



Center for
Financial Services Innovation
An Affiliate of ShoreBank Corporation

Highlights from the 2nd Annual Underbanked Financial Services Forum

Emerging Markets, Emerging Opportunities

Authors

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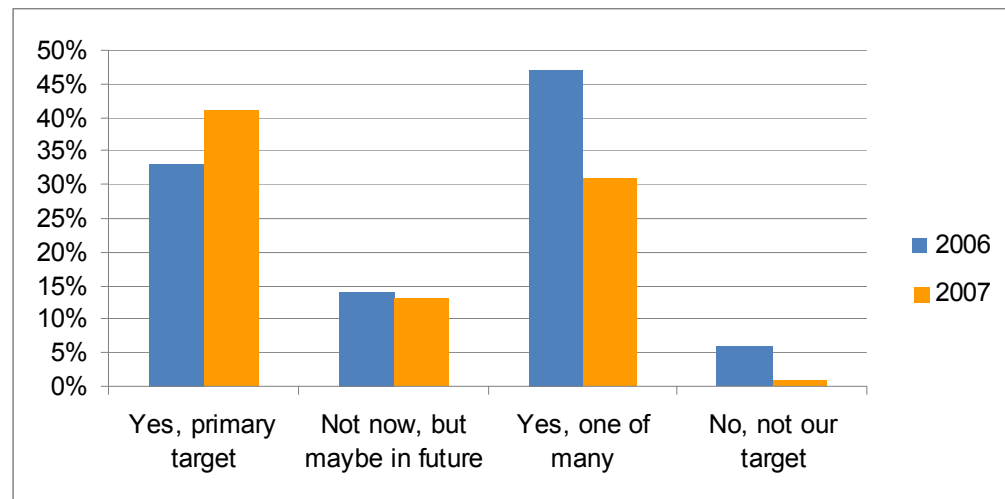
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Introduction¹

The financial services industry believes there is considerable opportunity in reaching out to unbanked and underbanked consumers. That was the pervasive sentiment at the conclusion of the second Underbanked Financial Services Forum, held in Dallas in June. Produced by the Center for Financial Services Innovation (CFSI) and SourceMedia, this year's Forum drew a sold-out crowd of over 450 banks, credit unions, alternative service providers, and others for a three-day conference dedicated to topics such as prepaid cards, remittances, credit scoring, and small-dollar loans. While the inaugural conference, held in 2006, focused on legitimizing the profitable and responsible targeting of underbanked consumers, this year's event concentrated on opportunities in the market and ways to succeed.

The shift in focus was reflected in the exit poll.² At the 2006 Forum, 33 percent of respondents indicated that the underbanked were their primary target. That figure grew to 41 percent this year, as many financial service providers zeroed in on the underbanked population as their sole target.

Figure 1: Does your company target underbanked consumers--directly or through business-to-business relationships?



The presentations and discussions touched on a range of trends currently shaping the market and allowed companies to share important lessons from their experiences so far:

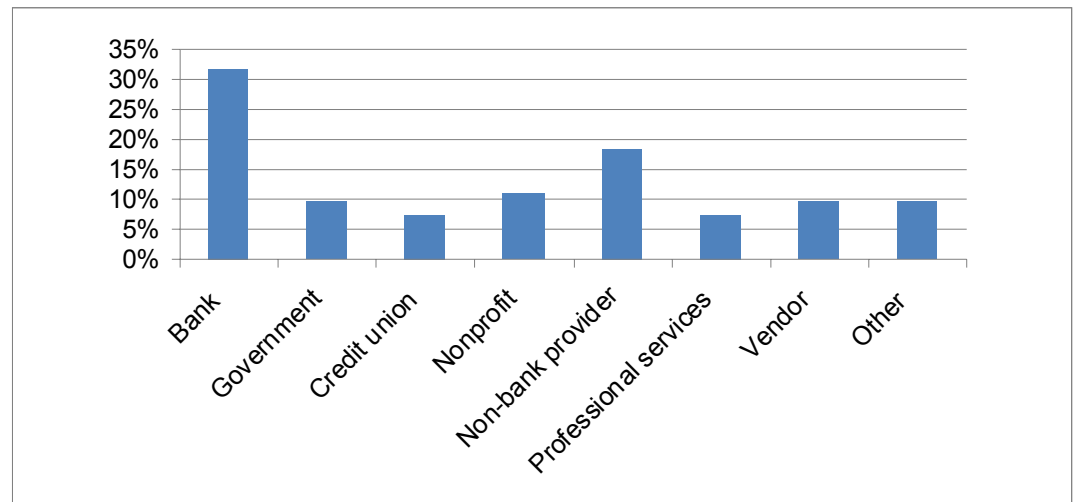
¹ The authors wish to thank Sarah Rose Cohen for her research assistance.

² Survey results are based on a voluntary survey of the attendees at the 2007 Forum.

Highlights from the 2nd Annual Underbanked Financial Services Forum

1. New products and services highlighted at the Forum indicated the wide range of tools institutions are using to take advantage of untapped opportunities in the underbanked market.
2. Many companies view these products as a means to attract underbanked consumers in hopes that they will eventually move to more profitable traditional banking products. Communication, education, and the right migration strategy are essential to this transition.
3. While many financial services providers are exploring how to leverage existing branch networks to reach underbanked consumers, others are experimenting with new branch models, partnerships, and consumer direct strategies.

