

## PITCHIT FINTECH STARTUPS PODCAST NO.1 – ZACH BRUHNKE

Welcome to PitchIt, the Fintech Startups Podcast. I'm your host, Todd Anderson, Chief Product Officer at LendIt Fintech.

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Before we go ahead and jump into the first episode, I just want to give everyone a little breakdown of what you can expect each week as well as a bit of history on PitchIt. So, PitchIt has been a core component of the LendIt in-person event. It's really helped and it's been the mission of PitchIt to help startups gain access to not only VC investors, but to the broader fintech community. They learn from fellow founders, they meet possible partners and so really it's always been a part of LendIt to help startups engage with the broader fintech community. Some of our biggest success stories to date include Nova Credit, PossibleFinance, Autofi, Jasper and KickFurther.

So, each week on the podcast my plan is to interview founders from fintech startups and really the focus of PitchIt and the podcast is the early stage fintech company. We define startups for the competition which is what PitchIt is and for the podcast as companies that have raised about \$20 Million in terms of equity founded no earlier than 2017 and they need to offer a fintech product for service. We also plan to talk to VC investors on the podcast and we plan to host occasionally more mature companies, whether it be a look back at the PitchIt competition in a special series or just give younger startups a bit of insight into kind of what it takes to build a successful startup.

We intend to have a lot of fun, talk about the entrepreneurial bug and how these companies are currently doing in the environment that we are in today as well as in the near, and hopefully, long term future. So now, without further ado, we're going to launch into our premiere episode, Zach Bruhnke, Co-Founder and CEO of HMBradley. HMBradley is a neo bank focused on savers built by a saver. Speaking with Zach was a lot of fun and I hope everyone joins the episode.

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**Todd Anderson:** Welcome to PitchIt, the Fintech Startups Podcast. I'm your host, Todd Anderson, Chief Product Officer at LendIt Fintech. Joining us today is Zach Bruhnke of HMBradley. Zach, welcome to the show!

**Zach Bruhnke:** Yeah. Thanks for having me.

**Todd:** So, to kick off, I'd like to just give a little background, tell the audience a little bit of about, you know, kind of where you've been before your current role and kind of what brought you to HMBradley and founding the company.

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**Zach:** Yeah, for sure. Look, I spent most of my career sort of in and around startups even before I knew that they were called startups. So, I started my first company when I was 18, it was what they call an e-discovery service which is a really fancy way of saying we scan paper and provided it to attorneys in a digital format (laughs) and I did that as part of college. Actually, sold them when I was still in school so I'm a drop out and then, you know, sort of meandered my way into fintech a little over a decade ago now.

Originally interned at a place called Fee Fighters which is a long time ago, Stripe competitor, and Sheel Mohnot who's pretty well known in fintech was one of the co-founders there and so I got to intern for Sheel and got to learn a little bit about what startups were, what fundraising was and all that kind of stuff which I've never really heard of before.

I grew up in Louisiana so wasn't really growing up around this kind of thing and ultimately got into YC in winter 2012, went to YC when the company called Medmonk...Medmonk's like still running, my old co-founders are still running it, it was more of a give Rx type of business, about a year there and decided, you know what, I like fintech much better. I eventually started a company called Spout which was a...let's just say a Plaid competitor kind of, did not work out nearly as well as Plaid.

**Todd:** Too early?

**Zach:** Well, yeah. It's funny, you know, back then the way it happened was everyone hated that business, believe it or not. You know, Yodlee was 15 years old, hadn't gone public. Plaid had just talked everyone in the world and barely raised \$3 Million and I would walk into meetings where blue chip firms...where they would routinely say something like I already passed on Plaid. (Todd laughs) So, long story short, you know, I kind of took the easy way out, kind of, you know, gave up and sold that company and spent five and a half years or so as the CTO of an investment bank, you know, which is every child's dream, as you can imagine.

As I watched Plaid's success and seen what they did...one of the things I remember the entire time was I was selling, you know, one of top five banks their own data back to them and to me that was a reminder that banks use their own data really, really poorly. And so, I think that was always at the back of my mind, one of the things that I knew and I think super highly of Zach and Will and the team at Plaid, but not that they were all that much smarter than I was, so I thought like if they can do it, I can do it so there's no reason I couldn't go and try this.

