

Barefoot Innovation Podcast with Rob Curtis, CEO & Co-founder of Daylight

***Note that transcripts may contain errors.**

Jo Ann: We have a wonderful show today. My guest is Rob Curtis, the CEO and co-founder of Daylight. Rob, welcome to Barefoot Innovation.

Rob Curtis: Thanks for having me.

Jo Ann: I'm so glad that you can join me. We've been trying to get this show put together for a long time. In fact, we were trying to get it into Pride Month and ended up with too many schedule complications, but we're really eager to talk with you about what you're doing with Daylight and serving LGBTQ customers and thinking really hard about that market and the innovation and meeting the needs of it. Let me start by asking you just first though to talk about your own background. What's the journey that brought you to founding Daylight?

Rob Curtis: Yeah, it's a really interesting question. I would say probably the journey to Daylight started in the early '90s for me. My parents had just moved to Canberra, the capital of Australia, where I'm from, and we went through a recession. And so, as a young teenager, I felt very keenly my parents... the weight on their shoulder around money. And it was around that time that I started to realize that I was a queer person, which then just made it doubly anxious because of course, the data tells us that half of queer people are rejected financially by their parents. And so, back in the '90s, that number was probably closer to three quarters, and that was a pretty terrifying time for me.

Rob Curtis: Kind of fast forward through college into the workplace, I found myself in banking. I must say that while I was there, I found it somewhat confusing that it seems to be more or less the same products re-badged slightly differently for everybody, irrespective of their needs, and I think as a queer person, we're conditioned to take whatever's offered. It wasn't until I was, a few years later, running a company called Gaydar, which is an LGBT dating and social networking platform, that I discovered the intersection between money and my queerness much more keenly.

Rob Curtis: We had a population of folks who were looking for advice on financial services, and we actually found this out from watching a kink chat room of all places. And the folks in there would start talking about whatever they bought, the latest toys, but then suddenly they'd be like, "I went to put up some curtains in my house and the tradesman looked at me funny." And then they'd be like, "Oh, my doctor does the same thing. My financial services do the same thing." And we've come to realize that there was a space that was going on for queer people whereby we were entering into financial service providers, healthcare providers that just didn't really understand our lived experience.

Rob Curtis: We decided to meet that need at the time by offering financial advice specifically for LGBT folks. And as the CEO at the time, I decided to be customer number one. And I tell you what, Jo, going from a world where I held 60% of my life back to my financial advisors and even my healthcare advisors at the time, to a world where I could speak openly and freely was a transformative moment for me. I'm in a mixed race partnership,

and I was able to have conversations around every part of my financial life without feeling shame, without feeling judged, without being asked silly questions like what my wife does, and it was like a breath of fresh air.

Rob Curtis: When I plant that seed a few years later, I'd been building for the queer community directly. I'd built a two-sided mental health marketplace in London, and I was approached by some investors to look at the idea of LGBT banking and that seed that had been planted many years earlier about what it could feel like to be in a system that was designed for me started coming to life. Really that was how the genesis of Daylight began. We had many options to build an LGBT financial services company ranging from rainbows on everything in all marketing, but instead, because of that experience, I really wanted to focus on how we can do good and meet real financial pain points in the lives of the queer community as a central thesis to how we approach building the company.

Jo Ann: Thank you. My co-founder of AR David Eric takes great pride in having helped you find your CTO. He said he introduced you. So tell us about Daylight. What does it do?

Rob Curtis: So Daylight is the first and only digital banking platform designed specifically for the LGBT community. Our mission is simple: to provide the financial tools and products that our community needs to live their best life. And so, what that means for us is we build a fully mobile banking experience for LGBT folks. They can open an account in their chosen name, irrespective of what their legal ID says, and there are plenty of regulatory things for that, but we've taken care of all of the details, minimized financial crime and so on. But for the first time on your mobile, a queer person can go into a bank and be recognized by their chosen name and identity and can find an affirming service from the moment they arrive. We have tools that are specifically designed around some of the unique pain points for our community.

