

**5 YEARS OF FINTECH INNOVATION:**

# Insights from the Financial Solutions Lab, 2014-2019

September 2019





# Financial Solutions Lab



FINANCIAL HEALTH NETWORK | JPMORGAN CHASE & CO.

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

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To learn more, visit: [finlab.finhealthnetwork.com](http://finlab.finhealthnetwork.com)



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The Financial Health Network is the leading authority on financial health. We are a trusted resource for business leaders, policymakers, and innovators united in a mission to improve the financial health of their customers, employees, and communities. Through research, advisory services, measurement tools, and opportunities for cross-sector collaboration, we advance awareness, understanding, and proven best practices in support of improved financial health for all.

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# INTRODUCTION

Five years ago, the Financial Health Network (formerly the Center for Financial Services Innovation, or CFSI) and JPMorgan Chase designed a program called the Financial Solutions Lab, which aimed to improve the financial health of underserved U.S. residents through innovative fintech solutions.

The project focused on identifying and supporting mission-oriented entrepreneurs, cross-industry collaborations, consumer-centric design, innovative insights, and financially responsible, pro-consumer business models. This partnership between a bank and nonprofit resulted in a nationally recognized program, whose goal is to improve the quantity and quality of fintech products and services available to U.S. residents to help them manage their financial lives.

Over the past five years, we have learned about the financial needs of consumers, as well as the barriers that entrepreneurs, incumbents, and policymakers face in trying to meet these needs responsibly. We know that consumer choice and a competitive marketplace are essential to financial health. More than 170 million adults in the U.S. struggle financially,<sup>1</sup> finding it difficult to pay bills on time and save for emergencies. As the Federal Reserve noted last year, 40% of adults would find it difficult to cover an unexpected expense of \$400.<sup>2</sup> The successes and challenges of the Financial Solutions Lab over the past five years, as well as evolving consumer needs, inspire us to continue this critical work.

Fortunately, the positive changes underway in the consumer finance industry continue apace as a result of rapid technological innovation and a growing body of data that continue to drive positive changes across the consumer finance industry. Moving forward, the Financial Solutions Lab's mission is to help ensure that these industry changes serve the needs of our most vulnerable communities. It will take our deliberate and sustained efforts, along with those of our partners and allies, to meet this challenge.

This report shares lessons learned over the past five years of close collaboration and support for fintech solutions big and small. Our hope is that it serves as an invitation to join our efforts to improve the financial health of all U.S. residents.



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<sup>1</sup> "The U.S. Financial Health Pulse: 2018 Benchmarking Survey," Financial Health Network.

<sup>2</sup> "Report on the Economic Well-Being of U.S. Households 2018," Federal Reserve Board.

# 1 The Evolution of the Fintech Sector

## The fintech sector

is dramatically different today than when the Financial Solutions Lab first launched in 2014.

At that time, the fintech space consisted mostly of financial tracking tools like Mint and e-commerce platforms like Braintree. Barriers to entry, including a complicated regulatory system and lack of successful models, posed challenges for both new players entering the space and longtime financial institutions looking to innovate. Since then, new fintech categories have emerged and greater access to consumer data has led to a richer suite of fintech solutions. Here, we outline some of the key fintech developments of the past five years.

### Specialized Solutions



As the fintech sector evolves, many providers are adopting increasingly sophisticated business models, solving more complex consumer problems, and serving more diverse populations. The various companies involved with the Financial Solutions Lab over the past five years reflect this range of specialized solutions. For example, the startup **Eversafe** created a platform to prevent fraud, scams, and financial abuse of older

populations, while **Token Transit** built a way for transit agencies across the country to offer mobile-based ticketing. **Nova** uses a set of algorithms to standardize global credit data, giving immigrants with no U.S. credit history access to housing and financial services in the United States. These types of high-quality solutions focused on specific use cases, but designed with overall financial health in mind, are precisely what the Financial Solutions Lab has sought to support over the years.





## New Distribution Models and Data Use

**Even**

**POINT**

**Petal**

Innovative distribution models have also helped companies go beyond standard marketing practices to reach consumers in smarter, more effective ways. The industry has benefited from a growing openness to partnerships with incumbents for both distribution and delivery, including the emergence of B2B solutions and B2B2C business models. One example of this type of partnership is cohort participant **Even**, which provides access to earned wages and budgeting tools to users to better manage income volatility. Even partners with several employer customers, including

Walmart, the largest private sector employer in the U.S., to offer the tool to its U.S. workforce. Within the first seven months of launching with Walmart, nearly a third of Walmart associates adopted the new benefit.

