
SCALING SOLUTIONS FOR A FINANCIALLY HEALTHY AMERICA

AN EVALUATION OF THE FINANCIAL SOLUTIONS LAB

MARCH 2019



ICIC



Financial Solutions Lab
CFSi | JPMORGAN CHASE & Co.

The FinLab Model

Despite a strong economy and low unemployment, more than half of Americans are struggling to pay their bills, save and remain financially stable, according to new research by the Center for Financial Services Innovation (CFSI).¹ The problem is most acute for low-income individuals. CFSI is committed to addressing this crisis through research and financial services innovation. In 2014, in partnership with JPMorgan Chase, CFSI launched the Financial Solutions Lab (FinLab) to catalyze the development of innovative, technology-enabled strategies, products and services that improve financial health in America. In turn, these innovations can serve as an inspiration for other financial services providers to improve the quality and efficacy of their own products, and inspire the next generation of entrepreneurs seeking to drive meaningful impact in consumers' lives.

To achieve these goals, FinLab was designed to bring together a powerful set of resources, including access to capital, deep financial services expertise, mentorship, and an extensive network of industry partners. By providing innovators with capital, reputational investment and technical assistance, FinLab de-risks promising early-stage innovations and helps create a path to scale.

Key Takeaways:

1. Over 1,000 applicants have applied to the Financial Solutions Lab, of which 30+ were selected to join the Lab.
2. Lab companies reach more than 4M consumers with their solutions and have raised over \$500M in follow-on capital since joining the Lab.
3. To date, consumers have saved more than \$1B using Lab products, thousands have improved their credit scores, and even more are creating a path towards a better financial future.

“The Financial Solutions Lab was created to find products and services that respond to the needs of underserved consumers and to focus on the delivery and infrastructure of those products. CFSI was a natural partner given their focus on technology and consumer financial health in low-income communities. The competition model allows us to focus on specific consumer pain-points and look for specific products and services that address these issues. It lets us identify, test and scale effective solutions for consumers.”

JANIS BOWDLER, PRESIDENT,
JPMORGAN CHASE FOUNDATION

FinLab's dual mission—supporting high-growth fintech companies with the potential to scale and improving consumer financial health—is a byproduct of being part of CFSI. This focus sets FinLab apart from other fintech entrepreneurial support organizations.

CFSI and JPMorgan Chase intentionally designed FinLab to focus on supporting a small number of innovators (less than 10 per year) that exhibit high potential for disrupting the way that consumers access financial services. As a result, FinLab takes a high-touch, bespoke approach, tailoring its support for each company. In addition, each company receives \$250,000 in capital, deep industry expertise, access to mentoring through JPMorgan Chase, connections to a network of industry partners, and access to regulators through curated meetings.

¹ Garon, T., Dunn, A., Golvala, K., & Wilson, E. (2018). *U.S. Financial Health Pulse: 2018 Baseline Survey Results*. Center for Financial Services Innovation.

The Cohort Challenges

Each year FinLab manages a new cohort of entrepreneurs, each with a compelling solution to improve consumer financial health. The application process is highly competitive—over 1,000 companies in total applied to the first three FinLab cohorts and the acceptance rate each year is three percent or less.

Overall, the cohorts tend to include founders with a diverse range of experiences, including deep industry expertise, which contributes to a strong peer learning environment and alumni network. While the Lab is

considered stage agnostic, many participants are post-seed to pre-Series A when they join. Further, unlike more traditional investors, the Lab places greater emphasis on the consumer impact potential of the innovation when evaluating applicants.

Twenty-six companies participated in the first three cohorts (2015-2017). Eight additional companies participated in the 2018 cohort, but were not included in this assessment because they had not completed the cohort at the time of the evaluation.

Figure 1. FinLab Cohort Challenges 2015-2017



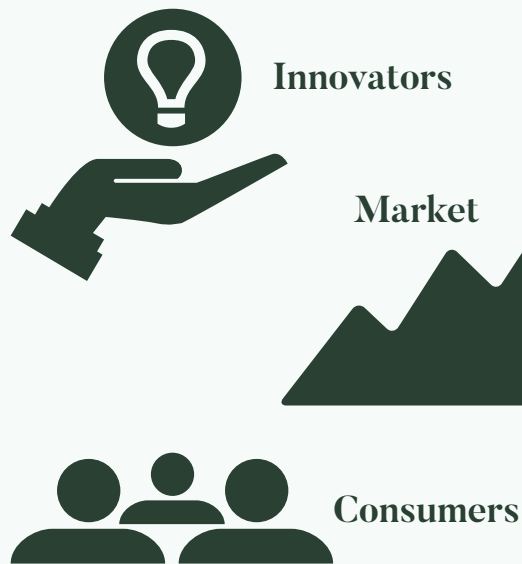
“FinLab does a good job of choosing companies that are not providing run of the mill products and services. They are providing a new spin on the financial services value proposition and have really tried to lean into the next wave of innovation.”

