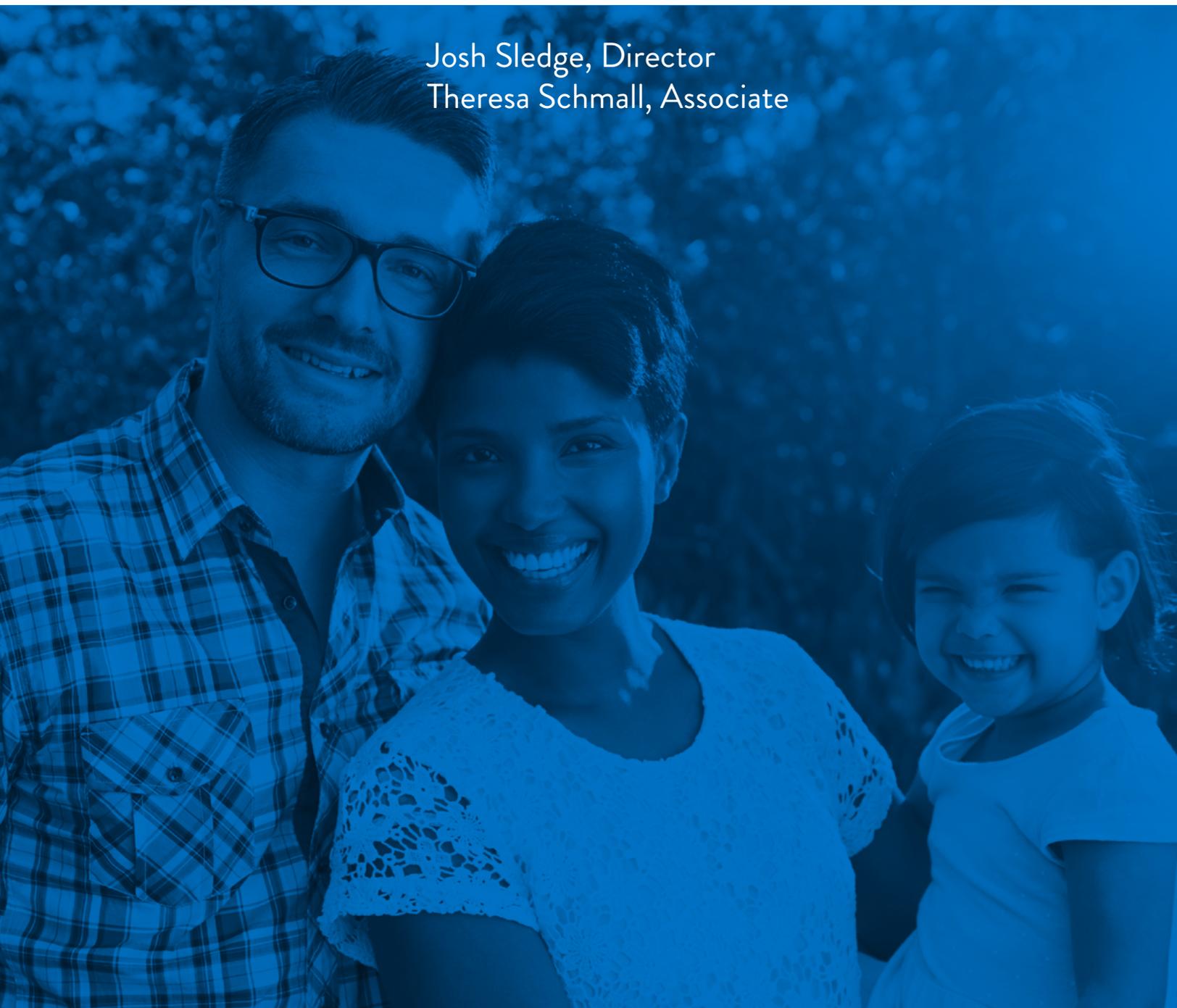


Designing for Financial Health

Stories and profiles from the
Financial Capability Innovation Funds

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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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Executive Summary

We can educate consumers and provide access to financial products and services. But how do we help consumers use their knowledge and tools to improve their financial behavior and become financially healthy?

A sharp focus on improved financial behavior lies at the core of the concept of financial capability. Financial capability is a set of consumer behaviors—based on knowledge, skills, and access to tools—that leads to tangible improvements in consumer financial health. Financially capable consumers are able to: cover monthly expenses with income; track spending; plan ahead and save for the future; select and manage financial products and services; and gain and exercise financial knowledge. In improving their financial capability, consumers are able to improve their financial health.

This report, *Designing for Financial Health*, leverages findings from the Financial Capability Innovation Funds (FCIF) to share insights on how providers can help consumers build financial capability.

The Funds began in 2010 when CFSI partnered with the Citi Foundation and a collaborative of funders to support nonprofit-led projects designed to promote the financial capability of low-income and underserved consumers. From 2010-2012, the FCIF selected thirteen cutting-edge projects from among 373 applications to receive \$4 million total in grant support. Each project tested new approaches to impacting consumer behavior in ways that lead to positive, measurable outcomes such as improved credit scores, increased savings, or avoidance of unnecessary transaction fees.

Insights garnered from FCIF grantees' experiences offer valuable lessons for creating offerings that help consumers adopt behaviors that lead to stronger financial health. The following stories use findings from grantee projects to offer actionable guidance for product and program design. Following the stories are profiles of all thirteen grantees which detail the specifics of their projects and discuss the implications of their results.*

*For more about the Funds, visit cfsinnovation.com/Financial-Capability-Innovation-Funds.

How can providers help consumers save?



Savings is an essential part of consumer financial health. Putting money aside for the future can help consumers manage liquidity challenges, cover unexpected expenses and reach long-term financial goals. Consumers who have a planned savings habit are four times more likely to be financially healthy than those who do not, according to CFSI's groundbreaking examination of consumer behaviors, *Understanding and Improving Consumer Financial Health in America*.

Without savings, financial resiliency can be difficult to attain. This is a danger for the 48% of American consumers who would not be able to cover an unexpected \$400 expense without selling assets or borrowing money.¹ When more costly emergencies occur, nearly 37% of Americans are not confident they could come up with \$2,000 if an unexpected need arose within the next month.²

While many households may find saving for emergencies to be a challenge, it is not impossible. With access to high-quality savings products designed to effectively engage account holders, consumers can build savings habits and improve their financial health.

Opening savings pockets on prepaid cards



FCIF grantees offer strong models for providers to consider when designing savings products for the financially underserved.

Two grantees, Piggymojo and the Doorways to Dreams Fund (D2D), partnered with prepaid providers to tap into prepaid card savings “pockets” which allow users to divert funds to save for designated purposes. These pockets represent a high-potential means of engaging low-income households - which are more likely to use prepaid cards - in saving money for the future.³ Additionally, cards with savings pockets are more the rule than the exception; according to a 2014 CFSI analysis, eight different prepaid offerings representing approximately 55% of the market included a savings pocket.⁴

By partnering with providers of prepaid cards with savings pockets, the Piggymojo and D2D projects have unveiled strategies that can successfully improve users' savings habits.

BankingUp and MAGIC Mojo



Piggymojo partnered with OneWest Bank and NBA Hall of Fame player Magic Johnson to launch MAGIC Mojo, a savings feature for the reloadable prepaid MAGIC card. The MAGIC Mojo savings feature enabled cardholders to save money toward their financial goals

by sending text messages when they chose to make an impulse save rather than an impulse buy (e.g. choosing to save \$3 instead of buying a coffee). MAGIC Mojo users also had the option to enroll in an automatic savings plan to help reach their goal.

¹ Board of Governors of the Federal Reserve System, *Report on the Economic Well-Being of U.S. Households in 2013*, 2013.

² CFSI, *Understanding and Improving Consumer Financial Health in America*, 2015.

³ “A 2013 Federal Reserve Bank of Boston study found—after controlling for demographic factors—that 49 percent of people with household income less than \$25,000 owned a GPR prepaid card, compared with just 18 percent of people with household income between \$75,000 and \$99,000.” - Federal Reserve Bank of Boston, *An Opportunity for Both Consumers and Industry*, 2015.

⁴ CFSI, *Prepaid Industry Scorecard*, 2014.

D2D and BankingUp



D2D partnered with BankingUp's UPside prepaid card to offer SavingsQuest, an online and mobile platform that uses gamification to encourage savings among prepaid card users. Inspired by Fitbit and other gamification apps, SavingsQuest uses gaming principles such as badges, levels and challenges to promote savings in the UPside prepaid card's Rainy Day Reserve (RDR) savings pocket.

The game reframes the RDR feature as a fun challenge. "Score" is kept as a function of dollars saved and animation is used to engage savers. Users may participate in mini-competitions, "discover" hidden and time-limited offers, earn status markers and share them with peers in social networks, and other activities.

Designing new savings models

Traditional budget-based savings may not adequately serve households that have difficulty meeting monthly bills and feel they don't have the money to save. More than a third of all households say they frequently or occasionally run out of money before the end of the month, and more than a quarter of households have less than \$1,000 in liquid savings.⁵

The key to improving savings behavior among these financially struggling consumers may be to provide them with new opportunities to save along with the encouragement needed to act on them.

Piggymojo's and D2D's results show:

- » a definitive increase in users' savings
- » users' need for an "emergency fund" and interest in saving for one
- » a connection between use of a savings feature and greater customer engagement

Piggymojo's results

Piggymojo enrolled 1,415 consumers in MAGIC Mojo with two features. During the 19-month pilot, users made 2,748 saves for a total of \$61,000. Consumers who combined both automated and impulse methods saved more often and at a higher amount than users that relied on one method alone.

The majority of users selected savings goals under \$1,500. On a daily basis, the mean amount saved by users ranged from \$10-\$30. And of the number of "impulse saves", 37% came through text-messages and 67% through the Piggymojo website.

Doorways to Dreams' results

D2D signed up more than 300 SavingsQuest users. During the three-month pilot, SavingsQuest users saved nearly \$300,000. SavingsQuest users saved more in frequency and dollar value than Rainy Day Reserve savers who did not enroll in the SavingsQuest platform. Though SavingsQuest users made up only 6% of all RDR users, their combined savings made up almost 0% of total RDR savings.

One in four SavingsQuest users had not previously deposited savings in RDR before signing up for the platform. Additionally, SavingsQuest users made an average of 4.5 savings deposits each month during the pilot compared to the 3.6 monthly average deposits among other RDR savers.

Building emergency savings



Consumers enrolled in MAGIC Mojo appear to recognize emergency savings as a vital component to financial health, as a way to be more resilient in the face of unexpected expenses.

Thirty-six percent of MAGIC Mojo users identified "emergency fund" as their reason for saving. And MAGIC Mojo was commonly used to help consumers manage unexpected expenses. More than half of withdrawals from MAGIC Mojo savings were for either an "unexpected emergency expense" or "to pay household expenses or bills," regardless of the cardholder's savings goals.

⁵ CFSI, *Understanding and Improving Consumer Financial Health in America*, 2015.

Using savings to drive customer engagement



While use of the savings pockets helped consumers reach goals and withstand financial challenges, the average dollar amount of savings was relatively small for both projects and users frequently withdrew funds.

On its own, this combination does not suggest that the added savings features did much to boost provider profitability. However, results from the MAGIC Mojo pilot suggest that use of savings features may be connected to deeper engagement with the underlying prepaid card. Upon receipt of the card, 60% percent of MAGIC Mojo users activated and funded their MAGIC Card prepaid card compared to only 8% of non-MAGIC Mojo users. The average MAGIC Mojo user kept their prepaid card open for 143 days, versus 68 days for non-MAGIC Mojo users.

It is difficult to indicate direct causation between savings and card usage, but it appears that a savings feature designed on an engaging model may help make prepaid cards “stickier,” leading to greater usage and engagement that can increase the value of the overall customer relationship.

The future of savings



Helping consumers increase savings can go a long way towards improving financial health, but providers need to think about how they can do more to make it happen. As Tim Flacke, D2D’s Executive Director put it, “It’s no longer enough to give a savings account or product, it’s ‘how do you help us use it?’”⁶

The future of successful savings will depend on how providers use new models to create products that offer timely saving opportunities, provide effective motivation and deepen customer engagement. Piggymojo’s and D2D’s projects should serve as examples for how providers can create offerings that can benefit both consumers and providers in the short- and long-term.

⁶ American Banker, [USAA Launches New App to Help Millennials Save](#), July 28, 2015.

How can providers and nonprofits leverage social networks for financial health?



Financial lives are not lived in isolation. Many American consumers, especially low- to middle-income consumers, rely on friends and family for help in times of financial need.

In CFSI's groundbreaking study of Americans' financial health, financially struggling households were more likely to borrow from friends and family than financially healthy households. These informal relationships, defined by trust, respect, and familial bonds, are important for the financially underserved.⁷

Informal financial relationships offer opportunities

Providers and nonprofits have come to see that these informal financial relationships can be sources of support and accountability that help consumers improve their financial behavior.

Several FCIF grantees tested how to leverage social relationships for the benefit of consumers. In some cases, social support was a key factor in helping people reach their financial goals, but in other cases, people showed a reluctance to engage their social circles in their financial lives.

