

**Podcast with Brian Unruh - President and CEO
Zach Pettet - Fintech Strategist, VP, NBKC
And Managing Director, Fountain City Fintech**

***Note that transcripts may sometimes contain errors and that transcript timing notations do not match the posted podcast**

Jo Ann Barefoot: [01:05](#) I am so delighted to say that my guests today are Brian Unruh, the president and CEO of NBKC and also Zach Pettet, who is the fintech strategist and vice president at the bank and managing director of Fountain City Fintech. Thank you for joining me.

Zach Pettet: [01:23](#) Thanks for having us.

Brian Unruh: [01:26](#) Thank you for having us.

Jo Ann Barefoot: [01:28](#) We're so excited to have you on the show today, I love talking with community banks that are innovating and really plunging into the tech world. You all have really been doing exciting things. I want to start by asking you to just talk a little bit about yourselves. Brian why don't we start with you? I know you founded the bank 20 years ago, is that right? Tell us your background.

Brian Unruh: [01:52](#) That is correct. I was a co-founder of the bank 20 years ago. We've always been an entrepreneurial bank. We've always thought about banking a little bit differently. I'll tell you a couple stories that support that. We had two guys come to us two years after the founding of the bank with an idea to do second mortgages, online, nationwide. One of the reasons they came to us, was because we had a mortgage company that actually predated the founding of the bank that we eventually pulled it into the bank. That mortgage company started doing loans online, the same year Amazon started selling books online. So we've been in this online lending platform for a long time, we still do loans in all 50 states. We're one of the eight mortgage lenders on the Costco platform nationwide, we'll do roughly 3 billion dollars a year. I think we did a little bit over that in 2018. So we've always had this fairly sizeable national footprint on the mortgage side and we're trying to grow the rest of our bank products and services around that same model.

Brian Unruh: So these two guys that came to us, they'd been to eight banks before us and got told no with the idea. We met with them and

my predecessor, the CEO at the time, absolutely loved the idea as did I. We hired them. We sold that division about four and a half years later to Capital One for about 155 million dollars and we were a less than six years old, small Midwest bank. So that was pretty exciting and sure put a lot of money in the capital funds for us to go do some other stuff, but part of our entrepreneurial spirit was what we negotiated with those two guys, was they got half those proceeds.

Brian Unruh: So a very, very good deal for those two gentleman as well. But that gives you a little spirit about the entrepreneurial approach that we've always had to the banking.

Jo Ann Barefoot: Yeah, that's a great story.

Jo Ann Barefoot: [02:11](#) That's great. And you're from Kansas City, am I right?

Brian Unruh: [02:15](#) I've been in Kansas City about 30 years, grew up in the central part of Kansas, so always been a Midwesterner.

Jo Ann Barefoot: [02:21](#) Great. And Zach, how about you? What's your background?

Zach Pettet: [02:25](#) Yeah, born and raised in Kansas City. Been here 27 years, every year that I've been alive. Kind of less of a bank background, more of a broad fintech background. Grew up questioning the financial industry a little bit, as my parents struggled through some different personal monetary stuff. Went through an investment bank internship, wealth management, more accurately, when I was in college. That investment bank can remain nameless, but suffice to say it basically made me angry enough that I decided I wanted to spend the rest of my life in fintech. Started working at a startup out of college called bloom. It's robo advisors specifically for 401k accounts and through a random series of events, ended up at the bank and starting the accelerator and having fun here.

Jo Ann Barefoot: [03:16](#) Fantastic. Well, let's start by talking first about the bank. Talk about what the bank does as a bank. Then we'll talk about the Fountain City Fintech strategy as a part of what the bank is doing. Does that make sense Brian? Do you want to just describe the bank a bit?

Brian Unruh: [03:35](#) I'm going to turn the tables on you real quick and ask the host a question.

Jo Ann Barefoot:	03:39	Sure.
Brian Unruh:	03:39	I want to know your two favorite places to fly fish.
Jo Ann Barefoot:	03:45	Oh boy. One is the south island of New Zealand, which I've only done once, but was definitely the trip of a lifetime. I would say the other is the South Platte in Colorado.
Brian Unruh:	04:07	Fantastic.
Jo Ann Barefoot:	04:08	Are you a fly fisherman?
Brian Unruh:	04:08	I am a fly fisherman. Those are beautiful brown trout on your website.
Jo Ann Barefoot:	04:17	Thank you. Alright we need to circle back to this conversation, I love it, you can always divert me by talking about fly fishing. So okay great. Tell us a little bit about NBKC.
Brian Unruh:	04:28	Okay we'll talk about banking and not fly fishing.
Brian Unruh:	04:32	We've always thought about banking a little bit differently. We've been pretty entrepreneurial from our start. We like attacking problems in different ways and as we've really attacked the problems that we've seen over the last few years, we knew that the normal organic way of growing a bank, building branches, trying to acquire another bank, just did not work for us. So that really made us attack the problem differently and think about how we were going to grow.
Brian Unruh:	05:03	I've always been fascinated with consumer behavior, always studied places like Amazon, I've been a member of theirs since 1999. I got a car loan online in late 1999, which there wasn't much of an internet happening back then. So I've just always been fascinated with how consumer behavior works. Different ways of going about banking non traditionally. As we've gathered more and more smart people around here, many outside of banking, which I'm very excited about, it's been fun to think about how we can solve some of these consumer problems, the delivery methods that we get our products and services to them in a different way.