Figure 2: Which category best describes your company's business?



4. Offering attractive value propositions to intermediaries and other participants in new product distribution strategies is often critical to adoption of these products.
5. Financial institutions are seeking ways to attract underbanked consumers without increasing their risk exposure. Promising strategies include accepting alternative forms of identification and using alternative data sources to underwrite consumers with minimal or no credit histories.
6. Effective communication is a high priority when engaging underbanked consumers. Companies are working to integrate better communication into their overall strategies while recognizing the need for more precise research about underbanked populations.

1. Designing products and services for underbanked consumers

Institutions are using a wide range of products and services to tap opportunities in the underbanked market. While many are exploring the profitability of transactional products similar to those offered by alternative service providers, others are considering entirely new solutions for underbanked consumers.

Forum participants discussed four chief product areas: check-cashing services, checking accounts, small-dollar loans, and prepaid cards. In each area, efforts reflect the need to offer these products at affordable cost while keeping risk low.

While banks routinely cash checks drawn on their own institutions for individuals without access to a bank account, some are exploring the profitability of offering general check-cashing services to attract customers currently using independent check-cashing outlets. Guaranty Bank, with \$2 billion in assets and 175 locations in five states, recently completed a pilot project offering check-cashing services through its branch locations, 90 percent of which are located within major supermarket chains. During the 120-day test period, the five Guaranty branches in the pilot experienced an 85 percent approval rate for check-cashing transactions, with a zero percent loss rate. Guaranty focused on government and payroll checks exclusively, with check amounts averaging around \$450.

Guaranty attributed its initial success to several factors. Recognizing that underbanked customers will not tolerate a lengthy enrollment process, Guaranty has partnered with Certegy to verify customer identity quickly. In addition, Guaranty has adopted lower fees than those imposed by the average check-cashing location in its market, ensuring that its service is economically attractive. In exchange for low transaction fees, however, Guaranty emphasizes a lifetime customer relationship in its check-cashing business model and engages in cross-selling with each transaction. The pilot project posted 20 cross-sells per location per month.

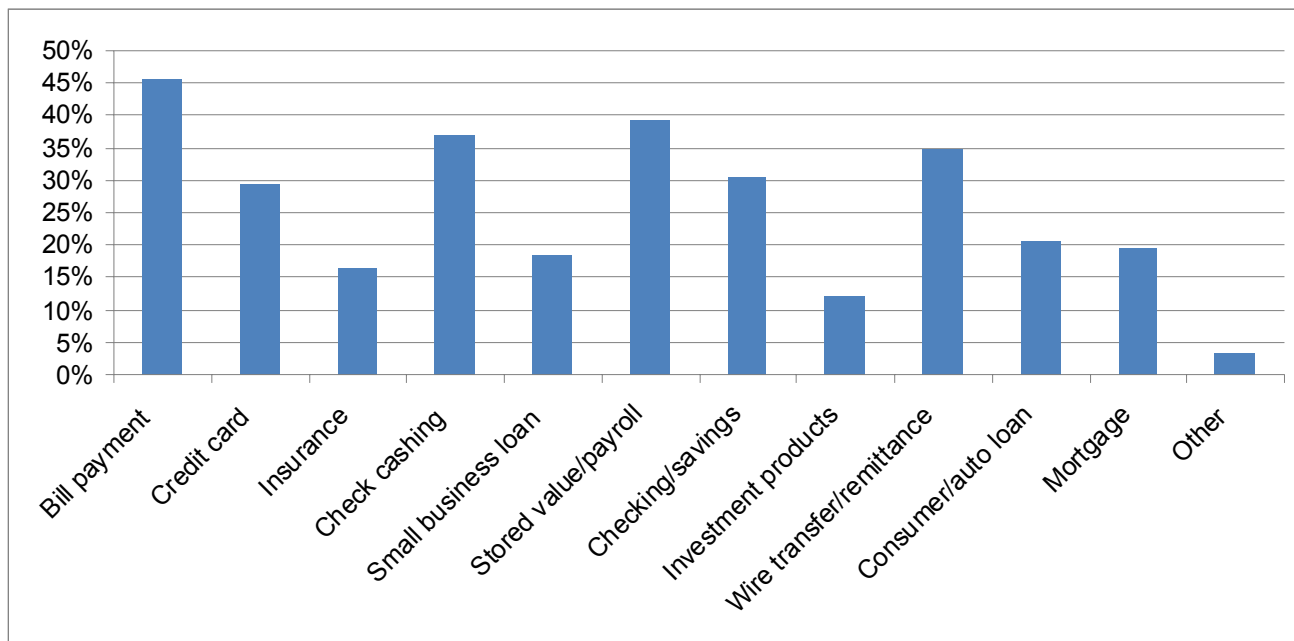
According to a 2005 survey commissioned by CFSI,³ about half of unbanked consumers are really formerly banked—that is, they may have had poor experiences with banks in the past or do not qualify for standard accounts. Some depository institutions recognize these individuals as a substantial market for transaction accounts and have begun offering introductory checking accounts to draw them back to traditional banking. Bank of Oklahoma described its “second-chance” checking account product for those with poor credit: customers pay a \$15 per month fee and receive no overdraft protection on the account, but after 12 months they are transitioned to a regular checking account. Bank of Oklahoma also offers financial education to customers in the 12-month probationary period, and has found that individuals participating in the education program tend to do better after migrating to an overdraft-protected account.

