



## **PODCAST TRANSCRIPTION SESSION NO. 200 - LUVLEEN SIDHU**

Welcome to the Lend Academy Podcast, Episode No. 200. Yes, we have hit the double century mark! This is your host, Peter Renton, Founder of Lend Academy and Co-Founder of the LendIt Fintech Conference.

(music)

Today's show is sponsored by LendIt Fintech Europe 2019, Europe's leading event for innovation and financial services. It's coming up on the 26th and 27th of September in London at the Business Design Centre. We've recently opened registration as well as speaker applications. You can find out more by going to [lendit.com/europe](http://lendit.com/europe).

**Peter Renton:** Today on the show, I am delighted to welcome Luvleen Sidhu, she is the Co-Founder and President of BankMobile. She's also the reigning LendIt Fintech Woman of the Year winner and I wanted to get her on the show to talk about some of the interesting work that they're doing at BankMobile, it's quite a fascinating company.

We talk about their consumer offerings and who they're targeted to, and we talk about their banking-as-a-service offering and their first big client, T-Mobile, which is super interesting, we delve into that in some depth. We also talk about the whole landscape of digital banking in this country and we talk about their partnership with Upstart, which has them offering consumer loans as well. It was a fascinating interview, I hope you enjoy the show.

Welcome to the podcast, Luvleen!

**Luvleen Sidhu:** Thank you, really happy to be here.

**Peter:** Okay, so I like to get these things started by giving the listeners a little bit of background about yourself and actually what you did before BankMobile.

**Luvleen:** Sure, so before BankMobile, I graduated from Harvard in 2008 and I joined Lehman Brothers and we had six weeks of training prior to my first day on the job. My first day on the job ended up being September 15th, the day of the Lehman bankruptcy...

**Peter:** Wow!

**Luvleen:** ...so it was a very, very interesting start to my career (Peter laughs) and I remember, you know, people walking out with boxes and there I was sort of walking in. I remember calling HR and I was like, hey, should we even come in today and it was very eerie and they were just like, of course, you know, business as usual. So I did start my career at Lehman, my part of the business became Neuberger Berman and I worked in the hedge fund of funds group on the investing side.

After that, I spent one year at our parent company, Customers Bank, which is a community bank based in Pennsylvania and got my hands into banking and soon after that, left for Wharton,



# LEND ACADEMY

where I went to business school. Interned between my two years at Booz & Company in their financial services industry vertical where I helped a well known financial institution launch their direct digital bank, and it was really through my time at Customers Bank, also coming from a banking family, and my role in helping sort of consult this financial institution to get into the digital banking space that really led me to where I am today.

**Peter:** Okay, so then while you grew up in banking, you haven't had a long career in banking, what was sort of the trigger that made you decide to start BankMobile?

**Luvleen:** Sure, well I think it's the combination of personal experience and then just understanding of macro trends and really what was happening. From a personal experience standpoint, my father is a veteran banker, that's what I meant by I grew up in a banking family, and he helped build a bank called Sovereign Bank, which has now been bought by Santander.

I remember the first time when I entered college, I went in to open my own bank account and it was during that experience where it took me about 15/20 minutes to open this account and there was definitely nothing inspiring or, you know, positive that I remember from the experience. It was rather dull, didn't really understand what I was doing, the benefits of, you know, working with this financial institution or how they could really help partner with me to really help me understand financial management and where I was in the stage of life and grow with me.

And so I think it was my first sort of insight into my own experience with banking that left a mark for sure, and then in addition to that, you know, being able to work at Booz with a direct bank being launched and helping, you know, consult another company get into that space helped me really understand the macro trends that were occurring at the time and how the macro environment was really ripe for disruption in this space. So if you look at consumers, you know, they are interacting with their bank or mobile devices 20 to 30 times a month, but only walking into a bank branch on average one time a year.

We're also seeing, you know, Americans, a third of them, living paycheck to paycheck. Almost 50% of Americans don't have enough to pay for a \$400 emergency, if that ever happens, and these same Americans are being charged \$34 billion a year in just overdraft fees. So there's one angle where it's like, hey, we weren't delivering banking in the channels where people wanted to consume, and two, you know, people are looking for an affordable banking solution that's not so fee driven since they're already in sort of a financial fragile state.

**Peter:** Right, right.

**Luvleen:** And so, I think, understanding consumer needs and behavior shifting, it was really just understanding that a new way of doing banking to meet those needs, it was a great opportunity for that.

