Financial Solutions Lab

CFSI | JPMorgan Chase & Co.

Profiles in Innovation

How FinLab is Transforming Financial Services' Most Underserved Market

CFSi Center for Financial Services Innovation

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

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

To learn more, visit: www.finlab.cfsinnovation.com

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How FinLab Is Transforming Financial Services' Most Underserved Market

CFSI and JPMorgan Chase are bringing innovators, industry players, researchers, and bank executives to the table to make technology part of the financial health equation

The Center for Financial Services Innovation (CFSI) was a startup non-profit when the recession hit in 2008. CFSI Vice President Sarah Gordon saw the transformation in the industry immediately. "The impact was felt everywhere," she says. "That's when our phone started ringing off the hook." People were struggling to manage their finances and in need of tools that could safely and affordably get them to financial health.

Unfortunately, the state of Americans' financial health has yet to improve. "When you say 57 percent of Americans are financially unhealthy, people's jaws drop," says Gordon.

In fact, 43 percent of Americans describe themselves as struggling to pay bills and make credit payments, according to CFSI's *Consumer Financial Health Study*. In the event of a job loss or other emergency, only 30 percent of Americans say they could make ends meet for three months or less — and 22 percent did not know how long they could make ends meet.

So how *do* Americans cope with poor financial health? CFSI's 2014 *Underserved Market Size Report* found that underserved customers spent a staggering $138 billion a year in fees and interest using alternative financial services like payday loans, check cashing services, and subprime auto loans. "We went through such an enormous crisis, yet we are missing the mark on so many levels," says Gordon. "It's only natural that people would wake up and say, 'Wow, there's a ton of money to be made and there's a huge problem that needs to be solved.'"

CFSI understood that to change consumer-spending behavior, tools needed to be in place to help. "People are saying: 'We have to do things differently but we don't know how.' We realized that it wasn't enough to inform or educate consumers. We need to help them take action. This is where technology comes in," says Gordon. The result was the Financial Solutions Lab (FinLab) — a 5-year, $30 million effort created in partnership with JPMorgan Chase & Co. — to surface new technology-enabled financial products.

Innovation: The Missing Piece of the Puzzle

In 2014, the Financial Solutions Lab began developing a model that would help bridge that gap between financial services for underserved consumers and the technology they interacted with daily. "We were really interested in the idea of creating a cohort which allowed us to bring a suite of solutions to a discussion that is driven by the very real problems consumers are facing," says Ryan Falvey, Managing Director of the Lab. FinLab's first class was announced in 2015, with nine winning startups each offering their own tools to help address cash-flow challenges for consumers.

Of the 298 applications received for the Lab, 150 were for personal financial management apps, says Falvey. And of those, the startups that took the next step and found a way to actually move money for consumers had six times the number of users. Making it through the maze of regulatory hurdles necessary to move money is precisely what's held so many back from innovating in the space. "These are really complicated companies to build," says Falvey. With CFSI and JPMorgan Chase's resources and deep connections to industry players, FinLab set out to help overcome those barriers to entry, particularly by bringing startups, industry players, and bank executives together.

> *"FinLab not only informs and helps our understanding of what the best tools and technologies are to promote financial health, it also helps us build an on-ramp for some of the most vulnerable populations."*
>
> *— Colleen Briggs, JPMorgan Chase & Co.*

"Technology is reinventing the financial services landscape with better data, products, and channels," says Colleen Briggs, Executive Director of Financial Capability and Consumer Initiatives at JPMorgan Chase. "The innovators leading this change need access to patient capital and technical assistance to help bring these solutions to the millions of Americans who most need them."

A Whole Greater Than The Sum of Its Parts

The inaugural group of nine FinLab companies, whose stories are shared in the forthcoming pages, aim to help low-income consumers better manage their money across all aspects of their lives. For example, PayGoal, run by New York nonprofit Neighborhood Trust, helps hourly wage employees allocate their paychecks; SupportPay gives divorced parents an easy and digitized way to exchange child support; Digit provides users with an automatic savings tool run through text messaging; and Puddle offers an alternative lending platform based on group borrowing. The companies — which also include Ascend Consumer Finance, Even, LendStreet, Prism, and Propel — each tackle particular cash-flow issues with the goal of helping consumers improve their financial situation. Each of the nine companies has been carefully vetted for quality, consumer protections and impact.

But the goal of FinLab is greater than just seeing nine financial products succeed in the marketplace. "This is a real opportunity to build something massive," says Falvey. "Beyond the incredible impact of the companies that are in the Lab, we're seeing so many companies now who could have been — they're making their products more consumer friendly, and aligning themselves with us on financial health."

Impacting the industry also means resonating with the largest stakeholders in the market and getting them onboard. "We see this awesome potential of technology to help change the way providers do business," says Gordon. "Ultimately, it can help providers serve more customers that they traditionally thought were too costly to be served."