So yeah, I think after a few years of set back and kind of watching it and realizing that there was more that could have been done there and I kind of quit too early, I said, I've got one more in me and I'm going to take it as far as I possibly can. The one that I can promise you is if we ever sell this company, I'll consider it a failure. (laughs)

**Todd:** Interesting. You don't hear that from a lot of founders.

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**Zach:** To me, it's....you know, I've been a part of three exits too early. Selling your company too early, it's basically like watching someone shake your baby. It's terrible because they never do what you want them to do and technology never goes the way you want it to. I'm an engineer and have been my whole life and so...that part's really hard for me and I think in this....we just said we want to build something that'll last forever and we're going to do whatever we can to do that. That was one of the first things that I.....well, first it was Max, I was talking to him about it, our first investor, and then my co-founders. Basically, everyone agreed, I'm not selling this company, like over my dead body, you know, we sell this thing and if we do, it'll be because it failed and I was trying to recoup money for investors.

**Todd:** (laughs) It sounds like you've had the entrepreneurial bug for quite some time being that you start a company in college, I mean, is there anything specifically that kind of led you down, I want to be a founder, I want to start companies?

**Zach:** Oh man, my Dad, he's going to listen to this and probably, you know, rub his head, just laugh, but when I was a kid, there was three of us and my parents weren't super wealthy, they didn't have a whole lot, but they were really, really smart, they were good savers. But, my Mom run a cash vault and my Dad sells fences and my Dad desperately wanted to start a company to the point where on weekends, sometimes, he would drive us by buildings, like that's the building I'm going to lease, I'm going to do it. The one thing I never got to watch my Dad do as a kid was actually start anything, he always like.....and I think part of it was, you know, we were comfortable and that was a big risk and we weren't wealthy enough to just take the plunge.

So, I think that was always in the back of his mind, not that I felt sorry for him, but I sort of did, I guess. You know, I was like I saw that him and I knew how badly he wanted to do it and I think by the time I was probably 13 or 14, I thought, I am never going to let my kids feel sorry for me the way that I felt sorry for him. I am going to do whatever it takes to bust my ass and just make it work somehow and know that I left it all on the table. Honestly, that's probably why I started HMBradley when I did, I felt even though I've done it and I've spent my career doing it, I haven't left it all on the table yet and that's what HMBradley is about, You know, for me it's about putting it out there, leaving it all on the table, every bit of effort I have into it and betting my entire life and reputation on it.

**Todd:** Being that you mentioned the company now, let's move to....tell us a little bit about the firm, the products that you guys have, your differentiator....feel like, you know, these days as a neo bank almost every week, it feels like, (Zach laughs) at least from my perspective as someone covering the space so just tell everyone a little bit about what you guys do and, you know, kind of who your target audience is as well.

**Zach:** Yeah. I think we feel sort of the same way, we saw all these neo banks and I think one of the reasons for creating HMBradley was that one of the things that we didn't see in the neo banks is in the differentiation, you know. Basically, in my opinion, Chime came out and said hey, get paid two days early where you never pay a fee and it worked and everyone else just ripped that off completely.

**Todd:** (laughs) I see a lot of commercials with "get paid two days early" now.

**Zach:** By the way, not to say anything bad, I think very highly of Chris and Ryan and the whole team at Chime, Maya is an incredible, you know, advocates for ours ironically, whose the voice of the customer there, but, you know, getting paid three days early doesn't really mean much. You know, you get paid today really once and then you're in the same 14-day cycle.

**Todd:** Yeah. You're just getting paid two days early, two days early and then the cycle is the same, like you said.

**Zach:** That's exactly right. So, it's really...you know, that to me was not a hook that our customers cared about and when I say our customers, we came into this building something that we wanted as consumers. I think the reality that we had as consumers was we're banking with one of the top five banks because we have a credit card with them, we have a mortgage with them or we might have a car loan with them.

**Todd:** Yeah.

**Zach:** So, we weren't banking at Chime even though the experience might have been better. We might have had like a slightly better looking app. To us, that really, you know....the app wasn't the problem. In getting paid two days early, it certainly wasn't my problem, I manage cash flow well and now it's to save money, you know, it's something my parents basically beat into my head and so for me, the problem of banking was always the experience.

One of the things that we saw in starting this was look, if you talk to a typical bank CEO, they're going to tell you that they want stable deposits and they want to grow them. If you talk to a typical consumer, they're probably going to say something like I want to make more money on my money.

**Todd:** Yeah.

**Zach:** And those things might seem diametrically opposed, but our thesis was they work that far apart and so what we've done with HMBradley is we've created absolutely the best bank account in the world if you're a saver. The reason is if you have a direct deposit with us and you save 20% of that, we're paying you 3% which is eons above the rest of the industry right now. I think it's probably, you know, six, the highest high yield savings account.

On the low end, if you're not having direct deposits with us, we're not paying you anything and if you have a direct deposit and you're not saving, we're paying you less and it tiers up. So, we have four

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different tiers, they pay you .5, 1, 2 and 3% and they're all based on your savings habits. So what we're saying is basically, if you're helping us grow deposits, we're paying you higher rates, end of story.

