For more information on consumer impacts, see the Many positive impacts were apparent on the lives of low-income CONSUMER IMPACTS their financial situations? 2) Achieving scale the projects improve access to financial products and services, CFSI used two primary measures to evaluate the success of the THE IMPACT OF INNOVATION - • Projects that fill a critical gap in the marketplace are typically able to scale quickly. With the 2008 cohort, two business-to-business solutions have experienced the most success to date. Credit Builders Alliance offered nonprofit lenders the multi-need CBA Reporter service, enabling them to collect and report loan repayment data in the major credit bureaus. D2D Fund provided the product design, program rules, and marketing materials to enable a Point-Based Lending offering to quickly scale with credit unions in Michigan, and they are now working to scale this business model and other financial services providers.

- Financial sustainability and scale should be contemplated simultaneously. For example, Self-Help designed the micro-branch to be scalable by creating a high-tech “hub and spokes” model with limited hardware requirements and online storage of most customer information. They rented a small (600 square foot) storefront instead of building a stand-alone branch, which will make it easier to rapidly expand operations.

- Nonprofit organizations can demonstrate solutions that other financial services organizations can then adapt or replicate. The Center for Financial Services Innovation (CFSI) facilitated peer exchange and learning to foster innovative-thinking and sharing of new ideas.

- Technical Assistance—Drawing on its deep consumer capacity and supporting efforts that help low-income, underbanked consumers achieve financial prosperity.

—Sarah Gordon, Relationship Manager, CFSI

COMPREHENSIVE SUPPORT FOR NONPROFIT INNOVATORS

In addition to cash grants, CFSI offered many forms of non- financial support to the grantees, including:

- Peer learning opportunities—CFSI facilitated peer exchange and learning to foster innovative-thinking and sharing of new ideas.

- Technical Assistance—Drawing on its deep consumer and market intelligence, CFSI provided highly specialized strategic advice and technical expertise as well as opportunities for regular consultation and collaboration through online visits and phone calls.

- Networking—CFSI helped grantees build critical partnerships with other nonprofits and the financial services sector, including banks, credit unions, alternative financial service providers, vendors, and consultants.

- Publicity—CFSI showcased grantees’ work at industry events and in the media to demonstrate and spur the adoption of best practices.


THE IMPACT OF INNOVATION

ACHIEVING SCALE

The Nonprofit Opportunities Fund has yielded several scalable models as well as valuable lessons about what makes nonprofit financial support to the grantees, including:

- Cost savings on financial transactions—Users of the center receive cost savings that average an savings.

- Established credit histories and improved credit scores—Nonprofit organizations using CBA Reporter have seen borrowers’ credit scores increase from 50 to 100 points after only six months of on-time payments reporting.

- Increased savings—$2.842 million in savings was reported by $1,660,897 saved and an average account balance of $66,670 in new savings.

- Financial stability—$1,660,897 saved and an average account balance of $66,670 in new savings.

- Technical assistance was provided for the 2009 Nonprofit Development Lab.

- Peer learning opportunities—CFSI facilitated peer exchange and learning to foster innovative-thinking and sharing of new ideas.

- Technical Assistance—Drawing on its deep consumer and market intelligence, CFSI provided highly specialized strategic advice and technical expertise as well as opportunities for regular consultation and collaboration through online visits and phone calls.

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The Nonprofit Opportunities Fund redefines CFSI’s commitment to building nonprofit capacity and supporting efforts that help low-income, underbanked consumers achieve financial prosperity.

—Sarah Gordon, Relationship Manager, CFSI

NONPROFIT OPPORTUNITIES FUND

An estimated 30 to 40 million American households are financially underserved. They lack access to the financial products and services that enable them to save, build assets, and achieve financial prosperity. Roughly half are unbanked, meaning they have no account with a bank or credit union. The rest are underbanked. They may have an account, but they turn to alternative providers such as check-cashing and payday lenders to meet everyday financial services needs.

A growing number of nonprofit organizations are working to promote the financial inclusion of the underserved. With direct access to and trusted relationships with their clients, nonprofits are uniquely positioned to help advance the financial services marketplace by testing new products and/or educating and connecting consumers to financial services in innovative ways.

