# PITCHIT FINTECH STARTUPS PODCAST NO. 87-LAMINE ZARRAD

Thanks for coming back for another episode of PitchIt, a fintech conversation amongst founders, investors and friends. I'm your host, Todd Anderson, Chief Content Officer of Fintech Nexus.

What we do is we take a peek behind the curtain, what motivates someone to start a company, how do investors make the right bet, what do accelerators do during and help enabling the process of growing your company, how do banks think of founders. Not to mention, we try to have some fun and what you'll see is we'll also do some special episodes, we have some new features coming so stick with us and you'll get all you need to know about the fintech startup landscape.

PitchIt is really a part of a larger podcast network here at Fintech Nexus, you can go to my colleague, Peter, our Co-Founder & Chairman for Fintech One-on-One, you can subscribe to his feed or we have our newest podcast by one of our writers, Isabelle Castro, the Fintech Coffee Break. For everything produced by Fintech Nexus, you can check out Fintech Nexus Podcast, which is really our content fire hose, all shows, webinar replays, even in-person event content, not to mention, our weekly new show. As always, we hope that you rate the show and write a review. I try to really take, listen to feedback seriously as it helps make the show better. You can also follow the podcast and all of our podcasts on the feed of your choice, whether it be Apple, Spotify, wherever you like to listen or come directly to news@fintechnexus.com

Now, let's get on with the show.

(music)

**Todd Anderson:** In today's episode I'm joined by Lamine Zarrad, CEO & Founder of StellarFi. Lamine and I discuss his unique journey to the US and to fintech, the inequities in the credit system, rebuilding your credit say after a big credit incident that might have dropped your score precipitously, why they chose and the importance of being a public benefit corporation, the health of the US consumer when it comes to credit, banking regulations and failures, Lamine used to be a bank supervisor, raising capital and much, much more.

A couple of short PSAs before we get started. We are still accepting applications for PitchIt so just head to fintechnexus.com, you go to our startups page on the site, the specific link to apply will also be in our show notes. And if you want to sponsor an episode, come on as a guest or sponsor one of our many digital or in-person event offerings, now is still a great time to buy your tickets, sponsor and there's a couple of speaking spots still left to Fintech Nexus USA coming up on May 10th and 11th, in New York City, at the Javits Center. Just go ahead and reach out to todd@fintechnexus.com for details.

Without further ado, let me present Lamine Zarrad, CEO & Founder of StellarFi, enjoy the episode.

Welcome to the podcast, Lamine, how are you?

**Lamine Zarrad:** I'm doing great, Todd, thanks for having me.

**Todd:** Of course. You know, I'd like to kick off, just give us, give me, give the audience a little bit of background, kind of what your journey has been, thus far.

**Lamine:** Of course. So, I am Founder and CEO of a company called StellarFi which is a fintech platform that helps consumers build their credit scores, get more responsible with bill repayments, just be better borrowers, in general on a next test capital which is what consumers want. It's a pretty complex problem that we're solving so it required quite a bit of effort. We didn't just stumbled on this concept and built the idea, a few iterations, if you will. In fact, this is my third transacted account that I've built, I've built two neobanks before, Joust in 2018, Token in 2015. Token is pretty interesting because of its NFT play, well before people knew what NFT meant (Todd laughs), and also, we're operating in an industry that is pretty crazy to think about now, but back then, they certainly needed banking in this kind of a space. We were helping legitimate kind of these businesses at acquiring bank accounts.

Ah, before then, before my sort of a short but I'll say, very punchy entrepreneurial career here, I spent many years in financial services between the private sector, Merrill Lynch, USAA, to public sector, US Treasury. I was a federal bank regulator with the Office of the Comptroller Currency and my team, and I supervised over 36 national chartered banks. And so, a lot of the lessons learned, you know, along the way are now sort of being productized in terms of solutions for consumers and none of that is just going to pulled out of thin air (both laugh) or AI research, but, yeah, that's my progression.

Personally, and I think this is an important thing to mention, I'm an immigrant and I came to this country after my family escaped the conflict in the former USSR, now the country of Azerbaijan, back then it was part of the USSR. And we fled across seven countries from Russia to Ukraine, to Poland, to Germany, to the Netherlands and a few countries in between. You know that experience has certainly well advised me in my professional decisions and, you know, such the course for our current company, for sure, in terms of access.

**Todd:** So, before we jump into exactly what you guys do and where ultimately the idea for StellarFi came from, did you see yourself or what was the drive to become a founder? You've had some public sector work, you've started a few companies now, was being a founder and an entrepreneur kind of always there and it was hey, I'm eventually going to get there, maybe not now, maybe not in a year, but eventually I'll get there or did you stumble upon some problems through your personal journey you just mentioned and maybe threw some of the work you've already done in either the public or the private sector that kind of you found these problems along the way.

