

Barefoot Innovation Podcast Special Episode: The Changing Face of Banking Live from the National Banker Association Annual Conference

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Speaker 1: And now ladies and gentlemen, we will have a conversation on the changing face of banking. Please welcome to the stage our panelists, Alexandria Currie. We also have Rohit Mathur, CEO of Bridge Foro and Brandon Andrews, co-founder of Gauge. Our moderator is Jo Ann Barefoot, CEO and co-founder of Alliance for Innovative Regulation. This session is sponsored by Citi Foundation.

Jo Ann Barefoot: Thank you so much. Really appreciate everyone being here in the afternoon on a Friday closing to the, getting close to the end of the conference. But I'm so excited to be here with you today. I'm Jo Ann Barefoot. I'm CEO and co-founder of AIR, the Alliance for Innovative Regulation. We're a nonprofit working in this space of how to make technology do better for consumers in the financial world. And I'm thrilled to be here with this panel. We do want to start by thanking Citi Foundation for sponsoring the panel and all the amazing work that Citi does. And I think you also know by now that you can give us questions on Slido here.

I want to start just setting the stage a little bit. We all know that technology is transforming everything including financial services. And we know that it's doing it with an exponentially shaped curve of change, the speed of the changes, doubling and redoubling. And that creates that hockey stick shape curve that can catch you by surprise. And I think a lot of us can feel that we're in the part of that curve where things are obviously getting faster and change is more profound. But what's ahead of us is where it goes straight vertical.

And so we worry about people being caught below that curve because if you do get caught there, you might never catch up because it's all still accelerating. So we're going to be talking today about how this is happening in banking and how to turn it from being a disadvantage for MDIs, which I think it can be today because both bigger banks and fintechs have easier technology lives than you all do. How can we turn it from being a disadvantage to an advantage, something that really levels the playing field and brings down operating costs and makes it easier to delight your customers and so on. So we have the perfect panel to do that with here today. And I'm going to start by asking you actually to introduce yourselves, starting with you, Alex.

Alexandria Curr...: Thank you, Jo Ann. My name is Alexandria Currie. I'm the program director for MDI ConnectTech at the National Bankers Association Foundation.

Rohit Mathur: Rohit Mathur. Slide. Rohit Mathur. I formerly was the head of Bridge built by Citi which was a Citi initiative to help connect small and medium-sized businesses with regional and community banks, including many of the MDI banks in the room today. I continue to serve that role now that Bridge is outside of Citi and

still sort of supported by Citi as CEO of Bridge Foro. Everything else is just the same, our name has changed slightly.

Brandon Andrews: Hey everyone, Brandon Andrews. I am co-founder and chief product officer of Gauge, an enterprise market research platform. I also do casting for ABC Shark Tank and a number of other business shows on television where I engage with several thousand entrepreneurs every year.

Jo Ann Barefoot: Fantastic. So we're going to talk, every MDI needs both a long-term roadmap for how we're going to go through the big transitions ahead, but also that short-term set of quick hits, things that you can do that are practical. And Rohit, I wanted to start with you and ask you as people in the room think about their paper-based and manual processes. What are the quick things that people should be thinking about doing?

Rohit Mathur: Yeah, and this conference has been a great time since we've been talking about this live as well, and Alex and I were talking about it last night. I think the quickest hit for anyone is to take how your customers meet you, which is their first point of contact with you and digitize that because it kind of sets the tone for everything else.

So the first time that they meet you oftentimes today is by going to your website and clicking on a button and saying, I want to contact you. If you go to most banks and including some of the large banks, by the way, and you look at that contact us buttons, it is not like what we are all used to now in our personal lives. So I'd say the quick hit is looking at how your customers get in touch with you and digitizing that process. Because once you start at the top of the funnel, and we can talk about data and I'm sure everyone's kind of heard enough about it, but once you're collecting that base information in a digital form, the opportunity to use that through the process just becomes a lot faster and better.

Jo Ann Barefoot: Absolutely. And Alex, do you want to build on that and also talk to us about what the National Bankers Foundation is doing to help?