Companies have also begun to use data in interesting ways to reinvent existing finance models, or create entirely new ones in some cases. Data continues to be an essential element of fintech and financial health solutions. As an example, **Point** created a way for homeowners to tap into the \$18 trillion of equity tied up in residential real estate, enabling them to sell

a fractional equity stake in their homes without taking on new debt. Meanwhile, **Petal** designed a credit card underwriting system based on transactional data, rather than relying exclusively on traditional FICO scores.



## Impact Investing

Investment growth is also changing the pace, trajectory, and scale of this sector. Since 2014, investors have become increasingly interested in fintech innovations still in the development stage, as well as companies focused on financial health solutions reaching underserved customers. A growing number of early-stage fintech startups are successfully securing investor funding, including Financial Solutions Lab participants that have cumulatively raised more than \$500M since the start of the program. Overall fintech venture investment in the U.S. has grown

from \$400 million in the first quarter of 2013 to nearly \$4 billion in the fourth quarter of 2018. Within this larger growth in fintech investment, early venture capital funding has more than doubled to over \$1 billion in the fourth quarter of 2018.<sup>3</sup>

The Financial Solutions Lab cohort companies have also benefited from the overall rise of impact investing, investments made with the specific intention of generating a positive social or environmental impact on top of financial returns. An interest in impact investing is happening across industries, indicating a

growing appetite on the part of investors for funding socially minded solutions. Impact investment is not just related to financial services — this approach of public-private funding partnerships is rapidly growing across various sectors.

As the sector expands, more pro-consumer startups are eager to break in and offer fintech solutions. Over the last five years, the Financial Solutions Lab received more than 1,000 applicants to its accelerator program, 39 of whom were ultimately selected to participate.

<sup>3</sup> "The Pulse of Fintech 2018: Biannual Global Analysis of Investment in Fintech," KPMG, February 2019.

These early-stage innovations are getting more buy-in from investors and others in the industry willing to take a chance on them. Indicative of the strong interest in impact investing is the growing commitment to develop metrics to better predict the outcome of these investments.

The Financial Solutions Lab leverages the measurement framework developed by the Financial Health Network to identify the most salient metrics for our participants in measuring the extent of their products' impact on the financial health of their end users.

Several of our Lab participants have also qualified to join the Financial Health Leaders Program, a select group of providers who are at the forefront of financial health measurement.

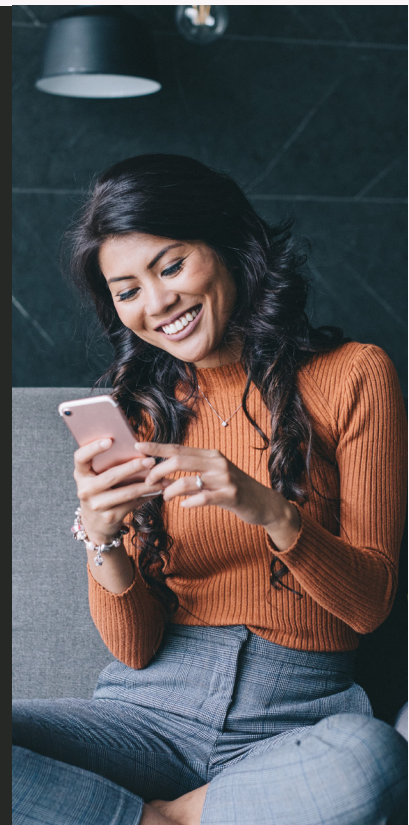
## The Financial Solutions Lab

### Five Years of Outcomes

Cumulatively, Financial Solutions Lab companies have served more than 4.5 million U.S. consumers, helping them save more than a billion dollars as of 2019.

The Financial Solutions Lab's impact is seen in the more than 1.4 million Walmart employees who now have access to Even, a product intentionally designed to help weather the spikes and dips of income and expense volatility. It's seen in the acquisition of bill pay and management service company **Prism Money** by a larger industry player, resulting in customers paying more than \$1 billion in bills. It's seen in the more than \$500 million in follow-on capital raised by the Financial Solutions Lab companies.

And while the survival rate for early-stage fintech firms is one of the lowest across industries,<sup>4</sup> 29 of the 39 companies that have participated in the Financial Solutions Lab since 2014 are still running as independent companies – a 75% survival rate well above industry standards<sup>5</sup> for comparable early-stage financial technology firms. The innovative business models and impact of Financial Solutions Lab cohort companies have received positive attention from The New York Times, TechCrunch, Forbes, and other national publications.



<sup>4</sup> "Surprising Numbers Behind Start-Up Survival Rates," Chicago Booth Review, May 10, 2017.

