New Products in Consumer Financial Services

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The Underserved Population

Approximately 34 million U.S. households – 68 million people – are financially underserved

- 10 MM, 8% Unbanked
- 24 MM, 20% Underbanked
- 86 MM, 72% Banked

Underserved: all consumers within group by ethnicity

- 55% Black
- 48% Hispanic
- 41% American Indians
- 20% White
- 19% Asian

Source: FDIC 2011 Household Survey
The Underserved and Banking

Many of those who do not currently have a bank account have had one in the past.

Bank Account Status Among the Underserved

<table>
<thead>
<tr>
<th>Bank Account Type</th>
<th>Have bank account</th>
<th>Unbanked</th>
</tr>
</thead>
<tbody>
<tr>
<td>Checking and Savings Account</td>
<td>62%</td>
<td>29%</td>
</tr>
<tr>
<td>Checking Account</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>Savings Account</td>
<td>31%</td>
<td></td>
</tr>
</tbody>
</table>

Have you ever had a bank account?

- Yes: 45%
- No: 55%

45% of the unbanked have had a bank account.

Underserved Income Distribution

Underserved doesn’t necessarily mean lower incomes

<table>
<thead>
<tr>
<th>Income Level</th>
<th>Underbanked</th>
<th>Unbanked</th>
</tr>
</thead>
<tbody>
<tr>
<td>At least $75,000</td>
<td>0.5%</td>
<td>14%</td>
</tr>
<tr>
<td>$50,000-$75,000</td>
<td>0%</td>
<td>13%</td>
</tr>
<tr>
<td>$30,000-$50,000</td>
<td>5%</td>
<td>21%</td>
</tr>
<tr>
<td>$15,000-$30,000</td>
<td>12%</td>
<td>20%</td>
</tr>
<tr>
<td>Less than $15,000</td>
<td>22%</td>
<td>28%</td>
</tr>
</tbody>
</table>

Source: FDIC 2011 Household Survey
Underserved ≠ Subprime

Underbanked Credit Scores

- C - Prime, 8%
- D - Non-Prime, 25%
- B - Prime Plus, 9%
- A - Super Prime, 7%
- F - High Risk, 12%
- Thin File, 22%
- No File, 23%

Note: Credit scores presented are VantageScore. Statistics represent the 78% of survey respondents for whom credit scores could be appended.
Source: CFSI Underbanked Consumer Study, 2008

The Underserved Marketplace:
A $78 B Marketplace

Industry Revenue by Category and Segment in 2011

Many CDFIs
One Purpose
#OFNCONF
Companies are pursuing a variety of strategies to serve the underserved.

High Product Sophistication

Traditional Branch
In-Store Branch
Hybrid Check-casher/Bank/CU
Specialized Branch
Self-Service Kiosks
Third Party Distribution
Online / Direct

Low Product Sophistication

CDFIs have a unique ability and opportunity to meet the financial services needs of underserved consumers.

Trust
- CDFIs are trusted institutions, create strong relationships

Insights
- CDFIs have insights into the financial services challenges of existing and potential clients

Win/Win
- Opportunity to expand product suite and increase impact
Panelists

- Sherri Flanigan-Vazquez, COO, Justine Petersen
- Jose Quinonez, Executive Director, Mission Asset Fund
- Steve Zuckerman, Managing Director - California, Self-Help FCU
- Robert Annibale, Global Director, Citi Community Development and Microfinance
Our mission is to connect low- and moderate-income families with institutional resources in order to build financial assets and create enduring change.

Core Products

- Credit Building and Financial Capability
- Homeownership preparation and retention
- Micro-enterprise Lending and Training

- Typical Client:
  - Average 575 credit score
  - Thin File Credit Report

Our delivery model: One-on-one counseling and ongoing client management.
Justine PETERSEN
Accomplishments

Since 1997:
- One-on-one counseled over 25,000 individuals in credit building strategies;
- Assisted 4,300 to purchase homes with safe, affordable mortgages;
- Originated $24 Million thru 4,500 credit building and micro-loans

Consumer Finance Products

- Credit Builder Loan
- Secured Credit Card
- LISC Twin Account
Credit Builder Loan

• Terms
  – $150 loan amount
  – 37% APR (about $30.00)
  – 12 months term
• Developed 2006
• Opening about 100/yr
• Required counseling – feeds other products

Secured Credit Card

• Partnered with Citi to develop in 2008
• Goal to pair installment & revolving lines in order to promote credit building
• Scale Strategies
  – Technology
  – Nonprofit Partners
LISC Twin Accounts

- 2012 partnership with LISC
- Targets a workforce development population (42% zero score)
- Terms
  - $300 loan
  - Interest rate depends on state (6 - 12%)
  - Payments matched up to $300 SCC Deposit

Things to Consider...

- Target Population
- Other products in the market
- Consumer Loan Regulations
- Mission Fit
- Staffing