Powering the Next Generation of FinTech to Improve Consumer Financial Health

by Maria Lajewski and Ryan Falvey
The Center for Financial Services Innovation (CFSI) is the nation’s authority on consumer financial health. CFSI leads a network of financial services innovators committed to building a more robust financial services marketplace with higher quality products and services. Through its Compass Principles and a lineup of proprietary research, insights and events, CFSI informs, advises, and connects members of its network to seed the innovation that will transform the financial services landscape.

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The Financial Solutions Lab (FinLab) is a $30 million, five-year initiative managed by CFSI with founding Lab partner JPMorgan Chase & Co. The Lab seeks to identify, test and bring to scale promising innovations that help Americans increase savings, improve credit, and build assets. Lab participants share a relentless focus on building products that will improve the financial health of Americans. The Lab provides capital, national partnership opportunities, industry expertise, mentorship, and cutting-edge consumer and design insights necessary to build the next generation of leading financial products and services.

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Special thanks to Adam Herling, Katy Golvala, Noah Davies and Shannon Austin from CFSI, and to Amalia Kontesi and Anne Romatowski from JPMorgan Chase & Co.
Collaborating to Advance Financial Health Through Technology

Nearly a decade after the Great Recession, over half of American adults continue to struggle financially. Millions are unprepared for financial emergencies, have no savings, and either spend more than they make or break even. And it goes without saying that it’s nearly impossible to plan for the future when you’re struggling to make ends meet in the short term.

Part of this insecurity stems from income volatility in many households, a pervasive challenge brought to light by the U.S. Financial Diaries’ study and supported by research from the JPMorgan Chase Institute.

In response to the scope of these issues, CFSI partnered with JPMorgan Chase in 2014 to launch the Financial Solutions Lab, a cross-industry initiative catalyzing the development of innovative, technology-enabled strategies, products and services that improve financial health in America.

Together, we developed a model to bring patient capital, deep financial services expertise and national exposure to entrepreneurs building relevant, engaging and scalable products designed to address the biggest financial problems facing consumers. Over the past three years, we have been humbled by the number, quality and sophistication of applicants to our program. We have met with hundreds of entrepreneurs and have read more than 1,000 applications focused on achieving our mission of improving consumer financial health.

Through the strategic advice and support of our colleagues at CFSI and JPMorgan Chase, as well as our Advisory Council members, operating partners ideas42 and IDEO.org, resource partners and dozens of stakeholders who touch this program year-round, we have helped 26 visionary entrepreneurs grow their companies, build better products and collectively reach well over 2.5 million Americans so far. American consumers have saved over $1 billion to date using Lab products, thousands have significantly improved their credit scores, and even more are getting out of debt faster and creating a path towards a better financial future.

While we are proud to share the impact of our program to date, we realize that driving significant change in a market as complex as the U.S. financial services industry is a long road — and one that will continue to require strong collaboration, experimentation and adaptation. We hope our progress to date and the lessons we’ve learned will serve as a source of inspiration for others on our shared journey of changing the financial services landscape for the better.

1 The U.S. Financial Diaries is a joint initiative of NYU Wagner’s Financial Access Initiative (FAI) and The Center for Financial Services Innovation (CFSI). Leadership support for USFD is provided by the Ford Foundation and the Citi Foundation, with additional support and guidance from the Omidyar Network.

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Impact Thesis

The Financial Solutions Lab was created to support the development of safe, affordable and high quality technology-based products to improve the financial health of millions of hard-working Americans. (The specific goals of the Lab are referenced in Appendix A). To achieve these goals, CFSI and JPMorgan Chase developed and launched a program that brought together a powerful set of resources, including access to capital, deep financial services expertise, and an extensive network of industry partners. By providing innovators with capital, reputational investment and technical assistance, we aimed to de-risk promising early stage innovations and help create a path to scale.

The program’s cohort structure, whereby we select eight to nine companies at a time, was designed to enable us to test, support and learn from a wide range of approaches to improve consumer financial health. Across our 26 investments over the past three years, we’ve worked with social enterprises, venture capital-backed startups and established nonprofits. In addition to testing which approaches hold the most promise for consumers, this model has enabled us to test the effectiveness of our program in helping different types of innovators accelerate their growth, and the ability of this model to positively shift the market for financial services.

Our impact thesis is organized around the goal of helping early stage innovators build and scale high-quality products. An indirect goal of this work is the idea that these innovations can serve as an inspiration for other financial services providers to improve the quality and efficacy of their own products, and inspire the next generation of entrepreneurs seeking to drive meaningful impact in consumers’ lives.