Indeed, the role of banks and their changing relationship with consumers is one of the main reasons that bringing these stakeholders together is so critical. "This is about creating a more robust ecosystem of consumer products," says JPMorgan Chase's Briggs. "FinLab not only informs and helps our understanding of what the best tools and technologies are to promote financial health, it also helps us build an on-ramp for some of the most vulnerable populations."

"...It wasn't enough to inform or educate consumers. We need to help them take action. This is where technology comes in."

— Sarah Gordon, CFSI

But without the umbrella of CFSI in partnership with stakeholders like JPMorgan Chase, that on-ramping might not reach the magnitude of customers out there. It's not about disrupting the marketplace, insists Gordon, but rather finding a way to fit into it. "I don't like the word 'disruption,'" she says. "It's more about collaboration — helping the new interests and incumbents come together to solve the issues of our time. It really only matters if you can do that at scale."

How Real-Time Data Is Helping Non-Prime Borrowers Score Better Loans

Adaptive risk pricing is changing the game for one lender using real-time behavioral data

A subpar credit score can be the Scarlet Letter on a borrower's prospects of getting a loan, let alone one with reasonable interest rates. But one company, **Ascend Consumer Finance**, is moving beyond traditional credit scores to continually assess and re-price risk by using an innovative combination of data, technology, and analytics. "All consumers are painted with a broad brush," says Ascend CEO Steve Carlson. "Most lenders think that if you're a non-prime customer, you're a bad borrower. We want to dispel this myth, as we know that credit scores are a notoriously poor lagging indicator of risk."

Traditionally, lenders have relied on credit scores as the litmus test for assessing a borrower's likelihood to repay a loan. More recently, some lenders have begun utilizing alternative data sources in an attempt to better predict risk while making a decision to lend to customers. Ascend, however, has adopted an entirely new approach that monitors a borrower's financial behaviors after they take out a loan, to continually re-assess and re-price their risk. "This concept of using individualized real-time data and insights has been successfully adopted by a range of risk-based industries globally," says Carlson. "It's really exciting to be leading the way into the next generation of lending by bringing the concept to consumer finance."

Ascend is working to integrate that real-time approach throughout the life of a borrower's loan. Its first product, RateRewards, gives borrowers with credit scores between 580 and 660 the option of having their financial health monitored month-to-month to lower their interest costs based on displayed good financial behaviors. While RateRewards is optional, half of Ascend's borrowers choose to opt into the program and, of those, half end up saving an average of $300 over the life of their loan, says Carlson, who co-founded Ascend in 2014.

Carlson knows all too well that the non-prime consumer finance market is ripe for change. The former head of marketing and business development at Intuit Financial Services — where he worked on Mint.com and Quicken — Carlson has also worked at HSBC and Washington Mutual, advised and invested in multiple other startups, and sits on the Consumer Financial Protection Bureau's Consumer Advisory Board.

Nearly a third of the U.S. population consists of non-prime borrowers, says Carlson. Adjusting interest rates for these borrowers month-to-month based on good financial behavior could have a positive impact on an estimated 35 million Americans. "There are about 110 million Americans considered non-prime in the U.S.," says Carlson. "About a third of those people should have a credit score that's better than what is reflected today."

ASCEND CONSUMER FINANCE

WHAT THEY DO
Better personal loans

LOCATION
San Francisco, CA

WEBSITE
ascendloan.com

RateRewards' adaptive risk pricing model monitors borrowers in real-time on three specific behaviors, and rewards good behavior by decreasing their interest expense up to 50 percent each month. For instance, a borrower who reduces her overall debt level by at least $50 a month gets a reduced interest cost of up to 10 percent over time, as would a borrower spending less than $50 a month on credit, or putting at least $50 a month into a savings account. Achieving all three behaviors results in a combined 30% monthly interest expense reduction.

The reasoning behind this: Data clearly shows that customers who continually perform such behaviors are a lower risk to Ascend and should be rewarded as such. What's more, those willing to build their savings by putting at least $50 aside each month not only improve their interest rate, says Carlson — they create a critical emergency savings cushion for themselves. Three-quarters of non-prime borrowers don't have any type of emergency savings fund, though 40 percent are expected to go through some sort of financial shock during the life of their loan, he says. "We've structured a program that assists borrowers in improving their overall personal balance sheet."

Much like a home equity loan — which lets borrowers use the value of their home as collateral — the RateRewards program allows borrowers to pledge their auto title as collateral for a loan, which automatically cuts their interest cost by 20 percent each month. "Why shouldn't a non-prime customer be allowed to leverage an asset for lower interest costs, just as prime customers do everyday?" says Carlson.

But changing consumer spending habits isn't what Ascend has set out to do. "We don't necessarily think this is about changing people's behavior," says Carlson. "This is a way for people who already have positive borrowing behaviors to be rewarded…consumers that may have had a one-off financial shock impact their credit score, for instance, but are now on the path to recovery."

With help from the Financial Solutions Lab, Ascend has had the opportunity to connect with executives in the banking and lending world who are able to share their industry know-how with the company. "JPMorgan Chase has pulled out the red carpet for us. A company at our stage typically would not get anything like this," says Carlson, who has also had the opportunity to work with a range of firms through FinLab, including behavioral economics firm ideas42 and legal counsel Bryan Cave.

