

Forbes Fintech 50 2018: The Future of Lending

Lending was among the earliest segments of finance to be disrupted by the technology revolution currently sweeping the industry. Alternative lenders swooped in as big banks pulled back on making small business and personal loans in the wake of the financial crisis. As a result, the nine lenders on the Forbes Fintech 50 for 2018 are some of the largest and most established companies we feature on this, the third edition of our list. Two of the most prominent U.S. digital lenders—LendingClub and OnDeck—have already gone public (though the markets have not looked on them kindly). Meanwhile, behemoths ranging from retailer Amazon to investment bank Goldman Sachs have opened lending operations that emulate some of the best of what the startups have to offer.

Affirm

Makes instant three, six and 12 month loans for purchases from 1,500 online merchants. A handful of sellers subsidize 0% rates, but most loans carry annual interest rates of 10% to 30%. Affirm says its machine learning technology allows it to lend to consumers who might not qualify for credit cards and that repayment helps them build credit histories.

Bona fides: More than 1 million loans issued. Partners include Wayfair and Expedia.

Cofounder & CEO: Max Levchin, 42, a cofounder of PayPal and former chairman of Yelp

Funding: \$450 million from Founders Fund, Spark Capital Growth, Jefferies, Andreessen Horowitz Partners, Silicon Valley Bank and others;

Latest valuation: estimated \$1.8 billion.

Threat to: Credit cards

Better Mortgage



Digital-only mortgage originator estimates the loan an applicant qualifies for within three minutes using stated income and a credit score check. Once borrower uploads required documents, company says, it usually completes underwriting and issues a “verified pre-approval letter” within 24 hours, allowing house hunters to compete with all-cash buyers. Better Mortgage gets paid by the institution buying the loan, not directly by consumers, and uses

its proprietary software to match the two. A matching guarantees assure borrowers they're getting a fair deal.

Bona fides: Fannie Mae and five of nation's six largest banks buy its loans.

Founder & CEO: Vishal Garg, 40, founder of defunct online lending platform MyRichUncle

Funding: \$65 million from Kleiner Perkins Caufield Byers, Goldman Sachs, IA Ventures, KCK and Pine Brook Partners

Threat to: Traditional mortgage brokers

Blend

Speeds up the mortgage approval process at the nation's largest lenders with its cloud based white label software. Prospective borrowers can link to online bank statements, tax returns and pay stubs. That chops days off the approval process and reduces document fraud. Plans to expand its services this year to auto, student and other lenders

Bona fides: Wells Fargo and U.S. Bancorp are already onboard

Cofounder & CEO: Palantir-alum Nima Ghamsari, 32

Funding: \$160 Million from Allen & Company, Andreessen Horowitz, Founders Fund, Thrive Capital, Greylock and Emergence Capital.

Latest valuation: \$500 million

Threat to: SoFi, Better Mortgage, Quicken Loans' Rocket Mortgage

CommonBond

Online lender refinances and finances undergraduate and graduate student loans. Emphasizes networking and even helps borrowers find jobs. Last year launched service that allows employers to contribute toward workers' student loan repayments, regardless of lender.

Bona fides: CommonBond has made \$1.5 billion in loans, but says just two have gone into default.

Cofounder & CEO: David Klein, 37, started company with fellow Wharton MBAs.

Funding: \$86.2 million from Neuberger Berman, Tribeca Venture Partners, Social Capital, former Citigroup CEO Vikram Pandit and others

Threat to: SoFi, Navient

GreenSky

Provides on-the-spot financing for home improvement projects (with loans up to \$65,000) via a network of contractors and bank partners -- without itself taking on the risk of defaults. Most borrowers don't pay a dime in interest thanks to zero-interest promotional periods that last from 6 to 60 months. Recently began offering financing at doctor, dentist and veterinary offices.

Bona fides: Has facilitated over \$10 billion in loans

Cofounder & CEO: Billionaire David Zalik, 44, who skipped high school, then dropped out of college to run his first startup

Funding: \$560 million from PIMCO, TPG, Wellington Management, Iconiq Capital, QED Investors, DST Global and Fifth Third Bank.

Latest valuation: \$4.5 billion

Threat to: Synchrony Financial, Wells Fargo and other home remodeling lenders

Kabbage

Lending platform offers nearly instantaneous small business loans. Uses creative alternative data to underwrite loans--such as the number of UPS packages a business sends and receives over time.

Bona fides: Over \$4 billion in originations to 130,000 small businesses

Cofounders: CEO Rob Frohwein, 49, and President Kathryn Petralia, 47, a member of Forbes' 2017 Power Women list

Funding: \$500 million Softbank, Bluerun, Reverance Capital, Mohr Davidow Ventures and others.

Latest valuation: \$1.18 billion.

Threat to: Traditional small business lenders, Square Capital and PayPal Working Capital.

LendingHome

Four year-old online lender started out providing bridge loans to fix and flip housing investors, a historically underserved segment. With original product now available in 25 states, LendingHome has expanded into personal mortgages in 14. Also offers investments in its flip loans to accredited investors.

Bona fides: \$2 billion in loans made; 10,000 homes financed

Cofounder & CEO: Matt Humphrey, 30, a Forbes 30 Under 30, who sold a daily deal site for \$100 million when he was 24

Funding: \$166 million from Renren, Ribbit Capital, Foundation Capital and others

Threat to: Traditional mortgage lenders, Better Mortgage

Tala

Approves developing-world borrowers who lack a credit history for micro-loans of between \$10 and \$500 by crunching 10,000 data points---from financial transactions to mobile games played---from an applicant's smartphone.

Bona fides: Has made more than 4.5 million loans, with a repayment rate above 90%.

Founder: Shivani Siroya, 34, who did a stint at the UN Population Fund where she interviewed 3,500 people in nine developing countries about their relationship with money

Funding: \$44 million from Ribbit Capital, Lowercase Capital, Data Collective, Collaborative Fund, IVP and Alphabet's GV

Threat to: Traditional microfinance institutions and local banks and loan sharks.

Upstart

Uses alternative data such as education, employment history and whether applicants know their own credit score to underwrite and price loans. After five years of training its algorithms, it now approves 47% of loans without human intervention and with some of the lowest default rates in the industry. Last year launched white-label platform to power lending for banks and credit unions. Its first client is digital-only startup BankMobile.

Bona fides: \$1.5 billion in loans originated to 120,000 borrowers

Co-Founder & CEO: Former Google Enterprise President Dave Girouard, 51

Funding: \$110 million from Khosla Ventures, Third Point, First Round Capital, Rakuten, Marc Benioff, Mark Cuban and others.

Threat to: FICO, Avant, LendingClub, Prosper and other online lenders