Alexandria Curr...: Sure. So through our research at the National Bankers Association Foundation, we have our MDI ConnectTech cohort, which sponsors 15 banks. Thank you Citi, for that sponsorship to be able to make that program possible. But one of the things we're finding, and I think we'll find this at a lot of places, is you have these systems today, but you're not fully utilizing all they have available.

And so when we're thinking about some quick things you can do, instead of going out, going through RFP, looking for other providers, just getting in contact with your current service providers and saying, "Hey, what am I not utilizing today that I could be utilizing?" So those are some low hanging fruit. You can just reach out and say, "What integrations do you already have built? What things can I just get turned on maybe for free?" So just start by with what you have,

what your customers, what your staff are used to using today, and see how you can expand upon what's currently in your wheelhouse today.

Jo Ann Barefoot: Great, thank you. Something I didn't say by the way is that we are recording this live and it will be a podcast on my podcast show, which is called Barefoot Innovation. So we hope you will look for it there and share it with your contacts as well. Brandon, let me go to you. One of the important issues here is how businesses are changing in terms of what they're looking for and same trajectory, less manual, more automated. Talk to us about what you're seeing and suggesting there.

Brandon Andrews: Yeah. When an entrepreneur comes to me and says, "Hey, Brandon, I want to be on ABC Shark Tank or CNBC, The Profit or Revolt's Bet On Black whatever TV show." Yes, they want the branding opportunity to get in front of millions of people potentially on television, but at a very basic level, they're just looking for capital. And some of those entrepreneurs are going to be ready for an equity investment, which is the primary vehicle that is used to provide funding on Shark Tank, but many are not.

One, because we have a very competitive process, but two, because not every business is set up for that kind of investment. I mean, you look at the numbers just for Black entrepreneurs last year got about 1.2% of VC funding, and you look at Q3 of this year, it's down to 0.13%. So a very small percentage are actually going to have access to that. So I end up having a lot of conversations with entrepreneurs about the capital stack and what options are available to them to include what banking options are available to them.

And the biggest thing for the entrepreneurs that I'm talking to, and this is really building off what Rohit said, is getting to that decision point as quickly as possible. Does this opportunity actually work for me? Is this for me or is this not? If it's not, can you point me in the direction of something that can actually help to meet my needs? So an automated process, yes, that begins with that contact form, but then takes the next step of, and you can use natural language processing or some other AI models to do this, but sorting people appropriately so that you, as quickly as it's practicable, can tell people this is something that's an option or an opportunity for you, or this is not an option or opportunity for you. So they can then go use their precious time as an entrepreneur to pursue whatever opportunity is best for them. So that's the first thing, but there's certainly a number of others that I look forward to talking about.

Jo Ann Barefoot: So let's widen the lens and really ask ourselves what are the biggest changes that are ahead? Everything is changing, really. Every product and service, every delivery channel, every business model. But maybe Alex, starting with you, we're thrilled to work with you on MDI ConnectTech, which is a fantastic project and I know you're starting to get some learnings from that as to the priorities for the industry. What would you point to as say the maybe top three most critical issues?

Alexandria Curr...: Sure. So we've been doing some polling with our banks and seeing just what are their priorities, what are things that are most significant to them, where are the places that they could use some of that automation? And of course we're seeing lending. So to Rohit's point, starting with that touchpoint of how do I get in contact with you? We're seeing that a lot of that is still a very manual process, and we know that, at least on the consumer side, now I can get a loan in two minutes, maybe less than that. And so consumers are really looking more for things to just be real time. And we see that in lending, we are seeing that in payments.

And so those are the top two things that we're seeing right now trending upwards. So looking at digital payments, automated lending, those are the things I think we're seeing are going up in that hockey stick like you talked about as quickly as possible. And it's being augmented by the AI piece. I won't go too much into that because I know there's a great panel AI right after this, but that's really what is looping in all of this real time necessity for having a decision immediately, knowing how it can move forward, moving money from here to there. So those are the things that we're talking about too the banks in our cohort to see how we can best assist them and bring some of those products downstream, make them affordable so that they can get them out to their client base.

Jo Ann Barefoot: How about you, Rohit?