With a strong group of investors, and a team with more than 150 years of non-prime lending experience, Ascend is ready to make some long-overdue changes to the lending market. "This has been a challenge people have known about since credit scores were introduced," Carlson says. "Ascend is the only lender that empowers consumers to prove their actual, real-time financial health, reducing risk to Ascend while at the same time lowering their interest expense."

How Digit Made The Path to Saving a Simple Text Message Away

When Ethan Bloch was 15 years old, he lost his life savings. A precocious teen at the time, he'd invested the money given to him for his bar mitzvah in stock online and tripled its worth to $21,000. Then the dot-com bubble burst and he was left with nothing. "If you're going to lose your entire net worth, 15 is a good age to do it," says Bloch, founder of the automated savings plan, Digit.

Bloch, who graduated college with a degree in finance in 2008 – precisely at the peak of the financial crisis – is of the generation of millennials hesitant to put all their faith in big banks. Since his early teen investing days, Bloch has been fascinated with studying and understanding financial behavior. After starting and selling a marketing company for $4.5 million by the age of 26, Bloch knew he wanted to explore the world of finance and technology for young consumers like himself.

What he learned: Adults under the age of 35 have a savings rate of *negative 2 percent*. What's more, as much as three-quarters of the U.S. adult population lives paycheck-to-paycheck, says Bloch. In other words: people simply aren't saving. In 2013, Bloch launched Digit, which tracks users' spending patterns and income, making small automatic transfers to a separate account for them. "We started with savings because it is the cornerstone of financial health," he says. "Could we get people trusting a machine about when and where they could save?"

When Bloch is talking about a "machine," what he's really referring to is the simple text messaging feature on cell phones. While most fintech startups launch in the form of an app you can download and use on your smartphone, Digit operates and communicates with users entirely though text messaging. "Finance should melt into the background of our lives," says Bloch. "Texting was a natural way to make it feel like a financial buddy."

digit

WHAT THEY DO
Makes savings easy and fun

LOCATION
San Francisco, CA

WEBSITE
digit.co

Sign up for Digit and the service automatically learns your spending and income patterns based on a set of complex algorithms applied to your spending history and status. Digit users save an average of three to five percent of their annual income through the service, says Bloch.

For Travis Smith, a digital designer based in Chicago, Digit not only offered an alternative to his regular savings account, it has also kept him well-informed about his financial status. "There's nothing easier than getting a text message every morning that says: 'This is your bank balance,'" says Smith. "It makes me aware and more comfortable with what's going on with my finances."

For Smith, 36, who has two kids at home, knowing that Digit is automatically saving money on his behalf — without him having to initiate each transaction — creates an added sense of security and cushioning. “I’m one of those people who, when you see your money in your account, you think ‘That’s how much I have to spend,’” he says. “Now [Digit] is in the background, moving money without my having to think about it.”

With a solid user base saving more than $100 million annually, Digit is exploring ways to expand its service. While the texting feature is like a teller or financial advisor reaching out with updates daily, the startup is now developing an app, which Bloch likens to a bank users can go into to get a more thorough rundown of their account.

Like most financial technology, Digit has had its fair share of challenges. “In financial technology, in order to build the product so that it can work, you have to work with the incumbents, who you — by definition — are competing with,” says Bloch. “The incumbents are also the gatekeepers.”

But thanks to FinLab, Bloch has had the opportunity to meet with regulators and bank executives to figure out a way to work with them in making the process more seamless. “FinLab and CFSI have given us an unparalleled opportunity to work with executives from the largest banks in the country, along with government and regulatory bodies,” says Bloch. “This access has been phenomenal as it has allowed Digit to be involved in conversations directly impacting the future of fintech.”

How Even Built an App to Make Unstable Income a Thing of the Past

You know the story, right? You work your way through school, tending bar, waiting tables, folding T-shirts at the Gap, taking any number of odd jobs on the side. At that point in your life, income volatility is something you accept, because it's just you coping with it. But what about if you're older, if you have a family or other people depending on you? Having unpredictable income — where you have no idea what you may earn paycheck-to-paycheck — can make life's ups and downs impossible to cope with. And unpredictable income flows are more common that you might think.

In fact, according to Federal Reserve data, one in every three U.S. households deals with substantial income volatility. And when it comes to payday loans – a $10 billion industry alone — 70 percent are taken out in order to pay for recurring expenses like rent and utility bills. "A lot of these people are getting a payday loan because of a low paycheck or negative income shock," says Quinten Farmer, co-founder of fintech startup Even.

Take, for example, the income volatility of a coffee shop barista. One week, she might work 45 hours and make $750, but another week, she gets the flu and can only work 15 hours. Suddenly her paycheck goes down to $250. Work fewer hours one week over the next, and your income takes the brunt. What if people could find a way to spread out their uneven paychecks so that the amount of money in their bank account was more stable over time?

