CDFIs Making History Interview

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*Mark Pinsky, President & CEO of OFN, conducted this interview on July 29, 2014.*

**Mark:** Let’s look back, and let me ask you the open-ended question of whether there are one or two or three moments or events or achievements or ideas that in your history in and around the CDFI space really stand out to you maybe because they’re personally meaningful, maybe because you think that they’re significant inflection points of the industry.

**Jennifer:** I spent a fair bit of time thinking about this call. I'm one of those people who takes these things seriously and thinks that there is a like a right answer even though there isn't. A lot of possibilities went through my head. I'm going to tick them off and then I'll tell you the one that I thought about spending a little time focusing on. I spent a lot of time thinking about Michael Sherraden and his book and his thinking about the importance of assets and then the IDA movement. That seems to me to be seminal. I figured Andrea or someone else would spend time talking about that.

I spent a lot of time thinking about my own person history at Shore Bank. I thought about when Ron Grzywinski testified before Congress on CRA, but that was more than thirty years ago. I thought about all the different eras and chapters of history at Shore Bank. I also felt like those would be covered by others. Then I thought about when the Federal Government decided in the nineties that it was going to attempt to pay all federal benefit recipients electronically and realized that, lo and behold, 10 million benefit recipients didn't have a bank account. That was the moment at which this idea of the unbanked was born, or at least became part of our consciousness.

I decided against all of those. I think the moment I'm thinking about is 2002, which was when a report that had been commissioned by the Ford Foundation was published by Brookings. The title of the report was called *Banking on Technology: Expanding Financial Markets and Economic Opportunities*. This was really the first paper to put together a few different ideas. The idea that technology is dramatically changing the financial services industry, that more and more consumers have access to technology, that technology has the ability
to simultaneously increase access to financial services and to reduce the cost of providing it, and that there was a massive opportunity to be had in now reaching and serving lower income consumers with a broader array of financial products and services.

I think the other important idea was this wasn't just about loans. It wasn't just about mortgages and small business loans. This was really about consumers’ total balance sheet and thinking about the kinds of day-to-day products and tools and systems they needed to make sense of their lives and to ultimately be in the pipeline for opportunity kinds of products like buying a house. That report was really what led to the birth of CFSI [Center for Financial Services Innovation], and it was really a seminal piece of work in helping to make the connection between financial services, community development, and technology.

Mark: What were you doing at Shore Bank at the time and what happened?

Jennifer: The report was co-authored by Bob Weissbourd. Bob had been my very first boss at Shore Bank back when I was an intern. At that point Bob was no longer at Shore Bank, he was doing consulting. Ford had hired him and some other people to come up with this report. In the process of writing the report, they pulled together a convening of knowledgeable people and interested parties. I was one of them, so I helped to advise on this paper. At the time at Shore Bank I had just moved over to what was then Shore Bank Advisory Services, the consulting arm of the company, and was just starting to think about building a practice around helping financial services companies think about the other side of the balance sheet, consulting with them around how to provide transactional products and savings products and services.

As a result of this paper, the Ford Foundation then came and hired Shore Bank Advisory Services and me to help them figure out how they should build a strategy based on the recommendations of this paper.

Mark: Were you sitting there thinking, "I see the future," or were you sitting there thinking, "This is an interesting project?"

Jennifer: The ideas in the paper were ideas I had been spending a lot of time thinking about, so they weren't totally new, but it was the first time that they had been put together in that way. The paper was really at a hundred thousand feet. It was a very macro level paper. Part of the data gathering process had been to talk to innovators. We were just
starting to get a feel for what innovation might look like in the future. This was also just at the very beginning of the internet, or at least our understanding of the internet and its power. This was before cell phones became what they are. I certainly don't think I had the foresight to imagine that the internet would be available in my pocket someday, but I think we all recognized that the internet was going to dramatically change financial services as we knew it.

