What Works

Financial Solutions Lab

The decade preceding the pandemic saw steady economic growth, declining unemployment, and relative economic stability; however, over 50 percent of U.S. households – approximately 138 million adults – were living paycheck-to-paycheck.[1] In a recent report, the JPMorganChase Institute found that between 2008 and 2020, the majority of households in their sample had less than one month of expenses in the form of cash on hand between both their checking and savings accounts. When analyzing differences in demographics, the same report found that Black and Hispanic households held significantly lower cash buffers compared to White and Asian households, limiting their ability to withstand financial challenges.

During this time, the national narrative on household economic stability was evolving.[2] Researchers, practitioners, and advocates expanded their focus on household economic stability from financial *inclusion* (i.e. ensuring that individuals and businesses have access to useful and affordable financial products and services) to financial *health* (i.e. measuring Americans' ability to spend, save, borrow, and plan in ways that make them more resilient and prepared to pursue opportunities) – a framework introduced by the Financial Health Network.[3; 4] This expanded framework provided a new approach to supporting financial resilience.

The growth of the financial technology (fintech) sector presented a unique opportunity to leverage technology to scale innovative financial health solutions for communities earning low- and moderate-incomes (LMI). Policymakers, nonprofits, and the private sector – including JPMorganChase – began exploring ways to incubate and accelerate emerging ventures to promote financial security and mobility. In 2014, JPMorganChase partnered with the Financial Health Network (FHN) to launch the Financial Solutions Lab (the Lab), a first-of-its kind fintech incubator and accelerator focused on improving the financial lives of LMI households.

JPMorganChase is sharing lessons learned from the Financial Solutions Lab to help inform approaches to using technology for social good. Insights from the Lab highlight the growth of the financial health field; the opportunities for impact in taking a more holistic, systems-based approach; the importance of integrating financial health across adjacent sectors, like employment; and the need to advance policy solutions that center LMI communities.

Launching the Lab

The Lab set out to cultivate, support, and scale mission-driven and commercially viable ventures that addressed challenges often faced by LMI households, such as income volatility, lack of emergency savings, and limited access to affordable credit.[5] The growing fintech sector was initially focused on serving higher-earning segments, creating both a gap and an opportunity for fintech innovations to address some of the most pressing challenges faced by LMI households in the U.S.

During its first five years, the Lab played a significant role in elevating financial health as a priority in national dialogues. The Lab motivated incumbent fintech companies to focus on LMI communities, inspired similar accelerator models, and elevated promising workplace solutions.

Companies participating in the Lab delivered great impact for their customers. Compared to peer companies who applied but were not selected, Lab cohort companies demonstrated promising growth and reach, raising more capital and attracting significantly more customers.[6] Lab companies served more than 30 million consumers, who collectively saved $3 billion, avoided $420 million in fees, and settled $200 million in debt. Companies like Propel, Even (acquired by Hazel), and Digit (acquired by CDFI Oportun) pioneered products that shifted the sector's orientation to focus on financial challenges and solutions unique to LMI communities, demonstrating the viability of impact-driven fintech ventures.[7]

In 2019, the Financial Health Network and JPMorganChase expanded the accelerator model beyond product development to address policy and systems change aimed at addressing racial wealth and income disparities. During this phase, there was an explicit focus on reaching historically underrepresented consumers, building more inclusive processes, and collaborating with nonprofits and policymakers. This led to greater diversity in the Lab selection committee; collection of race, ethnicity, and gender data; and additional supports for founders advancing their own DEI efforts. Pilots from this period built on earlier lessons, further reinforcing the complexity of systems change across sectors, and the value of remaining adaptive.

