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# Leveraging Fintech for Financial Health

## Lessons from the Financial Health Network's Chicago Nonprofit Fintech Distribution Pilot Program

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**During 2019, the Financial Health Network implemented a pilot study in partnership with five Chicago-based nonprofit organizations to explore the role of financial technology ("fintech") as part of the financial coaching services they offer their clients, especially those with low incomes.[1] The pilot had two primary objectives: first, to assist clients with solutions that help build financial health; second, to identify insights that inform the broader field of nonprofits and funders seeking to deploy a replicable, scalable model to distribute fintech products through direct service organizations. To fulfill the second objective, the Financial Health Network asked the Urban Institute to conduct a small implementation study of the pilot. This brief presents lessons learned about nonprofit distribution of fintech products. It concludes with recommendations for the field on how to enhance nonprofits' efforts to distribute fintech to help build the financial health of households with low incomes.**

## Introduction

Financial health exists when people's daily financial systems enable them to be resilient and pursue opportunities. It includes the ability to spend, save, borrow, and plan effectively. In general, financially healthy people spend less than their income, pay bills on time, plan ahead financially, and have sufficient liquid and long-term savings, manageable debt, a prime credit score, and appropriate insurance. By this definition, only 29.0 percent of all Americans and only 10.3 percent of people with incomes below $30,000 are financially healthy. But even those with higher incomes struggle: 48.0 percent of people with household incomes of at least $100,000 struggle with all or some aspects of their financial lives (Brockland et al. 2019).

The Financial Health Network's Chicago Nonprofit Fintech Distribution Pilot Program explored how fintech might be distributed as part of financial coaching programs to help clients with low incomes build their financial health. Financial coaches offer one-on-one sessions and workshops to assist clients in setting and managing financial goals and designing concrete action plans.[2] The evidence suggests that well-implemented coaching programs with engaged clients can improve financial outcomes (Elliott et al. forthcoming; Theodos et al. 2015; Theodos, Stacy, and Daniels 2018).

Views about the potential of fintech to transform the financial health of people with low incomes are mixed. On the one hand, some institutions warn that fintech can put people with low incomes at greater risk of fraud or predatory lending: "factors such as low literacy and numeracy, low awareness of data protection rights, little representation, reduced options, reduced assets and savings compound their vulnerability to abuse."[3] On the other hand, fintech could increase inclusion in the financial services landscape. It may "lower costs, improve transparency and convenience, and give low- and moderate-income consumers greater control over their finances" (Gorham and Dorrance 2017). Some suggest that incorporating technology into financial coaching could attract more diverse clients, help coaches deliver services more efficiently, and even support participants in achieving long-term behavior change (NeighborWorks America 2013; Collins and Lienhardt 2014).

*All households get hit with financial shocks regularly. For low-income households, the decisionmaking can be more consequential, whereas the wealthy have more room to make mistakes.*
*—Sohrab Kohli, Manager at Financial Health Network*

To review the pilot implementation and draw insights and lessons learned, the Urban Institute conducted interviews and focus groups with staff at the Financial Health Network who oversaw the pilot; the management staff and financial coaches who were engaged at participating nonprofit organizations; and the clients whom the nonprofits had introduced to a fintech product. In general, the interviews touched on the pilot's goals, how the pilot was structured and planned, implementation successes and challenges, fintech product weaknesses and strengths, satisfaction with the products, and barriers to take-up.

Our research found that the participating nonprofits gained valuable knowledge about the potential benefits of fintech overall for their clients, as well as insights on how to match products to the needs and preferences of their clients. The experiences of the nonprofit coaches involved in the pilot were relatively consistent in terms of the training and core methods they used for distributing fintech to clients. We observed a few notable variations across project management structures, data-tracking methods, and levels of interaction with fintech developers.

At the client level, we found limited take-up of the fintech products offered during the pilot's implementation, which suggests two possibilities: (1) nonprofits and the financial education field may need to go even deeper to understand and address the practical and behavioral barriers that clients face in accessing fintech, and (2) fintech providers may need to design more products tailored to the needs of users with low incomes, informing this work with the input and insights from nonprofits like those included in the pilot.

# Pilot Overview

In July 2018, the Financial Health Network, formerly known as the Center for Financial Services Innovation, received a grant from the JPMorgan Chase Foundation to implement the Chicago Nonprofit Fintech Distribution Pilot Program. First, the Financial Health Network screened applicant nonprofit organizations to assess their readiness to be partners in the pilot. The Financial Health Network looked at factors such as clientele (size and demographic profile), experience providing financial services, capacity to train staff, prior use of fintech, and interest in fintech. After reviewing the applicants, the Financial Health Network selected three nonprofits to be part of the pilot program: the Latin United Community Housing Association (LUCHA), Heartland Alliance, and the Local Initiatives Support Corporation in Chicago (LISC Chicago).

