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Welcome, and thank you for standing by. At this time, all participants will be in listen only mode for the duration of today's call. Today's conference is being recorded. If you have any objections, you may disconnect at this time. I would now like to turn our meeting over to Mr. Matt Cameron. Thank you, you may begin.
Thank you. Good afternoon, everyone. Thank you for joining today's public hearing with the CFPB task force on federal consumer financial law. We wish we could all be together today in person. We are pleased so many of you have been able to join online. My name is Matt Cameron, I serve as assistant director for the office of stakeholder management here at the Bureau. Today, we will hear from four penalties, or economic and legal scholars in a wide range of topics in the field of consumer financial protection. Their feedback today will help the task force as it works to produce a set of recommendations to the director early next year. Thank you to the members of the task force and our distinguished panel of experts for being with us today. We are thrilled to have such a wide array of viewpoints here. I would like to briefly share the format of today's public hearing. First, we will hear from director Kathleen Kraninger, then, cast task force chair will briefly introduce the panelists before beginning their discussion. Then, the majority of our time is going to be spent hearing from our panelists. At the beginning of the meeting, each panelist will deliver opening remarks. Then, the task force members will introduce five topics, and indirect opening line of questions to one of our panelists. We have just over 10 minutes per discussion item, which will provide time for all the panelists to share their thoughts on each topic. As a reminder, the views of our panelists are greatly appreciated, but they don't represent the views of the CFPB. You can find more information about the task force in this public hearing on our website at consumer finance.gov . With that, I am now pleased to introduce director Kathleen Kraninger. She became the second confirmed director of the consumer financial protection Bureau in December 2018. From her early days as a Peace Corps volunteer to her role establishing Department of Homeland Security, to her policy work at the Office of Management and Budget to the CFPB, director Kathleen Kraninger has dedicated her career to public service and it is my privilege to welcome her to today's meeting. The floor is yours.
Thank you so much, Matt. Good afternoon, everyone. Thank you for joining us today as we continue the CFPB event, celebrated consumer financial protection week. For the past few days, we have heard about the Bureau's important work about protecting consumers. Despite the nationwide disruption being caused by the coronavirus, the Bureau continues its daily work to help all consumers in the consumer financial marketplace. Moving into today's public hearing of the Bureau's task force on federal consumer financial protection, I would like to thank the CFPB staff , the task force members, and the panelists for their participation this afternoon. The task force will convene to examine the existing legal Tory landscape but facing consumers and financial service providers and make recommendations for ways to improve and strengthen consumer financial laws and regulations. Let me set the stage a bit for the task force's work. The Bureau's organic statute states the purpose of the Bureau is to implement and where applicable, force federal financial law for the purpose of ensuring that all consumers have access for consumer financial products and services and that markets for consumer financial private products and services are fair, transparent, and competitive. A broad and significant mandate, but one that is also built on 50 years of enumerated federal consumer financial loss, now under the Bureau's view for nearly 10 years and many of the consumer financial loss passed in the 1970s stem from the work of a body established by law in 1968, the national commission on consumer finance, or the NCCS. The NCCS was chartered to conduct original research and provide recommendations relating to the regulation of consumer credit. The report led to significant legislative and regulatory developments in consumer finance. We know a lot has happened in the decade since the NCCF report . In law and the regulatory landscape, and in advancements and innovation in consumer financial product and services. Certainly notably, given where I am right now, the creation of the consumer financial protection Bureau. Furthermore, with 10 years since the DFA's enactment, we have experienced to apply in thinking about opportunities for defecation, improvement, and modernization. Therefore, now is the right time to take a step back and holistically evaluate how we can fulfill our objective functions in the most effective and efficient manner. We are lucky to put together such a strong and capable group of dedicated public servants in this task force. While we establish a task force, I directed that members do not just consider the work done over the 10 years since the Bureau was created, also to look back at the history of consumer financial protection and regulation and use that to help us prepare for the next 10 years. I look

forward to seeing the recommendations and considering the next steps from there for the Bureau. The next steps could include a request to Congress for legislative action, items for the Bureau's regulatory agenda, coordination changes with other federal regulators, promotion to view federal state relationships and further research. Today is a public opportunity for the task force to engage a panel of experts and for those panelists to help inform the tax force's work. Let me end by thank you again for joining, thank you to Todd for serving as chair of this important group. You and this entire task force have spent your careers to improve markets for consumers. We are thankful for your service and that you have agreed to join the Bureau to once again answer the call to help America's consumers. Finally, thank you again to the panelists for joining us today and very much look forward to hearing your views and perspectives.

