Financial Solutions Lab

CFSI | JPMorgan Chase & Co.

Profiles in Innovation

A Look Back to Pave the Way Forward

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.

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The Financial Solutions Lab (FinLab) is a $30 million, five-year initiative managed by CFSI with founding partner JPMorgan Chase & Co. The Lab seeks to identify, test and bring to scale promising innovations that help Americans increase savings, improve credit, and build assets. Lab participants share a relentless focus on building products that will improve the financial health of Americans. The Lab provides capital, national partnership opportunities, industry expertise, mentorship, and cutting-edge consumer and design insights necessary to build the next generation of leading financial products and services.

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FinLab Two Years In: A Look Back to Pave the Way Forward

Nearly halfway through and with two classes of innovators under its belt, the Financial Solutions Lab reflects on progress made, emerging trends, and challenges ahead for fintech

When the Center for Financial Services Innovation (CFSI) first partnered with JPMorgan Chase & Co. back in 2014 to help financial services and technology work together on issues affecting Americans' financial health, they were treading into relatively new territory. Now this five-year, $30 million effort is paying off in the form of significant consumer impact. In the short time since the FinLab began, it's worked with 18 innovative startups – nine each year, including two non-profit organizations – all with the mission to help empower consumers with the tools and knowledge needed to make smarter financial decisions.

Part of the success of the Lab is due in part to a greater awareness across the financial services industry of the need for more innovative and open approaches to serving consumers, says Ryan Falvey, managing director of CFSI, who oversees the FinLab. "If you look at our first cohort, those companies had been around for a couple of years and had invested a lot of time, money and energy into creating the types of partnerships that are necessary to bring a consumer fintech product to market," he says. The most recent incoming group, in contrast, reflects a market that is much more receptive to early stage start-ups and innovation. "In the second year, we saw companies who had been around for a year or less – but already had some pretty robust partnerships with larger players," says Falvey. "I like to think that our work has been part of that shift in moving the industry forward."

It's not simply startups, but nonprofits that have also been brought into the conversation as a result of the FinLab. When the nonprofit micro-saving provider EARN was chosen to participate in FinLab this year, Leigh Phillips, the organization's CEO, saw the move as a strong vote of confidence for non-profits in the fintech space. "Non-profits need to make this transition into leveraging technology.

Elevating non-profit financial technology to the same level as these other groups has been great," says Phillips. "The first thing it did for us was to send a very public signal that CFSI believes nonprofits can — and should — do financial technology."

Creating Meaningful Partnerships

Connecting the right players in the marketplace with innovators was a big focus in this year's FinLab partnerships, according to Colleen Briggs, executive director of community innovation at JPMorgan Chase, who has worked closely with FinLab since its public launch in 2014. "How do we get these resources into the hands of those who need them most?" she says.

Whether that's working with organizations like Catalyst Miami to pilot lab products with its coaching clients, hosting training sessions on how to use FinLab tools for the National Urban League, or running workshops and roundtables with community partners on how to integrate new tools into their offerings – figuring out ways to increase the accessibility of fintech products to the populations that need them most has been a major focus this year. "We've used the lab as a platform to help bridge that gap between tech innovation and community service providers who can reach these communities best," says Briggs.

"There used to be this idea of 'banks versus fintech' and now people are understanding that it's about collaboration."

For robo-advising financial services provider WiseBanyan, being chosen to take part in this year's FinLab provided a thorough understanding of what's being done across the spectrum of financial services and where the company fits in, says co-founder Herbert Moore. "CFSI has given us insight into how larger firms are working — and how to compete on their strengths and work together in longer term," says Moore.

Partnerships between lab players and established financial institutions have also played a crucial role this year, says Falvey. Helping FinLab companies create partnerships with institutions like tax preparation company H&R Block, adaptive risk pricing provider Ascend Consumer Finance, employee mentors at JPMorgan Chase and credit counseling agency GreenPath helps accelerate the progress of early stage startups and give them tools that already exist to jumpstart their business. "We're really pleased with how we're seeing that ecosystem come together in the second year," says Falvey.

Putting User Experience First

This time around, with the fintech industry having established firm footing, participants including partner JPMorgan Chase have been focusing on ways to better meet user needs. “We realized the more customized you can make resources, the more successful they can be,” says Briggs. “There are few players in the market who are focused on exclusively promoting financial health and are able to follow through on offering a product that does that. CFSI has been really great at testing their model but also modifying that to make sure we’re responsive to the very quickly changing landscape.”

With increasingly demanding and tech-savvy consumers, the need to meet people where they are – in terms of their technology and literally in their own communities – has becomes a major focus.

“A lot of what you are seeing in fintech are companies trying to give consumers exactly what they want,” says Falvey. “The role we’ve played at CFSI is in trying to connect those dots.”

Like the other participants chosen for this year’s FinLab, focusing on creating a product based on consumer needs first was crucial to shaping what WiseBanyan offered, says Moore. A survey of 1,200 people prior to launching the product taught Moore and his co-founder, Vicki Zhou, that people were looking for more than simply a digital portfolio manager. “Clients wanted personalized guidance and a deeper level of engagement,” he says.

A Holistic Approach Using Action-Oriented Tools

While the first cohort of fintech solutions often focused on specific financial issues (SupportPay gives divorced parents a way to exchange child support; Puddle offers a group borrowing platform; PayGoal helps wage employees allocate paycheck money), this latest group tries to take a less siloed approach to helping consumers with their finances, according to Briggs. “One of the trends we are seeing is more focus on the holistic financial health of consumers,” she says. “People don’t operate in silos in their real life.”