AN IMPACT INVESTOR

FINLAB INNOVATOR DIGIT

A graduate of the 2015 cohort, Digit automates savings for consumers by predicting their cash flow and identifying savings opportunities. To date, Digit has saved over \$1 billion for its users. The average user earns an annual income of \$40,000 and saves about six percent of his or her monthly income with Digit. Digit’s automatic savings transfers put customers on the right path towards building a sufficient reserve to cope with unexpected expenses. Digit users save an average of \$2,500 per year and are able to withdraw funds when needed. Digit is working on expanding its service offerings through Digit Pay, focused on automating credit card debt payment, and Boost, designed for those who want to save more aggressively.

Figure 2. FinLab Impact Areas



In 2018, the Initiative for a Competitive Inner City (ICIC) was engaged by CFSI and JPMorgan Chase to evaluate FinLab’s impact on the companies it supports, the fintech ecosystem and moving the needle on consumer financial health. ICIC administered a confidential, independent survey of 18 FinLab alumni that have active companies (14 responded), interviewed four FinLab alumni that have closed, sold or merged their businesses, collected data on 17 FinLab finalists that ultimately were not chosen to participate in FinLab as benchmarks, interviewed 16 fintech and consumer financial health experts, and analyzed quarterly impact metrics FinLab collects from the active cohort businesses.

Supporting the Growth of Fintech Companies

CFSI and JPMorgan Chase's partnership on FinLab is driving innovation to improve consumer financial health by supporting the growth of companies that are leveraging technology in new and creative ways to bring more affordable and high-quality solutions to market. CFSI provides a national platform to spotlight promising innovators at events such as their annual EMERGE Financial Health Forum and through publications where they highlight founder stories and the solutions they are building.

Inspiring New FinTech Entrepreneurs

The attention FinLab creates around fintech entrepreneurs working to solve consumer financial health problems also inspires new entrepreneurs to do the same. FinLab creates visible pathways for entrepreneurs interested in using technology to improve the financial health of consumers. For example, Jerry Nemorin, the founder of LendStreet, immigrated to the U.S. from Haiti when he was ten because of the civil war and witnessed the financial health hardships many Americans face when his mother needed to take out a car loan. Given her lack of credit, she only qualified for high-interest rate loans and ultimately the interest she owed exceeded the cost of the vehicle.²

“Even if every company supported by FinLab ultimately failed, there’s an allure to what they are doing and it may be driving entrepreneurs to think differently. It is the most difficult impact to quantify but they are holding up examples that spark innovation.”

AN IMPACT INVESTOR

“FinLab’s ability to inspire change-makers is an important aspect of their impact. They are inspiring potential entrepreneurs and innovators who did not have a runway before.”

TYLER SPALDING, DIRECTOR OF CORPORATE AFFAIRS, PAYPAL

More than half of the entrepreneurs participating in FinLab (60 percent) had not found the right support elsewhere and had not participated in any other incubator, accelerator or entrepreneurial support program prior to FinLab. Of those that had found support, it was with general entrepreneurial support organizations—none had found tailored support for mission-aligned companies working in the fintech sector.

Cohort Company Success in Scaling and Raising Capital

The cohort companies have been successful across a number of measures (Table 1). They have created 185 new jobs and have over 4 million customers to date, of which over half are low-to-moderate income. The average annual income of their customers ranged from \$42,000 to \$74,025. They have raised over \$500 million in follow-on capital since joining the Lab, including \$184 million in equity. Further, as of November 2018, Digit, Propel, Dave, and Albert are among the top 50 downloaded financial apps in the App Store.

To benchmark the performance of the cohort companies, we also collected performance data from 17 companies that were finalists in the FinLab competition, but ultimately were not chosen to participate in a cohort.³ The cohort companies have fewer employees than the finalists, but significantly more customers. They have also raised more capital. These findings suggest that participation in FinLab has given the companies a performance boost and connections to equity investors, while also showing that FinLab has successfully chosen companies that are poised for growth.

² Baird, R. (2017, September 11). Silicon Valley's blind spots are costing venture capitalists huge opportunities. *Business Insider*.

³ Each year, 16-18 finalists advance to the final selection round, of which 8-9 are invited to participate in FinLab. The 17 finalists in our comparison group represent finalists from the past three years of competition that remain in business.

“I would highly recommend FinLab to anyone considering the program. The people and resources of FinLab have been much more helpful to us than other programs and investors we’ve been associated with.”

FINLAB ENTREPRENEUR

Table 1. FinLab Cohort Company Performance

	FINLAB COHORT COMPANIES	FINLAB FINALISTS
EMPLOYEES	185	283
CUSTOMERS/USERS	4M	449,400
LMI SHARE OF CUSTOMERS/USERS	Over 50%	N/A
FOLLOW-ON EQUITY CAPITAL RAISED SINCE JOINING FINLAB	\$184M	\$83M
FOLLOW-ON DEBT CAPITAL SECURED SINCE JOINING FINLAB	\$338M	\$136M

Source: FinLab finalist data on employees and customers collected from publicly-available sources such as articles, company websites and social media profiles (e.g., LinkedIn). FinLab finalist data on equity and debt capital collected from Crunchbase Funding Data (2018) or FinLab application data.