Jo Ann Barefoot: [05:50](#) Yeah, great. So talk to us then about the elements of that strategy and then let's talk about Fountain City and what it's doing.

Brian Unruh: [06:04](#) Sure. It was probably about three years ago that we went heavy down the fintech path, of exploring what that looked like. We started by banning all conventional bank conferences for all executives.

Jo Ann Barefoot: [06:18](#) Oh wow.

Brian Unruh: [06:24](#) Yeah we just couldn't do it anymore.

Jo Ann Barefoot: [06:27](#) Did you go to tech conferences instead?

Brian Unruh: [06:29](#) We did. Finovate in New York was the first one we went to in the Fall of 2016, I believe. And it just opened our eyes to a different way of thinking about, again, solving problems and we haven't looked back since.

Jo Ann Barefoot: [06:41](#) Finovate in New York is the first tech conference I ever went to too, or fintech conference. It was several years earlier than that, but you're right it's such an eye opener to ... just go to Finovate, it's also great to go to a lot of other wonderful ones, but that'll get you thinking differently right there. Yeah.

Brian Unruh: [07:10](#) Yeah, it was fantastic. It was just energizing because of all the people we got to meet and talk to. We figured out how much a bubble we'd lived in for so long in the banking world and they went about solving these problems so much differently and they didn't think about putting the problem on a spreadsheet to see what the ROI was going to be in 3 months and how soon it was going to be profitable. They talked about the problem and then they just said, "we're going to go solve it. Whatever we need to do, we're going to go solve it."

Brian Unruh: [07:39](#) So it really just pumped an energy into our team of we need to think more like they're thinking in solving some of our problems and big challenges. So it was a snowball that really began, probably a little bit before then, but it's just picked up steam dramatically ever since that moment. Again, we just have not looked back.

Jo Ann Barefoot: [08:04](#) Yeah. Give us a little bit more about the size of the bank for starters.

Brian Unruh: [08:12](#) We bounce around between 650 and 700 million.

Jo Ann Barefoot: [08:17](#) Okay, great. So talk about Fountain City. What's your strategy? What are you offering? How are you building relationships with fintech?

Zach Pettet: [08:39](#) Yeah so I think one of the things that's key to understand about our bank, is the reason that we're actually going out and doing all of this. There's a lot of different ways, as Brian eluded to, that you can grow as a bank. You can go acquire one, you can go online and buy deposits, whatever it is. But we were perplexed at the lack of community banks, specifically, that had started playing in the fintech partnership world. So being the bank of record behind the likes of ... or maybe one company that you had on recently that at one point we were having conversations with and are still developing, is EarnUp.

Zach Pettet: [09:14](#) So somebody that needs a bank of record behind them and they need, more so than just a bank of record, a bank of record that understands startups. And a bank of record that is able to be nimble and meet the entrepreneur where they live and be creative in actually building new products together. So really Fountain City Fintech, came out of us going to things like Finovate, going to things like Money 20/20 and having 100s of conversations with entrepreneurs.

Zach Pettet: [09:42](#) So I joined the bank in early 2018 and in the first four or five months of 2018, we probably talked to 100, 150 different startups. Really quickly, what we figured out was ... I have more of a background in the startup world, I'm still learning banking. Honestly one of the main reasons that I know anything about banking Jo Ann, is this podcast. So thank you for doing it.

Jo Ann Barefoot: [10:05](#) I love that, thank you.

Zach Pettet: [10:09](#) Yeah, it really is helpful. The regulations are so different than what the FDC plays with and everything else. So anyways, point being, I've always been a startup guy more so than a banker and I had this assumption that access to capital and access to talents would be the two migraine level pain points that every founder's going to have. Because I had just broadly been playing

in the world of startups. When we really started digging into the technology side of these finance companies, we realized that the standard opportunities out there, the ways that companies were getting banks of record behind them, was too slow and not really conducive for what the entrepreneurs were trying to accomplish.

Zach Pettet: [10:49](#)

So we were hearing horror stories of companies that are great at seed rounds, that they had 12 to 18 months of runway and their bank partner was telling them, "we'll be able to figure this out. We can get you an answer in 12 months." That's maybe even a fast timeframe for some of these. If you give the bank partnership yes, 12 months out, it's going to take another 3 months to integrate and then you've got 3 months of runway left to actually build your business.

Zach Pettet: [11:16](#)

Just the map does not lineup. So after having enough of these conversations, we realized that without going too far out of our way, we had a significant competitive advantage of the bank, just being smaller and nimbler. All of our executives sitting mostly on one floor and all cases one building. So we can just convene everybody and make decisions faster. We also aren't one to play the game of maybe we can do it, maybe we can't. We're pretty fast to a yes and really fast to a no. So just looking at the way that most VCs in this world are able to be successful, we just positioned ourself as a VC instead of a bank.