Short of checking accounts, prepaid debit cards present an attractive financial tool for underbanked consumers who desire the same convenience, security, and utility that account customers derive from bank cards. In addition, prepaid cards can provide these services at a lower cost than other alternatives. Taking advantage of direct deposit can eliminate check-cashing fees, while using debit functions to obtain cash in point-of-sale transactions can further reduce ATM fees. U.S. Bank/Elan estimates employees could save between \$20 and \$65 per month by using its PayCard product to receive funds from

³ Ellen Seidman, Moez Hababou, and Jennifer Kramer, “A Financial Services Survey of Low- and Moderate-Income Families,” The Center for Financial Services Innovation, 2005.

paychecks, pay bills, and transfer money. MasterCard also noted the time and money employees can save by avoiding trips to multiple locations to process paper checks without a bank account.

Figure 3: What kind of product or service does/might your company offer to underbanked consumers--directly or through business-to-business relationships?



Financial institutions are also exploring the potential of small-dollar loans to capture underbanked consumers. While the substantial market for payday loans and similar products indicates a serious demand for short-term credit products, the products available tend to offer a limited choice of features and often come with very high interest rates, particularly when the loan is rolled over multiple times. To differentiate their products from payday loans, companies are looking for ways to offer these loans at affordable prices, although the transaction costs and underwriting process for small loans present challenges.

Robert Mooney, acting deputy director for compliance at the Federal Deposit Insurance Corporation (FDIC), discussed the FDIC's guidelines provided to the growing number of banks considering these products. To name a few, they include capping APRs at 36 percent, attaching a savings component to all loans, focusing on customers with whom they already have relationships, and monitoring usage so that customers do not become trapped in cycles of high-cost debt.

Progress Financial described the personal installment loans it has developed to target Latino immigrants. The loans range from \$500 to \$5,000, with an average APR of 26 percent plus a fee of 5 percent, and amortize on average over nine months. The average loan size is \$900. Progress Financial expects that low losses, high renewal rates (currently 70 percent), and progressively larger loans to returning customers will lead to sustainable profits.

Wells Fargo described its direct deposit advance product, which offers short-term credit for customers who may have a checking account but lack access to other forms of credit. The service provides an advance equal to half an account holder's usual monthly direct deposit amount, up to \$500. The advance is repaid automatically upon receipt of the account holder's next deposit greater than \$100, and must be repaid within 35 days. While priced below many overdraft and payday loans, fees for an advance are equivalent to an APR of 120 percent.⁴ Wells Fargo and Meta Payment Systems, which offer small-dollar loans through prepaid cards, both agreed that it would be difficult for most large financial institutions to offer this service at lower rates, such as the 36 percent suggested by the FDIC, because of the greater risk.

2. Migrating customers to traditional financial relationships

As many participants acknowledged, the rewards of serving underbanked consumers may be limited unless customers migrate from introductory and transactional products to traditional products. Companies discussed the value of developing an effective consumer life-cycle strategy for moving underbanked consumers to lasting relationships, as well as the importance of identifying the critical points at which underbanked consumers may take the next step toward a more significant financial relationship or abandon the relationship altogether. Finally, many companies are helping to bring underbanked consumers to the mainstream financial services sector by providing financial education and helping them build credit.

Traditional banks discussed standard cross-selling practices as a migration strategy. Citibank begins to offer credit products, even with formerly unbanked and underbanked customers, at six months. The bank considers success with even modest additional products an important opportunity to deepen relationships and graduate customers from entry-level accounts. Rather than a single overall life-cycle strategy, Citibank uses knowledge about individual customers as the basis for product offerings, incorporating products aimed at underbanked consumers, such as remittance services for immigrant customers, into the strategy. Wells Fargo uses information about the behavioral patterns and direct deposit history of its customers to guide cross-selling decisions. Over time, these patterns translate into greater confidence to offer these consumers credit than the bank would find through traditional means.

Some banks are experimenting with check cashing as a way to bring new customers to mainstream offerings. First National Bank of Texas, a \$728 million bank, offers check cashing in its retail outlets, which account for nearly all of the bank's 230 branches. CEO Hunter Westbrook discussed the challenge of aligning underbanked consumers' interest in short-term services with the bank's long-term goals of opening new accounts and acquiring new borrowers. Because First National's average check casher remains a customer for only nine months, it can be a challenge to execute this transition. First National has found that check-cashing customers introduced to transactional accounts reach a critical point the first time their account goes into the red and they incur overdraft fees. At this point, many customers leave the relationship altogether and simply cash their checks elsewhere. To preserve the relationship, First National developed a repayment plan that allows customers to redeem themselves after incurring a negative balance, while continuing to use check-cashing services.

