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Welcome to the Fintech One-on-One Podcast, Episode No. 324. This is your host, Peter Renton, Chairman and Co-Founder of LendIt Fintech.

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Today's episode is brought to you by LendIt Fintech LatAm, the region's leading fintech event. It's happening both online and in-person in Miami on Dec. 7th and 8th. Latin America is still the hottest region for fintech in the world and LendIt Fintech LatAm features the leading players in the region. So, join the LatAm fintech community this year where you will meet the people who matter, learn from the experts and get business done. In-person and virtual tickets are available at lendit.com/latam

Peter Renton: Today on the show, I'm delighted to welcome Stephany Kirkpatrick, she is the CEO and Founder of Orum. Now, Orum is a super interesting company, they're still pretty new and they're trying to solve a very big problem, they've had great traction already and you go to their website and it talks about frictionless financial infrastructure. What it really means is about moving money around quickly and doing it with reduced risk and reduced cost so really, we're talking about changing a system that has been set up decades ago that really, never imagined even the Internet, let alone instant communication between people.

And so, what Orum is doing is building a layer between the fintech companies, the banks and the consumer where you can basically have instant payments even if the actual money itself doesn't move instantly. When money does get around moving instantly, we talk about FedNow and the clearing house and other options that exist today, not in the case of FedNow, but will exist very soon. We talk about how they can still kind of work within those systems and when money moves around instantly they will still be able to help manage that process. It really was a fascinating interview, I hope you enjoy the show.

Welcome to the podcast, Stephany!

Stephany Kirkpatrick: Peter, hi, so great to be here today. Thanks for having me.

Peter: Of course. Let's get started by giving the listeners a little bit of background, I'd love to kind of hit on some of the highlights of your career before you started Orum.

Stephany: So, if we back, way, way, way up in time and probably more of a back-up than I want to actually honestly admit, I started my career as a Certified Financial Planner so I've always just had this passion for helping other people who have less be able to have more with what they have, right, and sort of answering the evergreen question if I have a dollar, if I have \$100, if I have \$1,000, how do I optimize it. And so that got me hooked on essentially building technology that could help solve that problem so I spent a number of years actually, almost a decade, working for a company called LearnVest, both pre- and post-acquisition, building

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financial planning technology and specifically building algorithms that could help figure out what should I do with that \$1, \$100, \$1000, right, finding the sort of mathematically perfect answer and then connecting the dots for people to actually be able to implement that.

What I found in the sort of financial planning space is that there's so much interest in having the answer to the question, what should I do. Pay off debts, save more, invest more and then there's the reality of like maybe 5 or 10% of that ever actually happens in someone's life because it's hard, it takes time and most importantly, it's actually full of friction. If you think about the last financial transaction, Peter, that you did in your life, how did you do it, where did you do it, how long did it take. Most people would sort of recount the story.

In fact, I have a personal one, right, I moved money out of my investment account at Betterment and it took seven days, seven days for the money to go from inside of Betterment back to the bank where I needed it to get to and we're in an instant economy where everything else, whether it's groceries, massages on demand, you name it, has gone to instant and yet our own money accessing liquidity to be able to pay bills, to fund an emergency, to be able to get money in or out of the market at the right time, it's all locked up in an outdated system that was built over 50 years ago.

And so, this sort of aha and sort of inspiration for Orum has always been tied back to my roots as a financial planner seeking that sort of eternal answer to the question, not how do I get you the best advice because actually the math is doable and people can reach out and get access from an advisor or a bank or a financial planner, it's the implementation. And if we dreamed about the best outcome, the best outcome would be that we could move money 24/7/365, there would be an easy button for your financial life and sort of everything would be automated, right.

You'd be paying off your credit card debt not once a month if you, hopefully, have money left over, but with really \$10 a day as a background and if there was extra money in your account, it would be automatically implemented to be saved, invested, you know, a number of different sort of platforms. So, that was kind of the beginning of thinking about, huh, how do we get implementation off the ground, how would we build an easy button for your financial life and what we netted out is to understand that like to build the easy button for your financial life, you actually have to rewrite payments infrastructure.

