# Louisiana Asset Funders Network



# Philanthropy and Fintech

**Identifying Opportunities for Engagement** 

### Acknowledgments

This report uses current research, including an external market scan and a qualitative data analysis, to explore the role of philanthropy in advancing fintech efforts in Louisiana. The purpose is to establish a common language and understanding of fintech, identify potential challenges and opportunities for philanthropic and community partners working to advance fintech adoption, and share implications for the future of financial health in Louisiana.

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The Financial Health Network unites industries, business leaders, policymakers, innovators, and visionaries in a shared mission to improve financial health for all. For 16 years, the Financial Health Network has increased awareness of specific consumer challenges, worked with providers to develop products and strategies to sustainably serve the underserved, and invested in innovative, high-quality products aimed at improving financial health.



The Asset Funders Network (AFN) is a membership organization of national, regional and community-based foundations and grantmakers strategic about using philanthropy to promote economic opportunity and financial security for low and moderate income Americans.

AFN works to increase the capacity of its members to effectively promote economic security by supporting efforts that help low- to moderateincome individuals and families build and protect assets. Through knowledge sharing, AFN empowers foundations and grantmakers to leverage their resources to make more effective and strategic funding decisions, allowing each dollar invested to have greater impact.

To learn more and to become involved in advancing the field, please visit AFN at assetfunders.org.

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Dear Friends and Colleagues,

On behalf of the Louisiana Asset Funders Network (LA AFN), we are proud to present Philanthropy and Fintech: Identifying Opportunities for Engagement.

LA AFN is a regional chapter of grantmakers who invest in opportunities to advance wealth building for low- and middle-income individuals and families and increase economic mobility. Since 2019, LA AFN has worked to raise the visibility of asset-building strategies within the community of foundations, public-sector funders, and financial institutions, especially those working in the areas of financial technology, emergency savings, and financial access.

The COVID-19 pandemic plunged Louisiana families into a new financial reality unlike anything we have experienced in our lifetimes. These unprecedented circumstances motivated LA AFN to partner with the Financial Health Network to take a deeper dive into the financial technology sector and explore how digital financial access has emerged as a powerful tool to help Louisianans weather the proverbial storm.

This report is designed to raise interest in fintech programs and identify replicable solutions that can be implemented in Louisiana and across the Southern region. LA AFN hopes to spark local and national conversations between funders and community partners around innovative fintech approaches that can help rebuild financial health for families whose economic security has been disrupted by the pandemic.

Sincerely,

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### The Current Situation

BACKGROUND

The COVID crisis has impacted our communities in unprecedented ways. Almost overnight, millions were forced to adapt to a new reality in which nearly all of our normal operations—including financial transactions—moved online. Many became reliant on digital technology to conduct daily business, pay bills, buy groceries, and even apply for unemployment benefits and other social service programs.

While some quickly made the shift to safely working and conducting transactions from home, for others, the pandemic exacerbated the digital divides that has impacted our economy and our country for years. Families felt the immediate impacts as children were adversely affected by isolation and lack of assistance in navigating remote learning platforms, and parents who were unable to switch to telework saw devastating blows to their family budgets, particularly in Black, Indigenous, and communities of color. Some individuals can access digital services through their phones but limited data signals, lack of broadband access, and increased cost mean that many still encounter barriers to accessing the digital tools that are offered.

As the country continues to navigate how to promote an equitable recovery from the COVID crisis and build on the momentum of systems-level innovations that support working families, Louisiana funders can play a unique role in leveraging financial technology, or fintech, to help families meet their financial needs, promote digital equity, and improve financial stability for Louisianians.

