



MIKE CAGNEY CEO, SOFI



Correctly identifying student loans as a burden that hinders young graduates' insertion in the job market, four Stanford graduates developed SoFi, a marketplace lender that provides low-interest credit primarily to early stage professionals. Besides student loan refinancing, SoFi also offers mortgages, personal and parent loans, all at lower rates than traditional creditors.

SoFi's CEO Mike Cagney [found the opportunity to disrupt the traditional financial system during the 2008 mortgage crisis](#), when the disconnection between banks and communities became evident.

How is SoFi's business model unique?

We are one of the largest marketplace lenders, originating over \$4 billion in loans this year. We started with student loan refinancing, and have built on our success in that space to expand into mortgages and personal loans. We're ultimately trying to build an alternative to banks—across lending, deposits and investing.

What was your inspiration in founding SoFi? When did you decide you had to take this journey?

During the crisis of 2008, it was apparent banking was broken. Not only were banks over levered and introducing significant risk to the economy, they had lost touch with their value proposition of serving communities.

What do you love about your work?

I love our team—some of the hardest working, smartest people I've ever had the pleasure of working with—tackling one of the most dogmatic and regulated industries in the world.

How is your company disrupting the finance industry?

We believe in four pillars to challenge the banking status quo. First, we create innovative products and solutions that are relevant to today's consumers. Student loan refinancing was a great example of that—why hadn't a bank launched that product? Second, we do things through the ubiquitous branch, the phone. You can get a SoFi mortgage quote on your phone in two minutes—again—why won't banks do that? Third, we deliver an unparalleled level of service—our net promoter scores run as high as 85. Banks average 7. Finally, we align ourselves with our members. Lose your job? We'll get you re-employed—we've done it over 100 times. Want to start a business? We're there for you—we'll put your loans in forbearance and help you raise capital. No bank will do that. Ultimately, banks won't fix banking, companies like SoFi will.

What are the main drivers of change in your industry?

There are multiple factors driving innovation and change in financial services. First, people hate their banks. Lots of studies talk about how people would rather see a dentist than go to a bank branch. Second, the regulatory burden has made it difficult for banks to deliver quality consumer products. And finally, banks have gotten too big, and they just don't care anymore. They are content with their baby-boomer private client customer, and have given up on the rest of us.



How does your company's work environment and/or culture enable it to be flexible and quickly react to change?

We encourage a risk-taking culture. We move quickly, and our mantra is to ask for forgiveness, not permission. It can create challenges—

particularly communication across the organization—but that's my job to make sure that happens.

Which industries are facing dramatic changes right now? How is your company uniquely positioned to help them?

Obviously we feel financial services is on the cusp of significant change. We think we need to bring "local" back to banking. Think Jimmy Stewart's "Bedford Falls Savings and Loan" as opposed to the Citi's and BofA's of the world. But it's more than just philosophy. Couple "local" with mobile and you have the ingredients to deliver rich, contextual experiences to users.

Imagine your financial institution knowing you have kids and are looking for a house. When you're walking down the street you get a push notification of an open house in a great school district—and you're already approved for the mortgage. Juxtapose that with the experience of going to your bank and filling out a form for a mortgage that starts with your name.

What companies or people do you admire for their disruptive capabilities and why?

I'm a big fan of one of our investors, Dan Loeb, for his activist stance in the markets. Activist investors tend to get a bad name, but they force companies to live up to their fiduciary responsibilities to shareholders versus the whims of management. Sometimes executives forget who they work for.

What can enterprise businesses learn from startups in terms of business model innovation?

Speed and tolerance for failure. I remember when we launched mortgage—we had a senior exec from a big financial firm who said it would take us a year. We did it in a few weeks.

If you lose your edge, you better be really big and generating lots of cash, because it's hard to compete if you won't take risks and you move too slow.

What can startups learn from enterprise businesses in terms of expanding business models to include new markets?

I think the biggest disconnect between early and established companies is profitability. At the end of the day, revenue growth pales before making money. The value of your company is the present value of its earnings. Big companies are good at keeping that discipline.

How do you encourage your teams to get outside their comfort zone?

We encourage everyone to always be more than just a little uncomfortable. If you aren't, something is wrong.

How do you stay in touch with changing customer needs and expectations?

We have constant interaction with our members. Whether it's when they are applying for a loan, when we're helping them find a job or start a company or hosting a networking event, we seek out opportunities to engage our members, and we listen to them.

What are three things you consider when expanding into new markets or launching a new product?

Product fit, market size and comparative advantage. You need the right product, a big opportunity and a reason why you'll be successful.

What's the next big thing for your company?

I think in the next twelve months you'll see a product offering from SoFi that will legitimately give consumers a non-bank alternative to banking. We believe in "Don't bank. SoFi."

What advice do you have for other business leaders?

If you don't wake up in the middle of the night wondering how you're going to do all the things you have to do, you're not doing something right.