Rohit Mathur: Yeah. From a technology perspective, there's so much going on, but I think your question was if you zoom out, what does it look like? I think over the last 25 years, you've seen that business lending, which was always manual, whether you wanted a \$50,000 loan or \$20 million loan, I think you've seen slowly more and more of business lending is now digital. I think a number of the really small businesses that I'm sure all of you work with will talk to you about their Spotify capital loan or their PayPal capital loan. All digital. We had OnDeck and Kabbage and sort of the digital lenders that all started with the 10, 15, 20, \$50,000 loans. Now most of them are talking about we can do a hundred thousand and that number will continue to increase.

We're also seeing different participants in this space. So so far it was these fintechs that were kind of lending it pretty high absurd interest rates and getting decisions pretty fast at 50, \$75,000. We're also now seeing a bunch of private debt lenders who have yields that, especially in today's environment, resemble much closer to a bank loan. Kind of mid teens or early teens yields, which is not far from what a bank would give you. And we've seen private debt lenders be able to lend much larger amounts leveraging technology. They don't have the sort of 24 hour turnaround, but they're even more competition to the banks in this room because they've got a two week turnaround or a three week turnaround, but they make it look very digital on the front end. And they say, "Okay, well now we'll do the rest of this manually, but we can lend you \$500,000, \$750,000, a million dollars." So they're really coming for this space,

and this interest rate environment doesn't help because the yields look so similar.

Jo Ann Barefoot: And Brandon, what would you add?

Brandon Andrews: Yeah, I think this intermediation is going to continue add, it's certainly something we've seen in recent years, and you mentioned a number of providers, but even something like a QuickBooks capital that has this additional information about potential businesses or even for personal loans that they can use to augment a credit profile and potentially offer services, offer lending products to folks with profiles that may not be able to go the traditional way.

And so I think the broader trend though that I see is, one, more Americans are starting businesses. So my old senate colleague, Deidre, who's at the SBA now spoke earlier and said Biden Administration is close to 14 million businesses started since coming into office. But the past two years have been the most prolific years for new business formation in the history of the US with 10 and a half million, which was announced at the beginning of this year. Many of those businesses are online micro businesses.

And so I think the questions to ask as we're thinking about trends are, what kind of businesses are people starting? Are there services available from banks in this room, but also from other service providers, other services available to those banks? And if not, why not? Do we need to update the or reauthorize the SBA and update the definition of what a small business is to include micro businesses so that organizations like many in this room that have charters that are connected to government can actually service those micro businesses in a different way than you might be able to do today because of the risk profile involved.

And so yes, I think there are things banks should be doing, but there's also some broader trends here. I think we need to make sure we have a regulatory environment set up that actually sets us up for success versus failure. Not okay to say, "Hey, we're here for the community," when the community is starting micro businesses and maybe whether it's regulatory or otherwise, we're not able to meet some of those needs.

Rohit Mathur: And just to build on one of the points that you made, which is so important, communities are changing, and so therefore community banks also have to change. 50 years ago, 75 years ago, communities were all on Main Street or the businesses were on Main Street, and so you could go find them on Main Street by having a banker walk down, get to know the business. Now, the businesses that are starting are all starting online. People in this generation, you could be running a multi-hundred million dollar business and not have a storefront. And so how do you get to that business owner that you can't see or find? And I think it kind of links back to our first point that Jo Ann was making about what is a low hanging fruit? It is how do you get to that business owner and how do you help

them find you quickly when you can't necessarily see them or meet them in the traditional ways that we're all used to meeting our clients?

Brandon Andrews: And just one additional thing really quickly, the traditional metric for a micro business is a business has under 10 employees, but to your point, Rohit, a lot of these businesses have under 10 and they're going to stay under 10 because the barrier to entry is so low, and they're able to be efficient using many of these technology tools. But in terms of how to reach them, I'm certainly happy to connect with any of the institutions here as I'm meeting entrepreneurs doing casting. Because again, every entrepreneur that I come in contact with, they're looking for capital, venture capital. Equity financing isn't right for all of them. And I'm always about, okay, how can I help this entrepreneur leave our process better than they came? Even if they end up not making it on the show, can I point them in the direction of a resource that can be helpful to them? And so I certainly add partnerships with potentially organizations like ours or others that can make those introductions.

