

BY
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A DIFFERENT KIND OF CONVERSATION

With the new iteration of Operation Hope relying on bank branches to promote financial education, CEO John Hope Bryant says his conversation with bankers has evolved from one where he is asking them to help poor people to one where he offers to help them meet strategic goals – like bringing in new customers. More than a dozen banks so far, including SunTrust and Mutual of Omaha, are hopeful enough about the initiative to fund counseling centers at their branches.

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ongtime civil rights activist Andrew Young admits that he didn't know what to make of Operation Hope founder John Bryant when he first met him. Impressed as he was with Operation Hope's focus on improving the financial lives of low-income Americans, Young initially viewed Bryant as too much of a self-promoter.

"The first few times I met him, he was so pushy, so aggressive, that he turned me off a bit," says Young, a former aide to Martin Luther King Jr., who went on to become a U.S. ambassador to the United Nations under President Carter and a two-term Atlanta mayor.

Eventually, though, Young came to realize that Bryant's dynamic – some might say cocky – style, was perfectly suited for a nonprofit whose over-arching mission is nothing less than eradicating poverty in inner cities and rural communities. After all, there's no place for timidity when raising funds, advising presidents and making friends with CEOs of major corporations are all part of the job description.

"If you don't believe you can change the world," Young, now chair of the nonprofit Andrew Young Foundation, recently told Bryant, "then you should not be doing this kind of work."

Still, even Bryant – who started Operation Hope in Los Angeles following the Rodney King riots – suffers a crisis of confidence now and then.

Two years ago he says he nearly fired himself as Operation Hope's chief executive because he felt he and the nonprofit were not living up to their potential. Sure, it had provided financial literacy training and credit counseling to more than 2 million adults since 1992 and helped scores of them buy a home or start a business, but Bryant took it personally that poverty rates had barely budged in decades. He strongly believed, too, that the housing bust might have been far less severe if borrowers – particularly minorities – were better educated about the types of loans they were receiving.

"If you can't do something big and substantial then you should fire yourself," Bryant says in a lunch interview,

where he's so animated and engaged that his food goes mostly untouched. "Two million clients over 22 years, given our potential, was really not that impressive in my view. We were doing good work, but we were not having a transformational impact."

Then a sudden funding crisis refocused Bryant. He has spent the last two years fundamentally revamping Operation Hope and the way it provides its services. It now relies heavily on banks to help down-and-out communities and, so far, banks seem to be buying in. It's also on a mission to create a whole generation of young entrepreneurs – "if you can't get a job, create one," Bryant often says – through more focused financial education in public schools. His goals of providing financial literacy training to 50 million adults and creating 1 million new jobs by 2020 are hugely ambitious, but Bryant must think big if he wants to achieve his ultimate goal: putting payday lenders, rent-to-own stores and other "predatory" lenders – which thrive in low-income, low-credit-score communities – out of business.

"We are focused on nothing short of Nobel Prize-quality work," says Bryant. "I'm not saying we'll win the Nobel Prize, but our goal is to bring a bunch more people into the [financial mainstream], expand free enterprise, lower reliance on public assistance and turn poor neighborhoods into emerging markets.

"If you can pop credit scores in a concentrated way," he adds, "the corner check-casher turns into a bank or credit union, the liquor store turns into a convenience store and Ferguson, Missouri, with a 6% voter turnout rate, has a more engaged citizenry."

CRISIS AND OPPORTUNITY

Bryant's deep soul-searching began in 2012, when Operation Hope's main benefactor, E-Trade Financial, sharply

reduced its funding as part of an overall cost-cutting plan. The decision instantly jeopardized the future of the 11 Hope Centers around the country where Operation Hope did its most meaningful work. Rather than search for another corporate backer that would keep the Hope Centers afloat, Bryant saw an opportunity to reimagine the way Operation Hope provided its services.

The Hope Centers were expensive to maintain even with the corporate support and Bryant wanted to move to a new model with smaller centers in more cities. Another problem with the centers is that they are largely located in low-income neighborhoods, so they aren't really on the radar of middle-income families who could also use help managing their finances – especially in the wake of the financial crisis.