Zach Pettet: [11:57](#)

How can we potentially invest a little bit? But more so how can we open our doors and give you the opportunity to work with a forward thinking bank that isn't going to require 12 months to get something done. So that's really where Fountain City Fintech came from. We wanted to take a step beyond just being an easy bank to work with or a good bank to work with. We really wanted to provide a clear path to a guaranteed partnership. So having the conversations before the program starts, getting the paperwork started before the program starts so that by the end of ... and it's not even a normal accelerator program that would be 90 days. It's a 75 day program. So by the end of the 75 days, you have a signed, sealed, delivered bank partnership and integration with NBKC.

Zach Pettet: [12:45](#)

So we realized that we had a competitive advantage and we leaned in even further to the competitive advantage. Really we just looked at it as solving a problem and more and more we

hear it definitely is a problem in the world and I think that's why we were able to have a little bit of success last year.

- Jo Ann Barefoot: [13:04](#) Yeah. We will link to the website in the show notes and you call it Fountain City Fintech, the first fintech accelerator run by a community bank. Which is pretty cool.
- Zach Pettet: [13:13](#) You nailed it.
- Jo Ann Barefoot: [13:18](#) Talk about what's difficult. What are the things that are most complicated in creating a set up like this to be the bank of record for a fintech?
- Zach Pettet: [13:30](#) Want me to take a pass at that one?
- Brian Unruh: [13:30](#) Yeah.
- Zach Pettet: [13:35](#) We sit here and just look at each other and laugh a little bit because honestly Jo Ann, so much of it I think and I'm curious to hear Brian's two sense, from my point of view, so much of it's getting out of your own way. I think that a lot of the horror stories that we've heard from fintech startups that have tried to go the big bank route, or that have even tried to go community bank routes with folks that still wear suits and ties and everything else. How can you rethink a lot of the red tape and rethink the bureaucracy and rethink the compliance structure. Not so you're widening the gap of compliance or anything, but just coming to the 21st century and looking at the world for what it is and not trying to stay back in the days where banks ruled everything. Just understanding how the power dynamic has shifted and just looking at your internal business practices and being honest with yourself and logical.
- Zach Pettet: [14:33](#) I don't know if I have anything beyond that, but it's just assess and diagnose and change some basic stuff. What do you think Brian?
- Brian Unruh: [14:44](#) I think a big part of why we've had some success, I think Zach mentioned the word being authentic, we're pretty clear with anybody we talk to about what our motives are and we hear a lot of feedback from the fintech. I think they're much like consumers and small businesses out there, they don't trust banks.
- Zach Pettet: [15:00](#) Yeah.

Brian Unruh: [15:00](#) And we've given them lots and lots of reasons over the years to think like that. At least from our experience of the ones that we've talked to, we do hear pretty consistent feedback of we're not sure why they would want to partner with other banks and as we come into it, we try to be fully transparent, get everything on the table and tell them exactly why we're in it. In almost every single case, it's not to run their company, it's not to own a big chunk of it, it's not to tell them how to go run their company. In most cases it's a deposit play, it's to solve some other problem we might be facing and if we can help them grow their company, while we're solving our problems, we look at it as a win, win.

Brian Unruh: [15:44](#) We've stayed true to that and we don't own very much of any company and we don't run any of the companies that we've partnered with and so that truly transparent, authentic approach seems to resonate really well with the founders that we've talked with so far.

Jo Ann Barefoot: [16:02](#) That sounds great. I love the point about starting from scratch, rethinking things from the ground up. I just think that's the secret to everything that's exciting and innovative in finance. On this show we talk a lot about the fact that our legacy systems were all designed on paper in the old days and if you really think fresh, there's so many new ways to do things with better data and better technology that we have today.

Zach Pettet: [16:35](#) 100%. It's kind of like auditing your calendar, you look around and you're like, "wait why are we doing this the way we're doing this." It's in the 21st century, it doesn't make any sense. You just stop, you tear the whole thing down and you build it up from scratch.

Jo Ann Barefoot: [16:50](#) Talk about the compliance support that you are giving your fintechs. What do you do for them?

Zach Pettet: [16:59](#) Yeah, definitely. It is another one of those things that we discovered by talking to enough of the companies. I just assumed being somewhat from the world of finance generally that startups in this world were going to take the time to become compliant and understand the regulations and understand the shifty regulatory landscape. Turns out, if you're running a startup at this stage, you're a lot more concerned with

cash flow and keeping the lights on, then you tend to be about, is your compliance reporting 100% up to snuff.