Key Takeaways

1. The Lab offers innovators deep industry expertise that has been pivotal for many participants
2. Lab companies are succeeding on important measurements of growth and funding
3. Lab companies are measuring impact in a way that helps inform and influence the fintech ecosystem as well as the market
4. Lab companies reach more than 2.5 million Americans with their solutions
5. To date, consumers have saved more than $1 billion using Lab products, thousands have improved their credit scores, and even more are getting out of debt faster and creating a path toward a better financial future

The starting place for our impact measurement is looking at the effectiveness of Lab winners’ solutions in improving consumers’ financial health. All Lab companies agree to provide “consumer impact” metrics to CFSI during and after program completion. However, we recognize it will likely take years for our firms to reach their full potential, involving the support of countless other stakeholders. Accordingly, we concluded that the onus is on CFSI and JPMorgan Chase to demonstrate that the program is providing value to the participating firms. To measure the program’s efficacy in helping the companies achieve their goals and accelerate their impact, we measure a number of factors that fall under our “innovator impact” category. Finally, we recognize that the Lab companies will always represent a relatively small number of the total innovators in the market. As such, we also measure our “market impact” to gauge how our work is driving broader market activity for inclusive financial technology solutions.

The following sections outline how the Lab’s model has performed in positively impacting companies, the market, and ultimately, consumers’ financial health.
Innovator Impact

CFSI measures the performance and efficacy of the Lab in helping winners grow their business and, in turn, accelerate impact. Innovators come to the Lab to learn from CFSI and JPMorgan Chase’s deep financial services expertise, gain unparalleled access to the financial services industry, and to gain access to capital. The following section highlights our performance in providing these resources.

Deep Industry Expertise

One of the biggest challenges early stage fintech founders face in building their businesses is a lack of knowledge about how the financial services industry works, and limited connections to key players at the larger financial institutions whose products often enable consumer fintech solutions. As such, we structure the Lab to provide a number of formal and informal mechanisms for Lab winners to tap into CFSI and JPMorgan Chase’s expertise to flatten the industry learning curve and facilitate critical business relationships.

These opportunities include a mentorship program with JPMorgan Chase executives, individualized consulting engagements with CFSI, and highly-curated meetings throughout the program to facilitate in-person connections.

In surveys of the cohort experience, Lab winners across the board have stated that the Lab’s access to a wide range of expertise was critical to the growth and development of their business. For example, a company from the Lab’s third cohort, Token Transit, was able to leverage the JPMorgan Chase mentorship network to connect with a team of experts from government banking. The conversation allowed the Token team to significantly improve their approach to engaging with local and regional government officials, while also helping them think about how to broaden their network of potential partners.

Another example of a Lab company benefiting from the program’s deep industry expertise is Propel’s experience in the Lab (see text box, Innovator Impact in Action).

Innovator Impact in Action

Each year, the Lab winners convene at JPMorgan Chase’s offices in New York City for a day-long series of executive sessions, mentorship and networking. Just prior to this meeting, a cohort discussion sparked an idea for Jimmy Chen, Founder and CEO of Propel, which ultimately led to a major advance in his business.

At the time, Propel was focused on helping expand access to SNAP (Supplemental Nutrition Assistance Program, formerly the food stamp program) benefits by making it easy to enroll via mobile device. Yet, in speaking with customers, they learned that a frequent frustration was the process of checking one’s monthly balance — which could only be done by tracking it manually or calling a toll-free number.

After hearing his peers explain how they were able to provide their customers with real-time information to improve decision-making, Chen wondered if the same would work for people checking their balances on their Electronic Benefits Transfer (EBT) cards. While it no longer administers states’ EBT programs, at one time JPMorgan Chase was a major player in this industry. In New York, Chen was able to connect with JPMorgan Chase executives who had formerly overseen the administration of those programs—and learned a great deal in order to pivot his offering to focus on EBT card management. This development led to dramatic growth in Propel’s business.

Today, Propel’s FreshEBT app — which enables SNAP recipients to easily check their balances and manage their grocery spending — is used by over one million Americans across the country each month.
Access to Partnerships

Another key benefit of the Lab is unparalleled access to the financial services ecosystem. Operating in the financial services sector at scale requires collaboration, yet the time required to build such partnerships is often longer than many startups are able to survive before their investment capital is depleted. It’s not surprising, therefore, that access to the organizations in CFSI’s Financial Health Network — as well as access to the network of a leading global financial services firm — is consistently ranked as the most valuable component of the Lab among applicants and participants.2

In surveys of the cohort experience, Lab winners frequently highlight that the connections and partnerships facilitated through the Lab have had a significant and positive impact on their firms. In some cases, the benefit of those contacts was informal — providing a chance to get information or feedback on ideas. For others, the benefit was critical in enabling the company’s growth and direction. The following section outlines how the Lab organized its engagement to help companies develop unique partnerships appropriate for their stage as a company.