**Peter:** Right. You know, starting a bank is not a trivial exercise, it's not like starting a tech company where you can get a couple of friends to come over and hang out in your basement for



# LEND ACADEMY

a year or two and just away you go. You know, starting a bank has a pretty major barrier to entry on the regulatory side so I'm curious, do you...where are you at now, I know you said you've been incubated inside Customers Bank, so do you have your own banking license, are you using their license, I mean, what's the relationship between the two organizations?

**Luvleen:** Yeah, so today, we are a division of Customers Bank and Customers Bank is where I also did ...[inaudible]... and I already knew that they were looking at sort of expanding from just commercial banking to retail banking and the time that I was there, we were very interested in the models like Simple, the bank Simple, that had launched at that time already. So I think the idea was already brewing within Customers Bank of how do we take advantage of this new trend, this new digital mobile first trend that is just starting.

And so after I graduated from business school, Customers Bank was really looking to take action and move forward on that thesis and so I joined the bank and they really gave us a couple of mandates. It was great because they sort of incubated us and kept us separate from the rest of the bank so we could really innovate and develop, you know, the best strategy going forward.

But it was how can we create a better product than exists today, how can we make it more affordable, how can we make it easier to use with a great user experience and can we create an income and revenue model that is at least equal to traditional banks, if not better and lastly, assume that branches are illegal and how would you still create this product and this distribution channel to acquire through this new mode of banking. And so it was really with those pillars in mind that we got together and really defined and started BankMobile.

**Peter:** Okay, so let's go and actually talk about your offerings because, you know, you are a digital bank and there are others obviously doing the same thing. You know, there's a lot of different types of products that you can offer, so why don't you just take us through your core offerings.

**Luvleen:** Sure, I think firstly I'd like to just start with like what are consumers looking for and that maybe sort of answers some of the product question.

**Peter:** Okay.

**Luvleen:** I think what consumers are looking for...one, it's simple. Sometimes we talk about, you know, what is the most innovative product that we can do to really change the face of banking, the way banking is consumed and experienced and I think that's a great aspirational goal and that we are moving towards that aspirational goal as an industry, but there are small things that are still so broken, from being able to open an account with 5/6 clicks.

And so both in our BankMobile Vibe product and the T-Mobile MONEY product that we just launched with T-Mobile, you know, we're able to open an account within a few clicks and that's a great on-boarding account opening process and what consumers are looking for, instead of that 15 to 20-minute one that I described to you back in college.



# LEND ACADEMY

Two, you know people are looking to be able to earn money on their money and so with the big banks, on average, spending no more than eight basis points on interest on checking accounts, we are launching soon for our BankMobile Vibe product 3% on balances up to a thousand and through our partnership with T-Mobile, we're offering 4% on balances up to \$3,000 and 1% thereafter. So it's really about creating a model where people are actually earning money on their money which is something that the big banks have really ignored in doing.

Another thing that consumers are looking for is not to be fee'd to death. You know, I mentioned the \$34 billion in just overdraft fees. You know, we've found a way to really create a low cost banking product and through our partnership with T-Mobile, for example, there's absolutely no fees on the account and we even allow T-Mobile wireless customers that have T-Mobile MONEY to overdraft up to \$50 per calendar month, as long as they pay that back within the calendar month. And so it's really about giving people the opportunity to bank without fees and not penalizing them and really giving them the opportunity to access money if they need it in a short timeframe.

And then lastly, it's really about broader access to your money and so, you know, this model that a lot of the big banks have where they own their ATMs, you know, that sounds pretty old school to me. Moving towards more of the Uber model, the Airbnb model where it's not about ownership, but really providing access to replace ownership is what we're doing with ATM access. So instead of having to own all of these ATMs, we offer our customers access to a whole network of ATMs, 55,000, which is three times more than Bank of America's ATM network. So it's really about providing access to people easily for people to access their money.

So those are some of the pain points that we're solving for.

And then it's also about growing with the customer and the needs that they have as they move from one life stage to the other. So we have a big business in sort of banking students and when students graduate, a lot of them are looking to build credit and to be able to access credit and so on top of our checking and savings accounts which we offer to them as students, you know, we also have built out personal loans, credit cards and are offering student refinance in the next two months.

We're rolling that product out and we'll continue to sort of roll out more credit products that help our customers build credit and really sort of move on their goals by helping them build a strong financial foundation.

**Peter:** Yeah, yeah, okay. So then is your target market...I mean, your name is BankMobile, I presume you're targeting a younger demographic. As you said, you've got the things for students so who exactly is your target market?

