



PODCAST TRANSCRIPTION SESSION NO. 169/JENNIFER TESCHER

Welcome to the Lend Academy podcast, Episode No. 169. This is your host, Peter Renton, Founder of Lend Academy and Co-Founder of LendIt Fintech.

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Today's show is sponsored by LendIt Fintech USA 2019, the world's leading event in financial services innovation. It's coming up on April 8th and 9th, 2019, at Moscone West In San Francisco. We've recently opened registration as well as speaker applications. You can find out more by going to lendit.com/usa

Peter Renton: Today on the show, I'm delighted to welcome Jennifer Tescher, she is the President and CEO of the Center for Financial Services Innovation, otherwise known as CFSI. Now the focus of this organization is really about improving financial health, we talk about that in great detail in this podcast, we talk about how, firstly, they initially got started really focusing on access to financial services and now, a few years ago, they switched to financial health.

We talk about how is the financial health of Americans today, what are biggest challenges facing them, what are the fintech companies doing to actually address these needs, and we talk about the different components of their organization as well as her vision for the future. It was a fascinating interview, I hope you enjoy the show.

Welcome to the podcast, Jennifer!

Jennifer Tescher: Thanks Peter for inviting me.

Peter: Okay, so I like to get these things started by giving the listeners a little bit of background about yourself, what you've done in your career, particularly before you started at CFSI.

Jennifer: Sure, running an organization like CFSI and being deeply engaged in financial services is about the last thing on earth I imagined I'd be doing. I expected to be a journalist, a newspaper reporter, in fact I have an undergraduate and a graduate degree in journalism and was a reporter 20 plus years ago and realized that what really motivated me wasn't just writing about the issues, but doing something about them.

And so I went and got a public policy degree and tried to think about what was the one root cause I could work on, the one thing I could focus my attention on that was going to really help improve life for low and moderate income people and somewhere along the way I ended up at a community development bank. Actually, the very first community development bank in this country, ShoreBank, and worked there in a number of different parts of the institution and in a number of different capacities and CFSI was really born out of that institution and that experience.



So I've worked in a bank, I would never consider myself a banker, (Peter laughs) but I know enough to be dangerous and I think that a lot of my journalism skills still hold me in good stead today. I ask a lot of questions, I am a generalist, I know a little about a lot of different things and I can communicate effectively and I think that, frankly, anybody should have those skills to be successful today.

Peter: Right, sure. So then what was the actual impetus to the founding of CFSI. I mean, it's going back a few years now, but can you remember just to share with the listeners what you were thinking when you decided to go off on this adventure of creating a new organization?

Jennifer: Yes, because it wasn't actually my idea (laughs). I was at this point working in the consulting arm of ShoreBank and had been hired by the Ford Foundation. The internet had just been invented by Al Gore, they say, (Peter laughs) and Ford had just commissioned a paper that said, wow, the internet represents a huge opportunity to reach and serve low and moderate income people with financial services, with bank accounts, in ways that we hadn't been able to think about before, and boy, Jennifer, we want to do something about this opportunity. We want to deploy our capital against the opportunity, but we have no idea what that looks like on the ground so help us develop our strategy.

And I went off and came back and said, well, you should create a center to do the following things and they said that's a great idea, here, here's a check, why don't you go do that. So that was really how CFSI was born, that was back in 2003, right before...I remember it because it literally right before I gave birth to my first child...

Peter: Oh, boy.

Jennifer: ...like in the weeks before (Peter laughs) and when I came back, I had just birthed one baby and I had to now birth another and I had a commitment for three years worth of funding and the money for the first 18 months in hand and it wasn't even a legal entity at the beginning. It was really a project housed out of ShoreBank and once we saw that there was traction, we went ahead setting up a, you know, a legitimate separate organization.

Peter: Okay, are you set up as a 501(c)(3), are you a non-profit?

Jennifer: We are, we are.