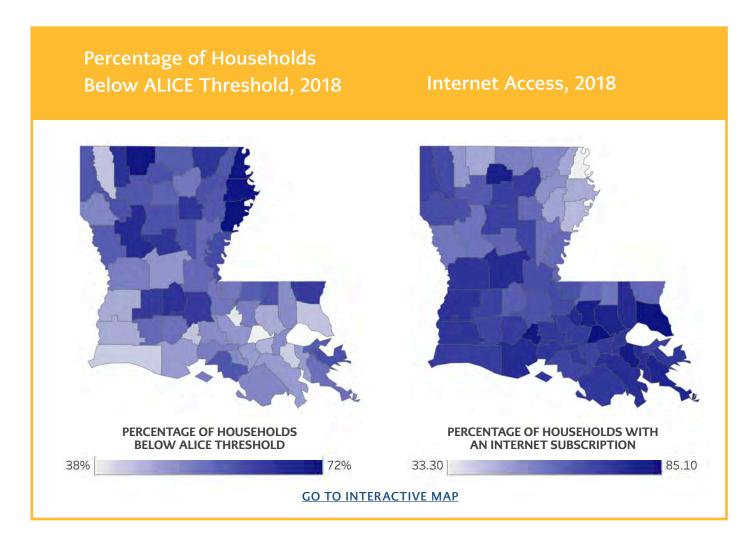


### A Look at Louisiana

Before the pandemic, Louisianans faced significant financial health challenges; the COVID crisis has only worsened financial hardship for many families:

**BACKGROUND** 

- According to recent Louisiana ALICE (Asset Limited, Income Constrained, Employed) data, 66 percent of all Louisiana jobs paid less than \$20 per hour.1
- By the middle of 2020, pandemic-related job loss was more than double the job loss caused by Hurricane Katrina.2
- The Black unemployment rate in Louisiana is 2.1% higher than the national Black unemployment rate.4
- The average ALICE Household Survival Budget in Louisiana was \$24,252 for a single adult, \$27,000 for a single senior, and \$69,732 for a family of four in 2018—significantly more than the Federal Poverty Level of \$12,140 for a single adult and \$25,100 for a family of four.3
- 33.1% of Black households face unemployment, compared to 12.5% of their white counterparts.5
- Black Louisianans make up 30% of Louisiana's workforce, but accounted for 40% of unemployment insurance claims in Louisiana from mid-March to mid-April of 2020.6



Fintech can offer access to low-cost, high-quality financial products and can help community-based organizations serve Louisianans more effectively by decreasing the need for high-touch person-to-person services. However, fintech interventions must be deployed with sensitivity to local context and recognition of the limited access to and affordability of broadband.

Funders, along with state and local legislators, have a critical role in laying the groundwork for fintech adoption, including working to close the digital divide and democratize the digital playing field, improving the public's understanding of fintech solutions, and documenting results in terms of measurable impacts on consumer **financial health**.

This document was created in response to growing interest in fintech across the state. Designed as a guide for funders, it provides a brief overview of fintech and its application in the financial health field, examines possible applications to Louisianans' financial health challenges, and seeks to encourage funders to engage with fintech to support their grantmaking goals.

Drawing from secondary research, interviews with key stakeholders familiar with the fintech landscape in Louisiana, national standards for best practices, and the knowledge and experience of the Financial Health Network, the document maps the role fintech can play in addressing financial health needs in Louisiana. This brief also showcases innovative fintech investments providing wealth-building solutions for Louisiana families.

Finally, the brief offers a series of considerations for funders who are interested in investing in fintech strategies:

- Fintech is one tool among many to boost financial access and stability.
- Fintech complements other high-priority interest areas for funders in Louisiana.
- Investing in fintech can build and strengthen the capacity of nonprofit stakeholders, not just end users.
- Funders should consider foundational work that can make fintech work for consumers.

### Foundational Work

Improved training for digital financial literacy and equitable access to devices like smartphones are examples of foundational materials that are needed to make fintech work for all.



### What is Fintech?

Fintech, short for "financial technology," loosely refers to products and services designed to let consumers and businesses conduct banking and other financial services digitally.

**BACKGROUND** 

The fintech sector provides the technology behind mobile and online banking, facilitates money transfers among friends, and offers loans and other financial products. Fintech can involve both consumer-facing products and back-end services, and fintech tools can come from both startups and established financial institutions.



# Did you know?

Some fintechs are for-profit companies, while others are developed by nonprofits with a social impact mission. Often, they are designed to democratize access to financial tools, promote financial stability, and use technology to ease consumer pain points around everything from building short-term savings to navigating benefits eligibility. An ecosystem of accelerators and grant programs, among them **Fast Forward** and the Financial Solutions Lab, has worked with numerous fintech partners to help them reach scale and deliver value for consumers. For instance, since its inception, the Financial Solutions Lab Accelerator has distributed \$9.9 million to 43 fintech companies. Companies supported by the Lab have helped consumers save more than \$2 billion. Funders in the space should look to this ecosystem to identify mission-aligned fintechs that may be seeking grant-based support or advice from funders.