Testing a Proof of Concept

When Even, a start-up that helps consumers manage volatile income and expenses, joined the Lab in 2015, they were deeply focused on building a consumer-first product, though they also realized that their ultimate vision was to acquire customers through the employer channel. The team was interested in testing their product with credit unions and asked CFSI to make several introductions to prominent credit unions at CFSI’s annual Network Summit.

One of the introductions made was with Wright-Patt Credit Union (WPCU), the largest member-owned credit union in Ohio, which at the time was actively searching for fintech solutions to help improve the financial health of their frontline staff.3 Just a few months later, Even and WPCU were able to structure a small pilot with a dozen credit union employees. This experience — from negotiating the terms of the pilot to integrating with an employer’s payroll system to data security and management — was a necessary first step on Even’s journey to sell their product direct to employers. The team credits the valuable learnings from the experience as critical inputs in helping them forge their current partnership with Walmart, the nation’s largest private employer.

Serving Hard to Reach Customers

When EarnUp, a 2016 Lab winner, met GreenPath Financial Wellness at CFSI’s Network Summit, the two companies were tackling very different strategic challenges. GreenPath, a nonprofit that provides financial counseling to the underserved, knew their customers well, but was looking for ways to create longer-term relationships with them. EarnUp, a consumer platform that automates loan payments, had a great product, but was trying to expand its customer base to include underserved consumers.

GreenPath and EarnUp quickly realized how well their missions aligned and how complementary their strengths were. Their partnership accelerated rapidly from there. Just five months after their initial introduction, they had jointly created the Simple Payment Plan (SPP), a service that automates loan payments, aligns payments with a consumer’s pay schedule and due dates, and assists with budgeting and payoff prioritization. SPP’s early impact metrics are promising. The first cohort of consumers enrolled in the program — totaling $9 million of loans in aggregate — could potentially save a total of $600,000 in accrued interest and fees. Similar to the Even/WPCU example, the EarnUp/GreenPath partnership provided valuable learnings and credibility which helped EarnUp negotiate their next big partnership, a deal with Freddie Mac, one of the country’s largest mortgage-finance companies.

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2 CFSI’s Financial Health Network is composed of more than 150 financial services providers. For a complete membership directory, visit https://cfsinnovation.org/our-network/members/.  
3 For more information about Wright-Patt Credit Union’s financial health strategy, visit: https://medium.com/@CFSInnovation/emerge-2016-jennifer-teschers-big-idea-bac244ff89b
Engineering Socially Impactful Exits

When fintech entrepreneurs decry that regulation is “stifling innovation,” one common example is money transmission regulation, which requires state-by-state licensure. Adding the fact that licensure requirements often differ between each state, it takes an extraordinary amount of time and, typically, millions of dollars of capital to become fully licensed in the 48 states where a license is required in order to transmit money.

For one of our early Lab winners, Prism Money — a bill pay and management service — being able to move and transfer funds on behalf of its customers was the next logical evolution of the business. As Tyler Griffin, CEO of Prism, was evaluating options — including the sale of the company to a suitable buyer — CFSI helped facilitate ongoing conversations with Danny Shader, CEO of PayNearMe (now Handle Financial). Ultimately, those conversations resulted in a successful acquisition. Handle Financial not only shared Prism’s customer ethos, but also had the tools and necessary licensure to realize Prism’s revenue model and to build upon the vision and efforts of the team. Today, Prism has helped its customers pay over $1 billion worth of bills and remains a key driver of Handle Financial’s growth plans.

Access to Capital

One of the challenges that consumer fintech companies face in building their businesses is a limited supply of institutional capital. Investors often view consumer fintech solutions as having a high degree of regulatory and execution risk, which hampers the ability of new companies to come to market, and often creates longer capital return cycles for those that do.

The Lab was intentionally designed to address this challenge. We structured the cohort’s 8-month program cycle and $250,000 investment size in order to allow smaller firms to build their businesses with less near term risk of running out of capital. We believed — and our experience has indicated — that $250,000 is a sufficient amount of capital to ensure that capital-constrained firms, including some with no additional external capital, are able to operate throughout the program experience. Conversely, $250,000 was enough money that we were able to attract firms with a more stable capital base but who were more interested in the advice and connections that the program could bring. The Lab required all companies to accept its investment because we wanted company participation to be seen as a positive signal to investors looking for consumer-friendly financial technology companies. If the only firms that accepted the capital were the ones with the highest risk of near-term failure, we realized that our investment could actually have a negative signaling impact on the market.

