

# **FinTech:**

## **Shaping the Financial World**

**April 27, 2020**

# Class 8: Overview

- Credit Scoring & Alternative Data
- Challenges of Traditional Banking
- Online Banking
- Neo & Challenger Banks
- Funding & Valuations
- Traditional Banks Mobile Offerings

# FICO Scores



# Alternative Data

- Bank, Checking, Employment, Income, Insurance, Tenant, Utilities
- Cash Flow Underwriting
- Consumption and Purchase Transactional Data
- App Usage, Browsing History, Email Receipt, Geolocation, Social Media Data,
- Educational Background, Employer, Occupation, Work History

# Alternative Data FinTech Landscape

## Alternative Data Sources



# Class 8: Readings

- *'The Challenger Banks That Threaten to Disrupt Financial Institutions'*  
Bill Streeter, The Financial Brand
- *'Dawn of The Neobank: The Fintechs Trying to Kill the Corner Bank'*  
Forbes
- *'2020 will be a challenging year for challenger banks'* Romain Dillet,  
TechCrunch

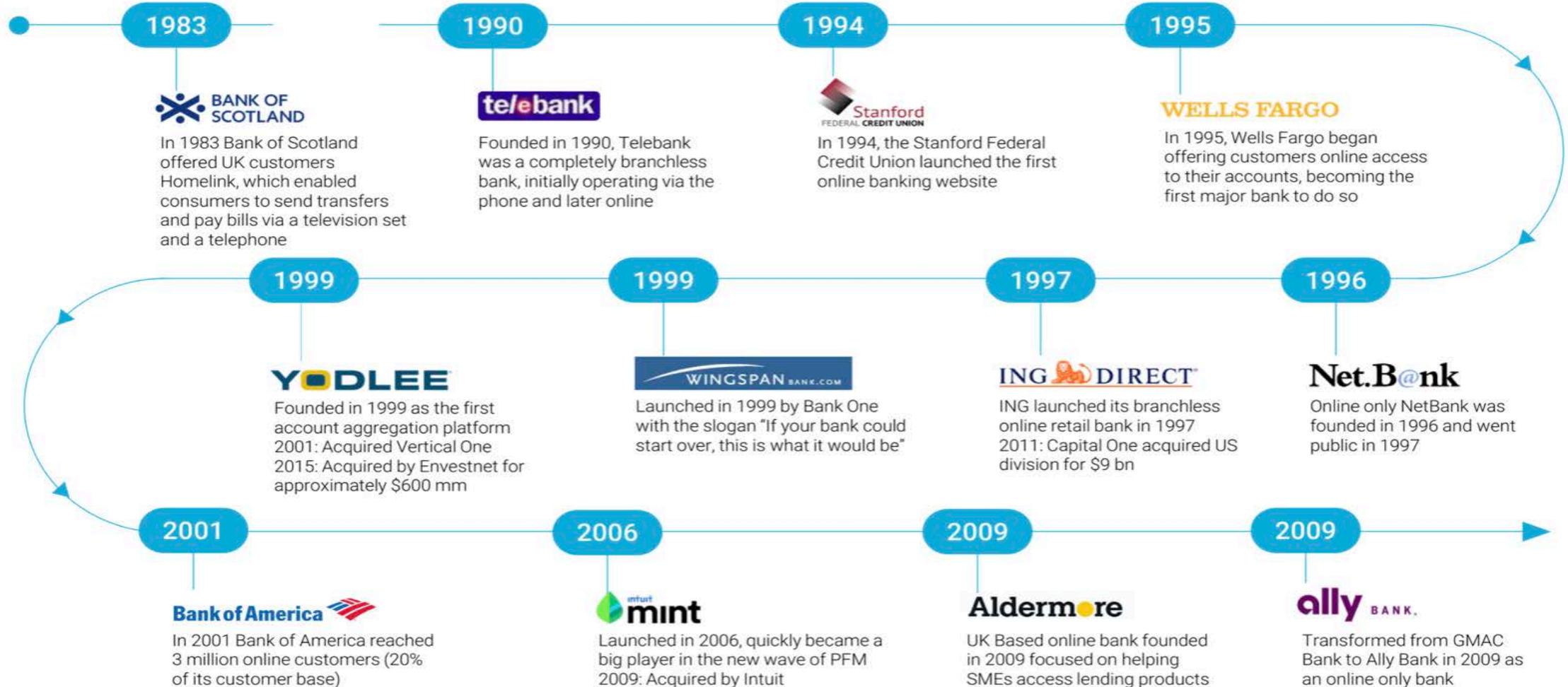
# Class 8: Study Questions

- What are Challenger or Neobanks?
- What gaps or 'pain points' in traditional banking might Challenger Banks be addressing? What challenges face these new banks?
- How might Challenger or Neobanks affect the banking landscape?