**Luvleen:** I think when we first started, we wanted to go after those who were suffering the most from the banking system, you know, those who I described that really were looking for an affordable alternative and usually those that had the most limited access to financial services



# LEND ACADEMY

were being hurt the most with the fees, etc. And so when we first started with a direct-to-consumer strategy, we definitely appealed to that demographic.

I think that continues to be a portion of our demographic, but then we expanded into students and these are low to middle income sort of Americans that are either going to two-year community colleges or four-year traditional schools, starting out their career, lower balances, don't know much about financial and money management and so that has become a sweet spot for us to really help youth start their financial services journey with us and then grow with us through the different products and services that we offer through your lifecycle.

You know, with T-Mobile MONEY it's really anybody, anybody that's looking for a better banking experience. So the beauty about banking is that anyone can be a customer and everyone needs a bank account. So even though we focus on niches that really need a better experience, we are definitely expanding beyond that through the different channels and distribution models that we enter into and really view that anybody can be a customer of BankMobile.

**Peter:** Right, right. We'll talk about the T-Mobile thing in a bit, but I want just dig in a little bit here. I'm on your website and you actually...when you go to bankmobile.com, you can't open an account from that page, you've got this sub-brand, I guess, BankMobile Vibe and BankMobile Vibe Up, so tell us a little bit about what the thinking is there. I click on BankMobile Vibe Up and I go to a different website where I can open an account, where I can join a waitlist, it looks like there, so just tell us a little bit about the branding there.

**Luvleen:** Sure, so BankMobile had historically started as a direct-to-consumer strategy and we have pivoted since then to banking-as-a-service where we really partner with institutions, with companies, etc. that have a captive audience and feel that through our product they can serve and solve for even more pain points in their customer base and create, in turn, more engagement, more loyalty with their customers.

And so when you see BankMobile Vibe, that is our student account and we basically serve 800 campuses across the country and help solve the pain point for them which is sending payments between the school and the students. In return, these students get to choose, do they want these payments from the school through ACH into an existing account or opening a BankMobile account and through these distribution partners at 800 campuses, one in every three college student sees our brand and has the option to open an account with us.

So that's maybe an indirect way of saying it's actually a closed loop account, BankMobile Vibe, where if you go to one of those 800 campuses that we have partnerships with, you are able to open a BankMobile Vibe account, but it is not an open market direct-to-consumer account at this time. And then same with T-Mobile MONEY, you know, we are the support and the bank behind it, but you can be a non-T-Mobile customer and have different perks or you can be a T-Mobile customer and have enhanced perks and that can be opened through the iOS store or visiting sort of T-Mobile retail outlets.



# LEND ACADEMY

**Peter:** Right, is the plan with Vibe Up product to...I mean, is this just really focused on a similar demographic with the students? I'm just trying to get a handle on...it sounds like there's a waitlist for that product, are you still going to have like a direct-to-consumer product that's not T-Mobile that anyone can open?

**Luvleen:** Yes, so it's definitely something that we're pursuing and open to...you're absolutely right, BankMobile Vibe Up is the pursuit of doing that, although that account, even though it will be an open market account, it will be much more geared to the student demographic still and schools outside of those 800 campuses that we currently have relationships with. So it sort of broadens our breadth and depth of penetrating the student market outside of, you know, marketshare that we already have with just a slightly different product that's open market.

But in terms of a broad based, direct-to-consumer play, you know, that's something that I think is very difficult and that's why we've pivoted to a B2B2C model which really helps us with high volume customer acquisition at very low cost, but we're always working at figuring out and innovating and seeing what business model could help crack the code for a very successful, profitable, high-growth, direct-to-consumer strategy and that's something that we would always be open to reengaging with and implementing at the right time.

**Peter:** Right, so your direct-to-consumer strategy right now is the student population, that's the focus, it sounds like.

**Luvleen:** Yeah.

**Peter:** So I went back and listened to your interview with my colleague, Todd Anderson, at LendIt and one thing that caught my attention in that interview, I mean, many things did, but this one particular piece you said that you're acquiring customers at \$10 a pop for customer acquisition cost, is that just from the network effect of the student population? I mean, how are you able to have such ridiculously low customer acquisition cost?

**Luvleen:** Yeah exactly, so it's a different model. So you could think of sort of traditional banks partnering with colleges and universities by potentially paying millions to really be the sponsor on campus, to have the ATMs on campus, to have a branch on campus and our model is different.

We're in the business of solving pain points and this situation, what is the pain point that colleges and universities are dealing with and there is a lot of overhead, compliance headaches, etc. with schools having to deal with sending payments to students, especially in the form of financial aid refunds or if someone drops a credit on campus and is owed money or if they're working on campus and they need to be paid, etc.

