

Innovator of the Year

OPERATION HOPE'S **John Hope Bryant**

By John Heltman

John Hope Bryant is proving that you don't need code or an app to innovate in banking.

After more than two decades bringing under-banked consumers into the mainstream, Bryant has found a way to combat financial illiteracy that also addresses two critical business problems facing banks today: keeping branches relevant and finding new customers.

Bryant founded Operation Hope in the wake of the 1992 Los Angeles riots, seeking to reverse the vicious cycle of poverty in communities around the country. For most of its history, the nonprofit operated out of its own brick-and-mortar field offices, helping individuals avoid foreclosure, build credit and start their own small businesses.

Operation Hope relied on grants and donations to advance its mission. But in 2013, a lucrative partnership with E-Trade ended, and that compelled Bryant to re-

think the whole enterprise.

"In some ways we were fired from our own business plan and we had to reimagine it," he said. "I'm not sure if E-Trade hadn't done that, if we would have ever found the new model."

Operation Hope had a co-location arrangement with Bank of the West in one of its Oakland branches, and it was notably self-sufficient. By putting counselors in existing bank branches, Bryant thought, the organization could focus on its core strengths and rapidly expand its outreach.

That idea grew into Hope Inside: a direct partnership with banks to install Operation Hope-trained financial counselors inside bank branches, paid for by the banks themselves at a cost of roughly \$75,000 a year per site.

The counselors can offer free, unbiased financial advice to bank clients and prospective clients – including those with credit or debt problems that might preclude the banks from approving them for

loans or other services. Clients can get guidance on how to build their credit, start a business, prepare to buy a home or avoid foreclosure.

The relationship is mutually beneficial. Operation Hope can widen its reach far beyond what it was able to achieve with its own locations, and the banks are able to cultivate new customers and earn Community Reinvestment Act credit.

Hope Inside answers a wide range of challenges facing banks – whose public image never fully recovered from the financial crisis – with a single solution.

"I think this is the first time that many of these CEOs saw community affairs, public affairs, community reinvestment, community engagement, trust – the business [banks are] in – relationship-building, race relations, economic prosperity, job creation, and even business development all line up," Bryant said. "And it's moral, which means that they can feel good about it, brag about it ... and



they can rationalize it to their bean counters and to their boards of directors – at scale.”

For developing a model that promotes financial inclusion, generates business for banks and gives branches a new purpose at a time of declining foot traffic, American Banker is honoring Bryant as the 2016 Innovator of the Year.

Since its inception 18 months ago, Hope Inside has grown from a pilot program of six branches to more than 40 today. And the number is rising rapidly – SunTrust, one of the program’s first bank partners, recently announced that it is expanding its partnership to 200 branches by 2020.

First Tennessee Bank also has expanded its partnership, with a \$1 million contribution to Operation Hope and plans for a total of 15 locations, triple the number it has now. (Counseling offices also are open in partnership with nonbanks, including the Atlanta Police Department, churches and even Whole Foods.)

Bryant said he is aiming for 1,000 Hope Inside branches to be open by

2020. The metrics indicate that the program helps banks as well as customers: SunTrust’s internal evaluation showed that its seven locations serve roughly 6,000 clients annually, with a corresponding 464% increase in bank referrals year over year in branches with a Hope Inside counselor.

One thing that sets Hope Inside apart from other financial literacy programs is that it is using banks’ profit motive to drive participation, rather than tugging on their heartstrings. Bryant said that is the crux of his vision – to appeal to banks’ bottom line. “I want the person who eats nails for lunch to respect what I’m saying – it’s just a different way of looking at business development,” Bryant said. “When you have a bank showing a 500% increase in bank referrals year over year, that sells itself.”

D. Bryan Jordan, president and CEO of First Horizon – parent company of First Tennessee Bank – said since the first few branches opened, the bank has counseled several thousand people, providing valuable services that might other-

wise not be available. In the initial nine to 12 months, “we helped counsel 2,400, almost 2,500 people,” Jordan said. “It’s remarkable the folks that would show up for financial counseling. It’s remarkable the progress that can be made. It’s a real easy mission to connect with.”

SunTrust CEO Bill Rogers said that one of his bank’s business goals is to improve his customers’ ability to save and manage money. He cited a recent survey the bank conducted that found 40% of Americans, and 60% of millennials, have less than \$2,000 in savings. Hope Inside has demonstrated an ability to make the bank’s customers and prospects more financially savvy and secure, he said.

“Having HOPE Inside counseling in our branches helps us address these issues head on and provides another way to help move more people from financial stress to financial confidence,” Rogers said. “Working together, we can help people build their credit score, better manage debt and qualify for important financial services. Rather than saying ‘no,’ this is a path to ‘how,’ and it gives people

optimism to move forward.”

Some of the success of Operation Hope and the Hope Inside model can be attributed to the energy Bryant, 50, brings to the project. People who have met with him and heard his message tend to come away convinced of his authenticity.

This October, a group of about 25 graduates of Operation Hope gathered in Washington to share their experiences in the program and talk about the progress they have made toward starting their own businesses. Unexpectedly, Bryant walked in and thanked them for their initiative in pursuing and completing the program and working to improve their lives and their communities. “I just came in here to say thank you for your time. I know it’s hot in here, but that’s because of all your passion within,” Bryant said. “I don’t even know you, but I love you.”