<sup>5</sup> "Start-Up Statistics: The Numbers You Need to Know," Small Business Trends, March 28, 2019

## Changing Consumers' Lives



More meaningful than any facts and figures, though, is the impact these Financial Solutions Lab companies have had on the lives of U.S. residents over the years. While often hard to quantify, the Financial Solutions Lab cohort companies have had positive impacts on the lives of millions of people. For

example, Bradley Zimmerman, an HIV-positive cancer survivor, was able to save \$4,000 in emergency funds, thanks to an online savings platform launched by Financial Solutions Lab participant **EARN**. Efraim Vasquez, a chef living in the Bronx with his wife and son, was able to finally start paying off his student loans and rebuild his

credit, thanks to tools created by Financial Solutions Lab participant **Neighborhood Trust Financial Partners**. These are just a sampling of stories of low- and moderate-income Americans able to save for the first time, pay off debts, open lines of credit, and achieve life goals, thanks to new fintech tools that five years ago simply did not exist.

**1,000+** applications over the last five years

**39** organizations selected for the Financial Solutions Lab accelerator

**UP TO \$250,000** in capital and mentorship per winner



### Financial Solutions Lab companies have:

- **Raised** more than \$500 million in follow-on funding
- **Served** 4.5 million U.S. residents consumers with solutions focused on financial health
- **Helped** U.S. residents save more than \$1 billion

## The Fifth Cohort: Workplace Financial Health Focus

The 2019 Financial Solutions Lab challenge is focused on innovative workplace financial health solutions. In particular, the challenge measured how these services create impact within diverse work environments, especially for underserved populations. Participating companies agreed to work with the Financial Solutions Lab to evaluate employee engagement and financial health outcomes resulting from these workplace offerings.

To facilitate this effort, Washington University in St. Louis (WashU) was

selected as a research partner to help companies plan their evaluations, design research questions, and assist in data analysis. The end goal is to give participating companies an understanding of the financial health impact of their products on employees, enable the Financial Solutions Lab to learn from successful implementation, and, most importantly, contribute insights to the larger workplace financial wellness ecosystem. The Financial Solutions Lab plans to complete each company's analysis in 2019, so that companies can move toward

research implementation and data-sharing stages by December 2020.

The fifth cohort was intentionally designed to focus on improving financial health for the workplace by honing in on the gap between employee needs for more workplace-based products that promote financial health and existing employer offerings. This focused approach allows the cohort to address a specific financial health need more effectively.



## 2 Strategies for Fintech Success

As the Financial Health Network works to improve financial health for Americans across the country, low- and moderate-income (LMI) consumers are continuously at the center of these efforts. Many low- and moderate-income Americans don't have access to tools and services to improve their financial health because this population has historically been overlooked. That is precisely why the Financial Health Network exists. Keeping these customers in mind from product design to distribution models, can mean the difference between success and failure for a new-to-market idea.

**Over the past five years,**  
**the Financial Solutions Lab's work has helped us develop several guiding principles when designing products and services for LMI consumers.**

### Strike the Right Balance

For financial products to successfully serve consumers, particularly LMI populations, they have to strike a balance between innovation and viability. This must also include the creation of sustainable profits over time, while offering consumers effective ways to improve their financial well-being. It means maintaining an openness to experimentation and flexibility while also meeting the demands of running a fast-growing business.

### Build Consumer Trust

Establishing consumer trust is particularly crucial in the fintech sector. Consumers consistently rank financial services as the least trusted of all major industries,<sup>6</sup> which makes building trust an essential first step for fintech companies. At the same time, fintech companies need to develop a business model with a transparent and sustainable revenue stream – one that inspires confidence and trust among investors and consumers.

According to the 2018 Edelman Trust Barometer, the top concern that endangers trust in financial services companies is a lack of transparency into products and costs.<sup>7</sup>

A customer-centric approach is important across most industries, but it's absolutely critical in the financial services field. Research has made clear that simply teaching consumers the steps they need to take toward financial health doesn't have a lasting impact. The impact of financial literacy decreases over time and is less effective for low-income consumers.<sup>8</sup> Fintech founders need to understand who they are serving and what that group needs. They must continuously listen and adapt their products or services to meet an audience's specific needs, since education alone can't change consumer behavior.



<sup>6</sup> "2018 Edelman Trust Barometer – Global Report."

<sup>7</sup> "2018 Edelman Trust Barometer – Financial Services Edition."

<sup>8</sup> Fernandes, Daniel, Lynch, John G., Netemeyer, Richard G., "Financial Literacy, Financial Education and Downstream Financial Behaviors," *Management Science*, Jan. 2014.



## Identify the Immediate Problem

**digit**

**dave**

Pinpointing a specific challenge facing LMI consumers and building a solution focused on that immediate challenge is essential when looking to create meaningful impact. For instance, Financial Solutions Lab company **Digit** offers users automated savings. When Digit launched, it offered daily text updates letting users know their bank balances and made small automatic transfers to a separate savings account for them. While the company has since expanded its offerings, Digit began by addressing an immediate problem – savings for low- and moderate-income consumers – and figured out a way to reach them as directly as possible – by text message.