**Todd:** In terms of, you know, the target audience, is it the millennial, Gen X type, I mean, I went through a little bit of the process on your side and if you don't have a mobile phone number, obviously, you can't get...this can't go through the process online. I'm not sure if there's another way to get to it, but is that kind of the core person that you're going after so that's not that different from you and I.

**Zach:** Yeah. I mean, it definitely, I think, was our original target. You know, we do require a mobile phone, that's because we want to be able to deliver your text messages and that's something most of our customers expect. I think the most surprising part of what we've seen, so far, is that about 30% of our customers were born before 1970.

**Todd:** Interesting.

**Zach:** You know, our oldest customer is well into his 80s, at this point, and, you know, that's pretty shocking, we didn't see that coming. One of our first ever direct depositors was a retiree who I...he literally, you know, I answered his request, he sent me his pension form and said, can you fill this out so I can get my pensions in here.

So, it's actually a pretty broad audience, but the core of our audience is really 25 to 45, W2 employees, most of them make \$75K or more a year. You know, our average account balance at HMBradley is about \$30,000 per account so when you look at who our customers are, there's certainly a different spectrum than what you're seeing in most challenger banks.

**Todd:** Yeah, for sure. In terms of, you know, traction, not to give in to specific customer numbers, but more on, you know, how is growth going year over year, how long have you guys been around. Just tell the audience a little bit about...in terms of where you come from and, you know, where you guys are currently.

**Zach:** Yeah. We're going close to a year, we went live March of last year. You know, for the first several months, the company...we basically doubled month over month every month. I think we announced in November that we've just had \$100 Million in deposits and as of today, we're almost \$200 Million so we've almost doubled since then. So, you know, the growth has been, I think, way beyond our expectations, you know, ultimately, two thirds of our customers are coming from other customers, just word of mouth.

You know, we spent very little on the way of advertising and we're seeing just exponential growth, both week over week and month over month right now and I think a big part of that is the fact that we're paying this kind of eye popping rates and a lot of consumers are seeing that. They probably tell their friends hey, if you were lighting money on fire, come get it while you can (Todd laughs) which is okay with me if that's what they think.

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**Todd:** Yeah. So, when visiting your website, your LinkedIn you kind of see, you know, kind of all over the place which is "Banking is old. Building is new." Where did the slogan come from and tell us a little bit more about that.

**Zach:** Yeah, for sure. I mean, it's something we talked about a lot, we were kind of initially building the product. One of the things, you know, that....

**Todd:** Did you feel you needed, a slogan, like, you know. marketing and building the brand, do you feel as if you needed something to kind of go with HMBradley?

**Zach:** No, I mean, I kind of think slogans are bullshit, I'm being honest. You know, it might be memorable and, you know, "Banking is old. Building is new." is one of those things where we said look, we talk to you, we talk to thousands of people before we ever launched anything. You know, what they kept talking about was...basically, the reason that we're saving is because they were building for the future of some sort and the thing that we heard over and over again about peoples' banks was like it was sort of just this necessary evil, like I kind of have to have it.

**Todd:** You need to put your money in...somewhere.

**Zach:** Right. It's like, you know, either that or a mattress. This seems slightly safer than my mattress, right, and so I think in some way "Banking is old. Building is new" was new as a hat tip to the idea that look, you're banking at the same place that your grandparents banked then and nothing has changed in that hundred years. You know, I mentioned earlier that, you know, basically bankers want to grow deposits and they want to make more money on their money and the way that we've done this for a hundred years now is just to pay everyone the same rate, no matter what. That makes no logical sense, right, it's absolutely bonkers and I think what we wanted to focus on was what's broken in banking is not banking itself, the fundamental business model of banking is really strong, it's actually a great business.

It's basically really simple, right, like you give me \$10, I promise you \$11 and then, you know, Dimitri asked me for \$10 and he promises me \$12 and I keep that extra dollar. That's a wonderful business in the grand scheme of things. Now, what's not wonderful in that business, in our opinion, is the way that a consumer experiences it. What I mean by that is....you know, I always joke that today, going and asking for a loan from your bank is sort of like going on a date with your spouse and having them say so, what do you do for a living. (Todd laughs)

It's just like you know everything about me and I think in this world where Facebook can unearth my friend from third grade and Amazon, those who are about to buy next week and Netflix can literally build television series knowing that I will watch them, how the hell is your bank still saying like fill out this paper application or if you're lucky, it's on line with all the same information that you've already told us multiple times over the course of our 20-year relationship.

