

SoFi's acquisition puts it on the verge of becoming a full-fledged bank

Article

The US-based alt lender is acquiring Golden Pacific Bancorp Inc., a California community lender, for \$22 million to become a nationally chartered bank, The Wall Street Journal [reports](#). Upon receiving regulatory approval for the Golden Pacific purchase, SoFi will contribute an additional \$750 million into the bank to further drive Golden Pacific's national and digital expansion. The pending transaction follows SoFi's January 2021 [announcement](#) that it will go

public later in Q1—through which it expects to raise up to \$2.4 billion in cash proceeds. The alt lender is wasting no time bolstering its current banking offering in the interim, **launching** its first ever credit card yesterday as well.

The Golden Pacific acquisition means SoFi is abandoning its original plan to build a nationally chartered bank from scratch.

- **How it got here:** The alt lender had previously attempted to form an industrial bank in 2017, but **withdrew** its application amid a scandal involving its then CEO. After instead filing for a national charter, SoFi finally **received** preliminary, conditional approval from the Office of the Comptroller of the Currency (OCC) last October. Buying a community lender is a departure from its prior strategy, but current CEO Anthony Noto indicated it is a more efficient approach to achieving SoFi's goal of becoming a national bank.
- **Why it switched things up:** Obtaining OCC approval is time-consuming and expensive: Varo **became** the first fintech to secure a national banking charter last summer, but due to the capital **requirements** enforced by the OCC, the endeavor cost nearly \$100 million and took three years to complete. It is particularly notable that the bank SoFi acquired has the same amount in assets—roughly \$150 million—as what it would have expected to keep as capital reserves if it was operating a standalone bank. SoFi can now more effectively deploy that freed-up capital in other areas, including marketing and modernizing its newly obtained banking operations.

SoFi's new approach to becoming a nationally chartered bank could inspire other well-funded neobanks and tech companies to do the same. Purchasing Golden Pacific allows SoFi to switch from a de novo to a change-of-control application, ultimately speeding up its process of becoming a bank. Meanwhile, Chime has said it is **considering** applying for a national charter, and Klarna—which is actively **expanding** in the US—is already chartered in Europe. Given the significant **amount** of funding **each** has at its disposal, following SoFi's strategy of scooping up a smaller bank could greatly accelerate their banking ambitions in the US. And nonbank fintechs aren't the only ones attempting to carve out a piece of this market: Tech companies—including Apple and Google—have been **dipping** their toes into banking as well. The significant regulatory requirements have likely precluded them from applying for banking charters of their own, but acquiring an already established bank that is more experienced in handling such matters could alleviate those concerns.

What Type of Business Would US Internet Users Consider if They Were Looking to Open a New Checking Account?

% of respondents, July 2020

Big bank (Bank of America, Chase, Citi, Wells Fargo, U.S. Bank, or PNC)

37%

Credit union

35%

Local bank (a bank with branches which are primarily in your state)

32%

Regional bank (a bank with branches across multiple states)

28%

Digital bank (a bank without branches)

20%

Amazon

15%

Apple

14%

Google

12%

Facebook

7%

Your cell phone carrier

6%

Source: J.D. Power, "Financial Services COVID-19 Pulse Survey," July 13, 2020

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