By the numbers

more than
30 million
consumers served
=
$3 billion
collectively saved
+
$420 million
in avoided fees
+
$200 million
in debt settled

What we learned

The Lab showed what is possible when the non-profit, private, and public sectors share a common vision and goal. Fintech is now recognized as an integral part of a thriving financial health ecosystem, and lessons from the Lab have informed financial health approaches across the sector, including leveraging technology to not only increase access to products but also introduce innovative solutions to challenges. These insights are especially relevant today as the financial technology sector is poised to integrate artificial intelligence into a wide range of services for low-income communities.

INSIGHT: Fintech is a powerful tool to address specific financial pain points but cannot be the sole solution for systemic challenges. The private sector's embrace of fintech innovations has catalyzed the financial health ecosystem, elevating promising solutions that focus on underserved populations. However, despite the growth of the fintech sector and increased investment in improving the financial health of LMI communities, the most financially vulnerable households continue to face significant challenges.[8] For example, research from the JPMorganChase Institute shows median monthly balances (i.e. liquidity) for Black and Hispanic households have remained consistently lower than monthly balances for White and Asian households. The Institute also found that for families with limited liquid assets, financial disruptions and unexpected expenses have significant impacts on well-being.

The recurrent financial challenges faced by LMI households underscore the need to approach financial health as a systems issue as well as increasing the emphasis on equity. Insights from the Lab also laid the foundation for a more focused discussion on financial health policy. Company founders and the Financial Health Network engaged directly with policymakers and public officials to advance conversations around pressing financial health issues, such as student debt, public benefits, and the fintech innovation ecosystem. Reflections from the Lab further reinforced that measurable improvements in financial health outcomes will only be achieved through a combination of thoughtful policy changes and intentional investments at the intersections of financial health and other major systems (e.g., workforce development, housing, and small business).

Company spotlight

Even

Even was created to partner with employers to help their employees access earned wages before their regular pay periods, which makes it easier to manage unexpected expenses or bills that are due before payday. Offering earned wage access, together with a savings wallet and cashflow management tools, helps hourly employees manage their income volatility and bolster their financial resilience. Even demonstrates the power of innovating at the intersection of financial health and workforce, introducing a responsive solution to workers' financial challenges.

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INSIGHT: Financial institutions, investors, and the public sector must continue to innovate along the capital spectrum to address gaps that make it challenging for fintechs to serve LMI communities. Attracting early stage capital to serve an LMI population was challenging for startups, even as investments in fintech were on the rise. As market conditions have changed and investment in fintech broadly has contracted, additional pressure has been put on companies to demonstrate early profitability, which can be especially challenging for consumer friendly models.[9] To support a thriving ecosystem, investors should prioritize supporting pro-consumer innovation through the business cycle and even counter-cyclically (investments that counteract the market) to ensure the next generation of solutions.

Lessons on the opportunities and gaps in current capital offerings:

- **Equity** is attractive for early-stage investors given potential high returns and can help ensure underserved users and inclusivity remain a priority, but equity can also be dilutive and has historically been elusive for underrepresented founders. For example, in 2022 women founders received less than 2 percent of VC funding, and Black and Hispanic founders received approximately 1 and 1.5 percent.[10]

- **Debt** is non-dilutive and can be a complementary vehicle for certain fintech products – such as those with lending components – but is not readily available for early-stage ventures. The fintech capital market could benefit greatly from more flexible, patient debt that considers social impact in structuring terms.

- **Grants** have the advantage of giving startups more flexibility and risk tolerance for innovation but can cause investors to question commercial viability and create the burden of constant fundraising. Ultimately, grants may be best suited for investing in a broader network of technical assistance partners versus direct investment, enabling more companies to benefit from a strengthened capital continuum, specialized technical assistance, and a more robust policy infrastructure.

Finally, the need for **Metrics and measurement** can create tension between the resources invested in a venture and the resources required to report on growth and impact. The challenges of impact data collection suggest a need to right-size the level and type of investment with demands for metrics and measurement. Impact investors and grantmakers should consider resourcing a network of partners to support ventures with measuring impact, coordinating resources, and disseminating learnings.