Peter: Okay, so then what was the mission then...you said you had this check from the Ford Foundation, but what was the mission that you were trying to accomplish back then and how has that evolved over time?

Jennifer: Yeah, so back then we were founded to answer the question of...how can changes in technology in the financial services industry really benefit those who need it most. And we became quickly known as the un and underbanked people because we were the ones who put those words and that issue on the map. Back then, this is the early to mid 2000's, the federal government had just decided it wanted to try to pay everyone's federal benefits electronically



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only to realize that 10 million people, benefit recipients didn't have a bank account and that was sort of fresh in people's conscience.

If you went to a banking conference back then, you would see a bar chart showing the cost of a teller transaction and a smaller bar for the cost of an ATM transaction and an even smaller bar for the cost of an online banking transaction. So it was both a moment of understanding that there were a lot of people who lacked access, basic access to banking and back then it really was still just banking.

We didn't have so many of the new competitors that we have today and there was this understanding that somehow technology was going to both dramatically reduce the cost to serve these consumers and that it was going to enable us to reach them where they were in a more effective way. So that's where we started and, you know, fast forward ten years, and we're at our ten-year anniversary. This was around 2014, and we were taking stock and a lot had changed in that period of time.

Peter: Sure.

Jennifer: The iPhone was invented in 2007, like we were well ahead of our time from a fintech perspective, fintech wasn't even a word when we launched in 2004. So the iPhone had been invented and in a way the notion of access being the problem went away, right, because if you have a phone and in this country a pre-paid card...you know, access became almost ubiquitous, particularly to the payment system.

And we had a financial crisis which made it clear that even if you had a bank account or say a mortgage, if you were well banked, it didn't necessarily mean that you were immune from financial challenge. And then we had a Great Recession which laid bare this idea that really this wasn't just a niche problem of the un and underbanked; this was a problem for the majority of Americans who were financially struggling and we just didn't see it because of the over indebtedness that had built up over the previous couple of decades.

And so we said to ourselves, what are we doing, you know, what is our purpose, what are we trying to accomplish and right around this time, we came out of the field with data from our Financial Diaries Project where we followed over 200 families for a year documenting every dollar that flowed in and out of their households and the decisions that they were making and the context in which they were making it.

And my colleague, Rachel Schneider, who co-authored that study used to say, you know, when you sit down with somebody and you ask them to talk about their financial lives they really just start talking about their lives because those two things are so intertwined. It became very clear to us that what we were really wanting to do was help improve people's lives by helping improve their financial lives and that that was really about ultimately improving peoples' financial health.

And so over the last four or five years, we shifted the frame of our work from being about access and the un and underbanked to really being about financial health for all, especially those who



don't have it and we've spent a lot of time building a financial health methodology, a framework, a measurement methodology and it's been exciting to see the traction of that over the last few years.

Peter: So is the implication in that access to financial services has now been solved, because obviously we still hear about people who are unbanked so where do you sit on that question today?

Jennifer: So I should first say that we really focus our work in the United States.

Peter: Right.

Jennifer: So obviously there are still billions of people around the globe who lack access although as you know that gap has been dramatically narrowed over time. The other thing I would say is I don't think we've ever had as much low or no cost access ever to basic transaction and payment accounts.

Peter: Right.

Jennifer: I think credit access is still an issue, but I also think that we're seeing all kinds of interesting innovations around how to attack that challenge. I mean, look, US banks, just earlier this week rolled out a new small dollar credit product which isn't going to solve every need and every problem, but when did you think a top ten bank was going to say that they were going to charge 70+% APR and make a loan that's just three months long and make loans to people much further down the credit spectrum than they would ever make in any other kind of loan product.

That to me suggests that there's significant change there so my take on the topic is that there are still some people in this country who do not have a bank account. At least half, if not more of them, have had one in the past and they're just churning through the system. And so we're talking about a very small number of people who actually are completely without access and then I think some of those people likely have far bigger challenges; homelessness, poverty, other kinds of issues that I would submit are far more important than having a bank account.