Similarly, the app **Dave**, another cohort team, set out to address the pressing issue of overdraft fees. These fees affect more than a quarter of U.S. residents each year, resulting in the collection of \$33 billion in overdraft fees in 2016 alone. To help fix this problem, Dave notifies users of potential overdrafts before they happen

and can instantly advance up to \$75 with no interest to prevent overdrafts from happening in the first place. By addressing this specific and immediate problem, Dave has helped users save more than \$15 million in overdraft fees.

## Meet Users Where They Are



Offering financial solutions to underserved low-income consumers means making it possible for them to start improving their financial health in ways that are accessible and easy for them to reach. Financial Solutions Lab participant **EARN** offers users a proprietary savings platform called SaverLife that lets users choose a goal and monthly savings amount, no matter how small. Its average user has an annual income of \$25,000, half of them report monthly expenses that exceed their income, and 71% have not saved in the six months prior to joining the program. By helping consumers take small steps toward saving, EARN has helped the average user save \$465 in six months.

Many Financial Solutions Lab teams thought creatively about non-traditional fintech solutions to help users start improving their financial health. **Everlance** gives independent contractors a way to automatically track their business miles and expenses to reduce their tax liability. This has already resulted in \$120 million a year in possible tax savings on mileage alone. Similarly, **Propel** focuses on helping low-income consumers better handle their household budgets by creating a way for users to manage their benefits through SNAP (Supplemental Nutrition Assistance Program, formerly the food stamp program). Each month, more than 1 million U.S. residents across the country use Propel's FreshEBT app to check their SNAP balances and manage their grocery spending on their mobile phones.

Along the same lines, **Token Transit** designed its distribution model specifically to meet the needs of hard-to-reach consumers. In order to get transit passes into the hands of those who need them most, including seniors, people with disabilities, veterans, and low-income households, Token Transit had to first figure out how to reach those consumers. To do this, the startup began connecting with social services, consumer advocacy groups, and city managers and planners to figure out how to reach the people most in need of this service, giving users an option to purchase transit passes with prepaid cards in addition to credit cards.



## Design with Transparency



For cohort team **Petal**, being transparent with customers was a top priority. The Petal credit card gives consumers who don't have sufficient traditional credit history an alternative way to open a line of credit. Petal underwrites its customers by predicting credit behavior, using a variety of data sets and machine learning methods to analyze an applicant's financial data. But Petal also stands out for its consumer-first design and transparency.

The Petal website does not have any footnotes or fine print and shows users all of their financial accounts in one place, serving as a digital finance tool. It charges no maintenance fees, late fees, or high interest rates. Petal makes money from the interchange fee charged to merchants and interest charged on revolving balances, though its rates are lower than most cards available to consumers. Petal also shows users how much they owe in actual dollar amounts instead of showing percentage rates like most credit cards do, so customers can make better borrowing decisions.



## Continue to Add Value



While developing a trusted relationship with customers is fundamental, it isn't the endgame for fintech solutions seeking to stay relevant. Companies must continue to grow and cultivate that relationship by adding value in other ways. Financial Solutions Lab participants such as Everlance, Propel, Dave, and Even are working on products that will help create value for customers by improving financial health.

For example, Financial Solutions Lab team **Digit** began as a texting feature that tracked users' spending, making small automatic transfers to a savings account for them. Once the company established a solid user base, cumulatively saving more than \$1 million annually, it began expanding its automated savings offerings. The company created an app that lets users set specific savings goals and pay off credit cards. It also added popular user features, such as low balance protection, overdraft reimbursement, and a special feature called "Digit Pay." Digit Pay lets users set a credit card goal and start paying off their balances directly through money saved via the app, introducing new ways for the product to stay relevant and fresh in consumers' financial health toolbox. It's this focus on continuously adding value that keeps the best in the business thriving over time.

## Pollinate Across Industries and Sectors



*Some of the best developments are inspired by solutions outside of financial services, learning from other industries and sectors to increase creativity and arrive at new solutions.*

Some companies are reaching more boldly across the marketplace to have an impact on consumer financial health. An example of this is the Financial Solutions Lab team **Sixup**, which offers loans to high-achieving, low-income college students based on merit, rather than FICO scores or a cosigner.

Charting a new path with the power to transform financial services and how consumers handle their money also means reaching across industries to engage constituents who may not have traditionally played a role in consumer financial health. **Neighborhood Trust**, a nonprofit participant in the Financial Solutions Lab, created a workplace financial tool that lets users automatically direct portions of their paycheck toward paying off specific expenses. While employers haven't traditionally been involved in their employees' financial health in this way, Neighborhood Trust's tool is among a growing cohort of fintech solutions engaging more closely with employers to reach low-income consumers from the start, right when they get paid. The 2019 Financial Solutions Lab cohort demonstrates this by highlighting financial health in the workplace.



