

Banker. Investor. Fintech Executive: Neil Underwood



NEIL UNDERWOOD

- ▶ Co-founder and General Partner of Canapi Ventures
- ▶ Alloy, Greenlight, MX, Moov, Nova Credit, Posh Technologies, DefenseStorm, and (former) Payrailz and Finxact
- ▶ Active director at Live Oak Bank (LOB), where he previously served as Cofounder and President
- ▶ Co-founded nCino (NCNO), a cloud-based bank operating system now serving over 1000 financial institutions globally
- ▶ Has helped incubate companies focused on digital bank transformation, including Finxact, Payrailz, DefenseStorm and Greenlight
- ▶ Co-founder of Apiture, a joint venture between Live Oak and First Data, serving as a cloud-native omni-channel onboarding and servicing platform.

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More than 10 years ago, Neil Underwood was seeking advice from Cornerstone Advisors on behalf of Live Oak Bank, an innovative bank specializing in SBA lending.

It wasn't Underwood's first engagement with Cornerstone. Nor would it be his last.

The Wilmington, NC, bank hired Cornerstone Advisors to help evaluate core vendors at a time when Live Oak was in the early stages of developing a tech product that would become an industry hit – nCino, a commercial lending and deposit account opening platform that is now widely used by financial institutions.

Over his career, Underwood has worn a variety of hats: he's been a banker, a fintech executive, and now, an investor. In all these roles, Underwood has hired Cornerstone Advisors – not only to provide more intel for the bank, but for engagements for other companies he's co-founded like Apiture (digital banking system), Finxact (core banking), and most recently, Canapi Ventures, a private equity firm that invests in software companies that aim to help banks operate more efficiently. As Underwood sees it, his banking experience has only made him stronger in his current career.

"I think it has certainly helped running a bank for 10 years, going to the regulatory exams and understanding the findings," Underwood said in an episode of [Fintech Hustle](#), a Cornerstone Advisors podcast. "The discipline of understanding all that is regulatory and compliance is paramount. The fintechs that don't have the experience, quite frankly, underestimate that element and what it means to run a financial services company."

Over the years, he says he has benefited from Cornerstone's candor and intel on the landscape of vendors.

"In venture capital, we get pitched all the time. As a bank executive, you get pitched all the time. It's really hard to find the absolute truth."

"They know all the questions to ask to get to the truth, which is hard to get at sometimes," Underwood says. "In venture, we get pitched all the time. As a bank executive, you get pitched all the time and it's really hard to find the absolute truth and Cornerstone Advisors helps you get there."

For example, Canapi hired Cornerstone Advisors to understand the landscape of what's required for ongoing monitoring and consumer credit underwriting, and what core systems a tech company would need to integrate into to do so.

"It's difficult to recommend something out of context," he says. "What's so good about Cornerstone Advisors is they have experts, they go deep, they understand the context, and they're smart."

Cornerstone's GonzoBanker sat down with Neil recently. Here's a snippet from the interview exploring his career and views of the industry:

Gonzo: Tell us about your career path. Before Live Oak Bank, you were at S1 Corporation's banking division. Since then, you've been a banker and now an investor. What's your journey been like?

Neil: I got into venture really late. So, raising \$1.5 billion is unique, certainly for a first-time fund. It's really rare and/or stupid to leave a technology operating business as a CEO and then go run a bank. That doesn't usually happen. But, I invested a ton of my own money in the bank. Chip [Mahan] convinced me. Our boys were five and six, and he said, 'Hey move to Wilmington, North Carolina at Wrightsville Beach. It's awesome and raise your kids here.' Forty to fifty, I did that. Of the last five years, we did the fund thing.

Gonzo: Is that a typical career path?

Neil: I don't know if many have that kind of a background. It's weird. Most of the funds' folks have been in funds forever. They did the investment banking route. Then, they go to a venture fund and they kind of grow up through venture. That's typically how that works. Very rarely do operators or bankers decide to start a venture fund. But we did. Here we are.

Gonzo: How do you assess where fintech is today?

Neil: I break up fintech into two pieces, two areas. Either fintech that wants to own the customer, or fintech that wants to sell to a bank to get to the bank customers. For the direct-to-consumer,

direct-to-SMB or corporates, it's just tough because of the customer acquisition cost. The venture people aren't putting any more money in. It's all about capital efficiency when, two years ago, it was about growth at all costs. And so those companies that were just burning a ton of money to acquire customers kind of fell by the wayside.

Banks are under massive profit pressure, but typically automation is a cure for that. So, in every recession, banks have typically increased tech spending. Things move slower. If you're trying to sell software to a bank, it's a tough time because it just is. But I still think that they're looking to automation, they're looking to net new technologies to be able to solve the problems.

Gonzo: And what about the buzziest word right now: AI?

Neil: You've got a lot of hype around AI but I think the underlying values are there and you just need to weed through all the noise to find the real value creators in AI.

You can't do machine learning or any kind of AI unless you've got truly clean data. Essentially you need to ask one of two questions: What's the name of your chief data officer, or Do you have a chief data officer? . If they say no, then you can't have an AI strategy unless you have a sound data strategy.

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