

## **MEMORANDUM**

**TO:** Interested Parties

**FROM:** Luis E. Mora-Rechnitz, President

**DATE:** August 15, 2018

**RE:** **FINANTA Financial Needs Assessment – Request for Partnerships**

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### **INTRODUCTION**

In response to the dearth of banking services options for the low-income households it serves, we applied for and received a grant from the Barra Foundation to explore alternative financial services delivery options, conduct a financial services needs assessment (“Assessment”), and produce a series of analyses to inform the type of services that would best fit the needs of the communities we serve.

This Request for Partnerships (RFP) is the final piece of the Assessment. It represents our desire to find a partner or partners with strong alignment of vision and commitment, to work with us to provide financial services to our community households and businesses, and in doing so to grow a vibrant local economy and customer base.

We gave careful attention to line up this RFP to stimulate innovative thinking on win-win solutions. Communities, such as the ones we serve, have been historically underbanked and underserved, but they also represent an important growth market for financial service providers and an important actualization of the goal for the “American Dream” of owning a home or growing a business to be accessible to as many households as possible.

There is a real business opportunity here for financial service providers, which is made more attractive by our participation as a strong and trusted community partner; as well as, by its work in commissioning and supervising a series of analyses that offers a detailed sense of the area’s demographics, present perceptions about financial services and financial service providers, and financial aspirations and needs. We have developed this RFP to provide sufficient information to convey what is needed and put the resulting collaboration(s) in the best position possible to serve local households and businesses.

### **PREMISE BEHIND THIS REQUEST FOR PARTNERSHIPS**

This RFP differs from other solicitations for engagement in a few important ways.

- First, it is open to one or more selected participants.
- Second, it is not only a request to partner with FINANTA, but also a solicitation of information that will guide our future investment of resources and programmatic focus.

- Third and perhaps most importantly, it does not require respondents to necessarily promise to do anything new (by way of programming or product offerings) or outlay any new resources, but rather mobilize and coordinate existing programming and product offerings in partnership with us to serve our communities and gain new customers in the process.

This is an important philosophical point that undergirds this RFP. The hypothesis is that the existence of unbanked and underbanked individuals in the communities we serve is less a function of a lack of product offerings and ancillary support resources on the part of financial service providers, but rather a lack of connection and trust between providers and their potential customers, a gap that is borne of unease, unfamiliarity, or disgruntlement with traditional banking service providers.

This RFP is intended to solicit partners willing to work with us to bridge that gap of connection and trust. It will do so by identifying one or more financial service providers willing to collaborate with us in the development of what will be referred to in this RFP as a “lobby,” which will have both physical and virtual aspects to it, within which community members can have an easy on-ramp to the establishment of a real connection with financial service providers, from which access to such things as financial education resources and financial services products can occur.

This “lobby,” then, is intended to serve as a portal into which community members can comfortably create relationships with participating financial service providers and become their customers. Through this RFP, we intend to gather information from interested parties to determine who wants to help, make, and run this “lobby,” and what existing infrastructure, programming, and products can be brought into such a “lobby” for the benefit of community members.

The remainder of this RFP is structured as follows:

1. A general description of the “lobby” to help potential respondents catch some of its preliminary vision in order to determine if and how to respond to this solicitation.
2. A description of the community being served, to provide a detailed sense of needs, perceptions, barriers, and aspirations, and therefore properly characterize the business opportunity it represents to banks as a future customer base.
3. A brief description of FINANTA, whose significant involvement in this effort should be a more selling point to banks considering how to be involved in ways that can effectively serve these communities and produce future customers from it.
4. A profile of the kind of financial services partners we seek for this effort, in order to ensure that there is mission synchronization across all collaboration participants.
5. A list of responses we seek from prospective partners, which will help us determine who to work with and how to move forward.
6. Logistical details for those who intend to respond to this RFP.

## **GENERAL DESCRIPTION OF THE “LOBBY”**

Part of the goal of this Request for Partnerships is to solicit ideas about what such a “lobby” will look like and who is interested in helping it take shape. But it is helpful for prospective respondents to have some sense of the general contours of such a construct. Therefore, here are some initial thoughts that provide a preliminary description of what such a “lobby” is for and how it might function:

1. It will serve as a portal that is easy for community members to access, that results in new customers for participating credit unions and/or banks, and that depends on both of our robust involvements to bring community members in and get them to progress through towards becoming credit unions and/or banking customers.
2. It will have physical and virtual aspects to it, physical because of the importance of building trust and therefore the necessity of having face-to-face interaction, and virtual because of the growing preference for the convenience and privacy afforded by mobile and online interfaces.
3. It will serve as a place within which credit unions and/or banks can compete to win customers, and in turn customers can use to compare options.
4. It will focus on a narrow suite of personal financial products – checking and savings accounts, home loans, and a short list of personal loans – as well as the financial education resources and customer service support that is needed for a traditionally unbanked and underbanked population to fully capitalize on such products.
5. It will not entail any new products or offerings by participating credit unions and/or banks, but rather a leveraging of existing products and offerings in a coordinated fashion with us to bring in potential customers and help make sure they are getting the support they need to become real customers.
6. It may involve the participation of one or several credit unions and/or banks, and if so then no one credit union and/or bank would have preferential treatment within the “lobby,” but rather could only compete for customers based on the value of the products offered and the quality of the customer service experience rendered.