**Lamine:** That's a great question. It's one of those nurture versus nature questions, right, (both laugh) and I believe in both. I think any decision that we make, especially one as complex as starting a company, comes from a combination of both internal drive and who you are as a human being and your environment and how it shapes up and how it shapes you and provides you a certain opportunity and access as well, you cannot, you know, omit either side. So, just to give you, you know, a glimpse of my core, so to speak as a human being, and why nurture is important to me. I was always very, very entrepreneurial and I've had a lot of failures, all that we like to say in our space, lessons along the way.

I mean, I started with silly stuff when I was eight, I always loved animals and I used to go to a pet shop down the street and go stare at those animals, I couldn't afford to buy different pets and eventually, you know, collect enough money to go buy a hamster and I'd feed him for, you know, a couple of weeks and tried to sell him back to the pet store so that was like the very beginning of my entrepreneurial journey. I always think of things as kind of value investing, right, you buy something that's mispriced and then you do something to it, make it more valuable and then generate that delta, that was always my….it was hard core in me, I mean, I couldn't help it.

But, you know, as an immigrant and as someone who comes out of an environment where there's not a lot of opportunity, you're not really thinking about being an entrepreneur and do like what it is, not something that, you know, is available to you and you can build a career around. Whatever your environment tells you, man, you need to like go steady, you need to go get a good job that pays you money and you start to believe that, and I certainly did. I was like well, this is what I've got to do, "what I've got to do is do things the right way", you know, I've got to go to school, and I've got to go get education, if I get education, I'll get a good paying job and, you know, my Mom will be proud of me.

And then, eventually, you kind of find yourself, you know, dogged into that career and you realize that crap, this is not who I am, this is not what I want to do and for me, I felt the pain (laughs) along every step. I knew that the deeper I went into kind of a conventional career experience, the more painful it became for me as an individual because I didn't belong in any of those jobs. So, I started to create things inside of companies, I became what's called an entrepreneur, I'd build widgets and tools and finally realized that I just wanted to do it in my own and when I had the means to do it, finally, enough of a network, I did it.

**Todd:** So, what brought you to the point of starting StellarFi and while answering that, you know, how'd you ultimately come to that name StellarFi?

**Lamine:** It's a good question. So, my last company, Joust, was acquired by an Austin-based company called ZenBusiness. ZenBusiness was a legal tech company that provided small businesses with an opportunity to register their business, kind of legal steps, right. And then Joust was a neobank designed for SMBs, small businesses, as well to help them manage their customers, invoices, obviously, finances, credit and so forth. And so, together when we got acquired, we decided to re-position both operations to go after SMBs in a holistic way, in a way Shopify does it, for example. But instead of going after e-commerce businesses the way Shopify does it, we went after service-based businesses. These folks were DJs, they were caterers, they were sort of home builders and various other things so we gave them tools, everything from compliance tools, to marketing tools and banking tools.

The one thing we couldn't do is credit, they needed access to capital and we have been, you know, really beating ourselves up trying to figure out how do we give them money. (Todd laughs) You just formed your business, you have no track record, you as an entrepreneur has a terrible credit score because, let's face it, all of us entrepreneurs have made decisions and none of us have good credit scores (Todd laughs).

And, you know, we looked far and wide, like we looked at every partner out there, we talked to other companies that would underwrite, potentially underwrite these businesses in a creative way. We looked at credit builders, you know, various different secured products that would help them maybe build their credit so that they could qualify for $1,000/2,000and none of that stuff really stuck around, we really couldn't figure out how to do it. And, you know, it occurred to me that what was missing out there was an incubator for consumers, you know, there are incubators for startups like, you've probably heard of Y Combinator and Techstars and so forth.

And, you know, for example, I took my company to Techstars and what Techstars does is they bring you to the fold, they give you access to tools and resources, they connect you to people and they'll, hopefully, help you find some capital, right, and that's fundamentally what we wanted to do, we wanted to create that experience for Joust. I just started the business, or I need help buying a house, I want to buy a car, I need to know how to borrow money, where to find that money, how to get the best deal, right, and how to be better at repaying those obligations and I came up with that concept. And so, to a point where, you know, I ended up resigning from that business and then started Stellar officially.

The reason we call it Stellar, we thought of a bunch of different names, we went through iterations. Well, actually and no one knows about this, we were thinking about something entirely different. We thought about helping people buy a home, something very specific as the first iteration and decided not to go on that, go broader. And so, the first idea was it was called Dwell and that didn't go anywhere. The reason we call it Stellar eventually, we were thinking about, you know, how do you create this big visual, like this huge, massive opportunity, cosmic, cosmic opportunity, right, and we thought Stellar and people used that already to, you know, explain things that are awesome especially in certain sectors, like serving the Marines, for example.

You know, I had a first sergeant who would always walk into a room, he would go "stellar," and it kind of stuck at the back of my mind, like it sounds, it's crisp, it sounds big and amazing and just great and who doesn't want stellar credit and that's what we decided to call the company, Stellar Credit initially. And then we thought, we weren't just credit, we're fully, you know, kind of a scaled financial operation, at least we want to be, and so we decided to call ourselves Stellar Financial and StellarFi for short.