- Zach Pettet: [17:33](#) So one of the first things that we do in the program is sit down, it's really just myself having a conversation with them as managing director, and just being very clear that it is of the utmost importance. We had a number of startups that are solving significant problems, but were just not compliant, not following regulations the way that they should be, that we were recruiting before the program. They didn't make it into the program because of the fact that it was clear to us that it was not a priority for them.
- Zach Pettet: [18:06](#) We made it clear that there's some small changes that you could make, that could make you compliant and their general answer is, "well I'd have to stop doing business for a day in order to do that, and I'm not willing to do that." That's okay, that's their prerogative, but it's not the kind of group that we want in the accelerator. So step one is just having a very candid conversation about what the law is, that it needs to be followed and that we don't want any of our CEOs in orange jumpsuits.
- Zach Pettet: [18:34](#) Beyond that, the actual way that we have the conversation in terms of X's and O's and sitting down with them and really making sure they are compliant, is that all of our executives inside the bank really take time out to spend time with the cohort. So that's step one, is we've got our CFO, our Chief Deposit Officer, even Brian spends a good amount of time with the cohort. These are folks that have deep background in banking. They're not really compliance officers, but they've been looking at enough of these things that they know when something smells fishy or when something needs to be looked into a little deeper.
- Zach Pettet: [19:09](#) The second piece, is we have developed a partnership with a law firm out of Omaha called Baird Holm. They are a friend to the startup I would say. They're generous in the earlier days, preseed, pre-Series A in terms of the way that they build startups. They become a real law firm eventually after a year, Series B, Series C. Eventually they have to bill you, but in the early days they're really affordable and they go out of their way to help startups handle compliance as almost a strategy item. So there's a number of companies out there that need money transmission licenses really to function. But is that really key for them at seed, or could they wait 'til Series B.

Zach Pettet: [19:56](#) It's things like that, that Baird Holm comes in, sits down with our cohort and maps out, if you need this license for your billion dollar idea, do you really need it to get to a million dollars in annual return revenue? Probably not, let's wait 'til Series B. It's really just the compliance of having a lot of banker eyes on it, and then additionally the time that we spend with Baird Holm. Those are the two big pieces, beyond that, we've got a lot of folks that are coming in from different places. Federal reserve, venture capitalists, people like that, that are coming in to spend time.

Zach Pettet: [20:30](#) So it's a lot of eyeballs on it and over 75 days we make sure through those different resources that they are 100% compliant as they're leaving the program.

Jo Ann Barefoot: [20:43](#) You made the point earlier, that you can get to no really quickly, and get to yes fairly quickly. Getting that no is so important, because you have to do your due diligence on these companies. We all love fintechs, but they're definitely risks in a lot of the business models. When you open the doors and innovation is happening, it's such a wide range. So making sure

Zach Pettet: [21:11](#) It's not with just the startups. What's that 5 billion company in the valley that recently had an issue with SIPC, I mean it's not limited just to the little guys by any means.

Jo Ann Barefoot: [21:27](#) Yeah, so well taken. I spoke to a group the other day that included some fintechs and I said it's so common to hear founders say, "it's a good thing I didn't know about the regulations when I started into this, or I never would've done this." They've got a great idea, they go for it, then when you're in financial services you've got to learn the rules fast or you're going to be really in trouble. So that's great.

Jo Ann Barefoot: [21:53](#) Talk a little bit about the kinds of companies that you have and maybe broaden that out and talk about what are the trends that you all think are exciting in fintech?

Zach Pettet: [22:08](#) I'll tackle it first in terms of the companies we had last year and then open it up for Brian to talk about the trends. I think we're going to be shifting things in a pretty interesting direction this year, so I'll let him talk about that.

Zach Pettet: [22:20](#) But last year, one thing for us as a bank and one thing really for us as humans that we really wanted to attach to the first program was a societal drive, or a social drive of some sort. Really what that came down to for us was a very, very heavily used federal reserve stat that 47% of Americans can't scrape together 400 dollars for an emergency expense. That is mind blowing, I think to everyone and something that really needs ... there's no silver bullet to it and we need a lot of lead bullets.

Zach Pettet: [22:57](#) So the way that I would describe our last cohort, all six companies are lead bullets that are trying to solve that problem. They're all six approaching the savings problem in some way, shape or form. One example is, Onward Financial, which is a company out of Washington DC, that's really focused on growing in Kansas City, because Kansas City has this brand of being the national payday loan capital, if you will. Scott Tucker, things like that, we got dragged into that a little bit as a result of a lot of stuff that's happening in Kansas City.

Zach Pettet: [23:33](#) Onward, specifically is a employee benefit that's basically like a 401k side card account. So instead of pretax dollars going into your 401k that then goes into mutual funds, these are post tax dollars that are then funneled into a savings account that you sit on for awhile, just as emergency funds and eventually you can take a loan out against that. So instead of, your tire pops and you need to go get a ... you're screwed, your tire popped, you got a 500 dollar expense that you need and you can't scrape together 400, so how do you do it?

Zach Pettet: [24:07](#) You go to a payday loan. You end up paying 450, 550% and you're on this ladder, you're on this cycle over and over again, it's really hard to get out of. Whereas with Onward, you save up that money for a certain period of time, then you can take out 50% collateralized loans at 3-13%, or 3-18%, I'm sorry. Those loans are generally 200, generally 300 dollar loans and it's completely shifted the landscape for a lot of the employers that are signing up for this. It's also a little bit unique because it's a nonprofit. It's the one nonprofit that we had in the program the first year through and they ended up, they're going gang busters. They just were awarded a million dollars from the Chan Zuckerberg and Rockefeller foundations.