Peter: Right, right. Okay, so then let's talk about financial health for a minute. You look at the country today and you know, we've come through the financial crisis and the economy is chugging along, unemployment is low, but yet you still hear that the average person has very little in emergency savings, so what's your take on the financial health of Americans today?

Jennifer: So in about a couple of months, we will release data from our newest national study, the product of our new US financial health pulse. We're actually going to be producing, on an annual basis now, a national benchmark around financial health and we're just out of the field with that work and just as you say, the headlines suggest we're in an incredibly rosy time in the recovery and boy, doesn't it all look great, but as we learned from the US Financial Diaries work,



numbers that are focused on annuals and averages really mask what's going on with people day-to-day at the micro level.

The problem is the macro level data that we use to gauge the health of the country is not terribly effective at gauging sort of the micro economic health of households and families and so, yeah, a lot of people are working, but they are working multiple jobs, they're not being paid very well in those jobs. A huge percentage of this country are, you know, making less than \$12 an hour and if you do the math that's, you know, about \$30,000 a year. So we look at the stock market gains, but you know, an increasingly smaller percentage of Americans actually own any stock in the first place, so they're not necessarily benefitting from those gains.

And so I know it's not a popular message, but I think it's an important message that people are still really struggling, they're also struggling under mountains of student loan debt and they're really struggling with health care expenses and medical debt. So you know, the things that we think are the most important, basic expenses, getting healthcare, sending your kids to college, frankly, renting an apartment or buying a house are all incredibly expensive and people's wages and working conditions haven't kept up.

Peter: Interesting, interesting. So you've had a great view here on the evolution of fintech starting in 2004 and really you can see that there's been an explosion in, I would say, innovation over the last...it seems like it is exponential over the last several years, but it sounds like there's still a lot of work to be done and I'm curious to get your thoughts on what should fintech companies be doing to really address the needs of these middle class Americans that you talk about.

Jennifer: Great question. I agree with you that there's been tremendous innovation, but only some of it has really been aimed either at solving consumer financial health challenges at large or on reaching and working with consumers whose financial health is most challenged. And so, you know, doing a fintech business, as you know, is very different than a lot of other businesses. You can't sit in a room all weekend and code something and stick it up on the internet and be ready to go. It's much more complicated, it takes much longer, there are more rules to follow and if you're going to spend all that time and effort, you might as well spend it on something that's actually going to matter, that's really going to move the needle.

So I think there are tons of interesting sort of day-to-day financial challenges that folks face that are worthy of fintech focus where technology can really make a big difference. I think one of those arenas is decision making, optimizing decision making for people. People's financial lives are incredibly complicated, they have multiple streams of income, those streams are not always predictable, both in their timing and their amount, they're juggling multiple types of bills payable at different times and they have very little cushion, they have very little slack. And so the decisions that they make about their cash flow are extremely critical because small mistakes that many of us take for granted are catastrophic for them. So I'm really excited about a lot of the tools I'm seeing that are attempting to solve for those kinds of challenges.



Technology should make it easier to help people make these decisions. It's not easy because people's lives are complicated, but you know, I think a lot of progress is being made there, as an example.

I think the other thing I'm seeing that I'm excited about is innovations being delivered through the workplace, both because it's a really sort of momentous time to be engaging with somebody, it's where they're receiving their paycheck, it's often where they're receiving benefits. It's a place where they're used to having to make those kinds of decisions and I'm excited about it because I see employers increasingly interested in the broader financial health of their employees, not just their physical health, but also their financial health.

And so we're seeing innovation from fintechs, but we're also seeing innovations from incumbents on the retirement side because their plan sponsor, employers are saying my employees need more than just a retirement calculator, and they need more help on more topics than just retirement, how about like today. So I'm very excited about all the energy in that space.

