Panel 1: Insights From Research

MR. MILLER: If I could ask the first panelists for the first panel to come up please.

I'll take a quick second to introduce the moderator and then we can get right into the program pretty much on time.

So our first panel, Insights from Research, will be moderated by Michael Barr. He's a professor of law at the University of Michigan Law School.

Michael teaches courses in financial regulation and policy, and he cofounded both the International Transactions Clinic and the Detroit Neighborhood Entrepreneurs Project of the Community and Economic Development Clinic.

Michael's had two stints at Treasury, most recently as Assistant Secretary for Financial Institutions where he played a central role in crafting what became known as the Dodd-Frank Wall Street Reform and Consumer Protection Act.

He also serves on the FDIC's Committee on Economic Inclusion. Michael?

MR. BARR: Thanks so much Jonathan and the whole FDIC team, and Chairman Gruenberg for having me here today.

I'm going to give some brief opening -- I'd say they're framing remarks, but they're really personal to me so I won't force my fellow panelists to adhere to them.

And then I'll introduce the panel, and then we're going to hear from them. I'll ask them a few questions and then we'll open it up to all of you for a conversation so get your questions ready.

You've already heard from Chairman Gruenberg about the important research that the FDIC has done. And it's really, I think, helped show as you'll hear some more from our panelists this morning the extent of vulnerability of so many families and communities around the country.

The vulnerability I've also seen in my own research on low-income families. I just completed a short study, a follow-up study from a book I did a few years back called No Slack on the financial lives of low-income Americans.

And I did a follow-up study to look at how families in low-income communities fared in the wake of the recession. And I saw this same basic problem of families who you would have thought had nothing left to lose, they still had plenty to lose.

And unfortunately in the financial crisis they lost that. So just huge vulnerability in the downturn as a result of the financial crisis.

As you heard in Chairman Gruenberg's remarks this morning, as you're going to hear from our panel this morning the structure of work in the United States is changing and a lot of people are vulnerable to huge swings in their income, and also huge swings in their expenses.

And that income-expense mismatch leaves them vulnerable to personal shocks, personal financial shocks in their lives, and also potentially to abuse.

I should say that that abuse also happens not just for households as consumers, but also when households are starting a small business, or engaged in self-employment, or are entrepreneurs.

Many of those families find themselves exposed to significant risk. And I have also seen that in my own work, both in research nationally, but also in some projects that I've been doing in the City of Detroit with minority entrepreneurs in Detroit neighborhoods.

Let me suggest that that vulnerability suggests we should focus on four big areas. I'm going to say just a very small bit about each of them - products, partnerships, protection, and policy. The four P's. I just made up the four P's.

So first on the product front I think we need to continue to strive for innovation in products that focus on financial stability.

The FDIC really has pushed the frontier on this with safe and affordable bank products, but I think we need to continue to innovate in using technology to develop products that permit people to use the product in a more flexible way to generate some slack in their lives, some ability to adjust when things go wrong.

And that kind of financial stability product I think should be a focus of innovation.

I don't need to say much to this audience about partnerships. That's what most of you are all about.

But I think given our understanding of the vulnerability of these populations it just reinforces how essential partnerships are because it's not just about the financial product or financial relationship, it's about the whole set of shocks going on in people's lives.

Third, protection. Consumer protection is just absolutely essential for helping people out.

We can't kind of naively go out into the world and say we're going to have products and partnerships, but we're not worried that people are going to get taken advantage of.

And that can happen in the non-bank space as we see with payday lenders taking advantage of people who experience these shocks.

And the Wells Fargo case shows it happens in the banking system too in spades.

And so we need to protect and defend the entity that protects and defends families which is the Consumer Financial Protection Bureau.

(Applause.)

MR. BARR: Thank you. And I think everybody here knows that the Consumer Financial Protection Bureau is under enormous attack today.

When this panel ends I'm going to go over to the House Financial Services Committee and testify about the Financial Choice Act that's being reintroduced, Choice 2.0 which really guts, among other things guts the Consumer Financial Protection Bureau. I think we have to stop that.

And lastly, policy. There are lots of policy things that matter here. I just want to focus really on one area that I think is more the cutting edge of policy today if we can focus on ways to help empower consumers, to really focus on consumer autonomy.

I think that will involve efforts to reform our payment systems, to introduce open APIs for the sharing of data information, to make -- good funds availability issues so that people can get their money faster which goes to what you're going to hear this morning, greater effort on making bank accounts more portable.