The grantees' mixed results raises an important question: When does adding a social component work to improve financial behavior and when does it not?

FCIF grantees test socializing financial health

The divergent experiences of the following FCIF grantees may offer clues as to when and how to best engage social networks to support people's pursuit of financial health.



Mission Asset Fund's (MAF) Lending Circles is a peer-lending program designed to help consumers build credit and transition into the financial mainstream. Lending Circles is based on an informal saving/lending practice common

in many different immigrant communities. It brings together a group of people that make a standard contribution to a central "pot" on a periodic basis (e.g. monthly). Each period, the aggregated fund goes to one member of the Lending Circle and the process repeats until each member has had a chance to collect. With MAF's facilitation, these payments are then reported to credit bureaus to help participants build their credit.



Clarifi partnered with Innovations for Poverty Action (IPA) to create the Borrow Less Tomorrow (BoLT) program. BoLT explored different

strategies for encouraging on-time payments among clients working to pay down debt. In addition to an experiment with timely text message reminders, BoLT included a social accountability component to engage participants' family and friends. Specific peers identified by the BoLT client were contacted if the client failed to keep to their repayment plan, adding a degree of social accountability and support to help keep clients on track toward reducing debt.

⁷ CFSI, *Understanding and Improving Consumer Financial Health in America*, 2015.

Lending Circles provides a model

Lending Circles reported significant successes over a ten-month pilot.

On average, Lending Circles clients increased credit scores by 168 points, including people going from no score to having a credit score. Of those clients who started with thin or no credit, 72% earned a score of “prime” or better. Clients decreased debt by an average of \$1,000, and loan defaults (i.e. when a member ultimately failed to make a payment) in the program occurred less than 1% of the time.

How did Lending Circles achieve such great results? One significant factor that may have contributed to its success was taking advantage of pre-existing social dynamics among the clients.

Lending Circles know their clients



The success of Lending Circles reinforces the importance of knowing your clients holistically in order to serve their needs with consumer-focused delivery. The program tapped into an already existing social practice among immigrant communities, who often pool money for financial support. Lending Circles helped to formalize the practice to make it safer and more efficient, and turned it into a way for clients to build credit.

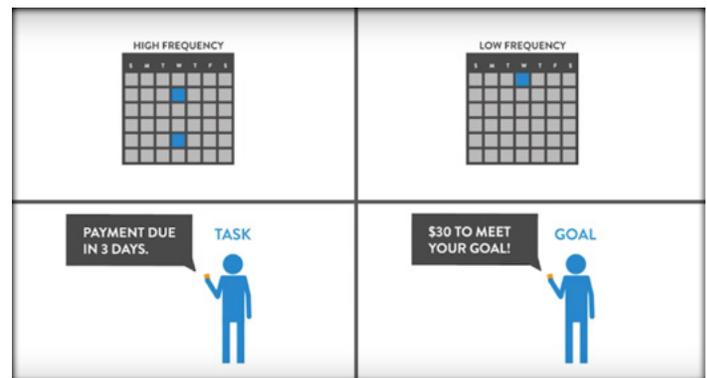
Each Lending Circle brought together peers with similar backgrounds and financial circumstances, mirroring informal groups and providing a deeper level of accountability. The interdependent nature of the Lending Circle means that one person’s failure affects another’s well-being, which adds a high degree of accountability and social pressure.

Stories from the U.S. Financial Diaries (USFD) project shed additional light on the degree of social accountability embedded in Lending Circles. USFD is a research study that aims to better understand the financial lives of low and moderate income households in the United States. It is a joint initiative of NYU’s Financial Access Initiative and CFSI.

Several families interviewed in the Financial Diaries project participated in the type of informal savings groups on which the Lending Circles program is modeled.

“When you save in a group, you feel the obligation to give a fixed amount weekly; with a bank, you put money in the account when you feel like it,” said one USFD participant. Another called the obligation to make payments “sacred.”⁸

Clarifi discovers different results



Clarifi’s BoLT program also attempted to engage clients’ social networks, but yielded very different results from MAF’s.

BoLT consisted of two main components aimed at improving consumer repayment behaviors: a text-messaging system and a social accountability component. The text-messaging system produced very promising results - clients that received low-frequency, task-oriented messages demonstrated better repayment behavior.

Conversely, the social accountability component did not produce the desired impact.

Clarifi asked clients to voluntarily identify family or friends who would be notified if clients fell behind on their payments. The idea was that by having a close associate to make the client accountable, the client would be more likely to make payments on time.

Few clients, however, volunteered to participate and the majority of clients did not offer the names of close associates. For those clients who did participate, there appeared to be no statistically significant relationship between their debt-repayment behavior and participation in the social accountability feature.

⁸ The U.S. Financial Diaries, *An Invisible Finance Sector - How Households Use Financial Tools of Their Own Making*, 2014.

Clarifi reveals lessons for future programs

Why didn't clients volunteer to participate in the social accountability component? Several possibilities offer potential lessons for future products leveraging social networks.

IPA and Clarifi hypothesized that the low take-up might have been due to multiple factors:

- » *BoLT already offered a social component* - Clients were already assigned to work with financial counselors and received individualized support that way. Additional peer support may have been seen as unnecessary.
- » *Debt is a sensitive subject* - Unlike Lending Circles, a program emphasizing credit-building (potentially viewed as a positive aspiration), BoLT focused on repaying debt (potentially viewed as a negative circumstance). Clients may have felt that debt was too sensitive a subject to share with friends and family.
- » *Peers who share similar financial circumstances may be the best fit* - Peers who share similar financial circumstances may be more comfortable and attractive for participants in a debt repayment program. Though friends and family members may share mutual trust, Clarifi participants may have been reluctant to share details about their debts with those who do not share similar circumstances.

Given the implications of these hypotheses, further testing should be done to design social accountability incentives for debt repayment. Though social accountability did not appear to impact BoLT, providers have great opportunities to experiment with different models of socializing financial health to successfully advance their programs.

What do these results mean for the field?

Tapping into social networks is a high-potential strategy for impacting consumers' financial behavior. But if the methods of social engagement are not designed to be the right fit, they may not live up to their potential.

Looking at the FCIF grantee results, CFSI hypothesizes these takeaways:

Peers, not just intimates

Social engagement seems to work better when it involves peers who are in similar financial situations. These may be peers in their general social circle, friends or family. The relationship may not be as important as the shared financial circumstances.

Aspirations, not problems

Consumers may be more willing to engage peers when the program is driven by aspirational goals (e.g. building credit) rather than solving or avoiding problems (e.g. reducing debt). In other words, consumers may be more willing to share positive financial behaviors than negative financial challenges.

Tailored, not one-size-fits-all

Organizations looking to integrate social networks have to tailor their social components to adapt and leverage the consumers social dynamics. Designing around the norms and trends of consumers' social groups may make the difference between success and failure.

How can providers design sustainable credit products that support consumer financial health?



Access to high-quality, affordable credit is limited for millions of low- to middle-income Americans. Although there are several accepted definitions of small-dollar credit (SDC) in the industry, generally speaking, the term refers to consumer loans of less than \$5,000 with terms ranging from as little as two weeks to as long as three years.

In 2013 American consumers spent an estimated \$44 billion on SDC loans and an estimated \$4.2 billion on installment loans. But not all of these loans were good for the borrower.⁹ SDC products often entail high costs and unfavorable terms that lead borrowers into a cycle of repeat borrowing and increasing debt. This doesn't have to be the case. Providers have a significant opportunity to serve consumers with high-quality products that help borrowers safely manage credit needs and build valuable customer relationships.

Significant opportunity

Providers that offer affordable and sustainable SDC products will be able tap into the market of 138 million Americans who are struggling financially. CFSI's *Understanding and Improving Consumer Financial Health in America* reveals that having access to emergency funds, including through credit, is a part of overall financial health.

Consumers with strong confidence in their ability to come up with \$2,000 if an unexpected need arose within the next month are nearly three more likely to be financially healthy than those who have lower levels of confidence they could do the same.¹⁰ High-quality SDC loans can provide consumers with needed flexibility while helping providers reduce delinquencies and create deeper customer relationships.

Establishing the right balance between sustainability, accessibility and responsibility is a challenge for SDC providers. CFSI has worked to help providers overcome this challenge and serve this growing need.

In addition to our recent *SDC Test & Learn* initiative, two FCIF grantees piloted projects that provide useful insights for the kinds of approaches providers can take to get the balance right and help promote consumer success throughout the life of the loan.

Self-Help's "Just Right" SDC products



Self-Help Federal Credit Union (Self-Help), a part of the Center for Community Self-Help, created the "Just Right" line of SDC products

- a term loan and line of credit that provided borrowers with up to \$1,000 in credit. The Just Right products were designed to test a number of new loan features aimed at increasing borrower success, including:
 - » Streamlined and alternative methods of underwriting loans to increase access to credit-worthy borrowers;
 - » The option to enroll in a program with default monthly repayment amounts set higher than minimum requirements to help borrowers keep balances low; and
 - » Savings features that asked borrowers to make small deposits as a portion of each monthly payment or asked borrowers to commit to a savings plan which would begin after their loan was repaid.

⁹ CFSI, *2013 Financially Underserved Market Size*, 2013.

¹⁰ CFSI, *Understanding and Improving Consumer Financial Health in America*, 2015.

Filene's LIFT program



Filene Research Institute worked with four partner credit unions to offer the Lower Interest for Timeliness (LIFT) program to test a new approach to reducing delinquencies. Instead of punishing borrowers for late payments

with fees or interest rate hikes, LIFT rewarded borrowers who made timely loan payments with interest rate reductions. Under the program, subprime auto loan borrowers received an APR reduction of 0.25% for every three loan payments made on time. Piloted with auto loans, the LIFT program focused on incentivizing timely repayments and can offer insights for providers looking to help SDC borrowers stay current on their loans and build positive credit history.

Self-Help's results

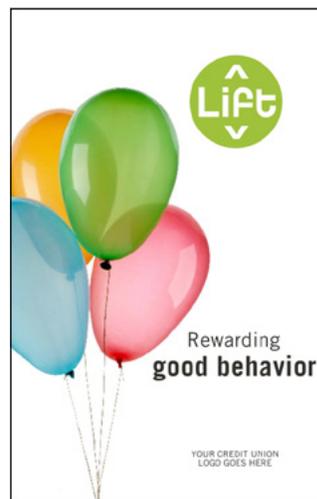
During the 15-month pilot testing the "Just Right" loan products, Self-Help experimented with three different underwriting models with the goal of finding cost-efficient but effective ways to accurately assess credit risk for underserved consumers. In addition to its standard underwriting model, Self-Help also considered applications using a streamlined model - which solely focused on credit score and debt-to-income ratios - and an alternative model - which allowed borrowers to submit information such as proof of timely utility payments.

Self-Help found that a significant portion of Just Right borrowers would not have qualified for loans under its standard method of underwriting, but demonstrated an ability to repay a loan when the streamlined and alternative models were applied.

The Just Right products also acted as an acquisition tool for Self-Help. Nearly half of borrowers were new members of the credit union, which allowed Self-Help to establish relationships with new clients. Providers of high-quality SDC products could follow this lead and use their offerings as a starting point to engage new clients, which would also open new avenues for the borrower to begin a relationship with a responsible financial services provider.

Finally, the savings feature of "Just Right" attracted notable interest from borrowers. Over a third of borrowers accepted the features offered to them. This means that in one interaction, a new client may have qualified for a high-quality SDC product and enrolled in a plan to begin saving. While actual use of the savings features was mixed, these results suggest that an SDC product with expanded features designed to build financial health can also deepen new client relationships.

LIFT's results



Does lowering interest rates as a reward encourage more consistent repayment behavior? Did LIFT affect the relationship between borrower and lender? LIFT's results appear to answer "yes" to both questions.

LIFT's success suggests that rewarding borrowers for good repayment behavior may be an effective means of increasing on-time payments and reducing delinquencies and collections efforts.

LIFT borrowers at three of four participating sites had lower rates of making late payments, and had stronger positive attitudes toward their lender, even controlling for loan terms, fees and penalties. Additionally, the rate of missing two or more consecutive payments was slightly lower among LIFT borrowers at all sites; these results, however, were not statistically significant.

The pilot made strong indications that the model has potential to impact repayment rates and improve customer relationships. Though LIFT addressed auto loans specifically, the reward model presents an opportunity that providers could translate into other SDC products.

What does it mean for the field?

What can providers take away from these results?

These FCIF examples provide useful case studies to help understand how to underwrite borrowers in order to ensure they can afford a loan, to help borrowers manage loans, and to leverage SDC products to strengthen customer relationships and create opportunities for building financial health.

Effective underwriting

The first step in helping borrowers successfully use an SDC product is to ensure that borrowers can afford a loan before they take it out. Cost-effective underwriting is essential to offering high-quality and sustainable loan products. Self-Help's example demonstrates how taking different approaches to underwriting can enhance a lender's ability to measure creditworthiness while making loans accessible to underserved populations

Support during the life of the loan

Timely repayments help borrowers improve their credit scores and reduce financial stress. They also benefit lenders by reducing expenses related to delinquencies and collections. Providers should follow Filene's example and rethink how they offer incentives and support to ensure borrower success throughout the life of the loan.