And so we help ease that burden and the schools pay us a subscription fee for our service in easing that burden and helping take care of that for them from a technology standpoint as well as from a compliance standpoint.





# LEND ACADEMY

In return, it really gave us access to the student demographic that is getting payments from the school, and again, it's a very neutral process where students have an equal opportunity of using an existing bank or getting a paper check or opening a BankMobile account. So in essence, our customer acquisition cost is \$10 to almost you could say zero, somewhere in that range, because the schools actually pay us and we get access to the students.

**Peter:** Right, right, okay, that makes sense. So I want to talk about T-Mobile, you know, that was a pretty significant news that was shared recently and maybe we could start off with how did this come about because you are...you're still a very young organization and T-Mobile is a massive global telecommunications company, how did you first get together?

**Luvleen:** Sure, so there's a little bit in terms of...I just want to put it out there that our relationship obviously is public at this point, but very T-Mobile specific questions, you know, are best geared towards them and we are sensitive to the fact that they're a public company and it's important for us to respect some privacy there.

So they were looking at getting back into financial services, it's something that they had done before in the form of prepaid cards which is a very different product for a very different demographic and is very differently integrated into the T-Mobile experience, meaning a prepaid card is usually just on the racks in the stores and so it's a very different acquisition model.

And so they were looking at...that model didn't work for them the way that they had hoped for, and so they were looking at another way to get into financial services that focused more on a broad-based customer base because they really view anyone can be a T-Mobile MONEY customer and that the focus, you know, ended up being more on checking accounts.

With our technology, with our experience in the student space, with our vision and mission being very aligned, you know, we're both very customer-centric companies that have really set out to disrupt a broken industry, each of ours being quite broken in it's own unique ways and so I think there was a lot of chemistry from all different regards for us to launch this together.

**Peter:** Plus you have Mobile, you both have Mobile in your name, that must have helped as well. (Luvleen laughs).

**Luvleen:** That's a good point.

**Peter:** So when someone opens up a T-Mobile MONEY account through the T-Mobile MONEY website, what actually happens is...is the bank of record with that account, is that BankMobile or Customers Bank or what actually happens on the backend when someone opens an account?

**Luvleen:** Yeah, so the T-Mobile MONEY account is FDIC-insured through BankMobile which is a division of Customers Bank. There is a really robust on-boarding process that, you know, was built out to be able to onboard customers that are digitally opening an account versus the branch-based model where you see someone come into the bank branch.



# LEND ACADEMY

What's interesting is in the T-Mobile model, you can go to a retail outlet and learn about the account and get a link to open the account which is more of a handholding sort of process, but you can also do it on your own iOS, Google Store, etc. and, you know, the bank handles all the compliance that's related to opening an account.

**Peter:** That's just truly fascinating. I'm just wondering if...we're entering a world where like if you look at the Fortune 500 companies and particularly those that are consumer-based companies. I'd be interested to get your perspective, are we entering a world where there's going to be like one day we may be able to have a General Electric mobile money account or a checking account, I mean, what is your sense about some of these really big brands...I'm not really talking about the tech companies here, sort of the other brands that have a consumer presence, do you think that we're going to see a lot of similar sort of things to what T-Mobile has done?

**Luvleen:** I think that it is a very strong possibility and obviously, we're believers in that model. We've seen Apple/Marcus most recently, they've started with a credit card, but they are very well positioned to expand that relationship into a banking model. There has been rumors for a long time now about Amazon and another bank and then obviously there's T-Mobile/BankMobile and I think that you have to look at what are the ingredients for success in these sort of partnerships.

I think that if there's alignment in sort of vision and mission the way that I described T-Mobile being an un-carrier and fixing a broken industry and BankMobile being the same, that seems very authentically aligned, even to consumers perceiving this product being offered by the company.

And so I think that there has to be some synergy with what that current business does, what it stands for, the way customers interact with that company, where the bank account or the financial services is just a augmentation of the relationship and it helps better that relationship, makes it easier, solves another pain point, you know, I think that there's a handful of really good use cases where we might see more of this.

**Peter:** Okay, so then the second part of this question is, you know, who are you focusing on for your banking-as-a-service service, what segments of the business world are you focused on?

**Luvleen:** Yeah, so for us that's part of our strategy and it's something that we talk about less, but I think that there is...you know, you've seen us already act in telecom and higher ed, you know, are very unique spaces to play in. We've seen technology already play out with Apple and an e-commerce potentially if Amazon enters this space. So those are some big bucket areas where I think that, you know, this use case of banking-as-a-service and partnering retail with banking could potentially make sense.