Company spotlight

Propel

Propel helps low-income Americans plan, manage, and budget government benefits. By improving accessibility through modern, customer-centered, and effective technology, Propel makes interacting with government programs more user friendly. With guidance from Lab mentors, Propel made early changes to its model that allowed the company to scale without compromising its focus on very low-income users. Propel made the case for investors that there is not only a social imperative to serving very low-income families, but also a consumer friendly business opportunity.[11] In 2022, JPMorgan Chase's Impact Finance and Advisory team participated in Propel's $50 million series B capital raise.

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INSIGHT: Philanthropy is well-positioned to de-risk social innovation in the startup ecosystem but requires private and public sector partners to scale and sustain solutions. Philanthropic investment can elevate and build the case for solutions that are responsive to the specific challenges faced by underserved, low-income, or otherwise marginalized populations, with the added support of technical experts and more patient expectations for both the company's growth and the timeline for scale and impact. The average lifecycle between Lab investment and informing mainstream financial services was 5-7 years, reinforcing the importance of philanthropy's role in recognizing the needs of the current market while also seeding the next wave of innovation. Philanthropy played an integral role in incubating and accelerating Lab companies, positioning some to scale organically; however, most companies reached scale by influencing the public and private sectors to embed innovations over time. Ultimately, philanthropic funding is best positioned to catalyze promising social solutions, absorb risk as ideas are tested, and articulate the private or public sector case as a solution moves from "promising" to "best practice" to nudge systems.

Company spotlight

digit

Digit was created as an automated savings tool with a short message service (SMS) interface that uses an algorithm to identify small amounts of money that can be moved into a savings account. Digit was also created to evaluate spending habits and available cash flows to assist with budgeting. In 2021, Digit was acquired by Oportun. As an impact-driven company, Oportun was motivated to purchase Digit to integrate its proven and scalable solutions into Oportun's existing platform, saving Oportun an estimated 3-5 years in bringing a similar product to market. The two companies illustrate the potential for impact when philanthropy and the private sector partner to build the evidence-base and scale innovative financial solutions.

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Moving forward

Evolving the national narrative with a new focus on financial health paved the way for financial products and services to be measured on their ability to solve for complex challenges facing LMI households. The Lab paired the new financial health framework with technology and demonstrated the potential to bring innovative solutions to scale. While there have been major advances in product design and development, there is still work to be done to ensure that the fintech ecosystem continues to help LMI households increase their income, build wealth, and sustain economic gains. The lessons from investments like the Lab can inform approaches to using technology for the social good.

As a leading financial institution, JPMorganChase is committed to continued investment in promising, evidence-based solutions that improve financial health outcomes. Innovations from the Lab have informed a number of JPMorganChase products. JPMorganChase has collaborated with entities like Even and Immediate to offer earned wage access to the employees of our clients. In addition to informing our products, this commitment to implementing and scaling best-practices has led to a more holistic approach to addressing financial health challenges that includes:

- Elevating areas of financial services that are still ripe for innovation
- Examining the intersections of financial health and other major systems
- Deepening investments in communities and organizations most proximate to solutions
- Identifying innovative capital solutions to address existing ecosystem gaps

The Lab's success in amplifying the voices and financial needs of low- and moderate-income households reinforces the opportunity presented by public, private, and philanthropic partnership. Alignment across these sectors can inform policy, improve systems, and source new capital solutions to improve financial health and advance a more inclusive economy.

End notes

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About the What Works series

The JPMorganChase ‘What Works’ series leverages learnings from our firm s business practices, philanthropic strategies, economic research, community engagement, and policy advocacy to elevate insights for scalable impact. When JPMorganChase does business in a community, we invest in the future of the people who live and work there. Whether meeting the demand for skilled workers, strengthening the resilience of small businesses, or helping families build and preserve intergenerational wealth, we advance proven strategies to drive inclusive economic growth.