Transcript of Unleashing a Financially Inclusive Future: Tools of the Financial Inclusion Ecosystem
July 15, 2025

ART LINDO. So, we're going to get started with our first panel. I told you we are going to talk with some thought leaders. This is what a thought leader looks like. In case you hadn't seen them out there, they're all over the place. So, the idea of today's panel, which we're going to be talking about the tools of financial inclusions ecosystem. We're going to be doing a little bit of that in some detail on this panel. So, what we're going to talk about are products that, and practices within the financial inclusion ecosystem, focusing on their evolution and the ways that they can further financial inclusion going forward. So, the panel will discuss the role of regulation and how, what has happened in terms of helping banks meet their financial inclusion goals. So, as Vice Chair Bowman started us out in her opening remarks, a focus on innovation, and the tools that power them, has and will continue to play a critical role in bank's ability to reach those currently underserved by the financial system. So, we brought together some heavy hitters. So, I said this is what a thought leader looks like, so please feast your eyes on thought leadership, because when they come at you and blow your mind, you'll be thankful that we pulled this together today. But seriously, let me just spend a few moments introducing our panelists. Not in addition to looking like thought leaders they are. So, Kelly Cochran, Kelly is the Deputy Director and Chief Program Officer at FinLab, FinRegLab, excuse me, a nonprofit that conducts research on new technologies and data to promote a responsible and inclusive marketplace. So, let me just say, she's to my right, so welcome, Kelly. Next to Kelly's right, we have Kelvin Chen. He is a Senior Executive Vice President and Head of Policy at the Consumer Bankers Association where he leads the organization's policy research teams. Kelvin has been a thought leader on a variety of topics at the intersection of financial inclusion and innovation, including financial health and consumer protection. Now, a little bit of a plug here, notably, Kelvin is an alum of the policy group within the Boards division of Supervision and Regulation. He also has extensive experience, excuse me, at the intersection of innovation and regulation at the CFPB and Barclays and Capitol One. Last, but not least, we have Alex Johnson. Alex is the founder of Fintech Takes, which explores trends on financial technology, and the future of financial services through newsletters, podcasts, and online, in an online platform for the Fintech community. Over the past few years, Alex has written extensively on financial inclusion, topics including the power of using alt data to power credit underwriting. Okay, so this session is structured whereby each panelist will spend a few minutes discussing their points of view on a variety of topics at the intersection of financial inclusion and regulation. This will then be followed by a little bit of a moderated discussion, which I will lead. And then we'll end with Q&A from anybody here in the room. So, with that, I am going to start with Kelly first. And then we will go to Kelvin, and Alex will wrap us up. So, Kelly, welcome, and you have the floor.

KELLY COCHRAN. Thank you. Thank you, again, for the invitation to speak. I'm really looking forward to this today. I'll talk just a little bit about the work that we at FinRegLab have been doing on data and technology for financial services with a particular eye on financial inclusion. Much of our work has been focused on the use of alternative data and machine learning in credit underwriting, which we know is a particularly important use case for helping households and small businesses both bridge kind of short term cash flow gaps, and make long term investments in kind of a more stable and healthy kind of long term financial life. We have been looking at things like cash flow data for credit underwriting in both a consumer and small business context, starting with a 2019 paper where we were looking at data from several FinTech and CDFI lenders. And more recently in the spring and summer, we've put out new papers on both small business and consumer credit underwriting. We're also looking at the use of machine learning techniques, which are driving kind of more subtle relationships in the data potentially than more traditional logistic regression and scorecard methods to, again, be able to score and underwrite and identify additional consumers and small businesses that are able to handle credit, and where it could be productive for them. So, our results have been really positive. We're seeing substantial lifts and particularly most recently with a paper we put out just in, on July 1st, focusing on both the machine learning and the small business, excuse me, machine learning and cash flow data for consumer underwriting, we were finding substantial increases in and predictiveness about 2 percent for machine learning. And that led to increases in credit approvals as well. We did simulations at different levels for different types of lenders. And for mainstream bank lenders, we found that it would increase protected, that it would increase approvals by as much as 4 percent. So, a really substantial number. We also found that the cash flow data potentially helped increase approvals and predictiveness as well. Although we had some limitations on our sample as to seeing people without credit files and thin files who were the most likely to benefit from that kind of data. But even with those limitations, we were seeing improvements. And the two combined had the strongest effect at all. So, we're continuing to see a lot of impact on this, both from our research and from the marketplace, as we're seeing more and more vendors and different parties come in and help, essentially help lenders through the process of deciding what works for their particular, you know, market niche and programs in ways that can both improve the predictiveness overall and improve credit inclusion and reaching some of the consumers and small businesses that struggle. We think this is particularly important for smaller loans, whether it's micro loans on the small business side, or smaller loans on the consumer side. We know that economics are most difficult there, because of the size of the loans.

And so making sure that the predictiveness is as strong as possible, that we're both identifying more applicants who can manage the credit, and would benefit from it, and we're doing a better job of managing, of identifying which applicants might actually struggle with the loans. It's really important to the long term health of the system. It benefits both the lenders and the applicants potentially. So, we're seeing a lot of growth in those areas. Beyond that, and we can talk more about this later, we're seeing a lot of interest in supporting technologies that potentially help with underwriting, but also other types of financial services. So, things like Large Language Models and generative AI, which a couple of the previous speakers have spoken with, and also Agentic AI systems, which are often combining either things like LLMs or kind of more traditional supervised machine learning models, but also with agents that can go out and take action on behalf of a financial services provider, or on behalf of a consumer, potentially open a whole new range of options to really improve the effectiveness, the efficiency of financial services providers operations. And at the same time, potentially help households and small businesses manage their finances on an ongoing basis. So, I think we're seeing tremendous innovation and interest. It is very hard still, especially for smaller institutions, to figure out how to manage these technologies, these new data sources. And so I think that's one of the critical questions that we face going forward is to see the kind of entire ecosystem migrate. How do we help some of the smaller institutions, which often really do a good job of focusing on underserved populations, but often have limited technology and resources to work with. So, I know there's a later panel on this, but I'll just say briefly, one of the papers we put out in June was a paper focusing on the use of data in technology by mission based organizations, CDFIs, minority depository institutions, smaller lenders who are really focused on underserved small business microlending. And some of the ways that they're using the technologies and the challenges they're facing. And I think there's a much broader range, even in the people we were focusing on in that paper, that more broadly that we have a lot of smaller institutions, lenders, or other types of financial services providers who, you know, want to see the growth and the, you know, potential, but potentially have challenges in kind of figuring their way through the process of managing vendors and managing the technology. I'll stop there.

ART LINDO. Thanks, Kelly. Kelvin, some opening remarks.

KELVIN CHEN. Sure. And, you know, I should start by saying thank you. I mean, thank you for having the conference. Thank you for having banks at the conference. Thank you, Art. I mean, I'm a little sheepish, because in my typical bio, I've got like Kelvin created the innovation policy team in S&R at the board. And I didn't. You did. And I wrote a memo. Like I wrote a memo that you approved like after a lot of cajoling and pleading and begging. So, Art, thank you. We're good. Yes, sir. So, you know, to start with, I really like the way that you started out to continue this me being a sycophant, where you said, look, financial inclusion means a lot of different things to a lot of different people. Right? Because when you look at the numbers to start out with, objectively from pure financial inclusion measures, and Joanne kind of mentioned this, we're doing okay. Right? Like the FDIC surveyed the banked, unbanked that only 4 percent of consumers are unbanked. The CFPB new leadership finally released the long awaited correction to this credit invisibility report showing that only 3 percent of Americans are actually truly credit invisible. And so by all measures, you know, we're in a world in which you've got tail end folks that we've got to take care of. But the tools there may be different, right? Because like if you look at things like the people that have a crippling fear of flying, that's like 4 percent, right? People that have like no teeth are like 2 percent. Right? So, there may be like particular tools that we may need to get at at those populations. That isn't to say that everyone's doing okay. Right?