The three initial nonprofit grantees (LUCHA, Heartland, and LISC Chicago) each received a grant from the Financial Health Network to participate in the pilot. LISC Chicago disbursed its funding in equal parts to two of its Financial Opportunity Centers—the Center for Changing Lives (CCL) and North Lawndale Employment Network (NLEN)—to implement the pilot, so a total of four nonprofits directly distributed fintech during the implementation period (box 1).

LUCHA, CCL, and NLEN used the money to cover the participation of their existing financial education staff in the pilot, while Heartland used its funding to support a new full-time financial innovations project leader. The Financial Health Network provided planning support and customized technical assistance to each site as needed. All relevant staff from the nonprofits received in-person training from the Financial Health Network at the beginning. Additionally, during the pilot, nonprofit partners attended three in-person meetings for the Financial Health Network's Nonprofit-Fintech Exchange,[4] a national interest group for nonprofits or social impact organizations and fintech developers interested in working together to design or deliver high-quality fintech tools for underserved consumers. Near the pilot's end, the nonprofit partners presented their experiences at the Nonprofit-Fintech Exchange meeting during the Financial Health Network's annual member summit.

BOX 1

**Timeline for the Chicago Nonprofit Fintech Distribution Pilot Program**

- August 2018: execute partner agreements
- September–November 2018: initial planning period
    - » Identify clients who will participate in the pilot
    - » Product selection
- November 2018–June 2019: extended planning period
    - » Product selection (some fintech products terminated; new selections made)
    - » Product selection (onboarding for coaches)
    - » Product integration within coaching program; prepare for distribution and rollout
- June–October 2019: implementation period for fintech distribution
- October–December 2019: wrap-up and reporting

Selecting fintech products to feature in the pilot took longer than anticipated. During the initial planning period, the Financial Health Network presented each nonprofit with a list of more than 50 vetted, direct-to-consumer fintech products and asked them to assess and choose one to distribute. The Financial Health Network also provided a more tailored list of five products to each nonprofit that Financial Health Network experts thought would best suit the nonprofit's organizational goals and client needs, but the final choice was left up to the nonprofit implementers. In general, the financial coaches at each nonprofit weighed in on the product choices, and managers made the final selection based on their input. The planning period took longer than anticipated primarily because of the length of time it took for a few sites to finalize their fintech product selection, as well as other factors such as staff turnover in some nonprofits. To accommodate this delay, the Financial Health Network added an extended planning period and pushed the initial project end date back from August to December 2019.

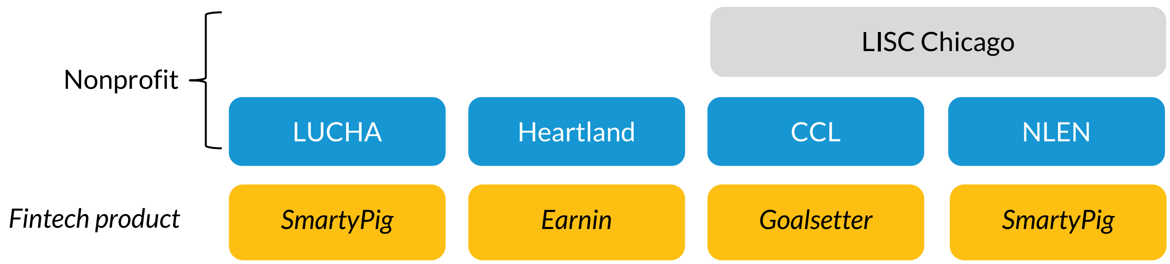
After each nonprofit selected a fintech product to introduce to clients, the Financial Health Network hosted workshops with the nonprofit teams to prepare and plan for implementation. At the training, Financial Health Network staff presented the purpose of the pilot, described the features of the fintech product selected, and helped develop a plan of action for how the nonprofits could distribute the product. The nonprofits introduced their selected fintech products to clients in spring and summer 2019 through October 2019. To maximize learning, the Financial Health Network gave each site a great deal of latitude for setting their own implementation practices. For example, the Financial Health Network encouraged sites to introduce their fintech products in alignment with their own existing practices, as opposed to setting common parameters for all sites. Three of the four nonprofits used a mix of one-on-one referrals and group-based settings to introduce products to clients, while one introduced and supported the product's use only through one-on-one financial coaching sessions.

## The Nonprofit Partners

Below we introduce each nonprofit partner in the pilot (figure 1).

FIGURE 1

**Nonprofit Partners and Piloted Fintech Products**

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**Notes:** LISC Chicago = Local Initiatives Support Corporation in Chicago. LUCHA = Latin United Community Housing Association. CCL = Center for Changing Lives. NLEN = North Lawndale Employment Network.