Jo Ann Barefoot: That's great. We're touching on what I want to turn to now, which is kind of the how-tos, and we know that MDIs face tremendous challenges in terms of capitalization, infrastructure, and personnel. I'm going to start with you, Alex, what are going to be the strategies for overcoming those challenges?

Alexandria Curr...: Absolutely. So I think this is something that hits MDIs a little bit more than other institutions when we talk about capitalization and resources and just being able to do some of the things we want to do. But I think the first step is trying to leverage all these partnerships. So partnering with fintechs, partnering with other banks, partnering with organizations like the MBA to help do some of this stuff. You don't have to do it alone, and it's much more costly to do it alone. So finding people that align with what your organization's mission is, what you're trying to do, and seeing ways that you can work together to fulfill that mission, I think is probably the best first step any organization can take.

Jo Ann Barefoot: Can you give some examples of where that's the most?

Alexandria Curr...: Sure. I would say for technology, because that's kind of what we're touching on a lot here is reaching out to your core provider, reaching out to some of the fintechs that you're currently working with or aspire to work with, reaching out to the MBA and finding out what partnerships might exist, what resources we may have to connect you. And I would say, Rohit is a great partner to talk about how you can bring forth your lending processes and practices to people that you previously couldn't reach. So just thinking about how your organization can align and get more visibility is going to be a good first step.

Jo Ann Barefoot: Let me remind everyone to send some questions and we'll save a little bit of time at the end for them. But Rohit, that's a perfect segue to you, including, I know we've got interest in the question of what will the IT department, say, look like for a bank maybe under \$500 million in assets and one over a billion?

Rohit Mathur: Yeah. I mean, just to reemphasize what Alex said, not on the point of working with Bridge, but more on the point of I think that going together as kind of a consortium approach, like leveraging the MBA to go and get something that all the banks can use together common technology, get the right pricing for it, and then be able to leverage the partnerships that the MBA can sign to help feed that partnership to say, "Look, it's the same technology, and so if you're a large corporate, let's just plug you into that technology and you can help all the MBA members."

But I think my biggest advice on how to do it is to not boil the ocean. JP Morgan, Citibank, Bank of America, these large institutions have spent billions of dollars every year on technology, and everyone talks about AI. I just worked with a large bank for 10 years. I can tell you most of the large banks aren't using AI to underwrite small business loans yet. So I think if we're sitting here today and saying, "I've heard AI ML and all these models are going to be the future, let me start thinking through that." I would say that you're thinking kind of 10 years ahead, which is great.

But first, let's look at the first step ahead and kind of figure out what is the smaller stuff that we can do and build brick by brick rather than coming up with a system that your regulators aren't going to love or is something that's so forward thinking that hasn't been really tested. So I would say definitely working with the MBA and this ConnectTech program is a great way to do that. And then two, really not trying to boil the ocean. Pick up the one or two or three small things that you think can really move the ball forward. Sometimes it'd be very inexpensive, sometimes they could be free and start with that.

Jo Ann Barefoot: Let me ask in the audience, how many have a good start on a digitization program of some sort? Got something going that you're happy with, so a little bit. Good.

Rohit Mathur: Carver Bank.

Speaker 6: There you go.

Jo Ann Barefoot: So Brandon, let me go to you. Same question. Resource constraints are huge here. How do you get this work done?

Brandon Andrews: Yeah, well, I agree with Rohit. Definitely don't boil the ocean. I believe Alex mentioned maybe some research had been done with member institutions about where the gaps are and if there's some commonality in terms of gaps, maybe that would illuminate a good place to start. But if we're thinking about capacity, if the capacity isn't there within the member institutions, I certainly agree with the concept of pooling resources and there are ways to both meet that need, but also I think be mission-driven and support the community. There are options like onshore professionals. So there are organizations that do tech

training with specifically young people from communities of color that could be trained to help with everything from due diligence.