That's exactly what the team at Even set out to do. In 2014, they began working to create a technology that lets businesses with hourly workers offer employees a way to better manage unpredictable income flows. Later that year, they launched the app Even, which works by making a basic calculation of what your weekly average income is over time. Even looks at paychecks over the course of four to six weeks in order to calculate what the app refers to as your "even pay."

Even

WHAT THEY DO
Stabilize volatile income

LOCATION
Oakland, CA

WEBSITE
even.com

Here's how it works: If you get a paycheck higher than your even pay, the app saves the extra income as a cushion it applies to a future period when your paycheck might be lower than usual. What's more, Even will lend users money to reach their even pay, with the difference paid back once a higher paycheck comes in.

Even's product development approach emphasizes direct contact with customers, in the form of prototyping and research. This emphasis was aided by the research resources available through Even's work with CFSI. Jane Leibrock, Research Lead at Even, says "The U.S. Financial Diaries* was a godsend for me. Its insights were crucial foundational knowledge for our business, but a project of its scope would have been prohibitively time-consuming and costly for a startup of our size. (...) As I worked, the opportunity to occasionally compare notes with that team was a great way to add confidence to some of my findings as well as to get ideas for additional topics to explore."

To further help users do that, Even includes an in-house team of advisors available to chat in real-time. The app helps people fight poor spending habits by not putting them in the situation that might lead to such bad decisions in the first place. "You get a big paycheck and spend it all. In a perfect world where Even is working for you, you shouldn't feel any different on that day," says Farmer. "Software should be able to automate the things we are really bad at doing ourselves."

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

How An Earthquake In Haiti Led One Banker From Wall Street to LendStreet

It took a natural disaster 1,500 miles away from where he was living in New York for R. Jerry Nemorin to upend his Wall Street career and start anew. Five months after the 2010 earthquake that devastated Haiti, killing hundreds of thousands and leaving 1.5 million people without a home, Nemorin visited the country where he was born and raised. At the time, he'd been harboring a business idea for nearly two years, but wasn't sure whether to leave his finance job – not to mention his six-figure salary – to pursue it.

lendstreet	**WHAT THEY DO** Debt relief for a better future
LOCATION Oakland, CA	**WEBSITE** lendstreet.com

Growing up in Haiti until he was ten, Nemorin saw intimately the financial struggles of day-to-day life. "Financial distress is something I am very familiar with and have lived through and understand," he says. "We can do better in creating solutions to get people out of financial distress and help them re-engage the financial system much quicker."

Nemorin knows this because he's seen it happen on a far grander scale. During the financial crisis, working in the Global Corporate & Investment Banking division at Bank of America Merrill Lynch, he helped major companies with debt restructuring. "Rather than doing new deals, the focus was on figuring out solutions to help existing businesses navigate through the crisis," he says. "The primary concern was keeping these companies afloat."

That's when a light bulb went on for Nemorin. "If we can do this for these clients, why can't we take a similar approach for people in distress?" he asked himself. But taking that leap meant leaving the security of a prestigious job for the uncertainty of launching a new business. It was scary. But not nearly as scary, Nemorin realized standing amongst the rubble in Port-au-Prince, as what so many had survived that January in Haiti. "When the earthquake came in 2010, it was a wakeup call for me," he says. "I went down there and people were putting their lives back together, and living life again. If they could make ends meet, what was I afraid of?"

When Nemorin returned to New York, he quit his job, joined the incubator at his alma mater, the University of Virginia's Darden School of Business, and soon after, founded LendStreet. One of the things Nemorin hoped to change in creating LendStreet was the stigma often associated with customers who default on loans and wind up with bad credit. "It's unfortunate, but when most people think 'collections,' they think 'deadbeats,'" says Nemorin. "That stigma keeps many people who experience a financial shock from being proactive and seeking solutions out of fear of being judged. We've found that most people have the intent to pay, they just don't have the full capacity required by their current debt load."

The typical LendStreet customer is someone who has run into unexpected financial difficulty, be it a health emergency, accident, or family crisis that created a financial burden too big to pay off. "These are customers who historically have good credit and experienced a financial shock," says Nemorin. "They are looking for a solution to manage their existing situation effectively."

That's where LendStreet comes in. The company works much in the way debt restructuring worked for large companies during the financial crisis. "Let's say I'm the bank and you owe me $10,000. I say, 'Why don't you just give me $7,500 and we call it even,'" he says. "The only problem is you don't have $7,500 on hand. So then I say, 'How about $750 a month for 10 months?' You can't afford that either. LendStreet acts as the middleman in this situation. We ask, 'How much can you really pay?'" says Nemorin. Say it's only $500 a month. In this case, LendStreet would give the bank $7,500, and you would pay back your new loan in $500 monthly installments.

LendStreet's mission statement is "deliver financial health" and the work it is doing has the potential to impact a major market. The U.S. has 77 million consumers with an average of $5,100 of delinquent debt, which adds up to a whopping $400 billion across the country. "It's a massive problem for consumers and for banks," says Nemorin. "What we say to banks and financial institutions is, 'Rather than having to chase all these people for money, allow us to restructure their debt. That way, both the banks and the individuals are moving in positive directions, and this has wider positive impact on society in general.'"