Zach Pettet: [24:56](#) You would be interested actually, being the chairwomen of the CFSI board, that Ronnie, the CEO, just got into the Financial Solutions Lab.

Jo Ann Barefoot: [25:06](#) Yeah, I was going to say that.

Zach Pettet: [25:06](#) So he's really picking up a lot of steam. Yeah, and it's very exciting. So it's things like that, that really are having an impact on people's daily lives and actually helping people stay out of debt, or proactively helping people stay out of debt, or proactively helping people save, that really interested us. And honestly I think it's the fact that we were able to help as many humans, and the fact that we were so socially centric this first time around, I think really gave the program an energy and gave the cohort a chance to really add value to each other.

Zach Pettet: [25:43](#) So anyways, long story short, very, very savings focused. I think this year we're taking a little bit more of a shift into solving problems in a more macro way for the rest of community banks as a whole, I guess I could say, but I'll toss it over to Brian and he can talk a little more about trends.

Brian Unruh: [26:04](#) We learned a lot from the cohort of 2018. We learned some things that worked really well, probably a few that didn't work so great for us. But as I've continued to talk to our team, it needs to be impactful for the bank as well. We're going to do great things in helping these fintechs get going, get their business going, hopefully solve a little problem for us. And we're going to continue to do that in 2019, but I want us to shift slightly, and we're calling it more of a hybrid approach this year, where we're going to basically split the class down the middle and half of them we're going to attempt to find some founders that want to solve some problems that we see are bigger macro problems, that we face, but we also see a lot of other community banks face.

Brian Unruh: [26:48](#) So we want to plant the seed. See if we can find a founder that might want to take that and run with it and treat it just like any other startup. We wouldn't own any more than we would normally, but we would basically open the hood here at the bank, let them come learn, build a company, go raise money, do everything that they would need to do in the normal startup and hopefully take that out to the market and have a product. We get our big problems solved. Something that we probably

would never have the chance to do internally and own a little piece of something that hopefully goes and really does well out in the market. So we're pretty excited about that hybrid approach that we're going to do this year.

Jo Ann Barefoot: [27:30](#)

Great. Just so interesting. We always talk about regulatory innovation as well as financial innovation. We have a lot of regulators who listen to the show. What are your thoughts on whether we need to modernize some of the regulations themselves and if so in what areas? Or is it more of a matter of just educating everybody to match them up to what they're trying to do?

Brian Unruh: [28:06](#)

We're both laughing because one of our ideas from the hybrid approach is a reg tech idea. I do believe there's a void in good compliance, regulatory, audit solutions for the smaller banks in the United States. It seems like a lot of the solutions are made for the much, much larger banks. Because of our sizeable mortgage operation, we always had a very strong compliance audit internal departments and approach to those things. But we get calls from community banks quite often that want help, just doing simple things like risk assessments. As I've thought about that problem out there, that I don't think anybody's solving, we want to approach our hybrid accelerator idea and see if somebody wants to go solve that problem.

Brian Unruh: [32:34](#)

Come in, we have a wealth of experience. We have 20 plus years of data that they can dig into, especially on the mortgage side. And try to build a company that potentially could have much simpler, more cost effective and actual solutions that work for the size of banks. There's a large number of community banks that would fit into that space, but I think we'd jump at a chance to have some more automated solutions that fit their needs versus, what I call, the big box solutions that are out there today.

Jo Ann Barefoot: [33:10](#)

Yeah, that's a great point. Our listeners know I'm co-founder of Hummingbird Regtech, which is an anti-money laundering solution. Banks in general, but the small banks in particular, are ... people should not underestimate the crushing rate of the regulatory burden on them. I think, people talk about that year after year, decade after decade, and a lot of people shrug it off, but the challenge for smaller banks of keeping up with the regulatory changes and doing the work efficiently and keeping

their head count focused on serving the customer instead of getting the compliance done, it's overwhelming today.

Jo Ann Barefoot: [33:55](#) There are better tools. The technology exists, we just need to figure out how to get them the right hands I think.

Jo Ann Barefoot: [34:01](#) So do you have any advice for regulators themselves? Anything you think they should be thinking about as they think about bringing fintech into the financial marketplace more robustly? And also thinking about the regulatory burden side of things. If you were a regulator, what would you be prioritizing?

Zach Pettet: [34:36](#) I like that question.

Brian Unruh: [34:39](#) We've been so pleasantly surprised with the Fed here in Kansas City. I'm not even sure how many different times we've met with them, but we took the approach as we started down this path of trying to do this a little bit differently, of again, being fully transparent. So we proactively met with the Fed, FDIC, we're a state chartered bank so our state regulators, and just told them ... we shared our strategic plans and talked about our ideas. Particularly the Fed has been pretty remarkable in their approach back with us. We've had several executives go speak at the Fed. They come to our shop, I'd say fairly regularly for updates and it's more in a learning capacity as they know more banks are going to be talking about this, possibly dipping their toe in it.

