Ellis Technologies Seed Memo

Prepared by Sampei Omichi, CEO of Ellis Technologies

Impact & Mission

It is pretty uncontroversial that America's competitive advantage is its historical stance on immigration. What many fail to realize is that college campuses are the modern day Ellis Islands for high-skilled immigrants and entrepreneurs into the US. A few examples of former international students include:

1. Elon Musk – Founder of Tesla & SpaceX

2. Noubar Afeyan – Founder of Moderna

3. Vlad Tenev – Founder of Robinhood

4. Michelle Zatlyn – Founder of Cloudflare

5. John & Patrick Collison – Co-founders of Stripe

6. Parag Agrawal – CEO of Twitter

7. Satya Nadella – CEO of Microsoft

8. Sundar Pichai – CEO of Alphabet

Despite this, every immigrant you speak with describes an agonizing experience during their relocation and transition. To that end, we at Ellis are building an immigration company, not a fin-tech company. We are in the business of simplifying the immigration journey. We believe that at the current rate of immigration, America will lose its grasp as the world leader and although its up to the regulators in the public sector to decide immigration policy, we believe the private sector, particularly a company like Ellis, can simplify the transition for immigrants into the US to maintain the global brain-drain of ambitious, high-skilled foreign talent.

Our mission is simple – Build the migration infrastructure for One Billion Americans.

Introduction

As an international student, you quickly realize that there is an irreducible amount of work that goes into setting up the foundation to live in the US. From the moment students clear US customs, we scramble to get a prepaid phone plan, set up a bank account without a social security number, and apply for a social security card – all with little to no guidance. Students then spend years dealing with arcane visa processes, learning the nuances of tax treatment of non-residents, navigating poorly designed websites, and maintaining their travel and immigration documents in several disjointed systems – all leading to long hours of stress and, in the worst scenarios, risk of deportation.

We believe that the effort to discover, set up, and maintain these fragmented services is, secretly, the root cause of all the anxiety that comes with adjusting to a new life as an immigrant. As a solution, Ellis offers a suite of products that seamlessly interact with one another, with full context over an international student's personal, financial, and immigration related data in one centralized platform.

⊞ Gallery   ⊞ Gallery   Filter   Sort   🔍   ⤢
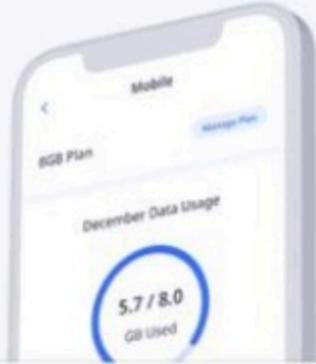
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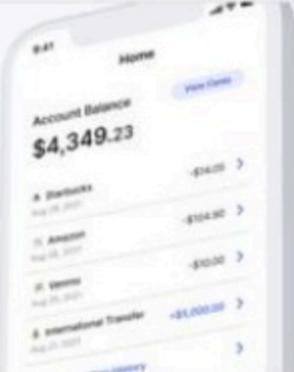
🏦 International Checking Account

Launched

💳 Visa Debit Card

Launched

📱 Mobile Phone Plan

Currently Building (Q2 2022)
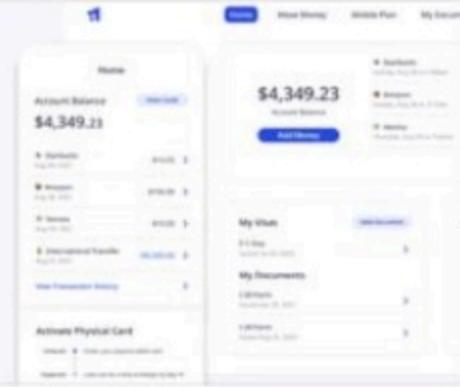
🏠 Lease Co-Signer

Q3 2022
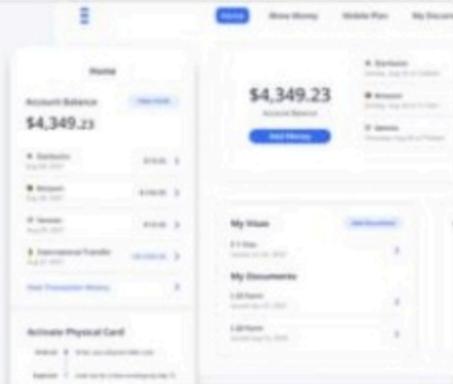
📄 Automated Immigration Paperwork

