

Program: Starting and Building an Internet-Based Bank

Speaker: David Becker, CEO, First Internet Bank of Indiana

Introduced by Jerry Williams

Guests: Larry Wilson, Susan Kenninger, Dennis Mathews, Jim Parziali, Dan Clark

Attendance: 122

Scribe: Mark Michael

Editor: Bonnie Carter

The presentation to the Sciencetech Club on Oct. 29, 2018, was by David Becker, President and CEO of First Internet Bank of Indiana (<https://www.firstib.com/>) He provided an information-dense and entertaining story about the founding and growth of this first internet bank founded in 1999.

The reason Mr. Becker, a DePauw graduate, decided to start his bank was his frustration with traditional banks' services that were not serving the needs of three software companies he had previously founded. He was told he would need \$15 million to start a bank (though the law said only \$5 million) and was able to obtain these funds within 30 days. The application was apparently relatively simple but was delayed because of the FDIC's unfamiliarity with the concept of a strictly internet bank without bricks and mortar branches. For example, the FDIC expressed concern that this new bank had no vault, so a small safe was obtained at Sam's Club to check off this requirement. Even the FDIC's internet expert had difficulty understanding the concept, but finally the bank was granted a charter and opened in 1999 as the first state-chartered internet bank.

Growth of the bank has accelerated in recent years; First Internet Bank now has 110 employees located at their offices in Fishers, IN and Tempe, AZ. The latter office was opened to facilitate business in California, which accounts for about 20% of the bank's business. The bank has more than 50,000 customers and more than \$3.5 billion of deposits. It provides services in all fifty states. At one time about sixty internet banks had been established, but now only about five remain because many of the defunct banks did not eliminate the inefficiencies of traditional banking.

During the past five years, First Internet Bank has enjoyed 335% in asset growth, 484% in loan growth and 293% in deposit growth. The bank provides a wide variety of loan services, including mortgages, auto, RV, horse trailers, financing for healthcare providers, construction loans, public financing and other services. The bank has been able to keep their loan interest rates low due to careful risk management, avoiding higher risk borrowers who, for example, contributed to the financial contraction in 2007-2008. Interest on deposits is generous because of the bank's low overhead operation costs and low risk lending approach. Deposits are FDIC insured. Checking accounts are available. Currently 98% of all bank industry transactions are electronic and involve no physical cash. First Internet Bank continually is improving their processes, streamlining "onboarding" and improving business analytics. Their marketing budget is small.

Internet security is an ongoing 21st century concern. First Internet Bank employs people to test their security regularly. In addition, hackers have only one access point at First Internet Bank versus multiple access points at traditional banks. Persons with newer smart phones may use facial recognition to access their accounts, obviating the need for complex and frequently changing access codes.

In response to a question about where Mr. Becker finds potential employees, we were told that he likes to hire interns with technical rather than traditional business backgrounds. Unfortunately, Indiana schools are not yet producing enough of such graduates to fill current needs.

For more information about First Internet Bank, go to the website at <https://www.firstib.com>. First Internet Bancorp is listed on the NASDAQ exchange as INBK.



David Becker