While developing and growing LendStreet, FinLab has proven to be an invaluable resource. "Working with the lab has been a huge boost for us," says Nemorin. "Our goal has always been to partner with major financial institutions to help them restructure their customers' debt. The beauty of working with FinLab is that we are able to get insights from the greatest consumer lab out there. With FinLab we are able to reach a broad array of providers within the financial services space who we didn't previously have a relationship with."

Nemorin's longer-term goal? To return to Haiti and help drive economic development. "I grew up in a country I later found out was the poorest in the western hemisphere," he says. "I have always wanted to use what I have learned in business to help the country and people who shaped me." From the start of his career, Nemorin has used his experience as a training ground for the developmental work he dreams of doing in Haiti. "I started off knowing that LendStreet would help me with my long-term vision," he says. "I would love for LendStreet to form the beginnings of positive long-term visions for others too."

The Non-Profit Out To Revolutionize How Employees Manage Their Paychecks

Behavioral economists have long studied the phenomenon of choice architecture – the notion that the way we make decisions is largely influenced by how choices are presented to us. Changing the way people make decisions — say about how and when they spend their money — means changing the way those choices are presented to them.

PAYGOAL POWERED BY NEIGHBORHOOD TRUST

WHAT THEY DO
Financial guidance on your phone

LOCATION
New York, NY

WEBSITE
neighborhoodtrust.org

Neighborhood Trust Financial Partners, a New York-based non-profit organization, has been following this concept in developing its app and workplace financial tool, **PayGoal**, which includes a built-in virtual financial planner who helps users make smarter decisions about how their paychecks are spent each month.

Of the nine FinLab companies in Year One, PayGoal is the only non-profit. "I always like to encourage people to see the non-profit status as an indicator that we are mission-driven," says Justine Zinkin, CEO of Neighborhood Trust. Still, being part of FinLab's first class, which also includes eight fintech startups, helps hold PayGoal to the same benchmark of quality as its for-profit counterparts. "We want to be held to the same standards — that this is about scale and changing the marketplace," says Zinkin.

As New York City's leading provider of financial counseling, Neighborhood Trust has offered training and products to help people better manage their finances for years. With an annual income of $18,000, around $14,000 in debt and a subprime credit score of around 590, the average Neighborhood Trust client is often working to build a better credit score, pay off debts and learn how to better manage their money. Rather than wasting more than $40,000 over the course of their careers converting paychecks into cash, Neighborhood Trust hopes to teach low-income clients to engage in healthier financial behavior.

In 2011, the nonprofit launched its "Employer Solution" workplace wellness practice. They began to partner directly with employers to help reach people at the start of their cash flow journey – when they first get their paycheck – and to leverage the processes and systems workers are already connected to in order to encourage better choices and behaviors. Neighborhood Trust found that while employees often had the best intentions to spend their paychecks wisely, they didn't have the technology to make that happen. "We were helping people manage their money, but were seeing that the systems around us were fairly primitive," says Zinkin.

That's when Neighborhood Trust began to wonder: How can we transform the payroll process to make it easier for people to put their paychecks to better use? In 2014, in the hopes of creating a way to reach people using technology and choice architecture, the non-profit brought in tech entrepreneur Eric Cantor to serve as vice president of product development for PayGoal.

The app works by tracking users' income and outstanding bills, making sure they spend the right amount of income at the right time, depending on their financial needs. "We are seeing a lot of people we believe could get by with the right money moved around at the right time," says Cantor.

Much of this goes back to the concept of choice architecture. "People are behaving in a certain way because of the influence of the application in front of them," says Zinkin. The challenge PayGoal was tasked with: "How do you design a product that nudges people toward the outcome that's better for them?"

Open the PayGoal app and the first thing you see is Paula, greeting you with her wide smile, oversized glasses and neat close-cropped hair. But Paula is more than a cute cartoon avatar. "People have a lot of affinity for their personal advisor," says Cantor. "Paula was a persona created to mirror as many of those traits as possible."

The average PayGoal user earns between $1,500 to $3,000 a month. Rather than helping those users create a budget like most money management tools do, Paula helps them take a more proactive approach, automatically allocating certain portions of an incoming paycheck to cover outstanding bills in a way that makes the most of the money available.

Efraim Vasquez, who works as a chef in New York City, is a PayGoal user. "My financial situation is rocky right now. I have student loans and I'm trying to rebuild my credit," says Vasquez, whose work schedule is often erratic. "Sometimes I work so much, I don't focus on the financial stuff."

After signing up as one of PayGoal's beta users, Vasquez began receiving alerts when his bills were due. By giving PayGoal access to his bank account, he deferred to the app to tell him how much he should pay toward each bill and even complete the payments for him. "It was like I had someone to watch my back when I was somewhere else not thinking straight," says Vasquez. "It made me pay more attention to my financial situation."