Joe Valenti and I wrote an op-ed together called It Shouldn't Be so Hard to Dump Your Bank.

And I think that if we make it easier for people to switch bank accounts we're also going to make banks more focused on good service and less focused on contingent fees like overdraft.

And so I think we can make a lot of progress on a policy front by focusing on these basic issues of consumer autonomy.

All right, so with that which again my fellow panelists have their own views. This is just my own personal statements. Not representing certainly the FDIC or any members thereof.

Let me open it up to the panel. As Jonathan said I'm not going to do long bios because you have the bios. I think everybody here knows the panelists who are up here already and have worked with them.

Keith Ernst from the FDIC, Fiona Greig from JPMorgan Chase Institute, and Rachel Schneider from CFSI who are really leaders in the field of research for household balance sheet.

And I've learned so much from them over the years reading their work. And I'm just delighted to have them here. And we're just going to I think go down the row. I just do whatever Keith tells me. We're going to go down the row.

MR. ERNST: If only that were so. It is great to be with you. I want to thank you, Michael, for the great introduction, thank my panelists for participating in a conversation I've been looking forward to for some time.

And I think that's true of all the panels today.

So I think one of the things I've been thinking about the research panel is how much we've learned in the last several years.

I mean, we talk about sort of the explosion of technology and all the exciting things that are happening in the space, but when I look at what we're learning about low and moderate income families, about their interaction with the financial system it's just astounding. And I'm just glad to be part of this conversation.

Rather than try to recount the findings from FDIC research over the last several years I thought what I would do is spend a little time explaining what motivates our research and trying to provide you some insight with what we're trying to accomplish through our research program.

And it really is in support of the people and the organizations represented in this room.

And there are really two primary goals I would say. The first is we've invested in high-quality surveys with the idea that we can provide a base of reference facts that can sort of inform the entire conversation in this space.

And the second is to analyze that data and to conduct other research efforts to pull out insights that can inform economic inclusion work around the country.

When I'm out at external events it's not uncommon, it's always gratifying, but it's not uncommon for individuals to come up to me and say we used the FDIC data when we were thinking about a new product, when we were exploring a market opportunity, or when we were trying to think about how to best advance our social mission of helping households overcome financial challenges in their lives.

And those are really useful moments for us because they help us understand how the data and research we're bringing to the table can be of help.

And so we look forward to those conversations.

And part of what we strive to do is not just produce research reports, but to get the information available in a way that's accessible and can be drawn on when it's needed.

And so what I'm showing on this slide is economicinclusion.gov. It's been mentioned a couple of times already this morning.

But I'll just sort of go ahead and take a minute because I think it's worth it to explain that at this site you can read our report, but you can do so much more.

You can query our household survey data. You can create your own tables. As of this week you can create your own maps and pie charts, bar charts, any variety of exhibits that suits your needs.

If it fits your needs you can download the household respondent level data and do your own in-depth analyses.

So as much as anything I hope you'll visit -- leave here today with a mind to visit the site.

If I've not promoted it enough I'll go ahead and say we have staff people right outside those doors who will show you the website and what it can do for you and your organization.

Now, much of the data you'll find on the site is driven from our household survey which now has built into a bit of a series.

We've conducted four. We've got another one set to go in the field in June. And we're able to look at trends over time.

So here we're showing the changes in the unbanked rate since the inception of the survey. And these are national numbers.

But in the survey we also have the ability to drill down and provide state and in some cases local estimates, not just for the entire country but also for some population segments.

So here you're seeing unbanked rates from New York State from our 2015 survey across different population segments.

Now, with 35,000 plus observations we can provide a wide-ranging set of views into the population and their banking experiences.

We do run into limitations, particularly in local areas when you want to look at subsegments of the population.

But all total we have information for all 50 states, the District of Columbia and for dozens of metropolitan areas. And that's something we're always seeking to sort of build on through our series.

But we don't just stop with our household survey. We try to engage in sort of complementary efforts that will deepen our understanding of the trends we're seeing in efforts like our household survey.

So what I'm showing are a couple of quotes from bankers who participated in the study the chairman referenced where we looked into banks' efforts to serve unbanked and underbanked populations.