Entrepreneur Assessment of FinLab Programming

FinLab participants overwhelmingly reported that FinLab helped them grow their business. They were asked to rate the impact of participating in FinLab on their business management skills, access to capital, access to customers and suppliers, and knowledge of consumer financial health.

The entrepreneurs rated FinLab highest for increasing their knowledge of consumer financial health (Figure 3). All of the respondents felt that FinLab had given them a better understanding of the concept of consumer financial health and how to improve the financial health of their customers. And perhaps more importantly, FinLab heightened the awareness of nearly all of the entrepreneurs (90 percent) to the importance of serving low-income consumers and then gave them the tools to serve this group better.

In terms of business management, nearly all of the cohort entrepreneurs reported that FinLab had helped them develop the specific skills they need to grow their business, which reflects FinLab's high-touch, tailored approach (Figure 4). Ninety percent reported that after FinLab, they believed they were better equipped to achieve their business goals. Eighty percent felt that they had been armed with the specific knowledge required to run a business in the fintech industry and had access to more mentors. As one entrepreneur responded in the survey, "[one of the most helpful resources] was partnership opportunities with large financial institutions, particularly getting candid feedback from JPMorgan Chase."

Figure 3. Consumer Financial Health Knowledge Outcomes



Figure 4. Business Management Skills Outcomes



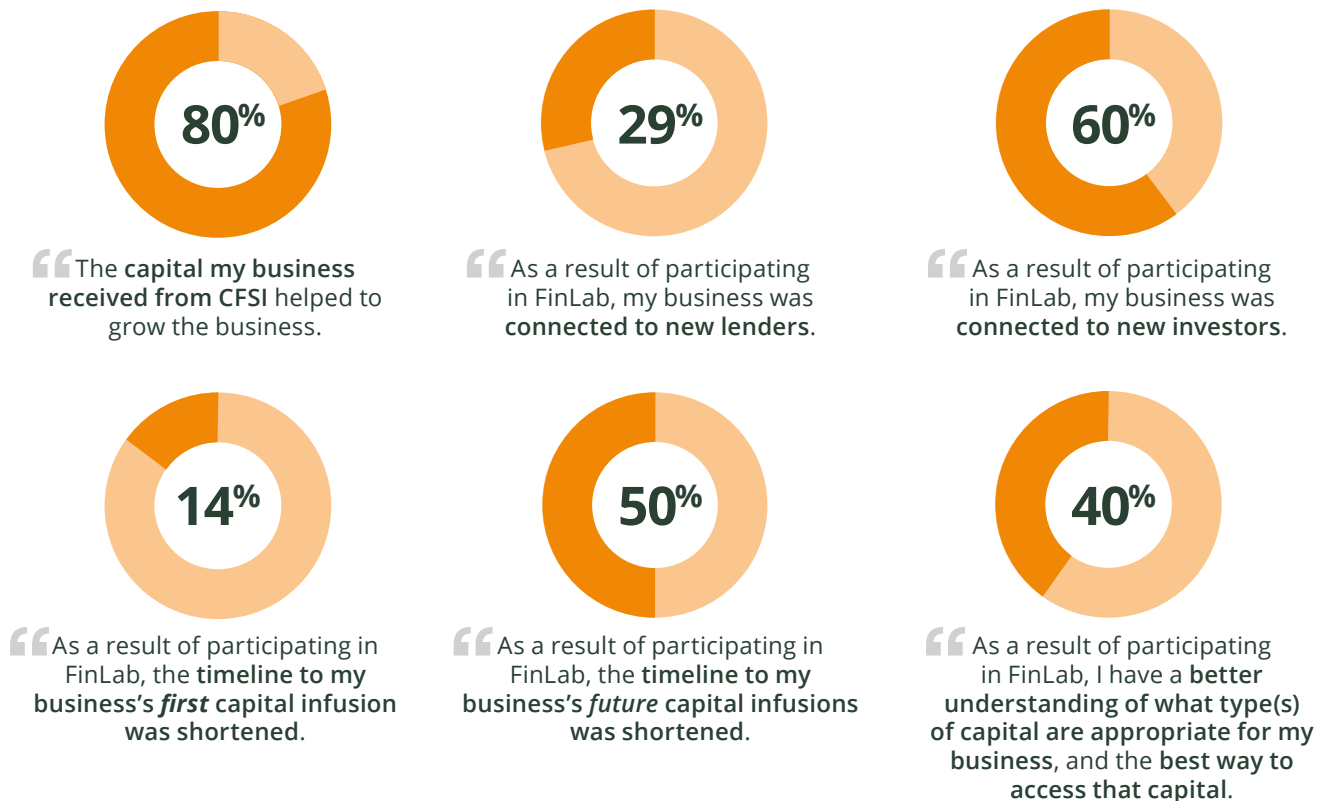
The cohort model also provides important connections. As another entrepreneur wrote, “[program retreats] were incredibly helpful to me and our business. In addition to better understanding how to serve low-income consumers and improve financial health, we made lasting connections with other entrepreneurs that have been a huge help in building our business.”