Rob Curtis: I'll give you an example of one. We have a digital assistant called Ray. Ray is a non-binary virtual assistant designed by members of the non-binary community to help guide trans and non-binary customers through some of the real complexity around planning the financial aspects of gender family care. So Ray will pop up and say, "How can I help you with your transition journey?" And Ray does all of the legwork. We will find out what the costs for top surgery, bottom surgery, financial feminization surgery, and hair removal are. We'll prepopulate your savings goals, and Ray uses behavioral science to figure out everything from where on the slider your savings goals should go towards to the exact date that it'll arrive. It's an example of where we've taken a pain point that's not strictly financial. It's related to the complexity of planning a really new set of medical procedures for whom there is a lack of authoritative knowledge in the wider world. We've integrated them directly into our product experience, and a trans and non-binary person can access the account, be guided through setting up a goal, connect it with an external bank account straightaway, and they're already on their journey.

Rob Curtis: And I'd say the second area where we have really taken into account some of the pain points for queer folks is we create a community space. So it can be hard to know what the right thing to do with money is, and our community is not prone to talk about it amongst ourselves. It's perceived as being weak or shameful. And so instead, every time

a member on our platform takes an action, they create a goal, they contribute to one, we have gamified content going into our social feed, so you can see every goal that people are creating. You can watch their progress and hopefully take away a little bit of inspiration as well as benefit from social norming, which is a strong behavioral science technique, to start adjusting your habits as well.

Rob Curtis: And so, we take the tools that are available to FinTechs, and we customize and tailor them to meet the needs of our community, whether that is a behavioral issue like habit forming, whether that is a complexity around planning like gender affirming care, or whether that is just a confusion about what to do next. And we then build the Daylight service around those things.

Jo Ann: And is it primarily payments and money management?

Rob Curtis: Right now, yes. We offer embedded rewards. So customers that spend at an LGBT business can get up to 10% off as cash back directly from LGBT businesses and 10 to other businesses in our network. But right now we are focused predominantly on payments. We are exploring a range of new financial products that we hope to take to market a little bit later in the year.

Jo Ann: And where are you in your evolution and journey in terms of venture backing and so on?

Rob Curtis: We're really lucky to have a wide variety of investors, both from within traditional finance like Citibank and JP Morgan, through the Financial Solutions Lab, as well as independent VC backers. And so, our company's well funded for many years to come.

Jo Ann: I love to hear people referring to the Financial Solutions Lab. I used to chair the board of directors of the Financial Health Network, and that's been an amazing program through the years with the backing, as you say, of JP Morgan Chase.

Jo Ann: You've already talked a lot about this, but tell me if there's more to say about the unique needs of this community. Are there things beyond what you've talked about that are hard for people to get financial services for or put impediments in their way?

Rob Curtis: Yeah, so it could be kind of three broad areas. Number one, data shows queer people are subject to direct discrimination in the financial services industry. We pay on average more for mortgages. We pay more in fees per year per capita. Most financial services companies don't ask who their queer customers are, and that's for a pretty good reason. It avoids them having to report on that. But we do know that our customers face direct discrimination from data, and we know that they feel it every day. It's just microaggressions like, "What does your wife do" for people like me. Just remind you that you don't belong. And that means that like in healthcare, if I don't tell my doctor all of my preexisting conditions, I'm not going to get the best healthcare that I need, and the same thing happens with your money.

Rob Curtis: So the entire service layer that exists within financial services needs a significant step change in education about queer lives. And unfortunately in this country, queer lives

continue to be up for debate. And so, that is not something that we see consistently delivered by most of the incumbent banks right now, and that includes simple things like putting your name on a card, irrespective of what your legal ID says, which is eminently possible, but has not yet been rolled out by major financial institution consistently across their product suite.