As the leading national expert on the unbanked and underserved, the Center for Financial Services Innovation (CFSI) is working to spur change in the financial services industry by conducting research, providing thought leadership, building cross-sector relationships, and incubating new ideas. Since its inception, CFSI has competitively awarded funding to efficiently advance targeted innovation. CFSI’s experience has demonstrated that even small sums of money can bring about big change and generate scalable solutions on how to better serve underserved consumers in ways that are responsible for the consumer and sustainable for the service provider. The 2008 Nonprofit Opportunities Fund was designed to support nonprofits in testing new models to provide financial services and build development opportunities to underserved consumers.

ABOUT THE OVERVIEW

This overview describes projects supported through the Nonprofit Opportunities Fund, their outcomes, and lessons on how nonprofit and financial services organizations can help provide underserved consumers on a path to financial prosperity. For details about specific projects, see the individual Learning Briefs.

ABOUT THIS OVERVIEW

The Nonprofit Opportunities Fund was made possible thanks to the support of the Walmart Foundation. The CFSI Foundation provided funding for the 2008 Nonprofit Development Lab.

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CFSI

Center for Financial Services Innovation

Walmart Foundation

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ABOUT THIS OVERVIEW

This overview describes projects supported through the Nonprofit Opportunities Fund, their outcomes, and lessons on how nonprofit and financial services organizations can help provide underserved consumers on a path to financial prosperity. For details about specific projects, see the individual Learning Briefs.
Projects summarized below have had more success than others in helping consumers move forward financially or in achieving scale, all illustrated how nonprofits and the broader financial services industry can serve the market effectively. Key lessons include:

- **Effective innovations meet consumers where they are.** If a build it, they will come model has been too slow in financial innovation. The focus must be on sending the right messages at the right time, and delivering relevant products through channels that are part of consumer daily lives. Despite the operational and economic challenges faced by the worker centers and MACED, both projects demonstrated the value of offering products in convenient, familiar, trusted, and convenient environments such as at the workplace or community-based organizations. Self-Help has applied the learning in the micro-brach design, selecting a high-traffic location and making staff from the local community. Self-Help also understands that to be successful, the organization must not only understand customers’ immediate and longer-term financial services needs but must see those needs seamlessly integrated as a continuous, end-to-end experience. Consistent, well-trained staff and clear channels can make the difference between nonprofits and other financial services providers.

- **Technology and infrastructure challenges must be solved early.** Technology challenges can slow or derail a project or inhibit its impact. The expansion of mobile devices for banking, coupled with emerging Internet sites and apps, illustrate the potential for new lines of business. The challenges include making technology usable and accessible, ensuring affordability, and protecting consumers from fraud and abuse. Technology problems can cause consumers to give up before they recognize any benefits of the product or service provided. By the time technology issues are resolved, consumers may be lost or unwilling to come back.

- **Consumers often need help learning to use financial products successfully.** Improving access to financial products alone is not enough to create long-lasting behavior change and to improve financial outcomes. Many consumers, particularly underbanked consumers, need additional support in the form of educational tools and information to be able to successfully select financial products and to maximize the value and benefits such products offer. Several projects bundled education around products to help consumers build their financial capability. MACED offered access to an educational component in a Workplace and Best Buy location to help consumers understand what high-cost payday loans are and the more affordable Save-It Loan option. The worker centers went a step further and developed multistage financial education and guidance tools that accompanied consumers who managed their accounts. For instance, if a worker center member observed that a prepaid cardholder was incurring a lot of ATM fees, she would recommend getting cash back at the right time, and delivering relevant products through channels that are part of consumer daily lives. Despite the operational and economic challenges faced by the worker centers and MACED, both projects demonstrated the value of offering products in convenient, familiar, trusted, and convenient environments such as at the workplace or community-based organizations. Self-Help has applied the learning in the micro-brach design, selecting a high-traffic location and making staff from the local community. Self-Help also understands that to be successful, the organization must not only understand customers’ immediate and longer-term financial services needs but must see those needs seamlessly integrated as a continuous, end-to-end experience. Consistent, well-trained staff and clear channels can make the difference between nonprofits and other financial services providers.