Peter: Right, right. You know it's interesting, I had the CEO of Credit Karma, Ken Lin, on just a few episodes ago and he talked about this concept of autonomous finance where...you know, when you think about it...a lot of this stuff, it's highly complex, but there's a lot of data out there and he used the example of, you know, you've got a car loan or a personal loan or a credit card, whatever and there's a deal out there that you will qualify for that is going to save you \$100 a month. That's super meaningful and he says we should be in a world where that information gets to the consumer and say, hey, do want to save \$100 a month, I've pre-filled out this application for you, you just have to okay it and boom, you're saving \$100 a month.

So that's the sort of thing that I get excited about because, as you say, and I've written about this several times where I feel like the promise of fintech isn't necessarily to save the upper middle class a little bit of money on their credit card bill or their credit card debt, but it's really to move the needle for people who really need it.

It feels like to me and you've been in this for a long time and I feel like it's only really been in the last year or two that fintech companies are really now focusing on this massive middle class or lower middle class, shall we say, and doing and creating products specifically for them. It has to be done by the for profit sector, I mean, I love the work you're doing, but to move the needle for millions and millions of people there has to be a profit incentive. Would you agree with that?

Jennifer: Oh entirely, and we happen to be a non-profit, but our entire sort of theory of how we're trying to make change in the world is by helping providers understand that there's a business opportunity to be had in promoting the financial health of your customers, and frankly, making money as a result of improving their financial health as opposed to in spite of your customers' financial health.

I mean, that's really an important lesson from the financial crisis that in the short run there may be more money to be made by working against the better interests of your customers, but that's



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not a long term recipe for success and it's certainly not how you build trust, especially in the digital age and the social media age so I think this is true both for fintechs, but also very much for incumbents.

You know, I mentioned earlier that when we started back in 2004, this was largely about banks, I mean, the only kind of non-banks that were in this space in a serious way were starting to innovate were H&R Block and Walmart. In fact, back in the day, we used to hold them up to try to scare the banks and say, you really should be focusing on this because there's other people who are looking to eat your lunch.

And so because we've seen this evolution for such a long period of time, we were pretty early in talking about the idea that it's not who's going to win, fintech or incumbents. It's the mash-up between them that's where the most interesting things are happening and I think that's now sort of the...it's more of an agreed upon idea. So as much as I want to do everything I can to help the startups that are in our portfolio through our Financial Solutions Lab be successful on their own terms...for some of them, frankly, for many of them, the ultimate success is going to be them being bought by or them partnering with an incumbent.

Peter: Right, that makes sense. So you just touched on it, but I want to get an overall view of your organization and you just talked about the Financial Solutions Lab, you do research as well so can you just take us through the different components of CFSI real quick?

Jennifer: Absolutely. So our goal is to improve financial health in America and we do that by working with providers to help them build strategies, businesses, products that will make them money while they are improving the financial health of their customers and so we work with providers in a variety of ways.

The primary way is through our financial health network. We have, I think, 160+ members at this point, very diverse, most of the largest brands in financial services, a range of credit unions, mostly the biggest credit unions, vendors, technology partners, fintech companies, some non-profit providers notably in the credit counseling arena, as an example, some of the largest providers in that arena. And we bring those network members together, both to engage with each other and I like to describe it as a snow globe, right, put all of these different people and different institutions together, shake it up and see what comes out the other end; that's where the interesting stuff happens.

The other thing that we do with this network is we provide them a lot of information and research. We have deep expertise and research on consumer behavior, consumer preference and then we do a bunch of research on specific opportunity areas. We recently just put out a paper on insurance ownership in America, we're about to put out something on retirement so we've done product specific work, we've done sector specific work.

We also have a consulting business so we do proprietary work for companies who need a partner alongside to roll up their sleeves and help with product or business development, strategy development, understanding their customers, understanding the competition.