# Challenges of Traditional Banking

- Legacy Branch Networks
- Legacy Tech
- Product Commoditization
- Competitive Landscape
- Costs & Fees
- User Interface and User Experience
- Trust

# History of Online Banking



# Top reasons consumers adopt challenger bank solutions

Easy to set up an account

43%

More attractive fees/rates

15%

Access to different products/services

12%

Better experience

11%

Better quality of services

10%

More innovative products than available from banks

6%

Greater level of trust than traditional institutions

2%

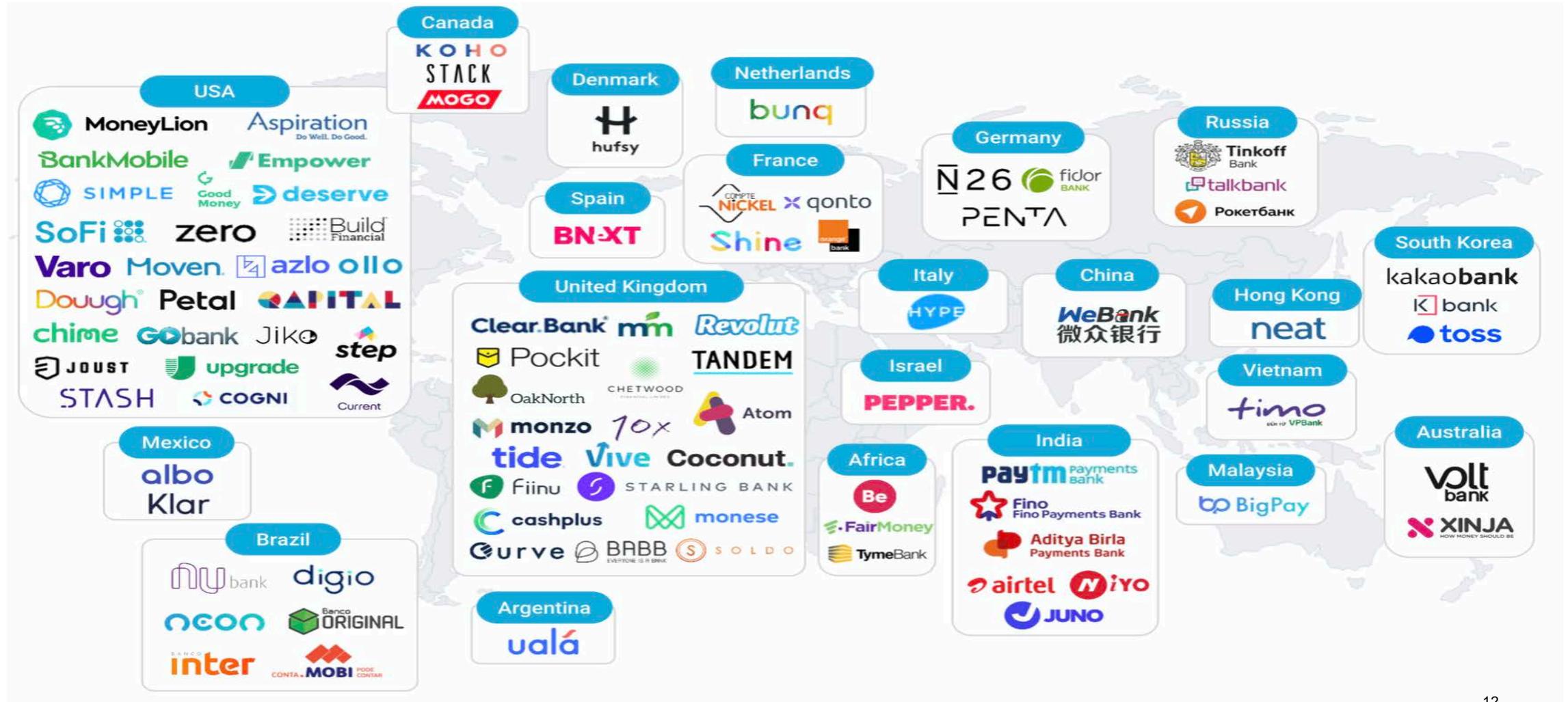
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Source: 'The Challenger Banks That Threaten<sup>10</sup> to Disrupt Financial Institutions', The Financial Brand (2/18/20)