⁴ "Direct Deposit Advance Service Agreement and Product Guide," Wells Fargo Bank. See https://www.wellsfargo.com/downloads/pdf/checking/dda/termsandconditions_english.pdf.

Other companies are finding prepaid cards offer a versatile platform for migrating customers from basic services to advanced products, such as credit features, small loans, and savings vehicles. Before prepaid consumers will move to these secondary products, however, companies must persuade them to develop a long-term relationship with their cards.

H&R Block, which now distributes tax refunds on MasterCard-branded Emerald Cards to its customers, found that reloading prepaid cards is critical for retaining customers. Consumers who reloaded their cards after exhausting the initial tax refund amount were far more likely to use their cards successfully and add other features. Green Dot, a prepaid card issuer and processor, also noted that reloadability is the number-one driver of satisfaction among its customers.

For prepaid customers, direct deposit represents another turning point. MasterCard believes moving customers from the “portable bank account” phase to direct deposit is key, because it is here that customers and issuers develop a real relationship, and the more money and tenure the customer invests in the card, the more valuable that relationship will be.

In addition, MasterCard suggests that companies designing life-cycle strategies should look to micro loans instead of payday lending, while cross-selling other financial products such as auto loans. Incentives to migration are also critical, so issuers should be cautious about imposing fees at these junctures.

Some companies are exploring how loyalty programs can help retain underbanked customers. Colloquy, a consultant to companies on loyalty programs, described the challenge: companies must understand what constitutes recognition for the underbanked consumers they serve, and how to create a sense of recognition and exclusivity for them. NetSpend, a prepaid card company, has enjoyed substantial success by providing card customers with a savings component where deposits can earn three percent interest. Over \$35 million has been deposited so far. NetSpend cast its program as a way to invest in long-term relationships. By adding rewards and services, NetSpend gives customers a feeling of attachment to their cards.

Beyond their own businesses, many institutions are now participating in initiatives to prepare underbanked customers for mainstream financial relationships and helping them qualify for more sophisticated financial products, through both educational initiatives and credit-building activity.

Banuestra Financial Corp., a financial services company that focuses on the Latino market, offers check-cashing customers the ability to build a credit history that can be used to borrow money. Banuestra distinguishes between the conventional subprime category and what it calls “pre-prime” applicants with a good transaction record but no formal credit history and nontraditional documentation. Once a customer qualifies as pre-prime, Banuestra begins reporting that customer’s information to the national credit bureaus.

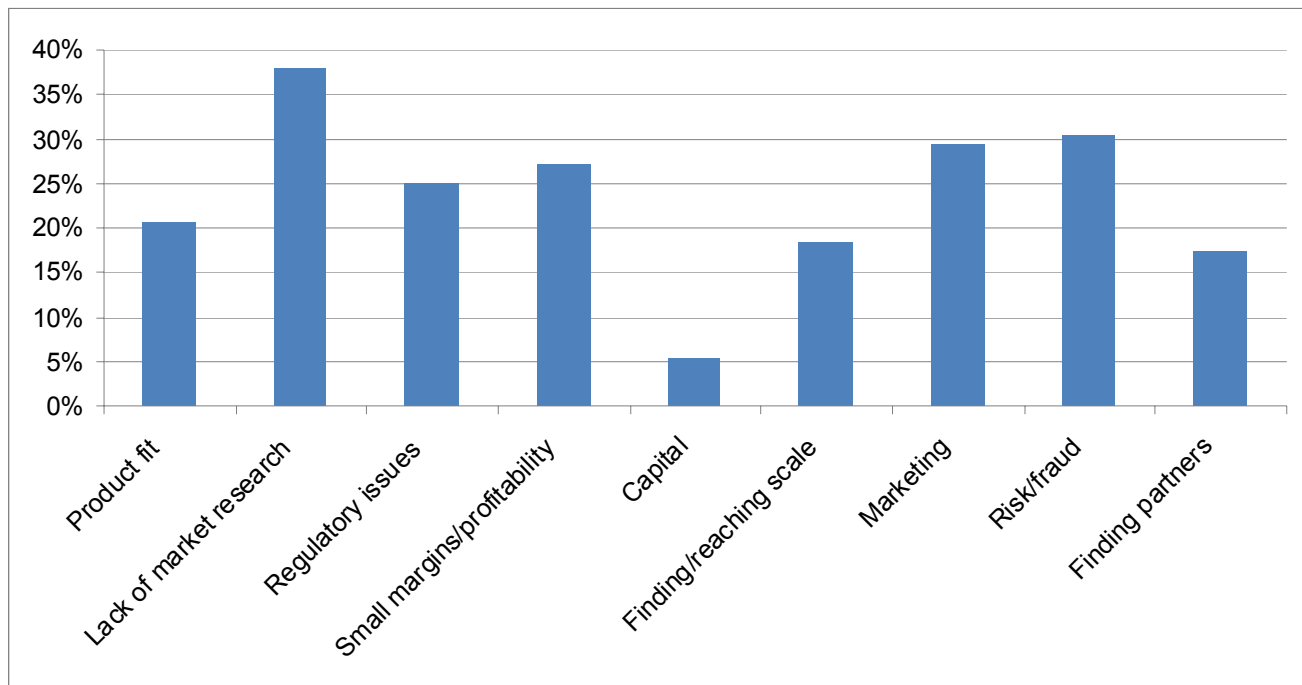
Innovations in financial education are also proving helpful for ensuring that new customers, especially students, succeed with introductory products. U.S. Bank shared results from a new test of financial education materials that teach students how to better understand their credit scores. In that test, cardholders who received the pamphlet behaved differently than those who did not. In a given period, recipients typically had a lower revolving balance while using the card more. Wells Fargo noted a similar pilot program started with CFSI’s Responsible Credit Roundtable (RCR), in which mailers sent to a group of students have resulted in behavioral differences between test and control groups.

