



Prepared Statement for the Record

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Hearing on
“An Examination of the Availability of Credit for Consumers”

Before the
HOUSE FINANCIAL SERVICES COMMITTEE
FINANCIAL INSTITUTIONS AND CONSUMER CREDIT SUBCOMMITTEE

September 22, 2011

Chairwoman Capito, Ranking Member Maloney and members of the subcommittee, good morning.

My name is Ryan Gilbert and I’m the Chief Executive Officer of BillFloat, based in San Francisco, California. It’s an honor to speak with you today on the availability of credit for consumers.

Our company was founded in San Francisco in 2009 with the backing of PayPal and leading Silicon Valley Venture Capital and angel investors. We employ 41 full time and part time staff, at offices in San Francisco, Dallas and Chicago. BillFloat has a singular vision – to develop alternative consumer finance products that are simple to understand, fairly priced, and place consumers on a graduation path to financial stability and flexibility.

New generation of financial services providers

We represent a new generation of financial services providers that embraces technology and innovation to offer everyday consumers hope.

Customers come to BillFloat for assistance when they need more time to pay their monthly bills. The majority are mothers tasked with balancing the family budget and paying monthly bills.

We’ve developed a short-term consumer loan platform for payments with a purpose. Loan proceeds can only be used to pay bills – for example cable, utility, phone, or insurance bills. Our products range from 30 to 60 day terms, and we plan to offer longer-term repayment options in the future. We’ve designed these financial products to help consumers get past short-term cash flow impairments and maintain good standing with their monthly services providers. Non-payment of recurring bills results in significant impediments for most American families – loss of communication services, power, heating or insurance coverage. This is exactly the kind of short-term, small dollar credit solution that has been abandoned by many banks – yet is sorely needed by consumers to make ends meet.

We offer our services in partnership with some of the largest billers in the country, including two of the top five cellular phone service providers. We help these companies offer their customers an alternative to late fees and service interruption, maintain their credit rating, and continue a mutually beneficial relationship.

Most noteworthy has been the repayment performance of our customers, and their ability to get back on a firm financial footing after receiving support from BillFloat. Recent data shows that 97% of customers successfully paid billers with their own good funds after relying on BillFloat in the previous month. We successfully supported these customers during their cash flow crunch, and they responsibly returned to a more stable financial relationship with their biller.

Central to our product model is a belief in alternative data, including consumers' bill payment experience, cash flow, lending habits and household expenditures. As technology innovators, we have focused on developing new ways to assess a consumer's ability to afford alternative financial products and offer safe, feasible credit alternatives to consumers whose best option is often high interest short-term loans.

We also strive to determine the prudent amount of credit that a consumer requires. Our approach can be summarized as 'Less is More'. Our offers reflect a consumer's current financial situation and only provide the consumer an amount of credit based on his ability to repay. This approach has the positive impact of reducing the amount of credit the consumer accepts, and the total cost of credit.

Strong, growing consumer demand for financial services alternatives

Over the last two years, some dynamics of the consumer credit market have become abundantly clear to us. The defensive posture of the 'too big to fail' banks has led to a large number of consumers having their financial liquidity decimated. The 'too big to fail' banks are today, simply put, 'too scared to lend' to worthy consumers, due to the higher costs and risks associated with serving non-prime consumers.

According to a recent Federal Reserve Bank of New York report, approximately \$1.1 trillion of consumer credit has been removed from the markets from the third quarter of 2008 to the second quarter of 2011. This retraction of credit to consumers hurts the overall economic recovery and flies in the face of initiatives from Federal agencies, such as the FDIC, to maintain access to loans and other viable financial products for under-served consumers.

At the same time, demand for consumer credit has grown significantly, influenced by several demographic and socioeconomic trends, including an overall increase in the population and stagnant to declining growth in the household income for under-served customers. A recent research paper by the National Bureau of Economic Research found that almost half of the Americans surveyed reported that they were financially fragile, and felt that they could not gain access to \$2,000 to cover a financial emergency, even if given a month to do so. This is incredible when you consider the short-term lending market in the United States represented approximately \$40 billion in loan volume in 2010, according to Government Accountability Office estimates.

