

Building Financial Futures: The Impact of Financial Knowledge and Incentives on Digital Adoption and Responsible Lending for the Latino Immigrant Community – English Transcript

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00:16

Hey everyone, welcome to today's session! We're talking about how financial knowledge and incentives affect digital adoption and responsible lending. I'm Jessica Eting, the COO and co-founder of Flourish FI. At Flourish, we're all about helping people develop better money habits. We partner with financial institutions to come up with solutions that encourage positive financial behavior and create more loyal, engaged customers. Before starting Flourish, I spent ten years in social impact and philanthropy, really focused on making a difference.

00:45

I'm really excited to be here today moderating our chat about how we can create opportunities for underserved communities. We'll be looking at how fintech innovation and responsible lending practices are genuinely making a difference in the lives of underserved Latino immigrants. I'm also happy to have Mauricio Delgado, the Chief Strategy Officer at Tricolor Holdings, with us. They're a tech-driven community development financial institution that focuses on providing auto loans to the Latino community in the U.S.

01:14

We're dedicated to making finance accessible for everyone, providing responsible lending options to help underserved immigrants without a US credit history get fair financing. Mauricio has played a key role in using data insights and AI to develop solutions that empower the credit-invisible Hispanic community in the US. He's passionate about using financial tech for social good and has a knack for aligning business goals with community needs. Before joining Tricolor, he co-founded another organization.

01:45

"Let's welcome Mauricio to our online platform focused on unlocking real estate wealth! Since we're virtual, I'll just imagine everyone clapping. Now, let's set the stage. If you're here, you know that financial inclusion and wellness are global issues, but the solutions can be really local. In the U.S., Latino immigrants face significant barriers to credit and financial education, as shown in some studies."

02:18

Almost 30% of Latinos in the US don't have access to regular financial services, which forces many to rely on cash-based systems. This makes it tough for them to build credit, get loans, and achieve financial stability. Today, we're gonna look at how innovative fintech solutions, like those created by Tricolor and Flourish, are helping to break down these barriers. To kick things off, let's hear about Mauricio's journey and how he got involved.

02:46

"Alright, let's jump into some of the unique challenges the Hispanic community faces in the US and how financial knowledge plays a role in lending, especially through gamified financial education and behavioral incentives. We'll also look at how these lessons can be applied to other Latino communities around the world. To kick things off, Mauricio, why don't you share a bit about your journey and how you got to where you are?"

03:17

Sure, thanks Jessica for having me, and welcome everyone. A bit about me: I'm a Latino immigrant. My family moved to the US from Mexico when I was around seven. Like a lot of immigrant stories, education was really emphasized for us as the way to make our lives better and help others too. So, with that...

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I really focus on education as a way to make a difference in the world. So, I went to school in California, where I got to see the big Hispanic migrant community and the challenges they faced while trying to fit into the U.S. economy. It was in school that I first learned about some early business models aimed at helping this underserved market. A few of my classmates ended up going on and starting businesses.

04:24

They started looking at unsecured loans, insurance, and money transfers, which are all part of the opportunities out there for folks in the world. I had the chance to see how these business models were really making a difference in the lives of many Hispanic immigrants here in the US. With that experience, I spent some time on Wall Street and also in Silicon Valley, where I merged finance and tech in the fintech space.

04:59

I returned to Texas, where I joined the Tricolor Holdings almost 12 years ago. I'm excited to share more about the trailer story and how we've tackled some challenges for the Hispanic community. Thanks for bringing that up! It's important to understand how my experiences

have shaped my inspiration to move forward with this work. I think we both have a personal connection to the Hispanic community.

05:36

"My mom is of Mexican descent, and my dad is also an immigrant to the US, though he's not Latino. I definitely feel and understand this on a personal level. So, let's dig a little deeper into the challenges that this community faces and how 3ot has tackled them. I'd love to hear your thoughts on the unique challenges that 3ot is addressing for the Hispanic community."

06:11

It's also interesting to see how those challenges influenced Tricolor's approach, especially in becoming a CDFI, which has a pretty fascinating backstory. So, Tricolor was founded about 16 years ago, and we've been serving this market for almost two decades now. Specifically, some of the challenges that Tricolor identified while working with the Hispanic community include limited access to credit.