Rob Curtis: I'd say the second area is a behavioral one. LGBT folks compared to their CIS straight siblings, so people in the same family unit, are less likely to save. They will save less frequently and they will save lower amounts overall. This is a behavioral problem. The best we've been able to get to a root cause is because queer people spend their twenties in identity formation because schools and homes are not safe environments for queer kids to explore their identity. And so, that means we're just not starting to get our habits sorted until maybe our early thirties, and this seven to eight year gap, I'm talking about college educated folks, is a really formative time because that's when we are finding higher than normal healthcare costs, sexual health impacts. We're also going through gender affirming care if you're a trans and non-binary person. And so, you're getting all of these really specific financial costs come in all at once, but your habits are a little bit further behind everybody else.

Rob Curtis: And we know a big part of that is about a scarcity mindset that develops from quite a young age out of fear of not having access to capital. And so, there are a whole range of behavioral challenges that LGBT folks have that we see demonstrated throughout their entire life, right up until retirement. There is an emerging retirement crisis for the generation of gay men who lived through the AIDS crisis, or gay and queer men, who are realizing that they were going to live longer than they were perhaps told. They've lived fabulously when they were young, and now they're reaching retirement age with very, very little in retirement savings and their 401(k), and these are largely behavioral/educational things.

Rob Curtis: The third one I'd go into, because this is like a geeky thing for people in the financial services industry, is around credit scoring. So if I take Billy, my co-founder (she's a trans woman) to go through the process of changing her name at a large financial services institution, took about 30 to 40 hours. There was doctors to judges, lawyers, notaries, the courthouse, and then the teller. So she had to out herself to five different people in many different locations and spend a lot of money to get her name and gender markers updated at one financial institution. Now that's just the beginning of the journey.

Rob Curtis: We've managed to build a credit scoring system with FICO that is okay to allow women to update their last name when they get married but not trans folk to update their first name and their gender market. And so Billy, when she changes her name at that one creditor, will find that her credit score has split into two. So we have built a system that means that trans folk, who are already amongst the lowest paid Americans, then face significant discrimination further downstream because they have partial credit scores. And when we've talked to the credit bureaus about how they might fix it, the answer is, "Let's just merge them together just like we do someone who's being married."

Rob Curtis: Now there's one or two really big problems with that. Many employers and many landlords ask for your credit score when they're doing background checks. And when

you display that somebody presented in one gender and is now presenting in another, you've outed them as a trans or a non-binary person to landlords and employers. And guess what? Many landlords and many employers don't want to offer homes or employment to non-binary and trans folks. So it's an example of how there can be really big unintended consequences of how we've designed a system on the presumption of heteronormative relationships and CIS normative ways of living. And I think these are the areas where Daylight plays in terms of dealing with the credit bureaus, dealing with the behavioral science, but also just thinking about how we can provide a compassionate service that's easy as you are.

Jo Ann: So how do you solve that one?

Rob Curtis: That one's going to be a little bit longer. In fact, we are exploring at the moment a couple of new product lines to support gender affirming care, which is a high cost often at our most vulnerable times in our financial lives, which people are putting onto credit cards, which can be very predatory, alongside fertility and parenting loans. A lot of queer parents, 62% of millennials, want to have kids, but there's just no financial products available on the mass market to support them on that journey. And we're not going to FICO. It's that simple. We're going to a whole wealth of new credit scoring startups that are using behavioral data, they're using employment data, and they're stepping outside of those old systems that are no longer fit for purpose. But our goal over the coming years is to change how FICO looks at gender altogether through advocacy that we'll do behind the scenes.

Jo Ann: One of the things that is always interesting when a FinTech or even a bank focuses on a particular specialized market is whether they're able to develop lessons that the larger market will adopt once they've seen them successfully piloted or tried on the smaller scale. Are there areas where you hope to achieve that broader sort of educational impact on the financial system as a whole? And if so, which areas might be the most promising?