And so for folks that are online, everyone here I'm sure is a SHED superfan like me. But for folks that are online, there is the Fed survey of household economic decision making. And if you're watching this, you should be reading that. Because that is kind of ground truth as to how Americans are doing. And when I read that, you see a lot of kind of pain and a lot of struggles that people are bearing with. But what I would note is that it seems like a lot of that is happening outside of the regulated financial space. And there's a question as to, okay, how do we help them with those issues? I represent banks. And so maybe it's not a surprise that you will hear me say, when you regulate and you overregulate, you may make it harder to offer services to people that will give them shock absorbers in that space. Other people I know view that differently. One thing I think we can agree on, and this is where the SHED is extremely helpful, is at least realizing, kind of separating out what's big and what's small. So, you know, I'm going to go through what I think of as sort of like The Four Horsemen of the Apocalypse that I see in the SHED. And the thing I would note there is as I go through this, there's a question as to, one, whether banking products are the things, like if you could wave a magic wand and change anything you could change about a bank, could you still fix that issue? And then two, like what is the scope that we're dealing with, right? So, Rohit Chopra that was at the CFPB waved his magic wand, and one of his things was overdraft, and so he set prices on overdraft that would have drastically reshaped the market. But even by their best measures, it would have only saved consumers $250 a consumer that overdrafted. Right? And so like holding that $250 in mind, like one of the, I'm just going to quickly kind of run through The Four Horsemen. Right? One is housing, right? So, the SHED shows that annual housing costs for Americans were reported to be $1,200 a month. But importantly, were raising 10 percent a year. If you look at Census data, that 10 percent is rising much more fastly than incomes for white Americans, which was, at best, rising at 6 percent. And for African Americans and Hispanics and Asians, rising at 0 percent. Right? And so when you're talking about increases of 120 bucks every month over an annual cycle, again, like how does that overdraft stack up? So, it's gotten to the point where, you know, Pew says that that's what's like 30 percent or half of renting households are rent burdened. And it's kind of no surprise that people have kind of given up owning a home these days. Childcare would be the next cost. And so for people that pay for childcare, they pay for about half as much as they pay for housing. And the thing I would note is that some people pay a lot for childcare. Some people pay nothing for childcare, because they have grandparents that live nearby. But it's very weird that we have this very random element to our society that kind of by proxy of where you live and whether your parents are alive that you have this kind of huge, I wouldn't even say it's an income shock, because it's something you've got to deal with, but this huge expense that you've got to then navigate. In terms of true shocks, medical expenses. So, the SHED found that nearly 30 percent of adults skip medical care due to cost. And that includes 14 percent of people making over $100,000 a year. Right? So, this isn't just a low income issue. This is ordinary Americans. One out of five Americans had a major unexpected medical bill over the last year. And that bill had a median cost of $1,000 to $2,000. Right? So, again, let's hold that number in context of kind of the purported savings from some of the regulation that we saw. And then finally student debt, right? So, federal loans are kind of foisted upon students or handed out like candy at Halloween without any consideration of ability to pay. And it shows. All right, so one out of five consumers were delinquent or in collections on federal debt. One in four people who didn't carry, didn't complete a degree, still carry debt. Right? And they don't have the presumed income boost from finishing school to kind of justify that debt. And the thing that kind of shocked me is that from the SHED, 1 out of 20 adults hold student loans for someone else.

Right? So, you hold a loan for a child or a grandchild that you've underwritten. And, oh, by the way, that debt is not dischargeable in bankruptcy for the kid or for you. So, the thing I would note is that these are long term issues. Right? I think the banking system is really good. Like I'm a huge fan of credit cards. But credit cards are meant to be shock absorbers for short term debt. And they're really great at that. But these are long term issues where my argument is that banks can't fix that alone. Like you can't loan some way out, loan people out of these situations. Right? This is an income issue. This is a bigger issue. And so my concern is that, you know, just working with regulators to try to come to solutions towards new tools, because too often in the past, regulators have reached kind of within, and kind of this harkens back to Joanne, they look at their silo and say, okay, what can I do within my silo? And usually it kind of comes to kind of two things, right? Like usually price setting. Right? But when you price set, my argument is that that restricts access and services, right? And we saw this with debit interchange. So, when the Fed set interchange rates in 2010, we saw the availability of free checking accounts fall by 30 percent. And this isn't our data. This is Natasha Sarin, who worked in the Biden treasury. We saw monthly checking account maintenance fees rise by 50 percent. And we saw min balances rise by 20 percent. Right? And so the question is, right, like let's talk about the tools, and let's think about like how we truly unleash that financial future. And I'm really excited about the opportunity to have these conversations and to kind of work with regulators to try to collaboratively unleash that future.

ART LINDO. Thanks for that, Kelvin. Moving to Alex for your opening remarks.

ALEX JOHNSON. I'm very upset I had to follow Kelly and Kelvin. That doesn't seem fair to me. He has notes. He's got facts, figures. This is not fair. I was not told this was going to happen. No, I mean, I totally agree. I think that the thing that strikes me about financial inclusion in the U.S., building onto your point about the rate of unbanked households, we're doing really good on that number, right? That's going in a really good direction. We're making significant progress, right, over the last, what, 10, 15 years on getting that number down. It's probably never going to be at zero, unfortunately. We can continue to chip away at it. But when I look at financial inclusion in the U.S., it doesn't seem like a problem of scale. It doesn't seem like a problem of motivation. Right? A lot of times when I look around at problems in the financial services ecosystem, the thing that strikes me is, yeah, you can tell the company they should do that, but they're never going to do that, because it doesn't line up with their business model, it's not aligned with their incentives, they don't have the motivation to solve that problem. Financial inclusion is not one of those things. Right? We have a very competitive ecosystem in the U.S. between banks, credit unions, fintech companies, other non bank participants. It's incredibly competitive. There's no company I've talked to in the financial services ecosystem who says, oh, yeah, that group of customers over there who you say is profitable and would be great to work with, yeah, we don't want to work with them. Like that doesn't really happen. Everyone is in a knife fight, trying to get as many customers as they can and grow as quickly as they can. So, I don't think it's a problem of motivation. The things that occur to me when I think about financial inclusion in the U.S. are structural problems. Right? So, what are the structural barriers that exist that make serving that population, even though we know they should be using more mainstream financial services products than they are, why aren't they? How do we get to them? What is the gap in our understanding of them, our ability to evaluate them, our ability to work productively with them? There's some structural barrier there that's stopping us. What is that structural barrier? And then the other aspect, and I think it's related to the structural barriers, because everything exists in a sort of ecosystem, and they feed off of each other, is the psychological element of financial inclusion. Right? And I spend a lot of time writing about and doing research into what I kind of call financial nihilism, right, which is this growing idea, I think on the part of consumers, particularly younger consumers, that they don't have any chance to build wealth or to build strong financial health and habits, that they can't get money to turn into the things that they want. Right? And that nihilism drives a set of really negative downward spiral type effects, whether it's speculation, gambling, excessive spending, not a focus on long term outcomes, whatever you want to describe it as, all of that I think stems from this kind of nihilism. And to be frank, there are companies in this ecosystem, both banks and non banks, that profit off of and encourage financial nihilism, right? If someone is, and I think Joanne mentioned this before, if somebody is included in the system, but that inclusion has this sort of dark nihilistic feel to it, that's not what we mean, I don't think, when we are getting together and talking about how we advance financial inclusion. So, I'm very focused on the structural components that go into preventing more in inclusion, or preventing people from climbing up that ladder. And the psychological impacts on consumers of not being able to climb up that ladder and make the progress that they want to make. And I'm sure we'll get into a lot more of that.

ART LINDO. Okay, thank you all for your opening remarks. I want to jump right into this comparison of our current financial ecosystem, the landscape, so to speak, and these longer term solutions. So, each one of you have posed a, giving comments or posed a question. Like where we are today as opposed to where we need to be. Some of it has been structural, some of it is actually other data that we have, some of it is actually the utilization of alternate approaches. So, from your prospectives, what are the things we need to get to those longer term solutions that can be done through financial institutions? So, I'm going to open it up for each one of you to comment on that. You've all had a slightly different perspective. So, I'm going to start in a weird order here. I'm going to start with Kelvin, and then I have Kelly, and then I'm going to hit Alex. Well, I'm going to do this a little different. I'm going to start with Kelvin. Alex is not feeling a whole lot of love, so I'm going to get him second.

ALEX JOHNSON. Yeah, don't make me go last again. That wasn't fair.

ART LINDO. We'll mix that up. Kelly? Okay. It's okay with you. Yeah. We're going to do that. Kelvin, why don't you start us off, then we'll go down?