Providing opportunity

SDC products can be used as a starting point to help clients build future financial resilience and overall financial health, and as a first point of contact with new customers.

In Filene's LIFT program, borrowers that received APR deductions for timely repayments had more favorable attitudes toward their lender. Self-Help brought in new customers with its "Just Right" products and engaged borrowers in creating a plan for saving, opening the possibility of deeper long-term relationships.

How can providers encourage repayments?



Late payments and delinquencies often challenge financially underserved consumers and damage their financial health with late fees, lowered credit scores and increased vulnerability to financial crises.

Inconsistent repayment behaviors also burden providers with collection costs, defaults and marred customer relations.

These problems can be alleviated, however, by incorporating thoughtful program elements designed to complement provider offerings. With the help of well-designed programs, consumers can improve their repayment behaviors, stay on top of their bills and decrease their debt.

Repayment and financial health

The ability to make payments on-time constitutes a basic core behavior associated with consumer financial health. Data from [CFSI's consumer study](#) reveals that financially healthy households are more likely than unhealthy households to say that they “keep up with all bills and payments without any difficulties” and “seldom or never juggle bill payments.”¹¹

But what about consumers who struggle to keep up with payments?

The financial services field is ripe with opportunity for providers to help struggling consumers practice good repayment behavior. With effective encouragement, providers can motivate consistent payments, reduce delinquencies and better support customers.

Three FCIF grantees provide examples for strategies that can be used to effectively encourage repayments.

“VITA Credit Builder Project” by MEDA



Mission Economic Development Agency (MEDA) launched its VITA Credit Builder program to provide secured credit cards to low-income Latino immigrants and help them establish or improve their credit

scores. As part of the pilot, clients enrolled in a text-based coaching platform, which sent automated messages to advise clients on how to manage their secured card. MEDA then compared outcomes between cardholders that received text coaching and those that did not.

“BoLT” by Clarifi



Clarifi developed Borrow Less Tomorrow (BoLT) to help customers achieve long-term debt reduction goals. Part of the BoLT pilot included sending text messages to over 500 low-to-middle-income clients enrolled in debt management plans (DMPs) reminding them to stay on track with their monthly debt payments. These messages were either task-oriented or goal-oriented, and were sent on a low frequency (twice a month) or high frequency (four times a month) basis.

“LIFT-UP” by National League of Cities



National League of Cities Institute (NLC) for Youth, Education, and Families designed Local Interventions for Financial Empowerment through Utility Payments (LIFT-UP). The program is a multi-city initiative offering financial counseling to delinquent utility customers. The program uses missed utility payments to identify customers that may be in financial distress and in need of assistance. Households identified by LIFT-UP are offered favorable terms (e.g. lower monthly payments, new billing dates, or waived fees) to pay utility bills on-time and connected with financial coaches and counselors in their city.

¹¹ CFSI, *Understanding and Improving Consumer Financial Health in America*, 2015.

What lessons can we take from these FCIF grantees?

Customize the message

MEDA's text-message component functioned as a virtual advisor by employing customized messages. Triggered by clients' activities, different messages were crafted to speak to their specific circumstances with relevant guidance on actions they could take to build credit.

For example, a client who reached a balance of 30% of the credit card's maximum would receive a specific message emphasizing the importance of keeping balances below that amount to build positive credit history. Alternately, another message was customized to encourage focus on how a 30-day delinquency negatively impacts credit scores.

Text message examples include: "High balance! Your secured card balance is too high! Lower your balance to \$50 today to maintain a good credit score." And: "Late Alert! You are late on your secured credit card! Make your payment today to get current and back on track."

While MEDA is still collecting data on client impact, the customized messages appear to be motivating clients. During the pilot, 35 of the 56 participants enrolled in the text platform missed payment due dates and received a text message warning them about their tardiness. Consequently, 85% of these clients made payments in time to avoid negative repercussions to their credit profile.

Optimize the timing

Text messages in Clarifi's BoLT program were sent on a low frequency (twice a month) or high frequency (four times a month) basis. There were two types of messages: task-oriented messages, such as, "Your payment is due on X date," were intended to spur concrete steps towards achieving future goals; goal-oriented messages such as, "Your DMP is key to reducing financial stress," were meant to remind participants of their overall objectives.

Low-frequency, task-oriented messages were the most effective in influencing repayment behavior. Clients who received these were 8% more likely stick to their scheduled repayment plan compared to clients who received no messages, and they also increased their scheduled monthly payments by an average of 7.8%.

The frequency and type of messaging gives providers a useful place to start when considering using text-messages to encourage repayments. However, providers should track and modify variations in timing and messaging to establish what works best for their specific customer base.

Reach out to clients

During the LIFT-UP pilot, NLC found that proactively reaching out to financially struggling consumers identified by using already available data can be effective and beneficial to both providers and consumers.

Through its municipal partnerships, LIFT-UP was able to use utility data to identify delinquent customers. NLC realized that being behind on utilities may be a sign that a household is struggling to make ends meet and in need of more extensive help with their finances. In turn, the municipalities provided broader financial support to help those consumers pay their bills and get on track – a benefit to the city and to the customer.

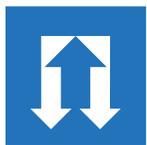
Overall, there was strong demand for LIFT-UP with higher take-up rates seen in cities that employed direct telephone outreach, such as St. Petersburg. The results of the LIFT-UP intervention varied by city. For example, LIFT-UP participants in Newark and Houston reduced their delinquent balances more than participants in other partner cities, with Newark residents making the most frequent payments. LIFT-UP participants in Houston, St. Petersburg and Savannah had lower rates of water service shutoffs than non-participants in the cities.

The pilot made strong indications that the model is effective in proactively identifying financially underserved customers who need assistance but have not necessarily asked for help. The model also demonstrates viable methods of supporting those customers with incentives and counseling.

What does it mean for the field?

Timely payments are important for a number of offerings, such as credit products and utility payments. Timely payments are also a core part of a financially healthy life, enabling consumers to effectively manage their day-to-day finances. Messaging, timing, and proactive outreach to consumers are three important strategies providers should consider to engage with struggling consumers and help them stay on track with payment obligations. Providers should consider what these lessons mean for them, and how they can use them as a starting point to design complements to their offerings and increase the consistency and timeliness of client repayments.

How can providers motivate youth to engage with financial health products?



“Millennials” have become a hot topic in the financial services field. Teenagers and young adults are hyperconnected and technically savvy more than any other generation, and are at the early stages of their financial lives. With this in mind, for-profit and nonprofit providers continue to search for ways to better understand and serve the needs of today’s youth.

Though there is a lot to be learned about this group, one fact is clear: youth is an optimal time to establish good financial habits that can continue into adulthood.

So how can providers help today’s youth create positive financial behavior that will enable them to achieve financial health throughout their lives?

FCIF projects to engage youth

Earning and managing money typically begins in the teenage and early adult years: first jobs, paychecks, bills, new expenses, future financial goals, etc. Oftentimes, young people lack the financial knowledge and tools to properly manage these new financial responsibilities and struggle financially as a result.

CFSI’s comprehensive consumer study found that 67% of 18-25 year-olds are financially unhealthy, compared to 57% of all American adults. Nearly one-third, or 31%, of this age group is “Unengaged.” The “Unengaged” segment earns its name from consumers’ lack of awareness about their financial lives and their low level of engagement with traditional financial services.¹²

Recognizing this challenge, three FCIF projects sought to reach out to youth to instill positive habits and equip them with the tools they need to be financially healthy today and in the future.

MoneythinkMobile



Moneythink maintains a national network of chapter organizations focused on improving youth financial health. Through Moneythink, college students act as financial mentors to

low-income high school students. As a part of the FCIF, the organization created MoneythinkMobile, a new mobile app that allows mentors and mentees to engage with each other beyond weekly in-person mentoring sessions.

The app sets up a series of challenges students complete outside of the classroom – for example, logging in moments when they saved or decided not to spend money. Its social media elements also enable students and mentors to “like”, comment, and add emojis and hashtags when their peers make posts related to their challenges.

CollegeSet Facebook application



CollegeSet helps low-income high school students save for and complete a four-year college degree. Developed by Juma Ventures, CollegeSet is conducted

in partnership with youth development organizations across the country. Juma expanded CollegeSet to develop a Facebook application and two-way text messaging system to keep students motivated to save toward a goal of \$500.

¹² CFSI, *Understanding and Improving Consumer Financial Health in America*, 2015.

MyPath Savings



MyPath Savings is a program designed to provide youth enrolled in workforce development programs with financial guidance, a savings account and

incentives to help youth save for a goal. To support and scale the program, MyPath created an online platform - MyPath Online - to help efficiently provide financial advice and help students budget for savings.

These organizations learned important lessons about engaging youth, specifically: when to engage youth, what to provide them, and the usefulness of making financial behaviors social.

First paychecks are an opportune time to engage youth

Successful client engagement can depend upon strategic timing.

The CollegeSet and MyPath Savings programs recognized that a key time to engage youth is when they enter the workforce and begin receiving their first paychecks. As youth confront their own financial responsibilities for the first time, providers can offer education, tools, and accounts to help them start off on the right foot.

Savings is a vital component to financial health, and both CollegeSet and MyPath inspired good savings behavior among their low-income teenage and young adult clients.

CollegeSet and MyPath partner with youth workforce development organizations to help students find employment, and to connect the guidance from their programs to actual, real-life moments when youth are receiving their first paychecks. Meanwhile, both programs provided students with a way to direct money from their paychecks into a savings account.

Engaging youth starts with a youth-focused product

In addition to timing, easy access to products and the products' youth-focused design were two key factors that contributed to the success of these FCIF projects.

MyPath Savings and CollegeSet allow youth to open their own savings accounts and provide guidance to help youth reach savings goals. Both programs developed online platforms - MyPath Online and the CollegeSet Facebook app - designed to appeal to youth in a fun and easy-to-understand manner.

The approach appeared to work. Seventy percent of MyPath participants enrolled in MyPath Online, and 62% of these participants completed the entire online program. Users saved a significant percentage of their pay, setting aside 34% of their wages on average, or about \$329 each.

CollegeSet's gamified app, social media integration and two-way text messaging system increased student engagement and drove higher savings in their youth college savings program. The app produced a 24% increase in the dollar amount that students saved, and a 17% increase in both the number of students who set and reached their \$500 savings goal. Students saved an average of \$309 during a two-month period, a 24% increase from the baseline set in the previous year.

Making financial health social can reinforce good behavior

Socializing financial health can be a powerful factor in improving consumer behavior. Several studies have suggested that parents' intentional instruction and reinforcement of activities can impact their children's financial knowledge and behavior¹³, and young adults raised in homes where parents modeled prudent financial behavior were less likely to report financial missteps such as abusing credit cards.¹⁴

Results from FCIF also suggest that promoting financial health across peer networks can influence financial behavior.

MoneythinkMobile incorporated social design features such as the ability to "like" or comment on posts. When students posted pictures of saving opportunities or completed challenges, peers and mentors were able to provide real-time feedback and encouragement.

After using these social design features, Moneythink students reported that the app helped them become more mindful about spending and savings opportunities. Survey data revealed an increase in the number of students who felt empowered to control their own finances (10% to 15%) and an increase in the number of students who budgeted (65% to 70%).

¹³ Gutter, M. et al, *Which Students Are More Likely to Experience Financial Socialization Opportunities? Exploring the Relationship between Financial Behaviors and Financial Well-Being of College Students*, Networks Financial Institute Working Paper, no. 2009-WP-07, June 2009.

¹⁴ Hibbert, J. et al., *Financial Prudence and Next Generation Financial Strain*, Association for Financial Counseling and Planning Education, 2004.

The social app also increased student engagement. Students who completed one challenge were more likely to complete multiple other challenges. By combining mentor guidance with the Moneythink app, 30% of students who didn't previously save became regular savers, and 20% of unbanked students opened bank accounts.

Similarly, MyPath Savings used peer-led reflection sessions and instructions online to strengthen users' connection to financial health. Adding these brief, peer-led modules appears to have boosted outcomes and increased financial knowledge and confidence among the students.

What does it mean for the field?

There are myriad programs and providers looking for ways to help youth gain financial knowledge and access good products. These examples offer useful tactics for taking their impact to the next level.

These three FCIF projects used technology to engage digitally fluent youth, but programs designed to engage young people do not always have to take the form of an app. Youth-focused programs can, however, make use of the opportune time when potential clients are first entering the workforce, while designing programs that cater to a youthful mindset and leverage the power of social interactions and support.

Providers have a significant role to play in equipping youth with safe products and tools to help them effectively improve their financial health. Doing so will ultimately create a long and valuable customer relationship while helping youth build positive financial behaviors to set them on the right course for sustained financial health.

How can providers leverage technology to improve financial health programs?



Programs designed to help people become financially healthy often face challenges in engaging clients and scaling their efforts. Increasingly, many are turning to technology to overcome these challenges and increase their impact.

