LEND ACADEMY

PODCAST TRANSCRIPTION SESSION NO. 173/STEPHANIE KLEIN

Welcome to the Lend Academy Podcast, Episode No. 173. This is your host, Peter Renton, Founder of Lend Academy and Co-Founder of LendIt Fintech.

Today's show is sponsored by LendIt Fintech USA 2019, the world's leading event in financial services innovation. It's coming up on April 8th and 9th, 2019, at Moscone West in San Francisco. We've recently opened registration as well as speaker applications. You can find out more by going to lendit.com/usa

Peter Renton: Today on the show, I am delighted to welcome Stephanie Klein, she is the CEO and Chairman of Braviant Holdings. Now Braviant is an interesting company, they haven't been around that long, but they're starting to get some really good traction in the non-prime lending space, non-prime consumer lending, and this is an area that Stephanie knows very well.

She spent a better part, or more than a decade in this space so we talk about what attracts her to the non-prime lending space, we talk about how they use technology, what channels they use to attract customers, we talk about their underwriting, we talk about the different brands that they have and how they are trying to graduate people from non-prime up into prime. It was a fascinating interview, hope you enjoy the show.

Welcome to the podcast, Stephanie!

Stephanie Klein: Thank you so much for having me, Peter.

Peter: Okay, so I like to get these things started by giving the listeners a bit of insight into your background. Maybe you can tell us what you've done in your career before you started at Braviant.

Stephanie: Yeah, absolutely. So going back to sort of school, I studied finance and business administration at the University of Illinois and more recently, I went to Chicago Booth for my MBA, but coming out of school I actually interned in investment banking at Goldman. I was in the Financial Institutions Group and I remember just thinking, if I ever do banking full time, it's going to be post MBA. I think the post MBA associates just look maybe a little bit more well rested (Peter laughs) than some of the second and third year analysts so I didn’t make it into banking full time.

I did go into consulting which when you graduate U of I...you know, from the business school in 2006, kind of banking and consulting were the two big careers. So I ended up working at a boutique healthcare consulting firm straight out of college and my second full time job was also a corporate finance role in healthcare.

And so it wasn't until about 18 months out of undergrad that I found my way into fintech. So this was back in 2007, you know, before most people had really heard of LendingClub or Prosper. People weren’t talking about marketplace lending or even more broadly non-bank lending, but at the time I was lucky to interview with the founding team of a little known online lender called CashNetUSA.

That name may not ring a bell for most today, but CashNet is actually a division of a billion dollar public company that is now called Enova International. So I think a lot more people are probably familiar with the Enova brand name, but back in 2007, the company was still pretty small, growing really fast. I interviewed for an entry level financial analyst role and my interview was with three C-level execs, the CEO, the CFO and the COO so imagine 18 months out of school, it was kind of crazy. Now again, most of these guys were in their 20s.

Peter: Right, I know some of them.

Stephanie: You do, you do, so the CEO was, the Co-Founder, Al Goldstein. So obviously Al is in many ways a visionary, one of the very early pioneers in online lending and of course, you know, has gone on to become a serial fintech entrepreneur with Avant and other businesses. So needless to say, I got the offer, I accepted and it was a really exciting time to join Enova and to get started in fintech back in 2007, working side by side and learning from the original founding team was amazing.

They were still there for a couple of years working towards the earn out from the 2006 Cash America acquisition, really talented group of people, insane year over year growth numbers and it really, just this feeling of forward momentum. It felt like we were building something that really mattered and something for a segment of customers which is non-prime consumers who had essentially been left behind by the big banks and excluded from traditional credit products.

So that's really where I spent most of my career prior to Braviant, about seven years at Enova starting as an entry level financial analyst and when I left had actually spearheaded the launch of the NetCredit business and was in a P&L management role overseeing the early growth phase of that business. Actually, I saw you also recently spoke to Matt Hollender, who was one of my colleagues back at Enova now running the NetCredit business and kind of taking it on to the next level. So that's really where I got my start in fintech.

Peter: So then this is obviously the non-prime space...you know, we know about Enova. So what specifically attracts you to this particular space, the non-prime space?