Since its inception, the **Financial Solutions Lab Accelerator** has distributed

MILLION 43 FINTECH COMPANIES

At their best, fintech products are digital tools that take new approaches to helping people manage their money and providing access to products and services that support consumers' financial health.<sup>7</sup>

**BACKGROUND** 

Although in its broadest sense, fintech encompasses a range of topics, including budgeting, insurance, payments, savings, and more, it can be applied more narrowly to improve the financial health of lowand middle-income individuals. In this context, fintech has several key benefits:

### Lower costs

Fintechs can employ technology to lower the cost of service delivery. For example, online-only banks save on branch expenses and as a result can offer no-fee accounts. Platforms such as **Betterment** use technology to reduce the cost of providing retirement savings and investment accounts that come with customized advice and support for users.

### Improved convenience

Fintechs improve the ease and convenience of money management. Examples include mobile check deposit tools, person-to-person money transfer services such as Venmo, and budgeting tools such as Mint. The convenience of fintechs is particularly valuable for low- or middle-income consumers who live in banking deserts. Fintechs also tend to have simple interfaces with a focus on delivering a strong user experience.

### Simplified money management

Fintech can help consumers with financial decisionmaking by harnessing real-time transaction data to educate consumers or automate financial transactions. Examples include products like Cushion, which automatically identifies and negotiates refunds on banking fees, or budgeting apps that show consumers their transaction history and typical cash flow and automatically set money aside for recurring bills such as rent.



### Data-enabled solutions

Fintech tools can quickly analyze various types of data to improve decision-making on the provider side such as enabling underwriting for credit and insurance products. For example, Nova Credit helps newcomers to the U.S. apply for financial services using their credit history from other countries, by translating international credit data into a U.S.-equivalent score that it reports to American underwriters, who use it to evaluate applications for credit products.

### Impact measurement opportunities

As consumers engage with fintech products, by taking action in an app or linking bank accounts to a third-party fintech provider, engagement data can be leveraged to measure and boost impact. For example, nonprofit fintech SaverLife conducts extensive research into its users' savings behaviors, tests behavioral nudges that optimize savings, and publishes actionable research based on these data.8

# Propel

As the COVID-19 pandemic has brought increased urgency to efforts to bridge the digital divide and connect consumers with safe and affordable financial products, some fintech providers have responded by changing their offerings to better assist consumers. **Propel**, a fintech provider that helps SNAP recipients manage their benefits, partnered with GiveDirectly to help Propel users access cash assistance during the pandemic, providing \$1,000 per household, limited only by how much funding the two organizations could raise. This case demonstrates a key advantage of fintech: agility. By channeling assistance through a fintech app, funders were able to reach households in need quickly and efficiently, providing much-needed relief to more than 100,000 families.

**STRATEGIES** 

# Applying Fintech in the Nonprofit Financial Health Sector

**BACKGROUND** 

Financial health is achieved when an individual's day-to-day financial system functions well; good financial health increases the likelihood of financial resilience and opportunity. In the financial health field, fintech solutions are often paired with relevant social services, such as financial coaching. For example, a financial coach or volunteer tax preparer might introduce a client to a mobile banking option that offers a no-fee account and has built-in budgeting features. For individuals who may be unbanked, whether because of fear of fees, a ChexSystems issue, or the lack of a convenient branch in their area, fintech can offer a pathway into the financial mainstream. Fintech can boost both the scale and impact of nonprofit- and government-led programs to help individuals get banked, build savings, establish credit, and pay down debt. Funders should therefore be prepared to answer questions from grantseekers about integration of fintech into their grantfunded work or to suggest such integrations where appropriate.

Grantmakers interested in engaging with fintech, or whose grantee partners show such an interest, can benefit from learnings generated in the financial health field. The Financial Solutions Lab Exchange, a grant program for nonprofit–fintech partnerships run by the Financial Health Network, has published a guide to successful implementation of these partnerships.