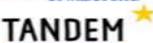
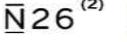
# Neo and Challenger Banks

- Ally Bank (2009)
- Aspiration (2013)
- Atom Bank (2016)
- Axos (1999)
- BankMobile (2015)
- BigPay (2018)
- Bunq (2012)
- Chime (2013)
- Dave (2016)
- KakaoBank (2016)
- Marcus (2016 by Goldman Sachs)
- MoneyLion (2013)
- Monese (2015)
- Monzo (2015)
- N26 (2016)
- Nubank (2013)
- OakNorth (2015)
- Revolut (2015)
- SoFi (2011)
- Starling Bank (2014)
- Tandem (2015)
- TymeBank (2015)
- Uala (2017)
- Varo (2015)
- Volt (2017)
- WeBank (2015)

# Neo and Challenger Banks



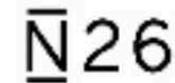
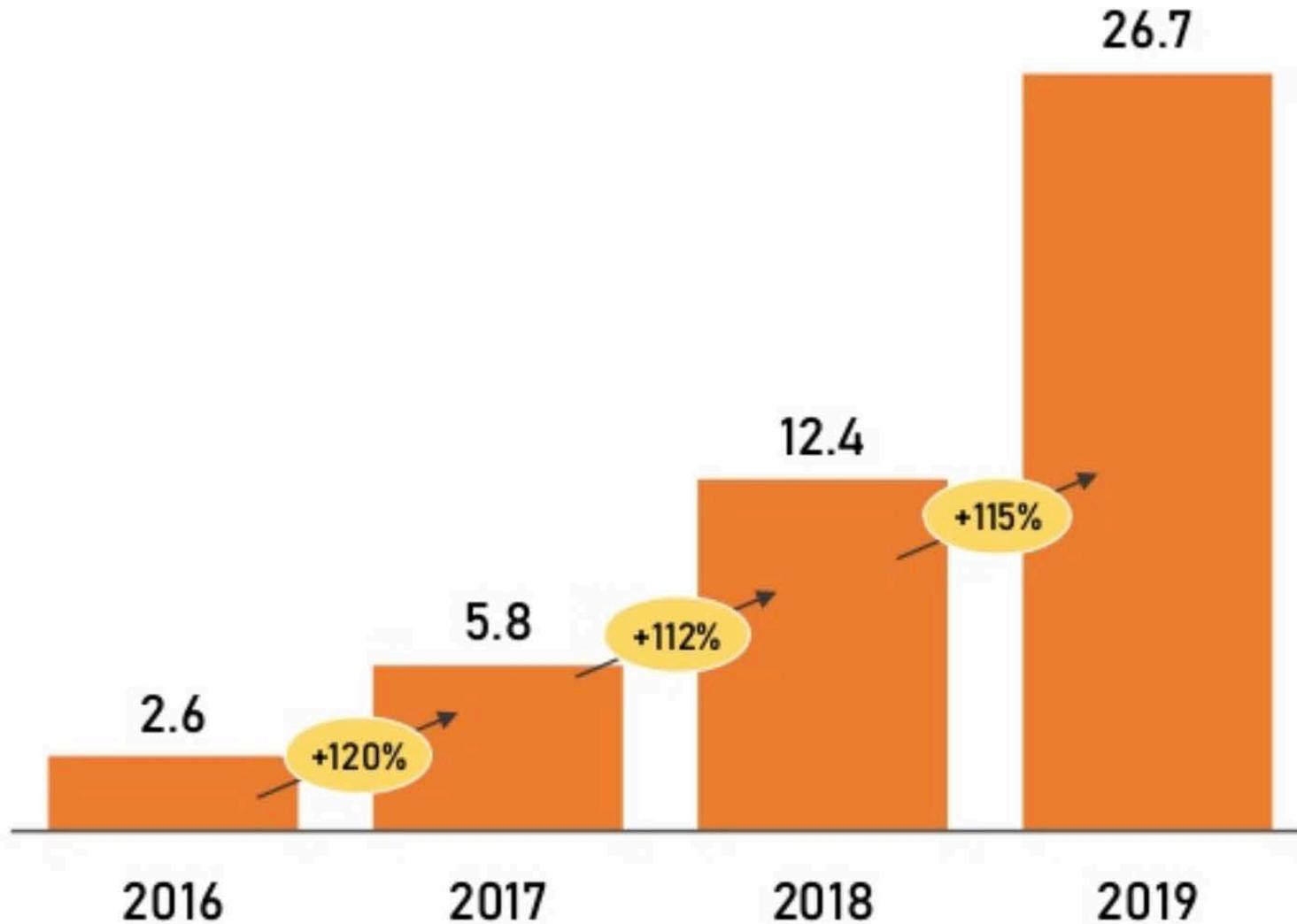
# Product Offerings