## Measure What Matters



To understand and evaluate the practices that make the biggest difference, it's crucial to track the impact of Financial Solutions Lab products on consumers. One of the key elements of the Financial Solutions Lab is a requirement that participants use a set of custom impact metrics to measure the effects of their products on users' financial health. In addition, the Financial Health Network created a Financial Health Leaders program, which recognizes organizations that are at the forefront of financial health measurement working to build a more resilient financial ecosystem. Several Financial Solutions Lab members have been recognized in the program, along with nearly 50 other companies individually and collectively working to understand how to measure and improve the financial health of their individual customers, small business customers, B2B clients' customers, and/or their own employees.

**LendStreet**, from the Financial Solutions Lab's inaugural cohort, has been a member of the Financial Health Leaders program since its inception. This startup, which provides debt settlement loans to help people get out of debt and rebuild their credit, has been carefully measuring and evaluating its impact on LMI consumers. The company has settled more than \$18 million in debt for its customers, who've seen their credit scores improve by an average of 80 points within the first year. As a member of the Financial Health Leaders program, the company shares findings from its own financial health measurements to help determine best practices to improve consumer financial health across the board.

In the case of **Even**, the scale of impact in reaching LMI consumers has been particularly expansive. As part of the Financial Health Leaders Working Group, Even has made measuring impact central to its business model from the start. While Even began as a direct-

to-consumer product, it soon realized the best way to reach the most customers was through the employer channel. Through the Financial Solutions Lab, Even connected with Wright-Patt Credit Union (WPCU), the largest credit union in Ohio, which was looking for a way to help improve its employees' financial health.<sup>9</sup> Even created a pilot with a dozen WPCU employees to figure out the best way to structure a product sold directly to employers. It was able to negotiate the terms of the pilot, integrate with the credit union's payroll system, and address data security and management considerations, all crucial first steps toward selling its product directly to employers. This WPCU pilot was a gateway to winning larger business. After refining its direct-to-employer model, Even locked in its partnership with Walmart in December 2017 to provide the retailer's employees with financial health tools.



<sup>9</sup> For more information about Wright-Patt Credit Union's financial health strategy, visit: <https://medium.com/@CFSInnovation/emerge-2016-jennifer-teschers-big-idea-bac244f1f89b>

## 3 Lessons Learned

Since its inaugural cohort, the Financial Solutions Lab has evolved to reflect the growing needs and limitations of the marketplace. It has formed working groups and created avenues for new partnership opportunities. JPMorgan Chase; the Financial Health Network; and an Advisory Council, whose members include leaders in financial services, venture capital, philanthropy, and industry, continue to evolve the Financial Solution Lab's focus to meet consumer needs. Of course, this progress also comes with some hard-earned lessons along the way.

### Three areas of learning

gleaned by many teams in the various cohorts include:

- 1) technology limitations, 2) ecosystem barriers, and
- 3) revenue model considerations.

#### 1 Technology Limitations

Technology alone – no matter how innovative, well-designed, and well-intentioned – isn't enough to guarantee a successful business. Recognizing the limitations of technology when providing solutions to consumers means investing in other crucial factors necessary to make a positive impact in the marketplace, such as delivery channels, marketing, and revenue models.

So where do we start? Expanding consumer access to financial services and products stems from developing strategic partnerships with community organizations

that work closely with the low- and moderate-income populations most in need of fintech support and most likely to slip through the cracks of traditional banking. How can we get these products into the hands of the people who need them most? Which organizations and groups are embedded deeply in the communities that need these solutions? What is the best way to reach them, and what mutual benefits can be exchanged in creating those partnerships? These are questions that the Financial Solutions Lab will consider in the design of future cohort programs.



## 2

## Ecosystem Barriers



The fintech ecosystem comes with its own unique set of challenges, including limited investment opportunities, navigating a highly complex regulatory system, and finding ways to reach consumers where they are. It also means building effective business models that create value not just for consumers looking to improve their financial health, but also for investors looking to make smart business decisions. Another major barrier that can derail players in the space: when necessary partners don't play along.