Brian Unruh: [35:32](#) I think it's been very, very refreshing approach from all the regulators that we've talked to compared to maybe a little bit more, I'll hesitate to say it, a close minded approach in the past, but maybe a more in the box approach that has happened in the past. So as far as advice, I'd say, keep doing what you're doing. Particularly the Fed here in Kansas City. Be inquisitive and keep learning what we're trying to do. I often say, we're not trying to out reinvent the wheel, but as we try to acquire more customers, we can go put our name on the billboard, we can go on the radio, we can buy TV ads. We're just taking a little different approach of trying to partner with some others that are doing some interesting things of acquiring customers and if 1 plus 1 can equal way more than two, it definitely is a win, win.

Brian Unruh: [36:26](#) So that's really our approach we take with the regulators.

Jo Ann Barefoot: [36:31](#) That's so great to hear and I see it all the time as well. The regulators are all embracing innovation, all the federal ones and many of the states now have innovation offices and programs. They really are working on trying to make a positive environment. So there's a lot of work to be done, but it's really more and more ... I think it's speeding up actually and getting more and more robust.

Jo Ann Barefoot: [36:59](#) Let me ask you this. If we have listeners, which I know we do, who are community bankers and are listening to this and we'll link to a couple of other shows we've done with community banks that have been taking really innovative strategies in hand. Some of the time I think they sit there and they are saying to themselves, "I don't know where to start, how do I get going?" And putting a toe in the water or figuring out what's going to work for our bank to attach more the financial innovation world and do the kinds of things that you all are doing. Not necessarily your model, but how do you start to innovate if you've been a traditional community bank?

Brian Unruh: [37:50](#) That's the big question that I've sure gotten asked a lot over the last couple years, particularly last year. I spoke at a conference in Austin and it was the first year for this conference and it was basically designed to answer that exact question that you just asked, how do I get started? And it was for community bankers. So I was part of an opening panel at this conference, to try to get people starting to think differently. I basically opened up with challenging them a little bit, of how are you solving, or even thinking about some of the problems that your bank may have today?

Brian Unruh: [38:28](#) The example I gave, was let's say that you have the best marketing in the world and people were just coming in droves to your websites, or branches, whatever it might be. Are they going to find what they need to get their questions answered? To get their problems solved. Is it going to take you three weeks to give them 150,000 dollar loan? Do they have to come into a branch during branch hours and sit down and fill out a paper application? Those are the kind of things that we as community banks need to be challenging ourselves. And not necessarily thinking somebody's going to come solve all those problems for us, but being very introspective about, how do we operate today? And what can we change immediately? Then as you begin thinking like that, at least this is what my experience has

been over the last three years as we've gone down this path, if we can do it internally, we're going to do it.

Brian Unruh: [39:22](#)

For a 700 million dollar bank, we probably have I'm sure the biggest development staff in the country.

Zach Pettet: [39:28](#)

By a long shot.

Brian Unruh: [39:29](#)

We'll probably have 20 full-time developers by the end of '19.

Jo Ann Barefoot: [39:33](#)

Really?

Brian Unruh: [39:35](#)

Definite oddity for a bank our size, but it's how we operate. If we can figure it out internally, we're going to go work on it and figure out that problem. If we can't, we're going to go start talking to people until we can figure out somebody that we can work with. And I'm not talking about just going to hire a development team or a third party, but maybe somebody's already working on solving that and wants to possibly start taking deposits. Maybe try to figure out how to put a loan platform on whatever they might be doing. Maybe try to offers some mortgage services for their user base of a million people or whatever they might have today.

Brian Unruh: [40:11](#)

So that's really the approach we've taken and it was intimidating at first because honestly, I didn't know if anybody wanted to talk to a bank our size. And that's being very honest. We just didn't know what the result might be, but as I said from the very first conference on, it's been a momentum building snowball down the hill kind of thing that I don't think I could stop even if I wanted to today. We don't do much outbound calls anymore, trying to talk to people and we have a lot of inbound from around the country of just people saying, "we've heard about you, we know you're trying to attack this thing a little bit differently. Here's what we're trying to solve. Here's our fintech solution that we've come up with. Would you be interested in having us fly out and give you a presentation and potentially being a partner it."

Brian Unruh: [41:05](#)

My advice to people would be, jump in start having some conversations, be authentic in what your motives are of why you would want to do it. Don't approach it like we all were trained as bankers to approach it, which is well I need to own 95% of it and control the board and dictate how the decisions are made. But step back and see how the different brand of

people out there are solving these problems because it's different than how we've all done it as bankers, that I can say for sure.