06:46

There are over 60 million Hispanics living in the U.S., which would make them the fifth largest economy in the world if they were considered a separate entity. However, about a third of this population has little to no access to regular credit. Many of them live in the shadows and are either underbanked or unbanked, often due to a distrust of financial institutions or just not being able to access mainstream financial services because they lack the necessary resources.

07:21

A lot of people don't have a social security number, which means they also don't have a FICO score or a credit score. So, besides the trouble with getting credit, there are also a bunch of language and cultural barriers that make it hard for them. Because of this, they often have to depend on shady financial services that charge higher fees and come with worse terms. These are all challenges that this group deals with.

07:54

You know Tricolor and our business model. So, like you said, we're a mission-driven CDFI-certified company that's vertically integrated as an auto retailer and finance company. We sell and finance cars specifically to folks with no credit. What we're really addressing for them is the challenges around physical and financial mobility. On the physical mobility side, having a reliable vehicle that can get them to work is super important.

08:30

It's really important to us because it clearly adds economic value for them. Plus, offering a budget-friendly loan to help them buy a car they might not have been able to get before is a big deal. We've been in this market for a long time and really get the challenges people face here.

09:00

We were already doing a lot for the community, so deciding to become a CDFI was just a way to make it official. Our commitment to the Hispanic community means a lot to us, and aligning our business model with the CDFI's mission-driven approach was really important. We got our CDFI certification about five years ago, in 2019, and it helps us keep pushing our mission of empowering underserved but deserving folks.

09:31

Hispanics who have reliable and affordable transportation can really benefit, and by doing that, we can help them integrate into the financial system. Just a quick follow-up—have you learned anything interesting from working with borrowers that has helped you improve your lending practices or offerings? Yeah, you know, our borrowers often take out their biggest loan for the biggest asset they've ever had.

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They really take pride in the big purchases they make, like finally being able to finance a nice SUV or a truck for work. Over time, we've learned that focusing on building trust with this community is key. It's not just about giving them credit; it's also about making sure they have safe and reliable transportation. That's helped us grow and expand quickly.

10:46

So, we started about 16 years ago, and now we have 60 locations in five or six states. We've distributed over \$4 billion in auto loans to this market. I think all of this shows that by focusing on doing good for our customers, we can also do well as a company. That's really important, and we've noticed time and again that building trust is key.

11:19

People face a lot of obstacles when it comes to trusting financial services and figuring out which loan providers to choose. I really like what you said about how it's not just about the money; it's about empowering people completely as individuals. It's important to focus on the consumer and think about how we can help them grow beyond just the specific interaction we have with them.

11:47

"to their finances, but building them up as a whole. I really appreciate you sharing that. So, following up on some questions we have here, how has Tricolor helped immigrants who don't have a credit history access loans? How do you think this impacts their long-term financial stability?"

12:17

We use technology, especially AI, along with a deep understanding of our customers that we've built up over time to create a proprietary risk model. This helps us break down a market with little or no credit history into different risk segments, allowing us to offer attractive terms that can convert them into customers. We've backed this up by dispersing over \$4 billion.

12:52

This year, we're expecting to handle over a billion dollars in auto loans. We've built some really cool technology that helps us break down and understand different borrowers. This lets us offer them some great credit terms compared to what they might find elsewhere or even what they can't get at all. So, for folks who have no credit or no FICO scores, we can assess them and provide options.

13:29

We're giving them credit, and we also report their performance to the credit bureaus. This helps them build a credit score by using what we can offer. So far, this has helped about a third of our borrowers who had no credit score to establish a credit history. For us, the main goal is to bring these borrowers out of the shadows and into mainstream financial services, even if it means we might lose some of them as customers.

14:04

Over time, since they can now get credit from other places, I think that really supports our mission to help these people, whether or not it benefits us as a company. Plus, about 30% of our customers who had a FICO score when they came to us saw their score improve after getting a loan from us. So, when you look at those two results, I think it shows we can really make a difference.

14:34

We're bringing these borrowers into the regular financial system and helping them gradually build their credit scores. There's a question in the chat that I think a lot of people have when

they think about AI. It asks how we use AI for those with thin credit files and what steps we take to avoid bias in our model.

15:06

People are usually curious about how technology is used responsibly and thoughtfully. If you could touch on how you guys approach applying this technology in a responsible way, that would be great. So, specifically for AI, we use machine learning for our risk model. Basically, the machine learning model takes all the data we've gathered.