Bryant's revised business plan addressed the need for both another source of money and better reach.

His idea: ditch the Hope Centers and replace them with smaller offices housed inside bank branches. Operation Hope had operated such a center in a Bank of the West branch in Oakland, Calif., since 2004 and the arrangement had been a good one in that it drove more customers to the bank. More than half the 20,000 consumers who had completed financial literacy training had substantially raised their credit scores, many became Bank of the West account holders and nearly 10% became borrowers, says Jenny Flores, the bank's head of community affairs and social responsibility. That's an especially powerful selling point now, when branch traffic is way down and competition for new customers is fierce.

"We have tangible numbers showing that people coming in are becoming [more viable bank customers] and they are choosing to do business with us," says Flores.

Banks are gradually throwing more

support behind Bryant's idea.

Over the last year, Operation Hope has opened roughly 100 "Hope Inside" centers in branches of 15 banks, including SunTrust Banks, MUFG Union Bank, Regions Bank and First Horizon National Corp. Several are in cities where Operation Hope previously had no presence, including Birmingham, Ala., and Memphis, Tenn. More locations are on tap for other cities where it has no Hope centers, such as Las Vegas and Cleveland, and at Bryant's urging, Regions is planning to open a Hope Inside center in a branch near Ferguson early this year.

Banks receive Community Reinvestment Act credit for housing Hope Inside branches, but mainly they are teaming up with Operation Hope because they see it as a legitimate opportunity to bring in new customers or deepen relationships with existing ones. Regions, SunTrust and other bank partners are already seeing examples of formerly unbanked or underbanked consumers raising their credit scores, opening bank accounts and taking out loans.

The response from bankers has reenergized the 49-year-old Bryant, who believes that Operation Hope is finally on the verge of doing something "that has transformational power." His objective is to open 1,000 Hope Inside offices over the next several years, with a goal of raising credit scores of the people it counsels to the 650-700 range so that they will become more viable bank customers.

"Most of the bankers we've met get it," Bryant says. "They see this as a real opportunity to create future customers and make branches relevant."

YOUNG ENTREPRENEUR

Bryant's decision to make financial education his life's work is largely rooted in his upbringing in Los Angeles. His family wasn't poor, but Bryant says a series of bad financial decisions by his father

caused the family to lose its home, several businesses and an apartment building it owned that he is sure would be worth millions today. Money troubles were constant and his parents divorced after his dad raided an account that his mom had set up as a college fund.

At the time, Bryant was largely oblivious to his family's financial woes because he was focused on making money himself. A natural salesman, Bryant started his own neighborhood candy business at the age of 10 and, in short order, he had put the local liquor store out of the candy business and was pulling in \$300 a week.

Other business ventures would soon follow in his teen years, as would stints as an actor in Hollywood and as a dancer on "Soul Train" and "American Bandstand" – experiences Bryant says made him comfortable in front of audiences.

At around age 20, Bryant took a job with a Los Angeles merchant banking company that had a side business making consumer loans in low-income neighborhoods. It was in that job that Bryant says he first encountered what he calls "unconscious discrimination."

"They had me making loans to little old ladies at 20% interest and with 20 points," Bryant says. "They were ruining people's lives just to get a return for their investors."

After two weeks, Bryant had had enough and went to his boss with a proposal to do the same type of lending to actors. As he explained to his boss, many people in Hollywood have no income between movies, but they have property and other assets and "unlike people in the hood, they can pay the money back."

The first year in that line of work he brought in zero business, but in his fourth year he pulled in \$24 million. It was around that time that the parent company ran into financial problems, so Bryant bought out his part of the business and went out on his own. He was 25 years

old and living the American Dream.

“I figured if I was making it in America, then racism had to be dead,” he says. “I had no college degree, no trust fund – even my mom and dad hadn’t finished the eighth grade.”

Then the riots happened on April 29, 1992 and forever changed Bryant’s life. Eager to do something – anything – to help, he quickly worked with local bankers to put together a loan pool that would be used to rebuild businesses destroyed by the fires. The first loan went

to the owner of a pharmacy who could not prove his cash flow because his tax and business records were burned. “No bank would make the loan itself, but if I got each one to put in \$20,000, they could justify it,” Bryant recalls.