Take, for example, Albert — which offers users an app that acts as a one-stop-shop for their financial planning, from setting aside money for savings to choosing the right insurance. “We selected these companies in cohort two because they were helping consumers with longer-term resilience,” says Falvey. “Across the board all these companies share a unique approach to how they do that and how they align their approach with what consumers need.”

This year’s cohort also includes more action-oriented tools that give users actual steps they can take to make a direct impact on their finances. The Bee Card, part of this year’s FinLab group, helps low-income consumers move away from using predatory services like check cashers, pawnshops and payday lenders, not simply by educating them, but by giving them an alternative that lets them manage their banking entirely from their mobile phone. Everlance, a mileage-tracking app, automatically logs miles driven by independent workers to make handling expenses and planning for taxes easier for freelancers. And nonprofit EARN rewards low-income consumers with financial incentives for hitting money saving goals. “It’s about moving beyond information building and going to ‘what can I do about that?’” says Briggs. “You are seeing that trend generally in the field. This cohort is a great example of where you can see that reflected.”

Fixing the Kinks in the System

Addressing systemic issues in the financial services space is another challenge fintech companies are increasingly taking on. “The low-hanging fruit in fintech may have been picked — and now you have to go on to solving harder problems,” says Asad Ramzanali, who guides CFSI’s entrepreneur outreach and support for the Financial Solutions Lab.

Take EarnUp, which aims to address the nation’s archaic and disorganized loan payment system by developing a streamlined process that allows users to track, pay and manage their loans in one place through a smartphone app. Or Scratch, which is working to rethink loan services, an often neglected corner of the market, according to Falvey.

Others working to address inaccuracies in financial services include eCreditHero, which helps consumers fix frequently undetected mistakes in their credit reports and Remedy, which catches common medical billing errors.

"This cohort of companies is not only identifying the pain point on the consumer side...they are also identifying problems in the system where the system is not working as effectively as possible for consumers," says Briggs. "They are looking at the existing models and questioning the underlying assumptions."

Tackling the Diversity Challenges

Reaching underserved and under-banked communities continues to be a challenge the fintech industry must try to tackle more effectively, says Ramzanali. While FinLab participants this year have focused on targeting particularly high-need communities, often finding the best solutions to those challenges means starting with a more diverse pool of tech founders and leaders. "Finance and technology has way too few females, African-American and Hispanic people in CEO roles," says Ramzanali, who focuses much of his efforts on reaching and recruiting a diverse pool of applicants to the FinLab program.

Much as in the tech space in general, fintech remains largely underrepresented in terms of racial and gender diversity in its leadership ranks. This year's FinLab cohort represents a more diverse pool of founders. While the first cohort included three organizations that had at least one female founder and one organization with a founder from an underrepresented racial minority, the latest cohort includes five organizations with at least one female founder and three with founders who identify with an underrepresented race, according to Ramzanali. "How do you build your pipeline of folks who are diverse?" he says. "We clearly have a role to play here."

Profiles in Innovation:
A Virtual Financial Planner to Convince a Generation to Strategize About Their Money

Albert offers an interface people can use as a one-stop-shop for their financial planning

Yinon Ravid and Andrzej Baraniak met 15 years ago while they were freshmen at Columbia University. The pair went about their respective careers in finance – Ravid working in asset management, and Baraniak doing management consulting. But after ten years of working in finance, the two reconnected, looked around, and realized there was a discrepancy their generation was facing that needed to be addressed: people simply weren't planning when it came to their money. "Thirty years ago, people went to physical advisors. That world has changed," says Ravid, who co-founded the financial planning app Albert with Baraniak. "Digital natives don't want to sit in front of a person anymore."

The result: Nearly half of Americans say they don't have the available cash to foot the bill on a $400 emergency expense, according to Federal Reserve data. "There is a generation of 100 million people between the ages of 20 and 40 who don't do financial planning," says Ravid.

He and Baraniak wanted to find a way to change that and create that same financial advising experience for people – especially those in the 20s to 40s demographic – that translated on their smartphones. To do this, they began exploring ways to digitize the process to help people think about their finances more deliberately. "If you don't know what to do, it's very difficult to take action," says Ravid. "We had to figure out how to explain financial planning in a non-yawn-inducing way."

Open the Albert app and its playful, lively approach is apparent. The app greets you with the message: "Meet Albert," two cartoon eyes blinking at you from the screen. The company constantly posts cartoons and videos on social media, using the Albert character as a way to teach users financial planning skills without taking it – or themselves – too seriously.

The average user comes to Albert with a median income of $40,000 and minimal savings, says Ravid. The app helps them focus and stay organized about different parts of their financial health, from paying off debt to finding the right types of insurance.

Albert

WHAT THEY DO
Actionable Financial Advice On Your Phone

LOCATION
Los Angeles, CA

WEBSITE
meetalbert.com

The technology Ravid and Baraniak developed brings together a user's financial data in one place so they can manage bank accounts, credit cards, loans and investments at the same time.

Albert allows users to track daily spending, encourages saving, and offers financial advice like recommendations on how to pay off credit card debt with low-interest loans, lower credit card fees, and start a retirement plan. Because the app can track various financial accounts in one place, users most often open the app to manage their bills and expenses.

To make all these moving parts work without having to reinvent the wheel, the pair began looking at ways to partner with existing financial institutions. Part of the application that they wanted to make sure to create was a way for users to begin setting aside money towards savings. To do this, they partnered with Wells Fargo, which powers a free savings account that lives in the app and transfers money from your bank automatically, called Albert Savings. They also began working with other providers like CoverHound, which offers insurance quote comparisons and Betterment, an automated investing service that gives users investment advice.