Sometimes even the most well-designed, consumer-centric, and necessary solutions can't break past market-entry barriers. For example, Financial Solutions Lab team **Remedy** helped consumers check their medical bills for accuracy and fix billing errors. After processing tens of thousands of claims, Remedy found that the average U.S. family overpays its medical bills by around \$1,000 every year, with around 70% of all medical bills submitted to patients containing errors that result in faulty charges and inaccurate billing. But while the company was successful in helping consumers identify and address these mistakes,

getting the cooperation from necessary partners – in Remedy's case, the health care industry – proved an insurmountable challenge. The company was forced to close just two years after launching, because of obstacles from the healthcare industry that kept it from gaining access to necessary patient information. Without the cooperation of this key industry partner, the platform was not able to exist as a viable business.

## 3

## Revenue Model Considerations



Creating a great product that people love is necessary for a company to succeed, but it's certainly not the only ingredient. One of the greatest challenges startups face is figuring out how their businesses will generate revenue. Finding a revenue model that reinforces consumer trust and encourages financial health is important in an industry in which consumer confidence is already low.

One of the most important questions startups need to ask is if their company has the necessary tools and licensure to realize its revenue model. Unit economics often become important for raising

money sooner than founders think. This is a challenge that bill pay and management service cohort team **Prism** had to address. While the company was able to design an interface that helps consumers track and pay their bills in one place, having the ability to move and transfer funds on behalf of consumers was another obstacle to creating a viable revenue model. Ultimately, the Financial Health Network facilitated conversations between Prism and another fintech company, Handle Finance (at the time, called PayNearMe), which made it clear that the best way for Prism's business to remain viable long-term was through a successful acquisition. Because

Handle Finance had the necessary licensure to transfer funds for consumers, it was able to acquire Prism's business and put it into direct action. As a result, Prism has been able to help customers pay more than \$1 billion in bills.

Positive outcomes like this, as well as challenges and lessons learned over the course of this five-year initiative, will be fundamental in charting a successful path ahead. Both the successes and failures of participants will help to better inform startup strategy moving forward. Through this collective learning, the Financial Health Network continues to evolve its mission for even greater impact on the financial health ecosystem.



## 4 Keys to Building a Successful Fintech Business

The Financial Solutions Lab companies in the first five cohorts have provided invaluable examples of best practices and lessons for other fintech startups. Their impact affects a broad range of fintech companies, from those at a very early stage to those that are further along in customer discovery, channel analysis, distribution, and measuring success.

**There are several other considerations that fintech innovators must pay close attention to when building their products and services.**

### 1

#### Customer Acquisition and Innovative Distribution Models



With the development of a growing number of fintech solutions, it's become clear that a direct-to-consumer model is not always the best and most effective way to reach the broadest customer base. As indicated by the 2019 Financial Solutions Lab cohort, which is focused on offering workplace financial health solutions, developing an indirect distribution model that channels companies to offer services to employees has become an increasingly effective way to foster consumer financial health.

We've seen this emerging distribution model in several past Financial Solutions Lab participants. For example, **FutureFuel** offers a

**ALICE**

student debt repayment platform that employers can "plug and play" to offer their employees. The company helps employers make their benefits offerings more attractive. "As we looked at democratizing benefits, the way to scale was to enable employers at large to have student debt-centric offerings right alongside their 401(k)," FutureFuel founder Laurel Taylor says.

Similarly, **Alice** distributes its automated pre-tax spending platform through employers that use it to offer employees a way to increase their take-home paychecks. The distribution model allows employers to make their benefits packages more attractive to employees, enables Alice to establish a B2B2C revenue

model, and, most important to the Financial Health Network's overall mission, helps users increase their financial health through pre-tax savings, which functionally increases their paychecks.



## 2

## Partnerships from the Nonprofit-Fintech Exchange



For businesses, forging relationships with nonprofits serving their target populations can be an invaluable way to expand their reach. For example, Financial Solutions Lab team **EarnUp**, which automates and optimizes debt repayment, pursued this approach to expand its user base more deeply into low-income consumers. At the Financial Health Network's Member Summit, the founders

of EarnUp connected with the nonprofit GreenPath, which offers financial counseling to underserved consumers. While EarnUp was looking to expand its customer base, GreenPath was looking to build longer-term relationships with its users. Together, the two realized they could help facilitate each other's growth goals. Within five months, they created a service called the Simple Payment Plan that automates loan payments, syncs them with a user's pay

schedule, and helps to budget and prioritize how bills get paid. The first group of consumers that signed up for the program had a total of \$9 million in loans and the potential to save as much as \$600,000 in fees and interest.

The Nonprofit-Fintech Exchange will continue to explore how to match people and needed products, identify which groups can benefit most, find ways to reach them, and develop mutually beneficial partnerships.

## 3

## Network Engagement

Developing a strong support network not only creates greater access to consumer communities for fintechs, but also opens up opportunities for network engagement that can help shift the focus of their businesses to a new and more expansive track. For example, **Propel** started as a service to help low-income consumers enroll in SNAP benefits. The business soon pivoted to offer consumers a set of more comprehensive services through its FreshEBT app, however. After spending more time learning what this consumer base needed most, Propel built an app that lets users

instantly see their EBT balances; pull up their full transaction histories; access a map of all nearby EBT retailers, food banks, and food stamp offices; and keep track of their grocery lists and spending.