As CFSI detailed in *Financial Technology Trends in the Underbanked Market*, the opportunity to leverage technology for financial health becomes clear when looking at the growth in access to and adoption of technology among underserved consumers.¹⁵ According to a 2014 survey conducted by the Federal Reserve, 69% of unbanked consumers have access to a mobile phone, approximately half of which are smartphones (internet-enabled).¹⁶ And 88% of the underbanked have mobile phone access, 64% of which are smartphones. Similarly, Pew Research Center found that internet usage among low-income households (those making under \$30k annually) increased from 34% in 2000 to 74% in 2014, with higher rates of usage among consumers at higher income levels.¹⁷

In this environment, financial health programs have a significant opportunity to utilize technology to increase engagement, deepen impact, and improve clients' financial health.

FCIF grantees highlighted here designed and tested tech tools for financial health. The results offer insights into effective approaches and the potential benefits of utilizing technology to enhance financial health programs.

Solutions for Progress

Can tech platforms replicate the impact of in-person engagement while increasing a program's ability to scale? New research has shown that well-designed financial coaching programs (i.e. long-term engagements in which a coach helps a client identify and achieve financial goals) can have a meaningful impact on consumers' financial health.¹⁸ However, these programs traditionally rely on a model of in-person, one-on-one interaction, making them difficult to grow.

Solutions for Progress (SfP) explored the question of how to scale a financial coaching program through online engagement without diminishing its impact.

SfP operates and distributes MyBudgetCoach (MyBC), an online platform designed to complement and enhance existing financial coaching programs. SfP distributes MyBC to providers to use with clients, creating a turnkey way to offer or enhance financial coaching programs.

SfP, in partnership with the Center for Financial Security, the Ohio Association of Foodbanks, and several other nonprofits, conducted a pilot to test different combinations of in-person and online delivery of a financial coaching program in order to gauge MyBC's relative impact on clients' financial health.

¹⁵ Wolkowitz, Eva and Levy, Rob and Schütte, Arjan, *Financial Technology Trends in the Underbanked Market*, 2013.

¹⁶ Board of Governors of the Federal Reserve System, *Consumers and Mobile Financial Services* 2014, March 2014.

¹⁷ Duggan, Maeve and Perrin, Andrew, *Americans' Internet Access: 2000-2015*, Pew Research Center, June 26, 2015.

¹⁸ Theodos, Brett and Treskon, Mark, *Does financial coaching help people reach their financial goals?*, Urban Institute, October 8, 2015.



MyBudgetCoach interim results

While Solutions for Progress is continuing to evaluate pilot outcomes, interim results have shown meaningful improvements in financial health as the more than 300 pilot participants saved approximately \$90,000 and paid down over \$54,000 in debt during their time in the MyBC program.

SfP used the Center for Financial Security's [Financial Capability Scale](#) (FCS) to measure overall impact of the MyBC pilot on clients. The vast majority of participants improved their FCS score after five coaching sessions. However, the online-only group posted a greater average improvement in its score than did the pilot group as a whole (49% to 41%, respectively).

SfP is working to better understand reasons why the online-group demonstrated above average results, but the early findings from the pilot suggest technology, when designed well, can be used to help scale and enhance successful in-person interventions without sacrificing client impact.



Neighborhood Trust - driving engagement

Building tech solutions can be a daunting task that requires a substantial amount of resources and organizational focus. But that's only half the battle. Once tools are ready for client use, providers must figure out how to get clients to take them up and use them on a regular basis.

Neighborhood Trust Financial Partners' (NTFP) example offers insight into how to motivate clients to take up a new tech tool. NTFP developed PayGoal, a workplace financial counseling platform that uses mobile technology to help employees budget and allocate wages towards their financial goals. It links to a user's online banking platform and suggests small, positive steps users can take to better manage and save their money.



PayGoal results

PayGoal continues to evolve but its alpha and beta launches have generated interesting preliminary results. PayGoal's beta reinforced the appetite of financially underserved workers to engage with a mobile-driven tool. In beta, the conversion rate from receiving an invitation to join PayGoal to signing-up was 16%; this was a higher rate than expected based on NTFP observations of similar financial products, demonstrating clients will engage with mobile financial services when promoted by employers. The strategies used to achieve this conversion rate included:

Using the right channel: By partnering with employers to distribute the tool via the workplace, NTFP leveraged a trusted source and a relevant context (i.e. where people are paid) to pitch PayGoal. In some cases, NTFP staff set up tables at the workplace to discuss and share info with potential users.

Leveraging key moments: NTFP was smart about engaging with potential users during moments in which employees were more likely to be thinking about financial challenges and goals. For example, NTFP coordinated with employers to present the opportunity to sign up for PayGoal when employees reached out to their employer with an issue that would affect their wages, such as not getting enough hours or changing a schedule.

Making enrollment easy: Recognizing that take-up can be inhibited by a lot of friction during the enrollment process, PayGoal allowed for a user-friendly mobile enrollment through text message invitations. These linked to a mobile-optimized light application that was clean, friendly, and easy to access and complete. Subsequent interactions were driven by text messages directing a user to a particular function on the site or delivering targeted content helping them with their cash flow management.

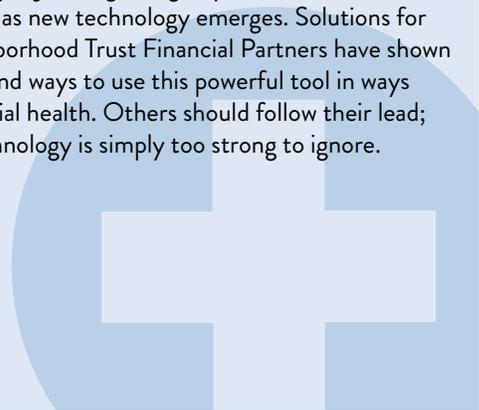
Based on clients' responsiveness, it can be concluded that underserved workers are open to a tech-based intervention, even if it is a mobile-only intervention. While NTFP's strategies proved effective in persuading users to sign up, the program faced challenges during the beta in getting users to engage further by, for example, providing their bank account information or identifying financial goals. The team continues to iterate on new versions of PayGoal, digging deeper into factors that can improve cash flow management, and develop strategies to boost ongoing engagement.

What does it mean for the field?

Technology opens up new paths to enhance and scale financial health programs. Not every client will adopt tech tools, but for many, they can offer a type of engagement that suits their needs and leads to greater overall impact. And for providers—especially nonprofits with tight budgets—tech can help to increase efficiency and reach more clients without necessarily losing impact.

As with all programs or offerings, providers need to think carefully about how to introduce tech in ways that resonate with clients and encourage continued usage over time. An iterative approach is essential to this process; providers should work to continually evolve these tools to ensure they are a good fit for clients.

The tech opportunity is just beginning to present itself, and it will continue to develop as new technology emerges. Solutions for Progress and Neighborhood Trust Financial Partners have shown that providers can find ways to use this powerful tool in ways that promote financial health. Others should follow their lead; the potential of technology is simply too strong to ignore.





Appendix: Grantees of the Financial Capability Funds

Borrow Less Tomorrow

In partnership with Innovations for Poverty Action, Clarifi, a credit counseling agency based in Philadelphia, created the Borrow Less Tomorrow (BoLT) program. BoLT explored the most effective ways to improve consumers’ repayment behaviors. The program sought to address consumers’ present bias and limited attention, which can cause consumers to deprioritize long-term financial goals.

As a part of BoLT, Clarifi sent text messages of varying frequency and content to clients reminding them to stick to their long-term debt management plans (DMP). Clarifi sent text reminders to over 500 clients and compared their repayment behavior to that of a control group of a comparable size. On average, study participants had over \$27,000 in debt and made planned payments of \$580 per month to repay creditors. Reminders varied in frequency (two or four times a month) and approach (goal-oriented - e.g. “your payment will help you reach your financial goals” - or task-oriented - e.g. “your payment is due on X date”).

BoLT’s social accountability component made use of participants’ family and friends, who could be contacted if the client failed to keep to their repayment plan.

Clarifi’s BoLT pilot ran from March 2011 to July of 2013. The project received funding from the Center for Financial Services Innovation’s Financial Capability Innovation Funds. A partnership with a collaborative of funders led by the Citi Foundation, the Funds provided support to innovative projects designed to help low-income and underserved consumers adopt positive financial behaviors.



Clarifi asked:

- » Can text message reminders impact consumers’ debt-repayment behavior?
- » What kind of messages are most effective and how frequently should they be sent?
- » Does social accountability motivate clients to stay on track toward financial goals?

Clarifi learned:

- » Low-frequency, task-oriented messages were most effective in driving positive repayment behavior. Clients receiving these messages were 8% more likely to have met their scheduled payment amount (or to have completed their DMP) in any given month than clients who received no reminder messages. Results were statistically significant.
- » Take-up of the social accountability mechanism was low and had no significant relationship with improving consumers’ debt-repayment behavior.

Future Applications

Sending smart text reminders is an inexpensive and effective strategy for financial services providers to keep their customers engaged and on track towards long-term goals. Providers can apply the low-cost service to a wider audience and investigate its applicability to areas besides debt repayment.

Peer support can still be a viable way to encourage healthy financial behavior but providers may need to further experiment to design a program that would work for their customers. In particular, the sensitivity of personal finance information may make participants hesitant to involve friends and family.



Clarifi

Originally called the Consumer Credit Counseling Service, the organization changed its name to Clarifi in 2012 to signal its expanded mission in the face of an increasingly complex financial services world. It now offers such services as college planning, mortgage counseling and debt management plans as well as its more traditional credit counseling. The organization currently has over a dozen locations servicing the Greater Philadelphia area and maintains a rich network of partnerships with nonprofits, financial institutions, schools and government entities to facilitate the spread of financial literacy in the community. Clarifi is a member of the National Foundation for Credit Counseling and is accredited by the Council on Accreditation of Service for Families and Children Inc.

To learn more, visit clarifi.org.

The Financial Capability Innovation Funds

The Financial Capability Innovation Funds were supported by a collaborative of funders led by the Citi Foundation and also including Bank of America, the Capital One Foundation, Charles Schwab Bank, Charles Schwab Foundation, Experian, Morgan Stanley, NYSE Euronext Foundation, US Bank, and Visa.

From 2010-2012, the Center for Financial Services Innovation selected thirteen cutting-edge projects to receive \$4 million total in grant support, from among 373 applications totaling more than \$107 million in requests.

To learn more, visit cfsinnovation.com/Financial-Capability-Innovation-Funds.

“CollegeSet Facebook application” by Juma Ventures

Can social media gamification and peer-to-peer interaction drive positive savings behavior among youth?

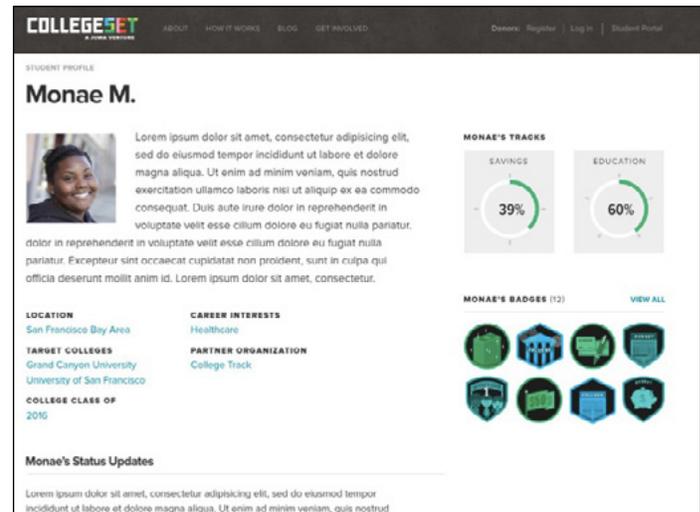


CollegeSet

Juma Ventures is a San Francisco-based youth development organization dedicated to helping low-income high school students save for and complete a four-year college degree. Through its CollegeSet program, Juma has opened accounts for more than 2,000 low-income students who have cumulatively saved \$2 million for higher education. The program is conducted in partnership with youth development organizations across the country that deploy CollegeSet for students in their local community.

In partnership with JMS, a Berkeley-based design studio, Juma expanded CollegeSet to develop a Facebook application and two-way text messaging system to keep CollegeSet students motivated to continue saving toward a goal of \$500. CollegeSet.org is designed to model a game-like environment with rewards, encouragement and peer-to-peer interaction through integration with the Facebook app. The application features elements of group-based financial counseling - goal setting, regular feedback and positive peer pressure - to hold participants accountable to their goals.

The project received funding from the Center for Financial Services Innovation’s Financial Capability Innovation Funds. A partnership with a collaborative of funders led by the Citi Foundation, the Funds provided support to innovative projects designed to help low-income and underserved consumers adopt positive financial behaviors.



Example of student’s CollegeSet profile

Juma asked:

- » Would adding a gamification app, social media integration and a two-way text messaging system increase student engagement and drive higher savings in a youth college IDA savings program?
- » Does participation in the engagement features have an effect on financial capability and savings?