### LATIN UNITED COMMUNITY HOUSING ASSOCIATION (LUCHA)

LUCHA provides housing services to Chicago residents, primarily Latinx families with low incomes, coordinating technical assistance and operating a 196-unit affordable rental housing development. Since its founding in 1982, LUCHA has offered affordable housing services, including green construction, homebuyer and owner assistance, and resident services such as financial counseling and integrated health and wellness programming.[5]

### HEARTLAND ALLIANCE (HEARTLAND)

Heartland is based in Chicago and works in the United States and abroad to serve those experiencing homelessness, living in poverty, or seeking safety. Service areas include health, housing, and employment. Heartland also pursues state and national policy advocacy efforts. In Chicago, the organization works primarily with female and Black/African American heads of household with low incomes, providing supports focused on housing stability and personal growth such as case management, employment and career development, financial literacy, substance use intervention, and various affordable housing services.[6]

### LOCAL INITIATIVES SUPPORT CORPORATION, CHICAGO (LISC CHICAGO)

LISC Chicago is the local office of LISC, a nonprofit community development financial institution that builds local capacity to help create and access economic opportunity in communities with low to middle incomes. The organization seeks to build capacity in people, neighborhoods, organizations, and developers. Its work is focused in the following areas: comprehensive community development, economic development and workforce development, and financial stability and investing. LISC Chicago did not participate in the pilot as an implementing partner. Rather, it selected two nonprofits from among its Financial Opportunity Centers to participate.[7] In addition to providing subgrants to its partners, LISC Chicago coordinated with the Financial Health Network and provided technical assistance when requested, giving the two subgrantees listed below full autonomy in selecting a fintech product and implementing the pilot.

### CENTER FOR CHANGING LIVES (CCL)

CCL operates as a Financial Opportunity Center and US Department of Housing and Urban Development–approved housing counseling agency[8] to provide bilingual English and Spanish services that connect people to employment coaches, financial and housing coaches, and resource development coaches who can help participants access a network of people, resources, and opportunities specific to their circumstances and goals. CCL has been responding to the needs of individuals and families who are experiencing homelessness or are at risk of becoming homeless since 1989. CCL is on the North Side of Chicago near the Logan Square and Humboldt Park neighborhoods.

### NORTH LAWNDALE EMPLOYMENT NETWORK (NLEN)

NLEN helps underemployed and unemployed residents of the North Lawndale neighborhood and surrounding communities in Chicago secure jobs. Their clients are residents with low incomes facing barriers to employment, such as people returning from incarceration or people who do not have postsecondary degrees. Some of their programs include job readiness training for people with a felony background, a mechanic skills training partnership with the Chicago Transit Authority, and connections to paid transitional jobs for people most at risk of gun violence (provided in partnership with Heartland Alliance).[9]

## The Fintech Products

Fintech has a wide-ranging definition.[10] It generally includes any “financial-services companies using the internet, mobile phones, and the cloud,” and it can take different forms, such as peer-to-peer lenders, crowdfunding, blockchain and bitcoin, robo-advising, mobile payments, and insurance.[11] Below we give a brief overview of the three consumer-facing fintech products selected by the four nonprofits.

### SMARTYPIG (LUCHA AND NLEN)

SmartyPig is an online, high-yield savings account that is insured by the Federal Deposit Insurance Corporation (FDIC). It aims to help users save for short- and medium-term goals. Users can set multiple goals, move their money from one goal to another, and withdraw funds at any time with no penalty. Users can also set up biweekly or monthly automatic contributions and add funds at any time if they need more flexibility.[12] There is no fee for using SmartyPig. SmartyPig does not offer a mobile application; however, its website can be accessed on phones via mobile web browsers.

LUCHA chose SmartyPig to “fill a gap in the development of equity for home buying.” Specifically, they introduced the product to clients as a vehicle for saving $2,000 to $3,000 toward a down payment for a home. NLEN also selected SmartyPig after determining that the product would be a good fit for their clients, most of whom wanted to pay off debt. NLEN staff found SmartyPig to be visually appealing and appropriately motivational, encouraging clients to set goals and offering congratulations when they met those goals.

### GOALSETTER (CCL)

Goalsetter is an FDIC-insured savings platform designed for parents and families to teach children financial literacy skills that will help them develop healthy savings habits and set them on a path to become lifetime savers.[13] Children can use the product to set and save for their own goals, or family members and friends can send money using a digital gift card.[14] Goalsetter has additional features that provide alternative or intermediate opportunities to interact with the product without opening an account. For example, Goalsetter has a financial literacy learning center that uses quizzes to teach users about personal finances. There is no fee for children to set up an account; instead, the app uses a tipping model as a means of sustaining and expanding the product. Users are prompted to donate between $1 and $5 monthly, but the tip is not required. For friends and family who want to send money to a child using the digital gift card, there is a $1 charge and a credit card processing fee.[15] Goalsetter is available as a mobile application (iOS and Android).

CCL selected Goalsetter for the fintech pilot because it complements the organization's two-generation curriculum geared toward helping parents and children cultivate their financial health as a family. More specifically, CCL staff identified the app as a good fit for their early financial education program called "Money and Us" that targets families with children ages 3 to 5.