**Todd:** Or you get 30 notices in the mail for credit cards and it's all the same notice.

**Zach:** It's wild. I mean, like credit cards are great, why was it that we launched a credit card as soon as we did. We launched a credit card three months after and one of the reasons we did was because, ultimately, when you look at how a credit card application typically works, it's like hey, here fill out the information again and ours, we said, look, we're going to give you a one click credit. What that means is we already know everything about you, like you gave us permission to pull your credits so we're just going to tell you what you're good for. So, we push someone an offer, it says, here's a \$10,000 line of credit with 15.9% APR, if you want it, take it and that's jarring for a consumer, but, frankly, it's what all of us probably wish that we had.

**Todd:** Pretty much.

**Zach:** Like why do we not know the terms, you know, and I think it's one of the things that we felt super strongly about is, you know, if you peel the onion back and you hear what people say about banking, what they're really frustrated by is just this idea that they never know where they stand and they're sort of bowing at the throne and asking for permission all the time, you know. And I think a lot of where One Click Credit came from was my mortgage, you know, I've got a mortgage at Wells Fargo that I had to pay for almost a decade.

My wife and I are buying a house right now and we're getting it from First Republic and, you know what, if Wells Fargo had a....like a number at the top right corner of my account that said, hey Zach, you're good for \$2 Million, I would have never gone anywhere else and that's a feeling. It's not something that I had to automate in reality, it's a feeling of the consumer of knowing where they stand and knowing what they're good for and that's something you can easily do.

**Todd:** I once talked to a bank and they said, we can't tell you how many customers we have, in terms of the entire bank across small business, mortgage, consumer and they said simply because the technology...nothing talks to one another. So small business is in this division, mortgage is here, unsecured credit card, everything's in a separate bucket and you wonder why more neo banks are launching every week.

You mentioned growth and how fast you guys are growing, how big is the team now and how much has it grown from when you launched and then second question on that is, obviously, we're still in the pandemic so it's not like you can easily go interview or have 50 people come in for a round of interviews. How has that challenge been since you've launched and trying to grow a team when you're doing pretty much everything through the video?

**Zach:** Yeah, it's wild. You know, luckily, I'm a ferocious recruiter so I had been doing a bunch of recruiting well ahead of needing people and not sell it a little bit what's ramping up, but, yeah, I mean, look, the team now I think is 33/ When we launched, I think it was 11 so 3X basically. We launched during COVID so I haven't seen the full team in a room since we launched which is pretty wild.



**Zach:** Yeah. Some of us have like, you know, loathed that. I think our VP of Credit Strategy, Andrew, has been like...I think just wanted to go have a beer with everybody, you know, a couple of times, at some point, it sucks.

**Todd:** Sometimes, the people in the room feed off one another, especially when you're building something and doing it, even like how we're doing this interview, I'm sure it's frustrating.

**Zach:** Oh, yeah. I mean, it definitely drags some things and, you know, look, the reality is ....and think founders should talk about it more often probably is, you know, it's definitely bringing up depression more among our team and in ourselves. It's hard, right, like.....ultimately, it was just a joke that I like, computers not people. If COVID has taught me anything....I do actually like people, you know, like I really do and I want to interact and need that human interaction. And so, I think in some cases, people will overcompensate for it and try to like find ways, do special things.

For us, it's really been more around, you know, trying to figure out how we can connect with each other in different ways, whether it's getting on a big video chat, having it all hands and just....you know, we shipped everyone, drinks at their house one weekend and like hey, let's all hang out together, but it's tough. It's a really hard thing and the recruiting side is, you know, it's one thing to recruit people which is hard enough, it's another thing to come in and learn their personalities all over Slack.....

**Todd:** Yeah.

**Zach:** ....or Tandem or whatever tool that you're using, you know, Flavor of the Week. I think one of the things that I've seen is you end up....it feels like head butting more than you actually would had you been in person and like knew the personality or what was coming across in the words.

**Todd:** It's hard to gauge certain things especially in chat.

**Zach:** Oh yeah.

**Todd:** It's almost impossible, but even on video, there are certain tells in person that you get and on video you just don't get.

**Zach:** Oh, it's totally true. Yeah, I definitely....you know, it's hard for me, specifically because I'm blunt, I'm really blunt, and I just say what I think. If I don't like something, everybody knows it and there's no hiding it. I think that comes out in my Twitter sometimes, I've made a few pretty audacious swipes at Cash App and what I think is just a giant fraud, you know, going on with some of that.

You know, I don't mind saying it because that's how I feel and so sometimes that could be really tough when a team member doesn't know.... like we had a team member, Joanne, who's really great and we've actually built a great relationship on...we really ended up doing it by late night pairing sessions, I'm a programmer and I still like to code occasionally, that's how we ended up building some rapport.



