

## Nish Krishna of Lend Grow Inc

**Hall T Martin:** [00:00:04] This is the Investor Connect Podcast Program, I'm Hall T Martin. I'm the host of the show in which we interview angel investors, venture capital, family offices, private equity, and many other investors for early-stage and growth companies. I hope you enjoy this episode.

**Hall T Martin:** [00:00:23] Well hello, this is Hall Martin with Investor Connect. Today we're here with Nish Krishna, CEO of Lend-Grow Inc. Lend-Grow is a fintech that aims to connect borrowers with 1,000 local lenders that are often hard to find online and usually have better deals on loans. Nish, thank you for joining us.

**Nish Krishna:** [00:00:39] Hi Hall. Nice to join you.

**Hall T Martin:** [00:00:41] Great. So, what was your background before founding Lend-Grow?

**Nish Krishna:** [00:00:44] Yes, so I've mostly spent the last decade in lending space. Early on in my career, I started in Capital One where I started a career in corporate development \_\_\_\_\_ and led a few deals for Capital One to acquire large co-brand card portfolios. Things like \_\_\_\_\_ co-brand card which is a \$4 billion portfolio that Capital One acquired, and we bid for the Target portfolio, was another \$8 billion portfolio, which we did not win. So, essentially got a chance to look at through Capital One, at how some of the analytically-led organizations, especially in financial services, they use a customer-centric approach and just show \_\_\_\_\_ experience to set up and run these lending businesses. After that role at Capital One, I also had the opportunity of running a few businesses at Capital One, card business in small-bills lending. And then after Capital One, I was at M&T bank where I helped set up the Center of Excellence for Customer Growth and Customer Acquisitions. Spent some time at E-Trade in direct brokerage business in a similar growth kind of role, helping them with \_\_\_\_\_ transformation and becoming more \_\_\_\_\_ oriented. And then right before starting Lend-Grow, I was hired by PenFed, where I spent about two years helping set up the Consumer Loan Business Unit. Things like personal loans, student loans, and home-improvement loans were the products that were part of this business

unit, and had this wonderful opportunity of growing this business from scratch to about \$1.2 billion in outstanding loans in about 18 months and that led to starting Lend-Grow.

**Hall T Martin:** [00:02:28] Well, great. So, what led you to start Lend-Grow, or can you tell us more about that?

**Nish Krishna:** [00:02:32] Yeah. So, I think it was basically we stumbled on two insights, both me and my co-founders. So, the big one and I think the most important one of those two was, there were many local lenders like PenFed that were offering better deal on loans than some of the bigger banks and online lenders, and the consumers were largely unaware of them. So, there was something that was beneficial to the consumer, they could save tens of thousands of dollars over the life of these loans, yet they were going and making suboptimal choices. The second thing was that this was largely overlooked by some of the competition in the space, so if you are thinking about, if you think about marketplaces, some of the names that come to mind, Lending Tree, Credit Karma \_\_\_\_\_, they basically focus on some of the larger banks, online lenders and credit unions or banks with a few state of \_\_\_\_\_ usually find it difficult to find a way on the marketplace because they were on a cost-per-lead kind of a referral model basis. And so, those two basically insights as we were building the business at PenFed, which was, it's the largest credit union and had some of the similar challenges, basically came together, and we felt that with Lend-Grow we could offer an alternate to the marketplaces out there, which focuses more on local lenders, cheaper money. So of course, there's this large pool of about 1,100 lenders that need this and are hungry to get a share of the online market space, but also the consumers who could save thousands and thousands of dollars. And so, started Lend-Grow with the Chief Credit Risk Officer of PenFed, Fred Rubin, and then we were joined by Harris Schachter who had worked earlier on at Capital One and who led organic growth at Capital One to start Lend-Grow.

**Hall T Martin:** [00:04:20] Well, great. And so, what's your advice for people investing in startups in the fintech sector? What do you tell them to do before they write that first check?

**Nish Krishna:** [00:04:27] So, fintech is a great sector and has gotten a lot of attention from investors, media, and it's one of those, you know, like it's an \_\_\_\_\_ complex, a