Students achieved an average:

- » 24% increase in dollar amount saved
- » 17% increase in the number of students who set savings goals
- » 17% increase in the number of students reaching their \$500 savings goal
- » 26% increase over the prior year in the number of students who monitor weekly or monthly spending

Juma learned:

- » Data suggests that the app and text-messaging system may have had a positive impact on savings behavior. After their rollout, students saved an average of \$309 during a two-month period, a 24% increase from the baseline set in the previous year.
- » Students made an average of 5.1 deposits into their accounts, as compared to 1.8 deposits in the prior year.
- » Post-program survey data showed a 26% increase over the prior year in the number of students who monitor weekly or monthly spending, and a 17% increase in the number of students who set savings goals.
- » Juma also saw a 17% increase in the number of students reaching their \$500 savings goal.
- » In addition, 94% of students said they were much more or somewhat more confident in their ability to save each month for college after being in the enhanced CollegeSet program.

Future Applications

Overall, uptake of the social media features was mixed. Students showed an interest in viewing others' profiles but a hesitance to share their own accomplishments. The ability to be able to view and track ones' own progress was recognized by survey respondents as a positive feature, even if many students were not actively using it.

In its evaluations, Juma found that use of the online tools was affected by the students' relationships with CollegeSet providers. When students had already established a good relationship with the program and staff, they tended to be more engaged with the online and social media components of the program.

Juma's CollegeSet application was designed to be scalable, allowing the organization to offer it to its current and future CollegeSet partners. Importantly, student usage of different social media platforms varied widely during the pilot, revealing the need to create a more adaptable app able to serve multiple platforms. This will ensure the tool's continued accessibility and relevance as the program continues to grow.

Self-Reported Benefits to Activity on CollegeSet

Those who have viewed a student profile (n=68)	Count	Percent
I like being able to <i>view and track my progress</i>	56	82%
I like <i>searching for other students</i> who share my college goals and interests	25	37%
I like being able to <i>track other students' progress</i>	20	29%
I had trouble finding my profile and/or other students' profiles	13	19%
I enjoyed being able to <i>see others students' biographies</i>	1	2%



Juma Ventures

Based in San Francisco, Juma Venture's mission is to help break the cycle of poverty by ensuring that young people complete a four-year college degree. Founded in 1993, Juma Ventures became the first nonprofit organization to own and operate a commercial franchise, a Ben and Jerry's Scoop Shop that provided jobs to homeless youth.

Over the past 20 years, Juma has transformed into a national, award-winning youth development program serving more than 1,200 low-income students in six cities — New Orleans, New York, Oakland, San Diego, San Francisco and Seattle. Juma's program combines employment in social enterprises, college preparation, and financial asset building to create a safe, supportive community where low-income youth can achieve their dreams of a college education.

To learn more, visit juma.org.

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“Just Right” Small-Dollar Credit Products by Center for Community Self-Help



What features of a small-dollar credit product intended for traditionally underserved borrowers will promote responsibility and sustainability?

The “Just Right” Small-Dollar Credit Products

Center for Community Self-Help’s (Self-Help) “Just Right” line of small-dollar credit (SDC) products was designed to test features of SDC products offered to clients as affordable and safe credit options. It was made available alongside the many small-dollar products that Self-Help already provides. The organization offered the “Just Right” term loan and “Just Right” line of credit—products that provided customers with up to \$1,000 in borrowing capacity—through its network of 19 California Self-Help Federal Credit Union branches. Self-Help employed traditional, streamlined and alternative underwriting methods in issuing loans, with the goal of uncovering the most cost-effective methods to responsibly assess borrowers’ ability to repay a loan.

Self-Help used the “Just Right” products to test the effectiveness of two features designed to promote successful borrower outcomes. A number of line of credit borrowers were given the choice to enroll in a repayment program with the default repayment rate set higher than the minimum to encourage faster repayment of outstanding balances. Borrowers who took out the term loan were given access to mechanisms to support savings such as having a portion of each monthly payment be deposited into a savings account or making commitments to begin saving when the loan was fully paid back. Self-Help worked with Innovations for Poverty Action to conduct a randomized evaluation of the impact of these added features

The project received funding from the Center for Financial Services Innovation’s Financial Capability Innovation Funds. A partnership with a collaborative of funders led by the Citi Foundation, the Funds provided support to innovative projects designed to help low-income and underserved consumers adopt positive financial behaviors.

Self-Help asked:

- » How can providers balance accessibility, sustainability and responsibility in designing SDC products?
- » Do behavioral features encouraging accelerated repayment and savings help to yield improved customer performance?
- » Can alternative underwriting methods yield more cost-effective ways of assessing a consumer’s ability to repay?

Self-Help learned:

- » Take-up of the “Just Right” products was modest during the 15-month pilot. Self-Help believes that gaining greater buy-in from frontline staff and reducing operational complexity would have helped to boost applications.
- » The level of loan originations is explained in part by a relatively low application approval rate. This may in part be due to Self-Help’s underwriting criteria to gauge applicants’ ability to repay the loan. Using this criterion, Self-Help determined that the vast majority of applicants could not afford to take out small-dollar loans.
- » Despite the overall low approval rate for Just Right loans, the streamlined and alternative methods of underwriting did serve to increase credit access for credit-worthy borrowers. A significant portion of clients received loans for which they would not have qualified had they only been subjected to the standard method of underwriting.

- » Nearly half of borrowers had not previously been members of the credit union, creating an opportunity for Self-Help to build relationships with new clients.
- » Term-loan borrowers showed an interest in the savings features, with over a third of borrowers accepting the features offered to them; however, actual use of the features appears to be low, with few borrowers utilizing the special sub-accounts created for them (though data suggests that some eligible borrowers may have made savings contributions in general savings accounts with Self-Help).

Just Right results:

- » Nearly half of borrowers were new clients.
- » The streamlined methods of underwriting increased credit access for credit-worthy borrowers.
- » Numerous clients received loans for which they would not have qualified under a standard method of underwriting.
- » Greater buy-in from frontline staff and reducing operational complexity would have helped to boost applications.

Future Applications

The pilot provided the credit union with useful lessons that are informing the organization's other similar small-dollar credit products, which include an offering designed to cover fees for naturalization and Deferred Action for Childhood Arrival applications. These lessons include the importance of engaging frontline staff, small-dollar credit's role in client acquisition and the increase in access stemming from the use of multiple underwriting methods to ensure loan affordability.



"Just Right" SDC Products were made available through 19 California Self-Help Federal Credit Union branches.



"Just Right" products tested the effectiveness of two features: a default repayment rate set higher than the minimum, and a savings feature.



Center for Community Self-Help

Center for Community

Self-Help is based on a firm belief in the power of ownership to safeguard families' financial security and strengthen our communities. The organization began in the 1980's by offering innovative micro-loans to small North Carolina businesses. Building on this success, it moved into the home loan market and eventually commercial real estate development. In 1999, the organization helped pass a predatory lending reform law in North Carolina. Three years later, Self-Help founded the Center for Responsible Lending to combat this problem on a national scale. After 35 years, Self-Help is still dedicated to providing affordable banking services to those who need it most and, through its two credit unions, currently serves over 130,000 people across the US.

To learn more, visit self-help.org.

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“Lending Circles” by Mission Asset Fund

Can social lending programs help consumers build credit scores and transition to the financial mainstream?

Lending Circles

Mission Asset Fund’s (MAF) Lending Circles provides a zero-interest loan to help consumers build credit and access an affordable small-dollar loan. This social lending program is designed to help low-income consumers build credit and transition into the financial mainstream. The program is supported with product-specific, mobile-accessible financial education that provides participants with information on a variety of topics, including building credit.

Lending Circles is based on an informal saving/lending practice common in many different immigrant communities. Participants take an online financial training class before joining a Lending Circle. Most Lending Circles have 10 participants for a loan of \$1,000. All participants make the same monthly loan payments ranging from \$50 to \$200. The first month, one participant receives \$1,000. And each month after that, the next borrower in line receives the loan until everyone gets a chance. In partnership with Citi, MAF processes the loans and distributes payments electronically. The organization records and reports monthly activity to major credit bureaus, helping participants build credit. MAF received funding from the Center for Financial Services Innovation’s Financial Capability Innovation Funds to evaluate the program. A partnership with a collaborative of funders led by the Citi Foundation, the Funds provided support to innovative projects designed to help low-income and underserved consumers adopt positive financial behaviors.



LendingCircles



Mission Asset Fund asked:

- » How does participation in Lending Circles impact a person’s debt levels and credit scores?
- » How does financial education in addition to Lending Circles participation impact consumer behavior and credit score?

Mission Asset Fund learned:

- » On average, clients increased credit scores by 168 points by participating in a 10-month Lending Circle. This includes people going from no score to having a credit score.
- » Lending Circles was most transformative for consumers that started with thin or no credit. 72% of those that started with thin or no credit had a score of prime or better by the end of the first Lending Circle.

- » On average, clients decreased debt by \$1,000 during their tenure in Lending Circles.
- » Participating in financial education in addition to Lending Circles increased clients’ credit scores outcomes by an additional 27 points when compared to clients that participated in the Lending Circle without the accompanying financial education.
- » Loan default rate in the Lending Circles program was less than 1%. Despite the low default rate, MAF secures each of the loans in case of default.

Lending Circles clients on average:

- » increased credit scores by 168 points
- » decreased debt by \$1,000
- » increased credit scores by 27 points

Future Applications

The Lending Circles model has shown great potential for improving credit scores for consumers, especially those with thin or no credit. The program suggests stronger success when it is paired with financial education. These results hold promise for helping consumers access mainstream credit options such as credit cards or auto loans. The model also allows for a large degree of specialization. For example, MAF's Lending Circles for Citizenship program enables immigrants to form peer lending groups to save for citizenship application fees while accessing a 25% matching contribution.

After completing its evaluation, MAF received a follow-on grant from the Financial Capability Innovation Fund to build an online client acquisition and servicing platform to allow other organizations to replicate the program. To date, over 45 organizations in 14 states now offer Lending Circles with the help of MAF.



Mission Asset Fund

Mission Asset Fund (MAF) is a nonprofit organization dedicated to helping low-income, financially excluded consumers enter the mainstream financial system. Its vision is to create

a fair financial marketplace for hardworking people.

MAF is expanding Lending Circles and other loan products throughout the U.S. The organization is building a network of nonprofit providers across the country to help build a brighter future for the millions of people who live in the financial shadows.

To learn more, visit missionassetfund.org or lendingcircles.org.

Read the full evaluation report at <http://bit.ly/20jgwt8>.

The Financial Capability Innovation Funds

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From 2010-2012, the Center for Financial Services Innovation selected thirteen cutting-edge projects to receive \$4 million total in grant support, from among 373 applications totaling more than \$107 million in requests.

To learn more, visit cfsinnovation.com/Financial-Capability-Innovation-Funds.



Lower Interest For Timeliness

Filene’s LIFT (Lower Interest For Timeliness) program offered interest rate reductions to borrowers who made timely loan payments. Five credit unions enrolled over 1,000 subprime auto borrowers in the LIFT program, which rewarded every three on-time auto loan payments with an APR reduction of .25%. Filene monitored the impact of this positive incentive on repayment behavior over the course of a year. Through LIFT, Filene also investigated the relationship between lower interest rates, reduced delinquency and customer relationships.

The project received funding from the Center for Financial Services Innovation’s Financial Capability Innovation Funds. A partnership with a collaborative of funders led by the Citi Foundation, the Funds provided support to innovative projects designed to help low-income and underserved consumers adopt positive financial behaviors.

LIFT Lower Interest For Timeliness

Lower your interest. ✓

We believe in rewarding good behavior. That's why the LIFT program helps members like you lower their interest rate over the course of a loan just for paying on time. It's simple. All you have to do is pay your monthly loan payments on time for a year. That's it! And you can do it again the following year and the next year... for the full term of your loan. Over the term of your loan, this could mean big savings for you!

Improve your credit. ▲

It's no secret. Making monthly payments on time is one of the most important steps in raising a credit score. Each member's financial situation is unique, but there's no doubt that participating in LIFT is a great way to build good financial habits.

"Lift worked for me. I paid my 4-year auto loan on time and saved X percent over the life of my loan while improving my credit score at the same time!"

Terry O'Shea, Burlington, VT

Questions? Let's talk **888-252-0202**

LIFT

Rewarding
good behavior

YOUR CREDIT UNION
LOGO GOES HERE

Filene asked:

- » Are positive incentives (e.g. lower interest rates) an effective tool for encouraging more consistent repayment behavior?
- » How does LIFT affect the relationship between borrower and lender?

LIFT borrowers:

- » Made late payments at a lower rate
- » Had stronger positive attitudes about their lender

Filene learned:

- » LIFT borrowers at three of four participating lenders had lower rates of making a late payment than the control group; this was statistically significant at two sites where reductions were 12% and 16%, respectively.
- » Rate of missing two or more consecutive payments was slightly lower among LIFT borrowers at all sites; these results, however, were not statistically significant.
- » LIFT borrowers had stronger positive attitudes toward their lender, even controlling for loan terms, fees and penalties.