Peter: Right. (laughs)

Stephany: (laughs) You actually can't just build a button because you could push it and it wouldn't do anything. And so, Orum has become the industry-leading platform for smart real-time money movement and we're tackling financial infrastructure at its roots by building a viable infrastructure, specifically APIs, that'll actually enable 24/7, 365 access to liquidity, money in and money out of any type of account or platform, works for banks, works for lenders, works

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for fintechs, works for merchants and sort of abstracting the idea that you ever even have to know how it moved, you just have to make a decision how fast.

And you have started to see places where this has become more real, right, you have a few dollars in Venmo, you want to get it out quickly, you can instant transfer. So, the world has started to pick up on the idea that money should be moving faster and we want to be the enabler for that to happen, literally, everywhere.

Peter: Right, right, that makes sense. It's funny because I had this similar situation. I bank with a top ten bank and I also bank with a fintech company and I move money between the two, you know, on a semi-regular basis so I moved money from my top ten bank to my fintech company last week and I keep thinking it's going to improve, but, again, it takes like four business days to be fully there. I'm thinking, this is something I have done maybe 20 times or 25 times before I would think it's a low risk transaction, but it isn't so maybe before you sort of start talking about what Orum does, maybe we could address why are we still taking four, five, seven days to move money between financial institutions.

Stephany: It would seem the sort of question I would ask about, you know, why haven't we upgraded lots of things in this country while technology is sort of like rocket ship launched us towards expectations as consumer goods to have, you know, Amazon same day delivery and to have Uber at our front doors. There are many pieces of US infrastructure, physical and otherwise, that have just really not been touched in this sort of innovation economy so I think there is much work to do. Specifically, if you think back into the last 15 years, the majority of money movement that happened in the US didn't demand, didn't require a real-time transaction so, first of all, our sort of expectations have changed.

The system was built in an era when it was perfectly suitable, in fact, even data, right, because at that time people were using cash and checks essentially only in the advent of ACH, the ability to use the Automated Clearing House was actually not the motivation at that time. Fast forward to where we are today, and it's no longer innovative, it's now antiquated and we struggle with being able to upgrade a very deeply embedded piece of infrastructure. And so, if you're a bank, if you're a financial institution, remember, there are 11,500 financial institutions hooked in to ACH, the investment to make even a moderate change is massive, oftentimes prohibitive, so that's where APIs like Orum can come into the augmenting and additive to sort of the existing baseline infrastructure and a lot of it, frankly, boils down to technology.

One, you mentioned it, Peter, is risk management. To move money in real-time, you have to manage risk in real-time. Today's data consortiums are predicated on an era when check cashing was the problem to be solved and so they used batch files that get uploaded a couple of times a day, they are manually reviewed by humans, the human in the loop problem is huge and so banks are inherently anti-risk, low risk machines and so this process has worked and it worked until it didn't and now, we're in the generation where it doesn't work.

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It has to be changed and with \$62 Trillion on the line of annual money movement, we're at the tipping point for not only the massive innovation, but real traction to move away from a system that doesn't serve our needs to more modern rails, including real-time payments, FedNow, Visa and Mastercard offer card options that can move money in real-time. So now, we actually have the opportunity to move money on faster rails and the question becomes, which rail, at which moment in time at the best price with the lowest risk. So now, you also have to solve a different kind of problem in addition to solving for the baseline infrastructure.

Peter: So, maybe you can describe exactly what you're doing here because...I mean, most people listening to the podcast will understand ACH and how antiquated it is, but they probably don't understand exactly what you're doing and you touched on FedNow. I mean, there's plenty of initiatives out there that are beyond FedNow, but happening today like, you know, you mentioned Venmo which I think uses VisaDirect from memory. Maybe you can talk about how you're addressing the problem and what sort of...I know you've got like an API-based system, you've got some advanced machine learning algorithms in place, why don't you just describe what Orum is doing.