How Prism Tapped into the Complex Psychology Behind Paying Bills – And Made it Less Daunting

Have you paid all your bills this month? Do you even know? With an average of more than a dozen statements a month, falling behind, losing track, or simply getting overwhelmed by the many moving parts is a challenge countless Americans face when it comes to paying their bills on time.

"The average family spends about $400 a year on late fees and overdraft fees. Those fees tend to fall on the people who can afford them the least," says Tyler Griffin, co-founder of **Prism**, a platform designed to simplify and streamline bill payment. Translate that on a national scale and those figures are staggering, with consumers paying more than $54 billion a year in combined credit card penalties and overdraft fees, according to the *Wall Street Journal*.

It's precisely this challenge that Prism has set out to tackle. Initially, Griffin and his co-founder Steve Gordon, who met as freshman at Northwestern University, envisioned their startup as a way to make bill payment more convenient, much in the way online services like Seamless and Uber streamline tasks like ordering food and getting a ride. But the pair quickly realized that a more transparent and organized system for paying bills wasn't just a nice-to-have, but rather a necessity for many Americans. "Paying a bill that doesn't need to be paid two weeks early could be economically costly for many people," says Griffin. "[Bill payment] is a surprisingly opaque space for many people."

WHAT THEY DO
Smarter billpay

LOCATION
Bellevue, WA

WEBSITE
prismmoney.com

Launched in 2011, Prism is designed with the goal of dissolving that opacity. The application organizes a user's many bills in one place, offering a visual graph to illustrate exactly what chunk of monthly income goes towards which bills, and enabling users to make payments directly through the interface.

Not long after Griffin and Gordon met as undergraduates, the two knew they wanted to launch a business together. But determining what precisely that business would be remained an unknown for nearly a decade. In the meantime, Griffin moved to New York and took at job at JPMorgan, working on mergers and acquisitions, while on the other side of the country, Gordon began working at Microsoft, where he focused on Hotmail. But in 2011, the two friends decided to finally hash out a business plan, meeting for what Griffin calls a six-day "summit" in Seattle, where they brainstormed ideas, finally arriving at the premise for Prism, which they launched within a few months.

From the very beginning, Griffin and Gordon have focused on building and evolving the product around customers' specific needs. Early on, speaking with a man in his 50s at a Starbucks in Seattle, for example, they realized that rather than simplifying the bill payment process, the Internet had made it more complicated for many. "All billers treat this stuff differently," says Griffin. While some bills post online, others still arrive by mail, and while some post right away, others can take a week or more to post. "This is the one place where technology has made my life demonstrably worse," the man had told them. "You drown in the options."

The founders took this insight to heart. They also began to realize the profound psychological toll bill payment had on people – the nagging sense that something was always around the corner, waiting to be paid off. "Just showing people all that information, providing that transparency, was a huge financial relief," says Griffin. "They then felt permission to address those problems."

Griffin and Gordon also quickly learned that people's experiences with bill payment are incredibly individualized. While some users liked to see and pay their monthly credit card balance in full, for example, others felt burdened by the constant reminder of how much money they owed. As a result, Prism adapted its settings so each user's interface is personalized to reflect individual spending patterns. For those people who paid their credit card bill in full, for example, the entire sum would be displayed, while those who chose to pay a monthly minimum saw an adjusted figure to help alleviate the "psychological weight of seeing large bills."

"For years now, we haven't made a single feature that hasn't come out of a customer request," says Griffin. But this customer-centric approach has also been a fine line to walk. "You want to give people the product they want, but there's some element of social responsibility. You also want to give them the right information to make the best economic choices."

Understanding the ins and outs of financial institutions and the regulator community has also been a critical part of Prism's growth. Thanks to FinLab, Griffin and Gordon have met with top executives in the financial and regulatory sector. "Getting time from very senior, extremely intelligent people in the space has been most valuable for us," says Griffin.

So, too, has meeting other startup founders working to help change the way people interact with and handle their finances. "I think consumers are going to be delighted with what's coming out of the space," says Griffin. "What you are going to see coming out of this foam of startups, is a shift in how consumers interact with their money."

Building Technology To Make Food Stamps Accessible From Your Smartphone

When Jimmy Chen arrived at the food stamps office in Brooklyn, New York one afternoon last summer, the attendant at the front desk laughed in his face. He'd shown up two hours before the office closed — plenty of time, he'd reasoned, to sign up for the service. But the average wait time, he quickly learned, was more like six hours.

Chen scanned the waiting room filled with people — many of them mothers and fathers missing work, some with young kids in tow. "It seemed like an experience that was out of this century — like something totally antiquated," says Chen. Except for one detail: "A lot of the folks waiting in line were passing the time on their smart phones."

That gave Chen an idea. At that very moment, Silicon Valley was bustling with software developers obsessing over how to make countless daily tasks simpler — ordering takeout, hailing a taxi, finding a date. Chen knew this tech world all too well, having studied software engineering at Stanford and worked at some of the biggest names in Silicon Valley including LinkedIn and Facebook. "Coming of age in Silicon Valley, I saw the power of startups to effect real change in the world," says Chen. "The reason people don't start more companies that focus on the challenges of low-income Americans is because they don't deeply understand those problems."