**PROJECT SUMMARIES**

**DOORWAYS TO DREAMS FUND**

By the time technology issues are solved, consumers may be lost or unwilling to come back.

**Nonprofit opportunities and financial services providers have different strengths to leverage.** The Nonprofit Opportunities Fund generated important learnings about the roles nonprofits are best equipped to play in the underbanked financial services industry. Nonprofits, by virtue of their strong and trusted relationships with consumers, are well-positioned to provide education, advocacy, or coaching services. Yet, to make education sustainable and to spur behavior change that ultimately results in improved financial outcomes, nonprofits must directly couple their education efforts with financial products and services. The requires partnerships with financial services providers that, beyond delivering high-quality financial products, see the potential of the underbanked market and are committed to a shared vision. Nonprofits can effectively market products, assist with customer acquisition, and provide ongoing education and support, adapting technologies to meet the needs of the financial service providers’ bottom line. A much smaller subset of nonprofit organizations possess the necessary skill sets, marketing expertise, and infrastructure required to design and market new products and strategies and to deliver existing products and services. Such organizations therefore face some of the most exciting innovations to date.

**“Nonprofit organizations are actively working to address the financial needs of the low-income underbanked consumer and can be strong partners in enhancing or augmenting efforts by for-profit financial services providers. The Nonprofit Opportunities Fund was designed to support and learn from a leading group of nonprofit innovators employing new models for better addressing this important consumer segment.”**

—Jennifer Tescher, Director, CFSI

**WORKER CENTER COLLABORATIVE**

In 2009, the Mountain Association for Community Development in Colorado launched a pilot project in Central Appalachia. Employees could borrow up to $500 at 18% APR, repaying the loan through payroll deduction over six months. In addition, 30% of the principal amount was also repaid and held in a savings account that was made available to the borrower at the end of the loan term. While MACED tested an employer-based payday loan alternative to support workers, this model didn’t work as well as expected. Notably, workers were paying too costly to administer for both MACED and its financial institution partner, the program obviated the workplace as an effective distribution channel and demonstrated how tweak savings and efficiencies can be effectively combined.

**NONPROFIT OPPORTUNITIES FUND**

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**CENTERS FOR COMMUNITY SELF-HELP**

The Center for Community Self-Help has created a new retail credit union model that attract new members with affordable financial services designed to prevent consumer and can be strong partners in enhancing or augmenting efforts by for-profit financial services providers. The Nonprofit Opportunities Fund was designed to support and learn from a leading group of nonprofit innovators employing new models for better addressing this important consumer segment.**

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**PROJECT SUMMARY**

**The Center for Community Self-Help**

The Center for Community Self-Help has created a new retail credit union model that attract new members with affordable financial services designed to prevent consumer and can be strong partners in enhancing or augmenting efforts by for-profit financial services providers. The Nonprofit Opportunities Fund was designed to support and learn from a leading group of nonprofit innovators employing new models for better addressing this important consumer segment.
Over the past six years, CFSI has managed three competitive requests for proposals processes and provided grants totaling $2.25 million to 11 pioneering nonprofits. In 2009, CFSI selected five groundbreaking projects that tested various transactional, credit, and savings products; marketing approaches; distribution channels; and risk management strategies. All involved partnerships between nonprofits and other financial services providers.

**PROJECT SUMMARIES**

The five projects supported by the Nonprofit Opportunities Fund have advanced understanding of what works in helping underbanked and underbanked consumers access and effectively use financial products and services. Though some of the projects summarized below have not made much progress toward achieving their goals, all illustrated new nonprofits and the broader financial services industry can serve the market effectively. Key lessons include:

**Effective innovations meet consumers where they are.**

If a build it, they will come” model holds true in financial innovation, the focus must be on sending the right messages at the right time, and delivering relevant products through channels that are part of consumers’ daily lives. Despite the operational and economic challenges faced by the worker centers and MACED, both projects demonstrated the value of offering products in warm, familiar, trusted, and convenient environments such as the workplace or community-based organizations. Self-Help has applied this learning in its micro-branch design, seeking a high traffic, high visibility location and staffing from the local community. Self-Help also understands that to be successful, the organization must not only understand customer’s immediate and longer-term financial services needs but must also see these needs seamlessly address—by emphasizing convenience and offering a product suite that is relevant, accessible, and supported by best and friendly customer service.