By connecting customers with these different businesses through its interface, Albert is able to make money from the referrals it offers so that users do not have to pay for the service. “Everybody is marketing specific tools that do one thing or another,” says Ravid. “We like to focus on the way people feel about money.”

Profiles in Innovation: A Mobile Alternative to Traditional Banks and Predatory Check Cashers

The Bee Card lets consumers who don't have easy access to traditional banks manage their money and bank entirely from their smartphones

Vinay Patel wants to give low-income people living paycheck-to-paycheck a way to manage their money without falling prey to predatory money services. Ask Patel, CEO and co-founder of One Financial Holdings, which builds mobile technology services for consumers, precisely who he's talking about and he'll introduce you to Sam.

Sam works full-time and earns minimum wage, making $30,000 a year. He lives in a neighborhood proliferate with check cashers, pawnshops and payday lenders. There are not many bank chains near his neighborhood and in the past, when he's used one of them, he's been hit with $35 overdraft fees, which happens to the typical person hit by overdraft seven to eight times a year, says Patel. When Sam doesn't meet his minimum balance requirement, he pays $12 a month, and if he needs to get cash out of an ATM, he has to pay a fee (and sometimes multiple fees) for each transaction at an out-of-network ATM. All in all, it costs him around $470 a year in banking fees to maintain an account.

So Sam ends up going to a local check casher when he gets his paycheck twice a month. There he pays 2% of his income to cash his checks, which adds up to $600 a year. Check cashers process **$58 billion in transactions annually**, serving as the primary financial services providers in low- and middle-income neighborhoods. While Sam is not a real flesh and blood guy, countless consumers like him exist across the U.S. – minimum-wage-earning people who live in neighborhoods where access to traditional brick and mortar banks is vastly limited. Data gathered by the **Federal Reserve** indicates that the types of alternative financial service providers low to moderate-income consumers like Sam use are heavily concentrated in the most financially vulnerable communities.

Meeting this population where they are, literally, is what Patel set out to do when developing the Bee Card in 2014 with his two co-founders, Max and Alex Gasner. The cofounders saw that for half of Americans, financial services were provided by brick and mortar options like check cashers or payday lenders who ended up passing their costs down to customers. What's

WHAT THEY DO
Capital-Light Financial Services

LOCATION
New York, NY

WEBSITE
beeaccount.com

more, depositing a check at the bank could be a slow process, taking days to go through, which for someone living paycheck-to-paycheck can cause major financial distress. What if Bee could drastically cut down the overhead costs associated with maintaining a brick-and-mortar bank and give consumers a way to deposit checks virtually instead of on-site? "This was an incredibly large business opportunity," Patel says. "If you can reduce the expenses, you can charge lower prices."

Issued by Community Federal Savings Bank, the card offers a more affordable alternative. "People often don't have access to convenient resources when there's no bank branch in their neighborhood," says Patel. "We can actually meet customers where they live and work."

Before launching, the trio spent four months in 2014 interviewing upwards of 1,000 people in Brooklyn's Fulton Mall neighborhood to learn what their greatest banking needs were.

The conversations they had revealed some surprising things to Patel and his co-founders. They found, for example, that many low-income consumers use multiple phones – a subsidized phone for voice and text and a cheap phone with Wi-Fi to access apps. Taking this two-phone approach ends up costing about a quarter of what it might cost to pay for a monthly iPhone plan, says Patel. But while splitting usage saves costs for people, it also means that in order to communicate successfully with low-income consumers, Bee would need to find a way to reach them on both their devices, regardless of whether they had a Wi-Fi connection or not.

Essentially, Bee is an alternative to a checking or savings account. People can apply for an account right from the app, which works on iOS and Android. When a person signs up for a Bee account, they pay no monthly fees, and receive two free ATM withdrawals each calendar month. Instead of going to an actual bank location, users interact with their account entirely through their phone. They can deposit checks using a mobile remote deposit feature (and for a 1% convenience fee, can elect to have funds made available in under 30 minutes) and they can bring cash to many large retailers including Walgreens, 7-Eleven and Wal-Mart to have it deposited into their Bee account. Users receive account updates via text message alerts that work across all mobile phones. At the end of the day, the average Bee consumer pays $0 to $300 in banking fees – a rate substantially lower than what they'd pay with a traditional bank or check casher.

To sign up, a person needs to be 18 or older, own a smartphone with IOS or Android, and have a social security number. But Bee does not restrict account opening based on bad financial history – the barrier that prevents so many consumers from traditional banking in the first place. "The cost of a bank checking account is overwhelmingly expensive for a low-income person," says Patel. "We don't treat you based on past transgressions."

Profiles in Innovation: The Nonprofit Helping People Build a Savings Habit From Scratch

By offering financial incentives for hitting money saving goals, EARN helps low-income consumers start saving

Two years ago, Bradley Tanzman found himself in a tight financial situation. He'd struggled with several health scares over the years – battling HIV and overcoming cancer – and wanted to figure out a way to come off of disability and social security and start finally saving some money. But Tanzman, 52, wasn't quite sure where to begin. Then he attended a seminar about saving hosted by the nonprofit EARN, held on Treasure Island in San Francisco where he lives, and realized it would only take a few small steps for him to get started.

In 2015, EARN, a nonprofit micro-savings provider based in San Francisco began beta testing its Starters Saving Program, a six-month long trial that offers monthly bonus payments of $10 to reward participants for saving $20 each month. Tanzman was one of the first participants in the program, which officially launched in October 2016. "When you're living from check to check, you never can catch up," he says. "I saw the value of their rewards and I decided to make a lifestyle change."