## **COMMUNITY BACKGROUND**

To support financial services institutions considering a response to this Request for Partnerships, a Gap Analysis report has been prepared, which provides significant detail on the relevant characteristics of the communities we serve. This Gap Analysis was based on a number of data collection and data analysis efforts, including a demographic analysis, a banking activity analysis, case studies of innovative financial service partnerships in other similar communities, an extensive household survey, and follow-up interviews and focus groups. All of these analyses are provided to potential applicants as addendum documents.

To summarize key findings here:

1. The communities are significantly underserved as it relates to standard traditional financial products, home lending penetration, and branch location access. These disparities exist in part due to a wide range of perceived barriers this population faces, which include bad customer service experiences, mistrust of and unfamiliarity with traditional banking options, inconvenient hours, and high and unpredictable fees.
2. These communities hold a diversity of life aspirations, such as personal money management, higher education, homeownership, and small business formation, for which financial services and related resources can be brought to bear to achieve those aspirations. There is a deep interest in financial education that is borne of gaps in familiarity with financial topics and that is connected to the aforementioned financial goals.
3. Given the deeply sensitive nature of personal finances and personal financial goals, our community residents require significant investment in the development of social trust in order to do business with financial services providers (a point that will be elaborated on further in the next section). Conversely, they are hesitant to do business with financial service providers, which do not put forth efforts to provide good customer service and related financial education resources in ways that are accommodating to English language learners, and those who are unfamiliar with traditional financial service offerings.

4. Changing preferences regarding privacy, convenience, and control are being seen in higher penetration of technology platforms to access financial services, particularly among younger users who are already more comfortable with mobile applications.

## **ABOUT FINANTA**

FINANTA, short for **FINAN**cing and **T**echnical **A**ssistance, is a mission-driven nonprofit lending institution facilitating access to capital and credit building services to entrepreneurs, consumers, and first-time homebuyers in eleven counties in Delaware, New Jersey and Southeastern Pennsylvania. FINANTA offers a wide range of products and services, including credit building microloans, affinity group borrowing, business loans and entrepreneurial training, mortgage counseling, and financial education. As a Community Development Financial Institution, FINANTA supports entrepreneurial expansion, affordable homeownership, consumer borrowing, and community development. Founded in 1996, FINANTA has distinguished itself in the microlending sector by delivering services in a manner that is uniquely conscious of the cultural, social, and language barriers that immigrants, minorities and other sectors face.

## **IDEAL PROFILE**

Defining the kind of partner(s) we seek is paramount to this effort. Therefore, the following characteristics are presented as a profile from which prospective partners can self-assess, and then convey their commitment to these characteristics when responding to this Request for Partnerships.

1. Perspective that the opportunity fits into a broader strategic direction for the institution(s) such that this is not seen as a secondary initiative but at the core of the business' success.
2. Acknowledgement of the ways credit unions and/or banks have been complicit in the past (and in some cases in the very recent past) in behaviors that have made certain communities reluctant to engage as customers.
3. Suitable financial services infrastructure from which to scale to absorb additional business activity in the community we serve.
4. Willingness to serve communities similar to those we serve, including capacity to serve low-income populations, people of color, immigrant households, and people for whom English is not their primary language.
5. Willingness to provide specific financial products and educational offerings to communities like the ones we serve.
6. Past experience in carrying out partnerships with community organizations based on mutual respect, shared commitment to a social mission, and an ability to lead when appropriate and defer when appropriate.

## **RFP RESPONSE**

RFP Response may be no longer than five (5) pages, plus attachments. Interested parties are asked to address the following:

1. Describe why this potential collaboration with us is of interest to you as it relates to your overall business strategy for growing your institution and gaining new customers.
2. Describe your understanding of our mission, your interest in helping us to bring more financial options and opportunities to the communities we serve, and what interests you in wanting to partner with us on such an effort.

3. List the point person or persons who will be involved in this partnership, and provide some background on their experience in this kind of work.
4. List the products and accompanying financial education resources and support services you have for unbanked and underbanked populations, in the following categories: checking and savings accounts, home loans, and various personal loans. Are there in person services that you could offer in a FINANTA-operated “lobby?”
5. Provide any ideas on how the proposed “lobby” can be structured and operated in such a way that it successfully attracts new participants and converts them into customers for your institution.
6. Comment on the extent to which you would prefer to be the sole partner or alternatively one of many partners in this initiative.
7. Identify other partnering entities whose participation would increase your interest in being involved and would be beneficial to the effort.

## **LOGISTICS**

All communication shall be made electronically to [luis mora@finanta.org](mailto:luis mora@finanta.org) as follows:

1. Interested parties may submit a “Letter of Interest” to participate by 5pm, Friday, October 5, 2018. A “Letter of Interest” is not a requirement; however, FINANTA strongly encourages submitting one if you intend to respond to this RFP.
2. RFP questions shall be received no later than 5pm, Friday, October 12, 2018.
3. FINANTA will email responses to RFP questions by 5pm, Friday, October 22, 2018.
4. RFP final proposals are due by 5pm, Friday, October 31, 2018.