3. Finding effective distribution strategies for the underbanked market

Finding the right distribution strategies to reach underbanked consumers with offers of products and services emerged as a major concern for Forum participants. While many companies are considering how to adapt existing infrastructure for that purpose, others are experimenting with new branch models, partnerships, and consumer direct strategies.

Traditional financial services providers are considering how to leverage their branch networks and branch employees. While innovative outreach strategies can identify new customers who might otherwise never enter a branch, another effective approach may be to address the geographic, cultural, and convenience issues that may be keeping underbanked consumers away.

Figure 4: What are your company's obstacles in serving the underbanked market?



Many banks are looking to employers as a key channel for reaching the underbanked. Both Bank of Oklahoma and Citibank are using this distribution strategy to offer introductory or second-chance checking accounts to new customers. Citibank reported that 40 percent of its sales come from external opportunities, especially at unbanked and underbanked sites, including colleges.

Bank of Oklahoma, a \$14 billion bank, sends branch employees to workplaces to set up accounts with direct deposit through its Bank at Work program. The bank then offers workers a 10-month financial education curriculum covering topics such as how to save, how to use bank accounts, and how to get out of bad financial situations. The Bank at Work program is also integrated with the national Get Checking program, allowing workers to amend their ChexSystems record once they have completed the curriculum.

Bank of Oklahoma has also tried offering bank accounts at EITC sites during tax season. Bankers are present to discuss taxpayers' financial needs and encourage them to use some of their EITC proceeds to fund a new checking and/or savings account. This outreach helps to build trust in the bank by creating an opportunity for direct interaction between underbanked customers and branch employees.

Other financial institutions at the conference discussed how traditional branches might be made more attractive to underbanked consumers. New York's First American International Bank designs its branch network to appeal to its target audience, Chinese immigrants. First American branches maintain hours convenient for working immigrants, hire branch employees fluent in a variety of Chinese dialects, and cultivate expertise on the lending needs of different segments of the Chinese immigrant population.

Beyond traditional branch networks, many financial service providers are exploring the power of retail channels to reach the underbanked more effectively. A targeted strategy is necessary to get the best access to the underbanked market through this channel. To expand its check-cashing pilot, Guaranty Bank has selected roughly 20 percent of its branches in neighborhoods with a high concentration of low- and moderate-income households. Guaranty aims to maximize the return on transactional services without wasting limited retail branch shelf space.

To succeed with retail channels also requires navigating partner relationships. First National Bank of Texas, with 214 locations in Wal-Mart, Kroger, and other major retailers, said banks using this channel must balance site and partner selection considerations, which may mean departing from standard approaches to selecting branch sites. First National also noted the importance of casting the bank/retailer relationship as a partnership rather than a tenant relationship. With this approach, First National emphasized that branch locations should aim to take over all check-cashing activities at a given location.

Improvements in self-service technology have led to some of the most exciting developments in distribution. While self-service platforms are often located in retail channels and subject to the issues described above, they promise to eliminate the delays in standard distribution channels by presenting products and services directly to consumers. For self-service technologies to fulfill that promise, companies must create user experiences that are both secure and customer-friendly.

TIO Networks, which operates self-service kiosks providing bill payment and other services, has developed a cash-based platform designed to build maximum comfort and trust among customers. Rather than requiring account and billing information, kiosk customers can enter a choice of identity information. Real time connections with billers allow customers to validate both their information and total due. TIO leverages its retail relationships by allowing its kiosks to be identified in different localities with a different local chain. By installing a series of kiosks within a small initial target area, the company strives to produce network effects and increase localized usage first, before expanding its service area.

Carol Realini, founder and CEO of Obopay, Inc., discussed the outlook for mobile banking technologies, which could potentially provide ubiquitous and simple self-service access for the underbanked. Like regular online banking, mobile banking allows consumers to transfer funds, check balances, make bill payments, and look up branch locations from their mobile devices. Citibank is piloting a program with Obopay that lets debit and credit customers transfer money between mobile phones.

However, challenges remain before mobile banking is feasible for underbanked consumers. With thousands of different handset configurations in use, creating, deploying, and supporting new software on

mobile phones poses significant operational considerations. And some customers may hesitate to sign up for mobile banking because of security concerns.

4. Crafting attractive value propositions for partners

Throughout the Forum, many participants discussed the importance of third-party cost savings in expanding the market for the underbanked. Attractive value propositions can be critical to enlisting intermediaries and other participants in new product distribution strategies as well as to these products' success in the marketplace.