To start saving right off the bat, Tanzman quit his daily habit of going to Starbucks and started making his own coffee at home. He then began putting aside a dollar a day every month towards a savings account. Later, he upped that amount to two dollars a day, using an automatic bank transfer at the start of each month. "EARN showed me how, at a dollar a day, I can catch up. It was a reinforcement tool," he says. "It helped me create that habit of saving – sort of like training wheels for your savings account."

Helping low-income families and individuals create a saving habit is what drove EARN to launch its Starters Saving Program, says CEO Leigh Phillips. Founded in 2001, EARN started as a resource to help working families in the Bay area save and invest toward long-term assets. With matching dollars from the federal government and philanthropists, the nonprofit helped more than six thousand families in the Bay area to start saving.

eARN

WHAT THEY DO
Starter Savings Account

LOCATION
San Francisco, CA

WEBSITE
earn.org

But as fintech's ability to reach a broader base and its power to shift people's behavior became more and more apparent, EARN began exploring how to impact more low-income people across the country, creating its Savings Starter Program. "EARN looked at what worked really well for low-income families and took that into a new phase," says Phillips, who joined the non-profit as CEO in 2015.

Since its official launch on October 1, 2016, more than 10,000 people have registered on the EARN platform. "That's pretty amazing when you consider that before the Starter Savings Program, we served 6,000 people in a decade," says Phillips. To date, EARN enables users across fifteen banks and credit unions to link their accounts directly to the platform.

While philanthropists and corporations are providing the funding to help support the program, EARN is also working directly with nonprofit organizations and employers who want to establish savings incentives for their clients or employees by matching funds. "We want to be able to allow other organizations to integrate savings programs into their offerings," says Phillips.

Anyone 18 and older living in the U.S. who has an email address and earns 80 percent or less than their area median income qualifies for the savings program. That means, for example, that a family of four in the Bay area with a median income of $80,000 is eligible to join, while the same family in Mississippi would qualify with a median income closer to $28,000.

Giving low-income families a way to start saving is a crucial step toward financial stability, says Phillips. According to a Federal Reserve Bank study, 47 percent of Americans would not be able to meet a $400 emergency expense without going into debt. But short-term emergencies – from car repairs to health scares – abound in the lives of most Americans.

While many families are intimidated by long-term goals like buying a home, starting a business or going back to school, Phillips says the Starter Savings Program is designed to help first establish that pattern of saving and show people that it doesn't have to be a daunting task.

What's more, simply initiating the habit of saving gives consumers more confidence in their overall ability to manage money and plan for the future. In a survey by the Pew Charitable Trusts, around 90% of participants said they would rather have more stability in their finances than more money.

Take Tanzman, for example. With his new habit, he started to build up a big enough savings account to never have to worry about living check-to-check again. His savings has reached more than $4,000 and today he has enough saved up for a three-month safety cushion. "EARN allows people to start this process with as little as twenty dollars a month," he says.

Profiles in Innovation: A FinTech Solution to Get Out of Debt and Intelligently Automate All Your Loans

EarnUp helps the 200 million indebted Americans pay their $12-trillion in outstanding loans

Matthew Cooper and Nadim Homsany were working together in 2009 as they watched the country descend into the financial crisis. It was a difficult time for many Americans, and in this period they noticed each of their parents respectively were also struggling with mounting debt while retirement loomed. This didn't seem right. While each had grown up in lower-middle income families, their parents always had enough money to pay their bills on time. "The fact that in both cases, our parents were heading into retirement with more debt than they had in their prime earning years is a major structural problem," says Cooper, EarnUp's co-founder. "This should not be the case."

Homsany was astounded to learn that only a few weeks after his parents had taken out a new mortgage with a broker they chose and trusted, they got a letter in the mail letting them know their loan was sold to another company they'd never heard of. "We watched the insanity and frustration both our parents went through interacting with lenders throughout their lives," says Homsany, "and then Matthew and I started to suffer the same confusion and abysmal customer service in our own lives."

And what their parents experienced was hardly unique. According to the American Psychological Association, 73% of Americans are under psychological stress – and mounting debt is a major factor compounding that anxiety. To date, 200 million Americans – a whopping 80% – have outstanding loans that total $12 trillion, according to data from the U.S. Census Bureau and the Federal Reserve Bank of New York. "This is a nationwide problem that affects people across the credit spectrum," says Cooper. "We took a step back and started seeing those experiences as really destructive."

Most vulnerable to growing debt are those consumers who come from marginalized and low-income communities for whom not making a payment can have catastrophic consequences. "People end up missing payments, going into delinquency and defaulting on their loans," says Cooper. "If you don't make that payment on time, you could get kicked out of your house."

earnup

WHAT THEY DO
Intelligent Loan Payment Automation

LOCATION
San Francisco, CA

WEBSITE
earnup.com

The first question they set out to answer: Why are so many people defaulting on their loans in the first place? They found that the lender experience is often difficult for people, which results in unpaid loans and mounting fees. "Interacting with your lenders is a horrible experience," says Nadim Homsany, EarnUp's co-founder. "The system is often unnecessarily confusing, making it very hard for people to make payments."

In a world where our lives are largely automated at the touch of a screen, Cooper and Homsany were determined to figure out a way to help consumers like their parents better pay off debt. In 2014 they launched EarnUp with the goal of simplifying loan payments. The platform they created allows for an individual to manage all their loans in a single place and syncs their payments directly with their income schedule, so they don't have to worry about budgeting to make their monthly payment.