### EARNIN (HEARTLAND)

Earnin allows users to "cash out" their earnings before payday. Users verify their ongoing employment by uploading a picture of their timesheet via the app[16] or by providing their work address and allowing the app to use their phone's GPS to track the amount of time the user spends at that location.[17] New users can withdraw up to $100 per day, but this maximum may adjust over time, ranging from $50 to $500 depending on the user's financial health habits, such as maintaining a consistently positive bank balance, which the app also tracks.[18] There are no fees for the service. Instead, Earnin uses an optional tipping model similar to the one used by Goalsetter.[19] Earnin can be used only as a mobile application (iOS and Android) and is marketed as a way to promote fairness in the financial system by allowing users to do things like access their earnings outside the standard pay cycle and avoid fees or penalties on overdue bills.[20]

Heartland chose Earnin because its clients often face cash flow issues, with many living paycheck to paycheck, and some staff wanted to explore this product as a potential solution to that problem. They were the only nonprofit to select a product that was not presented on the Financial Health Network's tailored short list of recommendations.

# Findings

The findings below are divided into two sections. The first focuses on lessons learned from the planning phase of the pilot (both the initial and extended planning period); these findings reflect data gathered from document review and interviews with staff of the nonprofits and the Financial Health Network. The second section focuses on insights from the implementation phase, which were also drawn from interviews with staff, as well as from program data from the nonprofits and focus groups with clients.

## Planning Phase Findings

### THE NONPROFITS BROUGHT DIFFERENT LEVELS OF EXPERIENCE WITH FINTECH TO THE PILOT

Some staff at three of the nonprofits had at least some experience introducing their clients to fintech before the pilot, but those experiences varied. LUCHA had used CreditWise, Credit Karma, and Mint to help clients monitor their credit scores and had partnered with Freddie Mac to offer EarnUp (to automate loan payments) and NeighborWorks to offer PowerPay (to manage debt). CCL had partnered with the Mission Asset Fund to offer Lending Circles and LISC Chicago to offer other fintech apps, such as Esusu, which helps clients with credit building, savings, and budgeting all in one. This pilot was the first time NLEN and Heartland had formally incorporated fintech into their financial coaching services.

### A FEW PRODUCTS CAME WITH TECHNICAL SUPPORT, AND A FEW PRESENTED CHALLENGES

Two fintech developers offered direct support to the nonprofits that selected their products. Earnin created a landing page for Heartland clients to aid them in signing up for the app; however, Heartland ultimately chose not to use the landing page, preferring to use its own framing and language when introducing the product to clients. CCL received a bilingual partnership toolkit from Goalsetter with resources, including an image to post on social media along with a $5 promotional code for clients who registered for an account.

CCL and LUCHA both encountered a significant issue during the planning phase, which affected their ability to carry out the pilot in the time frame originally established by the Financial Health Network. Both organizations initially selected an FDIC-insured, branchless banking solution called Motiv because the app was more accessible to Spanish speakers,[21] who make up a substantial share of their client populations. However, both nonprofits had to drop Motiv just after receiving product training from the Financial Health Network and right before introducing it to clients. They received a notice from Motiv's banking partner that accounts were being terminated and that all account holders should withdraw the funds in their accounts within 30 days. The company and its website later went dark, with no formal public explanation for why.[22] This left the two nonprofits to reconfigure their implementation timeline, select a new fintech product, and retrain their coaches.

After losing access to Motiv, LUCHA leaders contacted the developers of their next choice, SmartyPig, to request that the product be made available in Spanish but were told that would not be possible at that time. Finding no other suitable options in Spanish, LUCHA decided to use SmartyPig anyway and remain in the pilot to raise awareness about this gap in the fintech field. The former director of programs at LUCHA said: "The digital divide and the language divide are correlated. We serve a large population of Spanish speakers who also need fintech tools to manage their everyday finances and become financially independent, and we found very limited options for them. We had two options: become part of the pilot, familiarize ourselves with developers and start using fintech, and advocate from within the system [for Spanish speakers] or walk away [from the pilot] and have the status quo be what it is without any sort of advocacy."

### COACH TRAINING WAS CONSISTENT ACROSS PRODUCTS, BUT COACH BUY-IN VARIED

Financial coaches in all four nonprofits expressed satisfaction with the product training and support they received from their managers and the Financial Health Network. Typically, trainings consisted of an orientation and some demonstration (using a dummy account or a group account to try out the product). Particularly for SmartyPig and Goalsetter, coaches said they left the trainings feeling comfortable with introducing their respective product's features and functionality. Although some coaches never went on to actively register for or use the product themselves, several coaches were adamant about not introducing a product to their clients before they had used it themselves. Buy-in among coaches at Heartland was variable and specific to the selection of Earnin, which some coaches disagreed with. Coaches who wanted to explore the potential benefits of Earnin believed it could be used as an emergency fund for their clients if they were running short on cash. Other staff expressed concern that the product behaved too much like a payday loan and might encourage bad budgeting habits.[23] Lack of buy-in may have dampened the motivation some coaches had to introduce Earnin to clients. Though all coaches at Heartland said they cooperated with the pilot, one staff person referred to coaches as potential "gatekeepers" for distribution: "If they are not on board with the product, [distribution] will not be successful."