And really, as he mentioned one of the themes that came through was the theme of trust and familiarity. So, no matter which constituency we were talking to when we were talking to bankers, we were talking to their community partners, when we were talking to the line staff who were leading counseling sessions with clients or with consumers active in their footprint, this theme of trust and familiarity came through about product is important, but relationships and relevance is sort of foundational. It came through.

And I think in a report like this what we're doing is we're providing a variety of viewpoints that illustrate how different participants saw these issues play out.

And if we think about one of the central challenges is working with a population that may have been in the banking experience in the past, over half of the unbanked population in the United States have previously had a banking relationship. Many of those relationships ended badly from the consumer's point of view.

And if they haven't had an experience in the banking system there may be a lack of familiarity. And certainly our data suggests a lack of trust as well.

And so this came through in the research. And I think by pulling together that sort of rich understanding we're adding a layer of detail that I hope people can plug into, identify with and learn from.

The last bit in terms of introductory remarks that I would put on the table is research we did with consumers around the nation to understand better the economic inclusion potential of mobile financial services.

And I would say here we really had two primary contributions.

The first came from sitting down and listening to consumers and hearing how they were talking about financial services.

What were the things that mattered to them? What did they comment on?

And we sort of categorized them into the categories you see running along the side of that screen, things like control, convenience, affordability, security. These sorts of themes came through.

We asked them what was their perception of banking services through their experiences in traditional banking channels.

And you can see they sort of -- we boiled down their comments to their overall assessment. The report will give you rich detail in not just how they assessed it, but how they spoke about it.

But the other interesting thing in the report was how complementary mobile financial services appeared to be on three key areas of weakness.

So, consumers were somewhat critical of the experiences they had in trying to control their finances with the convenience, with their ability to conveniently access their money and to conveniently control their financial matters, and with the affordability of services.

In each case, and I won't read sort of the pull-outs on this side, they pointed to mobile financial services as a tool that they thought could help them.

So that's the kind of information we're bringing to the table and trying to build on over time.

We're not done. We have a lot more research on queue. I hope we'll have a chance to talk about some of that during the panel. But I just wanted to provide that sort of foundation so you'd understand how we're approaching our work and what we're trying to do through executing this research agenda.

With that I'll pass the baton to Fiona. Thank you.

MS. GREIG: Thank you and good morning.

I cut my teeth in financial services eight years ago when I started Bank on D.C. when I looked up to Michael Barr and the research by FDIC, and people like Leigh Phillips and Jonathan Mintz. So it's an honor and feels like a bit of a homecoming to speak to this room in my new role as the director of consumer research at the JPMorgan Chase Institute.

And I should say up front that the work that we're doing at the institute, we're relying on 35 million checking account customers within Chase, focusing in on customers who are core, in other words are using this bank and this service primarily for their financial lives.

And so we exclude the unbanked unfortunately by definition because they don't have a relationship with JPMorgan Chase.

With that said I think a lot of the findings that we're discovering are pervasive across the income spectrum and can only be as true if not more true for the unbanked and the underbanked.

As an example we've been examining the volatility of income and spending in and out of those checking accounts.

And what you're seeing here is a scatter plot of the median month to month percent change in expenses in blue and income in green.

And the horizontal axis here is income levels.

So what you're seeing here is that on a month to month basis individuals are typically seeing 30 percent fluctuations in both income and spending every month.

When we look at this by age we see a slightly different picture - expense volatility is high and consistent not only across the income spectrum but across the age spectrum, again at that sort of 30 percent threshold.

Income volatility drops with age. It starts very high as people are entering and exiting the workforce, and then as they retire their income volatility drops. And that's likely because they're moving onto more fixed incomes, retirement incomes.

The other interesting thing to note about this chart is that when you look at older families you see the sort of spray can effect in that scatter chart which tells me that actually as people age they are less and less likely to be represented by the mean.

There's just so much more variation in individual family experiences among older families. Some families experiencing high expense volatility or low, others high income volatility or low income volatility.

So, the need for sort of more individualized or tailored solutions for older families I think is warranted by this chart.

Now, income and expense volatility wouldn't be problematic if it was always the case that incomes and spending kind of moved in tandem. And we don't see that at all.

And Rachel will show you this even greater, but it's not the case that precisely when somebody's income is high is when they need the most money on the expense side.

And so what we think that means is that it's really as though families are subject to double jeopardy.

And if you tally up that double jeopardy and just literally take these percent terms, the exposure they have on the income side, and the exposure side they have on the expense side and translate that into well, how much of a liquid buffer, an everyday cash buffer would families need in order to weather the volatility on both the income and expense side.

