



## **PITCHIT FINTECH STARTUPS PODCAST NO. 64-LILY LIU**

Welcome to PitchIt, the fintech startups podcast, one founder, one startup, one investor at a time. I'm your host, Todd Anderson, Chief Content Officer, FintechNexus.

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**Todd Anderson:** On Episode 64 I talk with Lily Liu, Founder & CEO of Piñata. Piñata, the reward and credit building platform for renters lets you earn rewards, save on every day expenses and boost your credit score for a sweeter rental experience. You know, the rental market overall is changing. While there's still a large segment that eventually want to own a home, more and more people want flexibility in the rental experience and they also want something back from it, this is where Piñata comes in.

They help people get credit for the rent that they're paying, they report rental payments to the bureaus and they offer rewards so renters can either shop on endless number of merchants and websites through the Piñata platform or save potentially for that home or save for other potential things in their lives. Lily and I discuss some of misconception about renters, the credit scoring system, her time in politics, the psychology behind rewards for renters, raising capital, surfing and a whole lot more.

Without further ado, I present Lily Liu, Founder & CEO of Piñata, I hope you all enjoy the episode.

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Welcome to the podcast, Lily, how are you?

**Lily Liu:** Doing well, thanks for having me.

**Todd:** Of course. So, I'd like to start off the episode if you can tell the listeners and the audience a little bit about your professional background and a little bit about yourself.

**Lily:** You know, I actually started my career not in tech and not in startups, I started in government and politics and, you know, really out of school my dream was to make a big impact and I thought the best way to do it was in the public sector so I did that for about half a decade. Was with the federal government then state and local and was out in the city of Long Beach doing a rotational management program which was a great way to kind of dip into many different areas of operations in how you efficiently and effectively run local services. We think about local government and it's usually...what comes top of mind is did my garbage get picked up, right, are the streets safe, can I access the library services, does the fire department help when there's an issue. These are the things that are top of mind.

If those run smoothly you never have to think about your local government services, but the moment that something happens, you hit that pedal on your bike, curse your local government then you really start to realize everything that's happening behind the scenes making (inaudible) so I learned a lot during that time. After about a couple of years there, I went over to work with Mayor Bloomberg and it's



special projects with the Department of Education and that was also really interesting experience, did that for about two years. When I left, I started my first tech company and that was focused on taking a lot of the pain points in local government namely, how difficult it is to communicate with local government.

So, what we now know of as 311, we built our first web and mobile tools to streamline that across any city in the country, we ended up working with the quadrant cities and the last year of operations it was also used by some commercial real estate buildings as well like the (inaudible) and we were then acquired by a company who would be unknown for a couple of years.

It was a great merger, their vision was government in the cloud, government-as-a-service so it was a really natural fit for the two companies, took a couple of years and did buy companies and traveled, learned how to surf as I traveled. You know, one the companies had a quick fun little aqua hire and then after that went on to...for some reason got the itch to start another company. So, here I am today starting Piñata and excited to talk a little bit more about what we're up to at Piñata.

**Todd:** Tell us a little bit about the founding story behind Piñata and ultimately what you're trying to solve with it.

**Lily:** Yeah. You know, Piñata is really looking to solve some of the pain points that renters feel on the market. You know, I've been a renter on and off my entire adult life, I actually calculated how much I paid in rent over the years and it's creeping up more than \$350,000 in rent which is a small fortune for most Americans. You know, just even saying that out loud continues to shock me in just how much I paid on rent, yet when I think about what I've gotten back outside of the different places I rented, no credit reporting, nothing back. If I'd spent that amount on any business, there would likely have been some sort of loyalty layer on top, some sort of reward system back in place. You know, for us its been thinking through, what can we do to really fundamentally change what renters can get back and that's been the mission we've been working towards so it's empowered us to go to the market and work with all three credit bureaus.

