



Center for
Financial Services Innovation

An Affiliate of ShoreBank Corporation

Targeted outreach: Strategies for reaching underbanked consumers

Interagency Minority Depository Institution Conference

Kimberly Gartner, Associate Director

The **Center for Financial Services Innovation (CFSI)** assists the financial services industry to identify, develop, and implement innovative ways of delivering asset-building opportunities to the underbanked market.

CFSI provides:

- information on how to respond to the needs of the underbanked profitably and responsibly
- a meeting place for interested parties
- funding for innovative solutions

CFSI National Segmentation Study

CFSI and four sponsors commissioned Simmons/Experian to conduct a segmentation analysis of underbanked consumers according to their attitudes, behaviors, preferences, needs, and desired experiences.

Objectives:

- Help financial services industry deliver relevant messaging and improve acquisition efforts, marketing, and product development activities
- Equip study sponsors be 'knowledgeable champions' in promoting efforts around underbanked populations



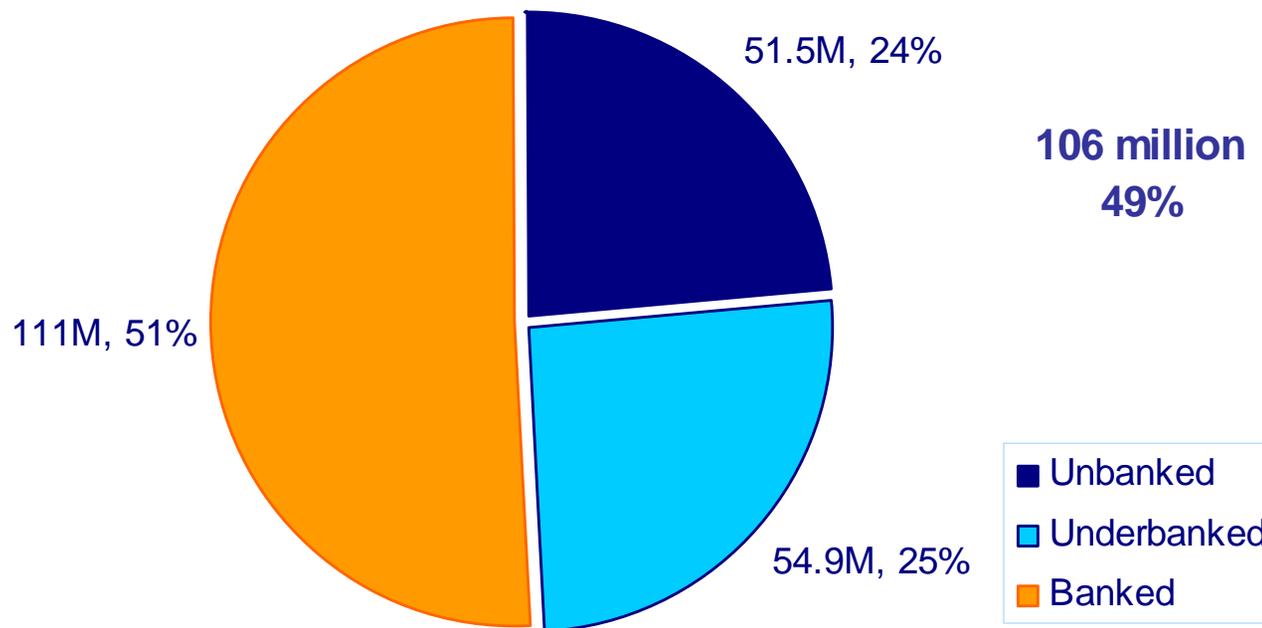
H&R BLOCK®



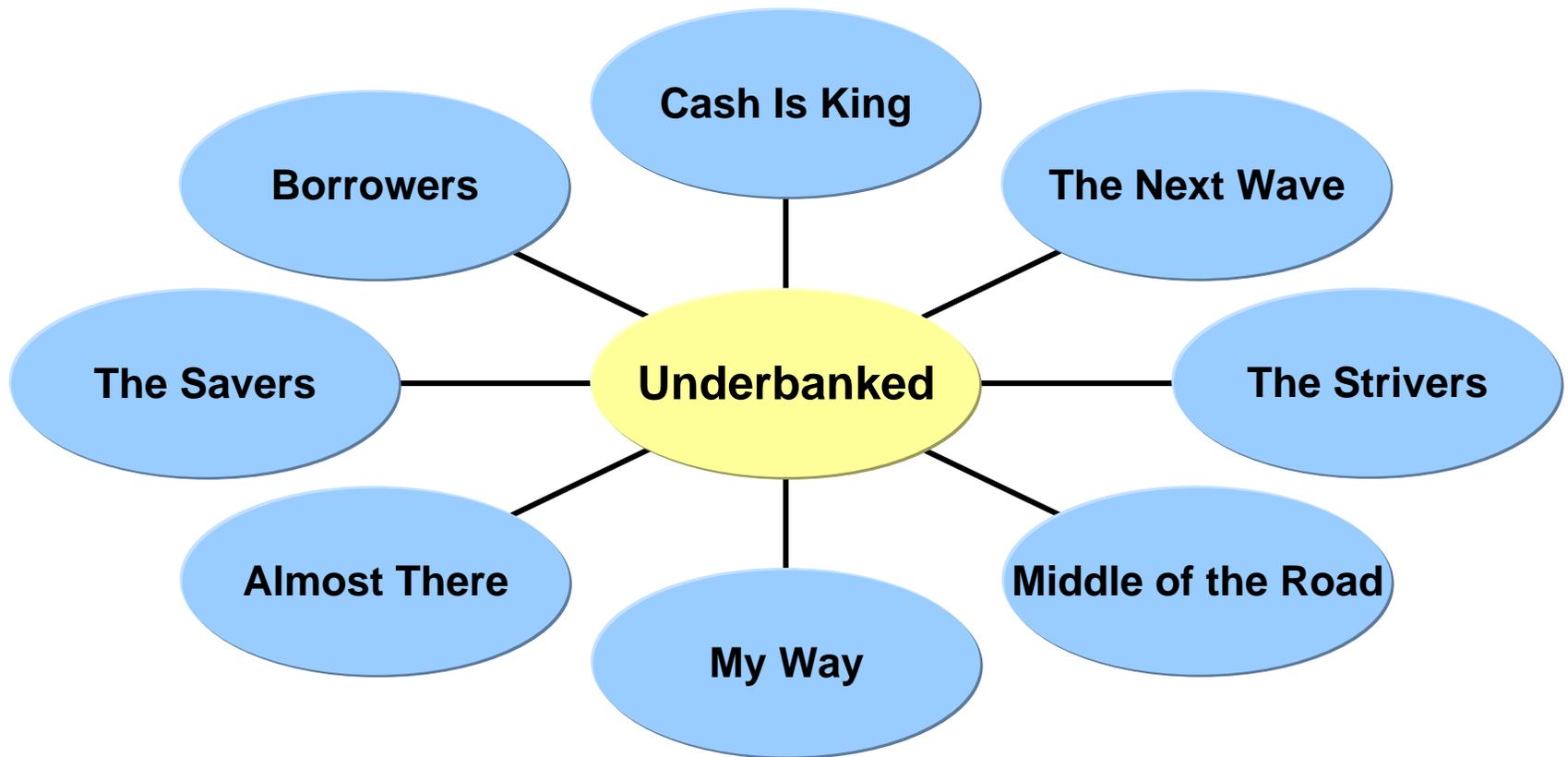
Market snapshot

Approximately 40 million U.S. households – 106 million people – are financially underserved

Underbanked Percentage of U.S. Adult Population



Eight Unique Consumer Segments



Key success factors	The supply gap: Lack of alignment	Promising innovations
Products & Pathways	<ul style="list-style-type: none"> •Lack of transparent pricing •Failure to meet customer liquidity needs 	<ul style="list-style-type: none"> • Prepaid debit cards/checkless checking • Transactional services as acquisition tools • Small-dollar credit
Marketing & Distribution	<ul style="list-style-type: none"> •Lack of cultural awareness •Inappropriate marketing messages •Poorly designed delivery channels 	<ul style="list-style-type: none"> • Workplace-based outreach • Self-service technology • Retail/non-branch distribution