Product	Revenue Stream	Example Companies (★ Indicates Starting Product Category)
 <b>Checking / Savings Accounts &amp; Debit / Prepaid Cards</b>	<ul style="list-style-type: none"> <li>• Interchange</li> <li>• Fee Income</li> </ul>	                 
 <b>Investment Products</b>	<ul style="list-style-type: none"> <li>• Fee Income</li> </ul>	     
 <b>Installment Loans</b>	<ul style="list-style-type: none"> <li>• Interest Income (if on balance sheet)</li> <li>• Gain on Sale / Servicing Fees</li> </ul>	      
 <b>Student Loans</b>	<ul style="list-style-type: none"> <li>• Interest Income (if on balance sheet)</li> <li>• Gain on Sale / Servicing Fees</li> </ul>	 
 <b>Credit Cards</b>	<ul style="list-style-type: none"> <li>• Interchange</li> <li>• Interest Income</li> <li>• Servicing Fees</li> </ul>	     
 <b>Home Mortgages</b>	<ul style="list-style-type: none"> <li>• Interest Income</li> <li>• Gain on Sale</li> <li>• Servicing Fees</li> </ul>	  
 <b>HELOC / Home Equity Loans</b>	<ul style="list-style-type: none"> <li>• Interest Income</li> <li>• Gain on Sale</li> <li>• Servicing Fees</li> </ul>	

(1) Coming in 2020  
 (2) Currently only offered in Germany  
 (3) Not offering complete challenger bank solutions, only home equity loans at the moment.