regulated industry, but there are lots of other regulated industries like healthcare and other industries like that. But I think, fortunately, financial services have benefited and sort of like drawn talent and attention from a lot of co-founders who have transformed in financial services through tech-led innovation. It's opening up all kinds of exciting businesses and customer experiences. Just look at year 2019, there were \$233 billion in M&A and it happened in the fintech space, about 1,000 deals, a little shy of 1,000 deals, 23 of which were a \$1 billion+. So, of course, if you are thinking about investing in fintech - at a very high level, we'll talk about some specific investment teams later or we can talk about that later on - but, team and sort of the thesis when you're looking at it. I think one thing you might want to evaluate differently in the fintech space and especially seed-stage startup in fintech space is the team. So, unlike some of the other, team is always important in any startup, but it's more so in a regulated business where there are some idiosyncrasies that you have to be aware of to be successful in the space. And so, prior knowledge and experience of having done this is important and that's why you see a lot of successful fintechs like Lending Club, Credit Karma were founded by people who had operated in that space. And if you talk to some of the big VCs like Andreessen Horowitz, they talk about how college dropouts and others like are the type of team or founding members they like to see, you would find that less in successful fintechs. So, that's one thing to keep in mind. The other one is, of course, the thesis that you are investing in and the early wave of fintechs you had a lot of like Challenger sort of like fintechs, I would say. Things like Lending Club, SoFi, Betterment\_\_\_\_\_, right? They were going head to head with these established players, I think that was the first phase. Some of the big opportunities right now are with fintechs that are more operating as what I would call as "frenemies", right, friends and enemies at the same time. While they're dis-intermediating the established players, the banks, the credit unions, etc., but their success is not dependent upon displacing them, but sort of like working with them in sort of capturing the market share, or doing something more efficiently, or creating space. And so, these are the really high-level investment thesis level, but these are some of the high-level \_\_\_\_\_ I would look for as an investor in fintech space.

**Hall T Martin:** [00:07:32] So, on the other side of that table, what's your advice for people running startups in the fintech sector? What do you tell those founders to do before they go out to raise funding?

**Nish Krishna:** [00:07:41] Yeah, it's similar. I think it's just how you solve for it. So I think, again, as I said, regulatory risk and compliance are one of the big pieces of the puzzle you need to solve, and so you need to have a \_\_\_\_\_ in your team, so to speak, this could be an advisor or a founder who has operated in the space and can guide you through the maze of regulation. For example, in our case, when I started Lend-Grow, I had a good handle of the tech, the business, the product side of it, but chose to have Fred Rubin, who is our co-founder, join from day one. So, I think things like that, Fred has been a credit risk officer at five to six banks, he was there at PenFed, National Corporative Bank, and others, he was also a Citibank examiner. So, having somebody like that who can tell you where to go, where not to go, where the cost of engaging and solving from a regulatory compliance side will be expensive. I think that is important, not necessarily have the co-founder, for example, like we had, but it needs to be solved somehow. So, on the business model side, similarly, as I said, frenemies, I think that's the business model that has a larger, more valuable I think, today, as opposed to sort of like Challenger sort of fintech brands or business models. And so, how do you solve for that as a fintech startup, co-founder, or founding team member? I think you have to think about like how you get there, right, and have that partnership going on from the get-go. So, either engaging with accelerators that a lot of financial services organizations now have, \_\_\_\_\_ venture groups, so these companies are thinking about partnerships from the get-go through associations, or industry groups, or focused on acquisition, or just partnering with a large bank, credit union or other financial services. I think those are going to be key. Again, for example, here at Lend-Grow, while we acquired some really big banks in the local lending space, regional space like Citizen's, by ourselves, in fact, all the five, six earlier bank partnerships came by ourselves, we closed it through our own contacts and effort. We did end up signing a deal with Stiffler, which is one of the leading investment banks in the mid-market segment and has a Rolodex of all the CEOs and CFOs that they work with on corporate financing side, a large \_\_\_\_\_ sales team. And so, as we were looking for our growth like that was important to solve for it and it kind of goes back to some of the challenges or unique idiosyncrasies of the space.

**Hall T Martin:** [00:10:32] So, let's talk about the fintech industry itself. How do you see it evolving and where do you see it going?

**Nish Krishna:** [00:10:38] Yeah, so I think more than fintech, let's talk about financial services and financial services is a very large space, so let's draw some boundaries, we'll leave insurance out, for example, right? And so, it's useful to think about sort of like, so in financial services, they are from a product standpoint, there are four or five big spaces, right? So there's payments, there's banking, there's lending, and then there is wealth management, and you would see fintechs in all of these space, some more so than others. So, it's useful to think about sort of what's happening in the space right, from a consumer and regulatory standpoint. So, those are the external or inherent shocks in the systems or changes in the system that are happening, that then gets realized in terms of innovation, either it's to fintech or the existing players reacting to it. So, on the consumer side, if you look at the large trends, there's a lot of indebtedness among the next big generation that is coming up, millennials \_\_\_\_\_ have come up. We all know about the student loan gets talked about a lot. An average millennial has a student loan debt of north of \$30,000, so that's a substantial sum of money, right? The savings, the wealth, and the income is not the same level as some of the previous generations because they have suffered two shocks back to back in the space of 10 years early on in their career. We had the Great Recession from '08-2010, and then now we're going into another one. And, if we look at the unemployment levels, 14% for millennials, 27 \_\_\_\_\_ these are concerning numbers, right? And so, there are concerns and also there are some opportunities. And so, there are some of these indebtedness early on wealth gap, there are some fundamental changes in sort of the society and the economy. There's a lot of automation tech disruption going on, like with things like Uber that have come up, have taken out a whole section of the economy, is transforming them here in automation and so, that's one of the things. It's changing the way people consume financial products or the type of financial products they consume and that opens up, closes some businesses and opens up opportunities. If you are a fintech thinking about a business or an investor thinking about what businesses will have some long-term support. On the regulatory side, I think basically the story is there's a lot of uncertainty. Some of the old regulation around CFPB, Department of Labor fiduciary rule that affected some of the fintechs in the wealth-management space, other established players, they were put on the backburner and as the administration changed hands in 2016, it's unclear what will happen. Some of the new regulation that will happen regardless of who is in and like what happens post-November 3, things to do with fintech \_\_\_\_\_ still unsettled, and so, there is basically that uncertainty and