KELVIN CHEN. All right, so, you know, when we did the prep on this, Art added a prepositional phrase, being what are the solutions that could be done within financial institutions, which that's not fair, because I think We can open it up. We can open it up. Because the argument here, right, is that it's the tools are really, they're very, and I think that's the issue, right, is just trying to kind of focus on right sizing the tool for the right problem. You know, and I like the title of the conference today, Unleashing a Financially Inclusive Future. I think part of this is like how can you help unleash like businesses and markets so they can help address these issues? And it's not quite saying like, hey, like let us cook. But it's almost like saying, well, let us at least compete to address these issues. Because when it comes to a lot of these shock absorbers that we need to offer consumers, you know, I think it's really important that we allow businesses, in a safe and sound and consumer protective manner, to be able to be there, to be the shocks for folks, but to recognize that we are going to need a different set of tools for those longer term solutions. And for those, I'd argue that those are kind of outside of the financial system. And so, you know, I would point to, and Jamie Dimon in a shareholder letter 2023, closed it in kind of a really interesting way, because he, so as I'm putting out reading lists for people on the internet, like to read the SHED first, but then go read Jamie Dimon shareholder letter. It's this, you know, typically it's a wonderful kind of one stop shop as to the world of financial services and what's going on. But in 2023, he closed with two recommendations that were right, like they were outside of the financial system. Right? In one, he said, gosh, we've got to start grading schools, high schools, and colleges, by how well their students do and how they earn, including students that don't graduate. We've got to hold them accountable for that. That's a pretty remarkable change, right? Because when you think about like how we've done federal student loans, we just kind of give you this student loan. You can borrow up to a maximum amount. And so, of course, the colleges and trade schools will raise their tuition, so they'll take as much money as they can without much accountability for kind of how you fare afterwards, or even if you, if you finish. But the other thing that Dimon recommended is he said, hey, we should increase the earned income, the earned income tax credit and untether it to whether you have kids or not, right, and convert it so it pays out monthly. So, it's like basically a monthly setoff for other, basically a negative tax. And, you know, that I think is kind of remarkable, because there you're talking about addressing poverty by giving money to people that need money. And I think that that's, it's a cleaner solution. And importantly, one of the things that we saw during the pandemic, there's this, here I'm spitting out reading lists, there's another group, Scott Fulford, an economist at the CFPB, wrote a book called The Pandemic Paradox. And so Scott runs this really interesting survey that's almost as good as the SHED that's called the Making Ends Meet survey, where they take anecdotal data from, survey data from consumers, but also they have data access to their finances, and their credit reports, and they actually look to see how they do. And what Scott found is surprisingly the pandemic actually resulted in, not resulted in, but low income consumers came out of the pandemic better off than they did going into it. And it's because a lot of the stimulus programs put money in their pockets. And also like consumption went down. But particularly when you've got lower income consumers that have very low savings, it doesn't take a lot to give them that buffer zone where they can start kind of participating in ways that Alex mentioned, having that kind of ability to engage, to participate, that motivation, that comfort level, the safety that Joanne mentioned. And so, you know, again, I'm sorry to kind of do the classic I'm going to answer the question I want to answer, but I think the answers lie outside of financial regulation. And I think that's sort of the tricky part of the answer.

ART LINDO. Well, you've covered both, by the way. You did repeatedly mention Jamie Dimon several times. So, I don't know if you noticed that. They are a member. They are a member. Okay, that's financial institution. Alex, what are your thoughts?

ALEX JOHNSON. So, you opened the door on Chase so I'm going to come back to that later. But before we get there, I mean, I think to answer the question that this is an analogy. You can modify it. I apologize, because I'm just going to go off script for a tiny bit, but when Warren Buffett was describing Disney's business model, the thing he really liked about Disney's business model was you'd make a movie like Snow White, and every 7 year old in the country would see it. And then next year, a whole new generation of people would turn seven and they would see it. And he described it as an oil well that continually fills back up with oil. Right? So, it's this sort of ongoing thing. I find it really fascinating in financial services how little time we spend talking about on ramps, right? Because the reality is if you think about what's the group of consumers that are always outside the financial services system and are coming into the financial services system every single year is people turning 18, right? It's people going to college, it's people graduating from college. Like there are these life stages where you are getting introduced to financial services products for the first time. And maybe you had the benefit of parents or others in your life who sort of gave you a little bit of an education on that. I certainly did. Maybe you didn't. But the reality is the products you interact with first really shape how you think about the ecosystem, your behaviors, and just like your attitudes about financial services, your psychology for financial services. And so when I think about different areas, right, I think about investing. Is investing supposed to be fun or boring? Well, depending on when you turn 18, you'll get a very different answer to that question, right? Fidelity's answer is it should be boring. Robin Hood's answer is it should be really freaking fun. Those are two different things. And the long term effects of those on ramps being provided by different companies with different incentives are going to shape an entire generation of people and how they think about these things, right? I was noticing that we just launched as part of The Big, Beautiful Bill, investment accounts for babies, right? Fantastic. I love this. This is amazing. However, I got a little scared when I saw that Robin Hood had already built a pilot for that, because now the thousand dollars that these babies are getting is going to go into a Robin Hood account. And when they're 18, they're going to get introduced to meme stocks. Wow, look how fun this is. So, like there are problems with that. If you think about homeownership, right, you mentioned that as like a critical lever in American society and in our economy. I've got to tell you, there's really not great on ramps out there for what do I have to do to own a home, right? Saving up for a down payment, especially given the cost of housing, that's going to take a long time. Now, it doesn't mean it's impossible. People shouldn't be nihilistic about it. But you should be realistic about it. I don't know of that many apps or products out there that aren't a mortgage and aren't a mortgage broker. It's the thing that you need five years before you talk to a mortgage broker. I don't know where that product is, riot? The third example that occurs to me is you mentioned your love of credit cards. I think BNPL is fascinating, right? And I have a love/hate relationship with BNPL. I've written about it as therapy for myself multiple times in the newsletter. But the thing I always come back to with BNPL is 18 year olds are using this product and it’s their first exposure to credit, payments, e commerce, like it is educating them on the way in which credit and filling these short term liquidity gaps, how that works. What are the incentives of BNPL providers? What are the structural incentives created by that Pay-in-Four product structure? Again, it's too early to say. But I think we don't spend nearly enough time thinking about the effect that on ramps will have on the long term trajectory of all of these new generations of consumers who are entering the market.

ART LINDO. Wow. I want to come back to the accounts for babies. I'm going to possibly talk a little bit about myself during that period of time. But the idea of what you just pulled together, like when we do that, I do want to come back to that. We start much later than other societies, and/or we don't explain that as a condition to being an adult. Yep. But I don't want to steal the thunder, because I know you're going to bring it, Kelly. So, let's go ahead and see what you've got to say.

KELLY COCHRAN. I mean, obviously given our focus, data and technology is the first place my brain goes. But I actually want to talk about something different, which is trust. And I think it relates to some of the things that Alex is saying. But I think I have a little bit of a different take on it than you do. Yep, please, yep. I agree there is, and I think the kind of, the generations of people who are aging into the financial system right now are potentially quite different than 10, 15, 25 years ago, and have a different experience. And so I totally think what you're saying is an interesting question. But I do think particularly when it comes to low to moderate income households and families and smaller businesses, there is also a question of does the system really work for them? Is it designed for them? And if not, how does that perpetuate and cause disconnects that are much broader? And I think a great example of this was the PPP program during the pandemic. Like, you know, we saw who got the first set of loans and who didn't. And it was small businesses that didn't have super strong relationships with, you know, depository institutions. And we spent a lot of time over the next 18 months trying to figure out ways to get beyond that problem. And so I think data and technology are probably the biggest single lever we have. But they do not solve everything. And if we aren't thinking about the relationships, the trust, the tailoring, you're right, there is a lot of competition in some areas. But, you know, I think to low to moderate income families have particular needs. And, you know, some of the things that we're seeing designed are really not meeting their needs. And if we're going to do a good job of it, we need to think about not just what financial kind of banking system data are we thinking about, but how are we thinking about government benefits data, workforce benefits data, all of those other questions, because the information is growing, the infrastructure is growing, but if we're not using it effectively to meet the needs of different groups of people, then we're still going to have pockets where we are really not maximizing opportunity for households for small businesses and for the broader economy, and frankly for financial services providers too. So, I think there's some things that while there is a lot of competition in some ways, I think there's some things that are getting overlooked, and they're really important to think through here.

ART LINDO. So, each of you, I'm sorry, Kelvin.

KELVIN CHEN. Actually, can I just jump in on another answer? You know, Alex's point about on ramps, I think it's, and buy now pay later, is just a really good framing, I think, to kind of, as we think about the inclusion issue. So, I go into these financial inclusion conversations, and I was in one a couple months ago, where we were kind of supposed to go around and talk about the thing you're most excited about. And so, you know, someone said AI, someone said nanotechnology, somebody, get it straight, 1995.

ALEX JOHNSON. What conference were you at?