# Number of customers - Selected top 8 bank challengers in Europe

In million



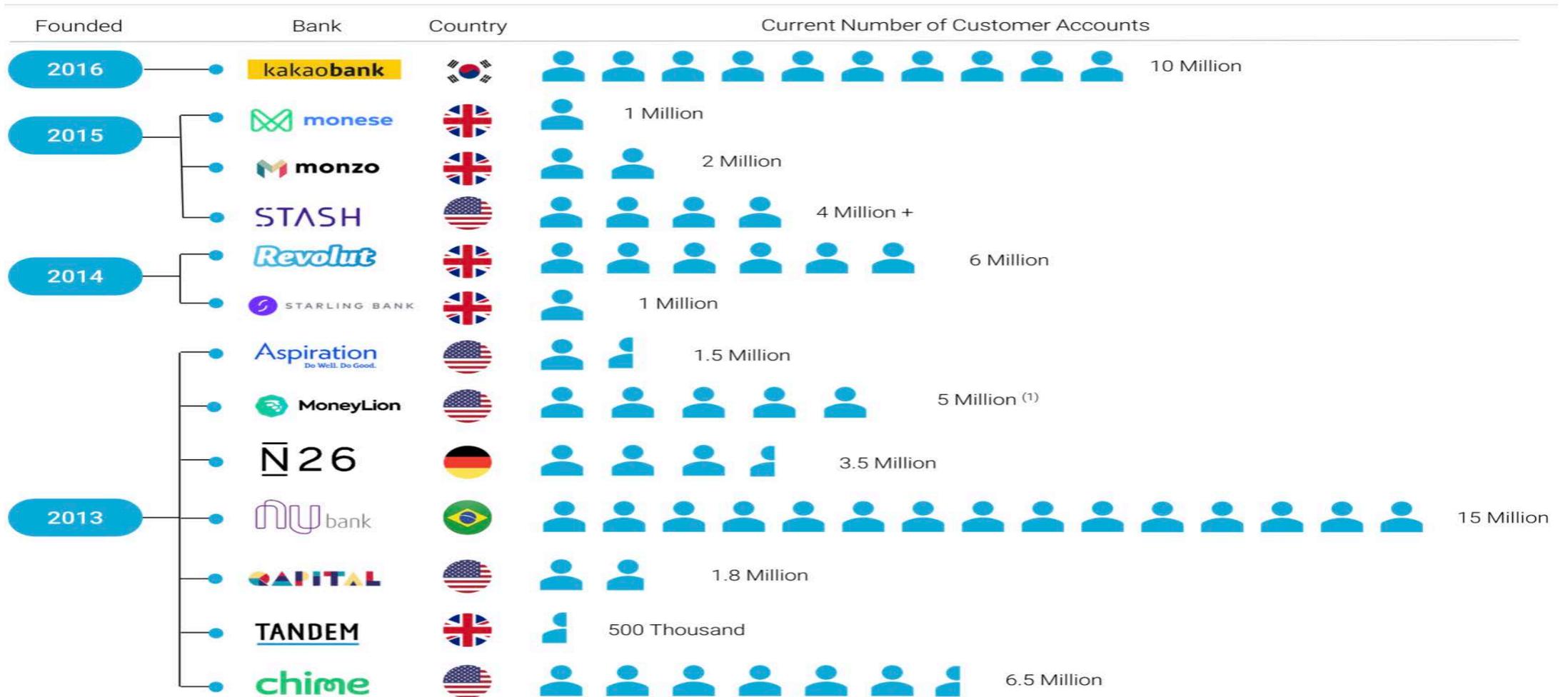
PENDING PERMISSION

Source: 'Bank Challengers in Europe', Inteliace Research, SlideShare (January 6, 2020)