Stephanie: Yeah, so when I think back to 2007, if I'm being totally honest, I didn't know anything about it, I didn't know what a payday loan was, I didn't really understand the dynamics of being prime or non-prime in the US. You know, so back in the day, I just saw a bunch of really smart young people working downtown in Chicago with a casual dress code that seemed like they were building something they were pretty proud of. Obviously since then, it's changed a lot and I think during my time at Enova and in things I have done since, I really developed kind of an appreciation for this space and there's probably three reasons that I stayed in non-prime credit for over ten years now.

So the first is need. A lot of people with prime credit kind of think that sub-prime is a small sliver of people at the very bottom of the credit spectrum and the reality is that much of middle America today is considered non-prime. So 43% of the population has a FICO score below 700, 50 million adults are labeled underbanked by the FDIC, you know, CFSI which is a fantastic non-profit that does a lot of research said, look, it's not really 50 million, it's 150 million Americans that are financially underserved by the traditional big banks. And so I think that's the first thing. It's just a really huge problem and it's kind of cool to be trying to solve a real problem for people who need access to credit, people who don't take that access for granted like a lot of us do.

I guess the second reason is just that there's a lot of work still to be done so I look back at sort of what's been accomplished over the past ten years. And I think there's been a lot of progress moving from single pay kind of payday products which were, more or less, the only product you could get back in the day at a storefront and then eventually online from someone like Enova to installment products, longer term products. Now even a lot of people are bringing credit cards to market for this customer base.

So I think there's been a lot of progress, but there's still a lot to do even today. You know, four out of ten Americans can't come up with $400 to cover an unexpected expense and so that's, I think what keeps me motivated. I feel like with the pace that technology is evolving and analytics is evolving, there's so much more that we can do in the next ten years relative to what we did in the prior ten years. So those are two of the big reasons.

The third one is probably a little more pragmatic. I firmly believe that the non-prime space is quite frankly just less likely to be taken back by the big banks than prime. I think in prime, sort of non-bank lending...there's a real risk of the disruptor kind of becoming the disrupted with players like Goldman Sachs through its Marcus brand and others entering this space. At the end of the day, everybody wants to lend to someone with good credit, you know when you've got good credit, a basic kind of FICO score and income matrix and a little bit of verification takes you pretty far.

The non-prime space is a little bit more difficult, a little bit more challenging. It's hard for a traditional bank to serve because they've got deposits and FDIC insurance and things like that to think about so I think, pragmatically, non-prime is a space where people like my current company, Braviant, are just quite frankly going to keep leading the way on innovative scalable credit solutions.

Peter: Okay, why don't you give the listeners a little bit of background about Braviant. I know it hasn't been around that long and I believe that while you're the CEO, you weren't there at the very beginning of the founding of the company, was my understanding. So tell us a little bit about the Braviant story.

Stephanie: So Braviant was founded in 2014 and as you said, I joined a bit later. Our first loan was issued in December 2014 and I joined almost a year later in November 2015 so pretty early on, but certainly the company looks quite different today than it did when I started.

I think originally, Braviant was founded to essentially take advantage of all of the advancements in online technology, data sources and analytics over the past several years. So you think of some of the online players, especially in the non-prime space, who really got started in the early 2000s and a lot changed over the years. And so getting started in 2014, there was an opportunity that our founder saw to sort of start over and take everything that had been learned and figure out how can we create a next generation lender for underbanked consumers, you know, for the next ten years.

What I've done since I joined is obviously focused on some of the basics, you know, how do we scale profitably, making sure the unit economics make sense, all of those things, but a big thing I've also focused on is what is our mission, why do we exist. So one of the things we're rolling out this year that I'm pretty excited about is the new mission which is "A Path to Prime."

A Path to Prime means not only solving the immediate credit need, but trying to design products that can help non-prime consumers build credit history, build savings and achieve overall better financial health as they work their way toward prime credit. And so that's really the mission and the goal of Braviant, you know, how can we help people graduate to better rates over time which we're doing today.

Our previous customer rates are about 40% lower than new customers, but going forward, there's so much more we can do and we're trying to figure out how to help customers build savings and improve their traditional credit scores so they have access to other products in the future.