Say, for example, you are in your 40s and just bought your first house. On top of a mortgage, you have student loans from college, auto loans and credit card debt. Keeping track of each of those loans and making sure they're paid on time can be a logistical nightmare. "We want to provide a single place where consumers can manage all of their loans, to empower them to get out of debt," Homsany says. "Instead of trying to budget for six different loan payments at the same time, you are now managing all your loans together on your mobile device and automatically syncing those payments to your income."

Had a platform like EarnUp been available to Cooper's parents, for example, it would have prevented them from getting into deeper debt in their retirement years. "If you gave my parents access to EarnUp in their 30s or 40s, they could have had the tools to take control of their loans," says Cooper.

Additionally, EarnUp is constantly looking for small opportunities to accelerate people's loan payments and get them out of debt faster. Setting an extra $10 a week toward loans, says Cooper, can help pay a loan off two to five years faster. 94% of users choose to increase their monthly payments, which can help save around $20,000 in interest over the life of a single loan.

When they launched the business in 2014, users paid a round $8 a month for access – but today, the company has partnerships with several groups across the country, from servicers to credit counseling agencies, that offer the EarnUp service for free to their members. "The solution to our problem is helping people be educated about the loans they have and how to pay them off faster," says Homsany. "We really believe technology should take the actions for the consumer that benefit the consumer the most."

Profiles in Innovation:
The Startup Helping People Fix Their Credit Scores For Free

eCreditHero has developed a technology that helps people repair and rebuild their credit, giving them the tools they need to fix their credit scores and reach their financial goals

Last year, Nicole Sanchez, founder and CEO of eCreditHero, decided to host a "vision board" party for a group of 100 women in New York. She had been working in the world of consulting and finance, as a management consultant at Bain and within their private equity practice before deciding to try her own hand at entrepreneurship. Sanchez got involved in a startup helping hairstylists expand their businesses online. Initially she wanted to work with entrepreneurs to help them scale, but quickly learned there was a more fundamental issue faced by these entrepreneurs: They were often blocked by seemingly insurmountable bad credit.

Two thirds of millennials and more than half of Americans have non-prime credit, which means finding and paving a way toward financial stability is a massive unmet need across the U.S. "The biggest access point to financial health and growth is good credit," says Sanchez. "Before we ever had a solution, we had a hypothesis: People needed a credit fix."

At the vision board party, Sanchez made a bold offer. She told the 100 women there that she would fix their credit score for free if they simply texted her their number. Sanchez left the party with 20 new numbers – the first clients for her credit fix service, eCreditHero. "It started with a call to action and a text and then it became a business," says Sanchez. "Those users started telling other people and they started telling other people." Today, eCreditHero has a community of 45,000.

But to get there, Sanchez had to sort through some fundamental challenges, namely how to use technology to streamline and automate the work that goes into finding and fixing errors so that she could offer a service for little to no cost. Most services in the industry charge a monthly fee, but she wanted to find a way to cut costs so that consumers didn't have to pay for the service. After all, there's an inherent contradiction in charging cash-strapped customers top-dollar to fix their bad credit. "There's a $6 billion market for credit repair alone," she says. "The average consumer doesn't have excess cash. If you make it free, they will follow."

eCreditHero

WHAT THEY DO
Hassle-Free Credit Repair

LOCATION
New York, NY

WEBSITE
ecredithero.com

The question was how. Sanchez needed to figure out a way to automate the business in order to vastly cut overhead costs. Technology would be crucial in making this happen. "Designing with a typical consumer in mind was key," she says. "People charge $300 for what we do for free."

She began by identifying common patterns in credit reports and looking for solutions to them. For one, she saw that mistakes on credit reports are rampant. Eight out of ten credit reports contain some sort of error that negatively affects a person's credit, says Sanchez. More often than not, those mistakes come down to a basic computing error that can damage a consumer's credit without their even knowing it.

Sanchez also began to identify common errors across credit reports and to work on creating a technology that could detect and address those mistakes. She found that 47% of credit reports have either duplications or false opened or closed account information on them. That means two missed payments might show up on a credit report as 12 missed payments, because the same loan had been sold and resold from one debt collector to another without those sales being consolidated. Helping find and fix such errors is a crucial first step in repairing your credit, says Sanchez.

Take Julie Daniels. A special education teacher aid based in Murrieta, California, Daniels first came across eCreditHero in the fall of 2016 through a posting on a Facebook group focused on financial wellness connected to the Steve Harvey Show. Daniels and her husband had been struggling to fix their credit after a stretch of unemployment. She signed up for eCreditHero online, gave the company access to her credit reports and "waited for the other shoe to drop," she says. "When I first heard about this, I was a total skeptic. Everywhere else this costs $200 a month."

Soon after she signed up for eCreditHero, Daniels received personalized letters to send to three different credit bureaus listed on her credit report. A few weeks later she was notified that incorrect charges had been removed from her report — including charges for a credit card she'd never opened. Daniels also started checking in to the Facebook group she'd joined where Sanchez and team were constantly posting tutorials and answering people's questions on what to watch out for in their credit report and how to effectively take on lenders.

Daniels learned through that forum to ask for her medical bills to be itemized and discovered that she'd been double-charged for the same services. She discovered that she'd made 21 payments for a bill that were never processed or reflected on her credit report. Since signing up for eCreditHero, Daniels' credit score has increased by 100 points and she was able to open her first credit card since 2003.