**Technology and infrastructure challenges must be solved early.**

Technology challenges can slow or derail a project or inhibit its expansion. The SAVES program highlights the importance of addressing the technology challenge at the start and avoiding delivery delays. Frustrations resulting from technology problems can cause consumers to give up before they recognize any benefits of the product or service provided. For instance, if a worker center observed that a paycard card was not working, it would report the problem to a call center, but the call center might not be able to solve the problem early. If the time it takes issues are resolved, consumers may be resistant or unwilling to come back.

**Changes take time.**

Innovations are rarely risk free, but it is important to understand and prepare for the hard realities of creating lasting change. Partners must be identified and their relationships managed. Consumers must be involved in the rollout. Unexpected hurdles must be surmounted. Even the best ideas can come a reality.

"Nonprofit organizations are actively working to address the financial needs of the low-income underbanked and can be strong partners in enhancing or augmenting efforts by for-profit financial services providers. The Nonprofit Opportunities Fund was designed to support and learn from a leading group of nonprofit innovators employing new models for better serving this important customer segment."

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**WORKER CENTER COLLABORATIVE**

The Worker Center Collaborative (WCC) is the leading agency for a collaborative of community-based worker centers that is a leading model for providing affordable transactional products to low-wage immigrant workers. It has shown how worker centers establish budgets, manage, leverage their role as trusted advisor to connect with hard-to-reach consumers. Success has been limited largely for the reasons noted above. With the WCC, for instance, consumers who said they were interested in opening an account were not necessarily very interested in actually opening an account. It was also repaid and held in a savings account that was monitored transactional data and quickly followed up with consumers who mismanaged their accounts. For instance, if a worker center observed that a paycard card was not working, it would report the problem to a call center, but the call center might not be able to solve the problem early. If the time it takes issues are resolved, consumers may be resistant or unwilling to come back.
PROJECT SUMMARIES

These five projects received support through the Nonprofit Opportunities Fund. For more details on specific projects, see the Individual Learning Briefs.

WORKER CENTER COLLABORATIVE

Alliance to Develop Power (ADP) is the lead agency for a collaborative of community-based worker centers that is testing three models for providing affordable transactional services to low-wage immigrant workers. In the largest testing three models for providing affordable transactional services to low-wage immigrant workers. In the largest

CENTER FOR COMMUNITY SELF-HELP

The Center for Community Self-Help has created a new retail credit union model that attract new members with affordable transactional services such as check-cashing and remittances. Self-Help uses every customer interaction to provide "financial education" to support consumers in transitioning to account-based relationships. In January 2010, Self-Help opened the first microbranch (micro-branch in Spanish), targeting the Latino community in East San Jose, California. Self-Help plans to open at least three more microbranches within five years.

CREDIT BUILDERS ALLIANCE

The Credit Builders Alliance (CBA) is raising capital from low-income families to fund their savings accounts and use financial education to build credit scores. CBA is comprised of local community leaders and reports these previously unmeasured relationships to the three major credit bureaus, helping to improve access to credit for all low-income families.

DOORWAYS TO DREAMS FUND

Doorways To Dreams (D2D) Fund tested the viability of a large-scale Prize Linked Savings (PLS) offering, a savings account that, in addition to paying a small rate of interest, links deposits with chances to win prizes. With the introduction of the PLS account in Michigan in 2009, DLLC along with the Flairn Research Institute, the Michigan Credit Union League, and eight credit unions have demonstrated that the possibility of winning—both a large $100,000 annual jackpot and a range of smaller weekly prizes—does encourage people to save. Over 11,530 small accounts opened PLS accounts and saved more than $8.5 million in Save to Win accounts in the first year, and the program is rapidly expanding across Michigan and beyond.

MOUNTAIN ASSOCIATION FOR COMMUNITY ECONOMIC DEVELOPMENT (MACED)

MACED tested an employee-based pay-loan alternative in Central Oregon. Employees contributed $100 to $500 at 10% APR, repaying the loan through payroll deduction over one year. In addition to the financial benefit, the program also provided employees with a better way to save money and plan for retirement.

