you're in a bank desert doesn't mean you have to take prices up to 450% APRs like payday advances do so offering best-in-class solutions, best-in-class pricing is extremely important.

The other thing that I think the underserved communities need are access to liquidity so actually having the opportunities on getting loans. So, how do you qualify for a loan? How do you qualify for a home loan one day? All of those steps are easy to cover-in if someone teaches you, if someone gives you access to the information, but, unfortunately, our current system doesn't do that. So, if you need a loan, the only way you know how to do it is to go to payday advance. If you want to improve your credit, the only thing you know how to do is pay your bills on time, of course, but you don't know how to improve your credit from non-traditional data points. It's that all of those components are key to building great tools in the future, that do it for the underserved community.

**Peter:** And so, I want to sort of parlay that into a related question that's about the racial wealth gap because you said you're focused on African Americans and Latinos and I feel like that there have been a lot of things, stats turned around about the wealth gap between White America and

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African Americans and Latinos. Is that enough to close the wealth gap, what you're offering there, I mean, what are your thoughts about sort of the wealth gap that we have in this country?

**B.C.:** Yeah. I mean, I see, you know, the typical black family has about 23% of the wealth of the typical white family or from a financial perspective they number somewhere close to ... average white family has a net worth of about \$171,000 versus your traditional white family has about \$17,000 so you're talking about over \$150,000 differential and that's really powerful. But, I think it's important to know those stats to actually start to quantify it because while we're just talking about wealth gap, those are just buzzwords, let's start to quantify the actual numbers, so that's one.

And then two, how can we start to close it, right? So, when you think about black home ownership, it's almost 30% lower than white families or white home ownership and so that is enough to close the gap. And so if you think about if we can start to get more African American, more Hispanic families into homes, the average value of a home will close that gap. That's why we're trying to have such a laser-like focus on home ownership and its importance because what that one tier, in many cases, purchasing a home is the most important financial investment most families will ever have.

And so, if you can start by having that as the almost North Star, if you will, if you can help people accomplish that objective through improvement in credit, by offering loans that actually help support them and then also eventually growing them to actually offering them a home loan, that's powerful.

**Peter:** Right.

**B.C.:** That's why I try to take as much of our focus on okay, how can we actually drive meaningful change versus having more of a theoretical conversation about a gap closure, etc.

**Peter:** I think that makes sense to me. So then, I want to talk about the way are you offering these.....I mean, you talked about the Bank of California, but The Change Companies and the ChangeFi is a digital offering, right?

**B.C.:** Right.

**Peter:** Can you explain like is this a mobile first offering, I mean, tell us how you're delivering banking services.

**B.C.:** I would call it a digital first offering. So, most of the communication or most of the ways that people will ever hear about us is through digital marketing, one; two, from a consumer experience same point, having the opportunity to actually start a home loan process digitally is extremely important so you can get pre-qualified form of loan within five minutes. You can do

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that from a digital online through a website then also if you think about from a mobile banking perspective, that is an app in the Apple Store or Google Play and say you're going to apply for an account, you can open an account and you can start transacting all within a single app.

So, if you take that from an experience standpoint, it's extremely important for folks who aren't as familiar with fintech or as familiar with digital and mobile banking. It's essentially...all of the new neobanks, all the new banks are saying, how can you become more of a classic bank consumer without walking into a physical location. Several years ago, when I talked about fintech and people being into fintech, people weren't as familiar with the concept, right, and you would know this first hand. But then if you say, hey, are you familiar with PayPal, are you familiar with Cash App or are you familiar with Venmo, people will say, absolutely, yeah, I know it and so then you have to explain that is fintech, that is the power and so in these underserved communities, the reason why fintechs are so important...if you don't have a physical location or physical branches, they still have cell phones, they still have the opportunity to download so, you know, Netflix and streaming and PayPal and Grind and Change, etc.

Those are in the palm of your hand and so instead of you needing to....I'll give you a real use case example. If you need to cash a check, but you live in a bank desert so if you get off at 5:00 and you need to go across town and cash a check through a bank, you may not make it in time and so you say hey, I really need that money. If you couldn't make in time across town to cash your check, instead, it's 6:00, you still need the money, you may choose to go to a payday advance location or you may go to a check cashing location which will take out 10%, 5% in some cases and that's a pretty substantial hit just simply due to the fact that you didn't have access to your bank.

**Peter:** Right. I want to talk about the lending product. You said you focused on having these people who have been underserved have access to credit. What are you doing in the underwriting process? How are you kind of making sure that you are providing credit to people who are underserved, but are still creditworthy?

**B.C. :** There are a few ways that we're actually solving for that. I'll speak to the whole motor show when to start. So, as you are familiar, in order to qualify for a home, it's a really tough process sometimes. You have to provide tons of documentation, more specifically, your pay so do you have a consistent job, have you been consistently working at a job for a long time, your credit score. You have to have a down payment that has to be documented by a bank statement and bank records. Now, if you are a gig worker or if you work in a blue collar job, but you don't have a direct deposit on a consistent basis, what do you do? Essentially, you can't buy a home and you're locked out.

The benefit of being a CDFI, so you mentioned that a little bit earlier, you can offer non-traditional loans so you can say, okay, if you have a great credit score and if you have a down payment, we can qualify you for a home without actually giving employment verification.

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So, I think that's a very powerful thing for our communities because we do have a disproportionate amount of our workforce that is a gig economy worker or even entertainers or you name it. It gives you the flexibility on still qualifying for the biggest purchase that you can possibly make in your lifetime, but it's more feasible to your working conditions.

**Peter:** Yeah, that makes sense, that's a really great service. So, can you give us some sense then of the scale you guys are at today, as far as, you know, loans issued, number of customers, that sort of thing.