TIO's self-service kiosk network provides one example. Besides offering customers a more convenient way to pay bills, TIO's "full presentment" interface, which validates customer information and billing amounts in real time, results in high accuracy for transactions on the machines. By contrast, TIO's primary billing partner, Cricket Wireless, reports error rates of more than 10 percent for payments received via its call center or in-person bill pay centers. In addition to saving administrative costs on spoiled transactions, Cricket also receives a portion of the terminal fee paid by customers.

Strong value propositions for employers have led to increasing distribution of payroll and prepaid cards in the workplace. Employers appreciate prepaid payroll cards for the same reasons they appreciate direct deposit. In addition to eliminating the distribution hassles of paper checks, prepaid cards promise to reduce fees associated with stop payments and bounced checks. U.S. Bank/Elan put the costs per paper check for employers at \$1.50 to \$2.50, with costs running as high as \$10 if stop payments and returns are considered. MasterCard estimated savings could run as high \$90 per employee per year in some cases.

The proliferation of prepaid cards is also being driven by efficiency gains in other sectors. MasterCard noted that by 2010, half of all government benefits in the United States will be distributed by prepaid methods, making government the second largest growth sector for prepaid applications after gift cards. Cost savings in benefit distribution as well as fraud protections make prepaid an attractive tool for government, and could provide private sector companies with future opportunities for partnerships.

Underwriting is another area in which efficiency gains are driving more solutions for underbanked consumers. Despite a clear market demand among underbanked borrowers, processing costs often make the economics of small loans with nontraditional documentation difficult to justify. The Hispanic National Mortgage Association (HNMA), which purchases mortgages from Latino borrowers on the secondary market, sees processing efficiency as a key component of its case to loan originators who would otherwise turn away small borrowers. By automating and standardizing nontraditional underwriting for these mortgages, HNMA ensures loan officers have the right incentives to serve this population.

5. Expanding opportunity without increasing risk

While financial institutions recognize that underbanked consumers need not present greater risk exposure than banked customers, existing tools for measuring risk exclude many would-be worthy borrowers. Forum participants focused on two barriers to entry for underbanked consumers: identification restrictions and credit scoring practices.

Identification

Many banks and lenders have required a Social Security number (SSN) to open a bank account or obtain a loan. However, banks and non-bank providers may legally use many different forms to verify identity. As Michael Frias, community affairs officer at the FDIC, told attendees, passports, U.S. permanent resident cards (green cards), country ID cards, and voter registration cards from foreign governments are all legal and acceptable forms of identification.

An Individual Taxpayer Identification Number (ITIN) can provide underbanked and especially immigrant consumers with an important alternate form of identification for financial relationships. Atlanta-based United Americas Bank, which provides liquidity for ITIN-based home loans in the secondary market, began focusing on these loans to serve prospering undocumented immigrant contractors who were nonetheless denied loans because they lacked SSNs. Despite accepting nontraditional information, United Americas' loan portfolio consistently exceeds expectations.

Banks targeting Mexican immigrants have found it useful to accept the matricula consular, an identification card issued by the Mexican Consulate. Wells Fargo, a pioneer in accepting the matricula, has relied on the card to open more than one million accounts since 2001. While alternative forms of ID like the matricula are often perceived as a potential risk to a financial institution's reputation, Forum panelists such as Citibank and Bank of Oklahoma concurred that they now feel comfortable accepting the cards.

Alternative data

Between 35 million and 54 million Americans are deemed "unscorable" by the national credit bureaus. Many of these consumers simply have no credit history on file, while others are "thin file" consumers, with too little credit history to produce a score. Forum participants concerned with alternative data included researchers studying current scoring procedures and the effects of incorporating new data sources, as well as lenders interested in how alternative data can provide access to new markets.

Michael Turner of the Political and Economic Research Council (PERC) reviewed the conclusions of a recent PERC study gauging the effects of including alternate data in the credit scoring procedures used by the national credit bureaus. In partnership with TransUnion, PERC examined a sample of eight million credit files, focusing on consumers with thin files and those containing utility and telecommunications payment information, and analyzed the effects of including alternative data on borrowers' acceptance under several scoring models.

The group found that including energy utility data in all consumer credit reports increased the acceptance rate by 10 percent, and including telecommunications data increased the acceptance rate by 9 percent, given a 3 percent target default rate. Including alternative data was especially beneficial for members of ethnic communities and other borrower subgroups. For instance, Hispanics saw a 22 percent increase in acceptance rates. The rate of increase was 21 percent for blacks, 14 percent for Asians, 21 percent for those who earn \$20,000 or less annually, and 15 percent for those earning between \$20,000 and \$29,999 annually. Most importantly, the study showed that including the data didn't just allow these consumers to be scored; in many cases, it made them prime borrowers.

Lenders also discussed their interest in the potential of alternative data. Amita Agarwal, director of credit risk for Chase Credit Card Services, outlined the card industry's interest in alternative scoring methods. With the card market at maturity, the industry is searching for ways to grow organically without acquiring other institutions. The change from direct solicitation to customer-initiated applications and transactions on

the internet has also led to an increase in thin file applications, and major credit card divisions need ways to quickly assess and approve these applications. Accordingly, Chase is now exploring how these scoring solutions could be integrated into its decision-making processes.