BACKGROUND

Over the past six years, CFSI has managed three competitive requests for proposals processes and provided grants totaling $2.25 million to 11 pioneering nonprofits. In 2008, CFSI selected five groundbreaking projects that tested various transactional, credit, and savings products; marketing approaches; distribution channels; and risk management strategies. All involved partners—nonprofits and other financial services providers—worked together to improve financial services for low-income consumers.

LESSONS FROM THE FIELD

The five projects supported by the Nonprofit Opportunities Fund have advanced understanding of what works in helping unbanked and underbanked consumers access and effectively use financial products and services. Though some of the projects summarized below have made more success than others, the lessons derived from in-depth case studies have highlighted the many pathways to achieving scale. All illustrated new nonprofit and the broader financial services industry can serve the market effectively. Key lessons include:

- Effective innovations meet consumers where they are.
- Technology challenge can steer a detailed project or inhibit expansion. The focus must be on writing the right messages at the right time, and delivering relevant products through channels that are part of consumers’ daily lives. Despite the operational and economic challenges faced by the worker centers and MACED, both projects demonstrated the value of offering products in convenient, familiar, trusted, and convenient environments such as at the workplace or community-based organizations.
- Self-Help has applied the learning in its micro-branch design, selecting a high-traffic location and staffing the local community. Self-Help also understands that to be successful, the organization must not only understand customer’s immediate and longer-term financial services needs but must also meet these needs seamlessly—by emphasizing convenience and delivering a product that is relevant, accessible, and supported by best and trendy customer services.
- Technology and infrastructure challenges must be solved early. The worker centers went a step further and closely involved consumers who managed their accounts. For instance, if a worker center offered consumers a paycard that included a regular cost of $4.95 a week, self-Help would immediately refund cash back at the same time. Similarly, Self-Help is delivering “in-store education,” teaching customer interaction as a teaching and learning opportunity.
- Change takes time. Innovators are by nature optimistic, but it is important to understand and prepare for the fact realities of creating lasting change. Partners must be identified and their relationships managed. Consumers must see the value in participating. Unexpected hurdles must be surmounted. Even the best ideas can move slowly.

Nonprofit and financial services providers have different strengths to leverage. The Nonprofit Opportunities Fund generated important learnings about the role nonprofits are best equipped to play in the underbanked financial services industry. By virtue of their strong and trusted relationships with consumers, nonprofits are well positioned to provide education, advocacy, or coaching services. Yet, to make education actionable and spur behavior changes that ultimately result in improved financial outcomes, nonprofits must directly couple their education with products and services. The requires partnerships with other financial services providers, to deliver high-quality financial products, see the potential of the underbanked market and are committed to a shared vision. Nonprofits can effectively market products, assist with customer acquisition, and provide ongoing education and support, adding tremendous value to the financial services providers’ bottom line. A much smaller subset of nonprofit organizations possesses the resources and technical expertise required to design and market new products and strategies and to distribute existing products and services. Such organizations have effectively achieved some of the most exciting innovations to date.

“Nonprofit organizations are actively working to address the financial needs of the low-income underbanked and can be strong partners in enhancing or augmenting efforts by for-profit financial services providers. The Nonprofit Opportunities Fund was designed to support and learn from a leading group of nonprofit innovators employing new models for better serving this important customer segment.”

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 change +

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PROJECT SUMMARIES

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THE IMPACT OF INNOVATION

CFSI sees two primary measures to evaluate the success of the 2008 Nonprofit Opportunities Fund:

• Did nonprofits provide new access to financial products and services, and did consumers use those products and services to improve their financial situations?

• Did the models being scaled and/or replicated?

CONSUMER IMPACTS

Many positive impacts were apparent on the lives of low-income underbanked consumers, including:

• Cost savings on financial transactions—users of the worker center based reimbursement model saved an average of $27 per month on money transfers. Similarly, the 410 MACED Save It! loan borrowers paid significantly less for small-dollar loans (18% versus 300%+ APR on payday loans).