\* including: Revolut, N26, TransfeWise, Monzo, Starling, Monese, Tandem, Curve  
Source: Inteliace Research

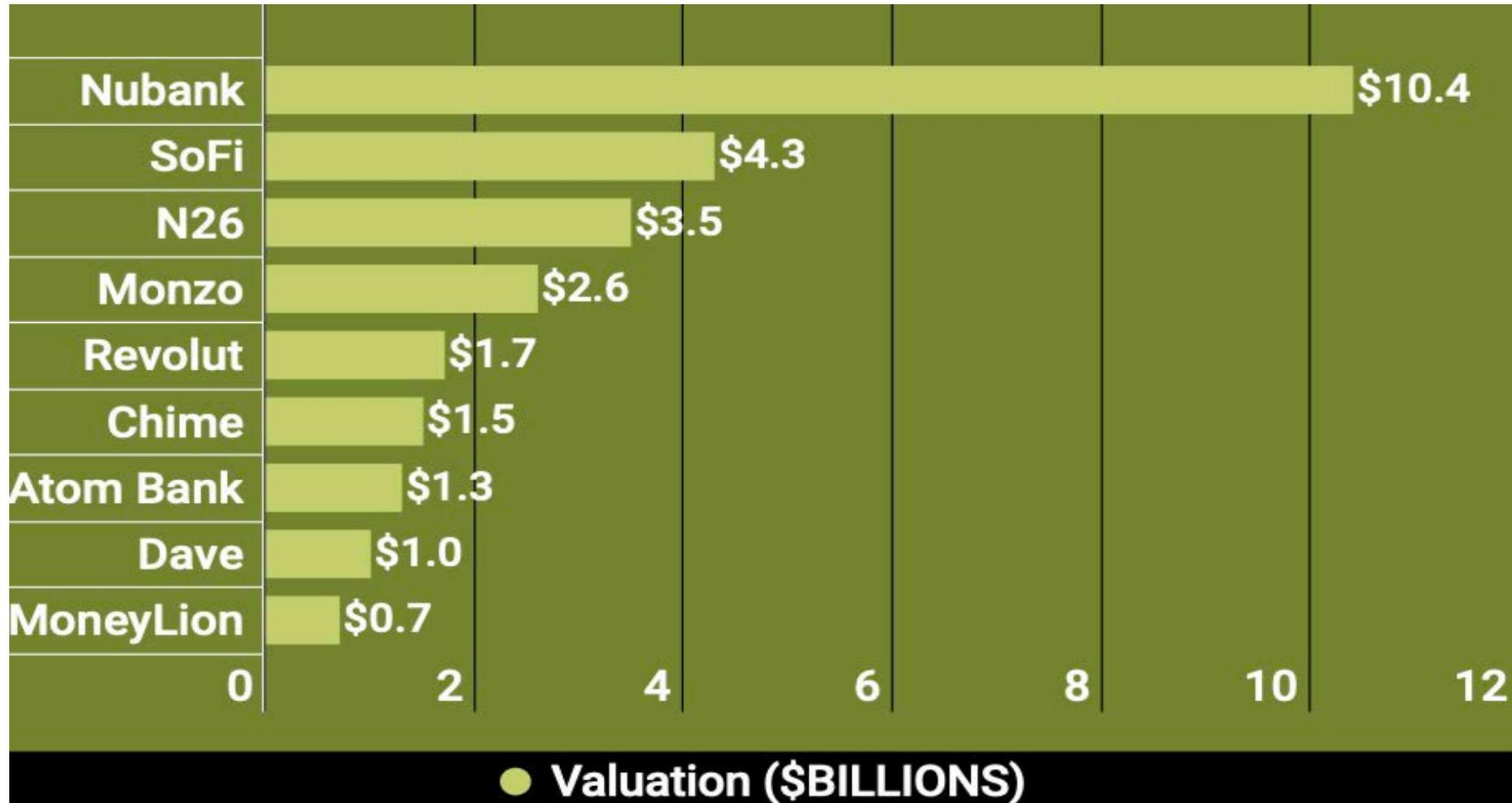
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# Customer Accounts