TBD
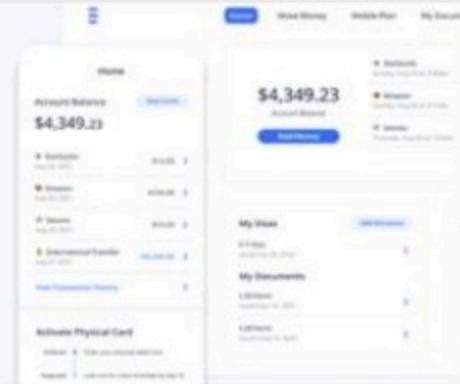
💰 Student Personal Loans

Q4 2022

🌎 Non-resident Tax Filings

TBD

🏥 Health Insurance

TBD
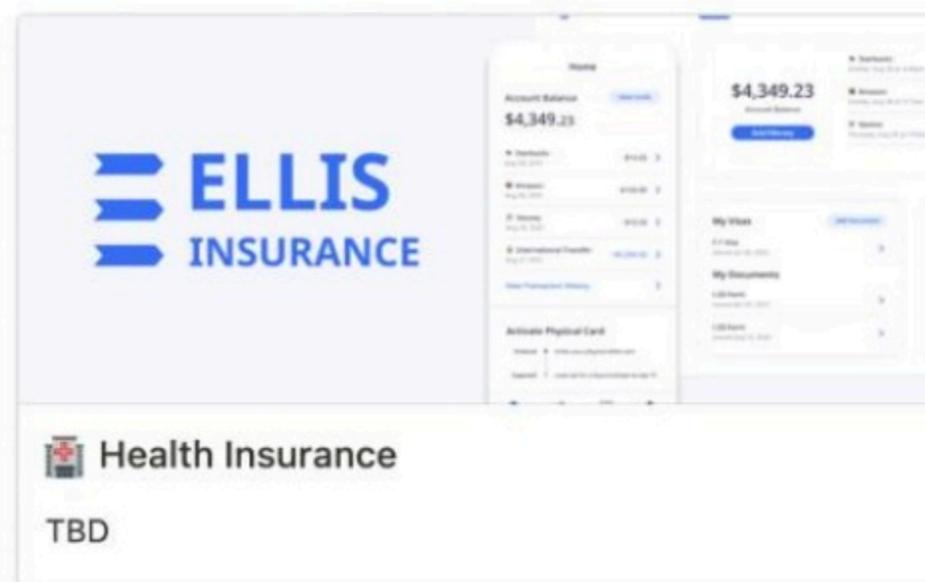
How does it work for prospective international students? Ellis will ask a simple set of questions, collect basic documents (e.g. Passport, **Form I-20**[1] or **DS-2019**[2]) and bestow students with a US phone plan, an international checking account, and a debit card – months before their relocation to the US. Ellis then uses the same information and documents to create a cohesive immigration profile to automate all of the paperwork and processes required to be an international student. Applying for a social security card, filing non-resident tax returns (that find every possible tax treaty for their nationality), building a credit profile with the bureaus, renewing a visa, and petitioning for work authorization can be done in a few clicks – with Ellis processing all of the paperwork and payments automatically.

Our Strategy

Part I: If you can capture international students at the beginning of their immigration journey, you can build a really successful business.

First-year international students are a highly desirable pool of users. They replenish themselves by the hundreds of thousands each year, and most start school with no strong affinity for any particular US-centric brand. They often come from affluent backgrounds and, like many Gen Z, are eager for technology driven alternatives to traditionally manual processes involving visits to physical branches and/or dealing with physical paperwork.

Ellis's first imperative is to build and simplify the essential services an international student would need to start their life in the US. Ellis will provide students with a US phone number, a US bank account (with international rails), and a virtual debit card – four months before arriving in the US. By providing the essential services to relocate in a contextualized experience, we can build a long-term relationship with the student at the ingress of their immigration journey with low-churn products.

This belief — that owning the customer relationship is valuable — is the least unique, and probably the least controversial, part of our strategy.

Part II: Becoming the single access point for immigration data allows Ellis to productize the automation of taxes and government paperwork.

At the core of the problem with being an international student today, is the information exchange that students have with several different entities - universities, governments, the IRS, banks, amongst others. The information is the same, but each interaction follows its protocols, leading to inefficiencies and frustration.

Much like a regular bank, we collect the student's personal information, Form I-20/DS-2019, and a photo of their passport to verify their identity and open their consumer checking account. Ellis, however, takes the same documents, creates a centralized immigration profile for the student, and provides a user-friendly digital layer on top of archaic government systems. We simplify the arcane processes of applying for a social security card, filing non-resident tax returns, renewing a visa, and petitioning for work authorization – without the same information and documents duplicated across several disjointed systems. With every government interaction, students simply answer a short set of contextual questions while we process all the paperwork and payments auto-magically.

Over time, we will automate all these interactions by becoming a single access point for the student's immigration compliance. It's a simple formula: pick the most inefficient process, automate it by building a delightful experience, move on to the next inefficient process.

Part III: Bundling seemingly unrelated products allows us to win against point solution competitors

"Gentlemen, there's only two ways I know of to make money: bundling and unbundling."

– Jim Barksdale

There are two main competitive advantages to bundling seemingly unrelated products in a tightly integrated platform.

Pricing power

By combining several products in bundle, Ellis can underprice our individual SKUs and compete to maximize the value of the bundle. For example, we could offer 1% cash back for our debit card and provide phone plans at a cheaper rate to underprice our competitors who only build narrow point-solution products. Alternatively, we could outspend our competitors on customer acqusition due to our higher LTVs.