What also makes this so troubling is that not just thousands, but many millions of hard-working middle-income Americans are being relegated to second class economic status through no fault of their own. While we all take "cashless" e-commerce transaction systems for granted, consumers without good funds or good credit cannot make a payment online, and, without cash for an in-person payment, they are likely to resort to non-payment as the only "viable" option.

We do feel there is hope, however.

Federal charter, not federal funding

BillFloat represents a new breed of financial services provider. Start-up companies like BillFloat, Kabbage, Obopay, OnDeck Capital, and PayNearMe, epitomize “can do” American ingenuity at its finest. We share a technology and market-driven approach that is highly consumer-centric. We never exploit our customers, or take them for granted. And our products offer under-served, yet financially responsible, middle-income consumers reasonable fees, transparent terms, and the professional support of personnel that are compassionate and straightforward in their dealings with them.

We are not asking for any federal funding, loan guarantees or any other handouts. We’re backed by our country’s energetic and forward-looking community of venture capital and angel investors who have invested over \$1.6 billion in 231 privately held financial services companies since 2008, according to The Money Tree Report published by PricewaterhouseCoopers and the National Venture Capital Association.

There is, however, one thing this subcommittee could do, and that would be to consider H.R. 1909 introduced by your colleague, Representative Joe Baca. This bill, the FFSCC Charter Act of 2011, will establish a much needed and welcome platform on which financial services innovators will be encouraged to flourish and serve the under-served. I believe this will have an immediate and hugely positive impact for everyday American consumers, and the economy as a whole.

Today, one of the most difficult challenges facing any financial services innovator is accessing the critical banking infrastructure needed to offer a new service. We are frequently beholden to banks to bring to market any of the comprehensive array of alternative finance solutions demanded by under-served consumers – from credit products to prepaid cards.

It has been our collective experience, however, that the same banks that are not serving under-served consumers are not supporting technology and financial services innovators either. Of the thousands of banks in the United States, fewer than ten have made an active and concerted effort to support start-up innovation efforts, and none of these banks are the household names that consumers rely on every day.

Pro-innovation, pro-consumer

The FFSCC Charter Act will establish a clear platform for non-bank providers to launch and operate their service nationally. I also believe the pro-consumer requirements of the bill that will hold all Federal Financial Services and Credit Companies to clear standards for credit disclosure, account access, financial literacy and breadth of product offerings are critically important.

The Charter Act further provides that each charter holder shall “have a primary mission of providing a comprehensive array of financial services to the under-banked, unbanked, and consumers with low credit scores.” Non-delivery of much needed services will mean non-compliance.

Finally, we have heard consumers clearly. They want access to fast and convenient credit from reputable and trustworthy sources. By removing reliance on third party banks and enabling national business and operating plans, innovative service providers chartered under the FFSCC will have the opportunity to present consumers with new credit options that are safer, more affordable and more convenient alternatives than overdraft protection on bank accounts, high interest loans, late payments on credit cards, and banks' insufficient funds policies.

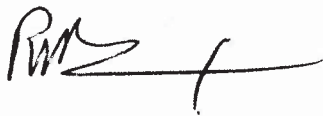
Once again, I greatly appreciate the opportunity to speak with you today. I would be very happy to answer your questions.

Thank you.

**United States House of Representatives
Committee on Financial Services**

“TRUTH IN TESTIMONY” DISCLOSURE FORM

Clause 2(g) of rule XI of the Rules of the House of Representatives and the Rules of the Committee on Financial Services require the disclosure of the following information. A copy of this form should be attached to your written testimony.

1. Name: Ryan Gilbert	2. Organization or organizations you are representing: BillFloat, Inc.
3. Business Address and telephone number: <div style="background-color: black; width: 100%; height: 40px;"></div>	
4. Have <u>you</u> received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2008 related to the subject on which you have been invited to testify? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	5. Have any of the <u>organizations you are representing</u> received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2008 related to the subject on which you have been invited to testify? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
6. If you answered .yes. to either item 4 or 5, please list the source and amount of each grant or contract, and indicate whether the recipient of such grant was you or the organization(s) you are representing. You may list additional grants or contracts on additional sheets. <div style="height: 150px;"></div>	
7. Signature: <div style="text-align: center;"></div>	

Please attach a copy of this form to your written testimony.