Access to capital outcomes were more mixed (Figure 5). The capital provided by CFSI is clearly an important offering in helping cohort companies grow, as acknowledged by 80 percent of the entrepreneurs. However, the participants reported that FinLab was less successful in helping them access other capital. Only 60 percent reported that FinLab connected them to new investors, just half felt that it had shortened the timeline to their next capital infusion and only 14 percent reported that it had shortened the timeline to their first capital infusion. Given the high-risk and capital-intensive nature of early-stage fintech startups, this finding is not surprising, but also points to how critical it is for FinLab to get access to capital right. Perhaps most importantly, less than half (40 percent) said that FinLab increased their understanding of different types of capital and how best to access it.

Insufficient capital and no clear path to raising more was cited as the primary factor by the four entrepreneurs we interviewed that decided to close or sell their businesses. One of the business owners indicated that they no longer saw a viable strategy for maintaining high growth and made the decision with their investors to close the business.

The entrepreneurs rated FinLab more uniformly successful in terms of accessing new suppliers and customers. Nearly all (86 percent) reported that FinLab had introduced them to new suppliers in the U.S. and well over half (67 percent) reported that FinLab had introduced them to new customers in the U.S.

Figure 5. Access to Capital Outcomes



Industry Partnerships

A few FinLab cohort companies have already reached the scale where they can secure partnerships with large corporations. A notable example of this is the partnership between Even, a 2015 cohort company, and Walmart.

Even, a graduate of the 2015 cohort, partners with employers to help their workers make more informed financial decisions, save more and receive pay advances when they encounter unexpected expenses. Through a mobile app, users gain access to real-time information about their finances (e.g., their “safe to spend” balance), can activate a savings feature that automatically sets aside a percentage of their paycheck into a savings “wallet,” and request advances for their scheduled pay. The pay advance feature (Instapay) can only be used twice a month, to help ensure that employees do not become dependent upon advances. These services help employees smooth out income levels from paycheck to paycheck to avoid high overdraft fees and the need for taking on additional debt, especially from predatory lenders. Even and Walmart announced the partnership in December 2017 and 400,000 Walmart employees (both hourly and salaried) currently use Even.⁴

Support Winding Down Businesses

Incubators and accelerators were created not only to spur the growth of start-ups, but also to help them “fail fast,” which means minimizing the costs of failing for entrepreneurs and investors. Failing early means the loss of less capital. FinLab also cares about limiting customer losses and works with the entrepreneurs that decide to close their business to lesson the impact on consumers. Of the businesses that FinLab has supported, six businesses have closed and one business has been acquired. As the entrepreneur of a company that closed said, “During the wind down, FinLab made as many introductions as they could to keep things from going south and were there the whole time to support us. We walked away with as positive of a relationship with our former customers as you could have in that situation.” However, another entrepreneur whose company has closed suggested that FinLab could better help their cohort companies close in a pro-consumer way by dedicating additional resources and funding to smooth the closing process.