But, you know, what I eventually got was things like man, you are scary when someone first starts here, just like I'm an engineer and I've got the CEO like, you know, barking at me about like how this should have been implemented instead, how do you know how to take that. The reality was I wasn't really trying to bark at anybody, that's not how, you know, it was more just like hey, why is this not done this way, I've been doing this for a long time. But, you know, it was good to get the perspective of like hey man....whether you're treated or not, you've got this like kind of level over everyone.

You know, I think one of the best one-on-ones I had recently is somebody said, you know Zach, it doesn't matter how often you tell us that we can tell you to f\*\*\* off, we all know that we can tell you to f\*\*\* off, it's still really hard for us. (both laugh) You've been trained your entire life that you can't talk to people that way, he's like I know that we can and everyone, I think, feels comfortable coming to me and kind of saying whatever they want, but it's still tough, they're all still trying to learn so building in COVID has been a really interesting experience.

I joke all the time that... this was my fourth company, right, and so I came into this thinking I'd seen everything, you know, there's nothing I'm going to see that I haven't seen before and you know, that's the worst thing you can say because, you know, COVID has...boy, has it taught me I didn't know anything yet.

**Todd:** Shifting a little bit about how you manage time, your team and everything so what is the daily routine.....and one thing I found from COVID is it seems as if you're working more now because, you know, there's no natural break points in the day to the office. Lunch, coming home from the office, you're just there and there's time slots in your calendar and you encourage people to take up the time slots and all of a sudden you're like shit, I have four days of time slots filled up. So, how do you, as someone who's building right now and building pretty rapidly, how you manage the team, your personal time and not burning yourself to the ground.

**Zach:** Yeah, We actually, recently, did something that I've been really happy about because we killed all meetings except for Mondays and Thursdays. We just said, you can pull somebody into something, you can do whatever, but like we're killing meetings and ....my stated goal this year is to build more of a written culture inside of HMBradley. And so, one of the things that I did was I started building a handbook and I started writing down everything that I wanted employees to know, everything that was in my head, everything that why we do we do, what kind of culture that we want to build here just so it's super clear because it's really hard when you don't have that, you know, morale in the office to kind of gauge how everybody's feeling and what's going on.

**Todd:** And you don't know when it's coming back either?

**Zach:** Well, that's true. I mean, yeah.

**Todd:** If you said in six months it's back then it's alright, there's six months window, we have no idea.

**Zach:** No. I remember, at the start of last year, we thought we'd head back in the office by 4th of July, you know, like how ....

**Todd:** That would be home for two weeks. (laughs)

**Zach:** No. It's true and so, yeah, I've had to learn how to manage my time very differently. So, I keep my calendar as open as I can, but I also encourage, like you just said, people to put time on it and, you know, grab me if you need me. So, I've been signed up in a lot of ad hoc meetings, you know, a lot of where my time gets spent is thinking around what's going to move the needle next on product for us like how are going to get to where we need to go because, ultimately, like I think....you know, I get cool emails from customers all the time and it's really neat to see like some of them really...seems like they care about HMBradley, but it's probably like....I got an email last night that was probably 2,000 words. The customer was randomly giving me feedback which is cool.

**Todd:** There's no way that customers write in 2,000 words to a bank unless it's about how the bank screwed them out of overdraft fees or something.

**Zach:** (laughs) No. The best part of it is literally just feedback, it was, hey, this is what I like, this what I don't like, this is where I'm wondering about savings tiers and how like how you can improve those and honestly, a lot of that stuff is what drives me to keep thinking. You know, one of the things that we're about to do that we haven't really announced yet is, you know, we launched this savings...it's a checking account technically, but it just pays like a savings account, we won't call it savings account and we launched this credit card and those things....to some people, feel like they're opposed and to us, they're really not at all, like our users use credit cards. In fact, if we can see anything, like we can see that in the usage, right, like you have 70 times less credit cards than we have debit cards today. but we have more daily credit cards spending than debit cards spending.

**Todd:** With some of the broader trends going on like "buy now pay later," how do you view that in relation to the fact that you have a credit card product. It seems like there's some shifting in the credit card universe so I'm kind of curious what you think about that.

**Zach:** It's consumers....most of us, you know, we still have...credit card is going to be the go to, I mean, the reason that "buy now, pay later" works is because someone like Max at Affirm comes along and does a BD deal and they say, hey, here's a Peloton bike at 0 percent. That's an easy one to pick up and say yeah, sure, it's free, it's free money, you know, Peloton's actually paying the "interest" on the other side of that, right, like they're just paying a fee to the Affirm to acquire that customer basically. It's a great model, it makes a ton of sense.

