



Q&A with Jeffrey Lee Nelson, Chief Executive Officer & Founder of AppliedApps, Inc.



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Chief Executive Officer & Founder

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Interview conducted by:
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CEOCFO Magazine

CEOCFO: Mr. Nelson, what is AppliedApps?

Mr. Nelson: AppliedApps is a FinTech application development group for the mortgage industry.

CEOCFO: Was that specialization the plan originally or did it develop opportunistically?

Mr. Nelson: It was the intent from the beginning. We have been involved in the mortgage industry for over the last thirty years and focused on disruption since the crash of 2007, with Dodd-Frank and all of the resulting over regulation that

has transpired. We began working many years ago on trying to simplify the mortgage application process. We always thought it was crazy that you could go out and buy a Porsche and buy it in an hour and drive off the lot, an asset that you could not track down very easily from a collateral perspective, yet to buy a house, it would take you a month or more to purchase a home. With stationary collateral, it just did not make sense. Over the years, we have been perfecting our application LedgerBox and began the current version about three years ago once the APIs or program interfaces, became fully developed and made access easier to vast amounts of personal private financial information possible.

“We start nurturing and developing a customer before they even know that they want a mortgage. We are aggregating all of their personal private financial information, which include all of their banking, wealth management, income documents etc. as they navigate LedgerBox to fulfill and manage their financial obligations.”- Jeffrey Lee Nelson

CEOCFO: Why have people accepted the cumbersome process for so long?

Mr. Nelson: It is interesting because the entire effect that was created during the last administration was directed towards the common man. Therefore, everything has been standardized. If you are a wage earner as an example, you have a single job and have been living in your home for more than two years, and a simple financial profile, it is an easy process. Anyone that is of means, whether you receive income from various sources, maybe you have a couple of companies on the side, or have investments and rental properties, every time that you layer in additional criteria, it becomes more and more difficult. Things have loosened up a little since the reactive regulations placed after the last market downturn, but I had a customer who had a home in Sun Valley, Idaho valued at three million dollars. He wanted to borrow 150,000 dollars against it. He also owned a house on Fifth Avenue in New York City, free and clear. He had six million dollars in the bank. The regulations at that time would not allow us to give him a mortgage because he did not take down enough income to qualify. To me, that is just insane. The only reason he wanted the loan was his tax preparer asked him to find some write offs for his taxes. I had to decline this gentleman where common sense would lead anyone to believe he would never pose a credit risk of default.

CEOCFO: What is available today from AppliedApps?

Mr. Nelson: We are currently in the development stage. We are about 60 days from deployment. What our focus is right now is raising the additional capital that we need in order to get our products out to market. We have a group called

Composite Apps, which is based in Irvine, California. The president, a gentleman by the name of Long Nguyen, leads our development side, is very well regarded and service Fortune 500 companies. Every time you get a package through FedEx, you have benefited from one of his applications. If you drink a Coca Cola, that was ordered and delivered through another of his applications. If you search for something from Warner Brothers, it is the same thing. His application. They are a very agile group of guys and I am very excited about having them as our development partners.

CEOCFO: *Is the industry ready?*

Mr. Nelson: The industry is and has been ripe for disruption. Our frustration is simply that we have not been able to get to market as soon as we have anticipated. We thought we would be ready to market by last September. September 1st was our launch date. At that point in time we had an investor that we made the decision to sever our relationship with, which put us back about six months from a delivery perspective. During that time, we have had a dozen or so competitors that have come to market. They are focused on the fulfillment of a transaction and do not have the depth or breadth of our product, LedgerBox. The interesting thing to note is that with the exception of one company, all the competitors are tech based entities. They do not have a good understanding of how the mortgage market works. There was a company that presented with us side by side at the Red Herring Top 100 Tech Companies gathering in Los Angeles in the beginning of June. They had raised \$26 million to build their company including seed, Series A and B. The interesting thing is that they only processed about a thousand loans. They were more of a provider or broker of mortgages rather than facilitating the fulfillment for the market at large, which is what we do. They originated about one thousand loans utilizing seventy employees. To give you an idea, at one point I had a team of three or four and we were receiving four hundred applications per month and delivering two hundred closed loans a month. We know how to operate on a shoestring and turn a profit. The scale and understanding of how the mortgage industry operates does not seem to transfer to the tech world if you do not have that experience. Unfortunately they outstripped their capital base and shut their doors.