Stephany: Happy to talk more about what Orum's doing and I think the easiest way to describe it, honestly, is to take a look at Amazon and the reason I picked Amazon is because as consumers we've been sort of training to get excited about one thing and one thing only, did that the package comes instantly, how fast did it get to my front door. Amazon has built all the technology including machine learning and intelligence and risk management to figure out how to use Fedex, UPS, DHL, USPS and their local couriers and probably a number of smaller providers domestically in a crash to get that package from Point A to Point B. They manage the price, they manage the speed, they manage every piece of it, the consumer checks out and it's instant, right. That's the same thing that Orum actually does, but we do it for money movement.

So, we take all those things you talked about, VisaDirect, Mastercard Send, FedNow which isn't live yet, but it's coming, real-time payment, the actual RTP network, ACH, wires, we take all of that, we package that into the behind-the-scenes of our APIs. You hit our API with a simple request, move money from Point A to Point B, for this person, from this account to this account, it can go point-to-point and our APIs begin kicking, our intelligence layer looks at type of transaction, how big is it, where it's coming from. We think about all the different vectors at risk that might go into that transaction, the risk that it might not settle in three days, they're just your basic non-sufficient funds risk so the T+3 settlement window. We look at the easiest return risk so there's 60 more days of fraud, return that could come in so what do we think the probability of return is. We then look at what type of transaction and how it should route, which network of banks we should pick from.

As we take all that complexity, which you would otherwise have to build individually, right, you don't have engineering teams like banks or fintechs necessarily having time to go build

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multi-layer integration to get all of these different pieces and then keep up with the next thing coming, right. So, we talked about FedNow coming and soon we'll have settlement on the blockchain, USDC, crypto solutions, it's just that an ever changing sort of world and so while we don't see each of those real competitors to each other, we actually see them like Amazon does as part of the final mile aspect of getting money to move in real-time. And so, that's how we can achieve via API money movement in both directions, real-time pull and real-time push, 24/7/365 in under 15 seconds.

Peter: Okay. So then, going back to my example of moving from my top ten bank to my fintech company, if both of those were on Orum's platform you would be able to see that oh, in the last three years, he's moved this same amount of money 20 times. You flag it as low risk, but then someone's got to make the decision, right, that this is okay, who is going to take the risk that okay, it might be low risk, but it's not zero risk. You know, someone's going to have to say right, we'll let's make it instant payment, but the money is still not going to actually move, right, in real-time. Maybe you can talk about a little bit about the sort of dynamics between the risk and the movement.

Stephany: So, it's actually a huge piece of how Orum operates and a very important aspect of what we do is the risk management and the decision, right. Just like in the business world, everybody likes to have an opinion and it's very hard to make the decision. Inside of our platform, we actually do the decisioning for you, we have some options for bigger customers, larger banks that have big decisioning engines and larger operations. We can work with to allow the decision to sit on the bank side, but, by and large, people are choosing Orum because they don't want to have to make the decision. They want to rely on the intelligence layer and the machine learning to identify that level of risk and then actually route it accordingly knowing that they may pay a slightly higher price to have the risk handled on their behalf.

And so, Peter, when I think about the example you gave where you got, you know, two/three years of history of sort of excellent banking behavior moving money from a top ten bank to a fintech and back and forth, the way I would describe Orum's intelligence, actually we say that we look back three years because who you were for three years ago, what you might have been doing, that's relevant, right. Real-time money movement is very much about real-time risk, is this actually Peter, is the first question. You might have had somebody log-in under an unauthorized account takeover, looks like Peter, fits your credentials, but there's some other vectors that suggest it's actually not you, right, and there's lots of things I could give.

Simple examples on obviously the decisioning is much more complicated, but logged-in from Safari, normally uses Chrome, crossed with time of day and size of transaction and the re-attempt to unlock a locked out password, you know, 15 times in 3 milliseconds, right. Combinations of scenarios that suggest it's actually not Peter or combinations of scenarios that look across our data network which is a big part of what we do and say, hey, this pattern has been seen before, right, that the money originated here with size in this way and transferred in

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this way looks just like a fraud pattern that we've seen with XYZ customer so we've already seen that before.