Thank you director Kraninger for those opening remarks and thank you on behalf of all of the tax force and task force that for your support for what we have been doing and trusting us with this mission on behalf of America's consumers. Thank you everyone for being here and good afternoon. Thank you for being here for the CFPB public hearings, hosted by the task force on federal consumer financial law . My name is Todd Zywicki . As you have heard, I served as the chair of the task force, also professor of law at George Mason University, senior fellow of the Cato Institute and former Executive Director of the George Mason law and economics center. I'm going to keep my comments brief, but will provide a short background and updates on what the task force has been up to since we were formed in January. Why this work is important, then talk about some of our goals for today's hearing. Before that, I would like to introduce the members of the task force and the members of our panel and I am joined on the test was by Jean Noonan, Bill McLeod, Tom Durkin, and Howard Beales, or as I like to call them, the dream team of the consumer protection. Each member of the task force has committed their career to improving the health of America's financial system, consumer protection and each has a very long and distinguished record of public service. I will avoid what could easily become a very long introduction for all of them by just sharing a few highlights of each of our members and their commitment to public service and why it is such an honor for me to serve with them on this project. Bill and Howard are both former directors for the Bureau of consumer protection at the Federal Trade Commission. Tom was a senior economist in the division of research and statistics at the Federal Reserve Board and Jean was about associate director at the Federal Trade Commission as well as general counsel to Farm credit administration, which supervises the nation's agricultural and rural lending cooperatives. All in, we have over 150 years of professional experience working in this area and, as you can hear extensive leadership positions within the consumer protection field and consumer financepoint on behalf of my colleagues, it is an honor to be asked to serve the American consumer through these initiatives. Today, we are also joined by very distinguished panel of experts and we look forward to hearing their views as their expertise will surely add to the recommendations the task was will develop. It is my honor. I will introduce you to them in turn. Now, and then I will introduce them to you when their turn comes to make opening statements. It is my honor to introduce first, Professor Vernon Smith. Professor Smith was awarded the Nobel Prize in economic sciences in 2002 for his groundbreaking work in experimental economics. Dr. Smith, I just wanted to point that our bureaus, school of economics and Fowlers school of you law at Chapman University and he is a part of the team that has created and will run the new economic sciences toot at Chapman. Joining Professor Smith is professor Mehersa Baradaran. Professor Mehersa Baradaran is associate Dean and Professor of Law at the University of California. Professor Mehersa Baradaran is the author of several books, including "the color of money" , "black banks and the racial wealth gap", her research focuses on financial inclusion, racial equality and banking regulation. Next, Dr. Vicki Bogan, Professor Bogan is an associate professor of finance and at the SC Johnson business of college at Cornell University. She's found and director of Cornell's Institute for behavioral and household finance, which studies investment decisions, making behavior with the goal of setting life on how to better model financial behavior and a related policies and regulations. Finally, the leading scholar of economics and commerce, his research has explored questions, such as why corporate bankruptcies are increasingly filed in Delaware and what drives the financial structure affirms back by venture capital. He was noted Notre Dame's law school Dean after serving for 22 years as a faculty member at Stanford Law school where he taught courses in the areas of bankruptcy, banking, and venture capital, holds an extensive legal and scholarly background, including serving as a national fellow at the University of Amsterdam Center for economics and law. And a visiting professor at several institutions around the world. He also has held numerous advisory roles for government agencies and nonprofit organizations. We also extended an invitation to some other potential panelists who could not join us today. We regret not being able to hear their views. We thanked each of our panelists who we do have today for agreeing to share your expertise and perspectives today. So, what is the task force? Why does it matter? What is this panel helping us do today? As director Kraninger mentioned in her opening remarks, the task force is in part inspired by the national commission on consumer finance, created to conduct original research and provide Congress with recommendations relating to the regulation of consumer credit here the commission's report contains original empirical data information and analysis, all of which undergo the reports final recommendations. The data, findings, and recommendations for the commission were made public and the report led to significant regulatory developments in consumer finance. Similarly, this tax force will examine existing, legal, regulatory environment facing consumers the financial service providers and will publish a two volume report our findings and recommendations. Incidentally, the NCCF report was issued in 1972, it is about the 50th anniversary of the NCCF, which--and it is an honor to follow in their footsteps for all of us. The first volume will cover five key topics regarding financial products and services. We will focus on them in our discussion today. Those topics are a review of the legal framework of consumer protection, consumer information and education, competition and innovation, regulatory modernization, flexibility, and inclusion and access to financial products and services. The task force will use the insights gained in that research to develop a second volume that will include a set of recommendations for the Bureau on ways to improve its strength and application of financial laws and regulations. All of this activity is centered on the underlying principle of strengthening consumer protections in the financial marketplace in accordance with the CFPB statutory mandate . We are committed is a task force to ensuring the public and informing our work through transforming and engagements. To help scope our work, we have a listening session with representatives from various consumer advocacy and trade groups. We also issued a request for information and review comments from our information submitted by the public, such as responses for the call to evidence the Bureau issued in 2017. Like many other things, we had an active schedule of public engagements planned for the spring. An intervention of the pandemic obviously has made it more difficult. In the future, we plan to engage with our federal and state regulatory partners, as well as the bureaus, federal various advisory committees in the fall. We will serve as a guidepost for the recommendations we will ultimately share with the director. Our intention is to hear from each panelist and not to share our viewpoints or thoughts on each topic. We are asked excited to hear from the range of experts today. We are eager to discuss opportunities that will strengthen our nations marketplaces and improve the protection of our consumers. Thank you again all of you for coming. Thank you for the witnesses ring with us today, thank you to all of you for listening and with no further ado, I would like to begin today's meeting by turning it over to the panelists for opening remarks. I will first ask Professor Vernon Smith if he would start us off at