Rob Curtis: Yeah. We started in 2021 a campaign called Call Me By My Name, which was a call to action for the American Bankers Association to issue guidance to its members, to ask them to do a number of very simple things: allow trans and non-binary folks to change their name free of charge, to be recognized across their entire product suite by their chosen name and not their dead name. And what we found was a very tepid response from the ABA, and indeed, when we looked towards other peak bodies that support improving LGBT inclusion in big banks, we also found a very tepid response there. "These things are very hard, this is multiyear," and yet we've managed to do that out of the box. We had thousands and thousands of signatures and partnered with a number of peak bodies and advocacy groups to launch this campaign, and yet it didn't make a dent.

Rob Curtis: Fast forward a year, and banks are now coming together and they're starting to prepare for the emergence of trans people as though they've suddenly existed. And so, I think it's an example of where we give ourselves a small pat on the back every time that the wider industry changes because just being an LGBT-specific FinTech means that we have to constantly ask the question, why do LGBT people have specific financial lives that

need to be created differently? What are their pain points and how do we resolve them? And we've been conducting the largest money studies in American history around these things, and we're sharing them pretty openly. By the time an incumbent figures out how to put a trans person's name on a card, we'll have moved so far along, and so we've been adopting a kind of open source playbook on these things.

Rob Curtis: And so, my view is that Daylight, just by virtue of existing and being backed by some of those incumbent banks that we talked about before, is there to drive change in the industry. And having lived in Australia, in Europe and in the States, one thing that gives me a huge amount of comfort about the US is that corporations have the power to drive social justice in ways that we don't see at other places. Europeans are very much done from the European Union down. Australia's got its own political system, but in the US, as we've seen post-Roe v. Wade, companies are stepping up to fill that gap. And so, we believe that Daylight's voice, no matter how small or how big it gets, is just another part of that process. We're happy to be the squeaky wheel while we're small, but we are very happy to share our templates and ways of working with other incumbents to make the lives of our community better.

Jo Ann: So it's fascinating to hear you talking and listen to this vision. This is a challenging moment to be launching a FinTech. We've got economic headwinds developing and volatility in the marketplace. Talk a little bit about how you're looking at that.

Rob Curtis: Yes. Let me define what I think that means first and then tell you how we're responding. So as a business that has been centered around a community that has been financially excluded, not everybody, LGBT folks represent the diversity of American financial lives. But we have a very large group of people that are financially excluded. Investors have come along now and they've said, "Listen, we've invested over 10, 12 years in many financial inclusion businesses, and we're waiting to see which of them make it." And really the ask for investors is to bring forward our revenue plans much more aggressively and much earlier in our journey than was even considered a month or six weeks ago. Neobanks asked that they operate on interchange. The revenue that we make on interchange is both scale dependent: the larger you are, the more of the share of the swipe you get, but it's also volume dependent. The more customers you've got, the more revenue you make.

Rob Curtis: And so, we've encountered this real challenge for startups where early-stage financial inclusion businesses are expected to make a profit from as early in their journey as possible, but we're dealing with a group of people that are financially excluded. And as we know, the way that many people that are financially excluded feel financial pain points is that they have companies monetizing them, whether that is a early paycheck company that is offering predatory loans, whether it's just a cash checker. "It's expensive to be poor" is a great motto that came from the Financial Health Network, and now investors have inadvertently created an environment where startups are expected to monetize members of our community, who perhaps are financially excluded more so than others.

Rob Curtis: That's not an unsolvable problem, but what it does mean is our strategy, which we call "Have our cake and eat it" has had to turn around. We wanted to have the cake first,

which is serve the most at need members of our community first, and then as we progressively moved up the wealth spectrum, we would bring in more higher income folks who would maybe have an appetite to spend more on financial products or would just have the capacity to be able to access those financial products and ultimately find a way of cross subsidizing our loss-leading financial inclusion accounts.