**Todd:** So, tell us exactly what you guys offer, what you do and why, when obviously researching, you know, for the episode you guys chose to be a public benefit corporation. Why'd you got that route, why is that important to you?

**Lamine:** Yeah, for sure. Let me start with what we do and how we do it and I'll kind of back into, you know, why PBC.
**Todd:** Yeah.

**Lamine:** Like any company, you want to start with something small and narrow, right, something doable with a small team as a startup and then expand from there. I think Andreessen, Marc Andreessen, talks about the importance of your first building block when you build something because it compounds. If you start with the wrong solution even if you put it into the right solution later down the road, you can have a negative lasting effect. So, it's very, very important to select that very first thing as it represents, it has to represent the big picture thing that you're doing in the most direct way, it has to be connected to it, otherwise, it doesn't compound.

And so, we thought we want to be this incubator, we want to be eventually a place that connects a borrower and a lender in a way that hasn't been done before, the direct pipeline or the way to qualify for lines of credit for, you know, mortgages and so forth. Where do you start, how do you get consumer, how do you build this marketplace? And it occurred to us that we could start with a very narrow message that will resonate with people, and that's let us help you build credit. It's familiar because there are many other credit builders out, but then we didn't want to do what other credit builders do, usually secure products for unsecured cards.

What we wanted to do is to address the problem of bad credit at its root instead of treating the symptom, like most credit builders do. If you just join another credit building platform and you have bad credit, what they do is they create a secured loan and it's a synthetic product, it's not a real product, no one expects any works to that and sort of the story is the true nature of you as a borrower, right, so you may be a bad person at the end of the day and then you go to borrow money somewhere else and someone else's luck falls bad, we didn't want to do that.

We want to help our customers be better borrowers and the way we, you know, decide to help them t be better borrowers is by helping them pay their bills because that's the reason why people have bad credit. If you don't pay your bills on time, you're not going to have good credit and we said, instead of creating some fictitious thing to pop up your score, we said, let's help you pay your bills and if we can help you pay your bills then you'll have better credit, right, and so that's where we start.

So, we created this bill pay product and it allows you to link any of your bills and you link your bills, we pay your bills on your behalf and then you pay us back, right, that's how it works. So, it's a whole slew of issues for our users and it helps them bump up their scores much faster than any other solution out there and also shows up as a trade line under your profile which is important to creditors. And at the end of the day, we're also paying their bills on time so it's a kind of a short term and long-term solution.

That brings us the ability to then bring a lot of customers into the fold, give them the tools that they need, we create this massive population of potential borrowers so we're now building the second phase of this product which is the marketplace. Now, those individuals, they want money, right, they want money to buy a house, they want money to buy a car, they want money to buy whatever something else, we want to give it to them. And the reason we decided to address this whole thing with sort of a public benefit corporation wrapper is because of the way we structured the product, the product is unusual because we're serving a population that's high risk, let's be honest.

If you have a bad score, you know, chances are you've made some missteps and you're going to expose the company to some risk. The way, you know, companies offset risk is through crazy fees and this is why you have a whole industry around payday lending, right. If you don't charge fees or interest on the things that you do when you give someone money, it's kind of crazy, usually, it's the non-profit lend. But we wanted to create a for profit corporation that was ethical, that was not predatory and at the same time, we also wanted to signal to the world is that we're not here just to be do-gooders. We're here to create a symbiotic relationship between us and our consumers and also make money in the process.

And so, PBC kind of fits the bill as a structure for our product where we're doing something to help people, our mission comes first, but, you know, we also want to make money in the process and everyone sort of walks away happy, right, in this relationship. I believe in conscious capitalism, I think it's the most efficient way to solve a lot of these social ills and, frankly, you know, PBC is a great framework for it. The reason it's a great framework is because it forces you, you know, as a leader or the management team to actually codify the things that you want to do that are not necessarily business oriented.

And so, what we ended up doing is we ended up committing a percentage of our profits to be given back to our community meaning our customer base in various different forms, grants, paying their bills off when they don't have the money and a number of other things that allows us to basically serve a customer better. But also, if you think about it, there's a pragmatic trigger there or mechanics behind it, right, where if you do these kinds of things more people will come to you because they want these things done to them as well. So, anyway, hopefully that makes sense.

**Todd:** Yeah, that definitely makes sense and, you know, I'm going to pick up on a point that you were making towards the end of your answer there which is, you know, fintech came on the scene post global financial crisis. The banks exited a lot of the lending space, especially to near prime and definitely to sub-prime and they probably weren't even really helping sub-prime to begin with. But has fintech, thus far, made credit A) more inclusive and safer. I mean, it has this reputation of hey, we're here, we use technology, we're going to level the playing field, but it doesn't seem as if it's really done that yet and maybe it's given the tools out there but the next step as it really happens which is truly fair, equal access to credit for everyone.