Thank you, thank you very much for inviting me. Let me begin by asking, can you hear me all right?

We can.

Hello? You can hear me? Okay. I want to start by speaking to the generic problem in all assets markets. This may help to focus the mission in some of our discussions. The fundamental problem we face stems from the retrying ability of durable assets, whether a house or secure, this, consumer producer markets for non-durables studied in the lab easily and quickly find supply and demand equilibria. Then, the macroeconomy are a sprocket of stability. Let me remind you that 75% of private product expenditures are for nondurable. This stability is because nondurable's have value in use, only value in use and this is rigidly reflected in their value and exchange. I want you to think of hamburgers, haircuts, and hotel rooms, but only to use, not resale. This explains the spectacular success of transport deregulation, air rail and truck under the Carter administration and is a great stock model for this agency. These items are purchased to use and their markets are naturally well behaved, efficient, and serve their users. The first policy role is to leave these markets be. Asset markets are a problem because they have value in use and value in exchange. These values can become disconnected. Sometimes, for long periods. This is what hacking happened in the housing market from 1922 to 1929, leading to a price collapse against mortgage that debt from 1929 to 1924 with fallout continuing until 1940. That is when national household balance sheets equity was finally restored to its 1929 level. That was 11 years. Okay? With household equity, nationally it was depressed below the 29 level. This scenario was repeated from 1997 to 2007, leading to the collapse in 2007 and 2009, the continued fallout from week balance sheets equity, eventually leading to the creation of the CFPB , and that is why we are all here today. When this value disconnects from exchange value, crisis become subject to rational trend based on momentum trading. Disconnected from rationality based on expected fundamental use value, rational expectations are not long, but they are simply trumped by trained volume. Notice that entry competition into this moment the market exacerbates the disconnect, as does the inflow of mortgage fund. Proposals to limit the inflow of mortgage funds are opposed by all incumbent homeowners, like a skunk at a garden party. Houses last for 100 years, and are about mostly with other people's money, always a disaster, eager and ready to happen. Severely sessions like the depression the great recession are balanced sheet recessions because most people's wealth is in their homes. Securities market, collapses yield far less fallout, partly because they are less widely held, but much more importantly because margin loan purchases of securities are against call loan debt. If crisis fall, margin calls prevent equity from declining and going negative, as with house mortgage debt. This was not, for example, understood by the feds in the spring of 2005. When realizing we were in a housing bubble, what the fallout would be modest because only modest fallout occurred following the.com crash, but that is an irrelevant comparison. In summary, the policy challenges to moderate or prevent use and resale value from becoming uncoupled. This requires attention to the topic of compatibility, and I want to address that later in the question for. Thank you.