Peter: Okay, so with that...I mean, you've got two brands, it seems like right now. You have the Balance Credit brand and the Chorus Credit brand. Because I don't believe you market yourself as Braviant to consumers, that's my understanding, so correct me if I'm wrong, but talk us through the two different brands that you've got.

Stephanie: Yeah, that's correct. So Braviant is sort of the corporate...you know, the name that everyone who works out of Chicago thinks of themselves as part of the team so we've got close to 60 people in Chicago heavily centered in technology and analytics roles and that's what we really think of as Braviant. Our two consumer facing brands, as you alluded, are Balance Credit and Chorus Credit.

So Balance Credit is our small dollar installment product, it's really a payday alternative product. Balance Credit is fulfilling that emergency need, that kind of $400 need that we talked about, for somebody who's living paycheck to paycheck. With Balance Credit, customers can borrow anywhere from a couple of hundred bucks up to close to $2,500 or $3,000 on the high end, but really an average loan is about $1,000 and it's paid back very quickly in about six months. So we don't offer any single pay products, but the installment products are still relatively short term on the Balance Credit side.

And then flipping over to our second brand, Chorus Credit, Chorus is our near-prime offering, on average...instead of $1,000, we're lending closer to $5,000 with a 3-year duration. So a Chorus loan is an unsecured personal loan, it can be used for any purpose, you know, it could be used for emergency expenses just like Balance, but what we see from the data is that close to 75% of Balance customers are using that product for an emergency expense, you know, a car repair, a medical bill, something like that, whereas less than 20% of Chorus customers are looking for emergency credit.

So on the Chorus Credit side, the vast majority of customers are really using the product to either consolidate other debts or to fund a major purchase. I guess with that said, it sort of leads into well why we have two brands. We feel like the products and the target customers are actually pretty different and that's why we decided to separate the brands. It basically helps us focus on the right messaging, the right products, the right customer acquisition strategy for each type of consumer, sub-prime versus near-prime, and it also helps us seek out separate debt facilities, strategic partnerships, you know, things like that that make more sense for one brand versus the other.

Peter: Right, but you would get, I imagine, some people who come to Chorus Credit who really don't belong there, maybe even vice versa, going and coming to Balance Credit. Do you sort of send customers between the two brands?

Stephanie: Yeah absolutely, you bring up a good point. Chorus Credit, just as a side note, just launched in December of last year so it's been live for less than a year, still more or less in a pilot mode. So what we envision for the future is we want to serve that full non-prime spectrum and essentially, we think of it as a risk-based pricing approach day 1 to figure out what's the right, you know, loan offer, price, term for a customer when they come to us as a new customer and then no matter where you start in the spectrum graduating people down to a better product over time.

So because Chorus is so new, to date we really focus on graduating people within the Balance Credit business, but certainly in the future we think about what should the Braviant Path to Prime mean, it needs to cross both brands, whether that's somebody who doesn't quite qualify for Chorus being referred to a more appropriate product from Balance Credit, or somebody who's reached the top of the Balance credit spectrum being able to graduate into a much lower cost loan via Chorus Credit.

Peter: Okay, so then can you give me some sense on...obviously, you talked about the duration, but what about the interest rates of these particular loans, what are we looking at here? What's the typical Balance Credit and Chorus Credit type terms?

Stephanie: Yeah, absolutely. So Chorus Credit which again, is that sort of $5,000 average 3-year personal loan is a sub 36% APR. Balance Credit generally starts in the triple digits so a new customer at Balance would generally pay about half the cost of a payday loan or an overdraft fee and then that rate is going to decrease over time as customers prove out their ability and willingness to repay.

And really the higher cost of credit for Balance reflects a couple of things. First, obviously the higher default risk being more of a sub-prime consumer versus near-prime, but the second piece is just the higher proportional cost of originating and servicing such a small dollar loan. So if you think about a prime lender, you know, they might spend $350 let's say to originate a $15,000 loan; a sub-prime lender might still spend $250 to $300 to originate a $1,000 to $2,000 loan so the principal funded is close to 90% lower, but the cost to originate is only 15% to 30% lower.