*"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," Propel CEO Jimmy Chen says.*

In 2016, Chen and his team also started networking with the **EARN** team, since they were already offering users a way to set savings goals and put money aside via their proprietary platform. Soon, the two were collaborating. The FreshEBT

app began running banner ads for EARN, encouraging users to also earn rewards by starting to save. The partnership not only helped EARN expand its consumer reach from three states to all 50 states, it also created opportunities for both to gather and share useful consumer insights with each other.

The opportunity to reach more consumers, establish best practices, and create compelling network connections is also evidenced in **Even's** initial pilot program with the Wright-Patt Credit Union. This key partnership helped Even create a direct-to-employer model, which it was then able to use to secure its Walmart partnership.

## 4

## Business Model: Don't Be Afraid to Charge Money for a Valuable Service



A perennial challenge for fintech companies looking to serve LMI communities is figuring out a way to promote consumer financial health while simultaneously running a sustainable business. Often, this means charging money for a service of value, but that doesn't always translate into consumers being your source of revenue. There are three basic payer models for fintech businesses: consumers themselves, third-party sellers who want access to consumers (such as insurance brokers), or third-party beneficiaries who benefit from better-served consumers (such as employers offering benefits).<sup>10</sup>

When charging consumers, the most important consideration is to align pricing with outcomes so that consumers feel there is total

transparency about what they pay and what they get. Otherwise, a fintech company runs the risk of losing people's trust and, thus, their business.

A number of Lab participants over the years have figured out a way to charge consumers for services while maintaining a product that helps them improve their financial wellness overall. **Digit** charges consumers \$2.99 a month for access to their tech-automated saving platform.

Another team, **Everlance**, lets users keep track of their mileage and expenses by manually inputting them into the app for free. It also offers an automated mileage tracking and PDF reporting feature for an added \$7.99 a month or \$59.99 a year. And **Even**, which lets Walmart employees budget and save money from their paycheck, also offers users a way to get their paychecks on demand for \$6 a month.

But charging consumers is by no means the only viable revenue model that exists for successful fintech companies. There are also innovative ways to avoid charging consumers that go beyond simply selling customer data. For example, Financial Solutions Lab company **Brightside** offers employees a personalized financial health platform and makes its money by charging employers for access to the benefit.

Sometimes the right revenue model for a company isn't simply choosing between these three payer models, but rather finding some sort of blended revenue stream. For example, **Point** lets homeowners sell equity stakes in their home in exchange for liquid capital. The company charges users 3% of their closing fee, but earns revenue by charging investor fees and having channel partners pay for marketing.

## 5

## Diversity and Culture Matter from the Start



Incorporating diverse perspectives and an inclusive culture early on are fundamental to building a business that reaches underserved populations. For example, Financial Solutions Lab team **Nova** acts as a cross-border credit reporting agency for immigrants to the United States. The company was built by a diverse group of founders from around the world, each coping with the challenge of getting access to credit,

given their limited U.S. credit history. Nova, like many Financial Solutions Lab companies, has prioritized hiring people from diverse backgrounds, a focus that has made its product and team stronger.

Gleaning a diverse and inclusive perspective also comes through valuable partnerships formed early on, such as unlikely collaborations between fintechs and nonprofits. An example of this fintech and nonprofit partnership is between **EarnUp** and

the financial counseling nonprofit GreenPath that helped create the Simple Payment Plan, which automates loan payments and helps consumers prioritize their bills. That joint effort helped bolster EarnUp's credibility and understanding of its consumer base, which made negotiating a partnership with mortgage finance company Freddie Mac possible, further growing the company's reach to consumers who need its services most.

<sup>10</sup> "Omidyar Network, Wyman, Oliver, "Breaking New Ground in Fintech: A Primer on Revenue Models That Create Value and Build Trust," 2018.



# CONCLUSION



## KEY TAKEAWAYS for Fintech Accelerators

The power of partnership has been at the very root of the Financial Solutions Lab from day one. Collaboration is the hallmark of this joint effort between the Financial Health Network and JPMorgan Chase, which helped identify and spur the creation of hundreds of finhealth startups. As previously mentioned, Financial Solutions Lab companies cumulatively serve more than 4.5 million consumers, the majority of them from low- and moderate-income families. This partnership and model illustrates the true power of financial health as an investment thesis and focus for fintech innovation at large.