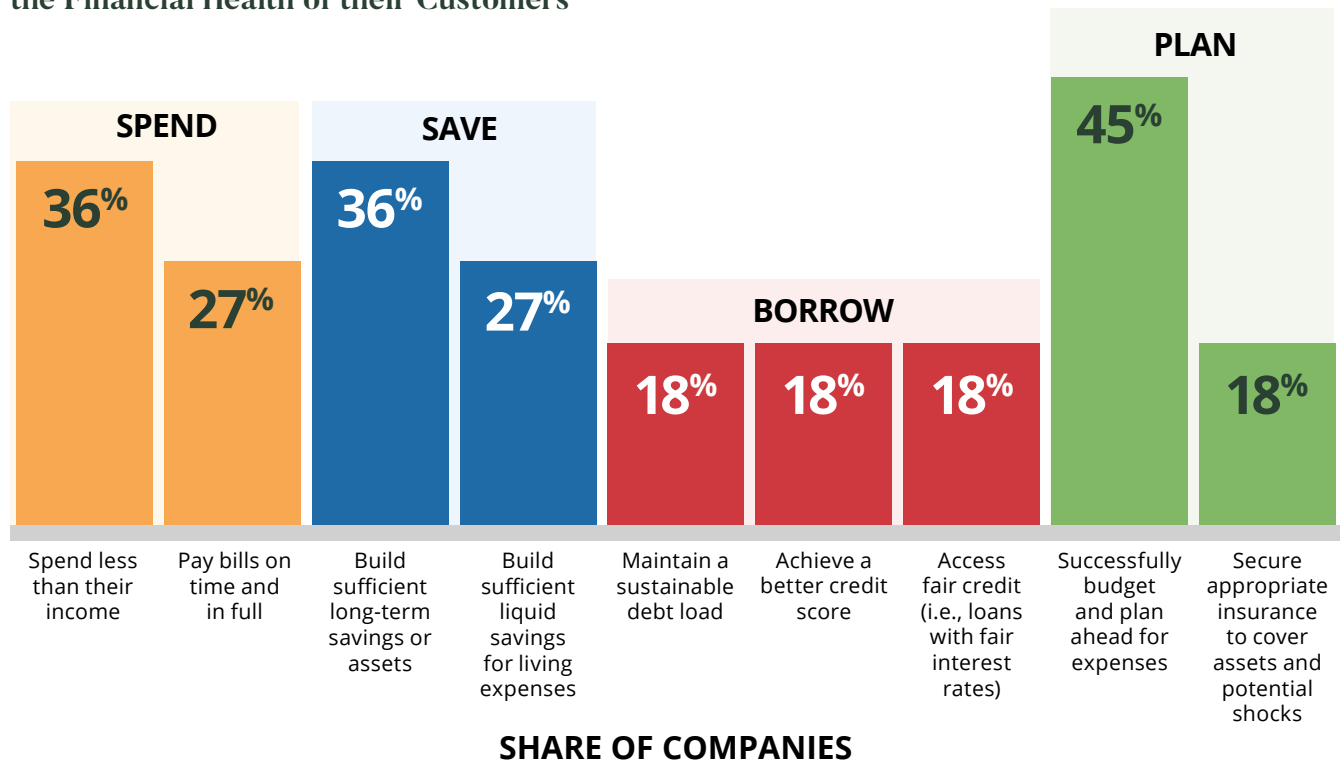


⁴ Crosman, P. (2018, July 19). Walmart’s pay-advance app Even used by 200,000 employees. *American Banker*. Even Responsible Finance Inc. (n.d.). Even - How busy people master their money. Retrieved November 15, 2018, from <https://even.com/employers>.

Improving the Financial Health of Consumers

All of the cohort companies seek to create new opportunities for consumers to increase their savings, build assets, improve their financial planning, or reduce their debt burdens (Figure 6).

Figure 6. How FinLab Cohort Companies Improve the Financial Health of their Customers



“The idea that unifies the Lab companies is that they are developing products that empower people to make decisions and solve problems. They measure their return as the impact on consumers, not return on investment, which is the traditional measure of financial institutions.”

TOM BROWN, PARTNER, PAUL HASTINGS LAW FIRM

FINLAB INNOVATOR DAVE

Dave, a graduate of the 2017 cohort, is focused on the overdraft fees plaguing financially vulnerable populations. Dave serves as an affordable financial personal assistant and makes it easier for consumers to avoid overdrafts in their accounts by monitoring and alerting users of an impending overdraft with a seven-day notice.

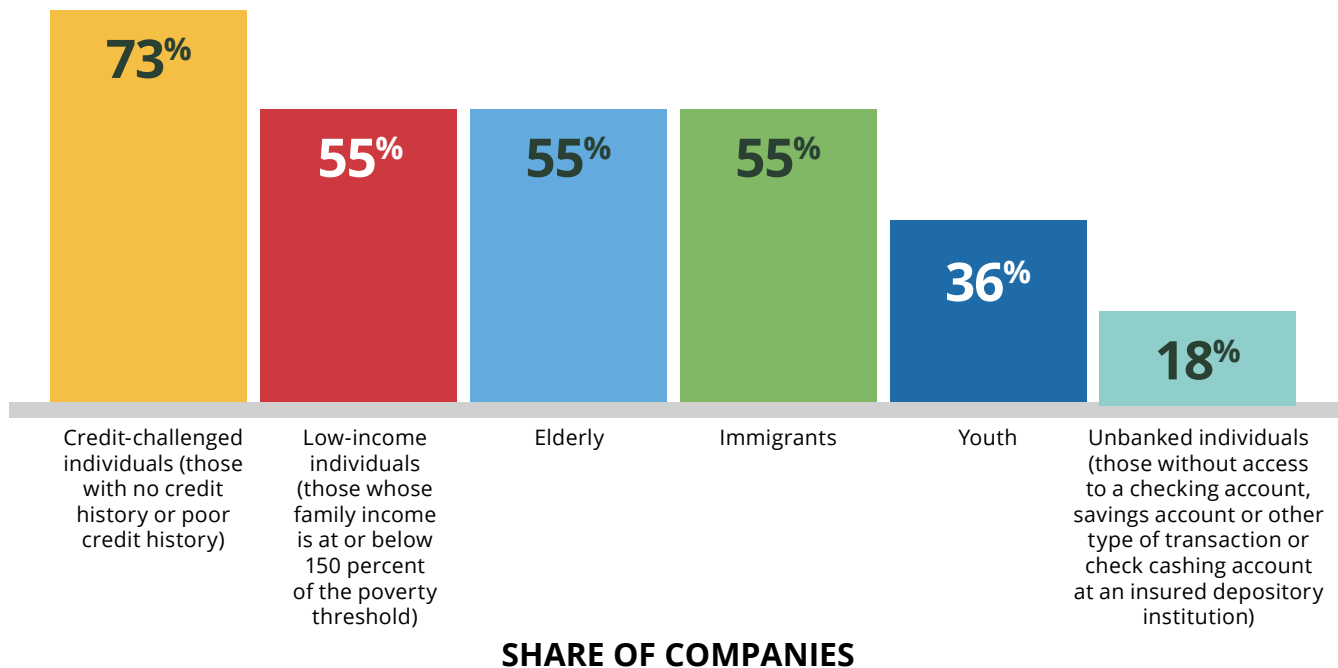
For customers living paycheck-to-paycheck, Dave eliminates the reliance on payday loans and other predatory lending schemes by offering interest free cash advances. Dave has saved users more than \$15 million in overdraft fees.