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And then, finally, we try to seed innovation in the marketplace and we do that in a variety of ways. We do that through our Financial Solutions Lab which is a partnership with J.P. Morgan Chase, we essentially run an accelerator for early stage fintech companies that are focused on solving financial health challenges. We're on our fourth cohort now, we have 30 some odd companies in our portfolio and we're also, you know, doing a lot of work with incumbents and others to help them innovate within their four walls. So that's really sort of CFSI as a whole.

We often get asked about if we play a policy role. We do have a new Vice President of Innovation and Policy, Garry Reeder, and we do have a presence in Washington, we spend a lot of time talking with regulators and policy makers helping them understand the real financial lives of Americans, but we are not primarily a policy think tank. We're focused on policy from the perspective of making sure that there's a supportive environment and ecosystem in which financial services providers can innovate.

Peter: Okay, that's quite a lot. So then how do you measure your impact?

Jennifer: That is a great question and it continues to change as our model evolves. So we are just now coming to the end of a four year plan and our goals from that plan were to grow our network so reach more providers and make sure that that it is a diverse group of providers. You know, one could say that choosing to pay money to be part of a financial health network demonstrates that the idea of financial health is gaining traction.

Remember, a few years ago we didn't have a network at all, we worked with a handful of companies, but we weren't formally engaged with companies as members and today we have over 160 in just a few years. We measure how engaged those companies are in developing new products, services, policies that we think are meant to promote financial health so we track and monitor that.

We also, through our Compass Principles, track and monitor quality in the marketplace because it's always good to have more, but not if it's not high quality. So we're also, you know, benchmarking quality in a variety of places in the industry and monitoring whether quality is ever improving.

And then, finally, we're really focused on influencing both the broader industry and the broader zeitgeist, but also the firms we work with by encouraging them to measure the financial health of their customers and start to use that data as a KPI for how they run their business. Back when we started this, financial health barely existed, we didn't even have a measurement system and we set a goal of having 25% of our network members actively measuring and I'm really excited to say that we actually hit that goal.

So we're working with, at this point, about 40 companies and organizations who in some cases are using our methodology and in some cases using their own to measure and track the financial health of their customers and understand what moves the needle year-on-year.



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We're actually at the point where we've got a few companies who are now either in their second or third year of starting to measure so they have some year-on-year data. If you couple that with this new financial health pulse which is going to give us regular national benchmarking data and we also have a new sentiment survey.

We've surveyed 650 financial services executives about their sentiments around financial health and it's importance as a strategy and a business priority. We're going to have a whole set of new tools to be measuring industry engagement on this topic. And ultimately, we think we should be able to measure year-on-year change in financial health among Americans.

Peter: Interesting. So I'm curious, how big is your organization? I know you're based in Chicago, I believe you have a number of offices around the country, I mean, how many people work at CFSI?

Jennifer: We're a group of about 55 and we have offices in Chicago, New York, DC and San Francisco and it's just a terrific group of people, very varied backgrounds; some people out of industry or out of business; others out of non-profit or out of international development, but all really passionate, motivated, innovative and really comfortable, you know, pushing the boundaries.

Peter: Right.

Jennifer: Most of what we're doing we're inventing every day and what's really exciting is to be working, not just with other innovators who are used to doing something new every day, but really having some success in convincing incumbents in a very conservative industry to actually start to think differently about the business they're in. So there's tons more work for us to do, but I'm really excited about the traction.

Peter: Right. So it sounds like you've got a lot of revenue generators, but given that you're a non-profit, I imagine you're still getting donations as well. What is the split between donations or grants that you receive versus your revenue generating activities?

Jennifer: Yeah, it's about half and half, maybe slightly more grants, it goes in waves and I think it's also intentional in the sense that one of the reasons why we've been successful is that we're viewed as having independence. Even though we work with industry and individual companies, we ultimately are in this to improve things for consumers.

Peter: Right.