So, a lot of the decisioning in real-time money movement actually, again, has really lots to do with transaction history. I'd say a small part of it, 90% of it really comes from variables that look at, the different vectors of information that identify what's going to happen and give us predictive information, much of which is not tied to, frankly, transaction history and is much more broadly tied to signal about the accounts, the transaction itself, you know, the vehicle being used to log-in and authenticate things like that.

Peter: If it's deemed as low risk, you choose a different method than ACH, is that how you sort of make the money more instantly available. What would be an example of something that would basically move this from four business days to same day or instant?

Stephany: And that's exactly where the magic is, Peter, so by having the risk intelligence that's proprietary, built on a network that has super served sort of the purpose of building this intelligence and then also being able to decision and take that risk there is actually no alternative form of pulling money other than using the debit and credit rails which the cost is usually prohibitive for on a small transaction or even a medium or large size transaction because it's generally tied to interchange so often that's not the top choice although it's available we can hold via card rails. Real-time payments doesn't offer the request for payment feature yet in the market broadly, FedNow it's expected to offer it right at launch so, you know, 2023 is coming.

But, in the meantime, what Orum does is we essentially look at the risk in the transaction to your point at low risk, what we're going to use are liquidity as a service platform which is inside the backend of our money movement system and we will forward up to five days of advance funding much like Venmo does, actually. If I Venmo you, Peter, a \$100 right now, you could instantly transfer it out, you can Venmo it to someone else, you could spend it with a merchant on your debit card, etc. and Venmo actually doesn't even have Stephany's \$100 yet, right, they're taking the same kind of risk. We do that at scale on an enterprise basis so sort of a super charged Venmo.

Peter: Right, got you. Now, liquidity is being fronted via Orum, it's not real instant. We could segue way into FedNow, when that launches, I imagine it won't really impact you other than the fact that maybe your liquidity as a service platform is used less. Am I right in that sort of thinking?

Stephany: It certainly could be used less which would be great because I think, ultimately, you know, we'd love to see money movement pull and push, always be in real-time when possible, but, actually it's very much like in the Amazon example where it's yet one more final mile delivery option, right, one more path with broader coverage. There's expectation, maybe not

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certainty, but certainly expectation that the FedNow real-time solution which will be considered sort of instant payment versus the clearing houses real-time payment product, that it will have faster traction and adoption in the market, right, because it's tied to the Fed, because it is deemed to be sort of more let's say user-friendly although it runs on essentially the same operating standards and ISO standards as RTP, there is expectation that it will sort of be utilized faster and more broadly than RTP has been.

So, the challenge with moving to real-time payments in one part is risk management, right, which we absolutely solved for. The other part is, is there enough coverage to actually receive a real-time payment, having a bank signed up on the new protocol where this isn't ACH, this isn't a wire, this is a Net new form of transaction, so it requires real-time ledgering, it requires an update to core systems, it requires running a 24/7 banking operation which certainly isn't the norm in a 9 to 5 setting.

And so, the Clearing House having gone first ahead of FedNow has certainly seen the adoption challenge of converting thousands of banks away from one operating protocol to a Net new one that has certainly absolute value and enhancement to it with operating challenge, right, pre-funded accounts, new ISO standards, different messaging system, risk management looks different and so as a part of that kind of feels like Apple Pay.

Do you remember when Apple Pay was so new that maybe like 10% of people took it, right, but you still tried and it went 10/10/10 maybe as much as 30 for a while, it went to 50%, hovered there and then it went from 50 to 95% or almost fully there. Real-time payments has the same curve, right, about 25 banks today can send and receive a real-time payment, but 150 can receive so that's actually getting a lot better. So, in Orum's sort of infrastructure, when we make that decision about how much risk is in the transaction and should we forward the money using liquidity as a service, we didn't look at the other side and say how fast can we get it in your account and we will, where applicable, to use RTP and when it becomes available FedNow and in some cases we'll use the card network so there's a variety of ways to move money.

Again, price, coverage, do you have your account routing number, do we actually have your debit card number. those are all going to be factors in figuring out how to get into the destination during that five-day advance funding window, if applicable.