Here's a chart where we shows those values, they grow with income levels. Obviously, higher income people spend and earn more money and their cash buffer therefore needs to be higher.

But it also ebbs and flows with age. So, for middle income families the need for that cash buffer peaks between the ages of 35 and 44 at around $2,400.

And you'll see again the widening of this cash buffer again among older families that there's just much more of a wide range in terms of how much of a cash buffer families need.

Now, when we looked at -- we've done a lot of work digging into the sources of income volatility and expense volatility. And on the expense side we zoomed into a couple of categories of extraordinary expenses.

These are categories not necessarily that drove all of the volatility, but may have been harder to predict.

Medical, auto repair and tax payments. And we characterized an extraordinary expense as an expense that was at least $400 or more than 1 percent of annual income.

And then also a big aberration from that person's typical spending pattern. So, two standard deviations away from their monthly mean spending in this category.

And we found that roughly 4 in 10 families had made an extraordinary payment in any given year across these three categories, 16 percent for medical, 8 percent for auto, 19 percent for tax.

And then we looked into what does a family's financial life look like when they've made one of these extraordinary medical payments.

And this is what it looks like. Just to orient you here, what you're looking at is what happens to liquid assets in dark blue, revolving credit card debt in light blue, income in dark green, and non-medical spending in light green.

And essential what you're seeing is that right before -- there are two extraordinary things about this chart.

First of all, right before the medical expense there's a spike in liquid assets and in income. That suggests that families are actually delaying that payment until they have a higher ability to pay.

Now, we don't know when people went to the doctor, we just see when they paid. So they could have either delayed utilization of services, they delayed going to the doctor, or they simply delayed making the payment until they had a higher ability to pay.

The second extraordinary thing about this chart is when you look a year later their financial lives haven't fully recovered.

Their revolving credit card debt is still 9 percent elevated relative to baseline, and their income, their spending, and their liquid assets are still below baseline levels.

So what we took away from this is that this expense volatility is hard. It really does impact people's lives. And regardless of whether people have health insurance or not, in aggregate we're not seeing that people are necessarily financially insured against the economic consequences of big health events. Thanks.

MR. BARR: Thanks so much.

MS. SCHNEIDER: Terrific. Well, I like Fiona, feel just really gratified to be sitting here, and also feel like a lot of what I've learned over the years is from people in this room, and in particular from those of you providing direct service and doing ongoing research. And so I'm really glad to be able to continue that conversation here.

And I'm going to talk really from the experience of the U.S. Financial Diaries which is a research project that CFSI conducted in partnership with the Financial Access Initiative at New York University over the last several years through the support of the City Foundation as well as the Ford Foundation and the Omidyar Network.

And the diaries were really inspired by -- we really started it right after the recession. We started planning it right after the recession.

And the thought process was we've now seen as a result of the financial crisis exactly how financially fragile so many people were.

And that had been masked really by the housing bubble, frankly.

And we wanted to be able to get underneath the data that we can usually collect and go out and talk to people and understand more deeply what they were experiencing in hopes that we could provide some insights that would be long-lasting.

And so the idea wasn't necessarily to go explain the crisis, it was to say okay, so we've been collecting massive amounts of data as a country about financial health and well-being, and yet we missed something.

And so we embarked on this project to work with 235 families ultimately who were in four different locations in the U.S.

They were in Mississippi, along the Ohio-Kentucky border, California, and New York.

And the idea was really to work closely with them to gather every single piece of information we could about their financial lives over the course of a year. Every dollar they borrowed, spent, saved, gave away.

And we collected the data through in-person interviews with field researchers, and so we were able to ask lots of why questions along the way.

Not only why does your income look like this, why does your spending pattern look like this, but also what happened two years ago that led you to be in this place in the first place.

Because the frustration I had been having in some of our financial research at CFSI was we could only get sort of what had happened now. It was really hard to understand the things that had happened three steps before that led them to be here in the first place.

And so we really wanted to get to those why questions. And we collected a huge amount of data through the study.

But a lot of times what we found is that what's really useful to people are the families' stories.

And part of why it's useful is that they start to give us a shared language and a shared understanding of the financial challenges that people experience.

And that's really what we were hoping to do with the diaries was to sort of consolidate a bit some of what we all know, be able to put some shared language around it, and also be able to put a face on what people are experiencing.