Thank you, Vernon. Next up is Professor Mehersa Baradaran . The floor is yours.

Great, can you hear me okay? Okay, thank you so much for having me on this really important panel for this task force. I want to talk about inclusion and access in my remarks. I'm going to focus on a micro story to give some context for the macro problems I think I see. So, after weeks, a month, actually hundreds of people have been waiting for hours in a single file line for the one ATM at a New York City branch of P bank, the only branch offering unemployment benefits without fees. The Times reported that everyday from dawn until dusk, since the beginning of this crisis, there has been a long line. The Post reported that the crowd, made up of mostly people of color, who have come from the five boroughs, in the midst of the pandemic, rolled the dice on their health just to not get surcharges at out-of-network banks. The times profiled one gentleman who came from Queens to save the three dollars of a fee that his own bank was going to charge in Queens. These are the people who actually got the unemployment benefits. Other reports of long lines waiting to submit unemployment claims and even longer to have them approved, once approved, roughly 70 million Americans will have to wait at least a month to get their benefits. As the direct payments report and it indicates glitches and IRS having incorrect bank accounts. For those who finance tax return preparations through refund anticipation checks, the payment will be rather to a temporary bank account that individuals may not know it exists. For those without a bank account, the weight may be as extreme as about five months, according to a Brookings report. The massive scale of these crisis will mix with her for financial prokaryote of many Americans and will likely lead them to the open arms of payday lenders, title loans, pawnshops because these always fill the void where the banking sector fails to do so. As you know from a report, the CFPB has produced , there are 12 million Americans that took out payday loans each year, spending about $9 billion in fees alone. The average size of a loan is only $375 with an added interest payment of up to $520. Typically, these loans are rolled over and borrowers tend to borrow again and again. So, these problems are not new. In fact, many of us have been studying this for years, yet, this crisis really highlights the prokaryote of certain communities, specifically black and brown communities, low income communities, rural communities. Believe it or not, from the time I started studying this around 2010, these problems have gotten a lot worse. Over the last 10 years, as bank mergers have sped up, over 93% of bank closures were in these communities. Rural America has lost over half of its banks. The higher costs on both lenders and financial transaction providers and filling the void, which means that individuals into spending about 10% of their income on financial transactions. There are reports of people having to drive 40 miles for an ATM that charges $5, $6 per transaction. Banks and other banks represent 20 to 25% of the population, depending on what kind of services they use. This is a lot, not just money, but time, stress, and now we are talking about exposure to a virus because of the lack of digital access to payments. So, the simple problem, as I see it, the U.S. banking system is only available to banks with customers, but the banks don't have a mandate to serve in the community. Competition has I've sent over the last 10 years, certainly over the last several decades, banks have simply shut down their lower profit branches here that has hit low income communities especially hard. If you are outside of the banking system, you have to pay a toll to use it. Whether that is for small credit, a simple problem we can talk about maybe later, but also a simple access to the payment system, which ends up being free for those of us within the banking system and costly for those of us outside. This is squarely in the mission of all the bank's regulators, and also the CFPB because it regulates so closely to the consumer in its mission . Some of the solutions that have been offered, visual banking, mobile banking, which I think are essential services and will certainly fill in the need, but to truly reach the under banks, you need a physical location. The ability to deposit your cash or take out cash to pay for goods. Until you have that digital account, you are going to rely on these high-cost ATMs or check cashers. This is because 20 to 40 million Americans don't have broadband Internet access services, many Americans don't have mobile devices or computers, including elderly Americans who are most in need of these funds, especially right now, and most LMI community still operate at least some portion of their operations in gas. Either they use cash for babysitters, rent, all of that stuff. Research shows the vast majority of Americans with an income of $50,000 or less prefer simple debit cards for financial transactions. For us to be able to meet the needs to where the consumers are, instead of focusing on syntax, we should focus on opening up the tracks that are already laid for the rest of us. One of the ideas that I promoted in a policy solution I think could work is opening up the payment system that is already there and allowing the physical grants. I've suggested the post office as a possibility, there could be others. The idea would be to have a simple checking account and to close I guess with another story, Kevin whack reported that he went to a town in Duncan, Arizona, that lost their only bank. When they lost their bank, business revenues shrink. When a small town loses a bank, the University of Delaware estimates the town loses about 20% of their business income. When he went to the town, the hotel owner said, she walks over to the post office, buys a single step and request the check back, which is cheaper than patronizing any of the town's charge ATMs. He talked with many people, including the post office saying they were using the post office already in the bank. People are innovative and will find resources at hand to do their financial transactions. So far, that is what the post office has done. To go back to first principles, the Fed payment system, the banking system is federally supported, both through FDIC insurance, through the Fed's mandate to serve the public, the fact that many people are left out and they are left out because either their income, or the place that they live is quite frankly undemocratic. That is a problem I believe that this agency could fix. Thank you for your time.