Peter: Right, right. So, what Orum's offering is sort of this middle layer I guess where you don't....it doesn't matter if FedNow gets a lot of traction or not, it doesn't matter if the clearing house gets a lot of traction.

Stephany: That's right.

Peter: You can make sure that everybody is covered.

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Stephany: That's exactly right.

Peter: Right, got you, got you. So then, you did touch on this, I do want to talk about crypto, you mentioned it. I was buying more crypto over the weekend and, you know, it's instant like I have the money sitting in my account, that still takes time to get it from your bank account into one of the exchanges, but I moved money from Coinbase out to somewhere else and then I moved it somewhere else and it all happened pretty much instantly, sometimes it took a few minutes so that obviously has its own set of challenges. So, how do you think about, you know, crypto which is operating 24/7 today, how do you think about that in respect to what your existing offerings are?

Stephany: So, I will say two things here. First of all, I think crypto as a category is very interesting and less so because I'm investing in any one coin and more so because I think it's just proven to the financial world that there is demand for things to happen in real-time and frankly, in a blockchain, you know, settlement where there's less detail on the history of like say of how the transaction occurred. Now, banks don't like that, right, regulators don't like that for anti-money laundering purposes, etc.

So, will pure play crypto take over as the likely dominant form of money movement? Probably not, at least not right now, not without regulation, but where I do see or I'm planning and I think, you know, very near term is to look at USDC, right, look at the Fiat currency. Convert it into digital and think about how that actually streamlines and becomes yet another form of money movement, right, like RTP, like FedNow, like debit and credit rails.

It's this next generation means of moving and transacting money and it's going to be done digitally and so to us, again, that's just additive to the backend of the platform, I think of nascent adoption initially, but it's ultimately one of the most powerful ways to think about cross border payments, to think about the translation back to another Fiat currency in a different country. There are many reasons why USDC and ultimately the conversion from Fiat to digital and back becomes really meaningful.

But, you touched on a key thing, Peter, which is today, currently, to get money into a digital setting and get it into crypto does essentially require ACH or wire and in the case of ACH, as we talked about, you're looking at three, four, five maybe more days and many crypto platforms actually hold the funds anywhere from seven to 60 days because of the risk of returns, of fraud, you know, sort of inherent to the problems that we talked about originally with ACH.

So, it's not without its challenges to get money in and out once it's in a crypto wallet, like you said, your gold then so I think what we're seeing is just the very beginnings of what will be. One of our bigger, I think over time, forms of transacting in this alternative setting and I think we're very supportive of anything, frankly, that comes to life, whether it's today crypto and USDC that gets talked about, right, another form of settlement.

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As those things emerge, Orum is aggregating all of those money movement protocols on our backend so that our customers, our partners don't have to worry about what's next, right, fully redundant so multiple connections to the offerings. If I want to go to Bank A and their RTP is down, I go to Bank B and pull RTP there so there's no concern about uptime and so that redundancy is huge, right, in terms of trust in the market. And then secondarily, the idea that we have the entire portfolio of fully future proof, you want to move money in this capacity, we have it, right.

Ultimately that's one less integration, one less connection, one less decision point that the technical team have to make so those resources inside banks, financial institutions, fintechs, lenders can actually be prioritized for what their value prop is which in most cases is not actually moving money, right, that's a means to an end for the products and services they build. So, we think it can be built better, faster, smarter and, frankly, all done under a unified API.

Peter: Right, right, okay. So, let's get back to Orum. I'd love to sort of get more details on your journey. I mean, maybe you could share when you landed your first client and can you give us some of the names of organizations that you have on board now that you can share publicly?

Stephany: So, I'll share a little detail here, we're pretty private about our customer base in part because our customers are under NDA with us because we're still in a private beta and pretty limited access. But, I'll share two partners that are really excited about...first is a company called Creatively which is a sort of LinkedIn-type platform for creatives and it's a really incredible place not only to showcase work, but to actually get connected to large brands for both fulltime and part-time contract for creative work.

