2012 ANNUAL REPORT
Commitment to Quality
CFSi Center for Financial Services Innovation
Message from the President & CEO

Dear Friends,

For eight years, CFSI has championed innovative strategies for meeting the needs of underbanked consumers. While these years have seen sweeping changes in the financial services landscape, we believe one point holds true: high-quality products and services can be good for the consumer and good for business. In 2012, CFSI has emphasized more than ever our belief in the promise of this idea. Our efforts to inform, advise, advocate, and invest have all started with our deep commitment to quality, and we are proud to share with you our 2012 accomplishments.

The Compass Principles, which we co-created with our stakeholders in 2011, embody our vision for the future of financial services. In 2012, we offered them as standards of excellence for the design and delivery of financial tools. We were delighted that eight companies made a Compass Commitment, embracing the Principles and publicly committing to specific, measurable initiatives that promise to improve consumers’ financial lives.

In June, we released the Compass Guide to Prepaid, promoting guidelines for quality and transparency in general purpose reloadable prepaid cards. Throughout the year, companies began to adopt these standards, especially our model fee disclosure box.

The principles are meant to be aspirational and encourage a competitive race to the top by putting the needs of clients first. We believe they can serve as a meaningful example of self-regulation in an industry that is working to regain consumer trust. They restore credibility in the idea that financial innovation can be a net benefit for society.

CFSI takes seriously its own commitment to delivering high-quality services. Our growth in consulting services shows that our clients appreciate it. Across the board, more individuals and organizations are attending our convenings and applying for our grant programs. We thank you for the time and resources invested in our work.

Quality is key. Join us in marching forward under this banner, knowing that our successes will improve the financial landscape for American consumers.

Jennifer Tescher
“The underbanked are mainstream – so what do we call them?”

Jennifer Tescher, American Banker, June 2012
2012 Highlights

300 New financial app ideas
5 winners

Mobile Apps Challenge

The MyMoneyAppUp Challenge was launched by the US Treasury Department, Doorways to Dreams Fund (D2D), and CFSI to motivate new ideas to help Americans shape their financial futures. From the ideas generated by MyMoneyAppUp, we launched a second challenge known as FinCapDev to encourage those ideas to be turned into fully-functioning apps. Cash prizes totaling $100,000 will be awarded to five fully-functioning apps in 2013.

107% Growth Year on Year
12 Engagements

CFSI Consulting Services

CFSI’s consulting business, started in 2011, works with financial providers to help them design, launch, and grow high-quality products and services. This year we completed projects around strategic planning, product design and reach, and market execution. Clients ranged from a top card issuer and retail bank; a top five retail bank; a growing prepaid provider; and nonprofits.

$2.5 Million in Awards
7-10 Projected Grantees

Financial Capability Innovation Fund

Building off the success of the 2011 FCIF I Fund - which awarded $1.5 million to 5 grantees - FCIF II was launched in September of this year. The awards will be announced in 2013. The fund supports cutting-edge nonprofit-led projects designed to promote the financial capability of low-income and underserved consumers.

750 Attendees
Over 450 Organizations

7th Annual Underbanked Financial Services Forum

This year’s Forum - the biggest gathering focused on the underbanked market - took off in San Francisco with content focused on Commitment to Quality. Five themes emerged from the forum discussions: who is the underserved consumer; encouraging savings and high-quality credit; alternative credit data; harnessing mobile technology; and ensuring quality through and through.
Commitment to Inform

The U.S. financial services industry is changing, as are the profile and challenges of the underbanked. At CFSI we work with a number of industry leaders and stakeholders to identify, understand, and share information around who the underbanked are, what needs they have, and how financial services organizations can serve them.

- CFSI’s Compass Principles help the industry take a lead in addressing these challenges through their investments in high-impact initiatives which work toward financial services that actively contribute to improving people’s lives.

- The Compass Guide to Prepaid report and the Model Fee Disclosure Box for Prepaid Cards offer prepaid debit card providers with tools to create high-quality products and implement the Compass vision.

The Compass Principles initiative is supported by the Ford Foundation and Omidyar Network.

Commitment to Invest

To further strengthen our commitments to inform, advocate, and advise, CFSI believes in investing in promising new ideas that will transform the US underbanked marketplace.

- Results from the Mid-Term Report of the first Financial Capability Innovation Fund grantees indicate that they are continuing to have a strong impact in the US marketplace. Projects involved making social commitments to reduce debt, incentivizing timely loan payments, and using mobile technology to entice impulse saves.

- Partner Core Innovation Capital, a venture capital firm launched with the strategic guidance of CFSI, closed its $45 million private equity fund this year. It invests in innovative and socially responsible financial services for the US underbanked and unbanked consumer.

Who are the Underbanked?

- 20.1 percent of US households are “underbanked” - holding a bank account but also relying on alternative financial services providers. This represents one in five (or 24 million) households.
- 8.2 percent of US households are “unbanked” and lack any kind of deposit account at an insured depository institution. Approximately 17 million adults live in unbanked households.