KELVIN CHEN. And I pounded the table and I said I'm just so excited about credit cards. And people were like, okay, that's the banking shill. But when we talk about financial inclusion, right, and we talk about credit invisibility, right, I just want to talk a little bit about what credit cards have done. Right? And this isn't, this isn't, I'm making a point here, this isn't just me shilling for credit cards. You know, we went from what was likely a kind of 10 percent credit invisibility number down to a 3 percent credit invisibility number. And one of the things that the CFPB did in 2017 is they said, okay, how do people become credit visible, right? So, like, what are the tools there? How can we replicate that? What worked? And so Kevin Burvort [phonetic] and that crack team looked at the tools that brought people kind of visible on the credit roles, and they found three things. Credit cards, by far, were the primary way that people became credit invisible, visible, and started building credit histories. The other, kind of the second and third things were student loans, which from my earlier comments, you can kind of guess how I feel about that. And then third, collection on non financial debt, right? So, collection on like your cell phone and things like that, which I think we could all agree isn't the best way to become credit visible. The other thing I would note is that the CFPB Card Act Report. I ask my 14 year old to watch, and so she's got like a five item reading list now. So, the CFPB Card Act Report, the most recent one showed that like not only were credit cards able to kind of bring people in by underwriting more deeply into subprime over the last, you know, decade or so, but they were able to do so in a way that made people better off than they were before, right? So, if you look at now versus even kind of pre pandemic, more consumers are paying total balances on their credit cards each month, and so you've got more people that are transactors. And of the people that are revolving, that are carrying balances each month, more of them are paying, they are paying higher rates on their monthly bills than they have before, in large part because the private sector has increased the minimum annual payment requirements kind of voluntarily having people pay more under the balances. So, whether you believe me or not my argument is that credit cards are like at least a tool for getting people in these on ramps. The thing I would note is we have buy now, pay later. And buy now, pay later, I think everyone that follows the space knows that they start with the young ones, right? They kind of make a killing with like mall kids that are, and this is in many cases their first exposure. And that's because credit card companies can't market to these kids. Right? So, my boss right now is testifying on the Hill about the 15 year anniversary of Dodd Frank, one of the first kind of financial regulatory reform packages that went through before Dodd Frank was the Card Act. And the Card Act was this big reform of the credit card market that said, among other things, we're going to make it really, really hard for someone under the age of 21 to get a credit card. You basically have to kind of have a job, or have your parent sign on for you, and so it's prohibitively difficult for a kid to get a credit card, which is now why BNPL, whether you like it or not, right, we have kind of this morality story as to whether BNPL is the right on ramp or not. But it's because we've kind of kept credit cards from reaching that population that you have this new thing that may be good or bad. Right? And so this kind of goes back to this, you know, notion I said before. It's not quite like let us cook. But at least when we think about regulation, like let us compete in this space to serve consumers.

ART LINDO. I know both Kelly and Alex want to get in on that. That's a good intro to alt data. But when he was going down the credit card path, I know you need that [inaudible]. Right? Credit visible by getting your credit card, or there's an alt data, Alex? Sure, there's lots. Do you want to go first?

ALEX JOHNSON. Well, so I will just say, because it drives me crazy, BNPL companies don't furnish data to the credit bureaus, so that is not playing nicely with the rest of the ecosystem. That is not treating your product as an on ramp for younger consumers. It's not growing the consumer. It's not. It's really, it's trying to trap them in that BNPL ecosystem and never let them out, right? So, I think that is an indication of, and this kind of goes back to your point about where do you apply regulation in a thoughtful way, I would be very much in favor of regulation that required furnishing under certain circumstances, right? Right now, there is no mechanism to force companies to furnish data. And we're seeing that if you're a company that was founded in the age of the internet, you understand how valuable your data is, and you don't just want to give it away to your competitors for free, right? And so there are I think updates from a regulatory perspective that are important. The other point, though, to your point about like wanting to compete, is I actually do think we've seen a positive impact from BNPL on credit card as well, because one of the other things that's come out of the CFPB's research on the credit card market is the surprising adoption of the installment lending feature that's being added to a lot of credit cards. And that is entirely a function of the credit card issuers being scared enough of BNPL to pivot their product in a way. And I think they just kind of added it on just to say, look, we're paying attention to BNPL, we know it's coming. Turns out consumers really like the ability, to your point, to mostly be a transactor, to not revolve. And when they have a big purchase, to finance that purchase and to know what the costs are. And so I think credit cards have actually gotten better as a product because of that competition.

ART LINDO. I'm just excited to hear your comment on that. So, have [inaudible] you enough on the alt data and credit card usage?

KELLY COCHRAN. Sure. Well, I mean, I think alt data is a really broad topic that bridges across multiple things that we've talked about, so I'm not sure I'm going to frame it solely in terms of credit cards. You know, what we have been focusing on in particular is the use of electronic bank account data. But we've also done some, some work in looking at rent, utility, telecom data, which it can overlap, you can get it from the bank account information, but there are other ways that you can have it furnished directly. Buy now, pay later data is obviously a potential source of information, both about credit repayment, but also debt load, right? And I think that's the other reason why we are starting to see credit scoring systems build it into their models as best they can with the data they have. But the bigger problem is there's not much data there yet. And that raises two sets of questions I think for lenders, you know, potentially. So, you know, this is one of those places where I think the existing system, you know, just has a lot of gaps. And we see people fall into those gaps. We know that cash flow data is something that people have used for generations, for a long time, kind of predating credit scores, as part of their underwriting practice. But people, in many markets, particularly credit cards, have gotten so focused on quick underwriting quick access to data that they've kind of narrowed their focus to particular sources, and maybe aren't looking more broadly. A lot of our research is focusing on the potential advantages of doing that. And, for instance, in the most recent report that we did, we did build some credit, some cash flow only data models. They were pretty predictive. They're not as strong as cash flow plus credit bureau data when both are available. But they are a way to start underwriting people potentially. And, you know, particularly in small business as well, people have used cash flow data forever. This isn't really alternative in any sort of normal sense. What's alternative is how you're accessing the information. Is it coming from spreadsheets that the borrower is providing to you, or is it something you're pulling kind of automatically from the bank? And is it in electronic form where you can do a much more sophisticated form of analysis with it, potentially than kind of the traditional sources? So, I think both in terms of the spectrum of information that's available about the borrower, and the speed at which you can access that information, digest that information, both of those things have really important implications for inclusion. Turn back to small business just for a second. Like I said, people have been using cash flow data forever. But if it takes you weeks or months to collect all the information from the borrower before you can decide whether you're going to make them a loan, that has an incredible impact on small businesses and whether they get the, you know, the funds they need to manage cash flows and everything else. And so there's, I think their inclusion plays both in getting data that is more accurate and tells you information, fills in those gaps, allows you to have a more holistic picture of the applicant, and also being able to do it in a way that's less burdensome, both on the applicant and on the provider, so that, you know, we can get assistance to, especially in kind of the short term, you know, kind of bridging cash flow sense, to those kinds of loans more quickly when it makes sense to grant them.

ART LINDO. Before you move away from that, though, you alluded to, a little while ago, about not using the system effectively. I wanted to pursue that. You mentioned gaps.

KELLY COCHRAN. Sure.

ART LINDO. And then you were putting that together. So, tell us a little bit about the things that you think we are not doing to utilize that system effectively.

KELLY COCHRAN. Well, I mean, the traditional system of credit bureau data has grown up over time. And it is a powerful tool when the information is available. But it does have some gaps. Like we've talked about, some people aren't in the system. We know that the number of consumers who are completely invisible to the big credit bureaus has actually been dropping. The CFPB just released a report pretty recently that shows that that's dropped fairly substantially over the last 10 to 15 years. At the same time, the number of consumers who are still probably struggling to access kind of mainstream credit, because they either have thin files, so they might be scorable, but it's less confidence around that scoring, or because they have damaged credit records, is still probably north of 50 percent of the population. So, we've still got a big population. And consumers are going to struggle to access credit when they maybe most need it at affordable prices that can kind of really help their long term financials health. The other question is kind of tailoring for the particular lender. And, you know, do, lots of people are relying on kind of traditional mainstream third party scores. But machine learning, there are other ways to potentially develop, you know, systems that are more tailored to the individual lender, and more tailored to the individual population. And then the last thing we know is that the traditional data is really focused on past use of credit, and to some extent, collections activity. So, if a consumer is not paying a bill and it goes into collections, it may show up. But traditional just bread and butter, month after month rent payment, utility payments, telecom payments are not usually captured, so we're not even capturing the full spectrum of the consumer's recurring obligations, let alone other aspects of their income, their reserves, and those kinds of questions. And those are some of the reasons that people are really interested in cash flow data. It can also show you things like buy now, pay later payments, which are hard to get at through the credit bureau system right now. So, there's a range of other things that we could be using here to get a broader perspective on the consumer's finances, on small business' finances. And then, you know, underwrite with more nuance. Like I said, to both identify the creditworthy folks who are slipping through the system right now, because the lender isn't confident enough to underwrite them, or even to market to them, as well as making sure that we're doing a better job of identifying applicants who might actually really struggle with the credit, and maybe this isn't the appropriate product or the appropriate time for them.

ART LINDO. Okay, Alex, you intrigued me when you mentioned that psychological component. We don't get enough data on it, so I'm not sure how we would go about it. But you seem to have got some thoughts there on how we could be measuring that, and how we could pair not just those who are currently in the financial ecosystem, but those who are coming in. And a little bit on the psychological component there. I said from a child I was intrigued by this, but now I'm not a child. So, I need you to write that out for me a little bit more. What are we missing on that part long term we need to fix?