15:36

Over the years, we've gathered both application data and loan performance data, and then we combine that with third-party info we get from non-traditional sources about these customers. After that, we run everything through our machine learning models, which analyze various attributes that help us predict risk. So, when someone applies, they fill out an application that allows us to...

16:09

That could mean like 50 to 75 questions, you know? And it's all because there's not much info on the file, or sometimes there's none at all. So, we need to gather application-level data on these customers to feed it into our machine learning models. To avoid biases in our models, we run everything through legal compliance checks. It's important for us to align with practices like sending out adverse action letters and stuff to make sure we're compliant. But yeah, it's definitely a tricky area.

16:41

We've really focused on this and invested a lot over the years. It's important to us as we keep growing. Thanks for that. Now, let's switch gears a bit. It's been really interesting to hear how you use technology and connect with people. So, as part of our partnership, Flourish Fi is one of the partners of Tricolor, and we work together by...

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...when we talk about financial education incentives and our relationship with customers, it'd be great to hear from Mauricio about how they view financial knowledge and weave it into their services. For us, financial education is really key as a CDFI. It's been fundamental to how we've run our business from the start.

17:52

I get that it's super important to help our customers with financial literacy programs. For our customers, it's all about getting them involved with this stuff so they can tap into regular financing and create a better future. A lot of the tailored content and strategies we've developed come from our partnership with Flourish, which we kicked off in 2022. That's really helped us raise awareness and get people using these financial literacy resources.

18:25

We've added some awesome rewards and gamification features to our Loan Servicing platform. Jessica, if you want to chime in with more details about the outcomes we've seen, that'd be great! We're really excited about the results so far, and we're all about extending this education to our customers.

18:56

I think this partnership has been super rewarding for us. We're really excited to provide value to your customers. If you could pull up the screen for me, Rima, that would be great. Thanks! I just wanted to share some insights on how we've been bringing clients onto the three platforms, especially into the rewards platform that's part of our setup.

19:30

We've teamed up, and it's been awesome. Over time, we've noticed that the users joining us are really engaged. We encourage them to log in regularly, and as a result, 97% of our active users have maintained a login streak. It's a great way to keep them coming back because we know that staying engaged helps them stay informed and boosts their financial literacy.

19:58

We're bringing back important components, and it's crucial for our users. About 50 to 54% of them are actually getting into what we call trivia, which is a gamified way to learn about financial literacy that we offer. I don't have the exact stats handy, but it's awesome to see that we have really active users coming in regularly.

20:25

"Last week we tried out some new questions, and the accuracy rates are looking pretty good. Users are getting about 70% of them right. It's great to see them learning, adapting, and engaging with the content. You can tell it's really interesting for people who join the platform. Plus, the financial literacy we're providing is really valuable. We're starting to get a handle on how this affects their behavior."

20:58

We're noticing that encouraging positive behavior really helps people learn how to manage their finances better. When they actually see the benefits of good financial habits, it makes a difference. With our rewards program, we've found that customers are using online payments more often compared to those who aren't taking advantage of it.

21:32

When we look at on-time payments, we notice that people who stick with us are way more consistent. One of the perks we offer is that if customers make six on-time payments in a row, they get rewarded. We've found that a lot more of our users are making those payments regularly compared to those who don't use our service. So, it's clear that these rewards are encouraging them to engage with the financial knowledge we provide.

22:10

They're breaking things down into smaller parts, and they're also using that to change their behaviors. I think it's been really great to see the value we're creating together through our partnership. Plus, the way the incentives affect consumers is significant. Rema, you can go ahead and take that slide down now. Thanks! I really believe it's crucial, especially when we look at financial aspects.

22:40

Knowledge really makes a difference. When people understand things better, they can take smarter actions and have more control over their finances, helping them build financial stability for the future. I think that's been really valuable. Mauricio, do you have anything else you want to add from your experience regarding how these strategies and behaviors have affected your borrowers?

23:16

Most people out there don't really have any financial education, so getting them to interact with financial literacy materials is tough. I think the way Flourish approaches it, using gamification and rewards, really helps make it more accessible for these borrowers. It allows them to have fun and actually engage with content they normally wouldn't even know how to tackle. Those features make a big difference.