• Reduced credit histories and improved credit scores—nonprofit organizations using CBA Reporter have seen borrowers’ credit scores increase from 50 to 100 points.

• Financial sustainability and scale should be contemplated throughout the research, planning, and implementation phases. Additionally:

• Programs that fit a critical gap in the marketplace are typically able to scale quickly. With the 2008 cohort, two business-to-business solutions have experienced the most success to date. Credit Builder Alliance offered nonprofit lenders the multi-measured CBA Reporter service, enabling them to track loan repayment data in the major consumer credit bureaus. CFSI provided seed funding for the product design, program roll-out, and marketing materials to enable a Point-Led Savings offering to quickly scale with credit unions in Michigan, and they are now working to take this other state and other financial services providers.

• Financial sustainability and scale should be contemplated simultaneously. For example, Self-Help designed the microbranch to be scalable by creating a high-tech “hub and satellite” model with limited hardware requirements and online storage of customer information. They rented a small (800-square-foot) storefront instead of building a standalone branch, which will make it easier to rapidly expand operations.

• Nonprofit organizations can demonstrate solutions that other financial services organizations can then adopt or replicate. The Worker Center Collaborative tested nonprofit distribution of prepaid cards, a model that other nonprofits (e.g., Volunteer Income Tax Assistance sites, unions, etc.) have adopted and implemented successfully.

• The 2008 Nonprofit Development Lab is an unparalleled network of nonprofit innovators that are providing financial products and services to underbanked consumers. The participants came together regularly to brainstorm new ideas, work through challenges, share best practices, and celebrate accomplishments. The Nonprofit Development Lab also offered unique cross-sector learning and networking opportunities with CFSI partners and other organizations, including banks, financial institutions, and alternative financial service providers. Ultimately, the Lab served as a platform for scaling and replicating successful ideas.

TO EXPAND THE RANGE OF EXPERIENCES AND PERSPECTIVES REPRESENTED, CFSI invited four additional organizations to participate in the 2018 Development Lab program because of their outstanding work in supporting underbanked financial services arenas. These organizations included:

• Consumer Credit Counseling Services of Delaware Valley

• Enable Financial Center (Lutheran Support Services of Minnesota)

• Mission Asset Fund

• Southern Good Faith Fund

NONPROFIT OPPORTUNITIES FUND

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Many positive impacts were apparent on the lives of low-income consumers. Did the projects improve access to financial products and services, and did consumers use those products and services to improve their financial situations? Achieving success—the successful models being scaled and/or replicated?

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- The creation of the Nonprofit Development Lab reaffirms CFSI’s commitment to help build nonprofit capacity and supporting efforts that help low-income, underbanked consumers achieve financial prosperity.

COMPREHENSIVE SUPPORT FOR NONPROFIT INNOVATORS

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The Nonprofit Development Fund has yielded several scalable models as well as valuable lessons about what it takes for non-profit programs to be replicated successfully. As a general rule, scalability must be built in from the start and regularly contem- plated throughout the research, planning, and implementation phases. Additionally:

- Projects that fill a critical gap in the marketplace are typically able to scale quickly. With the 2008 cohort, two business-to- business solutions have experienced the most success to date.

- Non-Profit Development Lab, an unparalleled network of nonprofit innovators that are responsible for the consumer and sustainable for the service provider. The 2008 Nonprofit Opportunities Fund, their outcomes, and lessons on how nonprofit and financial services providers can help put underserved consumers on a path to financial prosperity. For details about specific projects, see the Individual Learning Briefs.

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This overview describes projects supported through the Nonprofit Development Fund, their outcomes, and lessons on how nonprofit and financial services providers can help put underserved consumers on a path to financial prosperity. For details about specific projects, see the Individual Learning Briefs.

The Nonprofit Development Fund has yielded several scalable models as well as valuable lessons about what it takes for non-profit programs to be replicated successfully. As a general rule, scalability must be built in from the start and regularly contem- plated throughout the research, planning, and implementation phases. Additionally:

- Projects that fill a critical gap in the marketplace are typically able to scale quickly. With the 2008 cohort, two business-to- business solutions have experienced the most success to date.

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