How Starlight is Using AI to Improve Public Benefits Access:
A Case Study

Commonwealth's research on emerging technologies in finance has provided valuable insights into the needs and wants of banking customers living on low to moderate incomes (LMI), highlighting their banking preferences, concerns, and desires for expanded tool capabilities. Through our Financial AI for Good: Guide & Chatbot, Commonwealth is working to provide industry actors with research-based actionable insights that facilitate the inclusive design of these technologies as they are being developed, leveraging their potential to positively impact the financial health of households living on LMI. As this work continues, Commonwealth is also focusing on applications of AI that can have financial impact for LMI households beyond retail banking, including generative AI co-pilots and back office support, as well as workplace and public benefits management. To advance understanding of the broader potential for financial AI, Commonwealth partnered with Starlight to take a deeper look at one of the promising future directions highlighted in our work: public benefits.

This case study provides a more complete overview of the importance of public benefits as an avenue for improving financial health for households living on LMI and the opportunity for AI to facilitate access to these benefits. Starlight provides an embedded platform that allows financial institutions to support their customers' financial health by unlocking access to public benefits they may be eligible for. This service demonstrates how leveraging AI and technology can enable financial institutions to provide proactive, personalized financial services that resonate deeply with populations living on LMI. Starlight is able to scan hundreds of public benefit programs that can provide them with the financial assistance they need and match them to the most relevant and timely ones.

CHALLENGE

An underutilized social safety net

APPROACH

AI-based platform focused on realigning supply and demand for public benefits

OUTCOME

Starlight unlocks the $140B unclaimed government benefits available for households in financial need

Not only does this facilitate more effective customer engagement at scale through more nuanced and contextually aware solutions, but it also helps financial institutions grow customer lifetime value and gain customer loyalty and trust.

This brief provides industry actors with a concrete example of how AI can help integrate banking, benefits, and financial guidance to provide more complete support for the financial health of customers living on LMI. Together with our research and actionable insights guide, it provides industry actors with a blueprint for what the future of inclusive AI in finance can look like.

The Challenge:
An Underutilized Social Safety Net

Public benefits play an essential role in helping Americans navigate financial challenges, providing financial support for a range of essential services, from childcare to health insurance to utilities and food. Today, 30% of people in the U.S. participate in some form of public assistance program. But many more are eligible but do not successfully enroll, often due to the difficulty of navigating complicated administrative barriers in which alignment between eligibility and changing individual financial situations make it difficult to know what support one can receive or how to apply. Navigating this patchwork leaves gaps for individuals and missed opportunities for institutions to support the financial health of their customers.
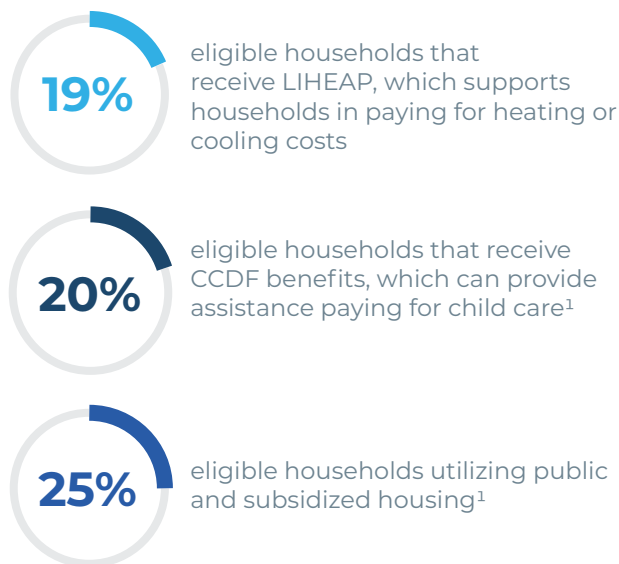
The complexity of benefits systems and their disjointed nature are major barriers preventing eligible Americans from accessing public support. Many individuals are unaware of their eligibility or find the benefits information confusing. Additionally, the stigma associated with receiving public benefits can deter people from seeking further information or applying.

Compounding these challenges, application processes that require proof of financial hardship (means testing) are often cumbersome for both applicants and administrators, leading to lower participation rates and higher administrative costs.

The Office of Management and Budget reports that individuals and businesses spend about 11.5 billion hours annually on federal paperwork, with a significant portion related to means-testing for various benefits. Moreover, the administration of these benefits is decentralized across federal, state, and county agencies, each with its own set of processes, criteria, and timelines. This lack of coordination results in a confusing process for applicants, who must navigate a complex array of requirements and bureaucratic interactions to access the benefits they need.

For all of these reasons, the opportunity for technology to improve access to public benefits is a key channel for supporting the financial well-being of over 50 million households earning LMI and facing financial insecurity.

EXAMPLES OF UNDER-UTILIZED PUBLIC BENEFITS

19% eligible households that receive LIHEAP, which supports households in paying for heating or cooling costs

20% eligible households that receive CCDF benefits, which can provide assistance paying for child care[1]

25% eligible households utilizing public and subsidized housing[1]

Commonwealth's Financial AI for Good: Guide & Chatbot provides **design guidance for financial institutions** and other organizations that offer financial services to populations living on LMI **using emerging technologies like conversational AI (chatbots) and automated financial management software.**

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[1]https://www.urban.org/research/publication/safety-net-100-percent-participation

The Approach:

AI-based platform focused on realigning supply and demand for public benefits

Starlight is a fintech with a mission to make it easy for households in financial need to access government benefits through the financial apps and services they use every day. As a public benefit corporation, it partners with financial institutions to proactively identify and pre-qualify their customers for government benefits they may be eligible for—similar to how financial institutions today prequalify their customers for credit card and loan offers. Starlight then guides users through the end-to-end process of applying for benefits that can unlock as much as $1,200 in savings a year. Starlight adds value to the financial ecosystem by:

1 Using financial data to identify individuals who face financial challenges proactively and "pre-qualify" them for government benefits in a way that respects user privacy and consent

2 Increasing effective engagement by surfacing information about benefits programs at the right place and time within banking apps using predictive models

3 Using AI to provide personalized guidance in navigating applications for government benefits

4 Enhancing financial institution capacity through additional insights for in-person customer interactions

5 Enabling individuals to build savings and increase their disposable income, and ultimately helping them build the next step of their financial journey

Financial institutions today offer financial education resources for their customers. These often exist in the form of individualized financial coaching or self-guided resource pages. Starlight aims to complement these existing services, leveraging technology to deliver proactive, personalized, and scalable financial guidance.

