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.
“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 senior Atlanta developer.

Eventually, though, Young came to realize that Bryant’s dynamic — some might say cocky — style was perfectly suited to a business whose overarching 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 from a crisis of confidence now and then.

Two years ago he says he nearly fired himself as Operation Hope’s chief executive, but he felt he and the nonprofit were not living up to their potential. Sure, it had provided 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 65% 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. The decision instantly jeopardized the future of the 11 Hope Centers around the country where Op- eration 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-in- come 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 ad- dressed 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 has a strong track record of raising credit scores of the people it counsels to the 650-700 range so that they will be- come more viable bank customers.

The first year in that line of work, Bryant’s decision to make financial edu- cation his life’s work is largely rooted in his upbringing in Los Angeles. His fam- ily wasn’t poor, but Bryant says a series of bad financial decisions by his father caused the family to lose its home, sever- al 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 raised 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 him- self. A natural salesman, Bryant started his own neighborhood candy business at the age of 10, and in short order, he 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 Band- stand” — 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 mak- ing consumer loans in low-income neighbor- hoods. 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 pro- posal to do the same type of lending to actors. As he explained to his boss, many people in Hollywood have no income be- tween 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

rontime 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.

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“So far at least, I’ve got no one telling me it’s stupid.”

people telling me [the concept] is somewhere between neutral and amazing,” he says. Equally important is finding investors, and Bryant says centers. They would destroy by the fires. The first loan went — 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 people get a financial advantage and 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 emerging 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 Manage- ment Science found that adults who take financial literacy courses generally forget what they learned in less than two years. Other studies have found that stu- dents 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 “con- necting 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 aspira- tions such as buying a home or starting a business. Operation Hope attaches such goals to its literacy training and its school-based programs — its curricu- lum 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 busi- nesses off the ground.

“no kid really is thinking of open- ing a bank account, but if you tell a kid he’s won $50 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. Banks 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 cus- tomers in communities that have lesser means or troubled credit and give them a path to work their way out of poverty in a middle-class lifestyle,” says Bryant 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 under- standing 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 programs 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 educa- tion into tangible action, we know that they are getting access to capital and we know that they are shifting out of predy- namic channels and into mainstream bank- ing,” says Flores. “Overall it’s a great re- turn on investment.”

OPERATION HOPE 2.0 In the past, banks’ role was mainly phil- anthropic — providing funds for Op- eration 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 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 strate- gic objectives?’” He adds that the new model will put more bankers in the “yes business” be- cause, 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 en- gaged 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 en- gagement, he says, but it 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 real- ly 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 Oper- ation Hope’s board members include Bill Rogers, SunTrust’s chairman and CEO, and Timothy Wennes, West Coast presi- dent at MUFG Union Bank. Many other top banking executives serve on Opera- tion Hope’s regional boards. Rogers is perhaps the biggest sup- porter of the nonprofit’s new initiatives. SunTrust has Hope Inside centers in branches in Atlanta, Memphis and Wash- ington, 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 re- sults that she’s recommended the credit counseling programs to friends. Another is Patricia Adams, who was starting 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 counseling was to keep her credit card balances at a maximum of 20% 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 mitigate somebody up to a 650- plus credit score so that you become vis- ible and relevant to the banking sector,” he says. “Enlightened bankers recognize that poor people can actually be a legiti- mate source of revenue.”