**B.C.:** Yeah. So, I'm not sure, but we've originated about \$6 Billion of loans a year in underserved communities, we are on record to have a \$2 Billion...although we want to increase that this year to bring our dollar initiative the way we want to fund more African American and Hispanic families in-house and so we're really trying to doll-up the intensity. We feel like if we continue to head down that path more people will, hopefully, join us down our path as well too. So, you know, you have a lot of great institutional investors support the mission, we also received an investment from Netflix as well. They have seen some of the great work that we've been doing.

What I would imagine is there'll continue to be more people that enter the space and we absolutely welcome them. If you truly care about the mission, the more people that join us along this journey, the better off this community will be when it's all said and done, especially if they have the right intent, they have the right passion and commitment. So, when you get the opportunity to help, you actually help versus, you know, price gouging and doing other things that the traditional system or traditional structure has leaned itself towards.

**Peter:** That makes sense. So, I want to talk about, you know, the current environment we're living in today. You know, there's more awareness I think of systemic racism, racial inequality than there ever has been before and I think people are finally going from, oh yeah, that's a problem we should address to actually....starting to address the problem. How has that impacted your mission and do you find it....is it a better environment to be doing this than it was five years ago?

**B.C.:** 1000% it is a better environment to be leading this work. The funny thing is, you know, I get that question often in terms of what has changed since a lot of the more recent social awareness movement has happened in the country. What I'll say is our work is basically the same, so we've been doing this for years even at Green Dot before so it's been consistent for us. You know, we were just simply before our time and we have the same mission, same purpose, etc., the only difference here is now, with the country having more awareness of some of the issues that are prevalent in this country, we have more support and we have more people that want to join the mission today.

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So, I absolutely think it's a blessing that COVID, George Floyd, and a lot of other moments in this country's history became top of mind and more aware to people because I think a lot of people just simply weren't as familiar with this community or as familiar with some of the inequities that will actually happen. In the past year, actually, it forced us to pause and listen and learn from one another. With that, it's just awesome to see how many people are willing to join the fight together to actually help people who need help so that's important.

**Peter:** Right. There's also been, from my perspective anyway, like an understanding that systemic racism in many ways begins with the financial system and that's where....you talked about the racial wealth gap and I feel like that's something that is ....obviously, companies like yourself are really addressing. So, with that then do you feel optimistic that maybe when we chat again, say if we chat again in like ten years time, how will the racial wealth gap have been closed, I mean, what's it going to take? Instead of having like a multiple or fraction of what a white family has, what's it going to take for it to be equal?

**B.C.:** I feel absolutely optimistic or hopeful that things will change, they will improve, otherwise, I don't know if I can go uptown for work everyday if I didn't feel that, but more specifically, the more, you know, we can be.....if it's around podcasts like this, the more you can champion it, the more other brands can champion it as well. As long as I'm alive, I definitely know that we'll be making progress in the right direction and there'll be other people that will join our fight as well too. From a confidence standpoint, the more we can actually start to focus on things that make a meaningful change against the wealth gap versus talking about things like you're paid up to two days early, that can't close the wealth gap.

That's a helpful tool for people who need money to get paid a little bit earlier, but that doesn't give people access to liquidity, that doesn't give people the opportunity to buy a home so I think it's not only just having the intent, it is also having the right focus on which products, what things will actually help close that wealth gap. If we have the right focus, the right commitment and we have the right partners and the right people willing to join the mission, we'll close the wealth gap. It is my personal opinion that will happen within my lifetime so I think it'll be over. If we do it well over the next 20 years or so, ten or 20 years, I think we can make a substantial difference in terms of if not complete closure, maybe at least closing it half way.

**Peter:** Right. So, last question before I let you go. What's coming down the pipe at ChangeFi, what are you working on right now?

**B.C.:** Yeah. We're working on continuing to build some really core debit-based products so think of things that will help enhance your credit to non-traditional data points. So if you're using Netflix, if you're paying your bills on time, you should get rewarded for that. That's one thing I see coming down the pipe. We're going to continue to focus on the things that we do best which is home ownership and we're not going to, you know, veer far from that path.



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I can imagine us doing, you know, things that went in that line so we're going to double down there, close the gap that's causing the \$2 Billion initiative that we have been driving. I think we're going to stay focused on that lane, continue to try to help people improve their credit, but then also offer some really cool debit-based cards that allow people to start to have access to what traditional banks offer.

**Peter:** Okay. Well, best of luck, it's a great mission, that's really important work that you're doing and I appreciate you coming on the show today, B.C., and best of luck.

**B.C.:** Thank you very much, thank you for your time.

**Peter:** Okay, see you.

You know, it's certainly an interesting time for an organization like The Change Company to be really pursuing something that feels like it has momentum behind it from really most of society. Certainly, a lot of the large corporations are really focusing on this issue and, you know, it's really what we need are organizations like The Change Company to provide products that really make a difference where the rubber hits the road. Where people, you know, who would not have been able to own a home, maybe never even considered owning a home and now, not only able to, but able do it in a way that is financially responsible and is a way that really is going to build wealth because let's face it, if home ownership was evenly distributed throughout the economy then there really won't be a racial wealth gap.

So much of wealth has been tied up in home ownership and that's something that I think they obviously have identified as a real driver and they're pursuing that. I think it's obviously a noble cause and something that I think is going to make a real difference.

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

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Before we go, I want to tell you about a brand new event from LendIt Fintech. Fintech Nexus, the Dealmaker Summit, will be the first major in-person fintech event of the past 18 months, a hand-curated audience of venture capitalists, bankers, fintechs and debt investors will be meeting face-to-face at an event 100% focused on doing deals. It will be happening in Miami on September 1st and 2nd. You can apply to join and find out more at [lendit.com](http://lendit.com)

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