The promise of nonprofit–fintech partnerships lies in their potential to add value to the relationships between clients and trusted providers, such as financial coaches or benefits counselors. A study of financial coaching by the Consumer Financial Protection Bureau (CFPB) found that credit issues are the most common reason that clients seek financial coaching services.<sup>10</sup> Meanwhile, an analysis of consumer interaction with a fintech app that provided access to realtime banking information found that engagement with the app led to significant reductions in high-interest unsecured debt and bank fees.11

Consumers who seek financial coaching services are eager for tools and resources to help them resolve credit, debt, and budgeting issues (the top issues identified in the CFPB study). Fintech tools can help nonprofit providers empower their clients to tackle these issues and take steps on their own, outside of the coaching session, using fintech apps. The challenge for funders lies in helping grantees connect the dots between low- and middle-income consumers and the fintech products that can improve their financial health.

Nonprofits looking for better tools to serve consumers at lower cost and fintechs looking for greater distribution are in many ways natural partners, but the two sectors are less connected than they should be.

Funders should consider that nonprofits are often facing competing priorities, may have high client volumes, and frequently lack the technical capacity to integrate fintech into their operations. Some nonprofits have been contacted by fintechs that want to partner with them but lack the resources to vet those fintechs for the nonprofit's client base. Finally, integrating fintech into nonprofit service delivery does not always result in high product take-up and high impact, as the Urban Institute found in its report on a pilot that paired nonprofit financial coaches with fintech products.12

Funders have the opportunity to guide nonprofits interested in engaging with fintech solutions. To help funders engage grantees and other partners, this brief includes a list of potential discussion questions to evaluate opportunities for fruitful engagement between fintechs and community-based organizations.

### PerkUp

PerkUp, a workplace-benefits fintech, has adapted its model to the financial health needs of Louisiana hospitality workers. PerkUp's COVID Assistance Fund for Employees (PerkUp CAFE) provides \$200 a month for three months (for a total of \$600) to hospitality workers at Hilton New Orleans Riverside, Hyatt Regency New Orleans, Windsor Court Hotel, BRG Hospitality, and Liberty's Kitchen who have been laid off, furloughed, or experienced a reduction in hours; participants also receive free financial coaching through TrustPlus, Neighborhood Trust's financial wellness benefit, to help them navigate their most pressing financial needs. In addition to providing grant-funded relief for workers, the initiative has a strong focus on impact measurement. PerkUp is partnering with Washington University, Common Cents Lab, and MetLife to conduct research on the effects of the pandemic on the financial lives of hospitality workers. Each month, PerkUp participants fill out a survey to indicate how they are using assistance funds, providing researchers with insights into the impact of the funds.<sup>13</sup> This example illustrates the role that philanthropy can play in supporting Louisianans through a fintech strategy that combines a fintech product with a trusted human service element to create a solution that is tailored to local needs and is focused on evaluating impact.



**STRATEGIES** 

# Addressing Broadband Access, Use, and Cost as Key Barriers to Fintech Adoption

Bridging the digital divide should be at the forefront of Louisiana funder efforts to lay the groundwork for wider fintech penetration, since internet access in the state is limited. But access to broadband alone is not enough.

Connected Nation, a nonprofit organization working with local communities, states, and federal agencies to create and implement solutions to their broadband (high-speed internet) and digital technology gaps, noted that three elements—access, adoption, and use—must all be in place for households to truly benefit from connectivity.

According to the Data Center, roughly 23 percent of all Louisiana households go without broadband access, slightly below the national average.14 Some rural counties in the state have broadband coverage of less than 50 percent, though access gaps exist in urban settings as well. The gap in broadband access falls along racial lines, with Black households in Louisiana less likely to have broadband access at home than white households. These data would suggest that mobile-first solutions that Louisianans can access on their phones might be more impactful in areas with limited home internet or computer access. Bridging this gap is crucial, lest families of color fall further behind white Louisianans on key financial health metrics, such as access to safe and affordable financial products, prime credit, and sufficient liquid savings.

Fintech apps used on mobile phones can fill an important gap for households that do not have access to broadband connectivity or internetenabled devices such as computers and tablets. However, "being limited to smartphone-only Internet access is associated with data cap limits, risk of service cancellations or suspensions due to financial constraints, and difficulty performing essential tasks such as applying for jobs or writing papers on a smartphone's small screen," underscoring the need to ensure that consumers can consistently afford to access mobile fintech apps.

