Homework Assignment: FinTech Case Study

## Overview and Origin

\* Name of company

SOFI

\* When was the company incorporated?

August 2011

\* Who are the founders of the company?

Stanford business school students

\* How did the idea for the company (or project) come about?

Stanford Business school students wanted to use an alumni-funded lending model to connect recent grads with alumni in their community.

\* How is the company funded? How much funding have they received?

The company's inaugural loan program was a $2 million pilot at Stanford. For this pilot, 40 alumni invested an average of $20,000 to 100 students

## Business Activities:

\* What specific financial problem is the company or project trying to solve?

To provide lending services using a non-traditional underwriting approach focused on lending to financially responsible individuals.

\* Who is the company's intended customer? Is there any information about the market size of this set of customers?

At the company’s inception the funders wanted to fund and refinance student loans. With over one trillion dollars of student loan debt in the US. Borrowers in the Class of 2018, on average, owe $28,650, according to the Institute for College Access and Success.

What solution does this company offer that their competitors do not or cannot offer? (What is the unfair advantage they utilize?)

SoFi uses an underwriting model that examines free cash flow, professional history and education in addition to a history of responsible bill payment to evaluate its borrowers

\* Which technologies are they currently using, and how are they implementing them? (This may take a little bit of sleuthing–– you may want to search the company’s engineering blog or use sites like Stackshare to find this information.)

There are many technologies being utilized as this is a financial technology company. What stood out to me was their use Amazon web services for their computing technology. They utilize Amazon EC2 to eliminate hardware up front, so they can develop and deploy applications faster, which they have a plethora of applications including their mobile based application .

## Landscape:

\* What domain of the financial industry is the company in?

Its in the personal finance space offering student loan refinancing, mortgages, personal loans, investing and banking

\* What have been the major trends and innovations of this domain over the last 5-10 years?

Digital wallet -An electronic device or medium that enables an individual to make an electronic transaction is termed

Apple and Android pay –Ability to store information for all the payment avenues you use while paying at a store, on an e-commerce store or on an app. This includes information from your Credit card, Debit Card, Loyalty program and also Gift Cards.

Cryptocurrency Wallet-It is a type of digital wallet where private keys are stored for cryptocurrencies such as bitcoin. It can be used to receive and pay crypto-currency transactions

\* What are the other major companies in this domain?

• Mint

• Personal Capital

• Goodbudget

• Spendee

• Venmo

• Wally

• You Need A Budget

• Acorns

• Officetime

• Doxo

## Results

\* What has been the business impact of this company so far?

* Being the first company to offer student loan financing
* Being the first company to use an underwriting model that examines free cash flow, professional history and education in addition to a history of responsible bill payment to evaluate its borrowers

\* What are some of the core metrics that companies in this domain use to measure success? How is your company performing, based on these metrics?

* The company’s annual percentage yield i.e. rate of return on savings returns or investments
* The company’s market valuation
* Total loans
* Number of members

\* How is your company performing relative to competitors in the same domain?

SoFi has raised $2.42 b in total funding. SoFi valuation is $4.3 b.

SoFi's Total Loans was reported to be $30b in Apr, 2018.

## Recommendations

\* If you were to advise the company, what products or services would you suggest they offer? (This could be something that a competitor offers or use your imagination!)

Small business lending in marginalized and underrepresented communities.

\* Why do you think that offering this product or service would benefit the company?

Supporting small business lending in marginalized communities would not only provide an essential lending services to grow businesses but also bring support to communities that have traditional have struggled to access lending services.

\* What technologies would this additional product or service utilize?

Using block chain technology and smart contracts to utilize new lending algorithms for responsible bill payments and cash flow instead of traditional methods of credit rating which disproportionately affect lending towards marginalized communities.

\* Why are these technologies appropriate for your solution?

Blockchain is a means of doing small busines lending in a more ethical way by making businesses more efficient while ensuring clean and fair play

References

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