cloud that some of which will settle in the short term, others still kind of a little bit medium-term and that will determine some of the winners and losers in the space.

**Hall T Martin:** [00:13:51] Great. So, let's talk about your investment thesis for the fintech sector where you think is the best place for investors to be focusing. What would you say is the best way to look at fintech these days for making a return?

**Nish Krishna:** [00:14:05] So I think there are, I would suggest, like there are three or four big sort of [00:14:10] banks that [00:14:10] are out there that we can think from an investment standpoint. And again, these are sort of my view of the world in terms of like what I've observed running businesses in financial services, whether it's from wealth-management side, or banking, or lending side. So, I think the first thing that I think is very interesting and always has a better valuation long term is, what part of the value chain is the fintech or this new innovation displacing? So, things that are more closer to the consumers, our D2C or a B2C will always have higher valuations in the end. The B2B probably still there are more fintechs in the B2B fintech. On an aggregate, probably they have a larger net aggregate valuation, but if you're looking at individual debts, those that are going to be big unicorn's, that's the side of the spectrum I think that is more attractive. The second thing is businesses that are going to solve for some of these involving challenges from a generational-wealth-gap-indebtedness standpoint, are going to be, traditional businesses are still very much tied to sort of mortgage investing, lending, banking, those sort of things, and businesses that think about solving for the needs of this new generation, I think that those are going to be interesting and probably have more long-term potential. Then there is of course, always new ways of thinking about financed money, which is cross-generational and I think whether these are new product ideas or which opens access to the underbrand population segments that was always there, I think that those are \_\_\_\_\_ things that are always, there are a little bit harder to find, but they usually have long-term potential. And then finally, I would sum it by saying that some of the sectors, like when you look at payments, lending, banking and wealth management, some of them are a little bit overcrowded and some of them are under-penetrated. So, I left insurance out earlier, but insurance is one sector which is under-penetrated, payments with managements, some of the things that's happening on the student-loan side, like income-sharing agreements, etc., are a little bit overcrowded at this point in time and so, that's worth thinking about if you're juggling in that space.

**Hall T Martin:** [00:16:48] Great. So, what are the challenges in starting up a fintech company these days?

**Nish Krishna:** [00:16:54] I think we've already talked about some of the execution challenges, right? So, navigating risk compliance efficiently, access to market to partnerships. I think beyond this, there are two other things that, from an execution point, becomes meaningful. So, fintech is a crowded space compared to some of the other areas of innovation, healthcare, and agriculture, and those sort of things. So, differentiation is key, right? Differentiation is key in any startup in any sector, but in fintech, especially in the seed stage, this is even more so. So it is the business model, the customer acquisition product that is really something that is intensely analyzed, more so than probably in other sectors and beyond some of the regular things like team, \_\_\_\_\_thesis, those sorts of things. The second thing is attracting talent, right? And so, we talked about like having a regulatory compliance oversight \_\_\_\_\_advisor and co-founder but, it's just the talent pool and the type of people you can hire is very, it requires somebody with prior experience, whether it's in technology, so on the technology side when you're talking to engineers, this is somebody who has worked and understands some of the big sort of integrations to \_\_\_\_\_banking platforms or \_\_\_\_\_ networks and those sort of things that you cannot, it's not about building an app or just customer experience and so, that is important. When you are thinking about hiring a marketing person, there are a bunch of regulatory-compliance related things that you need to be aware of. And so, access to the talent pool and sort of being able to have a reliable sort of channel through which you can recruit, especially talent, which has spent some time in this, is key to success. So, I think those two things they're additional things I would add to some of the things that I've already mentioned.

**Hall T Martin:** [00:18:54] And then for the investor itself, what do think are the challenges for them in the fintech space in evaluating startups and making investments?