Rob Curtis: We're now facing a real reckoning and asking ourselves whether we can do things in that order anymore and whether instead we have to focus on higher value customers to begin with, people that maybe need us a little bit less, but have more money to support accounts for folks that need us more acutely today. But this is real, it's pressing. It's been happening to us as a result of change. It's really over the last six to eight weeks.

Rob Curtis: And so, we're going through a number of ways of approaching that. Number one is we're looking into a much more tailored market for whom we go after first. A company like Daylight will eventually serve all members of the community, but Rome wasn't built in a day. We have to start somewhere. And so, we are looking at investing more so in family building, in supporting professionals as they get their banking support to address significant gaps in wage equality for our community. We are looking at effectively a whole range of different solution options that would position our company slightly higher in the market, and we are then looking as part of that value prop, to find ways in which we can cross-subsidize lower income folks rather than starting with lower income folks first.

Rob Curtis: We've recently had to make some layoffs in order to extend our runway because everybody's been doing across the industry because I think the second part of recent changes has been that the fundraising environment for the next 12 to 24 months is going to be very grim. And so therefore, we've had to extend our runway to more than three years to give ourselves not only time to reposition and to focus on revenue building early, but also to enter into a fundraising market that has got the risk appetite to look at companies like ours again. So all of that is to say it's been a very disruptive time for FinTech. It is going to hurt financially excluded people disproportionately would be my guess because the push for revenue is going to need to take that cash out of people's pockets. Whether that's through a fee, whether that's through an add-on service, we're not sure yet. We're going through that process just as everybody else is. But my guess is that folks that focus predominantly on financial excluded communities, except for, say, your big chains who are already at that point of scale, will increasingly face the squeeze.

Jo Ann: Tough, tough trade offs for sure. Do you have a strategy or a game plan or thought process around introducing cryptocurrency services?

Rob Curtis: No, crypto is one of those very shiny, very investible financial products that I'd say the cynic in me could have introduced as part of our core value prop and probably seen my valuation go up and loads of extra cash come into Daylight. The thing that's always held me back is with a mission like empowering queer people to live their best lives, I take our financial responsibilities very seriously, and crypto remains a highly volatile asset class and I can't in good conscience right now offer that to particularly the financially excluded segment that we deal with.

Rob Curtis: Had we gotten that wrong, we would have seen a significant decline in wealth of our customers that we've been onboarding since we went live. And so, all of that is to say that our initial hunch, which was this doesn't quite feel real, it has a potential for huge amounts of downside correlating with the amount of upside that could come, those hunches were pretty right. We're definitely in a crypto winter, I think is what it's being referred to as, but I think falling back on where our mission and values are of being able to offer real support for financially excluded folks rather than sell them things that they might not need or could indeed put their financial lives at risk has been our approach. We've been a little bit more cautious than others, and that's not to say that we won't. After every winter there is a spring.

Rob Curtis: And I think we may see this with the stock market, that smart companies that push on investing in the bear market may find that they end up looking like heroes when the bull market comes back. But I'd say right now we haven't quite figured out how to square the financial inclusion components of our mission with crypto as an incredibly volatile asset class.

Jo Ann: Yeah, it's going to be so interesting to see how this develops because there is a whole line of argument that the crypto world is more welcoming to people who have been excluded from traditional finance and may be an opportunity there, but as you say, massive amounts of risk also. So I'll be fascinated to see where you are in two years on that. We always talk a little bit about the regulatory environments on this show. Do you have any insights to share with policy makers or regulators on how you think that they could be helping drive fairness and inclusivity in the market?

Rob Curtis: Yes. I'd say there are two things that are really important. Number one, we have to get our regulatory reporting regime right for LGBT folks. It's all good and well to fly the flags at pride parade and to put the rainbows on the windows and to put the floats in. But if you today aren't reporting on equal loan provision, equal access to credit for LGBT folks, we have to assume that it's because you're not providing it. And so, while financial services companies continue to avoid the rainbow elephant in the room, which is that queer people exist, we've been here the entire time, our proportion of the population is increasing rapidly every generation, that we can't be ignored.

