How MoneyLion is building the financial marketplace of the future

A conversation with Tim Hong, Chief Product Officer at MoneyLion, about the future of lending and innovation in financial services.

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Tim Hong
Chief Product Officer, MoneyLion

Building a marketplace that meets modern consumers' needs

In this Tech Talk, we explore the transformation of the lending industry through the lens of how MoneyLion is rethinking the lender and consumer experience and building a marketplace that meets modern consumers' needs. We dive into key challenges and opportunities in the space, including how consumer expectations and marketplace innovation have shaped product development and what's in store for the future.

Tim Hong joined MoneyLion in 2015 and serves as its Chief Product Officer and Head of its Engine Marketplace business, powering embedded financial marketplaces for enterprise partners. Alain Meier is Head of Identity at Plaid, where he is responsible for growing Plaid's identity and anti-fraud product suite.

They discuss the importance of consumer choice and control in lending and how MoneyLion is reimagining the financial marketplace of the future.

This interview has been edited for clarity and length.

Alain: You've spent almost a decade at MoneyLion. Can you tell us about MoneyLion and the Engine marketplace?

Tim: MoneyLion is a financial ecosystem and platform. We have a consumer app with over 10 million users who come to us for financial advice, financial decision-making, and also our first-party financial products. More recently, we've been focused on our Engine business, which is fundamentally a two-sided embedded marketplace where we work with over 1200 partners. On one side of our marketplace, we work with channel partners that enable us to have a relationship with users and help them find the financial products they want through our embedded marketplace technologies.

On the other side of that marketplace, we have product providers across many financial verticals, whether it's personal loans, credit cards, and more, where they can acquire new customers using our technologies. And most importantly in the lending space, acquire the right customers at the right time.

Ultimately, our customer is the consumer. Our mission is to be able to match a consumer's need with the right financial product—at the right time in their financial lives—to achieve their financial goals.

Alain: Many people associate MoneyLion with the consumer side of the business, so it's been exciting to see you grow the marketplace. What are the biggest changes you've seen in the lending space over the last decade?

Tim: In 2013, when MoneyLion was founded, we were part of a crop of new fintechs. You could call them fintech 2.0. A hallmark of that evolution into 2.0 was this rich ecosystem of companies building out this API economy. This ability to connect and build on top of each other. Banking as a service is one of those trends. We were able to support each other in building richer experiences for consumers.

Plaid's been an incredible example of this. Ten years ago, user-permissioned bank data was a bit of a Wild West. Now, it's a more mature ecosystem that works hand in hand with banks and other financial institutions to democratize data to improve financial access.

MoneyLion's story has been about leveraging this API economy and new types of data on behalf of users. In the past, MoneyLion was more of a lender. Now, it's more of a facilitator for consumers to find the right credit products. It's built on top of that structure, data, and APIs that now are the hallmark of fintech.

Alain: It's been great to see how the industry has self-organized around these standards. What do you think is holding back lending today?

Tim: It comes down to how the consumer is changing. Consumers are more real-time than ever. Decades ago, people had more of a steady paycheck and fewer gig economy jobs. Understanding income was a lot easier. You could use W-2s because it wasn't as volatile as today in terms of whether it's hourly wages, the gig economy, working multiple jobs, or having a household with multiple income earners.

You also see things like how folks use new products like buy now, pay later. These things are much more dynamic and fluid and not always represented in traditional data sources. As a result, the tools and data need to evolve.

Alain: The concept of a marketplace isn't new. Think of Amazon and retail, Expedia and travel. Where do you think financial services and lending marketplaces are in their evolution? And how has it influenced what you're building?

Tim: I think we're incredibly early. There's so much more that we can do. If you think about Amazon, the consumer preference is no different than what you might see in a financial marketplace. They want convenience and selection. Consumers like Amazon because they know they can trust that their wallets and PII are kept in a safe place and not being strewn across the web.

What's different from Amazon is that the consumer picks the product, but the product also picks the consumer. When you look at the lending space, there are all sorts of criteria that drive that product matching. That means it's harder to facilitate a transaction in consumer finance than for e-commerce. We need to take a different approach to how we match consumers. And, of course, data is the core of that matching process.

Another difference from Amazon is the checkout process. Imagine you went to Amazon to buy Advil, but when you went to check out, you were directed to Advil.com. That would be incredibly inconvenient, but that's how many financial services transactions occur. That's not great for consumers. There's a lot of road ahead regarding how we create a financial marketplace, not of the future, but of our standard expectations for today.

Alain: Digging into that more deeply, what are some market drivers and changes in consumer expectations that led you to invest here?

Tim: Those changes work both ways. There are consumer expectations and companies with an incentive to meet them because doing so increases conversion rates. Also, making sure we get the right users is essential in lending. If they're borrowing money to help them lower their credit card payments or fund a home improvement project, it's likely not for immediate cash flow needs. They're going to have a very low bar for friction. You get a better customer if you have a better experience.

Another thing we've seen is that consumers have embraced open banking. For example, I got an invoice from a landscaper through a small business platform and paid for it using Plaid. I recognized the Plaid flow. Those kinds of things are becoming increasingly common, and we don't see the hesitation we saw ten years ago in linking a bank account or entering bank credentials. There's more trust and familiarity now.