ALEX JOHNSON. Yeah, I mean, the challenge is we only tend to ask consumers the questions that we selfishly want to know the answer to. And we don't ask them the questions that they want to answer I think sometimes. And so like to give you an example, a while ago I fielded a consumer survey. I think we had about 1,200, 1,500 responses, so it was statistically significant enough to give us some directional feedback. And the instruction I had for the company that created the survey was you're not allowed to ask about any bank products. You don't get to ask about bank products. Ask them about money, but don't ask them about bank products. And so they had to come up with all these other ideas for questions, right? And so we asked them, what is preventing you from developing a strong relationship between money and your personal happiness? What causes the most stress or anxiety for you as it relates to money? What's something about money that you don't understand? So, we asked them all these kind of open ended questions, right? So, again, not as quantitative. More qualitative. We did interviews, we did surveys. And what we found was that consumers have an entire hidden universe of what I would call financial adjacent problems that don't fit neatly into the boxes that we've built, right? And if bank, and to be candid, fintech companies, have a weakness, it's that we all tend to sort of like to innovate within the boxes that we understand, right? And regulation tends to solidify the edges of those boxes, right? You are only allowed to offer a credit product if it fits into these three categories. We don't understand anything else. We see this with earned wage access. We see this with BNPL. These things that don't fit into categories, we tend to whack them with a hammer until they fit into a category. But consumers don't think about financial services or money that way. They think about it in terms of the impact it has on their lives, right? So, when we asked them, what is standing in the way of a better relationship between money and happiness, some of the things that they talked about, one was when I compare myself to other people, I feel like I'm behind, right? So, what is that really getting at? It's getting at the fact that today, unlike previous generations, we all have devices in our pockets that allow us to instantly compare our lives that we understand every aspect of to the very best aspects of other people's lives who we may know or not know that they're broadcasting to us continuously. What is the psychological effect of that in terms of how you make spending decisions, saving decisions, investment decisions? I haven't seen good research on that, but that's a question I would like to know the answer to, because I do know that consumers say it makes them miserable, right? Another one that came up that I thought was just fascinating was I want to figure out how to use debt more productively. I thought that was really interesting, because what they were getting at was this idea that they know there's certain types of debt that they can use to advance their financial goals. And then there are other types of debt that are like toxic traps that they don't want to fall into. But the problem is absent direct experience or significant knowledge, they have no ability to discern those two different types of debt, right? Debt all looks the same. If you listen to

Dave Ramsey, all debt is evil. They didn't really think that, but they knew that they needed a better way to parse out how to use debt productively. I was thinking about it when I saw the reaction to that in those survey results. Is there any product or tool in the financial services ecosystem that explains to consumers when and how to use different types of debt in an optimal fashion? Not really. Right? Because the problem is, whether you're a credit card issuer or a BNPL provider or an installment lender or an auto lender, you are saying, well, my debt product is the one that you need. That's the one that's going to solve all your problems. Overdraft fees work, I'm sorry, overdraft protection works great in some circumstances, right? When it's used intentionally, it's amazing. When it's used unintentionally, it's horrifically bad. And so the question is, how do you guide consumers to use the right products, and how do you guide the market to develop new products that sit outside these categories that address some of these lingering kind of psychological challenges? Because I think there's a whole universe of those problems that exist that we're kind of blind to because we tend to think just in terms of the products we have.

KELVIN CHEN. Can I throw something out there that's kind of off, off my notes, but kind of riffing off of Alex? Related to the psychological element?

ART LINDO. Yes, sir. Go ahead and try.

KELVIN CHEN. You know, only because we have like captive here a bunch of Ph.D. economists and analysts that write on interesting things, one of the things that we've been struggling with over at the Consumer Bankers Association is trying to understand how consumers learn about financial health and financial habits and financial products via social media places, like Reddit and TikTok. So, one, I'm an avid fan of like the subreddit, the debt subreddit as well as the credit card subreddit, because it always kind of helps keep me focused on like what, at least ordinary redditers are dealing with in their daily lives, you know, whether that's a good sample size is the general population. But we ran a TikTok and Instagram campaign last year. Part of this was because the administration at the time was saying that the credit card industry wasn't competitive, and consumers didn't understand their choices, but they were foisting kind of regulations, like price caps and setting prices on the notion that people didn't compete. And we were like, golly, people compete, right? Like there's 4,000 banks that are out there competing for your business. There were 53 billion dollars in balance transfers just in the credit card market alone, where most of which were, 95 percent of which were for 0 percent APRs with fees of like 1.3 percent. But why do people not know this? How are they talking about this? And so we partnered with about a half dozen influencers on TikTok and Instagram and had them kind of run advertisements to see like what would work. And so we had this young woman that would, I never learned this format, there's a get ready with me thing where she's like putting on makeup and like talking about credit cards. I love this, you like learning social media. It's fantastic. Oh, my gosh, and this is, again, like I keep shouting out my 14 year old, like hopefully, she's probably too gone at this point if she was ever on, but like she was like kind of like my spirit guide through this. But then we, it was also a good lesson in sort of branding, because like where we kind of settled in is like there's this one fellow, Bo, who is a wonderful guy, and he's a dad / granddad that gives kind of life advice. And I was like, oh, that's kind of our branding, right, the guy in pleated pants like on the farm, trying to give life advice. But the thing I would note is that he did this one video on balance transfers where he's like literally making seasoned bacon while he pours orange juice from a like, you know, 28 percent, 30 percent pitcher into a 0 percent pitcher, and then tops it off with a little bit more orange juice, because you had to pay the fees for the 1.3. Reading the comments on that was remarkable, because, I mean, you had like, I'm going to butcher the numbers, but like thousands of comments. And he already has like a pre existing and very active subscriber base. But people that were saying like I always thought balance transfers were a scam, but now I get it and I can see how this could be helpful, right? And then other people that were talking very candidly about their experiences with debt, and then respond, I mean, you would have like message thread, because you had the ability to reply reply, so you can kind of nest it in, that were like messages that were like 20 messages deep, as well as like plus all the emojis that go on top, where people seemed really earnest and eager to learn. The downside to that is that, I mean, we wanted to write a white paper based on what we found, just like a qualitative white paper, but you can't scrape the comments of IP and AI stuff, although you might be able to, Fed. So, I would just note, I mean, it's fascinating because like there seems to be something there. Because, you know, we spend, banks spend, you know, zillions of dollars trying to market to consumers, literally giving them 0 percent benefit, 0 percent APRs, but it takes this dude in pleated pants making bacon to like have that switch go on. And I just, I don't know what the there there is, but there's something there.

ART LINDO. Go ahead, Kelly.

KELLY COCHRAN. So, I think this is one of the areas where as we look ahead to artificial intelligence, there are some really interesting questions ahead about how this potentially can be used. And does it promote trust or does it undermine trust? Yeah. You know, we've talked a little bit about Large Language Models and Agentic AI and ways that they can potentially provide a greater assistance. I think it's not all about the, you know, the automatic systems. We've been talking about trust. I think it's also human relationships and how you marry the best of the humans with the best of the technology. But there's really interesting research about how consumers are interacting, for instance, with chat bots. And when they have different preferences in different situations. So, there's some really interesting research that says, sometimes people are really terrified of the technology, they don't want to have anything to do with it, they don't trust it at all. There are other times where they may be more willing to share personal or embarrassing information with a chat bot than they would be with a human, because they're not worried about being judged. And I think that has really interesting implications for things like financial management. And how do we do the best of both? You think about a really good Large Language Model that is reliable enough for this purpose, which is a big asterisk. But, you know, it's available 24/7. It can help as many people as log on at any given time. You know, there are ways in which it could be an important tool, maybe in combination with human advice and other things, but like there are ways where it could be tremendously powerful. And if you look at Agentic AI where it can help consumers, not just in getting the answers or monitoring the information, and figuring out when they need to make a decision, but also help with the nitty gritty follow up of I've got to go through the account opening process, or do whatever, transfer the money, and those kinds of questions. Both of these systems, we have to really learn how to manage them the right way to make sure that they're fit for purpose, that we've got the questions answered about how they serve consumers' interests best, but there is tremendous potential to help with some of these questions I think if we can get to that place and manage it the right way.

ALEX JOHNSON. Can I build off one point you just made there?

ART LINDO. Yeah, of course.