I think for the average consumer though....you know, well, first of all, I think the one controversial statement I'll make is those loans are not exactly helpful for your credit score. You know, I know that Affirm would love you to believe they are. Max and I are friends, I've known him for a long time. The reason I know him is because he tried to get me work for the Affirm and embarrassingly, you know, now I look back and....I remember the conversation where I literally said no was I guess probably 2013

and I was talking to him and I said, look Max, at the end of the day, at some point we're going to come out a QE and when that happens the cost of capital is going to rise and I don't know how you're to compete and boy, was I wrong, we're still in QE, So, you know, eight years later, here we are. (laughs)

**Todd:** There's no end in sight.

**Zach:** Oh yeah. So, yeah, I mean, that's like a foot in mouth scenario right there, but, you know, I think the reality from those consumers is they're still looking to their bank first, you know, like "buy now, pay later" is great, but I'm not getting my mortgage from Affirm anytime soon.

**Todd:** Yeah, that's true.

**Zach:** And I think, ultimately, when we talk to our customers and say, what do you use, credit cards are still one of the number one things that they're using and one of the reasons they're doing that is because they realize if I go to the store, I'm not getting an Affirm loan for my groceries. With a debit card, I'm just going to lose money because the price of that credit card price is built in the transaction so I might as well give it as much rewards as possible.

**Todd:** Yeah.

**Zach:** And that was basically where we said, look, the every day spending piece is not going away anytime soon and what we wanted to validate was the everyday spending card. The reason that we did three to one before Venmo blatantly ripped it off, you know, was that we said, look, we want the card to work for you, we want it to be something where it's dynamically changing with your habits every single month. That's something that we felt really strongly about because we felt like we could show the consumer more time, we're working while you're sleeping.

**Todd:** So, one of my questions to you would be one of your biggest regrets be the not joining Affirm or is there another one that supersedes that only because, you know, where Affirm ended up going/exiting. I don't know how early you might have been on the team, but is there something else that may be supersede that.

**Zach:** I think I would have been employee number 12. (Todd laughs) So, very early, in fact, I was there the day that Lee Moore, the CTO, joined so I was definitely around super early. I would say, I've never actually regretted that, ironically. No, the big regret I will always have is giving up too early on Spout. I feel like .....at Spout, we have a slightly different vision than Plaid, but we were doing the same thing.

To give you some context, when Plaid had eight banks, we had 850 and we were building really quickly, sort of the royal we it was really just me, you know, I was basically the only person there at that time and what really stings about that one is I think the vision that we had at Spout was better. What we were basically pitching was a wall for finance. We were telling people, we'll give you this way that you can log-in the bank accounts whatever and you can put it on your site or we'll give you this job

description that you can stick on your site and you can on-board people in a basically better on-boarding flow that we know is optimized because we've seen it across hundreds of customers.

Ultimately, you put a button on your side that says, I'm a Spout so if they've got non-accounts already connected with Spout, they can click that button and have non-accounts backed into the new app. We were basically saying, we're going to give you a discount for that because we're going to create this financial identity layer for the consumer. And, frankly, I think that's the anti-Google and I think that's the opportunity that Plaid had and when I sold, Zach Perret called me and he said, hey man, I've heard your name for the last three years, I just want to chat, you know, let's talk about what you....and that begged him and I said, will you please build this, I want it as a consumer, I desperately want this.

And I had this vision of like I go into a hotel room and it knows the temperature that I like at my house because it has my (inaudible) stat data or I drive into a parking garage and it just charges my credit card because it knows which one I prefer instead of me having to get out and put a ticket whatever. That was like the world that I wanted to live in.

**Todd:** How far are we away from that still.

**Zach:** It drives me insane, so far. I mean, we don't have to be. You know, one of the things that's not clear from what we're doing is that we want to become more of a financial conduit to the consumer. I'm not going to do everything, we can't, doesn't make sense so what we should do is like give the consumer better options where they can get them. So, sometimes it's in affirm loan and sometimes it's a, you know, a credit card from Chase and that's okay.

**Todd:** Yeah.

**Zach:** You know, what we should really do is like let the consumer know what the better options are for them, give them the information to make that and, frankly, let them stop with the information in the forms all over the web over and over again. Every time you do that, it's a vector of attack.

**Todd:** Yeah.

**Zach:** And so, the way that we look at this is like if we're doing this right, if this looks anything like a bank account in five years, we've royally screwed up. You know, we should be more of a conduit for the consumer and I think that's where we have to get...and so when Plaid announced My Plaid, I was so excited, six years after I told Zach to do it. I said, yes, they're going to do it and then they just did nothing with it, frankly, and I'm still aggravated by that. I think we're so far from where we could be and I think what the world needs right now, more than anything....you know, the consumer side is the anti-Google.

