

Lending in the digital age

Presented by
Adele & Shawn
Point <> Counterpoint



Participants

- Adele Glenn, Emerging Channels Innovation Architect, Credit Human
- Shawn Ward, CEO Geezeo



Why we are here

- Discuss how far behind credit unions (and banks) in digitizing the lending process
 - Not leveraging existing data, feels antiquated
 - No 'value' on the customers time
 - New set of competitors
- Discuss what Credit Human is doing to not only compete but thrive in the digital lending area



Credit Human

- Credit Human is a cooperative balancing the needs of responsible savers and borrowers to build stronger communities.
- We understand that people want—and deserve—sensible conversations about their financial health, as well as simple tools to help them plan, save and borrow responsibly.
- \$2.9 million in assets
- 250,000 members, Serving in 43 states
- Symitar Core



Emerging Channels

- Lead in applied research, innovation, strategy and optimization -- guiding the design and development of user-centric solutions to business problems.
- Discovering business and end user needs through research, analysis, and user-centered design.
- Defining strategy and business cases for innovative solutions to achieve strategic road maps.
- Leading high performing cross-functional teams of technical, creative and business experts.
- Directing the design and development of solutions to meet end user needs.
- Collaborating with an entrepreneurial spirit across all levels of the organization.
- Translator between Business, UX and IT



Geezeo

- PFM and data analytics provider helping leading credit union and banks thrive in digital banking.
- Over 500 clients
- Strategic partnerships with Jack Henry, Fiserv, Q2, Malauzai, SAP, etc
- \$10M in annual revenues
- Incorporated in 2006



Geezeo/Bank Relationship

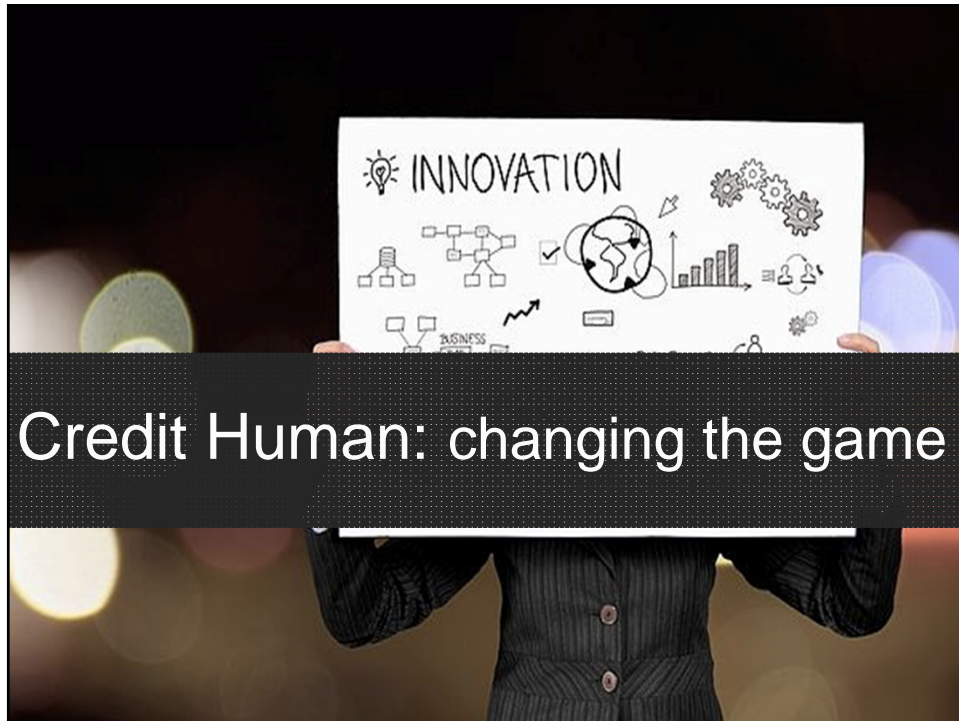
- Bank customer for 10+ years
- Revenues of ~\$10M annually
- Bank does not 'intelligently' reach me
- Too much friction to borrow from bank
- Application process is far too long
- I don't want to go into branches
- I don't want personal guarantee's



Geezeo/Alternative Lenders

- Fundbox for ST cash-flow needs
 - \$40k borrow against invoices
 - Ties to Quickbooks
- Lighter Capital
 - \$500k term loan
 - Closed in < 30 days
 - All electronic





Principle Objectives

- **Innovation from everywhere** – seeking innovative solutions to all immediate member and industry problems and while offering collaborative solutions for other issues confronting the business.
- **Focus on the member** – member-centric product and service design. Continually improve the UX and bring the member back to other products and services to improve their financial lives.
- **Seek radical rather than incremental improvement and development** – think 10x rather than 10% better than what currently exists. Utilize evidence from alternative sources to generate unexpected but practical solutions.