ALEX JOHNSON. Which I think is really interesting with Agentic AI in particular, which is a lot of times the financial services ecosystem gets compared to the healthcare space, right, because they're very similar, it's all about long term outcomes. We're looking for health. We're looking to try to be as inclusive into the system as we possibly can be. One of the differences, though, is, for the most part, at least at the moment, in personal health, you have to go to the gym, right? You have to go lift heavy weights. You have to run. You have to do something. Right? And one of the things I'm really fascinated by, like AI agents can't make me fit. Like that's just like great, it can tell me what to do, but I still have to get out. Not yet. And go to the gym. I know. We're working on it. Financial services, by contrast, though, really similar to the healthcare space, but the difference is agents can go to the gym on my behalf and lift weights. That is fascinating to me, because on the one hand, I think there is a tremendous amount of stuff that we make consumers wade through that inhibits their access to certain products, their use of certain products, and it's literally just like a paperwork challenge. It's like I remember when rates went down during the pandemic, I dragged my wife to the title office three times to refinance our mortgage three times. And the third time she said, I will divorce you if you make me do this again. So, like that's why we didn't do it a fourth time. My rate could have been even lower. It would have been nice if we would have had an AI agent that could have just done all of that for us. But I think the flip side, and this is the thing I'm really curious about, is there is a benefit to the discipline you have to develop in terms of behavior and habits, right? This is what we measure with credit scores. This is what new cash flow scores are looking at. It's looking at behavior. And I am very curious to see where the line ends up being between agents, AI systems, automated systems, doing things on consumers' behalf, versus giving them the ability to do things, but still requiring them to put in effort to demonstrate whether it's creditworthiness or how profitable a customer they'll be for a bank. There is an element of personal behavior there that I am very curious to see how that changes in the age of AI.

KELVIN CHEN. I mean, there's also a consumer protection risk, I just want to flag, and like regulatory, regulatory issue for the lawyers in the room to sort through, particularly the ones in DCCA, right, because like when EFTA was passed in 1978, they said, hey, for fraudulent transactions, consumers will always be protected, and so you could, the Fed wrote guidance saying you could put your pin number on your debit card and still be protected up to 50 bucks if you lose your debit card. However, for authorized transactions, because it's on the bank for unauthorized, because the bank can verify whether that's you or me, so the bank should be on the hook, but for authorized transactions, it shouldn't be on the bank, because once you've authorized it, they shouldn't have to look into the relationship to figure things out. And so for authorized transactions, you're on the hook. And so that worked really well for 50 years, but then we ran into scam transactions where people were authorizing transactions and I was sending money to Alex in ways that they didn't envision in 1978. And now I'm saying, oh, I meant to send it to Alex, but Alex told me he loved me, or Alex told me he was giving me puppies, or Alex

ALEX JOHNSON. All of these are scams I did try.

KELVIN CHEN. That's right. And so now we have like huge rates of consumers not only getting like harm to life savings amounts in those totals, but even like suicide numbers going up because of these issues here. And because they thought they were protected, right? Because we trained them so effectively before we had technological change that, you know, we conditioned, like Reg E works so well that consumers don't know it, but they change their behavior because of it from a policy perspective, until the world changed, and then they started running aground in this new harm that we didn't anticipate collectively and protect them on. I would note from the agentic perspective, this whole notion of doing things for consumers that they might not be aware of, or that we might not be, they might not be kind of thinking about, is another one of those harms. Like I think it's definition 2M or M2, I get the two confused in Reg E, for unauthorized transactions, says, hey, if you authorize someone, to make a payment on your behalf, and they exceed their authority, you, the consumer, are on the hook. Right? And so if I were to say, hey, Alex, here's my credit card, go buy me a sandwich, and Alex is like, dude, like why are you asking me to buy me sandwiches, Kelvin, and so he buys a Tesla and drives home, the financial institution is no longer on the hook. They're going to say, hey, you've got to go chase Alex down. And so when we have an AI agent that's meant to do all these things, to go to the gym on your behalf on your behalf without you knowing, to do transactions without you knowing, there's a question as to whether or not you've run into a situation where you've got an agent that exceeds their authority, and who should be on the hook for that. It's an issue that we're actually trying to track down on our side. But we're going to need regulatory help and participation on. And so I would just note, like that's a great example of, as we think about the future and unleashing the future, the kinds of issues that we're going to have to collectively work on to make sure that consumers don't get harmed on the way.

ART LINDO. One, we're going to get to a couple other topics here, more near term. The longer term, maybe, I'll let you interject, Kelly, but I want you all to think about your last question in the longer term, we're going to go shorter term. Last question might be, what are the one, what are the two, the three things that you think we absolutely need to start doing now to get to a better outcome in the longer term? In longer term, let's just say five years. That's close enough, right? But Kelly, you wanted to interject something, and then we'll come back.

KELLY COCHRAN. Yeah, I was just going to say, I totally agree with those issues that you guys both raised on agentic AI. And I think there's really tremendous questions here about how we make sure that these kinds of systems are able to define and execute against consumers' best interest. And how do we manage consent and understanding? And I think that's challenging, because, you know, consumer disclosure and consent has been, you know, a mainstay of everything, financial services, and otherwise. And in some ways, it's getting less effective as it goes along. And yet it becomes even more important in a case where you are talking about a system that can really take multiple steps on the consumer's behalf, as opposed to being more narrow. But there is also tremendous opportunity, if we look at past generations of personal financial management tools, a lot of what they're trying to do is motivate the consumer to get to the gym, right, gamification. And those tools have never really worked, right? And it's hard. It is. It's really hard. So, you know, and there's ways in which these kinds of systems can be used internally by financial services providers to do things like AML compliance that are tremendously exciting, could be a huge efficiency and effectiveness game, reduce false positives, you know, make the system more agile in the face of the attacks that, you know, Joanne was talking about. So, I think there's a tremendous amount there. And we have a symposium coming up in the fall where we're talking about AI issues. And I think they're just expanding so much that we are seeing so many different kinds of use cases, and really needing to, you know, there are lots of banks that are still trying to get their arms around supervised machine learning and Large Language Models. But the system keeps moving. The next wave is already approaching. And, you know, we've got payments providers and e commerce sites that are going down in some of these steps, you know, that are going to raise some of the questions that you were talking about as well. So, I think that actually kind of leads into my answer, which is acceleration. Like we've really got to engage and think not just about risk managing in the moment, but what are our tools? Because the system is going to keep going, and it's going to keep expanding and accelerating even further. And I think we have to balance between how do we do risk management upfront? How do we do risk management along the way? And, you know, we've got more complex systems. There may be times where we can't always understand the way the system works in the same way that we understood the prior generation. And we have to grapple with what that means. And what are our tools over the entire spectrum of time? Not just before deployment, but, you know, monitoring actively, if we're talking about this kind of agentic system, ongoing monitoring is going to be absolutely critical to this. So, you know, I think that's the place where I start is really thinking through, and how do we help the whole ecosystem along, to come back to the thing that we were talking about at the beginning, I think those two things are the most critical. The third thing I would say is data infrastructure. A lot of the tools that we are talking about here depend on how well we can use the data, how we fill the gaps, how we, you know, make sure that we're balancing privacy and security and all of those considerations. And it, you know, as I said, it's not even just about traditional financial services data, it's potentially about things like government benefits and workforce benefits too. And we want the whole picture of consumers' financial lives, and really to maximize financial health, we're going to have to think broadly about those questions. And I think there's a lot to do in that space as we have different institutions with different data in house wanting to access data from other sources. And how do we manage all of those questions and all of those intermediaries? You know, we have some legacy laws that are in place for decades. But they don't have, not necessarily been interpreted as applying to kind of all sorts of new intermediaries and new situations. And I think we really are going to have to take a hard look at some of those questions.

ART LINDO. Okay. Alex, you want to go next?

ALEX JOHNSON. Sure. Top three things that you think we should do differently, and/or need to address. Three things? I'll give you up to three. Okay, I don't know if I have three. I definitely have two. One really quickly is it would be nice if bank didn't charge excessive fees for access to their data. So, that would be a good one to not have. Because I do actually think that we have a certain infrastructure that has developed in the U.S., both somewhat intentionally and somewhat unintentionally, that allows for innovation and facilitates innovation and facilitates more competition. And I think that competition is actually very beneficial for inclusion and better outcomes for consumers. And I think we need to be very, very thoughtful about how we regulate that innovation infrastructure so that it's viable, it's accessible, it maintains safety and soundness. It's a really hard balance to strike. I'm being a little glib about it. It is really, really hard. But I think that's incredibly important. And then the second one, to be a little bit more specific, is digital identity. And I think one of the things that I am thinking about a lot as it relates to inclusion is you take financial services online in a sort of Version 1.0 fashion. And it's not that bad that we don't have digital identity. And then you go from desktop to mobile. And actually we did a little bit better, because now we can take, you know, videos of ourselves, and we can take a picture of our driver's license, and that's kind of a good solve. But the further and further we go into digitizing financial services; Version 3, Version 4, Version 5, there's stablecoins, there's agentic commerce. The further we go, the more glaring it is that identity is not following along with the rest of that infrastructure. And I think identity is both a sort of obvious problem for inclusion. If you don't have a form of identity, you can't participate in our financial system. If you lose your driver's license or lose your passport or lose your birth certificate, it's actually really hard to replace. So, the infrastructure for people to just get access is one. But also just the friction and the sort of sand that it rubs in the gears of our financial services system when we have to ask for another form of ID, or you have to come into the branch to prove your identity, all of that just grinds things down. And you mentioned before about like, you know, people not going to the doctor when necessarily they should. There's an equivalent of that in financial services when we make these things too hard. And I think that identity is a key component of that. And so we need to advance the ball on that. And the sooner we do, I think the better off we'll be.