Thank you professor Mehersa Baradaran for those comments . Next up, we have Professor Bogan. We look forward to hearing your comments. The floor is yours.

Yes, thank you so much. I was excited to learn about the CFPB task force and its mission . I just wanted to thank you for allowing me to participate in the process. The task force mission, as I understand it, is to develop recommendations for ways to improve and strengthen human financial laws and regulations. I believe this mission is critical for facilitating economic mobility. I am a finance professor, so I think about the potential determinants of economic mobility in terms of different forms of capital. I think the three most important types of capital in this regard are social capital, human capital, and financial capital. My academic research primarily focuses on how people make decisions regarding financial capital. I also investigate how human capital helps enable or hinder the acquisition of financial capital. Things like, how are health and education related to wealth building and inequality? We know research tells us it is important for households to have access to financial markets. Participating in financial markets is the key to wealth building and I strongly believe that. There need to be safeguards. I believe the CFPB into a great deal to protect consumers who engage financial markets for the purpose of facilitating the acquisition of financial capital. One express area for focus is regulation with regard to how consumers can access financial markets. When we think over the past two decades, we have seen that the manner and frequency with which individuals engage and participate in financial markets has been evolving. From being able to participate by stocks or equities only through stockbrokers to being able to invest and dissipate in stock markets through Internet trading, now to being able to trade on your smart phone using an app, we have seen this sort of historic transformation in how consumers access financial markets. Under this backdrop, I believe there is a significant opportunities for more protection policies governing the investment apps, the firms that manage investing apps, and the new financial institution that are beginning to shape the way consumers interact and engage in financial market. These types of firms are growing and are going to be increasingly larger segment of the market. As a result, I feel that we need enhanced consumer protections in this area. I will elaborate more on the specific recommendations that I have in the question and answer period, but I will just leave it here to say that I think we see more syntax and more ways that consumers are engaging with financial markets. We need to clearly focus on how to enhance consumer protections in this area. Thank you.

Thank you, Professor Bogan. Batting cleanup is being Marcus Cole from Notre Dame. Dean Cole, the floor is yours.