Future Applications

By rewarding consistent repayment behavior among borrowers, LIFT and similar programs have the potential to improve borrowers' credit scores and overall financial health. In addition to attaining the cost benefits of lower delinquency rates, participating financial service providers can also improve relationships with their customers by providing positive incentives for timely repayment. A survey of borrowers indicated less than half (approximately 40%) of borrowers who had LIFT loans were aware of the interest-rate incentive, creating an opportunity to increase impact with a targeted marketing approach aimed at sustained consumer awareness.

These early findings should prompt other financial services providers to experiment with the power of positive incentives to improve borrower behavior. For its part, Filene added the LIFT concept to its Accessible Financial Services Incubator based on the program's initial success. The organization notes that there are several aspects of the program that are worthy of further exploration. For example, it is unknown how borrower behavior might change over longer periods of time or in the context of different types of loans. Collecting more detailed information on borrowers and their loans would also help to aid future targeting efforts and clarify the extent of LIFT's effect.



Filene Research Institute

For over 25 years, the Madison, WI-based Filene Research Institute has been dedicated to analyzing the most important issues facing the credit union and consumer finance industry. As a dynamic think tank committed to serious inquiry and original thinking, Filene has published hundreds of pieces of research and currently averages over 30 releases annually. In line with its "Think. Do. Change." motto, the organization also offers market-tested products and services to interested credit unions.

One of the institute's most important ongoing projects is the i3 (Ideas, Innovation, Implementation) program, which brings together up-and-coming credit union executives to develop creative approaches to some of the industry's toughest problems. The program has produced over 150 industry innovations, including LIFT, since its start in 2004.

To learn more, visit filene.org.

Read the full evaluation report at <http://bit.ly/1K4czD5>.

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“LIFT-UP” by National League of Cities

Can municipalities create interventions that effectively connect consumers with resources for building financial health?

LIFT-UP

LIFT-UP (Local Interventions for Financial Empowerment through Utility Payments) is a multi-city initiative overseen by the National League of Cities’ (NLC) Institute for Youth, Education, and Families designed to provide financial counseling to delinquent utility customers. Under the program, missed utility payments are used as a means of proactively identifying customers in need of assistance. Households identified by the program are offered favorable terms (e.g. lower monthly payments, new billing dates, or waived fees) to get current on utility bills, as well as financial counseling to help solve deeper financial troubles.



Payment reminder card distributed to LIFT-UP clients in Savannah, GA

LIFT-UP was implemented in five different cities - Newark, NJ; Savannah, GA; St. Petersburg, FL; Houston, TX; Louisville, KY- and was administered jointly through partnerships between nonprofit and municipal agencies. NLC and participating municipalities worked to improve the financial health of utility customers along with their repayment rates, making LIFT-UP a win-win for both consumers and utility companies.

The project received funding from the Center for Financial Services Innovation’s Financial Capability Innovation Funds. A partnership with a collaborative of funders led by the Citi Foundation, the Funds provided support to innovative projects designed to help low-income and underserved consumers adopt positive financial behaviors.

NLC asked:

- » Can city leaders utilize new approach to address family indebtedness by aligning local financial empowerment services with municipal debt collection practices?
- » What mix of incentives or sanctions would be most effective in encouraging families to participate in financial empowerment activities when faced with unpaid debts to cities?
- » Which specific products and services would have the greatest potential for helping low-income families pay debts and build assets?
- » Will the intervention provided by LIFT-UP lead to lasting changes in consumers’ financial behaviors and health?
- » Can utility payments be used to identify households in financial distress?

NLC learned:

- » Participants made positive behavioral changes that reduced water service shut-offs in Houston and St. Petersburg, and significantly fewer shut-off fees in three of the other cities.
- » Water bill balances were reduced for participants in Newark and Houston. Newark participants made more frequent payments.

- » There was strong evidence of demand for LIFT-UP; over 300 participants enrolled.
- » Higher take-up rates were seen in cities that employed direct telephone outreach, such as St. Petersburg.
- » Infrastructure hurdles stemming from variations in city utility data systems caused launch problems in several cities.
- » Each city required a different approach, which yielded findings about best practices, trends, etc. For instance, Louisville conducts screenings with clients at an earlier stage in the process than the other cities, which NLC thinks may be a significant factor in the city’s strong retention rate.

LIFT-UP results:

- » **Participants made positive behavioral changes that reduced water service shut-offs.**
- » **Water bill balances were reduced.**
- » **High participation levels indicated strong demand for LIFT-UP.**

Future Applications

When it comes to government-nonprofit partnerships, there is no one-size-fits-all approach. In implementing the LIFT-UP program, NLC was confronted with many challenges specific to each municipality and its respective partner organization(s). However, the unique characteristics of each site also allowed for a degree of experimentation, which helped NLC identify potential best practices or common hurdles.

NLC and the municipalities it is working with both consider the pilot to have been a valuable learning experience, and recently received funding to continue and expand the program based on the lessons learned from the recent pilot phase. LIFT-UP continues to generate interest from other cities looking to implement similar programs, as well as interest from foundations and media outlets.



National League of Cities

NLC is dedicated to helping city leaders build better communities. Working in partnership with the 49 state municipal leagues, NLC is a resource and advocate for 19,000 cities, towns and villages, representing more than 218 million Americans.

NLC's Institute for Youth, Education, and Families helps municipal leaders take action on behalf of the children, youth, and families in their communities. NLC launched the YEF Institute in January 2000 in recognition of the unique and influential roles that mayors, city councilmembers, and other local leaders play in strengthening families and improving outcomes for children and youth.

To learn more, visit nlc.org.

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MAGIC Mojo

Piggymojo built an online and mobile tool that uses goal visualization, social sharing and mobile technology to help savers turn impulse buys into “impulse saves.” Piggymojo partnered with OneWest Bank and NBA Hall of Fame player Magic Johnson to launch MAGIC Mojo, a savings feature for the reloadable prepaid MAGIC card. The MAGIC Mojo savings feature enabled cardholders to save money toward their financial goals by sending text messages when they chose to make an impulse save rather than an impulse buy (e.g. choosing to save \$3 instead of buying a coffee). MAGIC Mojo users also had the option to enroll in an automatic savings plan to help reach their goal. An evaluation of the pilot was conducted by the UNC Center for Community Capital. The project received funding from the Center for Financial Services Innovation’s Financial Capability Innovation Funds. A partnership with a collaborative of funders led by the Citi Foundation, the Funds provided support to innovative projects designed to help low-income and underserved consumers adopt positive financial behaviors.



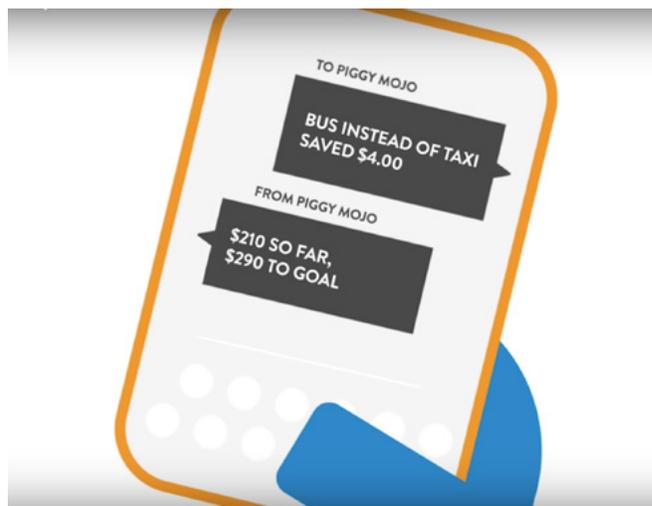
Piggymojo asked:

- » Can an impulse savings tool help build consumer savings?
- » What are the benefits of impulse vs. automated savings features?
- » How do savings features affect prepaid card use?

Piggymojo learned:

- » Over the 19-month period of study, 1,415 MAGIC Mojo users made 2,748 saves for a total of \$61,000.
- » MAGIC Mojo was commonly used to help consumers manage unexpected expenses. 36% of MAGIC Mojo users identified “emergency fund” as their reason for saving.
- » Approximately 51% of withdrawals from savings were for either an “unexpected emergency expense” or “to pay household expenses or bills,” regardless of the cardholder’s savings goals.
- » Just over 70% of total successful saves during the pilot were moved as part of an automated and recurring transfer.
- » While automated deposits occurred more often than impulse saves, they were typically smaller than savings deposits made on impulse.

- » Consumers that combined both savings methods (automated and impulse) saved more often and at a higher amount than users that relied on one method alone.
- » MAGIC Mojo users showed much stronger usage of the MAGIC Card, suggesting a potential link between savings features and prepaid card engagement: 60% of MAGIC Mojo users activated and funded prepaid cards compared to only 8% of non-MAGIC Mojo users. The average MAGIC Mojo user kept their card open for 143 days vs. 68 days for non-MAGIC Mojo users.



Future Applications

The MAGIC Mojo pilot demonstrates that encouraging consumer “impulse saves” instead of impulse buys, and reframing savings behavior as a rewarding opportunity, can result in increased savings activity and deeper customer engagement.

Although OneWest Bank ultimately decided to stop offering the MAGIC Card in 2014, the pilot project yielded valuable findings for providers who may want to explore offering impulse savings features to other prepaid cards or checking accounts. Additionally, the project’s findings on consumers’ priorities in savings (emergency expenses, vacations, purchases) and reasons for withdrawals (emergency expense, household expenses or bills) can help providers structure savings products that fit with consumers’ needs.



Piggymojo

Piggymojo is a web and mobile-based service that helps consumers save for their goals on-the-spot, when they are most tempted to spend. The tool is a response to difficulties many consumers have sticking to a budget and meeting their savings goals. Piggymojo has redesigned the experience of saving money so that it is fun, effective and rewarding. The company’s method of impulse saving – combining goal visualization, social dynamics and mobile technologies – has been featured in American Banker, Parenting Magazine, Fox Business, CBS Moneywatch and Yahoo Finance.

To learn more, visit piggymojo.com.

Read the full evaluation report at <http://bit.ly/1NpFPQQ>.

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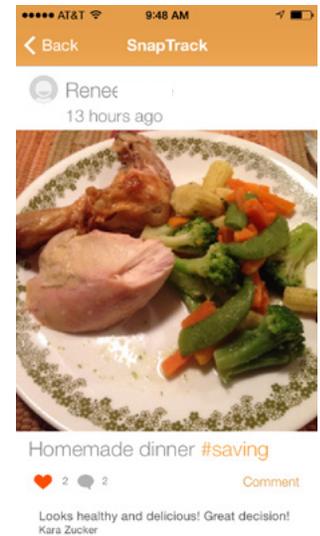
cfsinnovation.com/Financial-Capability-Innovation-Funds.

MoneythinkMobile

Moneythink pairs college student mentors with high school student mentees to provide coaching on sound financial management. Since its founding in 2009, Moneythink has scaled to 30 universities across 17 states, reaching nearly 10,000 students.

Moneythink developed a new mobile app, MoneythinkMobile, to supplement its program and engage participating students beyond one-hour-per-week mentoring sessions. The app sets up a series of challenges students complete outside of the classroom – for example, logging moments in which they saved or decided not to spend money. The app’s social media elements also enable students and mentors to “like”, comment, and add emojis and hashtags when their peers make posts related to their challenges.

The project received funding from the Center for Financial Services Innovation’s Financial Capability Innovation Funds. A partnership with a collaborative of funders led by the Citi Foundation, the Funds provided support to innovative projects designed to help low-income and underserved consumers adopt positive financial behaviors.



Example of student’s “Snaptrack” saving moment

Moneythink asked:

- » Can Moneythink increase students’ awareness of their own financial behaviors through a mobile platform?
- » Can the platform have an impact on future financial behavior and decision-making?
- » Will real-time feedback and comments on students’ financial choices through the mobile app deepen the mentee-mentor bond and drive greater impact?
- » Will the app facilitate and improve the work of Moneythink’s mentors?

Moneythink learned:

- » Students said the app helped them become more mindful about spending and savings opportunities. Survey data from students before and after the initial pilot revealed an increase in the number of students who felt empowered to control their own finances (10% to 15%) and an increase in the number of students who budget (65% to 70%).
- » Students who completed one challenge were highly likely to complete multiple other challenges. In Moneythink’s initial pilot, 67% of students who completed one challenge went on to complete another. The most popular challenge was “Snaptrack”, a feature encouraging users to take pictures reflecting spending/saving moments and post them to a feed shared with classmates.

- » Students received affirmation from their classmates via “likes” and comments – posts received an average of 2.3 “likes” - and found it to be an engaging element of the app experience. Moneythink found a correlation between the number of likes/comments a student received and the overall number of challenges they completed.
- » In the most recent pilot in the 2014-2015 school year, Moneythink saw students save over \$6,500 with the help of the app. Each time a student used MoneythinkMobile to share how he or she saved money, they saved an average of \$12-\$13.
- » Through the blended learning program, involving near-peer mentors and the Moneythink app, 30% of students who didn’t previously save became regular savers, 22% of students became more mindful spenders, and 20% of unbanked students opened bank accounts.