Accordingly, the program’s capital structure was designed to signal a degree of long-term commitment to firms that went beyond a short-term grant, while being minimally dilutive to companies and non-competitive with other investors. By leveraging the pro-consumer brand equity of CFSI, we hoped to encourage additional investment in our firms by signaling that the firms represented a reduced regulatory risk than may be perceived and that we would help the firms to execute their business plans. As such, we track “follow on capital raised” as an indication of our efficacy in helping Lab companies leverage our investment and support to raise additional capital. While the Lab has deployed $6.5 million in philanthropic capital across 26 investments, our companies have since raised more than $250 million in follow-on capital. As previously discussed, one of our companies (Prism Money) was acquired and the survival rate of our portfolio (22 out of 26 companies, or 85 percent) is on track to surpass the industry average for early stage financial technology firms.4

When it comes to capital, Lab winners also benefit from curated introductions and the advice of their more experienced peers. In lieu of traditional demo days, we have found more success in making direct introductions for individual companies and in organizing broader ecosystem-building events where Lab companies, whether they are raising or not, can find value. And given that the Lab supports companies at various stages of fundraising, the peer-to-peer dynamic has been one of the mostly highly rated aspects of our program.

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Market Impact

An important driver of the Lab’s impact is the extent to which we are able to positively shift the market for financial services. By effectively communicating our work and providing a national platform for Lab-supported innovations, we continue to advance the public dialogue on consumer financial technology, help to shape pro-consumer policy, and improve the flow of resources to entrepreneurs re-imagining the future of financial services.

While the direct impact of this work is challenging to measure, we believe our work helping to fine-tune the communications and messaging of our Lab companies has allowed those startups to advance the narrative of the positive change their products can make. Our efforts to date have resulted in more than 1,000 media mentions of the Financial Solutions Lab, as well as hundreds of stories about the individual startups selected for the Lab.

Because of these results, Lab winners have identified CFSI’s communications expertise as one of the top assets of the program. We believe our ability to drive media attention to the Lab companies and the program has allowed us to collectively promote, advance, and communicate the need for inclusive financial technology.

Another way that we seek to impact the market is in finding opportunities to share the Lab solutions — whether educationally or via direct partnerships — with consumers who disproportionately struggle with their financial health. For example, we have worked with Catalyst Miami, GreenPath Financial Wellness and several other direct-service nonprofit organizations to help them integrate Lab products into their delivery channels. Our founders have also participated in educational training sessions with the National Urban League and have engaged with dozens of consumer advocacy organizations to demonstrate how their products work and how they measure the financial health of their customers.

CFSI’s Financial Health Network is made up of more than 130 companies that collectively serve millions of American customers. These CFSI Network members have had the opportunity to directly follow and learn from the Lab companies in a number of different ways over the last three years. The exposure is helping to shape how the members operate, build products, and think about serving customers, offering a unique impact opportunity for the Lab.

Finally, we also track the Lab’s indirect impact on the market, including new entrants, copycat innovations, increased investment in related products and our work to advance pro-consumer policy and protections.

De-Risking Early Stage Innovation

Each year we see an increase in the quantity and quality of applicants to our program. In 2017, we received a total of 361 submissions, a 20 percent increase from 2015. Over the past several years, we have also observed a market that has become much more receptive to early stage innovation. For example, we’re seeing more applicants each year who have been around for a year or less, but who already have some robust partnerships with larger players.

Replicating What Works

Each year, the Lab publishes FinLab Snapshot, where we share the trends we’re seeing across our applicant pool and to assess the direction of the market. In the Lab’s second year (2016), nearly half of all applicants self-identified as “savings” products, double the percentage of savings applicants in the previous year. We believe this surge was partly influenced by the success of Digit, a 2015 Lab winner and pioneer in the automated savings space.

Another example is the proliferation of entrepreneurs who are rethinking how and when people get paid. Even, another 2015 Lab winner, helps employees smooth their expense volatility by allowing its customers to advance up to 50 percent of their net pay when they need a boost to cover bill payments or an unexpected expense. Other non-Lab companies, such as Earnin, FlexWage, and Instant Financial offer similar products as an alternative to higher-cost, short-term credit options.
Increased Investment

Investment in U.S. fintech has grown considerably since the Lab launched in 2014. At the current run rate, funding to U.S. venture-backed fintech companies in 2017 is expected to surpass 2016’s year-end total of $5.7 billion. While there are certainly broader market forces at play that have led to a favorable fundraising environment for early stage startups, the collective capital raised by Lab firms appears to outpace other early stage entrepreneurial support programs at a similar stage in their development as the Lab. As previously mentioned, Lab winners have collectively raised over $250 million in follow-on capital from some of the most prominent venture capital firms in the United States.