So, now every payment that you make as a renter, not through Piñata, you can pay any method, we want to report that data point to all three bureaus, you get that credit score boost so that's been core to what we worked on that past couple of years, the only service that does that for free for any renter to TransUnion across the country and it's really no strings attached. There's no set up fee, there's nothing to sign up for and pay for to get that service, on top of that you get points for every payment, we're just collecting the data, you don't have to pay through Piñata, you get points and then you can save those points and spend them on different types of rewards that we have on the program.

**Todd:** Before you jump a little bit further into how you guys do some of these, where did the name come from, Piñata?

**Lily:** You know, Piñata is a...I wish I could take credit for it, it was actually our (inaudible), of all people and, you know, there's dinner, kind of thinking through some different ideas and challenges that we were trying to tackle and one of them was the name of the company. It was very strange foreign names at first with "rent" in it usually, some inter-relation of rent, something that rewards and he said,

you know, you should just call it Piñata, right, in the middle of eating his dinner. You should know what Piñata is, it's about cracking open the best stuff in life and that's really what you guys are trying to do for renters.

**Todd:** Is there a misconception about those that rent? You know, there is a perceived notion that if you're renting maybe that you can't own, you don't have the ability to own, is there that perception in the market and do all renters eventually want to become homebuyers or homeowners, apartment owners or do they just want more from the rental process to ensure that what they're putting in, they're at least getting something back.

**Lily:** Yeah, that's a great question. You know, we think of it in a couple of different cohorts there. The cohort of renter where it's a predicament, you know, they'd much rather be owning a home, but they can't and their financial situation/economic situation requires them to be a renter or maybe it's, you know, their inability to stay in one place with the job market and so they have to be renters.

And then there's the cohort of renter where it's actually lifestyle choice and we're seeing that cohort in smaller, but it's growing. A renter choose to rent because they actually want that flexibility, they don't want to be tied to one neighborhood, they may not even want to be tied to the same city and also having that flexibility to try out different types of places and move up and down in size, depending on, are they early in their career, are they late in their career, are they retiring. We're actually seeing a lot of renters who are, much to our surprise, later stage renters and so they're 45 and up and they're renting. When surveyed a lot of them are saying kids are at the house, you know, we're in early retirement, it's interesting to see that segment of renters start to increase as well.

**Todd:** When it comes to the impact some of these data can have on a credit score, how big can that impact be and how do you work to actually make the rental payments reportable to the bureaus? How does some of that work so that it does show up in the credit report and you do get credit of it.

**Lily:** On average, this all third party setting, on average, TransUnion, based on their study, has found that credit reporting can impact rental scores by up to 60 points, other reports by the other bureaus have said even north of a hundred points. Now, there's going to really be a differentiator based on where you're starting with your credit score and if you even have a credit score, very thin credit file and so that's obviously going to impact if you're that segment of renter who is impacted much more heavily by rental credit reporting because every month you have that repeat, on-time rental payment show up. Now, if you have already an excellent score, it's going to impact you much less than a lower credit score. So, the studies are actually bracketed across the country and they look at the different cohorts of renters.

**Todd:** In terms of the credit score itself, as someone who has been a renter and is working with renters, how broken do you still see the credit scoring system itself. In many ways, you still boost your credit score and to get a credit score that's north of 700, 750, you're still appealing to debt in many ways, pay off the debt and prove that you can be worthy of a whether it be a loan, a mortgage or whatever. Do you view the credit scoring system as still broken today as someone who's working with this type of person, this type of renter?

**Lily:** The credit scoring system isn't transparent and I think that's one of the biggest flaws in the system. Renters/consumers, generally, don't understand truly how they can impact their credit score and there's something so fundamental, we talk about it as the passport to the modern economy, something so fundamental to consumers to get a home loan, to get a car loan and even apply for the next rental unit though lots of times when they pull your credit score and credit information consumer should understand how to maintain and continue to improve that credit score.