That trust gives us confidence that we can integrate open banking into a financial marketplace. We've tested consumers opting to share their data, and over 90% opted in. That's an amazing number. Folks realize that sharing this data will help them get more accurate offers and streamline checkout.

Alain: Getting 90% of consumers to do anything is crazy. That they're doing this on the lending flows is fantastic. What product principles guide the work you've been doing to drive this forward?

Tim: Financial marketplaces must work for consumers, product providers, and those driving traffic to the marketplace. We realized we must empower users with

transparency and clarity. What are they sharing? Who are they sharing it with? All those things are critical to building trust and usage. That's an obligation for everyone that will eventually become regulation, but we should be ahead of it. Let's set the tone for transparency now rather than be forced into it later.

Another principle is about reducing friction. We're excited by the tools that Plaid is creating to streamline the process and make it more convenient.

The third is about empowering providers. We're building a marketplace so they can find and acquire the right users for their products and business. How do they manage their risk policies and identify who they lend to? How do they balance a growth objective versus a margin objective?

We think about how to balance all of those things. We also think a lot about data. Cash flow data and open banking data are new to many folks. Therefore, they need analytics that can increase their comfort level and expertise. How we tackle things like retros can help us evolve the ecosystem and understand how to use this data, which is incredibly important.

Alain: On data transparency, the classic school of thought for product managers is the more disclaimers you have, the worse your conversion is. But we've seen a shift in consumer expectations where the reverse is true. If you are clearly and transparently describing the kinds of data being shared between parties, it has a positive impact on conversion, which many don't realize. It's good to see you share that sentiment.

Tim: Many of those adages came from a world where e-commerce was the benchmark. How do we get people through their shopping carts and beyond? But in financial services, it's so much more nuanced. There's fraud. There's positive and negative selection bias. This is the start of a relationship that might last years, and there's a lot of money at stake. So you want a well-informed consumer.

Alain: We've recently embarked upon a very exciting adventure together. Can you discuss what we've been working on and why we're so excited?

Tim: Plaid and MoneyLion have a relationship that goes back many years. MoneyLion has been working on leveraging data from Plaid on behalf of the consumer to create better user experiences and financial decision-making. This project is an evolution of that. It's exciting because rather than being a client and vendor, we're bringing these technologies to a marketplace to advance the industry as a whole. We're extremely excited about two things.

One is how we can integrate Layer into our processes. Layer's ability to leverage data and create a low friction flow that is still transparent to the user is very appealing to MoneyLion.

The second is the Consumer Report. Ten years ago, there weren't structures for cash flow data. This new ecosystem of tools, like Plaid's CRA, gives lenders and financial institutions more reason to use cash flow data to meet their goals. Those

are two areas that we're really excited to bring to not just MoneyLion, but also the industry as a whole through our marketplaces.

Alain: It's exciting to see you forging the path ahead here. This industry is still largely relying on traditional credit bureau data. Seeing a player as large as yourselves validate the value of cash flow data is exciting.

Tim: I would say the same about Plaid. Your recognition that this is about user experience is refreshing. Other data sources and bureaus are important, but traditionally they've left the user experience up to companies using that data. With that, you sometimes had high friction user experiences. Plaid looking at this as almost a B2C approach where the consumer is still at the center has led to a lot of exciting innovation.

Alain: You have a magic wand. You can wave it and change one thing about the lending experience. What is it?

Tim: Friction is the key thing I'd change. How does someone control their data and, with as little friction as possible, allocate it to who they want? That would be incredibly powerful.

Sometimes we'll hear from lending partners that friction can prevent some fraud. And there is good friction. Maybe you just ask someone to scan their driver's license and verify who they are. But sometimes, that's done at the cost of everybody, including those who aren't bad actors. It's the opposite of the rising tide. It's the thing that drags everyone down. So, fraud and friction are what I'd solve for instantly with a magic wand.

Alain: Cash flow data isn't new. Lenders have been using W-2s, pay stubs, and bank statements for a long time. What has held back widespread adoption? What stops it from being more than just a second-look underwriting technique?

Tim: Things like second look or swap-in strategies are a result of friction that already exists. What we can be optimistic about are the enhanced and evolving frameworks for using this. And I think open banking regulation will help.

Defining the responsibilities and obligations of all the parties will ensure that everyone's playing nice and that consumers own their data. The notion that data portability is the established rule is incredibly powerful. That's where we touched on Layer and CRA. They contribute to the framework that broadens adoption.

Alain: What do you think is underrated in lending today that will be the next big thing five years out?

Tim: In 10 years, cash flow underwriting today will just be underwriting. It's not going to replace credit bureau data. It will sit alongside it and provide more precision in selecting the consumer, the ability to respond faster, and a more real-time look into changing behaviors or conditions. That will be standard.

One thing I touched on before is how do we better meet the customer where they are? Consumers either need to go somewhere or have somebody come to them. The point of sale is coming to the consumer, so how do we do point-of-sale lending?

But a marketplace is about being a destination. Engine provides these embedded marketplace technologies that companies can use to meet users in their time and place. The next big lending products will continue the trend of being where users are and where they're making decisions. Whether that's social media or other places where decisions are made. Cash flow data is number one, and the next is around meeting people where they are.

Alain: Thank you so much for being here, Tim. We're excited to continue partnering with MoneyLion on building the future of financial services.