Whenever she had a question about how to handle something having to do with her credit, Daniels would log on and post a question for eCreditHero, often getting a response directly from Sanchez. "It is incredible how much information she gives away for free. Anything you want to know, she will tell you," says Daniels, who talks about Sanchez with a familiarity that makes it seem as though they're close friends. "You are scammed by so many people that to do what she is doing, it's like: 'What's the catch?' There is no catch. You've got to get to work and they answer the questions for you."

Establishing that rapport and trust with users has been paramount to growing the business. Sanchez knew from the start that she needed to earn the trust of consumers like Daniels who tended to see the offer of free credit repair as a red flag that they were facing a scam. "I don't think free alone is enough. Trust is very important," says Sanchez. "You can't market your way into trust. You really have to build it."

Baked into the eCreditHero model is a chance to get free guidance through live Facebook chats, SMS, and email. As a result, 87% of the service's users refer someone they know to eCreditHero, which has been fundamental in helping the business grow. Daniels alone has convinced three coworkers and her mother-in-law to sign up. "We are not educated on credit the way we should be. This just makes you dig in more," says Daniels, who is determined to get her credit score into the 700s by the end of the year. "I am hell-bent on getting in the 700 club," she says.

Profiles in Innovation: How Everlance is Transforming the Way Independent Workers Manage Business Expenses and Taxes

App automatically creates a mileage log for independent workers and is expanding to include other features to make handling expenses easier.

It wasn't working at Goldman Sachs the first few years of his career that most inspired Alex Marlantes to start his own company. Instead, while getting his MBA at Stanford in 2013, Marlantes, now 29, decided to earn some extra cash on the side as a rideshare driver for Lyft. He quickly learned for himself what he'd seen his parents, both of whom worked for themselves as a writer and yoga teacher, struggle with throughout their careers: the daunting task of managing and tracking work expenses. "Growing up, I always saw that my parents really loved what they did, but hated the additional friction of being self-employed," he says. "That was a pain point I experienced firsthand in my family."

It's a pain point faced by more than 50 million adults in the U.S. who count themselves among the country's growing population of independent workers, according to survey data by the Freelancer's Union. Marlantes and his co-founder Gabriel Garza, who met as MBA students at Stanford, decided to create a solution to help independent workers, launching their expense-tracking app Everlance in 2015. Simply knowing how much money to set aside toward taxes eases a great financial burden for independent workers who might otherwise not be planning to set aside those funds. "Tax planning is a mystery for a lot of freelancers," says Marlantes. "For someone behind on credit card debt to all of a sudden have a $5,000 tax bill is a real financial shock."

Working for Lyft while earning his MBA, Marlantes saw just how challenging keeping track of work expenses could be. When it came time to record how many miles he'd driven that first year for Lyft, he was at a loss. "I didn't realize how valuable that information would be in terms of tax write-offs," he says.

For independent workers who spend a lot of time on the road, not reporting miles driven for work as part of their expenses means significant money left on the table. Every business mile driven is worth a 54-cent tax write-off, which means every thousand miles driven is the equivalent of $540 of non-taxable income.

Everlance
Effortless expense tracking

WHAT THEY DO
Infrastructure for Freelancers

LOCATION
San Francisco, CA

WEBSITE
everlance.com

For someone like Ryan Postell, who has been working as an Uber driver in the Seattle area for the past four years, that adds up to thousands of saved tax dollars. Postell, who drives 70,000 miles a year and brings in around $60,000 in annual income as an Uber driver, was one of Everlance's first beta users. Before chancing upon Marlantes' sister – who introduced Postell to Everlance when he picked her up for an Uber ride – he had been recording his mileage by hand, first in a notebook and then on his phone. Now he automatically tracks his routes and miles driven using the Everlance app. Growing his Uber business into a full-time commitment has made Everlance all the more relevant to Postell. "It definitely helped me when I was scaling my operation," he says. "It makes me feel like I have control of what I'm making, where things are going, and how much I have to pay for taxes."

Designed by Marlantes and Garza, and officially launched in 2015, the app's first demographic focus was rideshare drivers like Postell. Using the phone's existing features – GPS for tracking miles, the camera for photographing and recording receipts, and the built-in barometer to differentiate between miles clocked walking verses driving – the app aimed to create a "set it and forget it" model that has since been adapted and used by independent workers beyond the rideshare community.

This includes users like Tamara Pulsts, a realtor based in Menlo Park, California. For Pulsts, who spends a lot of time commuting between locations for her job, Everlance has made it possible to streamline the process of keeping track of miles. "Stopping to write down every place I'm going is just so tedious," she says. Now she sees the miles she's driven on an Everlance map and swipes left or right depending on whether they were driven for work or not.

To date, Everlance has more than 100,000 registered user accounts with users saving around $700 on taxes from found deductions, says Marlantes. While users can track miles for free, the app also has a service called Everlance Premium that lets users create automated rules to help distinguish between miles driven for work depending on the routes taken or hours of the day. Everlance is also working on expanding the app to offer additional features for independent workers, beyond just mileage tracking. "Expense tracking was a less obvious business, but a great way to start building an initial relationship with freelancers," says Marlantes. "We plan to layer on more services over time."

Those services include automatic banking and credit card integration to help users track and mark other expenses that can go toward deductible income, like cell phone bill charges they might have missed.

"We wonder if the way people approach the problem of accounting for their business is backwards. Many people have no idea how much money they're spending on their business and what the profit of the business is until the end of the year or quarter when they need to do their taxes – at which point they hope they have enough in the bank to cover their taxes," says Marlantes. "What if instead of back-solving for that with a jumble of paper receipts, you knew in real time with a glance at your phone?"