It should be a very clear system, unfortunately, it's not. Even folks in the credit industry oftentimes can't tell you why your score dipped or increased and, you know, I think that that's something I would like to see the industry make a serious fundamental shift to change. And, you know, I think because it is privatized, it's difficult to actually require any of the companies, any of the major bureaus rather to make that change and so really looking at the private sector to come in and try to add some clarity that might be the next necessary step here.

**Todd:** Beyond the credit score, how else do you work with renters when it comes to, you reference it quickly at the top, you know, rewards and is there bit of a psychology that previously you paid into your rent, you felt like you were getting nothing. But now, you get your rent reported, you get cash back rewards, how much does that play into the psychology of alright, now it feels like renting is at least giving me something back when previously before your company and maybe others that it felt like it was kind of money that was being thrown away.

**Lily:** Yeah. We find that it's actually the primary behavioral nudge that's getting renters to sign up and in some cases the reporting, it's the reason why they made a choice, all things held equal. You know, it's the reason why they made the choice between one rental unit and another, the difference here is that some property management companies will be adding in other incentives to the Piñata platform to incentivize these renewals, to incentivize lease renewals, to incentivize properly maintaining the unit and there's a whole slew of other incentives that they want to incentivize.

But really for renters, it really does put something back in their pocket, they're not gaining equity in the homes, they're not, you know, able to really get the upside benefits that homeowners do yet they are spending quite a large sum on that rental amount. We also have seen a lot of our renters continue to save their points which starts to really become very meaningful towards the end of one/two-year lease cycles that they have. And so, we're excited seeing that early feedback amongst our renters in terms of what they're able to actually put back in their pocket, taking a lot of feedback and looking to launch ways to help renters be smarter about how they're saving for and paying for rent. That's actually something that'll be coming down the pipe soon.

**Todd:** As someone that's worked in the public sector and at various levels of the public sector in government, what more can be done to move people that want to move from say where they are today where they feel like they have to rent to up the scale to owning a home and feeling like, alright, I've made that progress. Can government do more, obviously, fintech and the private sector have started to help some of these people, especially in the home buying experience, but overall, it's still not fully fixed and it's still something that's out of reach for a lot of families and a lot of people, the actual home-owning experience.

**Lily:** I think for government really to step in here, they have to really create the right incentive models for private sector companies, both community development opportunities which are slowing down. You know, the number of new apartments for construction have drastically decreased and so really to create the right incentive structure for the private development market so we see these new homes and these new development projects continue. The financing side is a major component for most families, we just talked about some of the challenges with credit reporting and the inequities there and they have to play there. On the consumer side as well, significant capital would have to be put towards some sort of matching and incentive program on the consumer side to really make sure that people can meet those down payments and even qualify for home loans.

So, I think the reality of having government make significant changes here I think feels like a far off dream. So, it's likely a combination of partnerships between public and private sector. but largely, a push by private sector companies and we're starting to see some really interesting models pop up in the market on rent-to-own models and other ways to help a segment of renters that wouldn't normally have been able to buy in the traditional way, right, and even, you know catch down alternatives, right, to be more competitive in your offers. So, there's some interesting models coming out for those families that are on the cusp of being able to but not quite there yet.

And you know, the other thing we're seeing is it may not be the dream of home ownership is a classic America dream, but there are so many ways that you can use your capital outside of owning a home that may even be a more stable investment and something. I think with banking and investment options there's a lot of different ways now where renters can put their money and actually see the same level of return, if not more. So, this idea of rentership, we're really starting to see that pop up across many different asset classes, it's not just your home, it's your car which we all know of, but it's also things like clothing, handbags.

You don't have to own something your whole life, you can rent it, enjoy it for a period of time and then enjoy something else. We're seeing rentals pop up in so many different segments, you can even borrow people's pets for a weekend, (both laugh) and rent people's pets so, you know, the mindset is ready to shift with consumers that we may not have to own things in order to get value for that in the rental market.