But in 2014, Chen packed two suitcases and moved across the country to New York, hoping to put his tech skills to use toward greater social good. "I realized software is a really powerful tool that has the ability to change not just how we order lunch, but how we survive," he says.

That same year, Chen founded **Propel**, a company focused on using technology to make government more user-friendly. Chen's visits to the food stamps office, along with the countless conversations he had with people across New York's five boroughs — asking about their families, communities, and challenges — is what lead him to start his company. Its first product, easyfoodstamps.com, is a mobile-friendly site that streamlines the process of applying for food stamps. Propel is also building a mobile app that improves the daily experience of receiving and spending food stamp benefits, helping families stretch their budgets.

PROPEL

WHAT THEY DO
Makes government user-friendly

LOCATION
New York, NY

WEBSITE
easyfoodstamps.com

While 45 million people receive food stamps each year, another 8 million qualify but are not enrolled. "Poor user experiences during enrollment or administration can create barriers between the food stamp program — also known as Supplemental Nutrition Assistance, or SNAP — and the Americans it aims to serve," says Chen.

"We don't have many safety-net programs nationally and SNAP is one of them. It's a really important safety net," says Eva Gladstein, executive director of the Mayor's Office of Community Empowerment and Opportunity in Philadelphia, which Propel has worked with closely while developing its food stamps software. "Being able to [sign up for food stamps] on your smartphone if you have one, is going to be easier for a mom than dragging her kids into the county assistance office," she says.

Chen, who came to the U.S. with his parents from China when he was only four, saw first-hand how complicated dealing with bureaucracy could be for families trying to get on their feet. "Growing up, my parents had a lot of trouble navigating the government," he says. "I grew up with this idea that the government is cold and unapproachable."

But with Propel, Chen is trying to change that. Through a fellowship with Blue Ridge Labs, he was able to connect with people on the ground to learn about their challenges first-hand and through the Philadelphia-based accelerator program FastFWD, Chen began collaborating with local government to learn how to better meet the needs of low-income families.

Most recently, thanks to $250,000 in funding from the Financial Solutions Lab, Chen was able to expand the company's team with two new hires and connect with valuable resources in the FinLab network including the law firm Bryan Cave.

Now, instead of waiting six hours in line to see a case worker and scrambling to submit the right documentation, users can find out if they qualify for food stamps by answering five simple questions online. They can file their documentation using photos taken with their smartphones. "For somebody for whom money is really tight, getting the extra five dollars off your bill or making sure your benefits come on time is a do-or-die kind of thing," says Chen. "You have to make sure it happens."

Thanks to companies like Propel, more people can get access to such lifesaving resources.

Meet the Online Social Lending Community That Leaves No Borrower Behind

The old adage "Money and friendship don't mix," is outdated in the eyes of Skylar Woodward, co-founder and CEO of the social lending platform, Puddle. In fact, Puddle's very model is predicated on this idea that building trust amongst social circles is a way for people to both lend and borrow money, without paying the hefty rates of payday loans or being altogether cut out from the system because of poor or lacking credit.

puddle

WHAT THEY DO
Accessing short-term credit

LOCATION
San Francisco, CA

WEBSITE
puddle.com

Woodward will be the first to tell you: the concept of lending circles that Puddle is based on is hardly a new idea. Throughout history and across cultures, people have depended on group dynamics in pooling resources, also known as the ROSCA (Rotating Savings and Credit Association) model — long considered a fundamental form of banking. "Every culture thinks they invented it," says Woodward.

A former engineer for Yahoo! Messenger and Whitehouse.org, Woodward knows what it takes to build effective and complex online networks and platforms. He was also one of the founding creators of the worldwide microlending site, Kiva.org. Along with Puddle co-founders Jean Claude Rodriguez-Ferrera Masson and Matt Flannery, Woodward began asking the question of how such lending models could translate from the developing world to the United States.

Domestically, 26 million Americans are "credit invisible" or have no credit history with one of the three nationwide credit bureaus, according to the Consumer Financial Protection Bureau. That translates to one in ten Americans with no credit history. "A limited credit history can create real barriers for consumers looking to access the credit that is often so essential to meaningful opportunity — to get an education, start a business, or buy a house," says Richard Cordray, CFPB director. "Some of the most economically vulnerable consumers are more likely to be credit invisible."

For these consumers, the options are incredibly limited. "You don't want to get a payday loan, but no one is going to give you a credit card, so what are you going to do?" says Woodward. That's where Puddle comes in as a valuable resource to so many users.

Typically ranging in age from 22 to 35, Puddle borrowers tend to have a credit score below 650. "Puddle is a network of borrowers for borrowers. It's a community of people trying to move ahead and build their reputation, status and credit. That's why they participate," says Woodward. "This is a tool so that people who are cut out from the system can participate."