Advancing Pro-Consumer Policy

CFSI’s work through the Financial Solutions Lab has played an important educational role in helping regulators, consumer advocates and policymakers understand the power of fintech to help improve consumer financial health in the United States.

Each year, we bring the Lab winners to Washington, D.C. where they participate in several high-profile meetings: a Regulatory Roundtable with more than 40 senior representatives from all major regulatory bodies and the federal government; a Consumer Roundtable with leading consumer advocates and civil rights organizations; and several one-on-one meetings with members of Congress and their staffs. By having concrete examples of high quality, pro-consumer innovations to point to, we have been able to help change the narrative around innovation and pro-consumer policy.

Our work has impacted major policy issues such as consumer data access and the Office of the Comptroller of the Currency’s (OCC) proposed national fintech charter. In early 2016, CFSI created the Consumer Data Access Working Group to bring together banks, data aggregators, fintech companies and consumer advocates to develop shared principles and best practices for a successful data-sharing ecosystem. Together, we developed a set of principles to guide the financial services industry as it works to establish a data-sharing ecosystem that is secure, inclusive and innovative. And with regards to the OCC’s proposed charter, we worked closely with CFSI’s Washington, DC-based policy lead to interview dozens of stakeholders to inform several comment letters in response to and in support of the OCC’s request for comments on a Special Purpose National Bank Charter for Fintech Companies.

The Lab has built a strong reputation as a key player in fintech policy development and has demonstrated its ability to effectively engage with regulators and lawmakers for the ultimate benefit of consumers.
Consumer Impact

The primary goal of the Financial Solutions Lab is to improve consumers’ financial health. Therefore, the single most important success metric of our work is the extent to which the Lab-supported innovations are able to move the needle on their customers’ financial health.

While there are a number of challenges in trying to implement and enforce a standardized measurement approach with companies still in their infancy, we were able to successfully adapt CFSI’s Financial Health Measurement Framework for our unique needs. We then sought to leverage the rapid feedback loop in the Lab to strengthen and improve CFSI’s knowledge of impact metrics. This cycle allowed us to continue to improve how we helped both the Lab companies and the broader industry measure their financial health outcomes.

At the start of each cohort cycle, we work with each individual Lab member to identify a few key metrics specific to their business and that are direct indicators of their product’s consumer impact. Each company then has a programmatic requirement to report on these metrics to CFSI on a quarterly basis during the program and for as long as CFSI continues to be an active investor in the company.\(^5\)

The table below provides a snapshot of each company’s impact performance plan. Please note that the list only includes the companies in which CFSI maintains an active investment from our 2015 and 2016 cohorts — and only several companies from our 2017 cohort — as our most recent class is just beginning their data collection. While we’re excited by these early signs of impact, the process of identifying the right metrics and collecting the necessary data has not been without its challenges, and our metrics and methods of collection will continue to evolve.

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\(^5\) CFSI is no longer an active investor in Ascend Consumer Finance, Bee, Remedy and SupportPay.

### digit

**Company Name:** Digit, 2015 Class

**Description:** Digit automates savings for consumers by predicting their cash flow and identifying savings opportunities.

**Consumer Impact:** To date, Digit has saved over $1 billion for its users. The average user earns an annual income of $40,000 and saves about six percent of his or her monthly income with Digit. Digit’s automatic savings transfers put customers on the right path towards building a sufficient reserve to cope with unexpected expenses. Digit users save an average of $2,500 per year and are able to withdraw funds when needed — whether for a planned purchase or a rainy day.

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### Even

**Company Name:** Even, 2015 Class

**Description:** Even is a mobile app that helps users manage their finances by pinpointing exactly how much they can safely spend before their next paycheck. Even also offers an interest-free cash infusion product to help protect users from unexpected expenses or drops in income, preventing reliance on payday loans and overdraft fees, and protecting progress toward building savings.

**Consumer Impact:** Even recently launched with its first employer partner, so the team is still in the data collection stage. Early survey data suggests, however, that 85 percent of Instapays have been used to cover regular bills and spending, while five percent were explicitly used to prevent overdraft fees.
**LendStreet**, 2015 Class

**Description:** LendStreet provides a debt reduction loan to help people get out of debt, rebuild their credit and get a fresh start.

**Consumer Impact:** LendStreet has settled over $18 million of debt for its customers. Within six months of working with LendStreet, clients see median credit score improvements of 51 points, and 80 points within 12 months.

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**Propel**, 2015 Class

**Description:** Fresh EBT by Propel is a free smartphone app that allows EBT cardholders to manage their benefits, plan their grocery shopping, and save money on food via in-app discounts and coupons.