As you think about what the creator economy is bringing in terms of trillions of dollars of assets and opportunity and then you unpack that most creators, unlike you and I who probably get salaries and paychecks, actually get paid on net 45, net 30-term from big companies, they get paid out very infrequently, they have long lead times on access to their income and wages, it's a great place for Orum to actually come in and use real-time payments and liquidity as a service. So, we help creatives get paid in real-time and I think that's a huge unlock as so much of the world has shifted to a structure that is less, sort of let's say typical to the payroll cycle and the schedule of wages.

So, just wage access in general is really important in this, I think a super fun use case of a way you might think about real-time money movement having huge impact in society and, frankly, very specifically in getting liquidity and income into the right hands of the right people at the right time. And then, I talked about my brokerage platform...so we're working with a brokerage company, Public, to help move money out on a real-time basis.

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Obviously, everyone's excited about moving money into capital markets and investments on real-time basis as well, but as you and I talked about, there's times when you need money out, you need it instantly for whatever reason. So, those are some good examples where real-time money out or money into the hands of the consumer has been meaningfully impacted by having Orum services in the backend.

Peter: They're non-banks, obviously, what about banks, are you getting...I mean, are you focusing on the non-bank sector more than the banking sector or is it both?

Stephany: It's a little bit of both, actually. So, interestingly, we find that there's a ton of interest in the market and we work with some banks in addition to fintech players. We're working with a bank called First Horizon, again, very similar structure, adding intelligence and real-time capabilities.

So, if you step back and look at the landscape, you'll find that outside of the JP Morgans and the Wells Fargos, the Citis of the world, the vast majority of the entire banking sector lacks the access to the intelligence, right, again, tapped into outdated data consortiums and/or they lack access to the rails. They're on ACH or FedWire only and so we can be critical path for whether you're a bank or a fintech, it doesn't really matter, to be able to bring to life the ability to offer customers and small businesses real-time money movement in all directions, right, so we do find traction there.

You asked about our first customer, I'll tell you, it's terrifying. As you're building a company and you're moving quickly and you want to get out there and you're so excited to kind of talk to customers and the first one says yes and you're like oh gosh, it's real, this is happening, right. As any founder will tell you, it comes with a healthy dose of fear just simply living up to the expectation, right. This isn't like a cute consumer app or you download it and it's like the blue button breaks or the blue button was purple today and not blue, okay, we'll fix it tomorrow.

This is meaningful infrastructure, the company's relying on it so what we said to ourselves is do no harm, right, don't start with a partner until we're ready. You can have an MVP mindset absolutely, we're still a startup, we're still a young company, but really, really, really focus on first principles before going live, pick people that are co-build partners.

And, I would counsel any founder out there who's thinking about their first customers to say, it's not about the name brand, although that can be exciting, it's about the right partner, somebody's who's on the other side of your first one to two to three integrations when you're building a platform like ours where they're going to give you feedback, they're going to be forgiving, they're going to work with you. Maybe you take a concession on price, probably two. That becomes a showroom customer for you over time, they'll probably build your best products for you because they are there from the beginning, right.

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So, I think there's so much pride in the first few companies that you get a chance to work with, they become referenceable customers. And so, you know, we started building the platform in early 2020 and we had our first customer live by that summer so we moved very quickly, but we did it thoughtfully in a way that said, let's just do one first, don't do ten, do one. Make sure you absolutely have everything buttoned up working front to back, all of your operation are flawless and then go to ten, right.

I think when you're a founder, there's this push from your board, from your investors, from internal, you've got to get to ten, you've got to get to twenty, you've got to get to a hundred and you'll get there, that flywheel starts to turn, but you really want to turn it really thoughtfully. You can never ever go back on your reputation in the market as a company that moves money for a living and does risk management for its core pieces. We're very thoughtful about how we kind of got off the ground and certainly who we work with first.

Peter: Right. One major mistake here can be fatal really if you screw it up.

Stephany: That's right.

Peter: So, anyway I want to talk about fundraising. You got on my radar when you raised your Series A and then I suddenly find, I think it was literally three months later, I don't know when the closed rounds happened, but the announcements happened like three months apart. So, tell us a little bit about why you went back out so quickly and a little bit about the...what changed in those three months?