But when it comes to lending circles in the U.S., and particularly online, Woodward and his team faced a number of unique challenges. For one, lending money to friends, never mind strangers you've never met online, can seem risky to consumers. Woodward likens Puddle to a kind of Airbnb-meets-Reddit for lending. "Puddle becomes a place where people form an entirely new community," he says. Users choose who they let into their puddle based on available borrowing history, what people report they've borrowed for, and whether they share similar beliefs and values.

Take, for example, Adolfo Celis, service coordinator for an IT consulting firm based in Houston, TX. Like most early users, when Celis joined Puddle in 2014, he was skeptical, starting by just putting $10 in the pot, which gave him access to $50 in borrowing money, or five times the amount he put in. What surprised Celis most was just how social the lending and borrowing experience is on Puddle. "It's cool seeing what some people are lending for," says Celis, who now has around 30 people in his puddle and can borrow up to $500 when needed. "Puddle is very social," he says. "You have to say what you are using these funds for."

That transparency is part of the secret sauce that makes Puddle work so well. To date, less than 1 percent of users have withdrawn all the money they put in, according to Woodward. "It's engaging," he says. "It's like playing this game in building relationships."

And relationships are a cornerstone not just to the Puddle community itself, but to the founders' plans for its growth and future. Joining the FinLab community showed Woodward not only how massive the need was in the market Puddle serves, but also that there is a burgeoning community of startups and resources, namely under the CFSI umbrella, working hard to help this very same demographic.

Until joining FinLab, "I had never heard about financial inclusion initiatives. I had also never heard about the bottom 60 percent," says Woodward. "We very quickly learned that the people we served were the people CFSI served. More than anything, we felt like we finally began to understand our user."

The Single Mom Behind the Technology Changing How We Handle Child Support

Everything changed for Sheri Atwood when she learned her seven-year-old daughter needed emergency brain surgery in 2011. Atwood, a divorced single mom, was working around the clock and flying 200,000 miles a year for a job she frankly wasn't passionate about.

Atwood and her ex-husband had had a relatively painless divorce not long after their daughter was born, but navigating the constant back and forth of child support expenses was an ongoing struggle — and when her daughter had surgery, it became even more of a strain. "Everybody talks about how bad divorce is," says Atwood. "What I didn't realize is the complexity of child support after divorce."

When her daughter's health came into question, so did a lot of other things. Atwood realized life was too precious to squander time on work that wasn't meaningful. What's more, she knew this was a problem that needed to be solved. How could that crucial exchange of money between her and her ex-husband be less of a burden?

Atwood was no stranger to the traumatic toll divorce can take on children of separated parents. She was five when her own mom and dad divorced – a separation so nasty, she and her siblings were sent to Child Protective Services.

That experience has very much carried into Atwood's adult life. As a single mom, she quickly began to feel like a bill collector, only interacting with her ex-husband around the topic of money, as many divorced parents do.

Not long after her daughter's surgery, Atwood began exploring solutions. She left her job and devoted her time to finding a way to simplify child support payment between divorced parents. "For the next year, I did a ton of research, interviewed thousands of people, and tried to find every reason *not* to do this," she says.

But the need was simply undeniable and bigger, in fact, than she'd ever imagined. Atwood found that $200 billion in child support and expenses changes hands each year between parents in the U.S. alone, with an estimated 55 million parents living apart. While 60 percent of child support comes from a fixed monthly payment, that still leaves another 40 percent of costs that vary month-to-month, which means, for example, if your child needs emergency brain surgery, you and your ex will have to handle splitting those costs on your own.

supportpay

WHAT THEY DO
Hassle-free child support

LOCATION
Santa Clara, CA

WEBSITE
supportpay.com

A former vice president at Symantec, Atwood taught herself how to code and built the first version of her app, SupportPay — a mobile platform where parents can report, document and transfer money relating to child expenses without ever having to interact face-to-face. Since launching at the end of 2013, SupportPay found 90 percent of its users are more likely to pay money toward child support through the app because it validates how their money is being spent. "The person paying says, 'I have no problem paying; I just want to know the money is going to my kid and not to support my partner's lifestyle,'" says Atwood.

While the need for such a product in the market was clear, securing funding for the project was a struggle. Atwood worked full-time for two years without a salary and health benefits while growing and developing SupportPay. In 2014, she finally raised $1.1 million, her first round of funding. To date, the startup has raised $2.6 million, including $250,000 from FinLab.

But more than the money, having access to JPMorgan Chase executives and the community of fintech startups has been a massive boon. “Being part of a small group of companies who — while focused on different things — all have similar challenges; we all learn practices from each other,” says Atwood. “I was in Corporate America. I’ve been to a million events before the FinLab. Compared to any other group I’ve been in, they are incredibly responsive and supportive.”

It’s that sense of support and community that’s foundational to the very ethos of SupportPay, which is part of a larger brand Atwood created called Ittavi, short for: “It takes a village.” Atwood’s goal with Ittavi is to expand the platform so that modern families of all stripes can have an easy way to exchange and document how money changes hands.