

Talks at GS
Chris Britt,
Co-Founder and CEO, Chime
David Solomon, Moderator
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David Solomon: It's my pleasure to introduce the CEO of Chime, Chris Britt. Chime is certainly having a big effect on the world of banking. Very, very focused on frictionless experience for customers. You've got checking, savings, no minimum balance, no monthly fees. You know, a lot of really good stuff that's created a bunch of disruption. And certainly it's stuff I'm familiar with and thinking about, too.

Chris Britt: That's for sure.

David Solomon: Chime is I think the number one neobank in the US.

Chris Britt: We're not a bank.

David Solomon: Okay. With millions of users. But you're neobank, aren't you? Or would you not consider yourself a neobank?

Chris Britt: I would not use that word.

David Solomon: Okay. Then I'm not going to use that word either. Let's start at the beginning. How'd you get the idea for Chime? And what did you learn in your past experience and some of these other platforms that kind of gave you a desire to really do something very disruptive in financial services?

Chris Britt: Well, I started out as a strategy consultant and came out to Silicon Valley in the late '90s and got involved with a few companies in sort of midlevel BD product jobs. And I just caught the bug of working with small teams to use technology to try to disrupt big industries. I ultimately worked at Visa and then Green Dot and just got really involved with payments to understand how the systems work and the bank partnerships. And had a great run at Green Dot, which sold prepaid debit cards in retail stores primarily.

And it was a wonderful success, and I was really proud of the work that we did there. But by the end of my time there, it became clear to me that there was a much larger opportunity than just serving the un-banked. I wanted to serve a broad segment of Americans that had accounts at

traditional banks but just weren't happy with those relationships. I thought that there was an opportunity to create a company that wasn't reliant on fees, and that you could do it if you were able to capture a primary everyday account relationship.

David Solomon: The name Chime, where does it come from?

Chris Britt: Well, I couldn't come up with a name. We went through tons of brainstorming, created a long list. Didn't like any of them. With my co-founder Ryan, who's a technical co-founder. And eventually I talked to one of four investors, a woman named Kirsten Green, who's a prolific, next-generation brand investor. And I said, "Can you help me out?" She said, "Yeah, I'll get you this agency. They're going to do a discount deal for you because of me." So it was, like, 30 grand, which was a lot at the time. Came through with a bunch of recommendations. One of them was Chime. And I thought, wow, that's perfect. It's harmonious. It happens behind the scenes. It's sort of soothing for a segment of Americans that have a lot of anxiety around their money. And so I said that's it, Chime.

We then went back to the list, and actually my technical co-founder, Ryan, had come up with the name Chime.

David Solomon: Wow.

Chris Britt: And so he likes to joke that I just didn't want to have the technical guy come up with the name. Sort of, "Stay in your lane, buddy," you know?

David Solomon: Well, I'd actually like a referral for \$30,000 to brand work because that sounds awfully cheap. Talk about the addressable market that you're seeing today. How do you define the addressable market?

Chris Britt: Look, the addressable market is massive. There's something like 150 million Americans that are living paycheck to paycheck. And if you look at the way banking exists in America and the business for basic retail banking, it's largely driven around NIM, net interest margin, on those deposits. Or sort of a top of the funnel for lending services, right?

And so the reality is there's a huge segment of Americans that have very low balances and aren't particularly credit

worthy. And so as a result of that, all of these consumers are not particularly well served by the traditional institutions. Those incumbents are focused on the top 20 or 30% of consumers who have large balances, or they might be able to sell a mortgage to.

And so we're squarely focused on that everyday mainstream American, not just the unbanked but regular consumers that are making \$50,000 a year, trying to make ends meet, living paycheck to paycheck and have a lot of short-term liquidity challenges. The way we solve that is by earning their everyday transaction account and making money from interchange. The way that traditional banks serve that segment is by feeing them. And the fees are crazy.

In the year prior to the pandemic, the top four banks earned \$9 billion of fees just on deposit accounts. And if you look at the last five years, it's over \$40 billion. Consumers have been charged by just the top four banks in fees to have checking and savings accounts. The numbers are crazy. It's going to be disrupted. It's being disrupted not just by us but by a number of other companies. And there's much further to go.

David Solomon: When you look at your member base, the growth of your member base has been extraordinary. And I know that direct deposit was really something that created a pathway in. Talk a little bit about your success here and how you think about direct depositors as customers and why that became kind of a wedge that's driven this.