So, I'll do that today a little bit through a family who we've called the Johnsons, Sam and Sarah Johnson. And of course we're not using anybody's real names in order to protect their anonymity.

But Sam and Sarah very much fit into the picture that Michael started to tell around the variability and really the complexity of people's financial lives starting right with income.

So Sam and Sarah both work full-time and they earn relatively steady incomes from that work. This is a chart showing what their income looks like.

And within the confines of our sample their income was actually pretty flat. So we saw much bigger income swings usually, much more consistent with what Fiona is talking about in her larger data set.

But their baseline income was relatively flat coming from their full-time jobs.

But the reality is that those jobs didn't support the middle class life that they aspired to and that they felt should be their due as two people working full-time jobs.

So Sam and Sarah both took on additional part-time work outside of their primary sources of income.

They also had -- this was a second marriage for both of them and they each had a child from a prior relationship. And so they received some child support which was of course sporadic and unpredictable.

They received a tax refund which was another boost sometime during the year.

And so over the course of the year we were actually capturing nine different sources of funds.

And Sarah talked a lot about how complicated that was for her in the day-to-day management of her financial life.

So one consequence is she did not want automatic payments of any sort because she was tracking really closely what money was coming in and what money was going out.

She also talked about how it was easier for her -- so her paychecks came every two weeks, and her husband's came on a different schedule. They came either monthly or twice a month. That meant they didn't line up at the same time. Well, sometimes they did and sometimes they didn't.

So it was easier for her in the month where their checks came at different times because she was managing her finances so tightly over the course of the month and really thinking well, Sam's paycheck goes towards our mortgage and our biggest bills. And then my paycheck goes to fill in around the edges.

And it was just an ongoing choice for her because they didn't have this cushion that Fiona is talking about. So if you're managing your finances around breakeven you spend a lot of effort trying to figure out how to not go below zero. And that was a lot of what this effort was for Sam and Sarah.

Now, one argument is they should just spend less. So this shows their spending.

And when we line up their average income and their average expense they're spending more than -- on average they're spending more than they earn.

But I think that's really hard for them to see because of how real-time that's happening.

And one thing we did, an exercise for writing the book that we've just published about this work is we put their expenses into Suze Orman's expense calculator because we wanted to see should they actually just spend less. Is that the problem here?

And when you pop their expenses into her online calculator you get this report back that says basically you're completely screwed. Spend far less than you are. It just -- like flashing red, bold, big font size on your screen and her Get Honest report.

But the reality is that when you look at their spending it's hard for me to really tell that story and say yes, the problem is overspending.

Because a big chunk of their money is going towards housing. A big chunk of their money is going towards transportation. They have two jobs -- they have multiple jobs. They have a small child at home as well as older kids.

It's hard for me to say how they should not have two cars. But that's one of the main things they'd have to cut to really have a lower expense base.

There's a big chunk here that's Other. Maybe that's where you'd find cost savings.

But the Other, that's sort of the bits and pieces of things. And it's hard to see how they'd be able to cut enough there to really change their pattern.

And the reality is this big spike in September, which is what's driving their average spending up so much, was because they had a leak in their house, and they as a result of the leak had a huge water bill and had to do a bunch of work. They had to pull up carpets. One of their kids has asthma. The water in the house aggravated her asthma. They had medical bills as a result of that.

And all of that is just the nature of a lower to middle income life. They don't have a great car so it's going to break down. And they also had some car trouble in that same month.

They were lucky and feel really lucky to be homeowners, but it's a house that's older, that needs consistent amounts of work. And so repair costs are inevitable.

And so it was hard for me -- so it's hard to say to me that the real problem here is overspending.

And the way that they're making this expense -- what's happening is that they're borrowing. And that's how they're solving this challenge.

And for them the biggest source, the most timely borrowing was student loans. In addition, this is amazing to me. In addition to raising children, and working, and being really involved in her community Sarah is also going to college.

And when I spoke with her after the end of the study she had just turned 40 and she had just graduated from college. And it's extraordinary.

And she had started a master's program. And the student loans are really how they came in in the timing that sort of worked for this spending.

And I think in their case it was luck that the student loans came in right when they had housing trouble and transportation trouble.

But I think often what's happening is what Fiona's described, that people are waiting to spend until they have money. And so the spike in March was not only the student loans that allowed them to go and replace their car, but also their tax refund.