**Peter:** Okay, so do you see your future...I mean, there's two real offerings you've got here, you have retail, the retail bank offerings, and the banking-as-a-service, do you see both as equally important for your future, or it's really banking-as-a-service where you're going to really place your bets?





# LEND ACADEMY

**Luvleen:** Well interestingly enough, even though it seems like our direct-to-consumer play is the student business, I really view both of them as banking-as-a-service and we just happen to be able to use our brand in the student market up front and center, but it's a very similar model where we've partnered with institutions, higher ed institutions, and we are using sort of their distribution model and channel to be able to touch customers, to be able to acquire customers and that's the same model that exists in other white label partnerships that we would pursue.

And so I think that the answer is B2B2C is where we see momentum and where we see high growth opportunities, but as I said before, I'm really excited about the opportunity of direct-to-consumer. I think the code hasn't been cracked yet where you make that model highly profitable from a challenger bank standpoint and, you know, if we figure out the secret sauce that is definitely an area that I hope that we would re-enter into.

**Peter:** Right, right. Okay, so we're running out of time, but there's a couple of more questions I really want to get to.

Firstly is the partnership with Upstart which is interesting because Upstart is sort of providing this lending-as-a-service and they're providing it to you. I see it on your website here where you can go and take out a personal loan and Upstart is powering that service. Maybe just tell us a little bit about why you chose Upstart and what your goals are with that kind of offering.

**Luvleen:** Sure, so I think that I've always believed and BankMobile has believed that we don't need to reinvent the wheel, that there is an ecosystem of really strong impressive fintech companies that are out there when we are launching new products, new services, etc. that we can tap into that ecosystem and be able to work together to achieve our goals mutually.

And I think what was appealing about Upstart is that, you know, I like the founding team, they come from a Google background, many of them, and they are very smart, they're analytical, they've built a strong model that is more forward looking, that uses artificial intelligence and machine learning to really create an alternative lending model.

We didn't want to start from scratch and build things from scratch to be able to create the best user experience for on-boarding an application. They take our underwriting criteria into consideration and layer it in with their underwriting that has a lot of AI and unique sort of dimensions to it and they help service the account and so they're a great partner to really help us launch quickly when we wanted to launch our first credit product which is personal loans.

**Peter:** Okay, so last question then, what are you working on now, what's interesting over the next 12 months, what are some of the things that you're looking at?

**Luvleen:** Yeah, so I think that we want to continue to expand on banking-as-a-service and finding another really right partnership for us to continue this model with.

Two is definitely executing well on the T-Mobile partnership. You know, we have a huge opportunity there to really change the way that banking is consumed and the way that banking



is done with consumers in terms of really being in the consumers' favor and I think that I want to focus on creating the most opportunity there.

And I'd say third is...one thing in the back of my mind has always been with AI and these emerging technologies. We want to focus on personal financial management and sort of the advice aspect and I think that there's a multitude of PFMs' out there, people have scratched the surface of it, you know, there's rounding up somewhere, there's save to spend somewhere else, you know, there's aggregating different accounts somewhere else and I think bringing it all together and using the technology that's out there now to simplify that experience, make it really value additive to make it more proactive advice rather than reactive.

It's just high level sort of thinking but it's definitely something that we want to explore further and see if we could be the innovators that actually are able to succeed in that space.

**Peter:** Okay, well it sounds fascinating and I wish you all the best and I very much appreciate you coming on the show today, Luvleen

**Luvleen:** Thank you so much.

**Peter:** Okay, see you.

You know, I thought it was really interesting that Luvleen used this sort of banking-as-a-service concept as a way to describe both what they're doing with T-Mobile and what they're doing with their own sort of student led offerings. This whole concept of banking-as-a-service is, I think, very interesting, it really is something that I think has a lot of legs, it could take off into many offerings, we're probably going to see something come out from some of the major tech companies very soon.

As Luvleen mentioned, the Goldman and Apple combo...but what's to stop some of these other companies offering a similar product. T-Mobile, if you've got a consumer facing product, I see it as a way to sort of maintain engagement with your brand and really increase engagement with your brand. It will be interesting to see how it all plays out, that's for sure.

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

Today's show was sponsored by LendIt Fintech Europe 2019, Europe's leading event for innovation and financial services. It's happening September 26th and 27th at the Business Design Centre in London. Registration is now open as well as speaker applications. Find out more by going to [lendit.com/europe](http://lendit.com/europe)

(closing music)