Thank you Mr. Chairman. Thank you for inviting me. Thank you director Kraninger and assistant director Cameron for allowing me to participate in this really important discussion. The problem with going last on a panel like this is that everything good has already been said. I am hoping that I can add something, and I think I have something to add. In the past, several commentators, including Howard Beales , suggested within the American economy, consumers are affected by each of the legs of a three-legged school stool, mainly market competition, the common for common property, and consumer protection law. But I would like to add and what I would like to suggest is that this historical and helpful view is incomplete. There is actually a fourth leg, creating not a stool, but an incredibly stable four-legged table, that fourth leg is jurisdictional competition between regulators. While jurisdictional competition has been a hallmark of the American law, very effective, Noah has jurisdictional competition been more successful or more threatened than in the realm of financial regulation. To maintain a successful economy, it is critically important that each of these four legs of the table remain in equipoise. If one overwhelms the others, it is likely to tip the careful balance, resulting in an erosion of the American economic miracle. Furthermore, technological advances have actually strengthened each of these four legs. Competitors can quickly see and compare their terms and products with those available to consumers in the marketplace and they can more quickly than ever before I just their terms and modify their products to outcompete their competition. By the same token, in fact, by the very same technology, consumers can more quickly and easily compare products. No expertise, no problem. Technology now makes it possible for even the least sophisticated consumers to access the expertise of low class experts in intermediaries for virtually every consumer product or service, including financial services, most often for no charge at all. Technology allows consumers to make better decisions than ever before. Technology has also reinforced the second leg, mainly the common-law institutions of contract property. While suppliers and goods and services rely more and more one form contracts and government relationships with consumers, abuse of term was quickly spotted by competitors and pointed out in advertising. Consumer bloggers and raters also hold suppliers of one-sided terms or inferior products up to public ridicule. Technology also allows consumers to easily record and reproduce fraudulent statements or practices made by suppliers, chilling bad behavior like never before. When it comes to the third leg, that of consumer protection law, technology reinforces that too. Regulators can now more easily collect data, enforce disclosure requirements, and quickly identify sources of abuse like never before. This very hearing would not have been possible even 10 years ago without enormous expense in equity. The fourth leg that I am suggesting of this very stable American economic table should not be forgotten or ignored. It is the leg of jurisdictional competition and it is the defining characteristic of the American economic miracle. No other economy in the world could match the might of the American economy because no other economy in the world can match the competitive discipline imposed by American federal and jurisdictional competition. Jurisdictional competition presents clear advantages in the realm of regulation because regulators don't need to be perfect in order to take action. You can learn both from their own successes, but also from the successes and the state's of other regulators. Several of the greatest regulatory achievements in history have been the product of this pattern of regulatory growth through their continual feedback group afforded by jurisdictional competition. Nowhere are the benefits of jurisdictional competition and regulatory learning more evident than in the financial sector, with jurisdictional competition between states, jurisdictional competition between the state and the federal government, and financial markets, the jurisdictional competition does not stop there. Within the federal government there is jurisdictional competition between financial regulators such as the office of the control of the currency, Federal Reserve, FDIC, treasury department at large, and the CFPB. Each of these regulators has a role to play. In summary, I would like to suggest that it is critical whenever new regulations are concerned, the delicate balance will achieve between the four legs of America consumer protection be kept online. Furthermore, regulators are uniquely positioned to engage and employ the other three legs of the delicate balance, regulators can learn from their mistakes, and the mistakes of others, but only if they allow room for others. In other words, monopoly and regulation is just as bad, perhaps even worse than a monopoly in the private sector because regulatory monopolies crowd out regulatory innovation. Thank you.

Thank you all for the insightful remarks. I would like to now ask a few questions, or begin to ask a few questions on specific topics. We will have approximately 12 minutes per topic. We will open by directing questions to specific panelists, and allow others to join in on the conversation. We will call on the panelists and members of the task force will chime in to clarify statements as needed or transition to the next topic. First topic on the legal framework of consumer protection, consumer financial protection is promoted by a framework of laws, regulations, decisions, directives, regulatory policies, guidelines, recommendations and procedures made by numerous state and hetero regulatory organizations. Continuing along these lines, other areas in which existing consumer protection laws are inadequate or need to be strengthened to ensure consumers are adequately protected? Likewise, how can the Bureau use its regulatory tools for making enforcement, supervision and education effectively to maximize consumer welfare?

That is a great question. I actually think that what needs to happen in the realm of consumer protection, particularly with regards to financial regulation, is the scaling back of consumer protection regulation, particularly in the area with regard to small lending and payday lending, and what we are seeing more frequently referred to as French tech. It is sin tech apply to the fringes in the economy, things like small dollar loans, payday loans, and those types of devices that are used to help fund the day-to-day activities of low income Americans. One of the advantages that are being afforded by technology is that technology is reducing the cost of borrowing and credit. I hate using the term, credit, by the way, with respect to payday loans and payday advances because it is not truly credit. It is not a loan. It does not really require underwriting the way other loans do. They are really more wage advances. Nevertheless, historically, brick and mortar payday lenders, small dollar loan facilities have required extensive human capital and extensive labor in order to provide these services. Fringe tech, financial technology, is now dramatically reducing the cost of this. One of the things we need to have more thoughtful approaches to our how we scale back regulation that was originally designed to protect consumers where they did not have access to information, they did not have access to intermediaries, and the cost of accessing these kinds of resources were very high. Now, the reduction in cost and the availability of information, those regular theory--with regulatory bases will impose costs on low income consumers that are unnecessary and were not helpful and not protecting them from anything other than access to capital.

Professor Cole, if I could ask a follow-up, to mix together your opening statement with that, you talked about the value of jurisdictional competition, which I understand, and you've also talked about the value of sin tech, fringe tech, and the like, do you have any thoughts on the challenges involving federalism and sin tech, sort of recognizing what you might do about that? Sort of recognizing the inherently placeless, or at least interstate, if not international of syntech type products, which many people see as having a class in terms of reaching the economy with multiple different state regulations. Do you have any thoughts on how we might think about reconciling those benefits, answer jurisdictional competition with the benefits of the Internet?