**Todd:** To pickup on that a little bit, is there a trend or at least amongst the people that are maybe a bit younger beginning to look at their careers and to look at, you know, where they want to go in life that owning a home might not be ultimately what they want. Is there data or is there studies that have been done that said alright, 25/30 years ago, 80% of people wanted to own a home and that numbers 40% now, obviously, I'm making up numbers, but is there a trend towards owning a home, it's just not the ultimate goal anymore.

**Lily:** Absolutely. We've been starting to see higher reports coming in of, especially younger renters, I mean, saying they don't necessarily want that. And, you know, I remember, dating myself here, stock investing used to come with a charge, a fee on every single transaction that you make.

**Todd:** Yeah.

**Lily:** In many cases, minimums at the brokerages so it was hard to invest in the market. Now, it's zero-fee investing, fractional investments you can make, you know, there's crypto, there's so many interesting ways where you can do risky, still just as risky, but, you know, I'd also say that there are other ways for people, young and older, to actually make more with their money potentially. Now, of course, that's not to say that majority of our renters still don't save, they are still saying they want to own a home eventually so we're actually seeing the numbers that are coming in show us that actually more renters are saying hey, we'd actually like to take the capital, do something else with it.

**Todd:** It's fascinating. Since you've launched, what's the biggest lesson that you've learned about Piñata, thus far?

**Lily:** You know, I think, for us, it's really been the focus on how we can nudge behavior in the rental market. You know, we are really focused initially, really not about necessarily gaining points and what you can do with it, but that was something that renters said hey, we actually want to put more back in our pocket, I think we also learned that in the market many homes can't even save \$300 a year which is a pretty shocking number for us to realize that even if we can put \$20 back in some of these pockets a month, \$30 back, that's hugely significant. So, really shifting our model to make sure that, you know, it wasn't just about looking at certain deal types, but really how can we put more cash back into people's pockets, how can we help them save better for rent.

Of course, what we learned during the process for the past two years is the realities of building your credit and some of the challenges for consumers out there, especially renters, to build their credit and just how many renters don't know about the impact of credit reporting. Less than 2% of renters have their rent payments on their credit scores and none of my \$350,000 in rent went to my credit score which I found out when I tried to apply for my first home loan. So, that's really some of the learnings that we've seen over the years and try to refine our model to help improve and make that process more efficient.

**Todd:** Yeah. I think none of the \$100,000 plus that we paid into rent is reported. I think when we got our first home, the bank did ask for receipts from our landlord which I guess played into us being good borrowers, but wasn't actually an official part of the process.

**Lily:** Yeah. Now, that's interesting, I ask for receipts. You know, with us the idea is we know that people who are renters become homeowners become renters again and so we live as the source of truth for your rental payments. The reality is, can we pull rent payments from five years ago from the landlord (laughs) maybe five properties, that's going to be a tough ask. So, we're actually working with the agencies to really give them that data file efficiently so if they are asking for a loan you'll be able to pull your ten years of rental payment history that's verified on the ledger and it's not touched and so becomes that source of truth for the new lending partners.

**Todd:** What's the best piece of advice that you've received, thus far.

**Lily:** Best piece of advice is you don't know what you don't know and so, you know, always take your risk and that's something that I've stuck to throughout my career. You know, I remember actually the first job right out of college and that was the piece of advice. They said that's why we hired you, you

asked the most questions, you're the most curious, you not only continue to push us in the company, we're always trying to look at different ways to see the same issue in them and how to attack and address it. So, you know, for us it's always about staying curious, always about staying involved and continuing to test and iterate.

**Todd:** Tell us a little bit more about those around you, what does the team look like, how big is the team, are you a remote first company? Tell us a little bit more about the team at Piñata.

**Lily:** Oh, yeah. We're about 20 people right now, growing steadily and you know, always looking for amazing talent, people both on the tech and engineering side and sales growth & marketing for us. Let's see, in terms of remote first, absolutely, we are fully remote, we actually started the company during COVID and so we don't know the way to work together than remotely, the team works well together remotely, we're spread across the US, but mostly in New York, Austin and LA.