Community-based organizations, and the funders who support them, should ensure that low- and middle-income consumers are equipped to use fintech tools to which they are referred to improve their financial health. Funders engaging with fintech through their grantees should understand end users' access to connectivity, their usage patterns, and cost challenges they face and ensure that grant-funded programs are structured appropriately to meet consumers' needs.



**OPPORTUNITY** 

# Applying a Racial **Equity Lens**



Funders applying a racial equity lens to their grantmaking strategies should apply the same lens to any engagement with fintech. A racial equity lens can take a number of forms, including:

- Reviewing fintech user data disaggregated by race to examine impact outcomes by demographic;
- Acknowledging that data and personal information have historically been used against communities of color, making these communities distrustful of fintech solutions given
  - The historical context of having been poorly served by the financial services sector,
  - The fact that fintech providers sometimes lack stability and credibility (a recent example being mobile bank Simple), and
  - The risk of sharing data (financial data as well as identification information such as immigration status, Social Security Number, and Individual Taxpayer Identification Number) that may be compromised or be used to harm users;
- Funding training for nonprofit fintechs and nonprofit service **providers** in how to provide culturally competent products and services:
- Engaging communities of color as experts to shape fintech tools and their implementation;
- Lifting up nonprofit fintech founders of color, specifically the less than 1 percent who are Black;16
- Working with local governments in rural parishes that have the lowest access rates and lowest income to develop solutions for the one half of Louisiana households below the ALICE threshold that do not have an internet subscription.



When disconnected communities are unable to access fintech solutions, low- and middle-income families are left further behind, disproportionately impacting communities of color and deepening the racial wealth gap between the digital haves and have-nots. Through its grantmaking and influence, philanthropy can further a focus on equity. Grantmakers can and should insist on elevating equity in the fintech space.

**STRATEGIES** 

# Fintech for Louisianans

**BACKGROUND** 

Conversations with Louisiana stakeholders identified several financial health challenges as particularly acute for residents of the state. For each of these challenges, a potential fintech application can improve the well-being of Louisianans and funders can help catalyze programs to connect consumers with fintech products and services. The table below outlines these challenges, provides some examples of fintech solutions, and offers a variety of ways funders can engage. There is no "one-size fits all" solution, but the table is intended to give funders ideas about the role they can play.

### **Challenge: LOW WAGES AND INSUFFICIENT BENEFITS**

### Context

wage is \$2.13.

# Louisiana follows the federal minimum wage, \$7.25 an hour; the tipped minimum

In 2018, 51% of Louisiana households could not afford basic needs such as housing, childcare, food, transportation, health care, and technology.<sup>17</sup>

In 2016, the median hourly wage for Black workers was only 66% of the median wage for white workers.<sup>18</sup>

Roughly half of Louisiana private-sector employees who work at least 20 hours per week do not receive health insurance through their employers. Only 34% of Louisiana employees have an employersponsored retirement plan.<sup>19</sup>

Low wages particularly impact Black women and Latino men; 26% of Black female workers and 24% of Latino male workers in Louisiana are considered working poor.<sup>20</sup>

### Example Fintech Application

SaverLife and Steady: SaverLife and Steady have formed a nonprofit–fintech partnership that leverages prize-linked savings to improve the income and savings prospects of both SaverLife and Steady members. Through co-promotion of services, they are connecting SaverLife members with Steady's job opportunities and income boosts and connecting Steady members with saving opportunities through SaverLife.

### Example Funding Opportunity

Take a systems-level approach by funding advocacy efforts such as the <u>National</u> Employment Law Project Raise the <u>Minimum Wage</u>.

Invest directly in nonprofit fintech providers working to address the needs of low-wage workers.

### **Challenge: ANNUAL WEATHER DISASTERS**

### Context

### Example Fintech Application

### Example Funding Opportunity

Cash savings, not in a bank, are vulnerable to destruction or loss during flooding events.

Natural disasters create financial shocks by generating expenses such as evacuation expenses and home repairs.

Bank On coalitions around the state can encourage their partner financial institutions to offer high-quality mobile experiences, including online account sign-up, to ensure that Louisianans have a safe and affordable place to keep their cash.