Bryant told them they were part of a struggle for economic integration that is deeply ingrained in American history. As the Civil War drew to a close, Abraham Lincoln and the Republican-controlled Congress began thinking through how to integrate the millions of freed slaves into American society. To that end, Congress established the Freedmen’s Bureau and chartered the Freedman’s Savings Bank. But the bank and bureau withered and collapsed by the 1870s, along with the rest of postwar reconstruction programs.

Bryant’s mission, he told the group, is to pick up where the Freedman’s Bank left off. “The Freedman’s Bank’s mission was ... to teach freed slaves about money,” Bryant said. “So Lincoln thought the most important thing he could do for freed slaves wasn’t reparations, wasn’t an apology, wasn’t welfare programs, wasn’t a handout. No. It was to teach you how the free enterprise system – how capitalism – works.”

Financial exclusion, of course, is not a challenge faced by the black community alone. The Federal Deposit Insurance Corp. found in its annual survey of the

unbanked and underbanked that 7% of the U.S. population in 2015 had no access to a bank account and nearly a fifth are underbanked, using high-cost alternative financial services instead of those offered by insured depositors.

Counteracting the worst effects of financial illiteracy is a challenge that dates back hundreds, even thousands, of years, and occupies a nebulous region between personal responsibility and financial predation. If a borrower doesn’t understand how interest works, the lender can charge more for the same loan than it could otherwise. That minimal level of financial savvy applies to other areas of personal finance – how to buy a home, how to obtain credit, how and why to maintain a good credit score, how to make the money one earns work efficiently, and so on.

Thomas Hoenig, vice chairman of the FDIC and former president of the Federal Reserve Bank of Kansas City, said various nonprofit and education groups have been trying to improve financial literacy for decades. Many states also have attempted to include basic financial literacy as part of high school curricula, but have been routinely hampered by budget shortfalls and a lack of consistency or focus. Meanwhile, the poor continue to rely on the resources available to them, even if they come at an excessive cost.

“Desperate people do desperate things,” Hoenig said. “If you’re not financially literate and you get yourself in trouble, where you don’t have a savings account as a fallback, then you find yourself in need and you take the shortcut.”

Laurie Richardson, deputy chief of staff to Treasury Secretary Jack Lew, said Bryant is able to deliver a convincing message largely because he views the problems he’s trying to tackle holistically, rather than as isolated issues.

“He’s found a way to reach into communities and have a personal impact on individuals,” Richardson said. “That’s

absolutely necessary to be able to tackle this problem, but it’s hard to think about unless you’re the type of person who thinks in large-scale terms. He’s a dreamer, but he’s also very data-driven and analytical.”

Former Gov. Tim Pawlenty, R-Minn., now the president and CEO of the Financial Services Roundtable, said he has known Bryant for years through the roundtable’s fundraising partnership with Operation Hope. Hope Inside, he said, is a novel and deceptively simple solution for delivering unbiased, reliable financial advice to a population that otherwise might not have it.

“John is a dynamic, forward-looking, innovative leader,” Pawlenty said. “He’s got a heart for these issues, and he’s come up with a service delivery platform that is community based. There’s a huge need, and he’s trying to deliver it genuinely and authentically in a way that helps people.”

Two other factors have contributed to Hope Inside’s success: credibility in the nonprofit world and credibility with financial regulators. Operation Hope in April was awarded four stars by Charity Navigator – the highest possible rating – recognizing the organization as a responsible and conscientious steward of donations. The rating put Operation Hope among the top fifth of all charities rated by the organization.

The Federal Reserve, Office of the Comptroller of the Currency and FDIC also said in an April 2014 letter to Operation Hope that a bank’s participation in the Hope Inside program would likely be a plus for its Community Reinvestment Act evaluation – offering banks another regulatory incentive to open locations.

Barry Wides, deputy comptroller for community affairs at the OCC, said the agencies have not gone so far as to say that the mere presence of a Hope Inside branch is a panacea for CRA requirements. Much depends on the individual bank and the individual evaluation. But

the kinds of activities that do count for CRA consideration – that is, the community development service component of the statute – include things like advancing financial education, credit counseling, homebuyer counseling, financial planning or other similar programs.

“That, in a nutshell, is what Hope Inside does,” Wides said. “To the extent that a bank is interested enough to offer these products and services to their low-wealth customers, the unbanked or underbanked, or customers that have less-than-stellar credit, through the Hope Inside initiative, I think that furthers the objectives of the CRA.”

Jordan, at First Tennessee, said that whether Hope Inside itself counts toward CRA consideration is less important than how it helps institutions direct their CRA-eligible investments into businesses and individuals in a way that actually improves the communities they serve. By providing that greater precision and helping people become more financially savvy, Hope Inside offers banks more of a return on their CRA responsibilities.

“What’s really important about what John has created ... is a road map for how you can make the investments you need to make in a way that will have a real and positive impact on the community,” Jordan said. “In its most basic sense, none of us as financial institutions can really do better than the communities we serve – if the communities don’t do well, then we don’t do well, long term.”

Jordan illustrated his point with an anecdote from a management retreat early last year. Jordan had asked Bryant to deliver a speech about the program to bank staff. After the hourlong presentation, a man working as an audio/visual technician approached Jordan and Bryant, saying that he and his wife worked but had long-standing credit and debt problems. The couple had sought help from other for-profit debt consolidation or counseling centers but had not been

able to get ahead. “‘Everybody we try to go to’ – these are his words – ‘they’re hucksters,’” Jordan said. “‘They take your money, they promise you help, and they don’t deliver it. Is this for real?’

“I told him, ‘Absolutely,’” Jordan said. □