**Lamine:** Excellent, good answer is absolutely. Fintech has done more work for the population of underbanked and unbanked than I think the financial industry has done in the entirety of its existence or way back to Mesopotamia, right. So, for the past ten years, there was more progress than all the progress in modern recorded human history and here's why. Even if the company, like a fintech company, has tried to build, if you try to build in a big way it still left a lasting mark that forced other companies to try to emulate it and do better and iterate on that model and create a competition, create a competition not just between fintechs but also between fintechs and banks.

I mean, let's look at something very simple, let's look at what China has done with early wage access, two days early pay, right, no brainer, such a simple thing that you do. I mean, there are some banks who are doing it, USA actually has been doing it for a long time for service members because you are say figured out that the federal government always pays on those days so we can take some risk and give you access to your money two days later. China did that for a population that could never access this service and now, it became table stakes, right, all the banks are competing to do two days early pay. They don't take a lot of risk because they know that if you have W2 set up, they'll get instructions from your employer hey, we're going to be remitting, you know, our payroll checks in two days and they'll give you access to that money.

That's massively impactful for a lot of people, they don't have to go to payday lenders now because they'll get paid two days early. I mean, a lot of it is not a good example of influencing and completely restructuring the way trading is done, they took a bunch of risk. Most of it is really stupid, right, when you think about it, it's not pragmatic, like let's just not charge anyone anything (both laugh) and create this new, you know, access for folks who never even thought about trading, right, before. It was completely out of reach and now everyone has a free product which was unheard of, not charging for trades, it's crazy, it will never work.

And now, look at that, there are massive, massive, massive improvements, that's not say that we solved the problem, you know, unbanked and underserved, that's a societal problem. Technology is not in a position to completely solve, but we've made a lot of progress and, frankly, you know, that progress is not slowing down any time soon.

**Todd:** You know, one thing you mentioned earlier was a lot of the people that have a bad credit score probably had an event or something that caused them to get a bad credit score, either they lost their job or they got hurt and couldn't work. A) How difficult is it for someone to dig out of a bad score and two, should it really be that hard?

**Lamine**: Man, your questions are progressively more difficult (both laugh) because there are so many, so many, so many variables. So, A) How difficult is it to climb out, I mean, I can speak from experience. So, I mentioned I was in the Marines, I deployed to Iraq and because of the admin glitch, it happens to a lot of service members, I don't get paid for six months or I get partially paid and so all my bills back home go unpaid. I'm not worried about it because I'm Fed, you know, I have a mission to focus on.

I focus on these things, I come back, and my credit is in ruin and that leaves the power of the Federal government service members, Civil Relief Act, specifically to go to all the lenders and say, hey, you can't do this to me, I'm a serviceman, I was deployed, restore my credit. And it works, in some cases, it doesn't work in other cases and my credit sucks, right, from that point and still, still haunts me, that's almost two decades, right. I've learned a lot about how credit works and what works in a certain kind of way because of that, you know, how to sort of like game the system.

Should it be that difficult? It's a hard one to answer because, frankly, in my case it wasn't my fault and things do happen and a lot of people are in the same position. Maybe you had a medical emergency, maybe you just had an emergency where you lost your job, in many of those cases, I think we should have, you know, off gas and bells in that system, like exceptions where creditors or the bureaus can say, you're right, this is not your fault, you're not a bad borrower, shit happens, let's reset the clock for you, right, so that doesn't exist.

So, I completely agree with you. I wish we had better mechanisms for those kinds of resets, but for all the overwhelming majority of folks with bad credit, you know, it's not just emergencies and missteps, frankly. Sometimes it's just that you de-prioritize a bill of sorts and you made out the decisions in life without knowing that it was going to have a massive impact on your ability to borrow money going forward, but you did that and you know you did that. Should that be forgiven? That's a hard one, right, because now what you do is creating distortion in the system and you don't want to distort data, you want data to have as high a fidelity as possible.

**Todd:** Is it time that we come up with a new version of a credit score, massively change the credit score and is that even possible. I mean, the way in which the bureaus work with lenders, how FICO works with mortgages, like there's very much entrenched ways this is done. So, it's not like you can just go, you know, snap your fingers to a new system, but should that be explored as like hey, we're going to move to a new credit score in a generation, 25 years they've kind of slowly built there.

**Lamine:** Yeah. I think this is definitely not something you can snap your fingers, I wish I had a match, one, right. (Todd laughs) I mean, to answer your question, yeah, I'd love to have a new scoring system that's more holistic account of the things that are probably better indicators of whether you're a good borrower or not. The truth is, and I can't believe I'm going to say this, but FICO is one of the most effective ways to predict someone's repayment, you know, going forward, still is, statistically speaking, because they have decades of data, right, and they can predict very, very accurately whether you're going to be a good payer or not.