Peter: Right.

Stephanie: So I think it's fairly well understood in the industry. Unfortunately, less credit worthy consumers tend to pay significantly more for credit and quite frankly the economics wouldn't work if they didn't. But I think that's why it's important for lenders like Braviant to incorporate more of a mission-focused work toward the Path to Prime and figure out, regardless of where that starting point is, how can we help people graduate to a better place over time because you've got a pretty high charge off rate on sub-prime, but you also have people who pay back successfully. And once you know who those people are, they deserve a path to better products.

Peter: Right, okay. Obviously, you're operating online, but are you nationwide or what states are you operating in?

Stephanie: Sure, today we're operating in 12 states so the largest by population are California, Texas and Ohio. We do have plans to scale nationwide in 2019 so I'm not able to share the name or too many details quite yet, but we're essentially in the due diligence process and working out the program details for a bank sponsor program.

Peter: Right.

Stephanie: So I'm hopeful that I'll be able to announce that in the next four to six months. It would be a partnership with a state chartered community bank who would actually originate loans nationwide and Braviant would serve as a vendor to that bank.

Peter: Interesting, okay, that sounds great. So then I look at your website here and it says that you combine breakthrough technology and machine learning to empower consumers with better credit solutions. So there's quite a bit in that statement there, but I'm most interested in the breakthrough technology and the machine learning. Can you sort of talk about what that actually means, what you are doing to really enable more people to be underwritten more effectively?

Stephanie: Happy to, so over the past year, and this is kind of a project tied into the launch of our Chorus Credit platform. When we launched that new business it really gave the current team an opportunity to sort of assess the lay of the land from a technology perspective, figure out where we had pain points and how we could address those. And so one of the initiatives that we undertook was completely rebuilding our decision engine technology infrastructure and we rebuilt that infrastructure to support two main goals.

So first, we wanted to be able to seamlessly deploy R and Python code into production. Generally, that's what our analytics team is coding models in and a lot of companies have, you know, different types of decision engine structures where you need to essentially take that code that your analytics person is building the model in and then translate it to a different language to deploy it into production.

As you can imagine, that's inefficient, it's time consuming and it also increases the execution risk of having a bug or an error so we wanted to be able to eliminate that friction which helps us move a lot faster. You know, we build models, we can roll them out closer to real time instead of a lengthy technology process.

The second piece is that we wanted to be able to support machine learning models. You know, again, going back to the types of models that you can build in R and Python, there's a lot of cool things, you can do to random forest, gradient boosting and we wanted to be able to deploy that machine learning technology and test it in a very sort of disciplined champion/challenger way against our linear models.

Of course if there’s lift, we want to be able to scale those models up. So a key requirement there, especially on the underwriting side, we're also using machine learning for marketing acquisition, but on the underwriting side, it's very important from a compliance perspective to be able to explain to a consumer why they were declined to be able to provide essentially the reasons for the notice of adverse action.

So those were our two goals, we wanted to rebuild our infrastructure to be able to seamlessly deploy models in the language they were written in and then be able to also use machine learning models not just logistic regression models and, you know, have that explanation for a customer still of why they were declined if we weren't able to approve. And so that's really where we focused a lot of our technology.

I think you're well aware...I mean, for a balance sheet lender like us, the two largest operating expenses are basically loan losses and marketing, and traditionally, those sort of move in opposite directions (Peter laughs) so...if acquisition cost is too high, you loosen your underwriting, but then your defaults go up; if defaults are too high, you tighten your underwriting, but then your acquisition cost goes up.

And so our goal and what we've actually been able to prove out through some of our new machine learning models is that we can find those “win-win” scenarios so how can we increase approval rates, expand access for underbanked consumers without increasing our default risk and the better we are at that, the more efficient we get at marketing and underwriting our customers, the better we can execute on our mission to lower the cost of borrowing as well as to invest in new products and services such as savings.

Peter: Right, got it. So then what about…I'm really interested in data particularly when you look at your Balance Credit type customers. A lot of these are people who don't have a large credit file, sometimes they'll have, I imagine, a thin or no file so what is the data you're actually getting from this population that really enables you to make an appropriate underwriting decision?

