

November 4, 2021

[Recap Meeting Video](#)

Location: **Boston, MA**

# Friends for Financial Wellness

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## Meeting Executive Summary

### Host

- John Donovan, Senior Partner, Sloane and Walsh

### Moderators

- Dan Dougherty, Enterprise Growth, MX
- Chris Musto, FinTech consultant and advisor

### Mascoma Bank

- [Samantha Pause, CMO](#)
- [Raphael Reznick, CIO](#)

### Metro Credit Union

- [Charlene Bauer, Chief Development Officer](#)

### Project Finance

- [Colby Ross, CEO](#)

### Rockland Trust

- [Julie Beckham, Financial Education Officer](#)
- [Alistair Ironside, CMO](#)

### Webster Bank

- [Todd Purcell, Head of the Digital Center of Excellence](#)
- [Desiree Wolfe, Chief Product and Marketing Officer](#)

### *With guests*

- Colton Pond, Head of Enterprise Marketing, MX
- Charles Sweeney, Head of Solutions Consulting, MX

## Topics

1. **Welcome Remarks** - John Donovan
2. **Guest Introductions** - Dan Dougherty
3. **Announcements, Industry Updates, Upcoming Events** - Chris Musto
4. **Roundtable discussion** "*Extending Beyond Historical Banking Boundaries for Growth*"
5. **Mastermind Presentation**, "*Capturing Additional Revenue with Modern Credit Analytics*" - Charles Sweeney

# Friends For Financial Wellness **Guiding Principles**

## **Our Mission**

We will lift financial engagement of the communities we serve by collaborating as a banking community. We will focus on removing obstacles, measuring results and forging new paths to come together, engage customers and communities in support of financial wellness.

## **Our Commonality**

The primary competitive threats are national financial brands and de novo digital 'banks.' We are also in a way our own competitive threat: If we don't move, morph and anticipate needs, we lose relevance. We are bankers that serve our communities, and we seek to leverage the proximity and trust we enjoy with our customers and communities as an advantage to maintain long-term relevance.

## **Our Members**

Our founding members seek like-minded senior executives that fit our commonality. We encourage guests to join our meetings and will accept requests from guests that wish to join our group. We seek diverse perspectives and innovative thinking.

## **Our Why?**

Peers working together for camaraderie, community, connection, and collaboration to guide our users to financial security; giving people the confidence and choices to control their financial health.

## Introductions/Welcoming New Guests

Dan kicked off the meeting by welcoming everyone to the offices of Sloane and Walsh in downtown Boston and introducing John Donovan, Senior Partner with Sloane and Walsh and our host for the afternoon. John is legal counsel to Massachusetts Secretary of State William Galvin in his effort to hold Robinhood to its fiduciary obligations in Massachusetts.

Attendees around the room introduced themselves and each shared their perspective on financial wellness and how to further it. .

## Industry Updates and Group Announcements

Dan then covered updates for the Friends group and MX. Chris then updated the group on the latest fintech industry developments, focusing on three themes:

- **The rise of venture funds featuring banks or credit unions as limited partners.** In 2021 worldwide fintech investment reached a record \$94.7 billion, per CB Insights. The year also saw the spread of funds featuring banks and credit union LPs. Large banks, midsize and smaller banks, and credit unions tend to participate in distinct funds.

Examples include Canapi, (works mostly with larger banks), JAM FinTop, (community banks), and Curql Collective, (credit unions).

- **Land grabs in BNPL as concerns rise around financial wellness.** Chris noted a spate of multi-billion dollar, multinational acquisitions since the last Friends meeting as large fintechs such as Square (now Block) and PayPal fight

for leadership. Chris noted, and the group discussed, issues surfacing around the impact of BNPL on financial wellness. Per Cornerstone Research, in 2021, “Among BNPL users, 31% consider their financial health to be “dire” or “struggling” (versus “managing” and “thriving”). In contrast, of consumers who don’t use BNPL services, just 20% rate their financial health as dire or struggling.”

**Challenger banking propositions evolve as foreign entrants face an uphill battle and business banking offerings pick up.** N26 announced plans to exit the US market even as it scored a large funding round. Revolut has not been gaining traction. Meanwhile, Chime appears to be the most successful of the mass market entries, while Aspiration is growing within the niche of eco-friendly financial services.

## *Expanding Beyond Historical Banking Boundaries for Growth*

Dan and Chris moderated roundtable discussion on expanding beyond historical banking boundaries. The group took this topic in several directions, most notably the idea of being a credit union or community bank serving not just a local or geography-defined community but a community sharing interests, affiliations or other characteristics. On a related note, Webster has enjoyed notable success with HSA Bank.

Samantha Pause reflected that to Mascoma, the mission to serve the community around it has never been more central, and Mascoma is organized as a B-Corp so as to best focus on this mission.

# Mastermind

# Charles Sweeney on Alternative Decisioning

The Mastermind portion of this meeting allows the group to hear from experts on topics related to fostering the financial health of our customers and communities. Charles Sweeney introduced an initiative at MX, in partnership with COMPANY, to offer an alternative credit decisioning model that can allow for more inclusive lending policies with higher accuracy around risk than afforded by FICO scores alone

*Charles Sweeney, Head of Solutions Consulting at MX, discussed MXlend a new alternative credit modeling product in development at MX, Charles explained the model, its history, its performance in predicting risk compared to FICO scores and preliminary operational and compliance considerations. Charles extended an invitation to banks and credit unions represented in the group to partner with MX in trialing the product.*

*Charles came to MX from consulting, product management and sales leadership roles in SaaS, artificial intelligence applications, and pricing.*

Charles opened by observing that the group's mission and focus is financial wellness, so he felt like he could assume the case for inclusiveness and better risk management and introduce the challenges MX seeks to solve with **MX**lend, its new alternative credit

decisioning partnership and then talk about early indicators of success.

Charles noted a 720 FICO score, a generally accepted dividing line between prime and non-prime, corresponds with about a 3% risk of default, but that FICO's accuracy is not high, especially within the non-prime population.

MXlend is a machine learning model employing 114 attributes, combined and alone, to assess default risk. Charles showed outcomes based on \$3 billion in loans made with the underlying model, showing that for some credit tiers, the model is more accurate than FICO by up to around 100 points of FICO score. Charles noted the model is transparent and regulator-friendly.

Desiree noted conversion on direct mail offers of unsecured personal loans reaches 5% or more, as targets are often relieved to find a lender willing to lend, but it's often these people that can least afford the loan. Desiree also noted that loans from lenders with whom she didn't already have a

relationship got her through college and grad school, and making credit affordable and

accessible is a goal she is pursue

## WrapUp

### Next steps

Dan will be reaching out to each participant and poll on topics and mastermind for our next meeting.

### Next Meeting

**Planning is in process for our next meeting to be held at the Trapp Family Lodge in Stowe, VT on February 3rd and 4th, 2022**

Please contact Dan if you have any referrals or executives that you think would be interested in joining as a guest.