So Marlantes and Garza have made that their mission. "With Everlance, you start with revenue that's been automatically pulled in for you from your bank account...and then as you add in expenses, we help you assess where you stand on profits," says Marlantes. "The Everlance app is essentially stitching together a profit and loss statement for users that saves them time and money – and gives them a realistic sense of where they stand." And tax write-offs or true take-home pay? They're no longer such a mystery.

Profiles in Innovation: Finding Mistakes on Medical Bills — and Saving Consumers Thousands

Remedy is a platform connecting people with AI and third-party medical billing specialists who fix all-too-common medical billing errors.

When Victor Echevarria's son was a baby, he spiked a sudden fever and suffered a febrile seizure that had him rushed to the emergency room. It was 2015, and Echevarria was both a new dad and an entrepreneur with a brand new startup in the works. Little did he know that the company he was working to build, Remedy, would soon save his own family from financial ruin.

While Echevarria's son recovered, medical bills to the tune of $12,000 quickly arrived in the mail. "Overnight, it felt like we went from being debt-free to owing thousands of dollars in medical fees," he says. It's a challenge common to many Americans navigating the complex and often confusing world of healthcare costs. "You get a medical bill, you don't understand it, and you don't know who to call," says Echevarria. "That leads to messed-up credit and bankruptcies."

All the more troubling is the fact that mistakes on medical bills are a staggeringly common occurrence. Around 70 percent of all non-routine medical bills submitted to patients contain errors that result in faulty charges and inaccurate billing, according to Remedy's data. In processing tens of thousands of claims, Remedy found that the average American family overpays its medical bills by around $1,000 every year. "There's a bunch of different ways things can go wrong and it's all so obscure that people can't figure it out," says Echevarria. "If you even step foot into a hospital, for example, you will most likely be getting an inaccurate bill."

Insurance companies are armed with actuaries and third-party recovery auditors, while doctors have remedy cycle management tools that can tweak and resend bills to insurance companies. Once those bills are rejected again by insurers, they get knocked down to patients. In the U.S., healthcare represents more than 17% of GDP, according to the Centers for Medicare and Medicaid Services. Consumers, not insurers or the government, bear the largest brunt of those expenses, spending a trillion dollars out-of-pocket each year to cover healthcare expenses, according to the Centers for Disease Control and Prevention. "There are so many defenses in place for providers and payers, but patients have none," says Echevarria.

Remedy

WHAT THEY DO
Medical Billing Dispute

LOCATION
San Francisco, CA

WEBSITE
tryremedy.com

That's where Remedy comes in. Officially launched in September 2016 by Echevarria and his cofounders, software engineer John Schulte and public health expert Marija Ringwelski, the service audits consumers' healthcare bills, determines whether they've been overcharged or incorrectly billed, and resolves those mistakes on behalf of patients.

Take, for example, the case of Echevarria's son. When he turned his medical bills over to Remedy's medical billing specialists, they found a rundown of mistakes and missteps that lead to incorrect charges – from the insurer mistakenly using his wife's maiden name, which led to a denied claim, to mistaken non-billable medical codes or typos that resulted in bills bounced down to him and his family. In the end, Remedy determined that all $12,000 in charges were wrongfully billed, and did not need to be paid. "You see these hieroglyphs on your medical bill and don't even know what they mean," says Echevarria. “They’re expensive, they’re complicated, and most of the time, they are wrong.”

In 2014, Remedy COO and cofounder Marija Ringwelski realized the major need for such a service to help consumers better audit and understand their medical costs. Walking around bus stops in San Francisco, Ringwelski asked people what their healthcare concerns were and found that across the board, the cost of care was a major stressor. Ringwelski collected her own medical bills and found that eight out of ten times, the charges passed down to her were wrong. That’s when she realized the massive unmet need for better auditing of patients’ medical charges and helping to fix incorrect bills.

Remedy is designed to address that need. Users log into their insurance portals online and authorize Remedy to act as a third party representative. Remedy then imports insurance claims for the past year in your insurance portal, works with you to collect itemized bills and insurance information, audits the bills with machine learning that flags common errors, and hands it off to insurance specialists who evaluate the claims, review, and corrects errors on patient bills. “They understand where the errors lie and understand who to call and what to say to get them fixed,” Echevarria says.

Users choose which of their providers Remedy can contact and when mistakes are found, they result in either a payment sent back to the patient or an adjusted lower bill. The company makes money by charging users a 20% commission on any savings that result from corrected bills, with a cap charge of $99 per bill. If no errors are found, the consumer pays nothing to Remedy.

By offering consumers a way to better audit their bills, Remedy also hopes to eliminate the hesitancy too many people have when it comes to seeking preventative care in the first place. “We are in a world where 40% of low- to medium-income consumers with health insurance won’t go to the doctor because they’re afraid of the financial consequences,” says Echevarria. With Remedy as a support tool, acting as the patient’s protector, consumers don’t have to worry about those staggering and confusing bills in the mail.

Profiles in Innovation: On the Road to Making Loan Payment Less Confusing and More Flexible For Americans

WHAT THEY DO
Modern-Day Loan Servicer

LOCATION
San Francisco, CA

WEBSITE
scratch.fi

Scratch wants to give consumers control of how — and when — they pay off their debt

Sameh Elamawy is obsessed with the idea of user experience. He worked as a product manager at Dropbox and Pinterest and is now CEO and co-founder of Scratch, a San Francisco-based startup.

His goal is to build a platform, as the name suggests — from scratch — to make managing and paying off loans a friendlier experience for users. The company's hope is to positively impact the financial health of all Americans in debt.