They need somebody that is going to say....you know, and Apple thinks they're it, but they're not because, frankly, Tim Cook has no product vision. He's a great operator, but they're not doing anything interesting anymore, they're just like, you know, kind of honing in the privacy. I think there's a world out

there where someone comes along, maybe it's us without saying too much, that says like, look, you don't have to put your information on this site, you don't have to do it this way, it doesn't have to be so like convoluted. You don't have to have a wallet with ten cards in it either, like let's get you to a world where we can actually kind of help you understand what you want to do and tie things together.

**Todd:** It's still way too complicated and cumbersome today. '

**Zach:** It sucks, doesn't it?

**Todd:** It's exhausting, it's exhausting. I mean, the other day I'm cleaning out some drawers and my wife and I had a mortgage and then we got a refi and a stack of paper like this and there's really no reason to have a stack of papers like that, but, that's kind of still where we are. Do you think part of it is regulatory in the sense that, you know....I mean, the US is not a streamlined regulatory system. I mean, there's federal, there's state, there's all kinds of crap. Is there something that regulators obviously getting out of the way in a lot of cases, but is part of this regulatory?

**Zach:** I think regulatory is number one favorite excuse. You know, the thing that I'll say there, to tie onto that is one click credit is a great example like when I started talking to regulators about it, like their initial reaction was oh, I don't think you can do that and when you ask why, they're like yeah, I guess you can legally, yeah, you can probably do that. And then when you go to implement it, like you wouldn't believe the conversations I had with the bureaus trying to get them to understand, no, no, I'm not going to do a hard pull, I'm going to do a soft pull just like what credit Karma was doing, but I want to underwrite based on that. I'm going to give them a fully underwritten offer that they know they're good for and they were like, no, no, it's got to be a hard pull and I was like, but why.

I said, show me the law, show me the law where that has to happen and the answer's like, there's none and I said, look, if I'm telling them I'm going to give them this account....these customers are actively looking for credit. I'm pushing them, please do this and so why punish them for accepting something when.....by the way, their scores are already going to take a hit when they accepted anyways because they're going to have a new account.

**Todd:** Yeah.

**Zach:** You know, the whole system is sort of stuck against you in finance right now and I think, you know, one of my favorite movies in the world is Charlie Wilson's War. There's a scene in Charlie Wilson's War where Julia Roberts' character looks at Tom Hanks and says, Charlie, why is Congress saying one thing and doing nothing and he sits back in his chair and sips a glass of whiskey, and he says, tradition mostly.

**Todd:** Yeah.

**Zach:** And that's where we are in finance like banks, banks are fat and happy and frankly, they're not scared of some of the neo banks out there because neo banks aren't taking their customers. So, they're enjoying a great time, right, they're like, oh yeah, yeah, take all the customers we don't want, we'll keep all the big money and we'll keep originating all the mortgages and getting all the valuable loans in the long term and lending all these money out. I think there's a ton of neo banks that have built their entire model and the ship has sailed on, how do I get them reflected in the debit card.

**Todd:** The interchange.

**Zach:** Yeah. And when you do that, you know, ultimately, a) you get less interchange from a debit card than a credit card. People love to say that credit cards are the problem, credit cards are not the problem. Transparency might be the problem, but that's not a credit card problem, right.

**Todd:** That's a people organizational problem, it's not the product. I've always said, people have criticized fintech or whatever you have, a RobinHood or whatever issue, it comes on oh, fintech is too young, fintech is this or fintech is that and then when you start digging into it, it's people, it's lawyers, it's bad decisions by people and the tools are not usually the problem.

**Zach:** That's exactly right. So, yeah, I think, ultimately, we're going to have to drag regulators kicking and screaming into the 21st century, unfortunately. Honestly, it's not that they don't want to be there, they actually want to see cool things and they want to do it, they just don't have an imagination and lawyers inherently don't have imagination so truly not their fault. (Todd laughs) They've been taught to interpret something.

**Todd:** So, we're coming up on.... almost out of time, just to end with a few fun things. One is, do you have a favorite book, what's the last book that you read?

**Zach:** I think favorite book and this is just near and dear to my heart because this is part of my personality, there's a guy named Mark Manson and he wrote a book "The Subtle Art of Not Giving a Fuck" (Todd laughs) and it's a wonderful read. I think the reason that it resonated to me so much is anyone that knows people tell you, I don't care what anyone thinks, to a fault maybe, I mean, it doesn't bother me.

**Todd:** Same with me sometimes.

**Zach:** You know, it just doesn't matter and I think that book kind of harps on that and says, look, you got be you and do what's best for you. A close second would be "Never Split the Difference" by Chris Voss who's a really great writer. I'm a voracious reader so I think I read about 80 books starting HMBradley because I was traveling so much.