Government and nonprofit partners can collaborate to improve the digital experience for applicants to disaster assistance funds, following the example of programs such as the <u>Honolulu City Immediate Response Incentive MasterCard (City Card)</u>.

Support both short- and long-term recovery activities, such as providing funds to streamline online disaster relief benefits technology.

Participate in statewide disaster relief needs table to identify gaps in funding after the immediate response.

# Fintech for Louisianans (continued)

	Challenge: HIGH-COST CREDIT	
Context	Example Fintech Application	Example Funding Opportunity
Louisiana payday and title loans carry an average annual rate of almost 400% while costing Louisianans \$145 million in fees each year. <sup>21</sup>	Fintech solutions, such as <u>Self</u> , can help Louisianans build credit via credit-builder loans and eventually, access more affordable forms of credit than payday lending.  PerkUp is a workplace-based rewards program that "perks" employees with cash and prizes as they improve their personal financial knowledge and make healthy financial decisions.	Fund no- and low-interest credit as an alternative to payday lending.  Convene stakeholders to promote regulatory reforms to protect consumers from the harmful financial health impacts of high-cost credit.
<u>Challenge</u> : LACK O	F BANKING ACCESS (AND A HIGH R	RELIANCE ON CASH)
Context	Example Fintech Application	Example Funding Opportunity
Over 11% of Louisiana households are unbanked. <sup>22</sup>	Several fintech providers offer platforms designed to help gig economy workers and other workers without access to employer benefits platforms withhold money for taxes, manage uneven cash flow, and build savings.  New Orleans–based startup InstaFunds (incubated by the New Orleans Startup Fund) offers a budgeting and financial education tool aimed at the underbanked.	Support Bank On coalitions, including Bank On Lafayette, <u>Bank On</u> Northwest Louisiana, and Bank On Baton Rouge.
Louisiana has the highest percentage of workers earning at or below the minimum wage, with 5.3% of workers earning \$7.25 per hour or less, compared		Invest directly in nonprofit fintechs that are meeting the financial health needs of gig economy workers.
to 2.7% nationwide. <sup>23</sup> Many workers in the state's hospitality, tourism, and entertainment industries are paid in cash. Even workers in the formal economy, including essential workers such as delivery workers, farmworkers, and childcare providers, may not be provided with access to formal employer-sponsored benefits.		Provide grants to nonprofits that serve unbanked workers, to connect their clients with fintech tools such as mobile banking apps.
Ç	Challenge: FAMILY ESTATE PLANNIN	NG .
Context	Example Fintech Application	Example Funding Opportunity
Families lack access to succession planning resources that can help them preserve title on their homes; this gap is particularly	Technology-enabled estate planning tools can help families preserve assets and put succession plans in place.	Streamline online access to documentation about heir property rights <sup>24</sup> and other succession planning topics.
concerning given the role homeownership plays in the net worth of Black families.  Homeowners without the necessary title documentation cannot access affordable loans for home repairs or receive federal and state aid for property damage.	Insurtech, a fintech-adjacent field, aims to make insurance coverage more accessible, which could also aid in wealth preservation for Louisiana families.	Convene stakeholders to build a wealth preservation strategy for Louisiana residents of color.