Stephanie: Yeah, we use a variety of data sources to underwrite non-prime. It certainly is not as straightforward as, you know, just buying a FICO score from one of the big three bureaus. That said, I will say that some of the big three bureau data can still be predictive and so what we try to do is take the raw attributes that you can buy from those bureaus and then build our own scores and we've been able to build scores that differentiate a lot better for the sub-prime population than an official FICO or VantageScore. So that is one input into our models.

We're also looking at non-traditional bureau data so there's a lot of alternative bureaus out there. Interestingly enough, a couple of them, Clarity and FactorTrust were both just recently acquired in the past year or so by the big bureaus so the big guys are really focused on this alternative data space, but those bureaus have been around for a long time, a lot of rich data there for the types of products that never were reported to the big three.

You know, going back to kind of the online payday loans where the whole industry started 15 years ago, that wasn't a product that the bureaus even wanted data on, let alone if a lender wanted to give that data. You know, the way they viewed it is a one time payment of $500, that's not really relevant to my customer at the credit bureau which is a big bank who's writing a multi year, you know, mortgage or auto loan or credit card product.

So it's really interesting though how those two worlds have sort of merged with traditional bureaus and alternative and then we're also looking at other types of data, you know, bank transaction history, looking at the cash flow data there. Obviously, as an online operator, we need to build a really robust fraud prevention model and have really good tools and methods there so looking at things like the IP address, looking at information we can find about the email or the phone number that was applied, trying to make sure that we're mitigating not only our credit risk but also our fraud risk and protecting consumers who may unknowingly be the victim of identity theft.

Peter: Got it. So these consumers…I mean, where are you going to find them? Obviously, this is an online endeavor, I presume it is, you tell me, what are the channels or how are you finding these customers?

Stephanie: Yeah so I mean, as you said, you know, we're only operating online and so both of our consumer facing brands...neither of them has a storefront. You've got to apply online and it's interesting because we're actually one of the largest direct mail providers in our markets which sounds a little maybe, you know, non-intuitive, right. You're acquiring customers online, why are you sending them a piece of paper mail. That sounds even maybe a little bit kind of old school, but the reality is that direct mail works really, really well for our segment of the population.

You know, first of all, you're talking about people that generally are getting declined over and over so being able to send somebody a pre-approved firm offer of credit is really huge in our space because that's really the number one fear that these customers have is why even waste time applying for credit just to hear a no again. And the other thing that's interesting about mail is, you know, opening a piece of paper from an envelope in your mailbox, again, feels a little bit dated, but the actual data driven process behind direct mail targeting is really, really sophisticated.

So we currently work with four different bureaus to generate lists for our mail, we've built more than 30 different proprietary models, they predict things like likelihood to respond to an offer, likelihood to convert after responding, default risk, expected income, all different dependent variables. Half of these 30 models are machine learning, half are more traditional linear models and so it's really amazing to have a channel like that. You know, we send millions of pre-approved offers per month and then as we see who responds and how these customers that we approve perform, we can fine tune our models and build new models to get better and better over time.

So I think that’s, you know, something that we're really proud of, kind of our direct mail programs; we feel like we definitely have some secret sauce there. Outside of direct mail, we use of course, some digital marketing techniques, things like retargeting if someone was on the website and bounced off making sure that they have ads, email marketing, but we are starting to also ramp up some additional digital channels. Online affiliate partners I think will be a big channel for us in 2019.

Peter: Interesting. I know that direct mail has been very successful for the prime segment. I didn't realize that that was going to be a core piece of what you guys do because you’re still talking about a direct mail piece for a $1,000 loan. Obviously, it's got a relatively high APR, but you can make money by having a $1,000...all the costs that obviously goes with the direct mail piece, I mean obviously you know exactly how much it costs. But, that to me is surprising that you can still have a loan that is relatively small, there's not a whole lot of room there to recoup your costs and that can still be a profitable channel for you.