## Implementation Phase Findings

### FINTECH DISTRIBUTION WAS A MULTISTAGE PROCESS

We observed that client interaction with the fintech products typically involved four stages (figure 2). In the first stage, a coach introduced the product to a client during a counseling session or workshop. During the second stage, a client accessed the product by downloading a mobile app (Earnin, Goalsetter) or going to the product's website (SmartyPig). Our interviews with coaches and clients suggest that the introduction and access stages rarely overlapped; in other words, clients typically did not download the apps or open the browser on their phones during the coach's introduction.

During the third stage, a client registered to use the product. Though the registration process varied across the fintech products, would-be fintech users were typically asked to provide identifying information such as their name or Social Security number and were asked to link the product to a personal bank account. Some products asked for additional information specific to its operation; for example, the Earnin registration process asked clients for information on their employment and worksite location. During the fourth stage, a client actively used the product. For example, clients who used Goalsetter and SmartyPig would typically make deposits in their savings accounts embedded in these apps. Although registration and utilization were distinct stages for Goalsetter and SmartyPig, registration for Earnin could be considered a form of utilization in that Heartland coaches presented the app as only a safety net, educating their clients to maintain sufficient budget control and financial stability so they would never actually need a short-term cash advance.

FIGURE 2

**The Four Stages of Fintech Distribution**


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### NONPROFITS PRIMARILY USED ONE-ON-ONE COACHING TO INTRODUCE PRODUCTS

All nonprofits used one-on-one coaching sessions with clients as the primary way to introduce their chosen fintech product. All except LUCHA also used workshops to introduce the products. For example, Heartland ran workshops and a webinar for their clients and the public that focused on fintech in general, laying out the pros and cons of various products, including Earnin. Both one-on-one counseling sessions and workshops were used to target particular groups. For example, NLEN introduced SmartyPig in a workshop for entrepreneurs.

Two nonprofits used various lower-touch means to introduce the products to clients more broadly. CCL posted the $5 Goalsetter promotional code for their clients on social media. LUCHA developed marketing materials, such as posters and handouts, to introduce SmartyPig to their client base.

Although most clients we spoke with were banked and had used mobile banking or cash transfer apps like Cash App and Zelle, clients at LUCHA, NLEN, and CCL did not know about SmartyPig and Goalsetter before being introduced to them by nonprofit staff. A few people had learned about Earnin through advertisements on Hulu and YouTube, as well as through social media, before exposure to it with Heartland staff. Heartland coaches said knowing that clients were already learning about new fintech gave them a heightened sense of responsibility to educate clients who were starting to use it.

### STAFFING CHALLENGES AND ENHANCEMENTS AFFECTED FINTECH DISTRIBUTION

Some nonprofit partners experienced staff turnover during the pilot, which caused significant delays in the timeline. One organization lost several staff members at the pilot's start. In these instances, continuation of the pilot required documenting and passing on fintech distribution practices and strategies already under way. Heartland actively pursued enhanced staffing at launch by using the bulk of its pilot grant to hire a full-time financial innovations project leader tasked with overseeing fintech introduction and organizational learning about new methods for improving client financial well-being. During the pilot, the new staff person developed a curriculum to introduce Heartland's 20 Chicago-based coaches and clients to multiple fintech products, including Earnin and an additional six apps that coaches believed could be useful to their clients: a bill reminder app (Prism), a legal will maker (Tomorrow), an artificial intelligence assistant that provides financial management services (Trim), a rotational savings club that allows people to save with friends and family (Esusu), a cash card for checking and savings (PayPal Cash Card), and an app that incentivizes people to save (SaverLife). Heartland has since secured new funding to sustain the financial innovations project leader position beyond the pilot year.

### METHODS FOR TRACKING DISTRIBUTION VARIED

The Financial Health Network asked the nonprofits to monitor distribution of their selected fintech products, allowing them to set their own methods for tracking client take-up. CCL and NLEN tracked distribution from client self-reports during their regular check-ins. In some instances, clients would proactively report if they had interacted with the product; in others, coaches would ask them about it. Heartland had a follow-up protocol through which the project manager contacted every client who was introduced to Earnin by a coach to see whether they were using it and, if so, how satisfied they were with the product. Coaches at LUCHA followed up every 30 days with clients who had formally incorporated SmartyPig into their action plans, according to the guidelines for HUD-approved counseling providers, but they did not query all clients, some of whom may have seen SmartyPig on a poster or flyer.

### TECHNICAL ASSISTANCE WAS PRIMARILY PROVIDED BY THE FINANCIAL HEALTH NETWORK

Besides using FAQs and other information available on each fintech product's website, the participating nonprofits received ongoing technical assistance from the Financial Health Network. When clients went to the nonprofits with questions that the nonprofit staff could not answer, Financial Health Network staff tried to serve as a resource if they had a preexisting relationship with the fintech developers through their Financial Solutions Lab—a $50 million, 10-year initiative funded by JPMorgan Chase and managed by the Financial Health Network to "support and scale innovative ideas that advance the financial health of low- to moderate- income (LMI) consumers and historically underserved communities."[24] Although Financial Health Network staff encouraged the nonprofits to establish direct relationships with the fintech developers, they cautioned them to temper their expectations for engagement because the pilot was relatively small and designed to feature products widely available to all consumers. A few nonprofit representatives expressed mild frustration that they had trouble connecting with the developers of their chosen fintech products when they needed help.