Bryant founded Operation Hope soon thereafter. Its mission, broadly, is to help capitalism work for the underserved, and it does this through financial-literacy training, home-ownership counseling, entrepreneurial training and other endeavors, both in the U.S. and emerg-

ing markets around the world.

Bryant also has written two best-selling books on financial empowerment, has advised Presidents Clinton, George W. Bush and Obama on issues relating to poverty, and helped establish a federal office of financial education. His powerful friends include Clinton, who was the keynote speaker at Operation Hope’s global forum in January, and Young, who Bryant ultimately recruited to be the organization’s global spokesman.

DOES FINANCIAL EDUCATION WORK?

There’s some debate over whether financial education has much impact. A recent study in the journal *Management Science* found that adults who take financial literacy courses generally forget what they learned in less than two years. Other studies have found that students who receive financial education in high school are not necessarily likely to manage their finances well as adults.

But Bryant says that the key to making financial education work is “connecting the right with the left brain.” Financial literacy websites and classes have limited impact on their own, he says, but the training can be powerful when connected to a person’s aspirations such as buying a home or starting a business. Operation Hope attaches such goals to adult literacy training and its school-based programs – its curriculum is used in roughly 4,000 schools – are designed to foster innovation and entrepreneurship. As part of its efforts to encourage youngsters to start their own businesses, Operation Hope is offering grants to those who come up with the best pitches to help them get their businesses off the ground.

“No kid really is thinking of opening a bank account, but if you tell a kid he’s won \$500 to start a business and he needs to open a bank account to get the

money, the kid says, ‘What time does the bank open?’” Bryant says.

Bankers agree that financial education is crucial to bettering neighborhoods – and narrowing the ever-widening income gap between the haves and the have-nots.

“The more I’ve gotten to know John and work with Operation Hope, the more convinced I became that they are doing something that really does impact customers in communities that have lesser means or troubled credit and give them a path to work their way from poverty to a middle-class lifestyle,” says Bryan Jordan, the chairman and CEO of First Horizon.

“Just providing programs and services through nonprofits won’t solve the real issue of inequality unless we get to the root cause, and that is people understanding how money works,” adds Jeff Schmid, the CEO of Mutual of Omaha Bank, which is planning to open a Hope Inside center in Las Vegas later this year.

Bank of the West’s Flores is another strong believer in the power of financial education and says she has 10 years of data to prove that it works. The bank has been so pleased with the results of Hope Inside in Oakland that it recently opened a similar center at a branch in Pico Rivera, Calif., and is planning another in Denver.

“We know that people are receiving education and transferring that education into tangible action, we know that they are getting access to capital and we know that they are shifting out of predatory channels and into mainstream banking,” says Flores. “Overall it’s a great return on investment.”

OPERATION HOPE 2.0

In the past, banks’ role was mainly philanthropic – providing funds for Operation Hope programs for which they received CRA credit. Under the new model, banks will provide the office space as well as funds that Operation Hope will use to pay its in-branch coun-

selors. The Commerce Department, at Bryant’s urging, has agreed to provide matching grants to partner banks to help cover the staffing costs.

Once the centers are up and running, banks ideally will work with Hope Inside counselors and help develop products that suit the needs of clients.

“The old conversation with bankers was, ‘Help me help poor people,’ Bryant says. “The new conversation is, ‘What can I do to help you achieve your strategic objectives?’”

He adds that the new model will put more bankers in the “yes business” because, even when they can’t approve a loan, they can send the applicant to a counselor down the hall for help with becoming creditworthy.

Banks also will be more directly engaged in credit counseling under the new model. Apart from opening 1,000 Hope Inside locations, Bryant also wants to designate 5,000 other bank and credit union branches as certified “Hope Inside Plus” outlets at which employees would be trained to provide some of Operation Hope’s services. It’s a lower level of engagement, but the goal is the same: to improve consumers’ financial well-being and get more of them to use mainstream financial institutions.