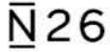
Source: All figures based off latest publicly available  
 Note: (1) Includes all members across MoneyLion platform

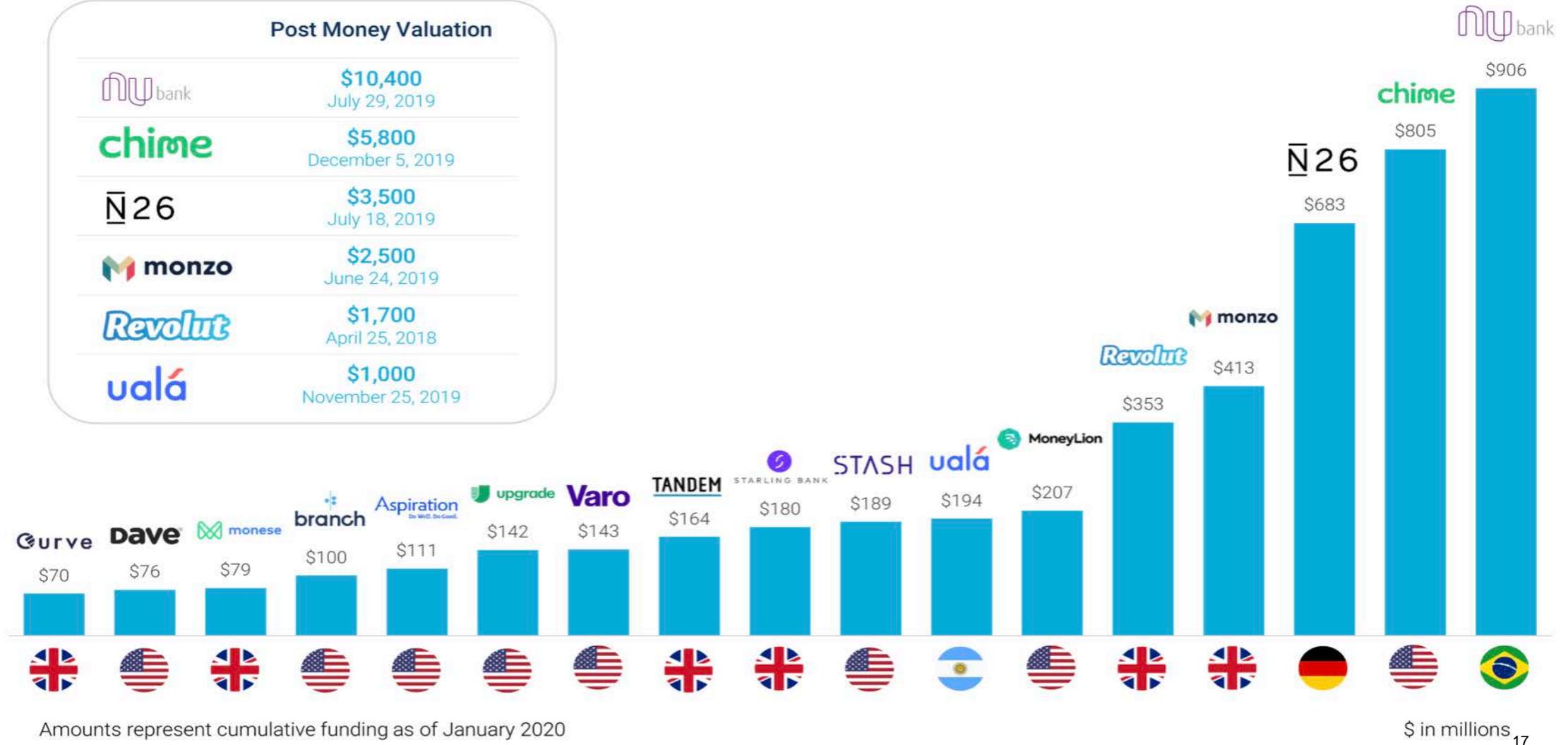
# Challenger Bank Valuations



Sources: the companies, CB Insights, PitchBook.