23:56

"We've really tailored our approach to the market, and it's made a big difference in getting people to engage with financial literacy courses and materials. One thing I want to highlight

is that adding gamification or rewards has really proven effective. It gets people who usually wouldn't be excited about learning about financial education to take part."

24:32

Your results really show how engaged people are on the platform, like how willing they are to keep making payments and interact with us online. Those are all positive signs we can build on, and we're really excited about the outcomes. It's super important to consider the challenges facing the Latino community as we move forward.

25:05

A lot of the customers who come in really don't have much financial knowledge or access to it. If you look at the overall data globally, you'll notice that whether it's in the U.S. or in Latin American countries, they generally have lower financial literacy rates compared to the global average. Not that the global rates are super high, but these regions are even a bit lower. So, considering that when they're in their own countries...

25:39

When they cross the diaspora, it's still tough. So, being able to bring this together is really important to our mission, and I'm glad we can work on it together. If we think globally, there's a connection between what we're experiencing here in the US and the Latino communities abroad. What lessons do you think we can learn from that?

26:09

Your work spreads to other areas, you know, like considering the global Latino community or the diaspora. So, right now, we're mainly focused on the Latino population in the U.S., but when it comes to our approach to responsible lending and providing trustworthy transportation, we've really seen how this business model has changed the economic opportunities for our market here in the U.S. And now, we're starting to see it take off, especially in certain Latin American regions.

26:45

In some American countries, especially in places like Mexico and Brazil, there's a growing middle class that's really tech-savvy. They have similar expectations when it comes to financial services and getting reliable transportation. We're seeing companies like Kavak in Latin America picking up on some of the lessons we've learned in the US and applying them down there.

27:17

So far, I think they've had some success there. As the middle class keeps growing in these markets and gets access to affordable credit, I believe we'll see these business models continue to thrive in Latin American countries. It's a great way to look at how to apply this from Flourish's perspective, especially when it comes to gamification.

27:49

"Yeah, it's crazy how much of an impact this can have. If you think about people in the diaspora, like those from Laos or anywhere really, sending money back home, you notice a big shift towards digital remittance options. Even Remitly saw a boost when they added point-based systems. It's like gamification in financial services is really taking off, especially for this group. And for us, well, we..."

28:21

"We work with customers all over Latin America, and one of our partners in Bolivia had to pause our platform for a bit because of some unexpected issues. This actually turned into a really interesting case study to analyze what happened during that downtime. We noticed a 31% drop in on-time loan payments while the platform was paused, which really shows the impact of that situation."

28:53

It's about encouraging people to behave a certain way, whether we're talking about the US or other countries around the world. I think there are definitely lessons we can learn that aren't just limited to the US. We've got a few minutes left, and I see the time is running out, but if anyone in the audience has any last questions, we might have time for one more. If not, we can wrap it up so we don't run over.

29:24

"Alright, let me see if there are any other questions or if anyone wants to send one in. We can definitely address that. I think we covered the question that was asked. These chats are still open, so we can go ahead and answer more questions. Please feel free to reach out to us afterward. We're happy to connect! You can check out the Flourish LinkedIn page or shoot me an email directly. Also, don't hesitate to connect with Mauricio."

30:05

Sure, I see a question here. Not sure if we have time to answer it, but just quickly: is the gamified education mainly about managing credit and auto loans, or does it cover other financial topics too? I can answer that in more detail, but basically, while the gamified

education does focus on credit and auto loan information, it also covers a wider range of financial topics.

30:45

We're looking to help consumers build their financial knowledge and literacy. What other questions or information can we provide to help them broaden their understanding? The goal here is to genuinely enhance someone's knowledge—not just about specific products, but in a way that really matters to them.

31:15

They're visiting because we think that's really important. It needs to fit the situation that someone is coming from. So, from Flourish's point of view, I don't know if you want to add anything, Mauricio. Yeah, I agree with all that, Jessica. Our main goal is to improve our customers' quality of life, and focusing on broader financial education is one way to achieve that. For us, it goes beyond just that.

31:45

We're basically a gateway for people to access financial services, especially when it comes to auto loans. Helping educate folks about this is super important to us. Alright, I'll wrap things up now so we don't run over time. I'll drop my email in the chat if anyone wants to follow up directly, and feel free to connect with me on LinkedIn too!

32:16

"Either of us can connect on LinkedIn, and we'd be happy to chat more. Thanks, everyone, for being here with us today!"