Superior product and contextual user experience

We are in the business of simplifying traditionally complex and fragmented products and providing it in an intuitive, centralized platform. Bundling seemingly unrelated products allows for a more unified experience and provides a plethora of hidden advantages. For example, Ellis can:

1. **Acquire users 4 months before any other bank can –** As it currently stands, traditional banks, like Chase and BofA, are unable to onboard international students online. Students have to physically walk into a bank branch with their immigration documentation to open a simple checking account. We plan to ship SIM cards internationally to students and get them onboarded with a US phone number and bank account up to four months before their relocation. Bundling allows Ellis to acquire users before our competitors can.

2. **Offer one-click tax filings that find every tax treaty dollar –** By having a user's immigration data and bank account information in one place, Ellis can offer near-one click tax filings by analyzing banking transactions to identify gross and net pay and by correctly identifying relevant tax treaties with their immigration forms. Bundling improves stickiness of our products due to its seemless integration with adjacent products.

3. **Front liquidity for tax returns –** While our competitors for non-resident tax returns (here, here) charge per tax return, Ellis can offer our non-resident tax services for free to acquire users onto the platform. Alternatively, we can charge an optional fee for instant liquidity of their tax returns–deposited to their checking account. Bundling allows us to monetize users in ways that can not be done with point-solution products.

4. **Cash flow underwriting for loans –** By having access to a students college, major, and checking account–which we can use to analyse liquid assets, financial obligations, spending patterns–Ellis can offer education loans to international students with little to no credit history at substantially lower interest rates than the status quo. Bundling allows us to measure risk across more data points for better underwriting models. P.S. We are in discussion with our banking partner to issue loans against customer deposits, thus removing the need to go and raise debt capital.

5. and many more...

TLDR; We are taking the compound startup approach (here, here) to build the future of immigration.

Distribution & Go To Market

It's never been easier to raise money for a startup – especially in fintech. Systemic headwinds across digital channels are pumping costs and slashing performance. B2C CACs rose 60% from 2014 to 2019, a trend that has since accelerated. Furthermore, it's never been easier to launch a fintech company. Banking-as-a-service providers like Bond and Unit have created turn-key solutions to launch neobanks in a matter of months.

We believe many more fintech up-starts will get created in the coming years to compete in this market. Relying on digital marketing channels for point solutions will be insufficient in the long run.

How We Win

While our point solution competitors compete on CACs in the same digital channels, Ellis will distribute its products through international education agencies and consultants for an commission.

How will it work? Ellis will partner with large international education agencies that send X students to the US per year. In May, Ellis sends X Ellis SIM cards to the agency's physical location depending on the number of students they expect to send to the US that year. During their "pre-departure orientations" for students (where they typically tell students to get a bank account and phone number ASAP), an agent would onboard their students with Ellis's products. Ellis pays the agency $Y x X.

This distribution model allows Ellis piggy back on the existing trust between the student (and their parents) and the agencies to capture users at the ingress of their immigration journey on low-churn products.

Why Now?

International Student Services Departments at universities have transitioned from issuing physical to digital PDF immigration forms (I-20/DS-2019).

1. Collecting I-20/DS-2019 forms for KYC had not been possible and students had to walk into a physical branch to open a bank account. We are now able to onboard users before their relocation by requesting a passport photo and PDF version of their Form I-20/DS-2019.

2. Ellis is able to parse rich data from these documents and build a cohesive immigration profile without complex OCR / machine learning models.

Due to COVID, relevant government applications now take mail-in/online applications and no longer require walk-in appointments.

1. A non-resident application for a social security card can now be mailed to the SSA.

2. Application for OPT work authorization can now be filed online with the USCIS.

3. Ellis can productize immigration compliance using robotic process automation (RPA).

Market evolutions have made Ellis's core products easier to build.

1. Full-stack fintech-as-a-service companies (e.g. Bond, Unit) have made building financial services easier than ever.

2. After the merger with Sprint, T-Mobile has partnered with three mobile virtual network aggregators (MVNA's) to create turn-key solutions for launching an MVNO.

3. Stilt has made launching an immigrant loan product easy by giving us access to their lending licenses, immigrant credit underwriting, and debt capital (if needed).

Progress to Date

We built our first product: an internationally focused neo-bank

Today, Ellis is able to take a passport and Form I-20 or DS-2019 to open a FDIC insured US bank account for international students 4 months before their relocation to the US. Students are able to fund their accounts with international SWIFT wires & domestic ACH, spend & pay bills using ApplePay, GooglePay, virtual debit card, and order a physical debit card to be shipped to their college dorm.

Signed an MSA with T-Mobile to build an MVNO

We have an agreement with T-Mobile be the backbone of Ellis Mobile.

We have MOUs signed with X educational agencies netting ~Y students per year

The next two quarters are going to be focused on closing partnerships with as much volume of international students possible.