The problem, however, is not that FICO is ineffective or bad for credit decisioning, FICO is used is non-credit decisions increasingly, more frequently, like should FICO be used by employers before they give you a job offer? That's ludicrous, right, that they're going to look at your credit history and then make a decision on whether you're going to be a good employee or not, but they do. FICO will be used by insurance companies to determine your insurance rates, absolutely not, but does it happen, 100% of the time, right.

Should FICO be used by, I don't know, like any other decisions, landlords, for example, in giving you a bill to pay rent, probably not and so what I am worried about is that credit score is not only, are they not necessarily evolving. They're very much focused on credit activities, but their adoption is spanning so fast and so far beyond their initial intent that it's becoming problematic in ways that it becomes more of a good citizenship score.

It is a score that follows you that represents whether you're a good person or a bad person and that's not an accurate estimation of whether you're a good member of the society just because you haven't paid some bills, right, and so, that has to change, and I think the government is aware for the most part. I know there are some legislations on the books that's been failing consistently, but I think the industry really needs to step in and say, hey, if we're going to use scores to tell you how fast you can drive, that score cannot be based on your bill payment history, it's based on something else entirely.

**Todd:** You know, you've mentioned your time at both the OCC as well as a veteran, you're an entrepreneur. What are some of those lessons that you take from the time in public service that you take to your current venture and also that you provide to your team because, obviously, you have this wealth of knowledge and a fascinating personal story. I'm assuming not every person who works for you has that distinct of a story so how do you use some of that in what you're doing today?

**Lamine:** Good question. Finally, some soft balls, thank you (both laugh). So many lessons, right, I mean, I'll start with the OCC first. OCC really gave me an advantage point into the institution of banking, the one that you really can't replicate by working inside of a bank or working inside a financial institution. You know, I worked inside of a bank and when you're inside of a bank you have a cubicle and that's all you see, right, so to speak. You're segregated in a way to only see a tiny little portion of what's going on, you cannot see the full picture about the entire clock.

OCC not only give you, you know, a view of that clock, you can also see every other clock ticking around in that space and then you can compare those clocks and all the mechanisms in different and using that as the metaphor around you see. But it was so unique for me to see how it's an ecosystem that banks cannot exist by themselves and not just those independent entities. They're connected to each other tightly, tightly, highly entwined so if one goes down, many others also will go down inevitably, they're also tightly intertwined with the Federal government.

Banks are not, you know, we think of them as these independent corporations but they're really part of the government in many different ways. Banks are used to implement policy, various different policy decisions, monetary policy like controlling interest rates, without banks, government can't do that. Banks are used for foreign policy decisions like freezing assets for a country or, you know, some adversary and stuff like that, they're so, so important so the government cannot let them fail, we can let them make certain decisions. And so as a result, I could see what you could do, what you could not do in banking and so it influences what we can do today that's why we get so innovative. I mean, we're all direct consumers and, you know, we're founded on the face of what we do, but our DNA and what we do on the back end is incredibly innovative, it very much is grounded in regulatory arbitrage because we understand what works and what doesn't so that's the OCC.

In the Marine Corps, by the way, I served in the Marine Corps and the Army as well which was pretty unusual I think, but it was a really interesting experience both ways. So, between Marine Corps and my experience in the Army, I was within a wake unit in the Army called LARS, so Long-Range Surveillance Unit, what I learned was you can have an organization as a high performing organization like Marine Corps. But, you know, because it's so big you have a lot of inefficiencies within that organization and within that organization you can also have units that are highly, highly efficient and effective. I wanted to sort of replicate the culture of those units that create the momentum for the entire organization because when you build something, you build a company. For example, you build really any team or any organization, you need to think about what are the drivers that are going to propel it forward.

Usually, these super leads, you know, very, very competent teams that get a lot of stuff done really fast and so I always thing about some of the experiences there and try and translate them into what we do today and creating that high performance culture. I think about how you create these, you know, really steep on-ramps into the company without being elitist but still be exceptionally selective in who you hire. How do you create these really steep off-ramps, how do you fire people who underperform, right, or do you give them an opportunity to grow inside and like foster some of the talent.

And a lot of those lessons are very much derived from my experiences in both Marine Corps and Army and I think they're super translatable, also, you know, to be really, really high level in your resilience. You learn a lot of resilience in the military because you're constantly, you know, kicked in the face, right, whether by circumstances or by the organization itself (Todd laughs) and you learn to, you know, get up every time, pick up the pieces and then, you know, start the whole thing all over again and that is, by definition, that's startup experience.

**Todd:** Obviously, with your time at OCC, it'd be hard not to ask a related question to what's been going on. Obviously, we don't need to re-litigate the collapse of SVB and others, but I really wanted to ask is, when you see bank failures like this, A) does it shine a light on banking that maybe some people don't fully understand how banks operate and then secondly, you know, how much better do people understand the risks that maybe banks do take and are supposed to take as the way they operate. You know, what are your thoughts on kind of some of that angle to what's been going on?