The Financial Solutions Lab is a product of the successes of cohort companies and the reach of their engagement with customers who need these services the most. Of course, the lessons and takeaways from their collective experiences will continue to guide and refine the accelerator program, influencing the next generation of innovators

## As the Financial Solutions Lab looks to the future,

**here are several takeaways from the first five years to consider around fintech accelerators.**

## Working with Startups Requires a Dedicated Focus

The Financial Solutions Lab's goals are broad and reach far beyond simply running a startup accelerator. The central idea is to create influence across the broad ecosystem with thought leadership, nonprofit participation, and cross-industry partnerships. By all measures, the Financial Solutions Lab has made progress on all of these fronts. But an accelerator necessitates a focus on engaging cohort companies and their founders. To continue this work, a dedicated workstream to connect and engage with participating startup companies is critical to identify and develop relevant customer solutions. In other words, for an accelerator to continue, it cannot be an off-the-side-of-the-desk project. These initiatives require focused resources, staff, and funding.

## Ongoing Care and Engagement

Managing and growing a portfolio of cohort companies requires a long runway. This includes intensive relationship management with cohort companies beyond the official program itself, regardless of whether follow-on funding is provided. This concentration of longer-term efforts will create greater momentum for companies and also allow the accelerator to measure impact over time. To meet this need, the Financial

Solutions Lab developed a range of programming for cohorts and alumni that includes everything from funding and programming to providing recruiting help, office space, and a group of peers crucial for growth and networking.

## Fintech Startups are Just the Beginning

Today's fintech ecosystem is far more advanced than the one we entered during the first year of the Financial Solutions Lab. The program was launched with the idea that creating and applying technology to financial problems in new ways is a key for success within the industry.

But today's fintech industry exists in a far more collaborative and interconnected world. Startups in the program are increasingly partnering with banks, nonprofits, and other constituents to help them reach the broadest, most impactful audience. While technology is still at the root of how these companies are innovating in the space, the issues they are grappling with are far more expansive than startup solutions. This more holistic view goes beyond an "if we build it, they will come" approach, requiring smart partnerships with the potential to create great change.

## Financial Health Is More Than Just Financial Services

Financial Solutions Lab companies have demonstrated that tackling and taking control of one's financial

health means thinking well beyond financial services offerings. In our last challenge in particular, we saw more startups focusing on other crucial determinants of financial health beyond traditional financial services. Companies like Token Transit, which focuses on making public transportation more affordable to low-income consumers, and FutureFuel, which allows employers to offer student debt repayment benefits, are looking to other areas where consumers need help to improve their overall financial health.

Meaningful progress in improving financial health in America now welcomes innovation in other financial health disciplines like health, education, housing, and the workplace. The goal for innovation strategy over the next five years centers on creating a culture of financial health throughout the ecosystem. This is best established by seeding and testing promising approaches and promoting those that work.





# The Future of Fintech Innovation: Focusing on Interconnected Workstreams

Accomplishing this objective requires effective collaboration between a network of workstreams. These four workstreams include:

## 1 Building a Thought Leadership Platform

Consumer-facing products like apps certainly play an important role in helping Americans improve their financial health. But even more profound is the impact that will come from best practices developed within technological infrastructure, like artificial intelligence, machine learning, blockchain technology, and data sharing practices. Developing a robust thought leadership platform, including robust research, policy agenda, and other infrastructural implications, will be essential in driving understanding and action around “tech for financial health.”

## 2 Touching a Broader Field of Disciplines

The Financial Solutions Lab will continue to focus on early-stage, post-product companies, but the team is also looking ahead to where the overall ecosystem is going. It will be crucial to explore a

broader array of innovation across financial health arenas, such as health, education, housing, criminal justice, and workforce, and also broaden the network of startups by including both a larger applicant pool as well as Financial Solutions Lab alumni with the capabilities to make greater impact.

## 3 Spurring Innovation Across the Ecosystem

While startups will continue to play an important role in the Financial Solutions Lab, organic innovation within incumbents should also have a greater impact on the financial health ecosystem.

## 4 Testing What Works and Measuring Consumer Impact

Measuring the impact of different approaches to financial health products and services continues to be a primary focus of the Financial Health Network and

the Financial Solutions Lab. The scope will broaden beyond traditional financial services to test financial health outcomes across industries and with a broader range of providers, however. We know that with only 28% of Americans identifying as financially healthy, there is still a tremendous opportunity for solutions to improve financial health for all.

Given the appropriate resources and support, new innovations across the ecosystem can help lift more and more Americans out of financial hardship. By reaching beyond financial services in the traditional sense, developing interconnected workstreams, creating a platform of thought leaders, spurring innovation across the ecosystem, and paying close attention to what works and how consumers are impacted, the next five years of fintech innovation have the potential to change the way Americans interact with their money, arming them with the tools and resources they need to succeed.