**Todd:** I saw that you've raised a little bit of outside capital, how was the investing process and what did you learn about Piñata by going through, you know, pitches and talking to investors?

**Lily:** Yeah. We closed our Series A in March of this year led by Wilshire Lane Capital and follow on investments from a handful of other really great groups. You know, the thing that we've learned from when we raised our seed about a year and a half prior, it's such a different market now, you know, we talk about rent rewards, building credit with rent payments. I remember when we first announced and started pitching, we were having to educate investors on what it means to build credit with your rent payments and many of them actually didn't know that was possible. If the investors didn't know that was possible you can imagine the shock consumers get when they realized that they can have that service, but then also this idea of rent rewards by building loyalty, getting something back for you rent payments.

I remember a lot of investors saying, well, they're getting the roof off over their head, isn't that enough and so now it's such a dramatic shift, right, they're actually thinking about incentive models that would work in other private markets, hotels, airlines, credit cards, even your coffee shop. There are certainly technology services that has streamlined broader industries and rent is your biggest payback in months so really have seen such a dramatic shift in the response from the investor market.

**Todd:** If another founder picked up the episode and you had one piece of advice for them, what would that be?

**Lily:** Stay persistent. You know, I think we must have pitched 50 to 100 property management companies only to get, you know, a handful of niche leads to pilot and we shifted the model, we learned from the feedback, iterated during COVID and that model hit. You know, we had a hundred property management companies sign up in that first two months after that shift and pivot that we made, but it wasn't without a lot of grit and persistence and you need thick skin at some point (both laugh).

You're getting 50 no's for every yes that you're seeing so really just continue to go at it, but also to find time, you know. I think in the startup space there's this expectation of extreme grit that you never take

a B, you never take a moment outside of just moving ahead. I don't know if really you ever hit a nice balance or rather, it's probably very hard to hit a full balance of work, life, fun, but really trying to find those moments for something that keeps you motivated, keeps you going. For me, it's surfing, it's getting out into nature, but really finding that thing you just know you have to do once a week, twice a week.

**Todd:** We have just a couple of minutes left so I'd like to end a little bit lighter. Do you have a favorite book and the last book that you read?

**Lily:** You know, I don't have time to read books (laughs). You know, I watch shows actually, it's my way of unwinding for the day so it would be about 30 minutes at the end of the day and I'm loving that show called "The Offer" which is about how the godfather was named.

**Todd:** Yeah. I did hear that it's very, very good.

**Lily:** It's a really good watch and kind of an unbelievable story. I think an actually really good example of that grit, mission-focused, what you'll do to get it done.

**Todd:** You mentioned surfing in terms of sports and unwinding, do you have any favorite sport teams that you root for?

**Lily:** (laughs) You know, I don't watch a lot of sports. but I'm a big surfer so I do watch the World Surf League, WSL and I follow as well when they have big competitions and I follow some surfers, but that's about it.

**Todd:** Do you have a favorite vacation spot? I presume it's something related with surfing.

**Lily:** It is, I know, big surprise. You know I love Hawaii DC (?) because I'm on the West Coast, but, of course, my favorite spots are much farther away, Bali in Indonesia and East Asia.

**Todd:** And then final question, biggest inspiration in life?

**Lily:** Oh, I have to say my family, you know, picked us up, they were in their mid-30's, didn't know any English, wanted a better life for us, moved to the States and made it happen. We're the first to go to college here and really set us up for a life of potential and success.

**Todd:** Well, Lily, I greatly appreciate you giving me a few minutes. If someone wanted to find you, find Piñata, how would they do that?

**Lily:** Check us out at [piñata.ai](https://piñata.ai), download the app in the App Store for free, sign up for free credit reporting for those rent payments and if you want to contact me, I'm on LinkedIn.

**Todd:** Alright, well, thank you very much, continued success to you and the team and hopefully, we'll get you back sometime in the future.



**Lily:** Awesome. Thank you, Todd.

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