KELVIN CHEN. You know, and Alex wrote something that kind of blew my mind on identity too. Like I think you wrote this like last month. Where we're also moving in a world in like we have to think about digital identity with respect to the AI Agentic bots that we're putting out there. And, you know, we have an IT infrastructure, you know, because I don't know if SORP is still called SORP, but the operational resilience people will have to think about is that we've been, for decades, building systems that were meant to zap bots, right? You were meant to identify bots that were trying to access your systems and prevent them from doing so. Now, how do we like say, oh, that's actually, that's a good bot? That's like that's my friend bot, right? Like please let that friend in, but not those five bots. Like I just, I don't know how to think about that. So, Art, you know, to your question, like what should we be doing in the short term? I would say, actually, not quite to slow down, but I think that there's a temptation, particularly amongst regulators, because you have these kind of short windows to go in and like kick a lot of tails, right, and like make a lot of change. But I think the key is take a second and like look first at the silos that you're operating in, and think about how the changes, you know, I'm not trying to say don't do stuff. You should do stuff. Like aggressively look at the silos. Aggressively look outside the silos. Aggressively think about how you would collaborate outside the silos. And aggressively think about how the consumers experience the market. Because I think if when you go in well intentioned and just kick the mess out of just one thing in one corner of it, it often has unintended consequences. Like I'm surprised actually Alex in prep we talked about having like a Durbin fight, right, about like the financial inclusion [inaudible] financial inclusion fight without talking about Chime. So, I will not take the bait on 1033, but I will talk about, I'll open the door to get beat up on Durbin. But what I would note, right, is that here we are 15 years after Dodd Frank, one of the things that came in with Dodd Frank was the passage of the Durbin Amendment. That led to a world in which, you know, you have these neobanks that are now kind of taking the mantle of a lot of the financial inclusion, because they're able to avail themselves of Durbin economics, that banks generally weren't, big banks were generally more able to do so. But the thing I would note is that when we look back at kind of the passage of the Durbin Amendment and kind of that timeline, the thing we can't like overlook in that timeline of the important events is that the year before that, Apple opened the app store up for third party developers. Right? And so the year before, so you're talking about being able to have kind of branchless bank accounts and kind of which led to kind of lower, lower cost economics, you were able to have, you know, to business models that gave you kind of more fraud threats, but also anti fraud technologies that gave you sort of free checking accounts. But like you've got to look, when you're in the financial services space, when you're writing financial regulations, at things like, oh, this tech company out in California made it so that people can develop things on their phones. Like that's going to impact the consumers that you all serve, because the consumers that we all have a duty to, whether you're in the private sector or in the public sector side, they don't see these silos. Right? They're just trying to navigate their day, right? They're going to download a bank app the same way they download a crypto app or an investing app. They're not thinking about whether it's a non bank that's nested on a tiny bank, or it's a big bank that's well regulated, or a bank that's well supervised. And so, you know, we really have to kind of put ourselves in the consumer's shoes and aggressively collaborate, aggressively learn, aggressively desilo, so that we can kind of meet them where they're at, and let kind of the market work to serve their needs. Was that one? That's a bunch. Two and three? It was like [inaudible]. Don't give him two more. I feel like I've talked to you about two sets. Couple things, and all of a sudden he stopped talking. Desilo and share. That would be my, yeah, desilo and share and think about consumers.

ART LINDO. All right, it's been a great panel discussion. I did want to save some time for our audience to participate. It's always a joy for me to ask these guys these questions. But you've got a lot of things that are swirling around in your mind. So, we do have a bit of time set aside to do that. So, why don't we open it up to the audience, see if anything that was raised resonates with you. Again, thinking about the tools we'll need to navigate the financial ecosystem. And what we need to do now in order to get to a better place. And we said longer term. Use five years for a better, better outcome there. Okay, questions? Oh, we'll chime in with some questions and updates from the chat.

AUDIENCE. So, thank you very much, panelists. Alicia Loro notes that a couple of speakers referenced the FDIC survey of unbanked and underbanked households, and how the overall unbanked rate is very low, at about 4 percent. But it's somewhat misleading to look at the overall share. Large gaps remain by race and ethnicity, income, and disability status. For example, 11 percent of black households, and 12 percent of American Indian and Alaska Native households are unbanked. If the financial system were truly inclusive, I wouldn't expect to see these differences. She also notes, there's an analogous argument for credit access. Gaps are even larger, and we have arguably made less progress over the years. And on a separate note, Bob Hunt has referenced how Blueprint, a set of money management features that Chase developed, and that was available with their credit cards, was an example of a credit card lender anticipating BNPL products and short term installment loans. And he's also pointed to the Philadelphia Fed's consumer finance research on how Americans are using social media for financial advice. Thank you.

ALEX JOHNSON. Oh, cool. All right. Good reading advice. Yeah, I mean, I think it's such a great point about differences between different groups, right? That's like incredibly important context. I think it also speaks to market structure questions, right? One of the things that I see a lot in fintech is the internet allows you to access any consumers, but it doesn't put a spotlight on any particular consumer segment the way that different geographies do. So, when we talk about banking deserts, we talk about consolidation in the market, yes, theoretically, I think the rate of households that have access to the internet is also pretty high. Although, again, not perfect. And probably different between different groups. But the internet sort of allows anyone to find anything. But it doesn't allow you to intentionally seek out and serve specific groups. I do think that we are going to lose something, as we continue to make that transition, it's important to be thoughtful about that.

KELLY COCHRAN. Yeah, and I think meeting people where they are, you know, we know there are differences in surveys about how people prefer to access financial services, whether it's branches or electronic or whatever else. And, of course, there's huge age gradations on some of that. But we're at a time of transition. And if we want to push inclusion where we want it to be, we have to kind of manage for the fact that there are people in different places. And if we can meet them where they are, and give them options, and let them understand what the other channels are too, that that's really important if we're going to kind of go that last mile and keep making the progress we want to make.

KELVIN CHEN. Yeah, agreed. I mean, I don't want to be glib by kind of setting those numbers at the top. I mean, I think the big question is, right, like how do we serve like individualized needs? I mean, the thing that I really struggle with is in the FDIC survey, the unbanked, a lot of the folks that are unbanked are often unbanked by choice. They'll cite that there's like a lack of trust, or some are more formally banked, and then the other unbanked, and so there's like a real head scratcher there. And then on the more positive side, it's always really interesting to me to see how non banks really just thrive in certain communities, right? So, if you look at kind of these P2P apps, like Cash App is killing it in the African American community. And I just, I would read like books on that to figure out what they're doing, because it's just such an interesting kind of niche market that they've really found success in, and are serving their customers with a lot of trust.

ART LINDO. Okay, we've got several hands going up in the room. Oh, I think Oh, sorry, here we go.

AUDIENCE. Hi, my name is Montrice, I'm the Associate Director, I lead the Community Affairs Program and FDIC. And I wanted to build on the comments and the remarks. I'm interested if you have a perspective on the type of firms, institutions that seem to be getting it right in terms of addressing those trust issues, because the point is right, we are seeing in the unbanked survey a lot of, at least the contributing factors, people who just have a lack of trust in a financial institution. So, you mentioned Cash App. I'm not endorsing Cash App. So, just really curious as to what they're doing. I recognize that. But I'm interested if there's a perspective on what are some of the practices that you're seeing where institutions are winning that trust battle? And then if I could sneak in a really closely related question. I'm interested also in terms of the managing the ecosystem. Are you seeing institutions make progress in bringing someone in, let's say a low to moderate income individual, bringing them in with like a certified bank On account, a low cost account, but then having them identify other ways to deepen their relationship with financial services, whether that's a small dollar loan, a credit card, you know, helping them kind of navigate across the financial services needs to hopefully derive better financial outcomes?

ART LINDO. Well, you can name banks, but don't, be careful in the endorsement.