## Fintech for Louisianans (continued)

### Challenge: DEBT BURDENS GROWN BY FINES/FEES AND CRIMINAL JUSTICE SYSTEM INVOLVEMENT

Context	Example Fintech Application	Example Funding Opportunity
Louisiana's high incarceration rates, reliance on fines and fees for revenue, and criminalization of poverty leave many residents vulnerable to financial health challenges associated with justice system involvement, such as debt related to fines and fees, drivers license suspensions, and other collateral consequences.	Technology-enabled reentry loans for returning citizens can help Louisianans reenter the financial mainstream, build credit, avoid predatory lenders, and work toward goals such as entrepreneurship.	Support nonprofits such as <u>Defy</u> <u>Ventures</u> that help returning citizens with entrepreneurship training and business incubation.
	Models such as the Florida Rights Restoration Coalition Fines and Fees Program use technology to improve the tracking of fines and fees across jurisdictions to help researchers understand how much is owed and by whom, and to	Back strategic legal and budgetary reforms to reduce or eliminate the financial burdens the criminal legal system imposes on Louisianans and reduce the incentive for jurisdictions to impose punitive fines and fees.
	help advocates make a case for reducing or eliminating fines and fees.	Develop an incubator for fintechs that aim to tackle the impact of the criminal
	Technology-enabled solutions for measuring ability to pay can enable reforms around fines, fees, and other government-enforced payments such as child support payments.	justice system.
<u>Chall</u>	enge: RACIAL WEALTH GAP CHALLI	ENGES
Context	Example Fintech Application	
	Lxumple I intech Application	Example Funding Opportunity
Nationally, the median white family has roughly ten times the wealth of the median Black family. <sup>25</sup>	Black-founded fintechs such as MoCaFi are demonstrating responsiveness to the needs of financially vulnerable communities of	Support long-term, multi-partner initiatives such as the Prosperity Now Racial Wealth Divide Initiative.
roughly ten times the wealth of the	Black-founded fintechs such as MoCaFi are demonstrating responsiveness to the needs	Support long-term, multi-partner initiatives such as the <u>Prosperity Now</u>

# **Ensuring Effective Fintech Grantmaking**

As seen in the chart above, funders have multiple opportunities to engage with fintech. This section focuses on ensuring that grantmakers' engagement with fintech retains a focus on financial health and consumer outcomes by providing grantmakers with guiding questions and a framework for assessing proposals.

# INTERESTED IN FINTECH? A DISCUSSION GUIDE FOR GRANTMAKERS

By asking guiding questions and setting clear expectations, grantmakers can shape grantseekers' approach to their work. Key questions for funders considering fintech-related grantmaking opportunities to ask grantseekers include:

### **SUITABILITY QUESTIONS**

- Does the fintech engagement solve a clear need expressed by low- and middle-income consumers or the providers who serve them?
- Does the fintech engagement address race and gender wealth gaps?
- How accessible is the fintech product to individuals with disabilities, individuals with limited English proficiency, older individuals, and those with low digital literacy?
- Has the fintech company been supported or vetted by other trusted actors in the financial health space?

### **IMPLEMENTATION QUESTIONS**

- Is the fintech engagement sustainable (for example, if a nonprofit organization or consumers are granted free access to an app for a period of time, is there a path to longterm, sustainable engagement)? If a better tool is developed, is there a process to identify that tool and shift to it?
- Does the fintech engagement help build local capacity, of nonprofit organizations, innovators, or individuals, households, and communities?
- If a grant is supporting either a nonprofit fintech company or a nonprofit service provider that is partnering with a fintech company, is the company open to feedback from users and willing to adjust the offering based on that feedback, or otherwise able to engage users as sources of knowledge?

### **IMPACT QUESTIONS**

- How will impact and success be measured?
- What data does the fintech provider capture and how can aggregate data be leveraged to provide insights into consumer outcomes?
- Can data be disaggregated to examine impact by demographic?
- How scalable and replicable is the fintech engagement?

These guiding questions are designed to help funders evaluate the fit between fintech opportunities and their own grantmaking strategies and theories of change.

### Incorporating Fintech into a Grantmaking Strategy

Funders looking for ideas to support fintech implementation, either directly or indirectly, can use the table below to identify opportunities and the kinds of grantseekers that can facilitate broader use of fintech among low- and middle-income consumers. Determining which approach to pursue will depend on the grantmaker's strategy and priorities for driving impact. This table lays out a set of options that can be customized to funders' individual needs and potential investment costs. In conjunction with the guiding discussion questions above, the table can help funders identify fintech opportunities that fit their funding strategies. AFN and the Financial Health Network can provide targeted advice to funders looking to incorporate fintech into their work.

With each of these recommendations, funders must recognize that nonprofits may need patient capital to grow these efforts. Fintech is an emerging field, and both nonprofits and end users need time to understand and adapt products and services to meet their needs in an impactful way.