Stephanie: Yeah, it is interesting and I think there's some lenders in the non-prime space who are quite good at direct mail, we're definitely one of them. I think there's others who have tried and failed, or are sort of still trying to figure it out. Certainly, you know the cost of the mail piece, right, I mean a mail piece might cost something like $.35 to $.40, including the data to actually generate the name, but there's a lot of risk that then comes into play once you send that mail out. You know, that $.35 is going to easily turn into a couple of hundred bucks and if you don't know what you're doing that acquisition cost can just go higher and higher.

If people don't respond, or if they respond to the dollar amount, but then they see the APR and they don't convert, you know, they respond, they convert, you fund them and they default, etc., but we've done, I think, a really good job there and built that out as truly a core competency of Braviant.

One of the things that I think is also unique about how we approach direct mail and really how we approach any channel, we're very disciplined. So our goal is to be profitable on the first loan. Certainly, we have a fairly, you know, a high percentage of customers that like the product and if they have a need again a few months down the road they will come back, but I've seen other lenders who are really counting on, sort of banking on that lifetime value from the subsequent loans even saying, hey, I can operate at a loss for the first loan, kind of weed out the defaults and then whoever comes back I will make money on those guys.

But for us, we just wanted to take a more disciplined approach, I guess, to some extent within fintech we feel like the “fin” piece is just as important as the “tech” piece and so with our direct mail campaign we're actually, you know, covering all that variable cost of mail, the underwriting data and the servicing on the first loan. What that does is it gives us flexibility to reward our customers on the subsequent loan.

Peter: Right.

Stephanie: So when I talked about taking the APR down 40% on the second loan, if you can't figure out how to acquire customers profitably on a first loan for a small dollar loan like $1,000 then you really don't have the flexibility to lower the rate on the second loan because maybe only 30% of people or something like that will take a second loan and you're going to be looking to that subsequent loan, that previous customer who might charge off half as much as a new customer to make all your profit.

So that's something that I...again, it just goes back to a really sophisticated data driven approach trying to slice and dice the data however we can and figure out which segments have a higher expected first loan profitability relative to acquisition cost and which segments don't. If they don't, we will forego that revenue and we won't mail and, you know, we kind of stay true to that disciplined approach.

Peter: Right, right. Okay, so I want to ask you about competition and it's sort of a two part question. The first part is I want to talk about US Bank because it's the first time...I'm sure you saw the news recently, they are launching a non-prime product, I think it's very similar to what you have, like a thousand dollar typical loan, six month duration type thing and so interested to get your take on how you view the banks as a potential competitor because I imagine before that the banks were pretty much...they were not in this space pretty much at all.

Also, there are obviously others in the non-bank space who are going after these same customers and how you view the competition with them so if you could sort of give us your perspective on the competitive landscape.

Stephanie: Yeah, sure and definitely, really interesting news with US Bank, certainly a different product, but it kind of brings me back to gosh, maybe seven/eight years ago before Direct Deposit Advance went away. So DDA was another product kind of back in the day that, you know, quite a few of the big banks were offering that in a lot of ways competed with short term credit from a non-bank like us and so I think it's almost coming full circle with US Bank stepping back in to offer a product like that and obviously kind of driven by the administration right now and the administration looking favorably on trying to serve this segment of the population.

But when I think about sort of the overall competitive landscape, I think what strikes me the most is that it's very fragmented. You've got a couple of big online lenders and even those guys from their own data will say that they make up maybe 2% of the market share if that, in the US and so it's really fragmented. There's been a huge shift from storefront to online over time and that's been well documented.

You know, over the past ten years there's been a huge shift from single pay to installment loan products so I think everything Braviant is doing with online products and installment products is sort of reflective of where the market has gone, is going and will continue to go, but it's certainly a really fragmented space. I actually to some extent welcome the competition and the reason I say that is I think, you know, people have a lot of different sort of perspectives on serving the sub-prime customer; how should they be served, what should the product look like, should they even have access to credit. You know, I firmly believe that access to credit is sort of essential in terms of building financial health and obviously it needs to be responsible credit and high quality products.