**Todd:** That's a lot.



**Zach:** Yeah. You know, I love to read and our employees make of it. My old condo, we just sold our house so we're buying another house right now, but I have bookshelves in my living room, they were just like chock-full and so like if you're on a video chat it's like, Jesus, man, how many books do you have.

**Todd:** Is that part of the reason you went to.... I want to do more to make HM more of a written word.

**Zach:** I think it's part of it, I think the written word is powerful because when it's there, you can't kind of go back on it so much. I think that one of the things my Dad sort of beat into my head really early is, you know, ultimately, you only have a couple of things, but your word and your reputation matter more than almost anything and by having written word there, it's a lot harder to step back in doing something. But, the other reason I like written word is because, ultimately, you're a lot less likely to write something down that you know is stupid.

It's like if you know that you're doing something you shouldn't be doing, you're not going to document that, you're going to go fix it and then you're going to document the right way to do it and it kind of forces us to do that even in an engineering culture, it's like you're going to write something down and you know, ah, I shouldn't be doing it this way. You probably are not going to write it down and tell everyone else to do it that way, you'll probably get into a fix about what you've been doing and then that helps everybody. So, I think that's a big part of the reason that I think about it.

Last book was "Measure What Matters," I actually re-read it because I made my Co-Founder read it because we were talking about APRs and driving these on HMBradley. So, yeah, "Measure What Matters," great book, definitely recommend and that was the last one.

**Todd:** Favorite sports and sports teams you root for. I know the team over my shoulder is one of them as we discovered when we first chatted before we started, but any other favorite sports, in general, and sports teams.

**Zach:** Yeah. Grew up playing baseball, I've always been a Red Sox fan, I was a Giant Nomar fan when I was a kid, even though I'm from Louisiana not Boston. So, Red Sox has been near and dear to my heart for a long time. (cross talking)

**Todd:** I'm not a Yankees fan, I'm a Mets fan, I don't hate the Red Sox as much as a Yankee fan would.

**Zach:** Yeah. You know, even though I was a terrible football player, I love football, you know, and definitely the Fighting Irish over your shoulder there. I've been a Notre Dame fan when I was a very small child. My Dad swears his first memory of me was when I was about six, everyday he'd come home from work and I would be on the phone with a JC Penney catalogue arguing with them over where my Notre Dame Fighting Irish sheets were so that's how far that goes back for me. And then, you know, I'm from Louisiana so Saints and Cowboys actually, ironically, because they're three hours from when I grew up. Those are the football teams I root for.



**Todd:** Cowboys and Notre Dame are the national teams that are usually on television. (both laugh)

**Zach:** Yeah. My grandfather, my Mom's Dad, pretty much taught us that there is a hole in Texas Stadium so God can watch his team play, that was basically his belief.

**Todd:** Fascinating. (laughs) Lastly, it sounds like, I know the answer to this, but what's your biggest inspiration in life?

**Zach:** Yeah. I think you kind of hit it around, my parents, frankly, both of them. They drove so much into me that I'll never be able to get back. I think one of the things that's really cool is when I started working, I was 14 and I worked in my Dad's gate shop and my Mom would take half of my paychecks away. I thought my Mom was this mean lady that was stealing money from me. When I turned 18, she gave me the other half of those paychecks and that's actually the money that I used to start my first company and it changed my whole life.

That moment, I think, was the moment I realized that A) saving money had a reason and it was valuable and B) with enough grit and effort and whatever, you can get yourself almost anywhere. Now, granted I had some advantages that others don't have, you know, I'd be the first to admit that and great parents is one of those. I think for me that's definitely always going to be the response like they helped me think that I could accomplish anything, probably to an unreasonable point, so I have a very, almost false sense of belief in myself to this day and I should credit that to them and what they thought that I can do.

**Todd:** Zach, this was a fantastic conversation. I appreciate you coming on the show, this will be one of our first episodes so thank you for joining me, enjoy the rest of your day and looking forward to more great things from HMBradley.

**Zach:** Awesome. Thanks for having me, I really appreciate it.

**Todd:** Alright. Thanks, Zach.

(music)

**Todd:** You know, when listening to Zach, it's almost impossible to not feel the energy come through, I mean, he's really an entrepreneur at heart and it's not everyday that you hear an entrepreneur and a founder talk about not selling his company. I mean, he clearly wants HMBradley to be seen as his legacy, he's learned from the previous ventures he's done and so you learn a great deal when you go through the various things that Zach went through with other companies.

He mentioned it in terms of selling early, so clearly, HMBradley is his long term focus and something that...hopefully, we see have continued success. Savings is not something that's easily ingrained in the

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US consumer so seeing how they're able to potentially change that behavior in the US is going to be fascinating to watch.

So, thanks for tuning in, hope you enjoyed the show and we'll see you next time.

(music)