Scratch was started by Elamawy and his co-founder, Chris Walters, in 2015. After meeting at Pinterest, the two came together to improve the experience of loan payment for Americans. "We're constantly talking to borrowers," says Elamawy. "Everyone seems to have an issue with their servicer, which is a problem because they are responsible for helping those folks pay back their loans."

While the process of taking out a loan has been vastly improved, the experience of paying back a loan remains arcane and challenging for users. "Servicers today are all using very antiquated systems, doing almost everything manually, and as a result so many mistakes occur, leading to a poor borrower experience," says Elamawy.

This is where they hope Scratch will make a difference. The startup is building a platform that re-engineers the conventional loan servicing experience for users. By building technology that streamlines the loan servicing process, users will be empowered to take control over their debt.

Each user is able to gain visibility into all their debt — from student loans to car payments to mortgages — by housing it in one place, on the Scratch app.

Scratch gives users flexibility and makes their loans more accessible. If a users wants to change a payment due date to align with their payday, or adjust their monthly payment amount, this can easily be done online.

Previously, users would be required to call a support line to make minor changes to their loans or find basic information about their loans. Instead, Scratch allows users to receive information and support in a way that is most convenient to them. "Every user is different, so we try to personalize their experience to meet their needs and preferences," says Elamawy.

For example, users can receive alerts to their phone for when it's time to make a payment, and get support for their loan through text message, e-mail or phone. "If you want to reach us by phone, you can, but if you don't want to, you don't have to," says Elamawy.

The founders are looking to reinvent old-school loan payment practices. They want Scratch to offer people more transparency into their debt and greater control over how and when they make payments – two issues that have long plagued the loan payment system.

With 80 percent of the US population juggling debt, this is a market that is ripe for innovation.

Profiles in Innovation: Helping Americans Achieve Their Dreams, One Dollar at a Time

Robo-advisor WiseBanyan is creating a way for people of all ages and financial means to save and invest their money and achieve their financial goals – starting with their first $1.

Find a banyan tree in a tropical forest and you'll be struck by the many roots bursting from its branches and growing down toward the earth. What might start as a single branch grows into a vast network of roots over time. It's an image Herbert Moore and Vicki Zhou were drawn to when they decided to name their New York-based financial services company WiseBanyan in 2013.

WiseBanyan operates on the premise that by starting with a single plot of money – small though it may be – and growing and investing in it over time, people can grow and vastly multiply their savings, just as the branches of a banyan tree plant itself into roots to help the tree grow bigger and stronger. Anyone can start, even with just $1, and after a year, the average WiseBanyan client has more than $5,000 with 71% of new users contributing an auto-deposit that typically varies from $5 to $500 a week.

Clients sign up for free and fill out a questionnaire that helps to provide a sense of who they are as individuals – from their level of risk aversion to their financial goals. Are they saving for a new car, first home, for their family, or for retirement? Once WiseBanyan has gathered enough information, it then creates a financial plan with a suggested amount of weekly or monthly savings to reach those goals. "It's like having your own personal trainer, but you never have to go the gym," say Zhou. "I like to think of us as a money mentor – we help people think about what it means to start saving earlier, but with less."

While the average financial advisor tends to work with clients mostly over the age of 50, the average age for a new client who signs up with WiseBanyan is 29 — and more than half of its clients earn less than $60,000 a year, with 90% of users being either employed full-time, or full-time students, says Moore. "There's this misconception that you have to trick younger people into saving," he says. "But they want to save. They also value transparency and ease of use. What you need is a very clear value proposition."

WiseBanyan

WHAT THEY DO
World's First Free Online Financial Advisor

LOCATION
New York, NY

WEBSITE
wisebanyan.com

WiseBanyan's value proposition is right there at the top of its homepage: "The world's first free financial advisor. Investing should be a right – not a privilege." Unlike traditional financial advisors who take an "asset gatherer" approach that focuses on the size of customers' assets, WiseBanyan aims to expand the reach of financial services. "The majority of people using WiseBanyan are younger and they are first-time investors," says Moore. "The most important thing we show our clients is the value of starting sooner rather than later."

Three years ago, when James Morgan, a branch manager for an irrigation and landscape lighting distributor in Memphis, Tennessee first came across WiseBanyan, he hadn't thought much about his retirement plan. At first, Morgan, 31, started setting aside $20 a week toward an investment fund through WiseBanyan.

Over the past three years, he's set the goal of saving and investing enough money to be able to retire in 25 to 30 years, a goal for which he now sets aside $300 weekly from his paycheck. "I'd always saved but I'd never done investing," he says. "It's definitely focused me in on long-term planning rather than living month-to-month."

Like most users, Morgan interacts with WiseBanyan almost exclusively through an app on his phone, checking in at least twice a day to see what the markets look like and what new Facebook or blog posts WiseBanyan might have put out. He also pays for an add-on service called WiseHarvesting, which looks for tax deduction opportunities. The service costs $20 a month or less, depending on a client's assets, and thirty percent of users opt into it, according to Moore. While most traditional financial advisors make money based on clients' account sizes, WiseBanyan makes money off add-on products like WiseHarvesting. "We want people to be able to pay for services that they actually want, rather than prescribe a one-size-fits-all model to everyone," says Zhou.

There are now more than 20,000 people actively saving and investing on WiseBanyan. After a year, most clients find they have more money in WiseBanyan than they do in their banking and checking accounts, says Moore. In all, people on WiseBanyan are saving more than $4 billion toward their goals. "Every dream starts with $1," says Moore. "And WiseBanyan helps people save and invest to make those dreams come true, $1 at a time."

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