And there was a moment there where Sarah thought about dropping out of college because she didn't have the cash on hand for her tuition because she was using her student loans to pay for her life and in that moment was borrowing from her mother as well.

So what we see is over time their debt like over the course of this year they didn't really make any headway in paying down credit.

Their mortgage is roughly the same. Car loan increased because they had to replace one bad car with another bad car. Credit cards stayed roughly similar.

They increased their medical debt because they also had some medical issues that they paid for with a care credit card over the time period.

And what was really poignant to me about it is that -- so they had medical debt when we started to work with them. And Sarah was really focused on paying it down.

And at some point over the course of the year it was actually forgiven. The credit card company decided to let it go.

And she was disappointed about that because she felt like then she had less access to credit in the future. And so she was worried about the consequences of losing that card and would have preferred to pay it down.

And when I talked to her post study they had sort of one more -- like one last medical thing that pushed them over the edge.

And again, Sarah had tried to work out a payment plan with the hospital, and she was pretty frustrated that they wouldn't do it.

Their advice to her was go declare bankruptcy. So that's what she did.

You know, in talking about that she sort of said my life's going okay. My financial life, not so much.

But she had graduated from school. She had been elected to the local school board. Her older son had graduated at the top of his class in high school and was in college himself. So, so much was going well for them, and yet her financial life was really challenging.

I think there is something for us here to keep talking about because we have made so much progress in understanding financial inclusion as an idea, so much as a field as a result of the FDIC's work, as a result of everyone in this room's work.

And in some ways to me there's sort of a cry for, okay, so what's the next step. We figured out that there is an issue here. But we still don't quite know how to develop and promote the financial services that genuinely make people's lives materially better at scale across the whole industry.

And a big piece of that I think is being able to go deeper as we've all been doing in understanding that financial inclusion is a first step.

And then you have to look at, okay, well what was the result of using those products. How did they play out in somebody's life.

And Sarah and Sam are fully banked. They have 401k's, they have health insurance. It's not a lack of access that's troubling for them.

But the financial services they use aren't really doing the work they need them to do in their lives.

MR. BARR: Thanks so much. What a rich and interesting set of findings from all three of our panelists, and also quite different research methodologies for the geeks in the audience.

We have a survey done at a national level. We've got really in-depth administrative data, that is, bank account data from Fiona. And then Rachel talking about a more sociological approach, in-depth household conversations and financial diaries.

So I think quite interesting. The striking really findings in families that are low-income, and families that are middle income, and families that have a range of financial services but are struggling.

This same basic problem of struggling to make ends meet really quite well -- from low-income well into the middle of the income spectrum I think is quite striking.

Let me just ask -- and then we also of course learned about the timekeeper bug which I really like as a strategy. I think anybody in the nanotechnology space, that is the next new invention for conferences. A little electronic bug that attacks you when time is up.

So let me ask the panelists a question that Fiona asked me as we were walking in and that always makes researchers nervous which is what's the next thing that you want to know that you don't know now.

So let me start with Keith and go down the line.

MR. ERNST: Great, thank you. There's an endless stream of things I'd like to know that I don't know.

I think the more we know the more we recognize what we need to learn.

I think one of the themes that comes through in the work particularly of my co-panelists here is helping households overcome moments of adversity.

And thinking about how particularly mainstream financial services, but everybody active in this space approaches that problem.

Because so much of what we've learned about the issue of addressing the needs of the unbanked and underbanked is about both the sustainability and the rewards that come with those relationships.

I think access has been a key focus and should remain one, but thinking about what are the opportunities to help families build that buffer, amass savings, establish and tap credit when necessary.

Financial services in and of itself do not typically create money for low-income households en masse, but can help smooth some of these bumps in the road.

And figuring out how we do that, how technology plays a role and what's necessary in terms of building the capability and resources to do that I think is an incredibly interesting question that's teed up in a lot of the literature.

MS. GREIG: Well, great question. I mean, I'm actually super inspired by Rachel's story about student loans.

And I think what I'd like to spend time understanding better is just the household balance sheet in general, both the assets and the liabilities side.

And understand all the ways in which people leverage that balance sheet as their piggy bank.

I talked about the everyday cash buffer. We've heard about people using their 401k plans as their piggy bank.

I'm floored to understand people use student loans as their piggy bank.

And debt of different pieces, different kinds can be used as a piggy bank in different ways.

And differently over the life cycle. I mean, obviously, Sam and Sarah, she was going to school and so the educational loan became a piggy bank.