### THE NUMBER OF CLIENTS INTRODUCED TO A PRODUCT VARIED ACROSS THE NONPROFITS

All coaches in the pilot said they introduced their selected product only to clients whose needs aligned well with the product features. However, CCL and NLEN staff introduced their products to large groups of similar clients (e.g., parents), while Heartland and LUCHA introduced their products to clients on a case-by-case basis only. For example, Heartland's financial innovations project leader equipped Heartland's financial coaches with a simple screening sheet that included check boxes about client financial needs, preferences, and experience with problematic issues like past use of payday lenders, cash flow issues, and overdraft fees. Only clients whose screening profile showed that they could benefit from Earnin were introduced to that product by their coach.

### SOME CLIENTS ENCOUNTERED BARRIERS TO ACCESS

A few clients we spoke with said that lack of access to a smartphone or a computer prevented them from accessing the fintech product their coach introduced them to. Earnin and Goalsetter require that clients have access to a smartphone. SmartyPig is not offered as a mobile app, which some clients perceived as a barrier. Though SmartyPig can be accessed via a mobile browser, not every client seemed to understand that. Coaches themselves may have been confused about technical access to SmartyPig;

a few described discussing the product in the abstract during their one-on-one sessions with clients because they did not have a laptop with them. People with low incomes often have more ready access to phones than computers,[25] so a digital divide—whether real or perceived—may have prevented smooth introduction and access to SmartyPig for some would-be users. Language accessibility was also flagged as a barrier to access for several clients we spoke with. These clients mentioned that any new service, financial or otherwise, has to be in Spanish for them to try it. Some access barriers were particular to the client populations in other ways, too. For example, LUCHA staff introduced SmartyPig to residents of their transitional housing program with very low incomes, but several of those clients expressed a lack of ability or interest in using SmartyPig because they were unbanked or had insufficient cash flow to consider a savings tool.

### CLIENT UTILIZATION OF THE FINTECH PRODUCTS WAS LOW OVERALL

By the end of the implementation phase, 274 clients had been introduced to a fintech product (stage 1), but only 5 had utilized it (stage 4), according to data reported by the nonprofits (table 1). Reliable quantitative data on the number of clients who accessed (stage 2) and registered (stage 3) for each product were not collected by the nonprofits, but we did collect qualitative data on these stages during focus groups: most clients we spoke with said either that they were not interested in using the product or that they had intended to access the product but never got around to it. Others said they accessed the product later but ceased to interact with it partway through the registration process because they did not want to provide sensitive personal information like a Social Security number or allow the product to connect to their bank account.

TABLE 1

**Client Introduction to and Utilization of Fintech Products in the Pilot**

*Results as of December 18, 2019*

| | CCL | Heartland Alliance | LUCHA | NLEN |
|---|---|---|---|---|
| Product | Goalsetter | Earnin | SmartyPig | SmartyPig |
| Number of clients introduced to product (stage 1) | 122 | 35 | 9 | 108 |
| Number of clients who utilized product (stage 4) | 2 | 1 | 0 | 2 |

**Source:** Program data provided by the four nonprofits to the Financial Health Network.
**Notes:** CCL = Center for Changing Lives. LUCHA = Latin United Community Housing Association. NLEN = North Lawndale Employment Network.

### SOME FINTECH USERS PERCEIVED REAL FINANCIAL BENEFITS

Several clients appreciated that products like SmartyPig and Goalsetter are FDIC-insured the way any standard bank account would be. A few SmartyPig users noted that the product's average 1.75 percent annual percentage yield (APY) was higher than the market benchmark at the time of 1.5 percent.[26] A few clients considered not being charged a fee a distinct advantage over standard bank products. And one Goalsetter user found that the "Learn to Earn" and "It's Lit" quiz features helped improve their financial knowledge: "It's cool because it's not just about putting money in, but about getting knowledge on a lot of stuff that you wouldn't know. Who would have thought that [learning about] home buying would be part of this app?"

### MOST NONPROFIT STAFF GAINED VALUABLE EXPERIENCE DISTRIBUTING FINTECH

Most nonprofit staff we spoke with—at both the management and line staff levels—said that participating in the pilot gave them valuable insights about the benefits and pitfalls of fintech and how to distribute it, lessons that they intended to apply in the future. Specifically, staff reported learning how to vet fintech and discuss it with their clients, as well as about fintech's potential to educate their clients in real time about financial management and divert them from harmful financial traps like predatory lending services. Some staff members said the pilot heightened their awareness of the importance of assessing issues like language accessibility and data privacy before introducing a financial service to their clients.