- Zach Pettet: [41:39](#) If you don't mind Jo Ann, I have a follow up for Brian. Sometimes I get up out of bed, I come to a bank and I'm like, what the hell am I doing at a bank. My background's in startups, I legitimately never thought I would work at a bank and I'm happier than I've ever been in my life, honestly. So I'm really curious, still very confused, but also very curious, how did you get your head wrapped around engineering the gene pool of your team? What made you decide to bring in less ... our CMO, I don't think stepped foot inside of a bank branch before she joined NBKC, so how did you think about that? And did you do it at the right time? Should you have done it earlier? Should you have done it later?
- Zach Pettet: [42:21](#) I think if you would've brought me in three years ago I wouldn't have had any job that made sense, so how did you think about the timing on that.
- Brian Unruh: [42:27](#) It's definitely been a natural progression. We've hired a CTO not too long ago, we weren't ready for a CTO three years ago. He, interestingly enough, just did an article for American Banker, not too long ago, and he basically had the same quote in there of, "never in a million years would I have thought I'd go to work for a bank." I'm particularly proud of reading and hearing those kinds of quotes, because I think it speaks to how we're trying to build this thing. And bankers live in a vacuum, it's just a fact of life. To get other smart people in, shut the hell up and listen to them for awhile, is not only energizing, but it's truly enlightening. It's changed who we are without a question.
- Jo Ann Barefoot: [43:17](#) That is just fantastic. I think the magic of it is taking that first step. It almost doesn't matter where you start, you just have to start. You just start asking questions and suddenly things will start to move and you'll start learning things and then you'll have more questions. I think that's the hardest thing for people, they get paralyzed just because it seems so alien, but once you head into it, you're learning all the time and things start to open up and as you're saying, you have a lot of fun.
- Jo Ann Barefoot: [43:52](#) I want to ask you, your 70 developers, that is so impressive. Actually two questions, I know we're running short on time, but ...

Zach Pettet: [44:01](#) We're excited, but we're not that excited.

Jo Ann Barefoot: [44:04](#) Oh, okay. I misheard you. I wish we were in the same room together, it's probably obvious we're doing this on the phone.

Jo Ann Barefoot: [44:10](#) One question that I wanted to ask, or encourage you to talk about, is your quite persuasive in your materials about the fintech and tech community in Kansas City. You said there was some legacy there, but have you been able to attract talent, partly because of your local community? Or are you attracting talent from other parts of the country? How does that work? Tech talent.

Zach Pettet: [44:45](#) It's really a Brian question, but I'm such a Kansas Citian, I'm just going to cut him off and answer it.

Zach Pettet: [44:51](#) I think Kansas City is the absolute perfect place to build a fintech startup and at the end of the day, and I'm speaking for Brian here, that's what he's trying to do. The company that we have today that is 300 and however many 30, 50 people depending on how many we've hired over the last couple weeks, it is changing so rapidly. It's not changing in a way that folks that have had jobs forever are not having those jobs anymore or anything like that, but just there's so many new pieces of the bank, there's so many new opportunities that really it feels like the early days of a startup.

Zach Pettet: [45:32](#) Kansas City, because of it's background with H & R block, it's background with Bass, it's background with you name it. From high net worths, wealth management, we have [inaudible 00:45:44] here in town and a number of fintech startups that have come out of that. A number of fintech startups that have come out of banks. We're about not even ten minutes, we're about 5 minutes from Kansas's best funded startup C2FO, which is I think now a 950 million dollar company. So we're surrounded by financial talent and we're surrounded by tech talent.

Zach Pettet: [46:07](#) The big thing that I think, for us is a game changer and really started to happen last year, was that people stopped thinking of us as a bank and just a bank. So I'd say the talent here and ecosystem that we have in Kansas City is beautiful and we also have humble humans that really are willing to roll up their sleeves and know that they don't know everything and work

from a position of confusion in a lot of cases. We don't know what we're doing a lot of the times and we figure it out.

- Zach Pettet: [46:37](#) So I would gush over and over again about the city and not to mention trying to build startups especially, on the coast is just getting harder and harder. What you're paying for rent in San Francisco is what you pay for rent, a car, a developer and dinner every night of the week out at some nice restaurant in Kansas City. So the cost of living, the cost of talent, everything just shifts the landscape so you have the ability to live longer and build something more meaningful without having to show results two days later. Anything to add from your point of view, Brian?
- Brian Unruh: [47:17](#) Nope.
- Zach Pettet: [47:17](#) I covered it?
- Jo Ann Barefoot: [47:20](#) That's great. I said I had two questions, you answered the second one. Is there anything we haven't talked about that you want to add?
- Zach Pettet: [47:30](#) I think that I would repeat, phrase it differently I suppose. The hybrid model that we're doing this year is very unique. The way that it's a hybrid, is that one side of it is going to be a true accelerator model. The second piece that Brian eluded to, really at the end of the day is an entrepreneur-in-residence model. Entrepreneur-in-residence is something that you hear a lot in the valley. It's something that you hear occasionally with these things in New York, but it's very rare.
- Zach Pettet: [48:04](#) True entrepreneur-in-residence positions with monthly stipends and opportunity to start a company that you actually can own the predominant ... all of. Really just giving NDKC the opportunity to invest before you're going out to try raise from others, it's a really unique opportunity. And it's something that if you're living, even if you're living in the valley, even if you're living in New York, wherever you are. If I wasn't running the EIR program and running the accelerator, it's something that I would try and sign up and do myself. So I would say if there's anybody listening that feels like they have what it takes to run a fintech company, feels like they have what it takes to run a startup and really build it into something and have that grit, we'd love to have a conversation about our entrepreneur-in-residence program that we're doing this year.