For retirees, how do they turn their home equity into a piggy bank.

And so just thinking about it in that integrated way, not just the asset side but all the sources of debt to understand how are people managing these events using both debt and assets.

MS. SCHNEIDER: I would say yes to all of those ideas.

I think -- I've always really wanted to better understand the impact story. And I think we still need more of an evidence base about how exactly financial services use plays out in somebody's life, and particularly around the improvements that people in this room have made.

And then I want to see the data about what happened then for a family.

And I think that's really important in order to keep inspiring ongoing innovation because we need to know what's actually working, what moves the needle for somebody, and then how we do more of that.

So, I'm always really interested in how we can do more impact research.

I also feel like we have to keep researching on the other side of this question which is what's the business model and what's the impact for the institution in delivering financial services that genuinely build financial health.

My hypothesis, our sort of operating idea at CFSI is that if you do what's good for your customers it will be good for your bottom line.

But it's very hard for us to prove that to be the case.

And some of that has to do with sort of the time frame over which people are willing to make that assessment.

But some of it is that we just haven't done the work. And I think that's work we could do. I continue to believe that if you provide services that build the financial health of your customer base they will be incredibly loyal and good customers, and that that should drive value over time.

But I think the more we can do to understand how that plays out the better.

MR. BARR: Terrific. So there's obviously a great and knowledgeable group in front of us. I'd love to open it up to all of you for questions.

It appears that there are microphones towards the front of the room that you can use to ask your question.

So, do we have -- while you're working your way to the mic maybe I'll ask Rachel one last question, but please join us in the front here.

So Rachel, some people say families think about financial services as, like, a passport to the economy, in citizenship terms. You know, part of being included, part of being in the community.

And other people say no, financial services are these things that are really annoying, and pushed to the side, and you should basically make them as irrelevant as possible for families.

So in the families you talked to how were people talking about financial services?

MS. SCHNEIDER: Yes, I think that's such an interesting dichotomy. We really heard both.

So, I think of a woman down in Mississippi, an African-American woman who really felt excluded by the bank in her town.

Not in a -- you know, she knew she could walk in there and get services, but it was the story we've all heard about just not feeling like it was a trusted relationship for her. Not feeling confident that she would be taken seriously and get what she needs.

And when a credit union opened up nearby that she felt was more directed to her community she went right there.

And so I think there is really an element of belonging. And I think a really important theme around trusted institutions that has even broader implication than financial services where if you can't trust the institutions in your community you feel disconnected and less supported in a variety of ways.

So we heard that theme and it was important. And we also heard it from immigrants in different ways who felt like, you know, we ended up talking about it as part of the checklist.

Like what do your people tell you when you get here. And for some communities part of the checklist is start with a store credit card. Then you'll be able to graduate to a general credit card, and then eventually you'll buy a house. And that is part of the checklist, part of the experience of becoming an American.

And in some communities part of that checklist is understanding credit scores. But then in others not so much.

And so I think there really is a role for financial services to be a trusted part of somebody's life in a real way.

And then I think there's a separate question around convenience. And so it would be great to have that trusted relationship and then also have all the friction of financial relationships -- I don't want to say all the friction because there are some really useful and important moments where friction is valued, particularly around savings or credit.

But I think that some of what you're talking about, about financial services fading to the background is about making them as easy to use as anything else in the modern era.

And I certainly think financial institutions are going to need to get there if they don't want to see their customers walk over to non-traditional providers.

MR. BARR: Brett.

PARTICIPANT: Thank you. I was interested in what your research -- I work for a financial institution and we're trying always to innovate and be more inclusive.

But one of the tensions is meeting our lending obligations, meeting our Community Reinvestment Act obligations.

What is research showing in terms of low financial inclusion in terms of coverage? Can the companies roll out products just in the digital space and still meet their fair lending obligations and their Community Reinvestment Act obligations? Are we raising enough folks and having enough penetration in the communities by offering products quickly in the digital space?

MR. ERNST: It's an important and good question. And I think any product development in a regulated institution is going to have to pay attention to those questions and those issues.

I think one of the things that has been encouraging in our research has been the accessibility and rate of adoption.

And that's come through strongest in the mobile space. So the chairman mentioned this but it bears repeating.

For us the underbanked which disproportionately tends to -- members of minority communities, of lower income segments tend to disproportionately fall into that category are among sort of the most likely to adopt smart phones and to use mobile banking technology. So there are opportunities there.