### TRUST WAS A KEY FACTOR IN DISTRIBUTION

Trust was a theme throughout our conversations with staff and clients. Coaches spoke about the trusting relationships they built with clients and the importance of honoring that trust in the coaching relationship. They had fears around losing the trust they had established if they introduced a fintech product that did not perform the way they expected, possibly even hurting a client's finances. Several coaches said this was why they would not refer clients to fintech they had not first used themselves. The Earnin requirement for employer information and user location was particularly troubling to a few coaches. And some staff and clients expressed concerns about how using any of the piloted products could affect credit scores, particularly among those who had received home-buyer education from their nonprofits. Many clients said they use and trust traditional banking apps more than they do the selected fintech, pointing to the necessity of providing the products with Social Security numbers and/or access to their standard bank accounts as a major cybersecurity concern.

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*Our staff value the rapport they build with participants. It takes a long time to start talking about their financial situation. To introduce a product that we are not 100 percent about would violate trust. That could be why some staff are not introducing it. Staff don't want to blow rapport by introducing a product they don't believe in.*
*—Financial Innovations Project Leader, Heartland Alliance*

*I trust [my coach's] judgment because she helped me with my credit score. She taught me how to write letters to dispute my score. I thought, 'If she could help me with that, I can trust her with pretty much anything.'*
*—Nonprofit client*

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# Recommendations

The primary goal of the Chicago Nonprofit Fintech Distribution Pilot Program was to identify insights that inform the broader field of nonprofits and funders on best practices for deploying beneficial fintech products. Despite low client take-up of the selected products, the pilot produced useful insights for near-term distribution of fintech by nonprofits and paved the way for a second set of studies on how nonprofits can get beneficial fintech into the hands of consumers with low incomes. The research team's recommendations on best practices and future research are as follows.

## For Nonprofits

- **Ensure coach buy-in.** Coaches who were using a fintech product themselves appeared to be more comfortable introducing it to their clients. We recommend that coaches develop a thorough understanding of how a product works from a user's perspective before introducing it to clients, even if that means creating a demo account rather than actively using the product themselves. Having familiarity with the product is essential for maintaining trust with clients. Some clients said trust in their coach was a major factor in overcoming privacy and security concerns.
- **Provide multiple fintech options.** Some coaches said they were reluctant to advance a single fintech product and preferred having a suite of options to choose from. NLEN, CCL, and LUCHA coaches all said they determined whether their clients had identified savings as a goal before they introduced them to SmartyPig and Goalsetter. And several Heartland coaches said that lack of alignment between Earnin and their clients' needs prevented them from introducing the product more widely.
- **Support clients in accessing, registering for, and using a fintech product over the course of several counseling sessions.** Besides not perceiving a need for the product, simply not getting around to using it was the most prevalent reason that focus group respondents gave for not accessing or using a fintech product after being introduced to it by a coach, even among clients who said they had been interested in the product.
- **Stay on top of fintech changes.** The products in the pilot underwent small and large changes during the pilot (e.g., Motiv shut down, and Heartland coaches said Earnin's tipping model was tweaked). Assigning coaches to stay up to date on product changes may be an important practice for maintaining client trust.
- **Make contingency plans.** The impact of staff changes and turnover on the distribution process should be buffered by thorough documentation and effective strategies to hand off the nonprofit's ever-growing knowledge base on fintech options and client preferences.

## For Fintech Developers

- **Develop fintech in other languages.** Spanish-speaking clients and the nonprofit staff who work with them frequently said that not having a product in their primary language was the most significant barrier to introduction and/or access.
- **Make identification requirements more flexible.** Asking for sensitive identifying information (e.g., a Social Security number) stops some would-be consumers from accessing products. Allowing consumers to provide alternative (e.g., an Individual Taxpayer Identification Number) or less sensitive identifiers may encourage greater use.

## For Funders

- **Conduct more studies on fintech use among clients with lower incomes.** Options for future research and learning include the following:
  - **Survey and focus group research on the what, how, and why of preexisting fintech use among financially vulnerable people, segmented by demographic group.** Most clients we spoke with were already using products like Cash App and Credit Karma or a mainstream mobile banking app. More targeted research on how consumer preferences for fintech are shaped and why some fintech products are perceived as more secure than others by people with low incomes could advance best practices for distribution of beneficial fintech.
  - **Additional fintech distribution pilots.** Future pilots might build on lessons learned from this pilot by varying selection parameters (e.g., allowing coaches to select the right product for each client from a larger menu of fintech options) and supporting more systematic data-tracking methods (e.g., sending a periodic text survey to clients to track their interaction with products across all four stages of fintech take-up).
  - **Communities of practice.** Nonprofit staff who want to dive deeper into distributing beneficial fintech might benefit from sharing and building best practices through ongoing informal small-group discussions with staff from similar nonprofits. Perhaps the Nonprofit-Fintech Exchange, which already is an excellent platform for partnerships and knowledge building among nonprofits and fintech developers, could offer small groups as an additional member benefit.

# Conclusion

Fintech is spreading and evolving rapidly. The Chicago Nonprofit Fintech Distribution Pilot Program provided valuable insights into the important role that nonprofits could play in helping consumers with low incomes access beneficial products. More field testing and knowledge development on best products and practices for nonprofit distribution are needed to bring this role to fruition.