**Lamine:** Yeah. So, first part of the question, does it shine a light on the way, you know, banks operate? I think so, right, excuse me, when banks fail people finally, like slow down enough to start thinking about why they failed and they sort of uncover these things that no one knew existed. In the case of

SVB, and we will go down that rabbit hole because I think it's been explored plenty in the past couple of weeks here, but, you know, SVB did everything that their respective regulators told them to do and authorized them to do, they didn't do anything inherently wrong, they were just operating like any other bank.

They had a pretty healthy balance sheet, you know, their health and security assets, you know, yeah, they were losing value so was every other bank's health and security assets today because they buffed those instruments when interest rates were much lower than they are now. They did all the things by the book, were there like some strategic missteps here and there, probably what every other bank can imagine the team makes those mistakes, but under direct supervision of their respective regulators. And so, I think what we learned here is not that we live in an environment where banks are making these crazy, wild decisions and now paying for them is that I think the lesson here is even with regulatory oversight, even with the framework that was like tested and re-tested many, many different times, you could still see banks fail because they're inherently fragile as organizations.

They are designed on one premise is that you're not going to withdraw your money tomorrow, there are banks runs which are called decay tests on their deposits. Decay test is basically, you know, derived from physics, it's like looking at nuclear isotopes. If you have, you know, $20 Billion in deposits, how long does it take for that $20 Billion to become $1 Billion, right. And they based their entire operation on this decay rates of their deposits and no one can predict how fast this will decay beyond, you know, natural sort of the rate of attrition.

And so, I think it really shakes us a lot because we sometimes forget that banks are, you know, human-created, fragile, you know, based on social contracts as institutions. But, ultimately, we have to remember that what's important is that the whole thing, the social contract has to be employees. We have to trust the bank and they have to trust us back in order for these things to work. The second one side of the other side loses that trust, the entire thing is a house of cards, it falls apart and the entire society is built on that, the social contract, and I think that's the most important lesson here. So, that's part one of your question. I forget, what's the part two there?

**Todd:** It was related to the risk, but actually wanted to change the second question. Has someone who's in the space that you're in, how nervous do you get for the aspect of inclusion when a bank fails because, ultimately, other banks who are then looking around and saying, you know, should we become more risk averse than, do fintechs do the same thing and does ultimately inclusion get hit hard because of situations like this?

**Lamine:** Yeah. I mean, I'm worried about this, for sure. You know, banks don't think of whether, you know, inclusion necessarily should go and give more thought, at least, per se because they know that the risk there with that population is pretty stable in that sense, it's risky but it's stable. But what they are thinking about now, they are thinking about relationships with fintechs that are serving their population and, you know, now it's sort of an entire tech industry has a black mark on us, right, kind of a thing because of SVB's failure, because of the slowdown in venture capital investments.

Everyone thinks that we're in a bubble that's about to go completely boom and there'll be no technology companies tomorrow. That's pretty human and normal for people to panic that way in scenarios like this and it does worry me because I'm afraid that this energy will sort of carry out new decisions that are going to be inherently very, very, very logical and purely driven and it will kill a lot of companies in the space. And even if it doesn't affect our company, you know, ecosystem is still pretty small and pretty fragile and it could kill off a portion of that ecosystem. I'm taking about fintech in general, it will most definitely ripple into every single one of the fintechs and affect them in a negative way.

**Todd:** One lesson and one regret that you can share with the audience about StellarFi that you've learned since you guys have launched?

**Lamine:** One lesson, one regret. Lesson number one and mind you, I've built multiple fintechs and I've dealt with fraud, but never get too comfortable in thinking that you understand fraud in its entirety because fraud continues to evolve daily. And post pandemic, launching a company post pandemic, we have seen so many new creative new variations of attempted fraud, it's mind boggling. People are inherently brilliant, I don't care who they are, where they come from, they come up with the most crazy, most brilliant ideas to steal money, if there's a compensation at the end of that brilliant…they will come up with ways to beat any of your, you know, smart algorithms, so that's lesson number one.

The biggest mistake that we made that I sort of regret, ah, you know, I'm not going to say that we haven't made mistakes, we certainly have, I'm trying to think of like what will make sense to the listeners, ah, hmmm, let me pause here for a second, I do have a mistake. Without casting, you know, any shade on any of the partners out there in the space, I will say this. As a fintech, you know, you have options these days to work with other fintechs, right. Fintechs are really, you know, compilations of a bunch of different tools, when you build a neobank or you build any kind of platform, it's actually humorous that it's usually like a Lego, a bunch of different pieces that come together, it's rarely like in-house stack, right, that you built.

**Todd:** Yeah.

**Lamine:** And it's very tempting to go to market with a Lego stack like that, but I think one of the biggest mistakes for us is that we went with the more established, what we call "incumbent" to provide those kind of services and that we've worked with them in the past knowing that they're slow and knowing that they're not very efficient and certainly wouldn't be able to keep up with or pace of development. Yet we still did it because we thought that the core offering was good enough and man, we were wrong in such a massive way that before we launched the product we were building for months, almost half a year and right before the launch we had to rip them out and then build our own stack, you know, in haste.