# PROVIDING PHILANTHROPIC SUPPORT FOR FINTECH IN LOUISIANA

\$ = Low-cost Initial Investment \$\$ = Moderate Investment \$\$\$ = Sustained Investment

#### SHORT-TERM INDIRECT FUNDING OPPORTUNITIES

- Partner with state and local government on "civic tech" efforts to modernize and digitize touch points such as small business license applications, disaster aid applications, or payment of fines and fees \$\$
- Fund efforts, such as Bank On, that help Louisianans access safe and affordable transaction accounts so they can build assets \$

### LONG-TERM INDIRECT FUNDING OPPORTUNITIES

- Fund initiatives to bridge the digital divide, expand access to affordable broadband and mobile data, and focus on adoption and use strategies \$\$
- Fund efforts to enhance digital literacy offered, e.g., through municipalities, houses of worship, and community colleges
- Support efforts to incorporate digital training tools into financial education courses \$\$\$\$
- Fund efforts to remove or constrain wealth-stripping activities by the government or other lenders \$\$\$

### **SHORT-TERM DIRECT FUNDING OPPORTUNITIES**

 Support nonprofits that provide direct service and would like to incorporate fintech referrals into their services or partner with a fintech \$\$

Funding could cover staff training time, development of supporting materials, and licensing fees for the fintech solutions to make them free to users and nonprofit providers

 Enhance nonprofits' capacity to understand the needs of the clients they serve \$

Funding focus groups with consumers can provide insight into financial health challenges and help nonprofits and funders identify solutions driven by client needs

 Encourage employers of lower-wage workers to offer workplace financial wellness initiatives \$\$

Workplace initiatives can enhance workers' financial health, e.g., by connecting workers to technology-enabled tools for building emergency savings; funders can encourage employers to offer incentives such as savings matches

#### LONG-TERM DIRECT FUNDING OPPORTUNITIES

 Fund efforts by nonprofits to develop their own fintech solutions and conduct research into fintech applications in Louisiana \$\$

To develop their own solutions or modify and white-label a fintech product already in market

To better understand what works and does not work in local communities

To inform future efforts to connect Louisianans with fintech offerings (e.g., through impact evaluations for fintech referral programs)

- Increase support for developing more representative and inclusionary practices in fintech \$
- Promote the development of a fintech ecosystem by funding accelerators and providing capital to homegrown startups (e.g., by issuing a challenge related to a consumer financial health need in Louisiana and supporting applicants whose technology solution responds to the challenge) \$\$\$
- Support ongoing learning and training opportunities around fintech, e.g., for a cohort of nonprofits, or as part of a program modeled on the United Way of Metro Dallas's <u>Financial</u> <u>Inclusion Roundtable</u>\$

# **Considerations for Funders**

INTRODUCTION

The pandemic and resulting economic fallout have underscored the need to connect individuals with technology that helps them weather crises, access relief, and build financial resiliency. Fintech solutions featured in this brief show the promise of the fintech sector to enable an equitable recovery. The discussion reinforces several key ideas:

- Fintech is one tool among many to boost financial access and stability. Fintech is not a panacea for households' financial challenges. Rather, it is one tool among many that can help close wealth gaps and support families' resilience.
- Fintech dovetails with other high-priority issue areas for funders in Louisiana.

Funders whose grantmaking strategies touch on such issues as the digital divide, workforce development, criminal justice reform, and asset-building/preservation may be particularly interested in exploring opportunities to engage with fintech because of the potential for fintech to spur innovation and progress on these priorities.

Investing in fintech can enhance the capacity of an ecosystem of stakeholders, not just end users.

In addition to furthering the financial health of low- and middle-income consumers, engaging with fintech has the potential to empower the local ecosystem of nonprofit service providers by enhancing their technological capacity, and to support local innovators who are responsive to consumers' needs.

Funders should consider foundational work that can make fintech work for consumers.

There is considerable opportunity for longer-term investments in initiatives around digital literacy and broadband access to lay the groundwork not just for fintech adoption but for financial security and resiliency.

As fintech continues to attract the interest of funders, grantseekers, and consumers, and as reliance on digital tools increases, grantmakers should be prepared to use the information provided in this paper to guide their engagement with the fintech sector. Louisiana AFN will continue to serve as a statewide champion to encourage philanthropic, business, and political leaders to think about the broad implications of fintech tools and investments. This work will include educating local funders and engaging them in supporting fintech strategies, highlighting national and regional models for replicable fintech programs, and working with partners to bridge the digital financial literacy divide, including addressing racial wealth gaps and social inequities.

## **Endnotes**

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