~Information from FDIC Underbanked Study 2011
Commitment to Advise

CFSI brings like-minded companies together to facilitate an exchange of ideas and to foster partnerships to improve services for underserved consumers. Advisory Services from CFSI exhibited solid growth in 2012, as client companies worked with us to offer better services for underserved consumers. Regular convenings included:

- **The Innovators Roundtable** which delved into alternative credit data, got a first-hand look into the U.S. Financial Diaries project tracking the underbanked, and participated in exclusive opportunities to discuss product development strategies with leaders in banking.

- **The Underbanked Solutions Exchange**, comprised of mid-sized banks and credit unions, participated in an in-depth site visit to an underserved-focused retail financial services outlet in Alabama, heard the latest in quantitative research on small-dollar credit, and hosted experts in other innovative products meeting the needs of underserved customers.

- **The Financial Capability Institute** website was launched this year, and over 50 nonprofit organizations completed an online self-assessment tool to determine capacity for distributing financial products.

Commitment to Advocate

CFSI advocates for embracing inclusion, building trust, promoting success, and creating opportunity in the financial services market. Through work with governmental agencies and regulators, complemented by the issuance of comment letters and policy papers, CFSI is influencing the landscape to work towards high-quality financial services for consumers.

 banking up, formerly plastyc: compass commitment

When Patrice Peyret started Plastyc in 2006, he saw an opportunity to help people outside the mainstream economy participate in better and more cost-effective financial services. Plastyc started with a model to serve the “too young to be banked,” but now delivers most of its services to the traditionally underserved, as well as to the growing number of “strivers” who prefer to manage their money online and by phone with the lowest possible fees.

Plastyc changed their name to Banking Up in 2013. Banking Up’s solutions come in the form of online-only products, Upside cards and iBankUP, which are intended to be full replacements for checking accounts. It has opened over 400,000 accounts since inception, processing tens of thousands of dollars worth of checks every day. Banking Up is one of the first companies to make a public Compass Commitment to a specific, measurable, and high-impact initiative. It is a portfolio company of Core Innovation Capital.
March: CFSI releases Model Fee Disclosure Box for Prepaid Cards, and Jennifer Tescher testifies before the Senate Committee on Banking, Housing, and Urban Affairs Financial Institutions and Consumer Protection Subcommittee.

April: New York Stock Exchange Euronext welcomes CFSI to host panel in celebration of Financial Literacy Week.

June: CFSI makes new Clinton Global Initiative America commitment with D2D Fund, and Jennifer co-chairs Financial Inclusion Working Group.

June: The Compass Guide to Prepaid is released. This groundbreaking new tool establishes guidelines for the design and delivery of general purpose reloadable (GPB) prepaid card accounts and was guided by CFSI’s Advisory Council on Prepaid.

June: 7th Annual Underbanked Forum hosts 750+ professionals in San Francisco. Innovators, investors, bankers, policymakers, advocates, and non-profit professionals populate our best-attended underbanked forum yet.

July: PBS features Rachel Schneider discussing U.S. Financial Diaries project, a partnership between New York University’s Financial Access Initiative, CFSI, and Bankable Frontier Associates which looks at working Americans’ financial struggles.

Support for The U.S. Financial Diaries is provided by the Ford Foundation and Citi Foundation, with additional support and guidance from the Omidyar Network.

August: CFSI study reveals 15 million consumers use Small-Dollar Credit (SDC) products through a Ford Foundation-sponsored study surveying 1,100 SDC and 500 non-SDC consumers.
August: Consumer’s Use of Prepaid Cards report is released with Federal Reserve Bank of Philadelphia. CFSI co-authored this transaction-based analysis of over 3 million cards based on data from Meta Payment Systems.

September: Investing in What Works for America’s Communities was published by Federal Reserve Bank of San Francisco and Low Income Investment Fund (LIIF); Jennifer Tescher authored a chapter outlining financial services considerations in community, development and CFSI Board Chair Ellen Seidman served as an author, contributing editor, and major organizer of this initiative.

September: MyMoneyAppUp Challenge winners announced: $25,000 in prize money was distributed to eight innovative designs at the US Department of Treasury.

October: Financial Capability Institute website launched. Over 50 nonprofit organizations completed an online self-assessment tool to determine capacity for distributing financial products.

October: CFSI and D2D Fund launch Financial Capability Development Competition which will award $100,000 in cash prizes to top financial capability apps.

November: Market Sizing Report is released. This report, sponsored by Morgan Stanley, estimates the underbanked consumer financial services market at $78 billion and shares other findings from the groundbreaking research.
Thank you Staff, Funders, Sponsors & Partners

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The Center for Financial Services Innovation (CFSI) is the nation’s leading authority on financial services for underserved consumers. Through insights gained by producing original research; promoting cross-sector collaboration; advising organizations and companies by offering specialized consulting services; shaping public policy; and investing in nonprofit organizations and start-ups, CFSI delivers a deeply interconnected suite of services benefiting underserved consumers. Since 2004, CFSI has worked with leaders and innovators in the business, government and nonprofit sectors to transform the financial services landscape. For more on CFSI, visit www.cfsinnovation.com and join the conversation on Twitter @CFSInnovation.

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“The watchword of the day is quality. Financial providers like to talk about innovation, especially when they are at a conference held in the Bay Area. These days, though, they are just as likely to talk about quality. At a minimum, the times we live in demand it.”

Jennifer Tescher and Rob Levy
American Banker, June 2012