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Eastern Bank spins off product for online loans



PAT GREENHOUSE/GLOBE STAFF

One of Eastern Bank's new rebranding campaign ads next to the Expressway in Dorchester.

By [Deirdre Fernandes](#) | GLOBE STAFF MAY 16, 2017

Eastern Bank has spun off its innovation lab's first product and most of its core development team into an independent company, an acknowledgment that in the fast-changing financial technology market, a bank may not be the best place to grow.

Numerated Growth Technologies Inc. is expected to launch Wednesday, offering software that allows banks to make quick loans to small businesses. The platform was developed at Eastern Labs, which was created three years ago.

Numerated has raised \$9 million in financing, led by Venrock, the venture capital arm of the Rockefeller family, and St. Louis-based Cultivation Capital. Eastern Bank remains an investor and Florida-based FIS, which provides much of the technology used by banks, is also participating in the first round of financing, said Dan O'Malley, chief executive of Numerated.

Until last month, O'Malley ran Eastern Bank's labs. About 20 lab employees have moved to Numerated with him.

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Being at Eastern, with access to its data and consumers, was essential in developing the lending platform, which allows small-business owners to get a loan under \$100,000 online in about five minutes, O'Malley said.

Eastern introduced the express loan technology in 2015, and so far four banks, including Eastern and some community banks, are using it. O'Malley hopes the technology will be in hundreds of banks within a decade. But that would require a greater infusion of capital and partnerships with other companies, such as FIS, O'Malley said.

Eastern spent about \$4 million on Labs last year.

When it launched in 2014, Eastern Bank officials saw the Labs as a way for the \$10 billion institution to make inroads into the financial technology space, where startups are threatening traditional banking.

Labs developed the new rapid loan product and recruited more tech workers to Eastern, said Bob Rivers, chief executive of Eastern Bank.

“It was great for our brand,” he said. “Do we think we can replicate it? Sure. Would we replicate it in the same way? I don’t know.”

Eastern officials are still working on the next version of Labs, which the bank plans to continue, under new leadership and with a new focus.

Spinning off Numerated may have been the best way for Eastern to recoup its technology investment and allow the platform to grow, said Dave Kucera, a venture partner at Fintech Forge, which brings banks together with technology partners.

Banks, which are risk-averse and compliance-focused, have struggled to keep pace with innovation. And their internal investments in technology haven’t necessarily yielded game-changing results, such as the online payments system PayPal, which made online shopping simpler, he said.

Financial institutions thought it would be easier to innovate, Kucera said. “And they’re realizing it’s much harder to do.”

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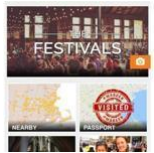
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