All of the cohort companies either target low-income individuals or other segments of the population associated with higher rates of financial instability (Figure 7). Nearly all (91 percent) of FinLab’s cohort companies consider FinLab to be a resource or advisor on serving low-income or underserved consumers, and 64 percent consider FinLab to be a resource or advisor on building strategic business models for companies that improve the financial health of consumers. Given the mission of FinLab, there is an opportunity to identify more entrepreneurs focused on very low-income individuals and continue to drive other cohort companies to develop new services, or redesign what they offer, to better serve this population.

Through the CFSI Fintech-Nonprofit Partnerships Working Group, established in 2017, FinLab proactively supports the development of partnerships between their cohort companies and nonprofit service organizations that create a productive bridge to bring tech-based financial health solutions to struggling consumers and deliver insights from underserved communities to inform product design. The Working Group now includes more than 40 fintech providers and nonprofits and provides peer-learning opportunities, curated introductions, and grant support to pilot partnerships emerging from the group.

Examples of pilot partnerships emerging from the Working Group include a partnership between the Credit Builders Alliance (CBA) and Nova, a 2017 cohort company. CBA has added Nova’s credit reports to its Access service, which currently allows nonprofit lenders to access TransUnion, Experian and LexisNexis credit reports. Nova’s reports provide credit information from foreign credit bureaus, increasing CBA members’ ability to serve immigrants in the United States. Another pilot is being tested by Neighborhood Trust, a nonprofit member of the 2015 FinLab cohort, that is integrating SelfLender’s credit-building product into its Trusted Advisor solution, a tech-enabled financial counseling program offered as a workplace benefit primarily for low-wage workers.

Figure 7. Target Customers of FinLab Cohort Companies





Measuring Consumer Impact

FinLab collects quarterly consumer impact metrics from active cohort companies. The impact metrics were designed in partnership with each cohort company to reflect their unique objectives and measurement. As a result, there are only a few metrics that apply across all companies in the FinLab portfolio: customer numbers and average income of customers. However, not all companies report their metrics in the same time frame, making it difficult to analyze their collective impact. While impact measurement reporting is due each quarter, reporting is an additional administrative request for the companies and some struggle to meet the obligation.

Individual metrics show that these companies are beginning to move the needle on consumer financial stability. One company reported a median credit score improvement of 80 points over a one-year period for its users. Debt-to-income ratios for users ranged from 37 percent to 52 percent and savings rates from six percent to 10 percent across companies that reported

FINLAB INNOVATOR NOVA CREDIT

Immigrants in the U.S. face difficulties accessing credit opportunities because of their lack of an established credit history in this country. A graduate of the 2017 cohort, Nova Credit is solving this problem by importing credit data across borders. They have also partnered with TransUnion in Canada and recently expanded into South America.

this data. For comparison, CFSI considers a “good” debt-to-income ratio to be no higher than 36 percent.⁵ As of August 2018, the average American saves just over six percent of their income.⁶

⁵ Parker, S., Castillo, N., Garon, T., & Levy, R. (2016). *Eight Ways to Measure Financial Health*. Chicago, IL: Center for Financial Services Innovation.

⁶ U.S. Bureau of Economic Analysis, Personal Saving Rate (PSAVERT), retrieved from FRED. Federal Reserve Bank of St. Louis. Retrieved from <https://fred.stlouisfed.org/series/PSAVERT>, November 21, 2018.

Catalyzing the Fintech Sector

FinLab has not only directly supported the growth of individual fintech companies, but perhaps its greatest impact to date has been strengthening and expanding the fintech ecosystem, thereby indirectly supporting the growth of many more fintech companies.

Creating Awareness in the Venture Capital Community

Investment in the fintech sector has increased dramatically over the past decade. In 2010, U.S. venture capital investment in fintech hovered below \$500 million per quarter but has since steadily grown to over \$5 billion in the first half of 2018 alone.⁷

FinLab has played a role in this by increasing venture capital interest in consumer financial health fintech companies. FinLab validated consumer financial health business models by making their own investment in these companies and by increasing the visibility of successful companies. For example, FinLab's annual innovation challenge garners a lot of media attention from outlets such as Business Wire, Forbes, TechCrunch, The New York Times, and the Stanford Social Innovation Review.

“Showing that there is a financially viable business model is important for venture capitalists. Because FinLab companies target underrepresented markets, their financial viability is an important data point from an investment perspective.”