And so with that said it's a good thing, in my opinion, that more people are trying to serve this space and what I've seen over the past ten years is that certainly there have been regulatory changes at either the state level and in some cases the federal level that have shaped the industry, but a big shaper, I think, even more so has been competition and I've seen people come out and say, you know what, the online payday loan doesn't cut it anymore. You know, the industry has moved to installment, line of credit and again, at times there might have been regulatory drivers for that, but I think it's also been really good for consumers.

You know, you can imagine, for example, if we're still sending that $1,000 offer at a higher APR five years from now and the rest of the market has moved on to figuring out how to underwrite these same types of customers for $5,000 at a lower APR, we're going to be out of business.

Peter: Right.

Stephanie: So I think the competition overall is really good for the consumer. I think it's...you know, it kind of forces everybody to stay nimble, to never get complacent, to always think about what new technology is out there, what new data sources are out there, what new modeling techniques are out there that I can use to make sure that I still carve out a nice business, you know, for myself. I think again, it's such a big market that Braviant and a few other key players can all build a really nice sized business and can all sort of compete and innovate against each other to create better solutions for the customer at the end of the day.

Peter: Right, right, got it. So we're almost out of time, but a couple more questions before you go. You're a balance sheet lender, but who is providing the capital for your balance sheet to lend to these consumers?

Stephanie: So we're primarily funding our portfolio today through a couple of senior debt facilities and then cash flow from operations to essentially cover, you know, the debt haircut, the variable acquisition costs and then kind of our fixed overhead.

So about a year ago, we closed a $40 million facility with Redpoint Capital Group, they've since rebranded to Park Cities Asset Management; they've been a fantastic partner for us. And then we just recently closed a $50 million facility with Keystone National Group. That facility is specifically for our near-prime Chorus Credit business which is still in pilot mode. And so we're in I think a unique position, you know, with these two debt facilities in place, we really don't need to go out and raise equity to sustain our current growth rates which is great.

Now with that being said, we're certainly evaluating if an institutional equity raise would make sense because we do continue to push into larger, longer term loans at lower rates and obviously that is more capital intensive. So as we get better at sort of growing that larger side of the portfolio and graduating people from the starting product to a product more like Chorus Credit, we'll potentially look at raising outside equity to help fund the business.

Peter: Okay, that makes sense. So what about the future, what are you...obviously, you're talking about rolling out Chorus Credit, what's exciting for you as you look down the track?

Stephanie: Yeah I mean, I think, honestly, we're just trying to build a business that has long term scalability, profitability and sustainability and we want to do that while staying true to our mission and true to our values. So if I could flash-forward, let's say five years, you know, I'd love to be able to look back and say that one, we've achieved meaningful scale with our core lending products. We're originating close to $100 million this year, I think that number should be over a billion dollars in five years while maintaining profitable unit economics and while maintaining that disciplined approach.

And then, I think, the flip side of it is I'd like to look back and say, you know what, we really did successfully create a Path to Prime for millions of consumers. I talked a lot about being data driven and so I view the Path to Prime the same way. Today, we're building that path, but in the future I want to be able to look back and point to some hard data, some tangible proof points, you know, stats like higher credit scores, less money spent on interest, more homeowners because our customers disproportionately are renters relative to the median population, fewer customers living paycheck to paycheck, things like that. And so I think if we can accomplish that, it will be a pretty good outcome for Braviant.

Peter: Well, I wish you the best of luck. It certainly is a noble cause and the more people who can move forward from sub-prime or non-prime into prime is going to be...you know, it's better for the economy, it's better to everybody. I wish you all the best, thank you very much for coming on the show, Stephanie.

Stephanie: Thanks so much for having me.

Peter: Okay, see you.

You know, I'm really glad that Stephanie mentioned there that she is welcoming the competition. I think this is really what's going to move the needle. If we get a competitive environment within the banks including, I expect, other banks...US Bank won't be the only bank that will come out with a product like that, but there will be bank options, there will be non-bank options. People can compete on rates and user experience and really the winner is going to be the non-prime customer. Those who are responsible who really have the capability to move beyond non-prime, they will find themselves with lots of opportunities to do so and I think that's a great thing. It's going to be interesting to see how it evolves, but the non-prime space is one that really has so much opportunity to improve the lives of everyday Americans.

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

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