Though some consumer activists are more interested in demonizing banks than working with them, Bryant has no interest in picking fights. “I’m trying to build a rapport with banks so that we can create a pathway for poor people [to improve their lives],” Bryant says. “I’m really just trying to solve the damn problem.”

Bryant does have the ears of some high-profile bankers. He’s active in the Financial Services Roundtable and Operation Hope’s board members include Bill Rogers, SunTrust’s chairman and CEO, and Timothy Wennes, West Coast president at MUFG Union Bank. Many other top banking executives serve on Opera-

tion Hope’s regional boards.

Rogers is perhaps the biggest supporter of the nonprofit’s new initiatives. SunTrust has Hope Inside centers in branches in Atlanta, Memphis and Washington, D.C., and it recently committed \$1 million to open several more centers over the next two years. In announcing the grant, SunTrust said that counselors inside its branches have helped roughly 1,700 individuals avoid foreclosure, fix credit problems or prepare to buy homes or start businesses. “The work of Operation Hope is everything we stand for as a company,” Rogers says.

One Hope Inside client in Atlanta is Pamela Bryant (no relation to John), a married mother of two who is trying to fix her credit so that she can buy a house. Over the last year she has raised her credit score from the low 500s to the mid-600s by paying bills on time and carefully managing expenses, and she expects to qualify for a home loan soon. She has been so pleased with the results that she’s recommended the credit counseling programs to friends.

Another is Patricia Adams, who wants to start a home-based health care business, but was too deep in credit card debt to qualify for a small-business loan. Among the things she learned in her credit counseling courses was to keep her credit card balances at a maximum of 30% of her available credit lines. She’s managed to do that, as well as stick to a budget. As a result, she’s raised her credit score by 100 points in the last eight months.

It’s tales like this that Bryant hopes will convince more banks to team up with Operation Hope. “Everything is done to migrate somebody up to a 650-plus credit score so that you become visible and relevant to the banking sector,” he says. “Enlightened bankers recognize that poor people can actually be a legitimate source of revenue.” □

A GOOD SCHOOLING

Listen to John Bryant’s pitch for funding financial literacy education in U.S. schools and it’s easy to see why former President Bill Clinton once called Bryant “a whirlwind of ideas and action.” Bryant believes strongly that adults across all incomes would be less likely to fall behind on loans, overdraw their bank accounts or max out their credit cards if they had received some money-management training as youngsters. Yet even in the wake of a housing bust that was, in part, the result of unsophisticated borrowers buying homes they couldn’t afford, financial education in public schools is more of the exception than the rule. Operation Hope’s programs are taught in about 4,000 schools, but superintendents in other districts who would like to add courses in money management often can’t do so because funding for any new programs is scarce.

Bryant’s idea is for local governments to sell what he calls “financial literacy bonds.” As he envisions it, a city would bring in economists to calculate how much revenue it is losing each year from things like property tax defaults, missed utility payments and fees paid to payday or car title lenders that might otherwise buy goods and services that generate sales taxes. This is revenue that cities are missing out on because many of their residents have little understanding of how to manage money. The city would sell the bonds to investors and use the proceeds to fund financial education in schools and credit counseling programs for adults. Investors would be repaid with the money the city is saving by having a more financially literate citizenry.

No such bonds exist and the mere mention of them to investors might get you strange looks, but those are hardly deterrents to Bryant, who is nothing if not persuasive. He has, after all, convinced regulators to give banks Community Redevelopment Act credit for opening Operation Hope centers in their branches and even persuaded the Commerce Department to provide grants to help banks cover the cost of staffing the centers.

Bryant just came up with the idea for the financial literacy bonds last fall. He is at a point where he is casually discussing the concept with policymakers and bankers and, so far, he has been encouraged by their response.

Getting mayors to buy in is the first step, and Bryant says he’s spoken with several who think the idea has merit. Equally important is finding investors, and Bryant says banks have indicated to him that they would be interested in buying the bonds if they could receive CRA credit. Regulators aren’t making any promises about CRA credit, but Bryant says some seem intrigued by his idea. “I’ve got some pretty thoughtful, intelligent people telling me [the concept] is somewhere between neutral and amazing,” he says. “So far at least, I’ve got no one telling me it’s stupid.”