The Outcome:
Starlight's Real-World Impact

Collaboration with Steady

In 2023 Starlight partnered with Steady, an app that allows gig, self-employed, and contingent workers to track income and manage finances. Currently, Steady helps more than six million members earn an average of $5,500 more per year by offering personalized income recommendations, distributing benefits, and providing cash when members need it. Steady heard from members the need to manage expenses in a time of increasing cost of living and wanted to help members find ways to save. Steady identified low awareness as a barrier to its members' access to benefits, with fewer than 20% of Steady members aware of benefits they might be eligible for beyond SNAP and Medicaid.

Through this partnership, Steady was able to use the income and expense data they collected from members to identify gig workers who may be eligible for benefits. Starlight's integration used anonymous data to pre-qualify and guide members to take advantage of a public benefit known as the Affordable Connectivity Program, a $14B program meant to help LMI households nationwide save on the cost of internet service.

Members were first able to check eligibility and apply for the Affordable Connectivity Program, which can subsidize the cost of internet services. Before this partnership, only 10% of Steady members were receiving public benefits. After launching this partnership, Steady and Starlight found that:[2]

- 91% of Steady members who were initially pre-qualified for the public benefit program were indeed eligible, illustrating how data can be a powerful unlock to uncovering new opportunities to help members improve their financial health could save through benefits – identifying significant opportunities to improve financial health
- Presenting Steady members with personalized, proactive, and relevant opportunities to save by applying for benefits led to a 2x the baseline engagement rate from Steady members

- From a single public benefit program with streamlined access to the Affordable Connectivity Program, Starlight projected an average savings of $1,148 per member/year, a significant boost for members' disposable income.

Collaboration with NTFP and GHS FCU

Starlight's collaborations with Neighborhood Trust Financial Partners (NTFP) and GHS Federal Credit Union (GHS FCU) showcase how integrating technology with human-centric service models amplifies team capabilities and enriches in-person client interactions, essential to building trust and delivering personalized service.

NTFP, a financial services innovator making financial security possible for low-wage workers, integrated Starlight's white-labeled technology platform into its existing workflows, complementing their one-on-one financial coaching. Clients now receive personalized, tech-enhanced guidance and the trusted human support they value, allowing financial coaches to assist more clients with greater efficiency and accuracy. This hybrid approach extends the power of personalized advice and significantly impacts the lives of those served.

Similarly, by partnering with GHS FCU, a mission-aligned credit union in New York, Starlight has enabled the credit union to help prospective and current members access government benefits and save on essential expenses like internet, heating, and cellphone bills. Starlight's platform deepens GHS FCU's impact within its community and membership, helping households gain a more solid foothold by being able to pay their bills and then providing them with the financial tools that can help them in the next step of their journey.

Together, Starlight's partnerships not only highlight the critical need for such services but also underscore the profound system-wide impact of making government benefits more accessible through trusted financial institutions, and how Starlight's technology can amplify the capabilities of financial institutions to meet their clients' diverse needs effectively.

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[2] https://www.steadyiq.com/resources/steady-partners-with-starlight-to-bring-access-to-government-benefits-to-gig-workers-at-scale

Conclusion

In sum, by creating new tools that leverage existing financial data, it is possible to design inclusive AI that supports those who need it most using already available data. These tools use machine learning to quickly identify patterns and opportunities that people may not have the time or energy to recognize, supporting financial health at scale for those who need it most.

Although generative AI chatbots have become the most visible avatar of these new capabilities for inclusive service at scale, the future capabilities of AI to support financial health at scale also lie in these tools that can leverage data to predict opportunities and recommend relevant actions in context for those who may not have the time, knowledge, or resources to identify these opportunities themselves.

As this work continues, Commonwealth will continue to explore this broader potential for AI to improve financial health outcomes for households living on LMI.

> If you are interested in partnering with Commonwealth to ensure that **emerging technologies are designed to benefit everyone,** please reach out to Charles de la Cruz at info@buildcommonwealth.org.

Acknowledgements

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Commonwealth is a national nonprofit building financial security and opportunity for financially vulnerable people through innovation and partnerships. Black, Latinx, and women-led households disproportionately experience financial insecurity due in large part to longstanding, systemic racism and gender discrimination. Addressing these issues is critical to Commonwealth's work of making wealth possible for all. For nearly two decades, Commonwealth has designed effective innovations, products, and policies enabling over 2 million people to save nearly $8 billion. Commonwealth understands that broad changes require market players to act. That's why we collaborate with consumers, the financial services industry, employers, policymakers, and mission-driven organizations. The solutions we build are grounded in real life, based on our deep understanding of people who are financially vulnerable and how businesses can best serve them. To learn more, visit us at www.buildcommonwealth.org.

Starlight

Starlight is a public-benefit corporation based in New York City, enabling financial institutions to improve the financial health of American households through navigating and unlocking government benefits to assist in critical expenses.