Principle Objectives

- **Launch and iterate** – innovation never means perfection. The necessary objective of innovation is improvement. Seek member and employee feedback, enhance, and redeploy.
- **Making Lemonade** – Despite best efforts, sometimes failure is a byproduct of innovation and can provide a great source of process improvement. When a project or plan doesn't work out as designed it can lead to other items of value that can morph into future success.
- **Science First** – incorporation of Lean Six Sigma, behavioral economics and systems dynamics to identify key behaviors, remove barriers, and ultimately amplify the benefits and results in every project.



Using Data

- Does our loan application process support disability or self employment income?
- Can we offer real time loan payment via DQ alerts?
- How can we offer targeted life event loans? (New baby, wedding, retirement)
- Debt happens – It's how you get out that counts. How can we better facilitate this for our members?
- How do you buy your socks? (The Alexa problem – are we designing loan products for the digital age?)



Long Term

- Measurement through controlled experimentation
- Collect data on performance of y.
- Collect data on y for stability.
- Study the Measurement System of y.
- Review R&R (Repeatability & Reproducibility) to validate the Measurement system.
- Improve R&R if variation is high.
- Evaluate the capability of y (Calculate present Z value for y).
- Review Baseline Performance with set target and revise Targets if required.





Digital Lending Solutions

- QMoney
- Our QMoney short-term loan is a valuable member benefit and a smarter alternative to payday loans and other high-cost options.
- No credit check
- Borrow \$200 to \$500
- 60 days to repay
- Fast and convenient



Digital Lending Solutions

- “6 clicks or less”
 - Optimizing the loan application workflow
 - Using data we already have to pre-fill
 - Using alternative sources to obtain the data we need to decision
 - Easy, fast, simple



Digital Lending Solutions

- Combo App
 - Non-Member fast track to membership
 - Initiated at loan approval
 - Workflow uses lending data to create and open the new account



Digital Lending Solutions

Pre-Approved and Pre-Qualified offers

- “Offers Tab” displays perpetual loan offers to all members in online banking and mobile
- Real-time adjustment as member accepts various offers
- Auto, LOC, credit card, personal, holiday, vacation, etc...



Digital Lending Solutions

- P2P lending – MyLaParra Inc.
 - 501c3 formation for the purpose of facilitating member to member donations
 - Borrowers can borrow at 0%
 - Lenders can make tax deductible “donation”
 - Repayment is given back to lender in the app to lend to others in need



Advantages

- Member data
- Member relationship
- Flexibility of systems and applications
- Leveraging vendor partnerships
- Systems Dynamics and Behavioral Economics



How to foster innovative design

- Monitor and participate - One way that FIs can gain insights into crucial research is to simply monitor what's going on in the academic world. (MIT, Harvard, Duke)
 - Jobs & Wozniak, Page & Brin, Zuckerberg & Saverin, and many others, all had direct access to advanced academic research and were able to translate into real-life applications. In a sense, their serendipitous moments were a product of business and academic collaboration.
- Partner - With academics, fintechs, visionaries, gurus. Anyone who knows something about your area of interest. Does not have to be within the industry. Even better if they're not.
- Visual Cues - allow time to explore the hidden networks and correlations of your problem space. Conduct the exploratory work and research and further develop the problem space alongside the solutions.
- Move smarter– Find ways to create slack and reflection time.





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What's Next?

- **Progress Consumer Lending & Home Lending Businesses** – *building capacity and market viability through improved quality, redesigned processes and products, and superior delivery through self-service*
 - *Increase loan applications in self-service channel to 75% through auto decisioning and offers platform by 2021*
 - *Design and build a self-service, paperless home loan application by 2021*
 - *Design and build a self-service SBA Lending program by 2023*
 - *Launch the MyLaParra and Axuda platform to all members by 2020*



What's next?

- Mobile real estate app
- Digital self-service SBA loan portal
- SBA business loan support
- Alternative credit models
- Alternative loan types
- Automation & Simplicity