Another Forum participant, the Hispanic National Mortgage Association (HNMA), is actively using alternative data in lending decisions. HNMA discussed its unique approach to increasing Latino homeownership: rather than processing mortgages outright, HNMA purchases home loans on the secondary market originated through its proprietary Hispanic Automated Underwriting System (HAUS). HAUS scores potential borrowers using alternative sources of information as well as a decisioning model that considers how cultural differences may affect a borrower's credit history. HAUS also accounts for non-SSN borrower information as well as multiple borrowers and multiple jobs and incomes per borrower. Using HAUS, HNMA said it has significantly improved the originating efficiency for non-traditional loans while providing standardization not typically available for this market.

6. Knowing and communicating with the underbanked customer

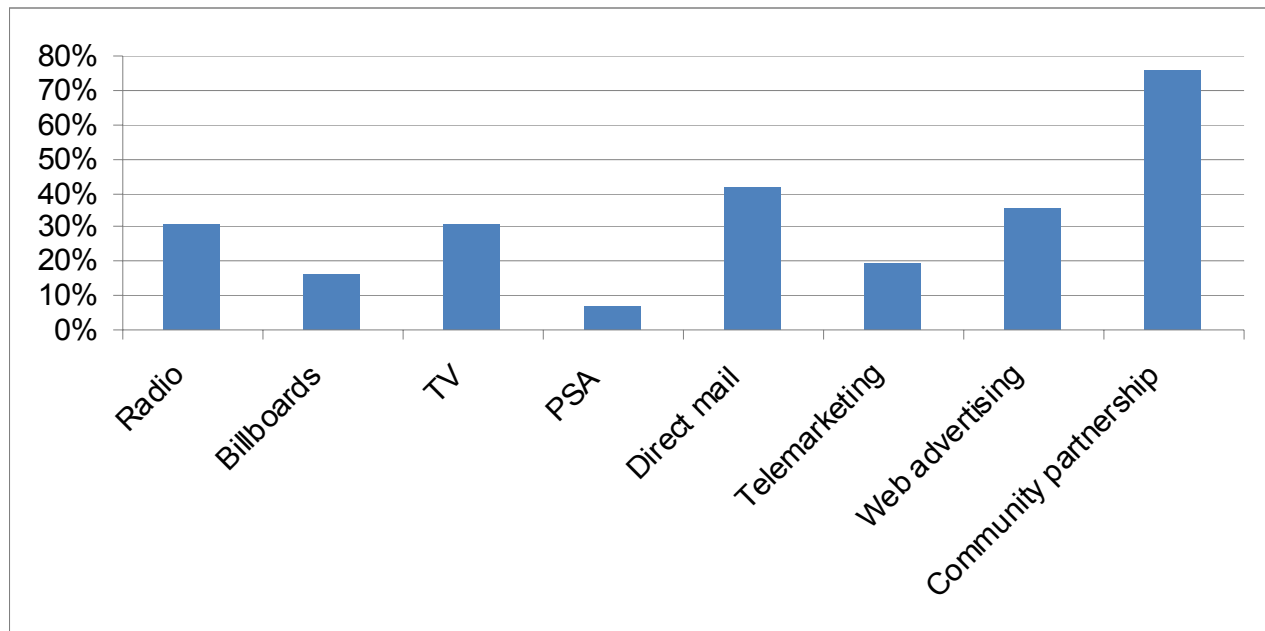
Beyond product design and distribution strategies, participants repeatedly emphasized the importance of effective communication with underbanked consumers. Direct interaction with customers about the advantages of new products and services and attaining their own financial goals is essential to retain and migrate underbanked customers. At the same time, companies recognize that more sophisticated research on the underbanked will be necessary to identify the right customers and craft persuasive messages.

Communicating with customers

U.S. Bank/Elan stressed the importance of personal interaction for expanding use of their consumer direct prepaid card product. Paycard Plus, which allows individuals to cash checks at self-service stations and load funds onto a prepaid debit card, can be used to retrieve cash from ATMs, activated to receive direct deposit, and upgraded to be MasterCard-branded. Yet underbanked customers are unlikely to take advantage of these functions without guidance from sales representatives.

H&R Block focused on the importance of what it calls the "last four feet" between institution and customer, the ability to engage customers in personal discussions about their financial goals and present appropriate strategies and products to attain them. Block believes its tax-preparation business gives it a special advantage in this regard, because its accountants work closely with customers about taxes and it enjoys a substantial retail presence during tax season.

Figure 5: How do you market services to the underbanked?



Knowing the customer

Financial institutions are becoming more sophisticated about the data needed to pursue these opportunities. While it is still important to understand the basic demographics of the underbanked population, complex segmentation schemes along behavioral and psychographic lines are necessary as well.