**Consumer Impact:** Over 1 million people across the country use Fresh EBT at least once a month. A recent study by Harvard Business School showed that Fresh EBT users spend roughly one fewer day per month with under $5 in their accounts. Using days under $5 as a proxy for extreme hunger, Fresh EBT is eliminating over one million hungry days every month for its users. Fresh EBT users report that the app allows them to stretch their benefits throughout the month while also providing useful tools like a shopping list, healthy recipes, and access to other money-saving resources.

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**Albert**, 2016 Class

**Description:** Albert offers a simple way to track finances with a team of human financial experts at users’ fingertips.

**Consumer Impact:** One way Albert helps its users improve their financial health is by helping customers save money effortlessly. Albert has helped its customers save hundreds of dollars on average since signing up for the service.

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**EARN**, 2016 Class

**Nonprofit:** EARN is a nonprofit working at the intersection of financial technology and inclusion to develop online savings programs. Through SaverLife, EARN’s proprietary savings platform, users choose a goal, a monthly savings amount, and link a bank account to earn rewards for saving.

**Consumer Impact:** The average SaverLife Saver has an annual income of $25,000 and saves $465 in just six months (not including EARN’s matched funds). This is extraordinary given that most members (71 percent) report having not saved in the prior six months before joining the program, and 50 percent report monthly expenses that exceed income. Members also report that 75 percent of the shortfalls between income and expenses are less than $500. SaverLife provides lower-income individuals and families across the country with the tools and resources to set aside just $20 a month — a small, but critical first step toward building an emergency fund to help weather those months when families experience income and/or expense volatility.
Company: EarnUp, 2016 Class
Description: EarnUp is a consumer-first platform that intelligently automates loan payments and identifies earning opportunities for the more than 200 million Americans with debt.
Consumer Impact: Thirty percent of EarnUp consumers report fewer missed payments on their loans since starting the EarnUp program. This results in fewer late fees and reduced penalty interest for these consumers, as well as a better borrower experience — which also benefits the lenders themselves in building long-term consumer relationships. In addition, 95 percent of customers are able to prepay their loans, reducing the average loan term by 4.6 years. Reducing the average loan term by 4.6 years means that, based on current loan balances, customers could potentially save more than $300 million. EarnUp customers — 90 percent of whom have annual incomes that are 80 percent below area median incomes — are getting out of debt faster.

Company: Everlance, 2016 Class
Description: Everlance is an app that allows independent workers or small businesses to automatically track their business miles and expenses. Everlance helps users leverage this data to understand their tax liability and to make better financial decisions.
Consumer Impact: Everlance helps its customers improve visibility into the true profitability of their business and reduce their tax liability by automatically tracking and recording business miles and expenses. Everlance records well over one million miles a day, which at a blended tax rate of 33 percent represents over $120M a year in possible tax savings on mileage alone.

Company: WiseBanyan, 2016 Class
Description: WiseBanyan helps its customers plan for the future and achieve their financial goals by building and managing their investment plans for free.
Consumer Impact: Over 50 percent of WiseBanyan clients have an automatic recurring deposit; one in five clients are using WiseBanyan to save for retirement; and 21 percent have a rainy day fund. The average amount saved towards a rainy day fund in WiseBanyan is $1,138.

Company: Dave.com, 2017 Class
Description: Dave.com notifies users of potential overdrafts before they happen, and can instantly advance up to $75 at zero percent interest to prevent them from occurring.
Consumer Impact: Dave provides a seven-day notice of impending overdraft to its users, and as a result has saved users more than $15 million in overdraft fees.
**POINT**

**Company:** Point, 2017 Class

**Description:** Point is a home equity platform that is changing the way homeowners buy and finance their biggest asset, giving homeowners cash today for a share of their home’s future appreciation.

**Consumer Impact:** Thirty-eight percent of Point’s customers are low-to-moderate income (as defined by the income limits set by the U.S. Department of Housing and Urban Development). Over 80 percent of Point customers use at least some of the funds made available to pay down debts. The average amount of debt paid off is over $46,000, and the average reduction in debt-to-income ratio (pre and post origination) is 13 points.

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**tomorrow**

**Company:** Tomorrow, 2017 Class

**Description:** Tomorrow is on mission to bring financial security to millions of American families. With the Tomorrow app, users can easily create a legal will and trust, choose guardians, executors, and trustees, and purchase affordable term life insurance – all with just a few quick taps in the mobile app.

**Consumer Impact:** Tomorrow’s free will and trust has saved its users over $10 million in legal costs and has organized $1.2 billion in financial assets for families.
What We’ve Learned

The next section details some of the challenges and shortcomings of our approach. We hope these learnings will be helpful to those working to measure the impact of their own work or the work of others.

