

AARP Foundation: Finding Effective Models for Delivering Financial Services

Criterion Ventures is working with the AARP Foundation to help them locate or develop effective programs that are working to extend the reach of appropriate financial services to households making less than 300% of the poverty line, with a particular interest in reaching minorities, women, and people over 50. This document describes what we are looking for and is an invitation to help.

Financial Services: Needs and Means

Households, whether earning more or less than 300% of the poverty line, require a broad range of financial services to function effectively today and build and protect assets into the future. This range of services can be broken into three categories: Cash Management, Life Function Support, and Time-based Services. Many programs also focus on a fourth area of financial services that encourage Community Development.

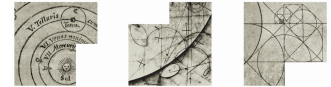
Cash Management – These are the services that people need day to day to handle the flow of cash in from work or government programs and then out to make consumer transactions. They include check clearing (checking accounts, check cashing), savings for a rainy day (savings accounts, CDs), and cashless purchasing (checking accounts, debit/credit/pre-paid cards).

Life Function Support – These are the kinds of services that allow Americans to effectively manage their basic needs. This includes: housing (mortgage), transportation (car loan, credit for repairs), utilities (cashless payments, cash payments at payment centers), shopping (cashless payments, especially for online/catalog shopping).

Time-based Services – Many financial services only have real value to a consumer if they are used and maintained over time. For example there are mortgages, retirement accounts, investment vehicles (mutual funds, CDs), life insurance, education (college loans, 529s), investment and debt vehicles for entrepreneurs.

Community Development – Many financial services also, whether intended or not, have a strong effect on building stronger communities. For example, home ownership can be encouraged by providing mortgages and financing for co-operative housing structures. Economic development can be encouraged by offering small business loans and micro credit financing, or other debt and investment vehicles for entrepreneurs.

Unfortunately, there is a mismatch between what the target populations we are looking at get for financial services and what they need. They face expensive money management relying disproportionately on check cashing services instead of low cost bank accounts. A temporary shortfall in cash can lead to a trip to a payday lender instead of using a credit card with a grace period that extends beyond the next payday. When mortgages are available to this population it tends to be sub-prime mortgages with risky terms. Their jobs tend to offer little access to retirement plans. Even the financial advisers that target this population tend to offer the wrong services. For example, tax preparation services in these neighborhoods often promote high interest refund anticipation loans.



The AARP Foundation

The AARP Foundation is seeking partners and models that are having an impact on this mismatch between needs and means in three different ways.

- *Promoting existing appropriate services* - For example, non-profits that offer unbiased advice to people seeking a mortgage or looking to open a bank account.
- *Adapting existing products and services* - For example programs that are adapting free tax assistance services by encouraging tax filers to take their earned income tax credit and put some of it into a savings vehicle.
- *Creating new financial services* – For example, the introduction of IDAs created a new way to encourage asset development.

AARP and AARP Foundation

The AARP Foundation, along with its close relationship to the rest of the AARP, brings a unique mix of strengths to this issue that they are looking to leverage as they seek partners and models. The Foundation is able to marshal significant resources over a sustained period of time. By working with the AARP, the Foundation can mobilize thousands of volunteers across the country. For example, every year the AARP organizes over 8,000 volunteers to help staff free tax preparation centers around the country. These attributes lead to the following positive screens:

- *Scalable* - The Foundation is looking for things it can bring to scale across the country.
- *Deep Impact* – The Foundation is looking for projects that will have a significant impact on the participants being served.
- *Broad Impact* – The Foundation is looking to impact a large segment of their target population.
- *Partnerships* – The Foundation is seeking partners with shared interests.

In addition, the Foundation is looking to target four states – Mississippi, Louisiana, Texas, and Arizona – and five cities – New York, Baltimore, Detroit, Atlanta, and Los Angeles for intensive action. Within these geographic areas the Foundation is seeking any program that is effective even if the model is very community based and would be hard to bring to national or regional scale. With these programs the Foundation would be looking for unique ways to work together even if they don't meet all of the above criteria.

If you have any questions or thoughts please contact:

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