KeyBank, co-sponsor (with the Center for Financial Services Innovation) of a recent segmentation study of check-cashing customers,⁵ discussed how research is critical to its “client-centered” approach to the underbanked market. KeyBank views the underbanked customer as a sophisticated consumer responding to his or her past experience with the financial service industry. While some of these customers will continue to use alternative service providers indefinitely, others will be open to a traditional banking relationship if providers craft the right experiences for them. As the KeyBank/CFSI study demonstrates, this population desires a diverse set of experiences. The study revealed an intricately layered market that can be segmented along multiple axes, including need, desire for products and services, attitudes, and prevailing decision processes.

Intelligence about how consumers use products in this space is also useful. Green Dot Corporation, a leading prepaid card provider that commands more than 90 percent of the retail market, has garnered some surprising lessons from its own segmentation research. Despite the predominance of prepaid cards, Green Dot has found more and more underserved consumers are interested in credit products.

⁵ Jennifer Tescher, Edna Sawady and Steven Kutner, “The Power of Experience in Understanding the Underbanked Market,” Center for Financial Services Innovation, 2007.

Green Dot also serves as a leader in another arena: building broader market awareness of prepaid products. In a preconference seminar, CFSI director Jennifer Tescher identified a misalignment in cultural awareness and marketing for the underbanked space. Most Forum participants confirmed that marketing efforts so far have been restricted largely to face-to-face interactions—companies have been reluctant to invest in building national awareness around these products. Marketing prepaid cards has proven especially difficult, according to MasterCard, because such a diversity of products falls under the larger prepaid category. In response, Green Dot has announced that it will soon begin a national advertising campaign around its prepaid cards.

Conclusion

As companies made clear throughout the Forum, financial institutions are no longer questioning whether it is profitable to serve underbanked customers, but are asking how to serve them. Financial institutions are designing products and services to appeal to these customers and are crafting strategies to encourage them to migrate into traditional banking relationships. As companies engage more deeply in this market, they are finding that customer experience is a key consideration.

Amid these exciting opportunities, the Forum also focused on the importance of serving underbanked consumers responsibly. Ellen Seidman, former director of the Office of Thrift Supervision, cautioned companies to avoid the pitfalls experienced in the subprime mortgage market by constantly making sure they are focused on solutions that help both the customer and the institution. Keynote speaker C.K. Prahalad, author of *The Fortune at the Bottom of the Pyramid*, invited companies to consider a greater end goal for the financial services industries: ensuring that world-class financial services are a birthright for all Americans.

Appendix

Speakers at the 2nd Annual Underbanked Financial Services Forum

| Representative | Company/Organization |
|-----------------------|---|
| Amita Agarwal | Chase Credit Card Services |
| Monica Armstrong | Bank of Oklahoma |
| Anmar Askari | M&I Marshall & Isley Bank |
| Ralph Bianco | U.S. Bank/Elan Financial Services |
| Peg Bost | Diebold, Inc. |
| Tom Brown | Second Curve Capital |
| Rick Calero | Citibank |
| Glenn Chang | First American International Bank |
| Mick Conlin | Meta Payment Systems |
| Andrew Crowe | MasterCard |
| Jorge L. Forment | United Americas Bank |
| Michael Frias | Federal Deposit Insurance Corporation |
| James Gutierrez | Progress Financial |
| Sandra Hartfield | Palm Desert National Bank |
| Thomas Hawn | KeyBank |
| Lynn Heitman | U.S. Bank |
| Matt Montes | AccountNow |
| Kevin Morrison | H&R Block Tax Services |
| Leigh Phillips | Office of the Treasurer, City and County of San Francisco |
| Carol I. Realini | Obopay, Inc. |
| John Reich | Office of Thrift Supervision |
| Kevin Rhein | Wells Fargo |
| Marty Romain | eFunds Corporation |
| Colleen Ryan | Colloquy |
| Edna R. Sawady | Market Innovations, Inc. |
| Michelle Scales | Wells Fargo |
| Ellen Seidman | ShoreBank Corporation |
| Hamed Shabazi | TIO Networks |
| Leonardo Simpson | HNMA Funding Company |
| Bertrand Sosa | NetSpend |
| Brent R. Tischler | Guaranty Bank |

Highlights from the 2nd Annual Underbanked Financial Services Forum

Mark Troughton
Michal Turner
Luz Lopez Urrutia
Gary Warech
Daniel Weiss
Hunter Westbrook
Deborah Wright
Ken Zimmerman

Green Dot Corporation
Political & Economic Research Corporation
Banuestra Financial Corporation
Simmons Integrated Marketing Solutions
MicroFinance International Corporation
First National Bank of Texas
Carver Federal Savings Bank
Wells Fargo

About CFSI:

The Center for Financial Services Innovation (CFSI), a non-profit affiliate of ShoreBank Corporation, facilitates financial services industry efforts to serve underbanked consumers across the economic, geographic, and cultural spectrum. It provides funding and resources, enables partnerships, and identifies, develops and distributes authoritative information on how to respond to the needs of the underbanked profitably and responsibly. CFSI works with banks, credit unions, technology vendors, alternative service providers, consumer advocates, and policy makers to forge pioneering relationships, products, and strategies that will transform industry practice and the lives of underbanked consumers. For more on CFSI, go to www.cfsinnovation.com.

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