Stephany: Oh gosh, the fundraising journey. (Peter laughs) You know, you look back and you think did this one really happen, is this actually real because first of all, we've been building Orum sort of exclusively since quarantine started, right. We actually did our fundraising after New York kind of shut down on March 13th/March 14th of 2020 and we haven't looked back.

So, we run a fully remote team, we've done all of our fundraising remotely, much like you and I are chatting today in this podcast, but, you know, the video interaction was sort of all I had so it's been a really interesting journey just because I think, both for myself and for our early investors, frankly, all of our investors, they were figuring our fundraising on Zoom just like we were. So, that was a nice baseline, I think it's that we were kind of in it together.

The journey itself has been really interesting because, you know, ultimately, we're building something that is big. The TAM is growing by about 8 to 10% every year so the number of transactions that happen on the old networks that need to migrate to the new networks is constantly growing so we've got a big problem getting bigger and that's only focusing on the US, right. So, the TAM itself suggests that there is a lot to do, you know, even churning \$100 to 200 Million in revenue, you maybe barely cracked 1% of the market so I think investors can see that there's a big opportunity.

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Number two, it's hard to build, right, we focused first on great bank relationships and we're really excited about partnering with JP Morgan, Silicon Valley Bank, like tier one world-class providers who are stabilizing the backend of our business and that was our first investment, the right bank partners. I think, again, to the investor world you can pick through Cowboy Bank as there are a few doing crypto and other things out in the market or you can pick a bank that's going to be with you for the long run that has that track record and that's ultimately where we started.

We did all our stack, you know, planning our information security and all that's set up front. Startups often do that way later, right, so let's do it first. I think there was a maturity too how we thought about building the business and because it's hard to build, you know, the idea that we have gotten so far, so fast with the amount of payments under management so we'll hit a billion dollars of payments under management by the end of this year.

We'll cover about 10 million American households who are receiving faster funding through our customers of our platform and we've done all that in less than 18 months, we've done it all remotely. I think that plays into that fundraising journey which is, you know, that yes, the cycles have sped up, that's not just for Orum, that is market-wide, you're seeing that certainly in other places, but I think very specifically we think about first principles, showroom clients, great foundation, incredible technical teams and incredible leadership.

So, we've got leaders from Stripe, Square, Marqeta, everybody in the building has done this before, came from payments, understand the infrastructure and is really building world-class solutions. We stood that team up very quickly, we stood up the infrastructure very quickly, got into market and then the flywheel started, right. So, the difference between Series A and Series B, customer traction, data advantage, you know, the sort of obvious first principle things, revenue, obviously, being a big factor in there and that's kind of put us on the path where now, you know, as we continue to focus on product market fit, we're finding our solution, adding features, launching new products.

We're really excited about having gone from four people at the beginning of quarantine to what is now essentially a team of 75 in almost 21 states across the country and just building towards something that every day we wake up and think it'll be better. We want to move money in real-time and we obsess over that and I think that's really right, Peter, with the market.

Peter: Is the revenue model...is it a SaaS-type model or how are you charging for your services?

Stephany: It's a full payments model which means that you will pay on a transaction basis just like you would anywhere so cross path model and we blend some things in there so the cost of liquidity as a service, right. We get to do this at scale so it costs a penny, right, not a lot of money to have liquidity as a service. We've got really great unit economics because of the

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volumes that we drive and the bank partners that we've chosen and we've been super thoughtful about what drives the volume and the metrics that we're looking for to get us to being fully optimized from both gross revenue and gross margin perspective so, again, I think kind of coming back to first principles.

Not only did we want to secure a great team, great partners, great early customers, we really thought very early on about the economics, where do we need to invest, so right side up how do we get those economics working and if we're going to charge on a transaction basis. At scale, you can get ACH very inexpensively, we have to get people excited about paying a little bit more to have risk management, liquidity as a service and the real-time piece in it. What we're finding is that people are willing to pay that, right, the willingness to pay is actually very high, particularly on money into a platform where there is greater sort of cost of acquisition optimization that can happen. You just open an account and it's also funded in real-time, it's very meaningful, it's also a very sticky consumer experience.