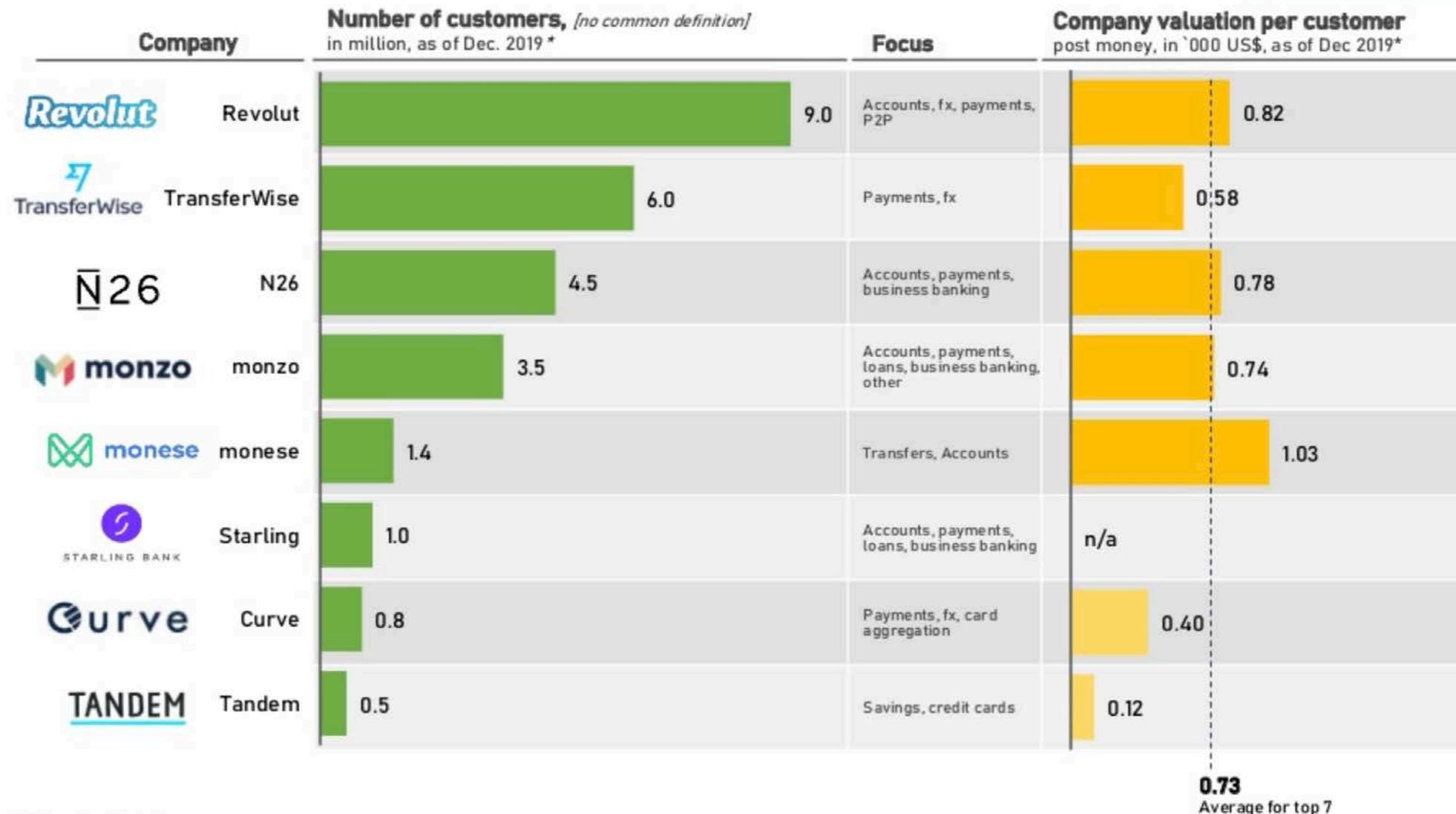
# Funding to Date

Post Money Valuation	
	\$10,400 July 29, 2019
	\$5,800 December 5, 2019
	\$3,500 July 18, 2019
	\$2,500 June 24, 2019
	\$1,700 April 25, 2018
	\$1,000 November 25, 2019



## Selected European bank challengers: Customers

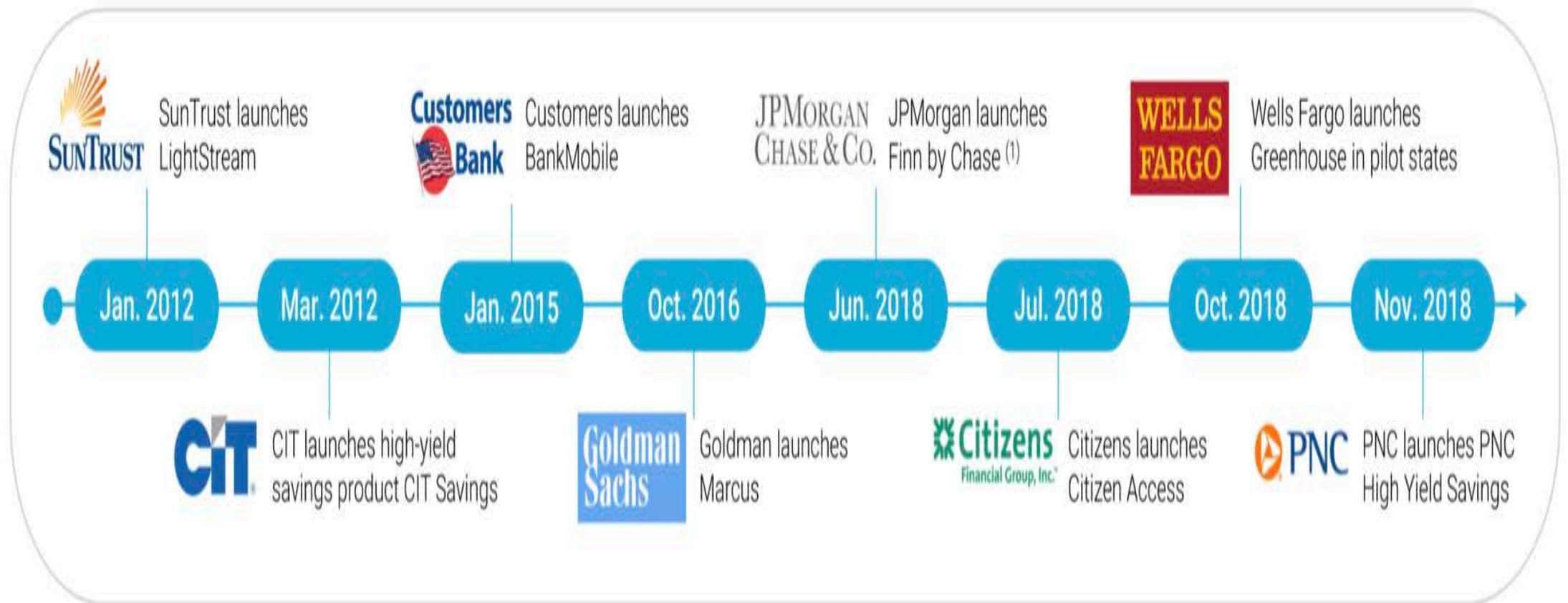
PARTIALLY ESTIMATES



Source: 'The Challenger Banks That Threaten to Disrupt Financial Institutions', The Financial Brand (2/18/20)

# Traditional Banks Mobile Offerings

Traditional banks have started responding to Challenger Banks by offering competing online / mobile solutions.



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