Jennifer: And so having outside grant funding, and not just from corporate donors, but also from private foundations, enables us to control our agenda, particularly on issues or products or policies where we need to actually drum up interest or help set a new point of view before we can convince others to pay for it if you will, and see it as being in their interest.



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So for instance, this national US financial health pulse I mentioned, this national data collection is a very significant and expensive undertaking and we have support from Omidyar Network, MetLife Foundation and AARP, but over the course of time we expect to be able to monetize it sufficiently so that it becomes sustainable and isn't going to need grant funding forever.

So that's how we tend to think about our grant funding, it's either sort of capital to take on new things that market isn't ready to pay for yet, or to take on issues and topics that we want to have independence around.

Peter: Okay, so we're just about out of time, where are you taking this, what's your vision for the future of CFSI?

Jennifer: So I think our vision is to really equip financial services providers with the tools, technology and infrastructure that they need to execute on financial health strategies. We've done a tremendous amount of work to raise awareness, to get people interested, to help them understand the idea, to even help them begin to understand sort of the baseline of where they're starting from, in terms of the financial health of their own customers. And now, everyone wants to know how do I do that?

And so I think an important role that CFSI can play is really bringing data, analytics and benchmarking to bear because as this becomes a more standard way of operating, right, there's going to be more information about how one compares to others and what strategies work. I think there's some other work that we need to cause to happen outside of our four walls, right.

A lot of financial institutions are now looking for technology partners who can offer the platforms and infrastructure that they need, either to offer their customers a financial health experience directly, or to provide advice in a different form or fashion and so we really want to help create a more robust marketplace of vendors and partners who can provide the kinds of financial health solutions that providers are going to be looking for, they are already looking for it.

So as an example, a couple of years ago we worked closely with Envestnet Yodlee to help them build their new Fin Health Check app and so banks, on a white label basis, can leverage this tool if they want to enable their customers to generate a financial health score and then to provide them with some advice about improving it and we're starting to see others try similar things in the marketplace.

I think there's room for more of that and other kinds of platforms that will also enable firms to aggregate the data that they have on their customers to paint a better picture so it's not just serving your customers, but using transactional data to help give them a picture. So I think that through our innovation work, we're really excited about trying to help fill in that marketplace because ultimately, what we really want is financial services companies to see themselves as being in the financial health business.

That's what their customers want from them and that net promoter score is a very valuable KPI for making sure that that the experience they have is pleasant and positive, but our research



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shows that plenty of people have pleasant and positive experiences, but still feel very negatively about their financial condition.

Peter: Right.

Jennifer: So we want to see more firms using financial health as a way to measure their own impact as an enterprise. I would say that's probably our ultimate goal.

Peter: Right. Well that is a noble goal and one that I will also try and work towards personally. I feel like improving financial health really is the promise of fintech and I feel like we are nowhere near realizing that promise. It's organizations like yours that are really helping to drive this forward. I really appreciate you being on the show today, Jen.

Jennifer: Thank you for having me, I really enjoyed the discussion.

Peter: Okay, see you.

Jennifer: Alright, take care. Bye.

Peter: Many companies in this space are focused directly on improving financial health and I think there are many companies doing tremendous work here, but I also think there are those that should be doing better, that really should be focused on really improving the health of their customers more so than what they are. I think it's a trend that I see moving in this direction.

I think with technology, with artificial intelligence, with all kinds of other tools, we now have the capability to profitably serve a much bigger population than was possible just a few years ago. I really commend the work CFSI is doing and I think more companies should be really turning their attention towards directly improving the financial health of their customers. I think we're moving in that direction. I hope that we will see tremendous gains over the coming years.

Anyway on that note, I will sign off. I very much appreciate you listening and I'll catch you next time. Bye.

Today's show was sponsored by LendIt Fintech USA 2019, the world's leading event in financial services innovation. It's coming up on April 8th through 9th, 2019, at Moscone West in San Francisco. Registration is now open and we're also taking speaker applications. You can find out more by going to lendit.com/usa

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