SCHAN DUFF, SENIOR FELLOW, THE ASPEN INSTITUTE'S FINANCIAL SECURITY PROGRAM

While many fintech companies have long runways before reaching the scale and visibility needed to attract venture capital, FinLab cohort companies have demonstrated relatively high success rates in accessing capital from external investors, particularly venture capital investors. After participating in FinLab, the cohort innovators went on to raise \$184 million in equity capital, including from notable venture capital firms such as Andreessen Horowitz, Omidyar Network, Baseline Ventures, Khosla Ventures, Nyca Partners and GV (formerly Google Ventures).

FINLAB INNOVATOR LENDSTREET

A graduate of the 2015 cohort, Lendstreet provides a debt reduction loan to help people get out of debt, rebuild their credit and get a fresh start. LendStreet has settled over \$18 million of debt for its customers. Within six months of working with LendStreet, clients see median credit score improvements of 51 points, and 80 point improvements within 12 months. LendStreet has raised over \$117 million in debt and equity funding from investors including Accion, Prudential Financial and Radicle Impact, and has been embraced by the financial inclusion community.

⁷ KPMG. (2018). *The Pulse of Fintech 2018*.

Expanding Entrepreneurial Support for Consumer Financial Health Fintech Innovators

While there are numerous dedicated fintech entrepreneurial support organizations and programs in the U.S., only a few focus on consumer financial health, financial capability or financial inclusion. Most of these organizations and programs have been created after FinLab.

**FINANCIAL
VENTURE STUDIO
(2018)**
San Francisco, CA

**INCLUSION PLUS
(2018)**
National competition run by
the MetLife Foundation

**FINANCIAL INCLUSION
CHALLENGE (2018)**
Washington, D.C.
National competition run by the
MetLife Foundation and sponsored
by the Wall Street Journal

**DESIGN AND
INNOVATION CHALLENGE
(2018)**
Boston, MA

“Barclays, MetLife, and Citi each have their own competition or incubator now and established fintech incubators support more consumer financial health fintech start-ups now. It’s hard for me to imagine those efforts would exist if FinLab didn’t exist.”

RACHEL SCHNEIDER, ENTREPRENEUR-IN-RESIDENCE, OMIKYAR NETWORK

CFSI and FinLab have been cited as a direct influence by emerging efforts in the U.S. and globally. For example, JPMorgan Chase and the Indian Institute of Management Ahmedabad’s Centre for Innovation, Incubation and Entrepreneurship are launching a Financial Inclusion Lab in Bharat modeled after FinLab. CFSI’s research showing the need for innovation in the Midwest inspired the creation of INVANTI, a start-up generator in South Bend, Indiana.

FINLAB INNOVATOR PROPEL

Fresh EBT by Propel, a 2015 cohort graduate, is a free smartphone app that allows EBT cardholders to manage their government financial assistance benefits, plan their grocery shopping, and save money on food via in-app discounts and coupons. Propel is disrupting the way consumers interface with their EBT card balances, which was historically done by either calling a customer service line or by saving receipts from their purchases. Over one million people across the country use Fresh EBT at least once a month. Fresh EBT allows users to stretch their benefits throughout the month and decrease periods of limited food, while also providing access to other money-saving resources.

“Influencing greater engagement between fintech innovators, policymakers, and regulators could be a great area of impact for FinLab going forward. There can be a lack of understanding on both sides and increased conversation and collaboration would be a positive step forward.”

TYLER SPALDING, DIRECTOR OF CORPORATE AFFAIRS, PAYPAL

Educating Regulators about the Realities of FinTech Companies

Each year FinLab brings together regulators, policymakers, and consumer advocates to meet cohort companies in Washington, D.C. The convening educates regulators about consumer financial health fintech products and services and cohort companies about the fintech regulatory environment. The sheer number of federal and state agencies involved in fintech regulation creates a complicated regulatory environment. For example, mobile payments are regulated by eight federal and 50 state regulatory agencies.⁸ The lack of a coordinated, national regulatory strategy is a barrier to fintech innovation.

Through their partnership on FinLab, CFSI and JPMorgan Chase have helped move the regulation needle. Over the past two years, CFSI and FinLab worked with other industry stakeholders on a new regulatory initiative by the Office of the Comptroller of the Currency (OCC). In July 2018, the OCC announced that it would begin to accept applications for national

bank charters from non-depository fintech companies engaged in banking activities.⁹ The chartered fintech companies would be subject to the same oversight as national banks, but also would be required to promote financial inclusion. CFSI was an early supporter of this initiative, releasing public comments to the OCC in May 2016 in support of this initiative.¹⁰

Further, a new report from the U.S. Department of the Treasury that recommends additional regulatory changes to support fintech innovation in the U.S. cites principles and best practices for regulating data sharing and protecting consumer rights to authorize data aggregation that were put forth by CFSI and FinLab.¹¹

FinLab's efforts are also helping their cohort companies navigate the challenging regulatory setting: 64 percent of the companies consider FinLab a resource or an advisor on the fintech regulatory environment. As one entrepreneur stated in the survey, “meetings with regulators and broader players in the ecosystem” were among the most helpful resources offered by FinLab.