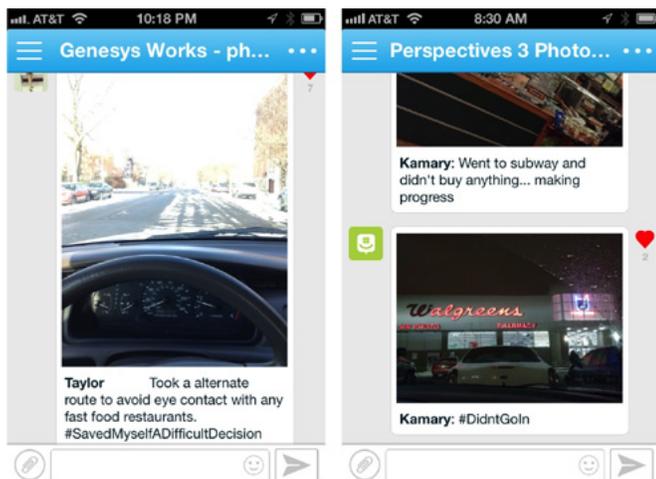
MoneythinkMobile results:

- » An increase in the number of students who felt empowered to control their own finances and of students who budget
- » The most popular challenge was “Snaptrack”
- » Students saved over \$6,500 with the help of the app
- » 30% of students who didn’t previously save became regular savers

Future Applications

Following the positive pilot experience, Moneythink further developed its app and program by adding a more robust training curriculum, expanding functionality for both Android and iOS smartphones, and modifying the challenge rooms to accommodate more photo-centric challenges and challenge-specific interactions.

After seeing encouraging traction in the initial pilots, Moneythink began partnering with other youth-serving organizations and providing them with Moneythink's technology in order to enhance the partners' own financial education programs. In addition to MoneythinkMobile, Moneythink built and offered the Moneythink "Partner Portal" where partners can customize the app content to the needs and desires of their students. Moneythink is also exploring the application of its technology in specific educational settings, including college readiness courses, youth summer employment, and financial education for low-income college students.



Examples of students' "Snaptrack" saving moments



Moneythink

Moneythink recruits and trains college student volunteers to serve as role models, mentors, and financial coaches to low-income teens in high school. In partnership with schools and community organizations, volunteers lead 11th-and-12th-graders through a 21-week program focused on the real-world financial decisions that young people face. To date, Moneythink has trained 969 college volunteers to provide financial mentoring to more than 7,300 students.

To learn more, visit moneythink.org.

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MyBudgetCoach

MyBudgetCoach (MyBC), operated and distributed by Solutions for Progress (SfP), is an online platform designed to complement and enhance existing financial coaching programs. MyBC provides a turnkey way into financial coaching for organizations not currently offering that service. MyBC coaching sessions are held either remotely or in-person. When delivered remotely, the coach shares their screen with the participant as they review session content. In between coaching sessions, all participants utilize the MyBC online service to complete homework assignments, track expenses and income, and update progress in completing savings, debt and other financial goals. Through a system of automated alerts and real-time access to client information, coaches are fully equipped to offer support in-between meetings at critical moments when clients may need a nudge to get or stay on track for success.



MyBC member and her new car purchased using the MyBudgetCoach goal tracker

SfP, in partnership with the Ohio Association of Foodbanks, launched a pilot project in the spring of 2014 to test MyBC’s impact on clients’ financial behavior and financial health. The study also seeks to understand the differences in outcomes between those receiving remote financial coaching exclusively and those working in-person with a coach. The pilot is being evaluated by the Center for Financial Security (CFS) at the University of Wisconsin- Madison.

The project received funding from the Center for Financial Services Innovation’s Financial Capability Innovation Funds. A partnership with a collaborative of funders led by the Citi Foundation, the Funds provided support to innovative projects designed to help low-income and underserved consumers adopt positive financial behaviors.

Solutions for Progress asked:

- » Can an online financial coaching platform help clients improve their financial health as much as in-person coaching?
- » Can technology make financial coaching more cost-effective while yielding the same or better results as in-person interventions?

Solutions for Progress learned:

- » In an interim report, as of July 2015, over 300 MyBC pilot participants have saved almost \$90,000 and paid down over \$54,000 in debt.
- » By the fifth coaching session, 100% of all MyBC participants were using a budget. For both online and in-person users there was a 223% increase compared to intake (for online-only users there was a 300% increase compared to intake).
- » For those clients completing at least five sessions, the number of remote and online participants paying late fees decreased by almost 50% (for online-only participants the decrease is 66%).

- » The vast majority of MyBudgetCoach users improved their Financial Capability Scale (FCS) scores after five sessions. However, the online-only group posted a greater improvement in its score than the pilot group as a whole (49% to 41%, respectively).
- » Preliminary findings from the pilot show the number of all participant types reporting they were “very confident” in their ability to achieve a financial goal increased by 68% with use of MyBC.

MyBC interim results:

- » Over 300 pilot participants saved almost \$90,000 and paid down over \$54,000 in debt.
- » The number of participants paying late fees decreased by almost 50%.
- » Online-only users of MyBC had the greatest improvements in the pilot.

Future Applications



A graduate of the MyBudgetCoach program

Impressions of the online interaction were generally positive, and MyBC's early results suggest that remote engagement can replicate, if not improve upon, the results of in-person coaching. Services like MyBC can improve scale potential for financial coaching programs, creating the opportunity to help a greater number of clients achieve financial health.

SfP continues to improve and scale the customizable MyBC platform.

The findings reported in this profile are interim and additional information on the impact of MyBC is forthcoming. In 2014, the organization partnered with the Association for Financial Counseling Planning and Education to create a version of MyBC called AFCPE Achieve. The Achieve platform is available for use by AFCPE's national network of accredited financial counselors as an additional tool to engage clients and monitor their progress between sessions. SfP continues to find new distribution partners while using results from the evaluation to guide further enhancement of the platform.

Solutions for Progress

Philadelphia-based Solutions for Progress, a registered Benefit Corporation, combines technology and public policy expertise with a commitment to community outreach to deliver practical, cloud-based services to directly assist low- and moderate income individuals and families to move sustainably out of poverty. In addition to MyBudgetCoach, SfP offers The Benefit Bank, a cloud-based benefits eligibility screener, benefits application filer and IRS-certified tax assistance and filing service. Since 2006, The Benefit Bank has helped over 550,000 households access more than \$1.8 billion in financial assistance in the form of work and income supports.

To learn more, visit mybudgetcoach.org or solutionsforprogress.com.

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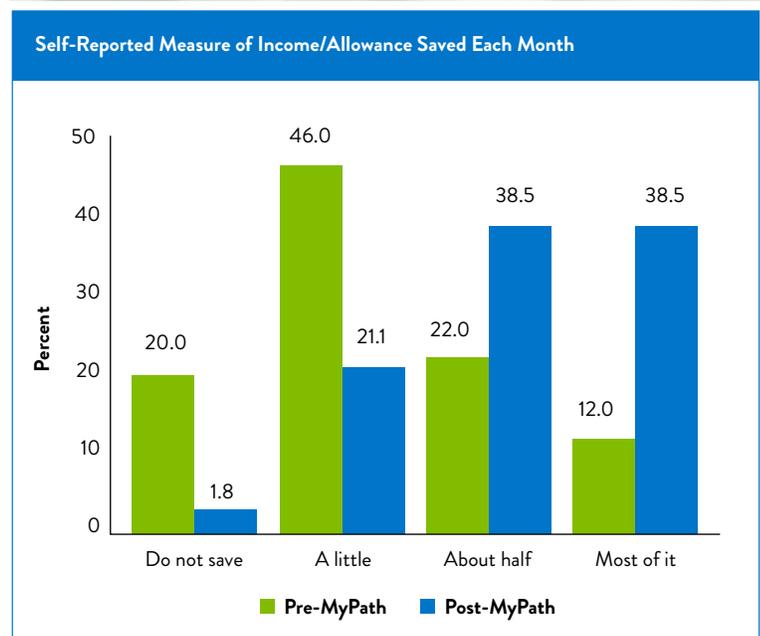
“MyPath Savings” by MyPath

Can an online platform improve the scalability of a financial health program?

MyPath Savings

MyPath partners with workforce development programs and financial institutions to help young adults improve their financial health. The MyPath Savings program engages youth when they are earning their first paychecks – a strategic time to establish sound financial habits – and provides them access to financial products, actionable guidance and incentives to meet personal savings goals. The program has achieved remarkable results and serves as a proven model for youth banking and savings. In 2011, the approximately 200 youth enrolled in MyPath saved almost \$240,000 in total.

To enhance the scalability of the program, MyPath brought on a team of technologists and youth themselves to design and test an online platform to engage and educate participants. The project received funding from the Center for Financial Services Innovation’s Financial Capability Innovation Funds. A partnership with a collaborative of funders led by the Citi Foundation, the Funds provided support to innovative projects designed to help low-income and underserved consumers adopt positive financial behaviors.



MyPath asked:

- » Can an online platform improve the scalability of a successful youth workforce savings and education program while maintaining successful results?
- » What’s the right mix of technology and in-person interaction to get high-impact results cost-effectively?

MyPath learned:

- » A blended approach of in-person support and online technology was successful in encouraging greater savings among youth. Nearly 100% of participants had savings and spending accounts at the end of the program, and 96% of participants fully met their savings goals.
- » Participants saved a significant percentage of their pay, setting aside 34% of their wages on average, or about \$329 each.

- » Youth-oriented technology can be highly engaging and effective. 70% of participants enrolled in MyPath Online, and 62% of these participants completed the entire online program.
- » Adding brief, peer-led modules boosts outcomes and produces statistically significant increases in financial knowledge, financial self-efficacy and confidence in completing financial tasks.

MyPath Savings results:

- » Participants saved 34% of their pay.
- » Combining in-person support and online technology was the most successful strategy.
- » Youth-oriented technology can be highly engaging and effective, and can benefit from adding brief, peer-led modules.

Future Applications

Since the FCIF pilot, MyPath has expanded its reach. Through a partnership with the city of San Francisco, MyPath provided its youth banking and savings program and its online platform to approximately 1,700 youth enrolled in summer workforce development programs in 2015. MyPath also has engaged four new partner sites and a credit union partner in Nevada to reach over 200 low-income working youth. MyPath Savings has supported youth in San Francisco and Nevada to save over \$1 million dollars.

MyPath is currently working to enhance MyPath Online by adding an adult staff-facing training component, and by making the interactive youth-facing financial activities mobile-friendly. MyPath will leverage this new scalability to identify and reach five new partner cities in the coming year. Since building this highly effective model, MyPath has been working on a national level to connect municipal workforce development agencies and financial institutions to partner to provide best practices in youth financial capability, including integrating the MyPath Savings process and curriculum. MyPath is also working with national partners to reduce barriers to youth-owned savings accounts.



MyPath

MyPath (formerly Mission SF Community Financial Center) has an innovative approach to address the need for economic

mobility in this country. MyPath places low-income working youth and young adults on a path to economic mobility by ensuring they have access to quality financial products, a working knowledge of the financial system, and a peer-based social support system that encourages personal goal-setting and accountability.

MyPath has four central programs for youth ages 14-24: MyPath Savings engages young people in banking and saving, transforming their first paychecks into an economic mobility pathway. MyPath Advocates engages young people in visible leadership roles in local, state and national efforts to improve access to quality financial services and opportunities. MyPath Credit engages young adults in saving and credit-building, transforming their ability to access jobs, housing and quality loans. MyPath Innovation engages youth in the design and testing of new curriculum, including both in-person and online activities. They also provide technical assistance services to support community efforts to integrate youth financial capability into workforce development programs.

To learn more, visit mypathus.org.

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“PayGoal” by Neighborhood Trust Financial Partners

Can a workplace financial counseling program leverage mobile tools to boost the financial health of low-and-moderate income employees?



PayGoal

The PayGoal initiative, powered by Neighborhood Trust Financial Partners (NTFP), aims to guide America’s hardest workers through their monthly cash flow challenges, connecting their wages to their top financial goals. The beta iteration of the PayGoal app is a workplace financial coaching and cash flow management tool that uses mobile technology to guide employees through simple steps aimed at enhancing their resiliency and ability to meet commitments, and to start saving. Neighborhood Trust partnered with prepaid card provider BankingUP to distribute cards to users that do not have a transaction account, but also accommodated users who preferred to bring their own bank product to the experience. PayGoal is integrated into participating employers’ systems and leverages employer trust to onboard users.

The project received funding from the Center for Financial Services Innovation’s Financial Capability Innovation Fund. A partnership with a collaborative of funders led by the Citi Foundation, the Funds provided support to innovative projects designed to help low-income and underserved consumers adopt positive financial behaviors. CFSI paired Neighborhood Trust with the UNC Center for Community Capital to provide research support throughout the PayGoal pilot.

Through the alpha and beta launches, NTFP has learned valuable preliminary lessons about user acquisition and engagement. Neighborhood Trust has observed how a variety of workers interact with messaging, encouragement, content and support addressing a broad set of challenges and goals across a number of pay periods.



PayGoal asked:

- » Will clients activate and engage in a mobile financial services app promoted by employers?
- » Can a mobile app, with the option to be coupled with a prepaid card, lead to improved financial behaviors?