Chris Britt: Well, from day one, we knew we wanted to be the primary account for our members. And I remember going and doing investor meetings in the early days, and everyone thought we were nuts. Why would you go try to get someone to give you money? Start with a loan. Start with a lightweight product, and then eventually you can earn your way or work your way into becoming a checking account.

We, from the earliest days, we knew we wanted to get that direct deposit relationship. We designed a suite of services and benefits that really unlocked when you did that. If you get direct deposit, you get paid early. If you get direct deposit, you can get up to \$200 of free overdraft. More recently, if you get direct deposit, you can get access to our

credit builder credit card, which allows you to safely build your credit score without taking on the risk of debt.

So I think by just, in the go-to-market strategy, being very clear about how we expect you to work with us and how you will get the most benefit has worked really well for us. And I think it's created a very different business model than a lot of other fintechs out there.

David Solomon: Last year, there were some things that you did that kind of really put Chime on display. One of the big ones obviously was 5-day advance on member stimulus checks. And it's been reported over the last three stimulus cycles that you routed \$6 billion of stimulus funds. Is that correct?

Chris Britt: It was closer to \$7 billion of early access to stimulus payments, yes.

David Solomon: Okay. Which is for over a million customers. Talk about how you kind of conceived that idea and how it actually worked.

Chris Britt: Well, we operate this company by a set of

core values. The first one being be member obsessed. And the number two core value is about being human. And we knew that people were really scared about what was going to happen. People weren't able to go to work. They were feeling a lot of stress. The government worked really fast to try to get these stimulus payments out, but it took a little bit of time. And so when we had conviction that our members were going to be receiving these stimulus payments, we made access to those funds available early, not just giving early access to the payment itself but also increasing our members' Spot Me limits. Spot Me is our free overdraft service that usually allows you to go to \$200. We let our numbers go up to over \$1,000 for a temporary period of time.

And it was great. I mean, it was great for our members, first and foremost, but it was great for the business. We had our biggest enrollment day ever. And that wasn't the goal, like, how do I get a big marketing campaign. It organically came from within the company by our product and technology team saying, "Hey, we can make changes to quickly credit these accounts, and so let's do it." And is worked with our bank partners and made it happen and generated a lot of love.

David Solomon: That's terrific. And it obviously made a difference in a time, and that obviously breeds loyalty.

Chris Britt: Yeah.

David Solomon: It was something that was really differentiated.

Chris Britt: And that's what drives the business. We get almost half of our new enrollments each month come from referrals of our existing members. So anything we can do to make them love us even more helps to prime the pump on the growth side.

David Solomon: How do you think about lending and investing? And especially aligning lending and investing with kind of your core values of simplicity? If you think forward, how do you envision a fully adopted Chime member? What do they look like? What is kind of the ideal or the generalization of what a Chime member looks like as you think about these multiple products?

Chris Britt: Well, first and foremost, it starts with that

direct deposit account. That's the formula, the playbook that banks have used for many decades, right? If you start with that relationship, you expand. We really operate today mostly in the areas of spending and saving. We've got a high-yield savings account that we offer as well. But more recently we've gotten into credit building, and I think it's very natural for us to get into lending, short-term lending, installment loans. You'd have to be living under a rock to not see the real trend around "buy now, pay later." And I think that our members are using that sort of service, so we're going to get into short-term lending for sure in the not not-too-distant future.

And we think that there's an opportunity for us to play a role in investment accounts and crypto. And insurance is a huge payment, the top two or three spend for our members, just paying for auto insurance, as an example. So we intend to have a role in that area as well. So hopefully participating in all of these parts of their financial life.

We are a transaction-based business that, in many ways, looks like a subscription business. We sign up members for fee-free checking accounts. They get direct deposit. It's

very recurring. It's very predictable. And because we see all this transaction activity, it's very high margin and it works really well. And it allows us to invest into developing new low-cost products for them.

David Solomon: How do you think about how regulation will affect you? How do you think the regulatory landscape is going to change as more and more customers are getting banking services from people that are outside of the heavy regulatory boat?

Chris Britt: I think we share a set of common objectives with the regulators, which is that how do we empower more consumers to get access to financial products that are fair and easy to understand and transparent and, most importantly, actually helpful in their financial lives? So we understand and recognize that we operate in a highly regulated category. I often say in these sorts of talks one of our core values is one of the least Silicon Valley core value to have probably ever, which is respect the rules. And that's on our wall, and we do it every day.