I think being mindful of how those opportunities reflect on the broader posture and responsibilities of an institution is important, but I don't think we've seen anything in our research that suggests that this is fundamentally an obstacle, and in fact, in many ways may present key opportunities.

So I think a good question. It's hard to address fully in the scope that we have here, but some reason for encouragement there.

MR. BARR: So, I've just been given the signal that we have time for at least two quick questions and then we'll wrap up.

PARTICIPANT: Okay, thank you. My question is simple. When taken into consideration the economic inclusion does the research take into consideration also the regulatory barriers behind it, and if there's any regulations that might prevent the financial institution from meeting these needs for the underbanked?

More particularly, New York State, we have the New York municipal ID program which is really intended for undocumented immigrant that gives them a chance to get some type of ID.

However, it hasn't been fully endorsed from my understanding from the FDIC which prevents many financial institutions in the New York area to adopt it as a vehicle for maybe an undocumented individual or an underbanked individual to get financial access.

So I was wondering if that's ever been taken into consideration.

MR. BARR: I'm going to say a quick thing and then Keith.

I know your customer rules, anti-money laundering rules, anti-terrorist financing rules are a barrier, and they're overly complicated, and they're not permissive enough even in context with the municipal ID has some endorsement, but still I think financial institutions, some of them feel wary fully using it.

And I think that's a significant barrier to access.

MR. ERNST: So, we may be able to provide an update from sort of our policy shop on some of the developments related to the New York State ID throughout the day.

But I will say in terms of our research we have asked when we've engaged institutions, so through our pilot projects we want to understand sort of what are the obstacles, what are the challenges to making these work.

And in our engagement with consumers we ask them questions about what are the roadblocks you're hitting.

Now, in our survey research with consumers it's a relatively small proportion that cite things like identification as their obstacle to establishing a banking relationship, but of course for the populations for whom that's an obstacle it can be a significant one.

So we do see some evidence, and that is a question.

I will say that in our -- we're going to have an Advisory Committee on Economic Inclusion meeting tomorrow. It's a question that regularly comes up is the question of what are the policies, what are the regulatory structures that are potentially serving as obstacles here that need to be understood better.

So it is something both in our research and through our general operations that we try to understand better.

Again, I'll see if we can't -- I'm trying to find Jonathan -- see if we can't get you some information about the particular matter you raised because I think that has been an issue in some conversations. So maybe there's some information there. But thanks for the question..

MR. BARR: And our last question unfortunately. Fortunately, but unfortunately.

PARTICIPANT: Thank you. I'm a little nervous I'll be honest because I'm based in California and I want to know about what we're going to do about the changes that's going on within how we trust.

I think what the chairman and what you guys have presented, I thank you very much for the data you've presented to help me in what we're doing in our trade. It's phenomenal.

But my question is what are we going to do about the commercial codes? For example, in the State of California the trust is just overwhelmingly that -- we were just presented a case last week where the bank says until the commercial code is changed that was written by the banks for the banks the consumers are going to have an issue of trusting the banks again.

And what I mean by that is that they're allowing unsigned checks to be processed, and it's the fact of the consumer to be responsible for making sure where an unsigned check is actually something, an uninstrumental document that should not be cashed in the first place.

So things like that. As soon as they go in a generic form that every bank is associated with an institution, whether it be a credit union or whatever, it gets a bad rep all the way around.

So those kind of things are what I think is the core of the confidence level versus -- we can do statistics all the day long which is fantastic and helps curb it, but it doesn't focus I think on the most important like the farmers. You know, they can go out and get a loan without documenting where that $10,000 came from.

So my comment or question is what can we do to help prevent that.

MR. BARR: So, that's a great question, and Keith turned to me and said since you're the law professor you should answer it.

I'm going to respond by saying something that I teach my students to say which is I don't know.

It's the first I've heard of that particular problem. I'd love to learn more about it, but I don't have any great guidance about the California Commercial Code or the issue of unsigned checks. I look forward to learning more.

PARTICIPANT: Just real quick is that I actually submitted some documentation to Congressman Hensarling's office for the Financial Choice Act today that hopefully he presents because the idea is that the judge specifically said that he hears countless cases every single day.

Until the consumers change the law the commercial code will stay the same.

MR. BARR: Thank you. And please join me in thanking our wonderful panel this morning.

(Applause.)