Risk Management	<ul style="list-style-type: none"> •ID requirements that overstate risk •ChexSystems, credit checks 	<ul style="list-style-type: none"> • ITIN, matricula acceptance • Second chance programs • Alternative credit reporting/scoring

Innovation theme

- Provides bridge to bring consumers into mainstream financial services, pathway for saving and building assets
- A customer pipeline for financial institutions

Key innovators

- Key Bank
- Kinecta Credit Union/Nix Check Cashing
- CheckSpring
- Union Bank of CA

Innovation theme

- Broadening the spectrum of small-dollar/short-term credit products that are available
- FIs are adding small-dollar credit products, sometimes an acquisition strategy, other times an upsell or stickiness play
- Renewed potential for secured cards?

Key innovators

- FDIC Small Value Loan Pilot Banks
- State Employees Credit Union of North Carolina
- H&R Block's Emerald Card Line of Credit
- US Bank and Wells Fargo
- Progress Financial

Innovation theme

- Provides new payment options for underbanked consumers – and potentially a substitute for checking accounts
- Does it replace cash or checks – or both?

Key innovators

- Mitchell Bank
- H&R Block
- AccountNow
- Walmart/GE/GreenDot
- MB Financial

- Do your homework on consumer wants/needs.
- Keep the customer experience at the forefront.
- Innovation can't stop with product design.
- Help your customers understand the financial products and how to use them responsibly.
- Give customers a reason to stick with you.



Center for
Financial Services Innovation

An Affiliate of ShoreBank Corporation

Kimberly Gartner, Associate Director

The Center for Financial Services Innovation

An Affiliate of ShoreBank Corporation

2230 S. Michigan Ave., Suite 200

Chicago, IL 60616

312.881.5812

KGartner@cfsinnovation.com |

www.cfsinnovation.com