I think there is oftentimes a bit of a false narrative around these products being somehow unregulated or outside of

oversight. For us, that's simply not true. All of our financial products are created in coordination with banks that are regulated by the FDIC and OCC. I can assure you the CFPB is very aware of everything that Chime and our bank partners are doing. And before we launch any of these products, they are vetted, approved, and then monitored on an ongoing basis.

There are certain leaders who make broad statements about the lack of regulation, and I think it's fair. That is true. There are some parts of fintech that are probably moving a little too fast, maybe a little speculative or volatile. Maybe not vetting everything before they launch, etc. We don't operate that way. And so I hope we're able to distinguish that there are certain players here that actually do respect the rules and comply with them. We certainly do.

David Solomon: A big question, I think it's a big unknown, is, as all this disruption goes on, how is it going to be redefined? Because it's going to be redefined. And it's unclear. I would never say that fintechs aren't regulated. I would say that there's a big difference between being an OCC-regulated institution or a Fed-regulated

institution and being a digital platform that's dealing with regulations.

Chris Britt: Yep, By the way, some of the concerns I think are completely valid.

David Solomon: Yeah, absolutely. Yeah.

Chris Britt: So we're not saying that some of that commentary isn't on point. There are digital wallets that hold many billions of dollars of consumers' money that aren't in a traditional bank account. So that's a fair point.

David Solomon: Absolutely.

Chris Britt: Our deposits are at FDIC-insured institutions. Chime does not hold any of the money.

David Solomon: You're truly a transaction platform that's partnered --

Chris Britt: That's right. We're an interface.

David Solomon: That's an interface with a partner.

Chris Britt: We're the relationship with a brand.

David Solomon: Absolutely.

Chris Britt: So we think the model works really well. I think our bank partners think it works well. And we're ready to partner with regulators to see how the future should be defined. And overall, I think it's been constructive.

David Solomon: Yeah. You guys have done very well with investors in terms of the way you've scaled your business. How do you think about the way investors are underwriting big values for category leaders in the space? How do you think about it? I mean, it's not electric cars for sure, but there's a lot of momentum for leaders in sectors in this space. How do you think about that?

Chris Britt: There's a huge transfer of generational wealth that's going to happen in the not-too-soon future where the Millennials are going to have something like five times more assets by 2030 than they do now. Bank branches of course are going away, and at the same time

traditional bank brands are some of the least loved brands not just in financial services, in any product category. So I think that they see a great opportunity for probably a number of companies to really make their mark and disrupt.

I think, in many ways, we really believe we've got a differentiated model relative to a lot of these guys in that we actually own the primary account. We actually have relationships that are aligned with their best interest. If you're a company that makes the vast majority of your revenue from consumer fees then the question is: Are you part of the solution or are you part of the problem? And I'm proud of the fact that most of the way we make money is not that way. It's very aligned with the consumer. We monetize the relationship if they're using us for their everyday transactions, and we're able to get a lot of those guys to use us that way. So we think that we've got a differentiated position and a great head start to add additional product categories over time.

David Solomon: You're very focused on the culture at Chime and kind of the way you think about the culture of the business. Talk a little bit about that. And how has

that helped you over the last couple of years as the business has scaled massively, but also, I mean, it's not been an easy couple of years.

Chris Britt: Yeah. I mean, culture is everything for us. And it started from the earliest days with our founding team, with me and Ryan and Melissa Alvarado, our CMO. Every person that we've hired, especially in the first two, three years of the company, we're so focused on the mission of helping this everyday sort of average American that isn't getting a fair deal. And I think hiring those senior leaders and those core folks in the early part of the example evolution was critical because they sort of promulgate themselves and we hire more like-minded people that are truly bought into the mission.

I also just think that, as a company, we're, despite the headlines of the big valuations, we're a very grounded company. We're a humble company. We were not an instant success. We got one term sheet for the first three rounds of financing, so I think that made us really grounded and focused on just delivering excellent services for our members. And it's sort of where I came from, too. I grew up in a tough town in New York that bordered the

Bronx, Mt. Vernon, New York. I was not born on third base. And I think that DNA of just really wanting to hustle and work hard has been a part of our culture from the earliest days.

And I think the obsession that we have with our members and the unique needs of this segment we serve has been the company's superpower.

David Solomon: Well, look, we're super impressed by what you've accomplished, and we're excited to watch you grow from here. And so I appreciate your being here. Thanks a lot, Chris.

Chris Britt: Thank you so much.

David Solomon: Thank you.

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