PayGoal learned:

- » In beta, Neighborhood Trust saw a 16% conversion rate from ‘invitations’ to ‘registered users’ which was a higher rate than expected based on NTFP observations of similar financial products, demonstrating clients will engage with mobile financial services when promoted by employers.
- » Over half of PayGoal users were invited and registered via purely digital and/or mobile means, demonstrating that underserved workers are open to this method that has the potential to efficiently reach large numbers of customers at low cost.
- » Timing of the PayGoal invitation was critical for take-up; employers sometimes introduced employees to PayGoal when discussing wage-related issues (e.g. not getting enough hours).

- » The most frequently selected goal was to build an Emergency Fund, an indication of the importance of the PayGoal tool in assisting clients to manage their cashflow and address unexpected expenses.
- » In both the alpha and the beta Neighborhood Trust observed that savings tend to be fluid and dynamic, and frequently leveraged for a specific short-term purpose.
- » While the initial enrollment was solid, overall engagement with the tool was low; only a small number of users interacted with the messaging and even fewer linked PayGoal to their bank account, prompting adjustments from NTFP.

PayGoal results:

- » **16% of invitations converted to registered users.**
- » **The most frequently selected goal was to build an Emergency Fund.**
- » **Users’ savings tend to be dynamic, and leveraged for a short-term purpose.**

Future Applications

Through its alpha, beta, and ongoing pilot versions, PayGoal has served more than 1,200 employees, collecting user feedback to inform future iterations of the tool and address key areas of customer interaction. With each iteration NTFP is working to improve the tool's value proposition and build more trust to give users the confidence to use PayGoal effectively. For example, because users found some PayGoal messaging to be generic when they recommended general actions, NTFP sees a need for more personalized action recommendations or even the next step in which the app takes the action on your behalf. Findings indicate this is what people seem to be more in need of based on the big mental load required of them to manage finances on tight margins.

They are also testing the impact of accrued wages and micro-advances tied to a particular financial commitment to evaluate whether that feature helps solve the user's challenge more thoroughly.

In April 2015, PayGoal was selected to join CFSI's first Financial Solutions Lab cohort, a group of nine financial technology innovators creating solutions for consumers' cash flow management challenges. Utilizing FSL resources such as grant funding and technical consulting, Neighborhood Trust is working to further refine and scale the PayGoal platform to reach larger numbers of employers and end users. Neighborhood Trust is capitalizing on the initial learnings from the PayGoal launches in order take their product to the next level with continued user research and an exploration of workplace connection points. They are also continuing their commitment to a lean and iterative product process optimized to learn about user behaviors in order to identify the best way to serve their cash flow needs at scale.



Neighborhood Trust
Financial
Partners

Neighborhood Trust Financial Partners (formerly Credit Where Credit Is Due) was founded in 1994 in response to the growing financial disenfranchisement of Upper Manhattan. Since that time, the empowerment programs at Neighborhood Trust Financial Partners have provided clients with the products and counseling services they needed to change their financial future. The organization's Financial Empowerment Integration Program is delivered in coordination with Neighborhood Trust Federal Credit Union, a community development credit union, and other community organizations. This ensures that the financial counseling and products offered are trusted, easy to access and delivered alongside other support services.

To learn more visit neighborhoodtrust.org.

The Financial Capability Innovation Funds

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From 2010-2012, the Center for Financial Services Innovation selected thirteen cutting-edge projects to receive \$4 million total in grant support, from among 373 applications totaling more than \$107 million in requests.

To learn more, visit cfsinnovation.com/Financial-Capability-Innovation-Funds.

“SavingsQuest” by Doorways to Dreams

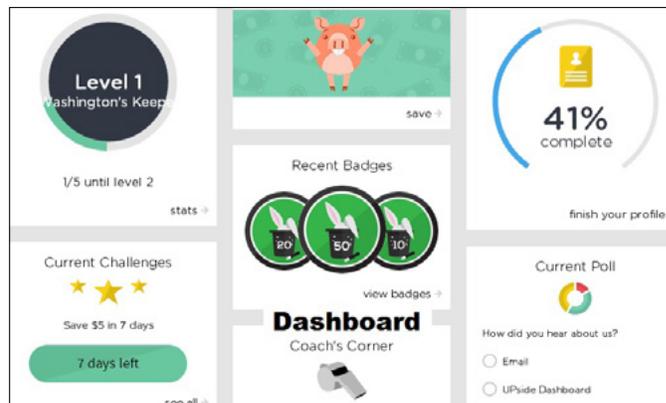
Can a gamification platform encourage prepaid cardholders to save?

SavingsQuest

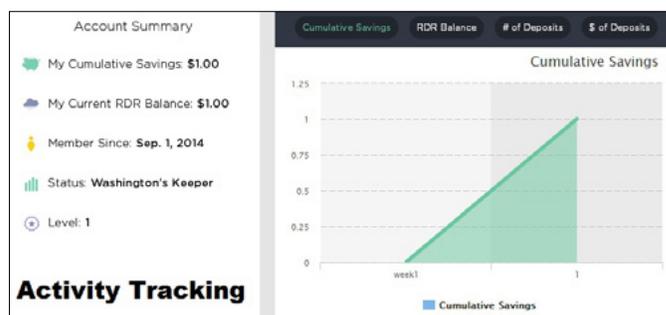
Doorways to Dreams’ (D2D) SavingsQuest tool is an online and mobile platform that uses the principles of gamification to encourage savings among prepaid card users. The product is currently offered in collaboration with BankingUp’s UPSide prepaid card and employs gaming principles such as badges, levels, and challenges to promote savings in the card’s Rainy Day Reserve pocket.

SavingsQuest was inspired by Fitbit and other apps that use gamification to effect positive changes in user behavior. The pilot program has successfully increased savings levels and driven consumer engagement among prepaid card users.

SavingsQuest launched in February of 2015 and the product is still active for UPSide cardholders. The project received funding from the Center for Financial Services Innovation’s Financial Capability Innovation Funds. A partnership with a collaborative of funders led by the Citi Foundation, the Funds provided support to innovative projects designed to help low-income and underserved consumers adopt positive financial behaviors.



Examples of SavingsQuest’s dashboard and activity tracker



D2D asked:

- » How can gamification encourage consumers to save money?
- » What is the most effective way to market a gamified financial management tool to get consumers to engage?
- » Can we design and build a gamified tool, like the many healthcare apps, for the financial sector?

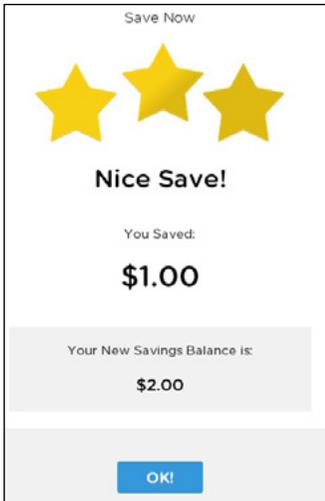
D2D learned:

- » Over 300 users signed up to use SavingsQuest and 83% of them took the extra step of connecting their prepaid account to the platform.
- » In total, SavingsQuest users saved almost \$300,000 during the three-month pilot period.
- » SavingsQuest users saved more in frequency and dollar value than Rainy Day Reserve savers that did not enroll in the platform. Though SavingsQuest users made up only 6% of all RDR users, their combined savings made up almost 12% of total RDR savings.

- » SavingsQuest users made an average of 4.5 savings deposits each month during the pilot compared to the 3.6 average monthly deposits among other RDR savers.
- » One in four SavingsQuest users had not saved in the Rainy Day Reserve fund before signing up for the platform.
- » Direct email was the most effective form of marketing and resulted in over 160 sign-ups in the first two days SavingsQuest was made available. Offering incentives for enrollment, such as opportunities to win prizes, was also useful in boosting user take-up.

SavingsQuest results:

- » Over 300 users and nearly \$300,000 saved
- » SavingsQuest users made more monthly savings deposits on average than non-SavingsQuest users.
- » One in four SavingsQuests users had not saved in the Rainy Day Reserve fund before signing up for the platform.



An example of SavingsQuest's Savings feedback

Future Applications

D2D's pilot strongly suggests that it is possible to build a successful "FitBit for savings." SavingsQuest consumers saved more frequently and in higher dollar value than RDR savers who did not enroll in SavingsQuest. The tool also brought new users to the RDR product and deepened engagement with the UPSide card, an important finding for prepaid card providers who want to increase and extend consumer usage of their products.



Doorways to Dreams

Doorways to Dreams (D2D) Fund is a 501(c)(3) non-profit that strengthens the financial opportunity and security of financially vulnerable consumers by discovering ideas, piloting solutions, and driving innovations to scale. D2D works with the financial services industry, government agencies, national non-profit groups, grassroots community agencies, and public policy organizations to generate promising ideas, pilot test financial products and services, build awareness of the needs and potential of low-income communities, and advocate inclusive social and economic policies. D2D's work has generated Financial Entertainment video games, gamified systems, prize-linked savings products, and tax-time savings innovations.

To learn more, visit d2dfund.org.

Read the full evaluation report at <http://bit.ly/1PnnOuj>.

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“VITA Credit Builder” by Mission Economic Development Agency

Can tax preparation be an effective channel to help clients build credit?



VITA Credit Builder

In 2010, Mission Economic Development Agency (MEDA) launched its Volunteer Income Tax Assistance (VITA) Credit Builder program with the primary goal of helping low-income Latino immigrants establish or improve their credit. VITA Credit Builder proposed to augment MEDA’s VITA program and leverage the tax preparation process as a timely moment to engage clients. VITA Credit Builder helped clients enroll for a secured credit card and use tax refunds to make the necessary deposit. The secured card was provided by MEDA’s financial partner, the Cooperative Center Federal Credit Union.

Clients who received secured credit cards consulted with financial coaches to identify and overcome potential financial challenges. Additionally, selected clients also received access to an SMS text-based coaching platform developed in partnership with Juntos Finanzas. Based on cardholders’ specific activity (e.g. maintaining a high balance or missing a payment), the platform sent automated messages to advise clients on how to manage their secured card in ways that would improve their credit. To test the impact of the platform, MEDA compared outcomes between cardholders that received text coaching and those that did not.

The project received funding from the Center for Financial Services Innovation’s Financial Capability Innovation Funds. A partnership with a collaborative of funders led by the Citi Foundation, the Funds provided support to innovative projects designed to help low-income and underserved consumers adopt positive financial behaviors.

MEDA asked:

- » Does the presence of a tax refund make it more likely that clients will sign up for secured credit cards?
- » Does the use of a text-based coaching platform positively impact consumer behaviors with secured card products?

MEDA learned:

- » Between 2014 and October 2015, MEDA received 161 applications for secured credit cards, and 123 through its VITA program. Drawing upon the lessons learned from distributing cards in 2014, MEDA saw a greater number of applications in 2015 (96 in 2015 vs. 65 in 2014) and a higher percentage of applications converting to actual cards being delivered to clients (90% in 2015 vs. 64% in 2014).
- » Clients were approximately four times more likely to take up the secured card with the presence of a refund at tax time.
- » Sixty-eight clients signed up to receive text messages and 56 stayed enrolled in the platform for at least two payment periods.
- » During the pilot, 35 out of the 56 enrolled in the text platform (61%) missed payments due dates, but 29 of these (85%) made the payments within the next 12 days. This avoided a reported delinquency that would have harmed their credit.

- » By far, this product was most useful to those obtaining a credit score for the first time, as those clients averaged a credit score of 700 after 3-6 months of use.
- » Financial coaches provided valuable support for clients, regardless of whether clients also opted into the text messaging pool. Many clients were establishing formal credit for the first time, and many others were not used to managing a credit card balance; coaches served as a useful resource to help clients through the experience.

VITA Credit Builder results:

- » Clients were approx. 4X more likely to take up the secured card with the presence of a refund at tax time.
- » During the pilot, 35 out of the 56 enrolled in the text platform (61%) missed payments due dates, but 29 of these (85%) made the payments within the next 12 days.
- » Most useful to clients obtaining a credit score for the first time, as they averaged a credit score of 700 after 3-6 months of use.

Future Applications

MEDA is continuing to collect data on the program's impact and will have final results by mid-2016, but the early lessons learned from the pilot can be helpful for other VITA and secured card providers. MEDA's initial findings demonstrate the opportunity for VITA sites to further engage customers and provide them with secured credit cards at tax time. MEDA's successful text messaging platform also provides an example of how secured card providers can incorporate technology to provide actionable advice based on a cardholder's specific activity in order to efficiently help them build credit.

Representing clients served at the VITA program at Plaza Adelante from January 2014 to October 2015		
Out of 4,358	Refund	No Refund
Total # of clients	2,965	1,393
Interested in a Secured Credit Card	121	12
Percentage of Clients interested in SCC	4%	1%



Mission Economic Development Agency

MEDA is a community economic development corporation located in San Francisco's Mission District. Since 1973, MEDA has worked to

improve economic and social conditions for San Francisco's low- and moderate-income residents, with Latino families serving as the organization's primary constituents. MEDA helps families open and improve small businesses, purchase homes and prevent foreclosures, build credit and savings while reducing debt, access technology and find sustaining jobs.

To learn more, visit medasf.org.

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