**Nish Krishna:** [00:19:04] So I think the thesis, we talked about thesis, we talked about sort of like some of the things to keep in mind just as, like what are the challenges that the founders are facing. I think deal flow is key and early-stage fintechs, of course, are heavily quoted by institutional investors. I mean, if you look at something like Robinhood, \_\_\_\_\_investors with a \$3 million round from what I recall. Of course, the

institutional investors tend to lock out and even those \_\_\_\_\_ investors were some of the early investors in the firm. And so, I think that is key on some of these things that we have sort of mentioned. Like we had a similar thing that when we were working with 10X who is an investor in Lend-Grow to allow some of the friends and families and other investors to participate in the round. And so, if you are, as an angel or \_\_\_\_\_ investor sort of getting in early on in the game with some of these companies that get picked up by institutionals would be something that would be interesting.

**Hall T Martin:** [00:20:14] Great. So, how does Lend-Grow fit into the fintech landscape? Where exactly does it fit and what does it do?

**Nish Krishna:** [00:20:20] Yes, so we are, as you mentioned, we are connecting 1,000+ lenders, we are in the business of making them more accessible to the consumers, they are about 30% of the market, \$6 trillion in assets. We believe they have better products because they have under-deployed liquidity, they have a lot of \_\_\_\_\_ on the books, and so they're willing to mark down the rates, I think. And so, we are going after an undersold market. In terms of the value chain, we talked about the value chain, so we are more, we're a B2C business, so we are focused on sort of holding that customer relationship. And then from a differentiation standpoint, both in terms of the markets that we serve and the competition, we're really doing something very different. And so, that gives us some advantages so we can charge a premium, our cost acquisition is lower. We signed up, when we opened, it was easy to sign up banks, and then with \_\_\_\_\_ partnership, we have a pipeline which we are sitting on and sort of half pushed back on it. So, I think that gives us some natural advantages, it fits with some of the thesis that I think would be important in this business. Another thing I would like to add on these is, operate more as frenemies, like, we are not a Challenger bank or a fintech, we're working with a segment and really helping that segment capture more market share. So, there are some business model type of things of how we sort of like approaching this. And then, of course, on the execution side, as I mentioned, like we were we have, whether it's a co-founder like Fred who has as a former process bank examiner keeps us honest and efficient, or advisors such as \_\_\_\_\_, who is our \_\_\_\_\_ of Lending Tree, we have access to a network of advisors who help us shape this company as we are setting this up. And then finally, just having operated in the space, we have a large diaspora of talent, whether it's from Capital One or E-Trade that we tap into as we are thinking about growing the company.

**Hall T Martin:** [00:22:26] Well, great. Well, in the last few minutes that we have here today, what else should we cover that we haven't?

**Nish Krishna:** [00:22:30] Well, I mean, if you're interested in fintech, I think, as I said, it's a great space, we're evolving, very active. I would point to two other resources that would be worth keeping on your radar, F.T. partners, which has kind of positioned itself as the only \_\_\_\_\_ focuses exclusively on fintech. We'd see a lot of, like, marketing spots for them, so you can definitely, they have a newsletter and fintech update, a quarterly update that you can subscribe to. Andreessen Horowitz has a fintech newsletter, I think that's really good if you want to stay abreast on this industry segment, and we are just very excited to partner with TEN in this our current round. We just closed a few weeks back, about \$900K of the \$2 million round that we're raising, and we're looking to partner with TEN and investors in your network. We're raising another \$400/\$500K and the balance will come through institutional investors and, very excited to see some of the recent transaction beyond sort of the user growth that has happened with Lend-Grow and we'd love to share it with your base. We just started former global CMO of \_\_\_\_\_, current board member of \_\_\_\_\_, Kellyann Kelly to the board earlier this month. And, we are looking forward to hiring some of the \_\_\_\_\_ members and launching, bringing on new partners on the Lend-Grow platform.

**Hall T Martin:** [00:23:56] Great. So, how best for listeners to get back in touch with you?

**Nish Krishna:** [00:24:00] Yeah, that's very easy. You can drop us an email at [ir@lendgrow.com](mailto:ir@lendgrow.com). You can also just go to [Lendgrow.com](http://Lendgrow.com) at "Contact Us", and, you know, there's a little web form that you can fill to get in touch with us. I'm very reachable on LinkedIn, Nish Krishna if you want to look me up and send me a message, any of these three channels, will get across to us.

**Hall T Martin:** [00:24:29] Well, we'll put that in the show notes. I want to thank you for joining us today and hope to have you back for a follow-up soon.

**Nish Krishna:** [00:24:35] Yeah, absolutely. It's great. A pleasure talking to you.

**Hall T Martin:** [00:24:36] Investor Connect helps investors interested in startup funding. In this podcast series, experienced investors share their experience and advice. You can learn more at [Investorconnect.org](http://Investorconnect.org).

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