It took us like four weeks to rebuild everything and it wasn't perfect and the product came out very crude. We still, you know, kicked ass, we still grew to $2 Million in ARR int he first seven months after doing that and that's a testament to the problem that we'll resolve and then to meet out there, not necessarily the quality of our product. But the product has evolved since then, but, man, that was such a painful lesson and a mistake, and we knew that that could be the outcome, but we did it anyway, sometimes you have to.

**Todd:** Tell us more about the size of the team today, you know, what's the make-up of the team, engineers, product, sales kind of, you know, what about those around you?

Lamine: For sure. So, we're a little bit over 23 fulltime employees and a little bit over 30 with contractors, some of them parttime, some of them fulltime. So, the team is small and nimble but sizeable enough to handle the kind of scale that we're dealing with. The team is sub-split, I would say into kind of three categories and almost evenly matched size wise.

Product Engineering is one of our biggest groups, you know, in the company, I would say that's definitely one third, the other component there is Operations, we are growing Operations because we have to manage risk, we have to manage members support. All of that sort of falls under Planning & Service and management of funds and debt and falls into Operations umbrella and there's many types of skill sets there and then last but not least is Marketing, right. So, Marketing is …we're a direct consumer company, Marketing is a massive part of what we do and that's the last leg of that.

**Todd:** I see that you guys have raised some outside capital, how was the fundraising process and, you know, what did you learn. You had some other companies beforehand, you know, you probably had some good lessons from those times, but what did you learn about your company through talking with investors pitching the company.

**Lamine:** For sure. So, another way we cap this out….. there's someone beckoning next door, do you mind if I close the door real quick?

**Todd:** Sure.

**Lamine:** I'll be right back. Apologies about that.

**Todd:** No problem.

**Lamine:** Yeah. So, we're under embargo for this press release related to fundraising until the 28th so can I say it, I don't know when you're running the story.

**Todd:** Yeah, yeah, you could say it, we're going to do it after you guys have vet out.

**Lamine:** Perfect, perfect, cool. So, we've raised a very healthy seed in 2022, at the beginning of the year, so certainly beneficiaries of …although it was going on in 2021, without a doubt, but, you know, haven't had a very successful track record so needed help and the team that built a unicorn before certainly helped as well. That $7 Million gave us a lot of runways, it gave us, you know, fuel to really like run out the door as fast as we could and outrun the competition out there. Of course, the product and, you know, the clever way we market ourselves, many different things that came together there. That created this foundation, very strong foundation for us to get out there and raise Series A despite the meltdown, right, despite the fact that VCs were recoiling, you know mid last year, certainly now.

We were able to close a very aggressive $15 Million Series A where virtually everyone advised us against it. We were told that oh, get out there and just do an extension to your seed or do a very small, small modest Series A because you'll never be able to close this, not in this environment. But when you have track record and when you have a traction, more importantly, when you have a business that is just booming even in this economic downturn, you know, you can leverage those things, that's essentially what we did. The reason we were able to raise, not because, you know, our personal backgrounds, I'm sure it helped some way, it's because the company grew to $2 Million ARR in seven months after launching which I've never been prouder of the company, and I guess I've built a unicorn before.

I've never been with a company that's done this, this fast, it's because the company's margins are incredibly efficient. Unlike most fintechs, our margins looked more like a SaaS product margins because, you know, our market is immense and we're targeting 150 million Americans today with this existing product as we expand our features. It'll be anyone who pays bills, right, and not just the United States and so all of the opportunities are so big and the execution is so well done that we were able to close the round.

But don't get me wrong, it was still a fight, it was a dog fight, it was pretty nasty in many different ways because everyone was shopping for deals at that time. And even if they see that you have a good company, you know, you start comparing it to other deals that are available out there because it's such a delta between what we were asking and what other companies were asking. You know, investors who were just kind of feeling this business and wanted to like drive our price down.

**Todd:** We have just a few minutes left before we get to some fun questions to finish. You know, what would be as multiple time founder, what would be a piece of advice if a newly minted founder picked up the episode and you gave them one piece of advice to walk away with?

**Lamine:** Yeah. So, for a newly minted founder, just remember you've got to be resilient. The truth is no matter how smart you think you are, no matter how, you know, great you think your ideas, you will fail. One (inaudible) company will fail, you will experience many different micro failures along the way and success, this is a cliche, but success is a compilation of these micro failures not because, you know, those failures somehow shape this whole big picture, because you survived them, right.

It's about resilience, it's the single most important quality, just like keep doing it, keep doing it in a smart way not in a dumb way, not trying to replicate the same mistakes, but, you know, make a mistake, pivot slightly, try another thing, make a mistake, pivot slightly, try another thing. And, frankly, you know, being a multi-time founder, that process doesn't really change. You just do it much faster, with much more fluidity where it feels like you actually started with precision, but really, you're making the same mistakes, you're just pivoting much faster and much quicker and no one needs to know this thing, this pivot.