ALEX JOHNSON. Fair, yeah. That's fair. I can endorse anyone. No, I'm just kidding. I think on the trust question, one of the things that I see there is I think there's a big difference between building for affinity and building for utility. Right? And so a lot of I think really successful companies, both banks, credit unions, but also fintech companies that are reaching into some of these underserved or badly served populations, and are doing a good job building trust, they're identifying functional needs, utility needs that those consumers have that products that exist today aren't addressing, right? I'll shout out one specific one. No endorsements. But Citizens Bank of Edmond launched ROGER, which is a digital bank for new military service members. And that was based on the CEO Jill Castilla's knowledge of the military, which her and her family have served in, and wanting to build a product for that segment that was just slightly more tailored to serving that segment. And I think a lot of times when we talk about product and brand and stuff in financial services, we don't appreciate that a lot of times it's that last 5 percent where that trust is built. And so I think it's in small areas of utility or product functionality that are just exceptionally well tuned. Another example are fintech apps or banking products that are designed for new immigrants, where just the friction point of, okay, provide a form of ID. And the form of ID you have is not the form of ID that's being asked about. Like that's just a little point of friction that scares people away, that doesn't make them want to participate or trust that app. And if you can just tweak that just a little bit, it's not a huge change, that creates trust. So, I think trust tends to come out of a lot of those micro examples rather than being some big silver bullet.

KELVIN CHEN. You know, Montrice, and one of the things I like about kind of Alex's notion of microexamples, is I think people, different people build trust differently. Right? And this kind of goes to why I keep puzzling over the Cash App, like what it is that they're doing. You know, one of the things that I like watching, and I don't have a dog in this fight, in the banking space, is that some banks think that you've got to have branches everywhere. Right? I live in Clarendon. And like you can't like walk three feet without having to walk through a bank ranch. Whereas other banks have gone fully digital. And, you know, I love in kind of this diverse competitive environment, people are finding different ways of building that trust in that touch point. I mean, and it totally makes sense, right? Because you have some folks that you call on the phone, because they want to talk on the phone to sort things out, and other folks that you just cannot nail down for an in real life conversation, because they want to handle things over text, or they want to be able to time shift. And so I think, you know, we're now in a world, particularly as we try to get to those tail segments of folks, that we're trying to figure out like how do they think of trust on an individualized basis? To your point about products that deepen the relationship, again, just credit cards, the thing I will note is like Hugh Son at CNBC wrote this thing, beating up on retail credit cards, right, because he's like, they have higher APRs. And I was like, this is why you've got to look at things at like, from a wholistic perspective. They have higher APRs, because they're reaching consumers that aren't typically reached, right? It's oftentimes their first time like experiencing credit. There is an ATP requirement, an ability to pay requirement. It's highly tailored, because you're kind of meeting the consumer where they're at, right? And like they do it in a safe manner. Like setting aside the ATP, the credit limits, like how much damage can you do to yourself with like $300 in the cargo pants, right, like, and you're like buying like a particular item. But then that helps get you into the credit system. And not only helps that bank develop the relationship with you, but it helps set you often with this broader life in a well regulated credit system that then gets you things like auto loans and mortgages that other people can compete with you for. So, you know, I'll stop. Well, I can't promise to stop saying credit cards. I'll end it there.

ART LINDO. I know your excitement can't be contained, so I'm not going to try to do that. Okay, let's hit a couple other questions over here. And these have been good questions, so thank you for that.

AUDIENCE. So, it's been alluded to, but I don't think it was explicit, so I'm going to expose myself for a bit. I am Gen Z. And how I received my financial education literacy is through Financial Feminist. I don't know if anyone has heard of that.

ALEX JOHNSON. Yeah. But it is

PANELIST. Financial what?

AUDIENCE. Financial Feminist. Have you heard of this? No? Yeah, but it is unfortunate that there was like really no way that I can receive this like education literacy. My mom is like an immigrant, so she wasn't someone I could really like ask questions to. And I don't think banks or other financial institutions provide really accessible ways to teach. I'm like, okay, what is debt? And how can you use debt in a healthy manner to like build your credit and to build wealth? So, what do you think are more innovative and holistic ways that banks and other financial institutions can help like bridge the gap in just like financial education literacy?

ALEX JOHNSON. So, my first job, I created a credit education program and taught it to 5,000 high school students, which was probably not a good idea because I was like 18 at the time and I didn't know anything. So, I was like the one eyed leading the blind. But what that experience left me with was a profound sort of caution around financial education. It's really hard. It's really hard. Until you've stood in front of bored 15 year olds and tried to like get them to care about something, like don't talk about financial education. Right? It's extremely difficult. But to your point, and building on what Kelvin said before, I think there's kind of two ends to the spectrum, right? One is financial education is storytelling, right? So, this is some of the different like social media influencers and different podcasts and different content. If you can make it a story that is relevant to whatever group you're trying to reach, I think that's one end of the continuum. The other end of the continuum is deeply functional experiences, right? And this kind of goes back to my point about on ramps. What products can you build that let people practice these things? And I was mean to Chase before, but a thing I like that Chase did was partnering with Greenlight to launch debit cards for kids, right? Like you need to have mechanisms to get hands on experience and practice. And a lot of times, for certain people, the best way to learn is to actually do. And to run into the walls and see how these products work. And so to me those two ends of the spectrum both work. I think where you end up really failing is when you try something in the middle. And probably a lot of folks here have seen like, you know, kind of your average bank financial literacy program, most of them have them on their websites or other places, they're very bad, they're very, very bad. They are a waste of digital space. Because they live in that middle ground where they try to be somewhat functional and try to be really informative, but they also try in kind of a cringy way to be entertaining, and they don't really succeed at anything. You need to live on either end of the continuum, you can't be in the middle, is my opinion.

ART LINDO. Wow. Interesting one. Hopefully you got a little bit out of that that you needed. We'll have to come back in our approach there. But thanks for the feedback there, Alex. Okay, I saw another hand up. So, you in the back, go ahead, please.

AUDIENCE. Yeah, hi. I wanted to kind of go back to something you all were speaking about earlier. And kind of what I was hearing as a connecting thread. You had mentioned that there's a lot of competition in this space. And one thing I always wonder with that is how much of that competition is meaningful in the sense, you know, how much of it is players that are sitting on top of a more, potentially more concentrated infrastructure? And do you all think that, you know, some of the ways that that infrastructure has been designed by some of the past incumbents, you know, is that kind of causing difficulties for consumer access? Things such as costs that banks pay, you know, that are passed on to consumers, like how, kind of how much of financial services has been designed around what has been profitable for some larger players, that is kind of, that might hurt meaningful competition from penetrating into financial services? If that makes sense.

ART LINDO. So, roughly, the idea is that component parts might actually, the sum of the parts might not actually result in something that's beneficial to the whole. So, you know, do you break them up, or do you just leverage that in some way, are costs that prohibited based on that?

ALEX JOHNSON. Yeah, I mean, Kelly, I think here's where your perspective on the credit ecosystem side, since you spent a lot of time there, one example that occurs to me is early warning services. Right? Infrastructure owned by banks, designed to solve a set of cooperative problems, it actually started with like closed for cause account data, and sort of stopping fraud within the deposit space. Obviously, they do Zelle and a bunch of other stuff now. They don't let fintechs participate, which is interesting. I understand why. But the result of them not allowing fintech companies to participate until they get a bank charter is that it does create two different ecosystems; one in which fraud is very rampant, and one in which fraud is very sort of locked down. The right answer is probably for the fraud to sort of be shared across that entire risk pool in a more even way. If we're just thinking in terms of like access and kind of creating a level playing field. So, I do agree. I think there are systems that either for specific sort of anti competitive reasons, or just because of legacy infrastructure reasons, are not well tuned to allow for access in an even competition. And, you know, to put out another plug, I hope someday we revise the Fair Credit Reporting Act, because like it was written in a completely different time and doesn't address some of these same type of structural concerns. So, I do see that in certain places. I don't know if you guys

KELVIN CHEN. I know we're at time, but happy to talk afterwards about your question.

KELLY COCHRAN. Yeah, I'd just say real quickly, I think the data ecosystem that we've already been talking about is a place where we have different pools and different places under different regimes. And that is becoming more complicated, as now we're seeing things kind of converge. I think payments channels are the other place where we've got a lot of different systems going, with different roles underneath. It's really hard for consumers to understand the differences between those channels. And how do we manage for both providers' interests and consumers' interests across those areas, especially as we're seeing fraud and scams increase, is another place where the old infrastructure may not really be working super well for anybody, I think.

ART LINDO. That's a good segue. We're going to talk about payments this afternoon. But at the moment, we are out of time for this panel. I'd just like to say, thank you for a great job. Thank you for being flexible on this. And to all of you out there, if there are other questions that you have for the panelists, they'll be around for a bit, so feel free to contact them. So, please join me in thanking our panel, and we will wrap this up. [Applause]