Mark: So there you are at Shore Bank thinking about this in the context, by the nature of where you went to work every day, of banking and of community development and of iconic community involvement banking. How did your thinking evolve where...Maybe it didn't. Maybe you didn't see it just as a banking thing. It's evolved from banking to beyond banking. Right? If you were to take where CFSI today is ...

Jennifer: What's really funny about this is one of the many jobs I had at Shore Bank prior to this paper I keep talking about was I actually helped to roll out Shore Bank's first online banking platform. In fact, I actually personally trained one of Shore Bank's oldest and longest shareholders in how to use it. I was pretty involved in trying to think about how to make the internet work for a bank, let alone a community development bank. Many of the other things I did at Shore Bank were thinking about unusual partnerships and alliances. I think Shore Bank realized early that more than a bank is needed to improve the lot of a community or the lot of the people living there.

I think the same is true about all of finance. We were starting to see interesting partnerships and strange bedfellows, different people coming together because technology enabled broader access and access beyond the branch. It immediately caused people to think differently about who they might partner with. Think about the ATM. At around ten years ago, there were nearly four hundred thousand ATMs in the market. That had been double from just a few years earlier. People were predicting that the ATM was going to surpass the bank branch as having the greatest number of transactions. The only reason that didn't happen, I'm convinced, is because of the internet. Even things that preceded the internet, things like the ATM or the point-of-sale machine, immediately started down the path of banking outside the branch and then the creation of all kinds of interesting new partnerships.

Mark: Look into the crystal ball. Look into the future now. What does that future look like? I know you think about it a lot. What does that future look like in terms of community development quality. Weave it for me.
Where does the...I love the term, "banking outside the branch," which I've heard you say before. Where do these things come together and what does it say about the future? Speaking to a CDFI audience, what does it say?

Jennifer: Yeah. I think the fact that most Americans are walking around with a computer in their pocket, the fact that that's happening represents a massive opportunity for CDFIs to reach customers in new and different ways. Ultimately, I think, in more effective ways. Certainly more cost-effective ways, but I also think more effective in terms of consumer outcome. I think that having 24/7 access combined with computing power that allows us to do incredible things with vast amounts of data gives us the power to really think about consumer financial health and focus less on the products and services that we're offering in the market.

It really is going to allow us to optimize in a mass-customization way each person's financial life and financial experience. We have the tools to be able to think about and alter the frequency with which people get paid. The timing and frequency of when people need to pay their bills, or make payments against loans. We have the power to help people optimize their cash flow and give them the information and advice they need to make good decisions, both about their day-to-day financial system but about building resilience and opportunity. I think technology is going to enable us to be more consumer-centered than ever, and focus less on the forms and structures that our institutions and our products take and more on communicating effectively with consumers in ways that help them be successful.

Mark: As you were saying that, I was just thinking last night I paid my daughter's tuition for the next semester. I did it on my smartphone because it was fun to do. I had to go onto a site and authorize an ACH payment, right? I was annoyed that I couldn't do it using...I would use Square Cash, right? I couldn't just Square Cash to do it.

Jennifer: I think that's a big part of it. It's not just that we can now do things we couldn't do before. It's that consumers expect it.

Mark: That's exactly what I was thinking.

Jennifer: Consumer expectations are changing dramatically. I think that, in a funny way, I actually think that will be one of the bigger challenges for the CDFI movement.
Mark: I was going to say, are we clueless about that or what?

Jennifer: It's not so much that we're clueless. Yes, there are still people who worry that there's a technology access gap. That's something we should continue to keep our eye on, but I don't think it's our biggest problem. It's more that we sometimes see consumers as victims, or as people who have problems. I think that the power that people have...Again, when they're carrying a computer around in their pocket, I think really empowers them in new and different ways. It doesn't mean that they don't need a guide on this journey. It doesn't mean that there isn't assistance that they need, but they will have a whole different set of expectations. If we take that for granted and think that they can't get that anywhere else, I think we're going to be sorely mistaken.