Rob Curtis: And so, reporting on whether you are treating us fairly and consistently is something that regulators need to step in on. We are obviously very keen on it, but we know just from service provision that many of the incumbent banks still aren't there. They're not looking at trans and non-binary customers by their chosen identity yet. That is a solvable problem, and I think this is a space where regulators and even folks like the ABA can step in and start issuing guidance that queer people are here. You have to account for them. This is a human rights issue, but it is also an equality issue and a legal issue. And so, I would love to see regulators more firmly step in and enforce a reporting regime that allows us to identify the good actors from the bad actors.

Rob Curtis: I'd say the second just kind of comes with that. Fix the problems that we see from reporting. Ignorance is bliss, so I'm going to assume that we all believe we live in a world where queer people aren't facing discrimination, but we know that we are facing wage discrimination for sure. That'll happen across a lot of financial services companies at the

very least, but regulators have a role to play in that too. So we think about money as the totality of people's payments, their investments, their savings and their income, and LGBT people are behind on every metric. Regulators need to step in, focus on equality, and frankly we're in a really, really tough time for the queer community right now in America. Our rights are being rolled back. It's happening more and more. Religious carve-outs are coming, and this is something that only Congress can step in on in order to enshrine protections under the law.

Rob Curtis: And so, any support we can get from regulators and policy makers to enshrine fair protection for LGBT folks, fair protection for their income to make sure there's no income discrimination, there's no credit discrimination, and that overall, we arrive at a place where we are free because we have access to the same level of wealth as every other person in our families, that's when we'll know that regulators and policy makers have done their jobs.

Jo Ann: I want to invite you to share a story or two, if something comes to mind of how the existence of Daylight and your services has helped a real person or a real family. Does anything come to mind to share?

Rob Curtis: Yeah. Because we have a community section in our product, we see firsthand from members of our community when they experience a banking service centered on them. And so, I'll give you an example. I'm not going to name any names for obvious reasons, but we recently had a trans person who had never been taken seriously by an institution in their life. They're living in a red state, so they practically had no real legal status in their own mind and that the power of getting a card in their name that legitimizes them and their identity is transformative. We see this over and over and over again, and I think it speaks to how simple it can be to provide affirming services for your community. You have to see them first.

Rob Curtis: I'd say the second one that I get to see when everyone completes their savings goals in our community feed. So it always gives me great joy. We took somebody who had started with very unorganized financial life starts splitting their finance into different pockets to start saving for them. And on the same day, they achieved five of their savings goals all at the same time. I think we sent them some flowers. It shows that in a community like ours, when you don't talk about your money, when you feel shame about not having the things that others have, and that shame sits in at 12 or 13, very early for many folks, that providing support for folks, seeing them meeting them where they are and cheering them on, those things are powerful and transformative because those aren't things that many of our community get just for being themselves very often, particularly not from an institution. And I think being a financial services company has a lot of added weight. And so, we see these transformational moments happen with our customers every day.

Jo Ann: Is there anything you want to add that we haven't talked about?

Rob Curtis: No. I love the work that you're all doing. We think of David as our fairy godfather, having hooked me up with one of our co-founders, and I really support all of the work that you do. I think it is incredible. We need more people creating innovation in regulation

because then it allows companies like ours to come along and innovate on the tools that are available. So really glad that you invited me today, and I thank you all for your hard work.

Jo Ann: I cannot thank you enough for joining me. Where can people get more information about Daylight?

Rob Curtis: They can go to www.joindaylight.com.

Jo Ann: It seems like you've got a really great name too. I was very impressed that you were able to get the name Daylight. It says a lot. So Rob Curtis, thank you so much for joining me today. It's just been an absolute delight to talk with you.

Rob Curtis: Thank you very much.