We find that people who had instant funding on average two to three times more transactions per month because now they can see the benefit of putting money into an account. We also find some partners choose to monetize on the way out, right, and you've probably noticed this with Venmo, you noticed in lots of places, Cash App. You know, lots of companies will charge you maybe a certain percentage of the transaction, maybe it's a flat fee, sometimes it shows up as 25 or 50% and, ultimately, that creates a little bit of a revenue opportunity for the partner of ours and also provide an incredible consumer experience for real-time, that does play about how we think about the economics.

Peter: Okay. We're going overtime, but just a couple more questions I really want to get to. First, what is it going to take and when do you think it will happen before all money, at least domestically anyway, is moved around instantly?

Stephany: I guess for Orum's benefit, luckily I think the answer is probably decades (Peter laughs) and I say that laughing because, you know, look in your wallet, didn't we just say 10/15 years, we'll stop writing checks. Do you know how many businesses still write checks as their primary form of money movement and why the ACH network is actually growing in volume, because people are doing less with cash and checks. We're a long way away from it being 100% instant and, frankly, there may be use cases where it shouldn't be instant and so ACH will probably have its place, but I think it's decades.

I think over those decades, what we'll rely on for instant will change. Right now, it's RTP, FedNow, card rails and, again, USDC coming. I think there will probably be a lot of innovation both in how we move money and, frankly, what you can build when it's instant. Imagine if money really did move in real-time, 24/7, 365, what would the fintechs start to innovate on, what would the next generation of financial services look like?

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Peter: Yeah. We're seeing that with all the crypto stuff, there's really so much innovation I think there. Okay, so last question then, what's on your roadmap now, where does Orum go next?

Stephany: It's an interesting journey. I could talk to you about some of the near-term products we're very excited about launching, a federated fintech blacklist and sort of opening up that access open source so that anybody, bank, fintech, whomever, can check our blacklist without being a customer. We're building some really interesting stuff inside of our network around account verification, validation across the network of fintechs that connect with us today and banks.

I think that as we sort of fast forward, you know, a lot of what we're really excited about includes some of our platform pieces today that I think will be really viable, useful products for banks and other partners, real-time ledger, liquidity as a service. Many of these things can actually be standalone so we see some real pull from the market to do that as well and, ultimately, I think, you know, the sky is the limit in terms of building new settlement systems and things that will move money in real-time and we're not stopping till it's 100%.

Peter: Alright. Well, I really can't wait for the day where it is commonplace where things move instantly in traditional banks.....that's going to be a great thing for the consumer, for small business, for the economy, for that matter. So, thank you very much for coming on the podcast, Stephany, best of luck.

Stephany: My pleasure, Peter, thank you.

Peter: Okay.

You know, there are few bigger challenges in fintech today than moving us from this old batch-style payment system into modern, instant real-time payments. Clearly, there needs to be companies like Orum out there that can kind of....even when FedNow gets operating, it's not going to be universal, at least for some time. So, you're going to need to have this kind of layer that sits between the banks where you can still use the other instant payment options and have a seamless experience because the consumer, the small business...I mean, when you open an account at Robinhood or Charles Schwab or Fidelity or anywhere, you want your money in there now, you don't want to have to wait for five days.

That's a use case that I could see really getting traction and I think moving money around for payments just between companies, I think that's also a great use case, but I could really see how in this instant economy where you've got all the crypto things happening instantly, when people open an account anywhere they would want to have this sort of instant gratification. So, it's going to be fascinating to see how it all turns out.

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

(music)

Today's episode was brought to you by LendIt Fintech LatAm, the region's leading fintech event. It's happening both online and in-person in Miami on Dec. 7th and 8th. Latin America is still the hottest region for fintech in the world and LendIt Fintech LatAm features the leading players in the region. So, join the LatAm fintech community this year where you will meet the people who matter, learn from the experts and get business done. In-person and virtual tickets are available at lendit.com/latam