**Todd:** So, we have just a few minutes left, a couple of lighter questions to finish this off, do you have a favorite book or the last book that you read?

**Lamine:** Yeah. So, I read some business books, actually, I'm a huge fan of business books because I feel they're not contrived, the examples are so unique to these particular businesses. You can still extract value from them, but I like to read military strategy books for a couple of reasons. It's independent of business, but human society organize themselves around very similar concepts and fight over the same stuff, more like market share really, at the end of the day.

And so, the most recent book that I…I'm almost finished with it so I haven't completed the book entirely, but I love it, I think it's one of the better military books for startup founders, it's called "The Ghosts of Cannae." It's about the Battle of Cannae where Hannibal, who I'm sure a lot of readers or listeners here heard about, cross the Alps with elephants and defeated Rome, right. The underdog, if you will, defeated the most powerful civilization at that time in terms of like military prowess with a band of kind of outcasts, a bunch of golds, a couple of Spaniards, some Libyans and just kicked their butt in a way that's still the highest casualties ever experienced in human history in one day of combat so close to 50,000 died in that night fight in 24 hours.

It was a decisive victory for Carthaginians led by Hannibal, not because he was smarter than the Romans or better equipped than the Romans or better supplied than the Romans, the true startup story. It's because he learned so many micro lessons from every single defeat along the way, they kept applying them and twisting his strategies where he would basically be like two or three steps ahead of the Romans because he could adjust much faster, he took more risk and he moved faster, so to speak. And, to me, that's the essence of success in the startup world, if you want to read that book, I highly recommend it.

**Todd:** You know, founders always need to refresh their minds and not burn out, what do you do to kind of reset and make sure you're fresh for you and your team?

**Lamine:** Yeah.  So, I try many different things, I don't have one magical thing to reset. Exercise, I kind of got back into it, I always ostiolate (?), I go without exercise for a while. So, what I did, I actually created……I learned that I have to be very organized around my health and wellness so I created end notion in a very narrative way. I created an entire plan with reminders with various different things and I've divided my health and wellness into physical wellness, medical wellness, you know, mental wellness. That includes emotional wellness, family wellness and financial wellness and I need to like visit my columns with a bunch of stuff that I do.

And having put everything into that one piece, you know, one view, actually brings me a lot of, you know, serenity and calmness and because it reminds, it's sort of like I've outsourced all of the concerns and worries about my personal life to a spreadsheet, if you will, you know, that helps me sort of like stay stable. I meditate, I work out, I ride a mountain bike outside, I have a sailboat that I occasionally sail and, yeah, I mean, I do things progressively more pumping as I can afford them as a founder (Todd laughs), but you can just get away with running outside, you know, it's nice.

**Todd:** Do you have a favorite sport or sport team that you root for.

**Lamine:** So, I've never been into sports, especially not team sports, I've always been into kind of combat sports personally. But I have 10-year old who's into basketball so he's getting me into basketball because he's playing (inaudible) and because he's the obsessed with NBA, I'm starting to follow NBA as well. And so, LA Lakers is the team and by association it is my team today. (laughs)

**Todd:** Do you have a favorite vacation spot?

**Lamine:** I do, actually. So, we discovered as a family, because we live in Austin, Texas and we have children, we discovered that there's a direct flight from Austin to Cancun and I personally don't like the hustle and bustle of Cancun. There is a tiny little island, just about 45 minutes northeast of Cancun called Isla Mujeres and it's beautiful, it's quaint, it's got, you know, all of the amenities that you want in a vacation destination and it's away from like the craziness of Cancun so we like to go there frequently.

**Todd:** And final question, what inspires you, what's your biggest inspiration?

**Lamine:** In what way, like it inspires me to…

**Todd:** It inspires you to get out of bed to continue going as a founder, like kind of what keeps you going?

**Lamine:** What keeps me going is the prospect of changing culture entirely in this country and eventually, globally, changing, completely reinventing the relationship between a borrower and a lender meaning that we are kind of re-engineering the nature of credit, something that hasn't been done in the entirety of human existence and I think we're well on our way in doing that. That's such a massive step in this human evolution, so to speak, in social evolution that, you know, that scares me but also inspires the hell out of me, you know, to get my butt out of bed and do this.

**Todd:** Well, Lamine, I greatly appreciate you taking the time out to chat with me. If someone wanted to get in touch with your or StellarFi, how can do that, how can they reach out?

**Lamine:** Yeah. So, the best way is to go to www.stellarfi.com and you can find all the resources there and you can probably reach out to me directly through stellarfi.com, I still monitor all of the, you know, outreach that comes to hello@stellarfi.com

**Todd:** Sounds good, well, I appreciate again you coming on the show, continued luck to you and the team and hopefully, we'll get you back sometime in the future.

**Lamine:** Thanks for having me, really enjoyed this.

**Todd:** Thank you.