# Notes

[1] Financial coaching refers to "the role of understanding a client's current situation through analysis of their finances; uncover their goals / needs; define clear objectives; prioritize steps; provide education, guidance, and accountability; and support clients to work toward a state of financial wellness and security" ("Financial Coach Definition," National Financial Educators Council, accessed March 17, 2020, https://www.financialeducatorscouncil.org/financial-coach-definition/).

[2] "Financial Coaching," Consumer Financial Protection Bureau, accessed March 17, 2020, https://www.consumerfinance.gov/practitioner-resources/financial-coaching/.

[3] Ximena Escobar de Nogales, "Fintech for the Financially Excluded?" *Stanford Social Innovation Review*, April 26, 2018, https://ssir.org/articles/entry/fintech_for_the_financially_excluded.

[4] "Nonprofit-Fintech Exchange Interest Group," Financial Health Network, accessed April 15, 2020, https://finhealthnetwork.org/what-we-do/membership/small-groups/nonprofit-fintech-exchange-interest-group/.

[5] "Mission and Vision," LUCHA, accessed March 17, 2020, https://lucha.org/mission-vision/.

[6] "Supportive Housing Services," Heartland Alliance, accessed March 17, 2020, https://www.heartlandalliance.org/program/supportive-housing-services/.

[7] LISC Chicago supports 10 Financial Opportunity Centers that provide employment and career counseling, one-on-one financial coaching and education, and low-cost financial products that help build credit, savings, and assets. They also connect clients with income supports such as food stamps, utilities assistance, and affordable health insurance. The cornerstone of the Financial Opportunity Center model is providing these services in an integrated way—rather than as standalone services—and with a long-term commitment to helping clients reach their goals. See "Financial Opportunity Centers (FOCs)," LISC Chicago, accessed March 17, 2020, https://www.lisc.org/chicago/our-work/economic-development/individual-economic-stability/financial-opportunity-centers/.

[8] The US Department of Housing and Urban Development sponsors housing counseling agencies across the country that can provide advice on buying a home, renting, defaults, foreclosures, and credit issues. "HUD Approved Housing Counseling Agencies," US Department of Housing and Urban Development, accessed March 17, 2020, https://apps.hud.gov/offices/hsg/sfh/hcc/hcs.cfm.

[9] "Who We Serve," North Lawndale Employment Network, accessed April 10, 2020, https://www.nlen.org/.

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[11] Edward Robinson and Julie Verhage, "QuickTake Fintech," Bloomberg, November 26, 2018, https://www.bloomberg.com/quicktake/financial-technology-companies-disrupt-comfy-banks-quicktake.

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[13] "About Goalsetter," Goalsetter, accessed March 17, 2020, https://www.goalsetter.co/about.

[14] "How Goalsetter Works," Goalsetter, accessed March 17, 2020, https://www.goalsetter.co/how-it-works.

[15] "Frequently Asked Questions," Goalsetter, accessed March 17, 2020, https://www.goalsetter.co/faq.

[16] "How Do I Upload My Timesheet to Earnin and What Are the Requirements?" Earnin, accessed March 17, 2020, https://help.earnin.com/hc/en-us/articles/213412517.

[17] "What Are Automagic Earnings?" Earnin, accessed March 17, 2020, https://help.earnin.com/hc/en-us/articles/226806367-What-are-Automagic-Earnings.

[18] "Why Does Earnin Have Maxes?" Earnin, accessed March 17, 2020, https://help.earnin.com/hc/en-us/articles/224455408-Why-does-Earnin-have-Maxes-?mobile_site=false.

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[20] "Earnin," Earnin, accessed March 17, 2020, https://www.earnin.com/.

[21] Motiv's website has been shut down since the company was discontinued, but its website in Spanish can be viewed using the Internet Archive's Wayback Machine: "motiv: banca con impacto," Wayback Machine, accessed March 17, 2020, https://web.archive.org/web/20181007014039/https://www.motivmoney.com/casa.

[22] Peter Carleton, "Motiv Money Review," Finder, April 27, 2020, https://www.finder.com/motiv-mobile-banking.

[23] Earnin's website clearly states that the product is not a payday loan app.

[24] "About Us," Financial Solutions Lab, accessed March 17, 2020, http://finlab.finhealthnetwork.com/about-us/.

[25] Anderson Monica and Madhumitha Kumar, "Digital Divide Persists Even as Lower-Income Americans Make Gains in Tech Adoption," Pew Research Center, May 7, 2019, https://www.pewresearch.org/fact-tank/2019/05/07/digital-divide-persists-even-as-lower-income-americans-make-gains-in-tech-adoption/.

[26] This benchmark was provided by the respondent. However, when looking at the 10 best high-yield online savings accounts according to NerdWallet, we validated that the APY at that time was 1.57. See Margarette Burnette, "10 Best High-Yield Online Savings Accounts of March 2020," Nerdwallet, accessed March 1, 2020, https://www.nerdwallet.com/best/banking/high-yield-online-savings-accounts.

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