And love to conversations in general if folks have things that they are working on that are interesting and need a bank and partner in some way, shape or form, that's kind of all I have to say.

Zach Pettet: [49:08](#)

Anything from you?

Brian Unruh: [49:10](#)

I think the only thing that I would add, and I can talk for hours and hours about culture, but back to your question. If there are community bankers listening and wanting to start dipping their toe in this, I love talking about culture and I'm particularly interested to watch over the coming years as community banks try to do more and more of this stuff, how it's going to work. Because I see a lot of dipping toes, is probably the best way to say it. So keep the normal operation going, and then let's go find somebody like Zach or a chief marketing officer or maybe the guy that runs IT and go figure out this fintech thing. I think that's a recipe for disaster because it's just not putting enough emphasis towards it to make it work. Especially what the people on the other end, if they're, as Zach eluded to, their runway may be 6 more months and if there's not somebody on the other end that can talk to them in a real fashion and either get them a quick no or help them get down the path a little bit, they're going to move on quickly.

Brian Unruh: [50:16](#)

A lot of those conversations would probably be over before they started. So from a culture standpoint, I think that is so, so critically important and something we've worked on for a heck of a long time. We're awfully proud, I'll brag just a little bit, we're two years running here of one of the best places to work in Kansas City of all the companies. That's pretty rare for a bank. We don't spend any money on head hunter fees and haven't for many, many years. So we do have a lot of people who want to come work for us, but that's all been a lot of hard work to get to that point from a culture standpoint. But I think it's necessary to have success as we're working with these fintechs too. They come in and see us, they meet our people and that connectivity probably has helped as much as anything that we've done from a true bank of record.

Brian Unruh: [51:08](#)

It at least is necessary to even get to that point. From an advice standpoint, I would just say to community bankers, think about those things too, of get your executive team involved. Get educated on what's going on, listen to podcasts and don't send

just one person off to try to make the strategy work. I don't think it'll work very well.

- Zach Pettet: [51:32](#) Yeah and on top of that the little things matter. The fact that Brian and I are sitting here in a conference room we're watching people walk by in jeans. We'd be really concerned if someone walked by in a suit, that's how you would know that they didn't work here. Those little things that you would think of as frivolous, like just the fact that you can wear what you want to work. There's little things, little shifts that community banks can make that will really shift your recruiting strategy. Not having to wear a suit to work, opens people's minds to, "oh maybe I could go work there." I wouldn't be here if I had to put on a suit everyday. So it's little things like that I think ...
- Brian Unruh: [52:09](#) Me either.
- Zach Pettet: [52:10](#) Yeah exactly. It's a snowball, these little things build up into just completely changing the face of your company, but no one change is actually going to make the huge difference. It's again, a whole bunch of lead bullets. 100% agreeing with Brian's point, you have to be really introspective before you start looking outward with this stuff I think.
- Jo Ann Barefoot: [52:33](#) This is just fantastic. I could talk with you for hours as well. I know you need to go, but really thank you so much for these insights including this last part, because to the community banks I know this is what's on their minds.
- Jo Ann Barefoot: [52:49](#) So last thing, where can people get information about both the bank and about Fountain City?
- Zach Pettet: [52:56](#) You can find the bank at NDKC.com and they can find Fountain City Fintech at fountaincityfintech.com. I'm on Twitter @zachpettet and Brian, I don't know yours off the top of my head, is @
- Brian Unruh: [53:13](#) First and last name, Brian Unruh.
- Zach Pettet: [53:14](#) There you go, @brianunruh. So yeah, reach out to us on twitter. My email is just zach.pettet@NBKC.com, happy to take cold emails, whatever. Happy to have conversations and be helpful any way we can.

Brian Unruh: [53:27](#) Yeah I would throw that out there as well too. We have, actually quite a few bankers that come visit us and we love giving tours of our building. Zach talked about, not only do we wear jeans, but we've got game rooms on every floor and a keg in the auditorium and all that fun stuff too. So we do have a lot of bankers that like to come see us and see what we're up to. So we put that out there all the time, we welcome any guest. We love meeting people around the country, so anybody's welcome to hop on a plane and come see us too.

Jo Ann Barefoot: [53:56](#) You really are making me wish that we were in the same room instead of on the phone. That sounds fantastic.

Zach Pettet: [54:00](#) We'll make it happen, we'll get you out in Kansas City, get you some barbecue.

Jo Ann Barefoot: [54:05](#) Yeah I will look forward to that. And well will put that contact information in the show notes at jsbarefoot.com as well. I cannot thank you enough, Brian Unruh and Zach Pettet for being our guests today, it's just been fascinating, thank you.

Zach Pettet: [54:22](#) Thank you Jo Ann, it's been fun.

Brian Unruh: [54:23](#) Thank you Jo Ann.