⁸ The Pew Charitable Trusts. (2018). *How Can Regulators Promote Financial Innovation While Also Protecting Consumers?: International lessons should inform the U.S. approach.*

⁹ Office of the Comptroller of the Currency. (2018). *Policy Statement on Financial Technology Companies' Eligibility to Apply for National Bank Charters.*

¹⁰ Tescher, J., & Hogarth, J. M. (2016). *CFSI comments on OCC's Supporting Responsible Innovation.* Center for Financial Services Innovation.

¹¹ U.S. Department of the Treasury. (2018). *A Financial System That Creates Economic Opportunities - Nonbank Financials, Fintech, and Innovation.*

FinLab 2.0

Clearly, the FinLab experiment has been a success, helping millions of consumers better manage their finances by supporting the growth of innovative companies, disrupting the way other companies and organizations are tackling consumer financial health, and strengthening the broader consumer financial health fintech ecosystem. As both CFSI and JPMorgan Chase look to the next chapter for FinLab, there is an opportunity to refine FinLab's strategic focus and strengthen the support it provides to entrepreneurs. Much has changed in the field since it was established. FinLab 2.0 needs to respond to current market failures and broaden its reach beyond the coastal nexus of consumer financial health fintech (e.g., New York City and San Francisco).

Shape the market rather than just respond to it.

Powered by CFSI's unique expertise, the next evolution of FinLab will take a more proactive approach for tech-driven financial health. There will be renewed focus on issues of diversity and equity and a broader engagement of nonprofit organizations in the field to help validate the impact of proposed innovations. A more robust dissemination strategy will shape the policy dialogue and investor perceptions of how fintech companies can advance consumer financial health.

Expand capital access. Early-stage fintech companies are high-risk and capital intensive and accessing growth capital is critical to their success. This is an area where FinLab can strengthen its value proposition by doing more for its cohort companies and alumni. The capital infusion from CFSI has been essential in helping FinLab entrepreneurs grow their companies, but FinLab also needs to help the entrepreneurs leverage it by connecting them to more investors and increasing their understanding of different types of capital and how best to access it.

Develop a more integrated, scalable model. Among the many considerations for the future direction of FinLab is whether the cohort model is still a good fit. While FinLab alumni value the peer network, and the cohort challenge amplifies the consumer financial health fintech narrative, other strategies could create the same outcomes. This would allow FinLab to develop a model that would serve more entrepreneurs with more consistent programming and more clearly articulate the value proposition to entrepreneurs. FinLab also needs to explore building in more flexibility



in programming to allow all entrepreneurs to take full advantage of the resources.

Create a more formal support structure for alumni to support later-stage companies. FinLab has developed an enviable network of successful alumni and they are asking for a stronger network to continue to build the powerful relationships they are forming with each other. The network could include an alumni database and continued peer learning to share insights and best practices.

Improve measurement of consumer financial health impact. FinLab could also help shape the market by strengthening the way consumer financial health fintech companies measure their impact. CFSI has already developed a straightforward framework that could inform a few key metrics (Table 2). FinLab could work with cohort companies and alumni to begin consistently tracking these metrics and creating benchmarks for the field.

Table 2. CFSI Financial Health Measurement Framework

COMPONENT	INDICATOR	MEASUREMENT
SPEND	Spend less than income	Difference between income and expenses
	Pay bills on time and in full	Percent of bills that are paid on time and in full
SAVE	Have sufficient living expenses in liquid savings	Number of months of living expenses in liquid account balances
	Have sufficient long-term savings or assets	Amount of one's long-term savings, assets and investments
BORROW	Have a sustainable debt load	Debt-to-income ratio
	Have a prime credit score	Credit score or credit quality tier
PLAN	Have appropriate insurance	Type and extent of insurance coverage
	Plan ahead for expenses	Behaviors that demonstrate future financial orientation

This report was made possible by JPMorgan Chase & Co. Helping individuals acquire the skills, confidence and tools needed for financial health increases the resiliency and prosperity of households and communities. JPMorgan Chase supports a range of programs around the world to help individuals manage their daily finances, withstand unexpected emergencies and meet their long term goals. JPMorgan Chase is proud to be the founding partner of the Financial Solutions Lab – committing \$30 million over five years and its expertise in financial services to maximize our impact.



About the Financial Solutions Lab

The Financial Solutions Lab (FinLab) is a \$30 million, five-year initiative managed by the Center for Financial Services Innovation (CFSI) with founding Lab partner JPMorgan Chase & Co. to identify, test and expand the availability of promising innovations that help Americans increase savings, improve credit, and build assets. To learn more, visit: www.finlab.cfsinnovation.com.



About the Center for Financial Services Innovation

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



About the Initiative for a Competitive Inner City

ICIC is a national, nonprofit research and advisory organization founded in 1994. Its mission is to drive economic prosperity in America's inner cities through private sector investment. For more information about ICIC, please visit www.icic.org.

For inquiries about this report, please contact Kim Zeuli at kzeuli@icic.org.

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