

Consumer Financial Services Webinar Series



Webinar #2:

**Lessons Learned in Developing, Innovating, and Scaling
Consumer Financial Products and Services**
February 18, 2015 at 1:00 – 2:15 PM

Agenda



- NEXT Awards and Consumer Financial Services
- Lessons Learned from Developing, Scaling & Replicating Consumer Financial Services Products and Services
 - CSFI’s Financial Capability Innovation Funds
 - Filene Research’s Financial Services Incubator
- Q&A

Presenters

- Beth Lipson
EVP, Strategic Initiative
Opportunity Finance Network
- Tanya Ladha
Manager, Center for Financial
Services Innovation
- George Hofheimer
Chief Knowledge Officer
Filene Research Institute



2015 NEXT Awards



In partnership with Prudential

- Year-long Awards program
- Awarded \$66 million since 2007
 - more than \$8 million per year
- 2012-2016 theme of expanding coverage
 - 2015 subtheme: **consumer financial services**
- Goals
 - Take CDFIs to the next level of growth and impact
 - Increase visibility of CDFIs and the work they do
- Combines financial support, visibility, learning, and sharing

2015 NEXT Awards

- **Key dates:**

- Application open: 1/27/15
- Application close: 3/11/15

- **Two Awards**

- NEXT Opportunity Award
 - \$8.25 million for up to 4 CDFIs
 - Combination of Debt/Grant for strategies that are ready to implement within 6 months
- NEXT Seed Capital Award
 - \$100,000 grant for 1 CDFI for developing strategy
- NEXT Seed Capital for Savings Innovation
 - \$100,000 grant for 1 CDFI for developing strategy specifically for savings innovation

For More Information

- **nextawards.org**
 - Application guidelines
 - Eligibility and selection criteria
 - Online Application
 - Recording of information sessions
- **Webinar series** to set the context for and support the theme of consumer financial services

Filene Research Institute



- AFS Incubator Overview
- Borrow and Save
- Employee Sponsored Small Dollar Loans
- LIFT Auto Lending
- Key Learnings

AFS Incubator



In partnership with Prudential

- Filene has received a \$700,000 30-month grant from the Ford Foundation to test, package, and scale innovative, viable financial products that aid low-and-moderate-income US consumers to provide alternatives to predatory products
- Phase 1: The Lab
 - Testing promising product ideas
- Phase 2: The Factory
 - packaging products for mass adoption
- Phase 3: The Marketplace
 - Distributing products through in-person and open-source online marketing

Borrow and Save

- Borrow and Save is structured as an amortizing small dollar loan with a required savings component.
- Consumers borrow between \$300-\$3,000 and 10-50% of the loan is placed in a restricted savings account for the term of the loan.
- Loans range from 3-12 months with rates ranging between 15-28%.
- When the loan is repaid, the borrower has savings established and has worked to build their credit.
- Income verification is required to ensure borrowers can repay, but there is no minimum credit score required.

Borrow and Save

- Started with 14 credit unions piloting and has now dropped to 12.
- All 12 of the credit unions are reporting data.
- Through 2014 we have 1,682 loans with \$1.8M in volume and \$500K in savings.

Employer Sponsored Small Dollar Loans (ESSDL)



- ESSDL is a small dollar loan that gets repaid through payroll deductions.
- Consumers borrow between \$300-\$1,500 and once the loan is paid off payroll deductions can continue to fund a savings account.
- Loans range from 3-12 months with rates ranging between 15-18%.
- While there is no minimum credit score required to obtain the loan, the loan is credit building.
- Eligibility is based off of income verification to confirm the ability to repay, 6-12 months employment, and being in good standing with their employer.

Employer Sponsored Small Dollar Loans (ESSDL)



- Started with 14 credit unions piloting and has now grown to 17.
- Nine of the credit unions are reporting data.
- Through 2014 we have 445 loans with \$522K in volume and 37 employer partnerships.

CFSI and Filene

- Lower Interest for Timely Payments
LIFT



LIFT provides More
Carrot, Less Stick
By
Rewarding On-Time
Loan Re-Payment

Key Learning Points on AFS Incubator

- Requirements
 - The products that are the most successful are the ones that can be rolled out directly to the consumer with little effort on the credit union's part, i.e. no system changes, no additional decision maker layers, out of the box solution, etc.
- Capacity
 - All of the 17 credit unions with ESSDL are responsive but not all have loans on the books. It is taking them longer to enroll employers based on their limited business development resources and the typical sales cycle.
- Engagement
 - The NFCDCUs has testified before the Assembly Subcommittee on Banking in Underserved Communities in New York to examine the establishment of a Borrow and Save pilot program in New York State.
 - With ESSDL, we are partnering with United Way in Vermont, Ohio, Washington, Colorado, and Georgia to help partner credit unions and businesses together.
- Human Factors
 - Pay special attention to motivations from consumer, financial institution, researcher and funder perspectives.

Center for Financial Services Innovation

- Financial Capability Fund Overview
- Clarifi – Text reminders
- PiggyMojo – Socialized savings
- MyPath – Scaling Innovation
- Mission Asset Fund – Building credit in underserved communities
- Key Learnings

About CFSI



In partnership with Prudential

The Center for Financial Services Innovation is the authority on consumer financial health, leading a network of financial services innovators committed to building better consumer products and practices.

Using our Compass Principles as a framework for quality, we:

Connect

We foster dialogue and collaboration through CFSI events and networking opportunities.

Inform

We provide deep consumer insights and industry research.

Innovate

We seed and test promising new ideas.

Advise

We offer consulting services to both for-profit and nonprofit providers.

Investing in Financial Capability



In partnership with Prudential

Financial Capability Innovation Fund I & II

Purpose: To provide financial and technical assistance to innovative nonprofit-led projects designed to promote the financial capability of underserved consumers

- Financial support:
 - \$4 million to 13 projects
- Strategic advice and technical assistance
- Visibility and connections
- Peer learning opportunities
- Robust evaluations
- Broad dissemination of learnings

Support led by :

Citi Foundation



Additional Support and Information:

[FCIF Website](#)

Technology and Socialization: Testing Interventions



*Can text reminders and social commitments
help consumers reduce debt?*

- Early results show that low-frequency, task-oriented message improved repayment rates at a statistically significant level.
- Take up of the social accountability mechanism was fairly low suggesting it might not be an attractive option for many consumers.

Technology and Socialization: Testing Interventions



Can goal visualization, social dynamics and mobile technology create low-income “impulse savers”?

- The median savings amount for active users of PiggyMojo was \$44/month via the platform. Much of the money that was saved was soon spent
- Integration of a prepaid card (Magic Mojo) helped improve overall engagement

Technology and Socialization: Testing Interventions



Will an online platform improve scalability of a successful youth workforce savings program?

- Original program combined financial education and youth-owned savings accounts, using a teachable moment – first income streams
- Of those that participated, 100% opened accounts, signed up for direct deposit and set a savings goal (80% of whom reached said goal)

Technology and Socialization: Testing Interventions



Can peer lending and peer-led education address credit needs of underserved and immigrant populations?

- On average, clients increased credit scores by 168 points
- On average, clients decreased debt by \$1,000 during through the Lending Circle.
- Participating in financial education in addition to Lending Circles increased scores by an additional 27 points.
- Lending Circles are being replicated nationwide

Key Learnings

- Technology can affect real time financial behaviors
- Technology can scale product uptake, but providers need to take care that impact of high-touch interventions is not lost
- Consumers have an “immediacy preference” – motivated by actions that can be taken “now”
- Multiple features in one product increases client retention and usage

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Q&A



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Type your question into the GoToWebinar question box