Creating a robust impact measurement approach for the Lab was a priority from the first day of the program. In addition to helping us track our performance in meeting our social impact goals, we also looked for metrics which would help us refine and evolve our model year-over-year. From small tweaks to the cohort design to helping set the strategic direction for what comes next, we have relied on our measurement framework to both guide us forward and to ensure our work continues to advance the underlying goal of improving consumer financial health in the United States.

The design of our impact measurement approach also proved to be an effective way to evaluate and assess our performance. By measuring not only the economic performance of the Lab companies, but also their impact on their customers’ financial health and the Lab’s impact on the broader market, we have a more nuanced understanding of what firms were a good investment of the Lab’s time and resources than if we evaluated firms by their financial performance alone. Going back to our impact thesis, we believe the most competitive financial services providers are those that invest in their customers’ financial well-being, while creating responsible and sustainable profits over time.

In this section, we share some of the key learnings from our work supporting early stage, tech-enabled innovations to improve consumer financial health.

Early Stage Firms Require a Flexible Measurement Approach

Given the early stage of the Lab companies, their relatively small teams and their often limited experience measuring social impact, we knew the Lab’s impact measurement approach would need to be thoughtful, balancing the need for experimentation and flexibility against the demand to measure performance. We also knew that if we wanted these metrics to have staying power, our process would need to be organized to help educate and coach our firms on the business case for measuring financial health.

From our experience, we found it advantageous to co-develop the initial set of metrics with each founder as well as the team member who would ultimately be responsible for reporting the data. We also didn’t fully appreciate how often the metrics would evolve as products inevitably morph and adapt to changing market conditions. Within six to nine months, roughly half of our firms needed to evolve their measurement approach as the original metrics no longer fully captured their product’s impact.

We have also learned to streamline our reporting requirements as much as possible. Early stage firms are extremely capacity constrained. To minimize the demands of our measurement approach, we extended our reporting timeframe to 60 days past quarter-end to grant additional time for data collection and analysis. On the flip side, we have found a greater willingness among our alumni to develop a more robust approach to impact measurement and are exploring opportunities for CFSI and some of our research partners to engage with those companies on an individual basis.

The Lab’s Impact on Companies is More Valuable in Post-Product Firms

At the pre-product stage, companies are testing, iterating and improving upon their value hypotheses in an effort to find product/market fit. However, companies at this stage are not often yet ready for external partners to help them accelerate their growth and impact, which is the goal of the Lab. Therefore, while the Lab is stage agnostic, we do place a strong emphasis on post-product firms.

That said, there are always a few entrepreneurs at the pre-product stage in each application cycle that catch our attention because they’ve established some initial proof points, often through a private beta, that demonstrate a personal commitment to impact, a bold vision and an innovative technology. These include Even and Neighborhood Trust (Class of 2015), Albert, Remedy and Scratch (Class of 2016), and Blueprint Income, Grove and Tomorrow (Class of 2017).
At the time of joining the Lab, these companies did not yet have a public market product, although most were running a private or open beta and several were within 30 days from launching publicly.

From working with these pre-product firms, we have validated our early hypothesis that the current Lab model provides more value for post-product firms. As mentioned earlier, the priorities of a pre-product firm are to find product/market fit as quickly as possible, so naturally these firms are going to have less time and attention available to take advantage of the Lab’s resources during the program. In addition, measuring the consumer impact of pre-product firms is more challenging. While impact measurement should be considered early on, it didn’t make sense to have these firms collect and report on data from very small numbers of users until they were ready to publicly launch. Finally, pre-product firms have limited appeal to the media, regulators or policymakers, which limits our ability to share and communicate the value created by pre-product firms with the broader market.

The Lab Can Advance Financial Health Through Fintech-Nonprofit Partnerships

The thesis of the Lab is to test, support and learn from a wide range of approaches to improve consumer financial health. As such, we designed the program’s cohort model to work with social enterprises, venture capital-backed startups and established nonprofits. In the first two years of the Lab, each cohort had one nonprofit representative. In 2015, we selected Neighborhood Trust and in 2016, we selected EARN. In both cases, the non-profits added critical insights to the Lab experience.

However, the nonprofit ecosystem simply does not refresh at the same speed as the early stage fintech market where the creation (and failure) rate of startups are orders of magnitude higher. Notably, our nonprofit participants were serving lower-income populations than their for-profit peers, and often had developed very strong and trusted relationships with these communities. Given this, we began to look for ways to leverage the stability and trust of nonprofits to advance our underlying goal of building consumer financial health at scale — without relying on the cohort experience alone.