CEOCFO: *Using the example you provided earlier, how would using what you developed allow that man to get his loan? How would it work in an instance like that?*

Mr. Nelson: We start nurturing and developing a customer before they even know that they want a mortgage. We are aggregating all of their personal private financial information, which include all of their banking, wealth management, income documents etc. as they navigate LedgerBox to fulfill and manage their financial obligations. All of the data and documents are archived for the consumer to retrieve as needed, like when you apply for a mortgage. No more scrambling to collect your documents at application. Essentially what we do is nurture that individual and guide them through the application of big data. There are certain strike points that we know that will prompt them to look for a mortgage. Their family is growing, they have a new job, they have been transferred or whatever it may be. There is a lot more that goes in to it than just that, but those would be very obvious examples where we trigger them to request a mortgage that is consumer initiated and directed. Consumer users find our products through organic means, such as one of the app stores, or through an introduction from a mortgage provider that they have used in the past or another financial service professional, binds them throughout their financial life on LedgerBox. We have found that utilizing similar systems in the past, we have a very high retention and closing rate. Our goal is to have someone who joins the system, develops a very high sense of financial literacy and independence and retain a relationship with their financial advisors for life. Essentially when they seek a new mortgage, they are fully prepared. They have already been fully qualified and documented. This occurred far in advance before they ever make that decision to get a mortgage. We reduce that turn time to a matter of days instead of weeks or in some cases, months. Things that we cannot control are third party services such as appraisals where turn times are influenced by local market forces. In my market, it currently takes three weeks to get an appraisal. That I cannot fix at this point, but someday we will find a solution for that too.

CEOCFO: *When you are speaking with potential investors, do they understand that your mortgage history makes a difference? Do you find that people appreciate it?*

Mr. Nelson: Yes. It is interesting because having raised capital a lot of times in my past, investors always focus on several key points to determine your grasp of the market vertical and if you have the ability to lead, nurture and grow a company for exit and profit. We have had a lot of support from investors who are not early stage investors, as in pre-revenue, who are interested once we launch. Universally they state that our team is top notch. As an example, Eric Spiak, our Chief of Compliance and Governance, was most recently Director, Mortgage Loan Operations for Private Wealth Management, for Deutsche Bank for the United States. James Deane our SVP of Revenue, just exited from his mortgage FinTech platform, Comergence (exit after obtaining a 95% market share of the mortgage industry. That is the caliber of people that we have in our company.

CEOCFO: *Why pay attention to AppliedApps today?*

Mr. Nelson: Pay attention because we are the future of the mortgage industry. If you are an investor, now is the time to investigate and invest. In five years, we will be a unicorn. Our total accessible market, the mortgage industry creates

about seven point seven million mortgages a year. We have over five hundred and forty-two thousand mortgage loan officers. And lenders? Around twenty-six thousand. That is a fifty eight billion dollar per annum vertical. We are modeling only two percent of the mortgage industry. At that percent of the mortgage industry, we can generate over one hundred million dollars a year in EBITA. The mortgage fintech market is currently running a multiple of thirty-three times revenues. You can do that math. It is way over a billion dollars valuation in five years. We believe we can capture more of the industry based on James Deane's immediate past company and their spectacular results. We are very accustomed to building tech within mortgage companies and developing profitable well run organizations. Our market has yet to be properly disrupted. There have been a few attempts, but the market remains one of the most archaic. For example, some of the platforms that I currently work on, for all intents and purposes are still DOS based, which blows my mind. Nothing is integrated. Imagine working on ten or twelve different applications during the day. In, out, sign on, sign out. Now, what if they were all within a single application that includes everything from marketing to fulfillment to communication etc. It will make it easier, easier makes it cheaper and with the competitive nature of the industry, we collectively drive down the cost for the consumer. Our whole intent to make it cheaper, easier, quicker and simplify each and every mortgage transaction for the consumer, who tends to mortgage or remortgage every four years. We will make it easy and dare I say it, a pleasant experience.