I saw the fintech playbook came out while we've been at this conference. I think that's a great step forward, but the question becomes who's going to actually fill it out? Who's going to actually do that due diligence? There are onshore professionals that could potentially help with that. Beyond that, there are Black-owned companies like a Career Karma, like a PathAI that direct people to tech or tech enabled either contract work or full-time roles. And so I think, again, it's going to begin with doing the research, identifying what that gap is, which you all will be able to inform. And then from there, I'm certainly happy to provide relationships, expertise that I have in terms of staffing to make sure that the job actually gets done and that you all not only have access to the information, but have access to the resources to use it.

Jo Ann Barefoot: I've got a question from the audience I want to ask you, Rohit, very quickly, and then I've got one last question for all of you because we're almost out of time. The question is, what new products do you have at Bridge to differentiate yourself and what you're offering from other loan sourcing platforms?

Rohit Mathur: Yeah, I mean, our big differentiator is in the technology. The technology we've made it super simple. Our differentiator is the partnerships that we've added to the technology. So partnering with large corporates to find their suppliers is our differentiator. So the ability to kind of have these partnerships with Walmart, Best Buy, Dollar General, we've got a couple others that we're going to be announcing very soon. That's our differentiator is bringing those 50, hundred thousand small and medium sized businesses, all credit worthy, all have already passed that first test to being able to sell to a large corporate, that's our differentiator is bringing those businesses to our platform. I think our tech is amazing, but that is definitely the second part of our business. I think the core part of our business is these incredible partnerships that we've got.

Jo Ann Barefoot: Great. So we only have a few minutes left and I'd just like to, we've got a lot of people in the room listening to this. We've touched on practically everything you do in a bank. Where do you start? At AIR, we like to say think big, but start small with this type of thing. Don't boil the ocean as you said. But if you had one piece of advice for the folks in the audience who are asking themselves, what should I prioritize, what's the first thing I should do? What would it be?

Brandon Andrews: And Brandon, I'll start with you to start with me. You can prioritize the introductions to these entrepreneurs that are starting new businesses. And as I mentioned, I'm happy to connect with anyone continuing as we start casting. I'm going into next year. I'm certainly happy to give out my number there. But beyond that, something I say to entrepreneurs is, start where you are, use what you have, do what you can. It's a quote from Arthur Ashe, the Black tennis star, and I think it's applicable to entrepreneurship, but also applicable to

interpreneurship as you all are going after potentially solving these problems. And so I'm certainly happy to be helpful there.

Jo Ann Barefoot: I've got another question that came in for you, Brandon, if you can answer it really quickly, which is how did you get into such a cool thing as working with Shark Tank? Or is that a long story?

Brandon Andrews: Really quickly, I moved to DC originally to work in the US Senate. I was across the street for a number of years. Met a business partner of mine and he actually introduced me to Mark Burnett, the producer of Shark Tank. We pitched him through his agency Values Partnerships, Black-owned social impact agency, and started out putting together spreadsheets, lists of entrepreneurs. But that quickly quickly grew into doing a nationwide casting tour and now have the opportunity to connect people with Shark Tank and looking forward to continuing to do that.

Jo Ann Barefoot: Very cool. We have like a minute and a half, so where would you start, Rohit? What's the advice?

Rohit Mathur: I'd say to the banks in the room, most of them are my clients, so just ask for what you want us to build for you. I think the first step is if you know what you need, I think everyone has my number. If you don't, I'm happy to give it to you. Just ask me for what you want me to build for you. We've got a cap. We've heard a lot of questions and concerns about cost of tech and onshore, offshore, all of this stuff. If there is a need to build something that you guys think could really move the ball forward, we'll do that for you. So my advice would be most of the banks are on our platform here, ask for what we can build for you to make it easier for you guys to deliver to your clients.

Jo Ann Barefoot: That's an amazing offer. Alex.

Alexandria Curr...: My advice would be ask your technology providers what you can make mobile optimized that you don't already have mobile optimized today.

Jo Ann Barefoot: I love that, and my advice is don't let the enormity of this paralyze you and speed up. Everybody's got to go faster, hard as it may be. Please join me in thanking our wonderful panel.