In 2017, we launched the Fintech-Nonprofit Working Group to explore and facilitate partnerships between nonprofits and fintech providers. Both Neighborhood Trust and EARN found much success in partnering with other fintech providers during their time in the Lab, so we were confident in the Lab’s ability to help facilitate these relationships as well as the promise partnerships hold for bringing tech-enabled solutions to low-income consumers and underserved communities. One outcome of the Fintech-Nonprofit Working Group thus far has been the partnership we supported between startup EarnUp (2016 Lab winner) and the nonprofit GreenPath Financial Wellness. While we highlighted that partnership earlier in this report, additional information can be found in a case study specifically about that partnership.

While we continue to seek non-profits to include directly in the cohort experience, we believe that the addition of the non-profit fintech working group to the Lab’s toolbox of impact gives us greater opportunities to drive high-impact engagement at scale.

The Lab Model Requires Broader Engagement Than We Anticipated

When we launched the Lab in 2014, our goal was to create an entrepreneurial support program that would bring smart capital, deep financial services expertise and national exposure to entrepreneurs working to improve consumers’ financial health. While this model has worked well and has been the appropriate structure to operate three cohorts (and soon four with the launch of our next class in June 2018), CFSI will maintain investments in these firms for years after they graduate the program.

While the gestation period for impact goes far beyond the duration of the Lab’s 8-month program, we have begun to realize that our ability to maintain influence over these firms may require additional capital and an evolving set of skills, much akin to a traditional venture capital firm who shephards equity value. As such, we’ve begun to test the utility of deploying small amounts of additional investment capital to Lab graduates to help catalyze and enable additional capital investment by outside investors into firms that continue to advance the underlying mission of the Lab. We also provide graduates of the Lab with a complimentary, one-year membership in CFSI’s Financial Health Network so that they may continue to build on the relationships they developed with the broader ecosystem while in the program.

A key focus this year is to evaluate our alumni support structure and to assess additional opportunities to continue to advise and help influence the Lab companies as they continue to grow and scale their businesses.
Conclusion

The state of consumer financial health in the United States continues to be one of the most pressing issues of our time. And despite the rapid advances in technology, innovation in highly regulated and complex industries such as financial services is costly and requires significant collaboration. Investors, therefore, place significant premiums on entrepreneurs with proven track records, industry experience or strong professional connections that can shorten the time to market or reduce execution risk. Entrepreneurs who approach these problems through a social impact lens are further disadvantaged as they are often drawing on a more limited pool of potential investment capital and are often employing unproven product approaches and business models.

Being intentional about the resources needed to scale solutions—and finding the right partners to fill those gaps—is crucial. For this reason, we have spent significant time and capital seeking to seed and strengthen the early stage market. This includes developing formal and informal partnerships with all of the major general- and fintech-specific accelerators, building relationships with seed-stage, angel and venture capital investors, hosting in-person and digital events and creating customized digital content.

While we believe that these efforts have been helpful in catalyzing and encouraging the market, they also demonstrate that additional investment and support is required to drive broader market activity for inclusive financial technology solutions. We believe, and our experience has indicated, that companies in highly regulated markets do better by aligning their business and consumer incentives rather than focusing solely on the high growth expectations of Silicon Valley. We hope to see more investors, innovator support programs and other stakeholders adopt our approach of driving and measuring impact. It will take the combined effort of the entire ecosystem — from investors to policymakers to startups to incumbents — to create a path towards a better financial future for millions of consumers.
Appendix A: Desired Outcomes for the Financial Solutions Lab

The following list of desired outcomes guide the Lab’s annual activities and related milestones:

1. Support innovations which demonstrate positive, measurable results for their users, measured by average increase in savings balances and frequency of savings behavior, average reduction in debt, increase in credit scores, or number of assets acquired. As a result, lower-middle income and underserved consumers have improved access to high quality financial products and services and improved financial health. In addition, CFSI will track the performance of the Innovators, such as the number of Innovators that meet the deliverable described in their agreements with CFSI.

2. Support innovations which gain traction in the broader marketplace and are enhanced, replicated or brought to scale. Indicators may include significant year-over-year growth in the number of consumers touched by the innovation, the number of other providers replicating the innovation, the number of other groups that provide funding, the number of additional people served as a result of our investment, and cost savings from improved utilization of resources.

3. Evidence-based solutions are widely shared to advance the public dialogue, policy, and flow of resources by means which include positive media impressions, awards and recognition, speaker and interview requests, events attended by influential stakeholders, policymakers are informed by and adopt best practices identified by the Lab, and the number of organizations that adopt best practices or support innovations identified by the Lab.