Yes, absolutely. You may be familiar with some of my work on M case. The financial technology platform that is used across Africa and has also made its way into southern Asia, as well as things like we chat today, and Alipay in China. One of the things that those platforms have in common is that they serve poor people without any brick and mortar access to banks. They are the largest movements of capital in the world. And they do it all without brick-and-mortar banks. They were a grassroots development from people circumventing the difficulties of life and in sub-Saharan African by people first using top up vouchers to move money around to convert into cash to the cell phone companies recognizing that this was a mechanism for banking as it applies to low income populations of Africa. If this had been regulated at the outset, poor people in Africa would not have had access to money. Today, the governments in Africa recognize that this is an incredible support to their economy. Some studies have shown anywhere from 10 to 15% increases in GDP for sub-Saharan Africa, directly are tied to mobile money transfer platforms. The same thing could be true in the United States, if we give it a chance. In other words, it would suggest that a state-by-state regulatory approach to syntech or what is called fringe tech, and I honestly don't like that term, but what is called fringe tech because it is regulated on a state-by-state basis, we can actually learn what are the most effective way of promoting money to low income people, rather than taking a top-down approach from federal regulators that impose solutions that may or may not be optimal, and there is no way to find out if it is optimal without the experiment station of the states.

Thank you. Do any of the other panelists have any questions for Dean Cole? Okay, well we can come back to that later. Why don't we move on to our next witness and I believe Howard Beales will be coming up on this.

Yeah, I guess it is time to continue the conversation to talk about consumer information and education. Financial mobility and empowerment are enhanced by increases in formal education, by increases in financial education and by giving consumers more choices. That is especially true with vulnerable and protected populations. What actions can the federal government take to enhance financial mobility, and in particular, I would be interested in the relationship to information. Do you think this is providing information to consumers is in the form of disclosures from the like, is adequate for protecting consumers? How do you think disclosures should be updated for the electronic age?

Thank you for the question. So, let me start with a little anecdote that kind of frames my comments today. So, there have been several articles in the popular press, "the "New York Times"" "Forbes" in the past few weeks over June or July talking about what has been coined the domestication of investing. These articles, reports are consumed with little education or thin information, training quite exotic financial security, things like put options and call options, things that are much more sophisticated then just taking, buying stocks and taking low equity positions. They are actually trading these securities in a way that they would on a gambling app, or a gambling website. What has been reported is that these individuals are losing a great deal of money. One of the more disturbing aspects of some of these articles was reported that a 20-year-old college student died by suicide after seeing a negative balance of almost three quarters of $1 million on one of these investment apps. So, beyond losing money on these apps, consumers are doing more than just losing money, someone actually lost their life. To me, these stories highlight the need for increased regulation and oversight of these specific new types of firms and financial institutions and syntech firms. As a result of that, I would recommend that you consider some of the following. It is absolutely critical that we provide better information and more disclosure to consumers with regard to these new investment apps and new ways to access financial markets. In correspondingly, you need to provide better information and better accountability with regard to managing these accounts and account status. You know, I don't think many people are privy to the details of the case where the person lost their life earlier, but it was indicated that the account balance, they cleared one half of the trade, but not the other. He saw the almost three quarters of $1 million in a negative balance and it was so stressful that that is what prompted him to take his life, per his suicide note. This highlights the need to provide better information and demanding better information and better managing of these types of accounts. We need to provide more information to consumers about potential risks. These apps cannot be managed and presented like a gamut gambling apps or gambling websites. It is clear that they are. Currently, these apps have a number of elements that belie the significance of the risks that are being taken by the consumer. Just to give you an example, every time you make a trite, good or bad, the app shows confetti being thrown up at congratulations on trading. All of these nudges and interaction with the app is just designed to encourage consumers to trade because these institutions, as a part of their business model, they make more money the more trades that are being done.

[Captioners Transitioning]

We need to think about requiring disclosures to be updated immediately on these apps. Moreover, these disclosures should be easy to understand. With key points highlighted. Not the long in this school and small font you often see when you accept new terms for various services or subscriptions. Another thing I would recommend for consideration, as we think about regulating and limiting access to the younger consumers. I will repeat again, the person who died by suicide was only 20 years old. He could not legally buy alcohol in the United States, but he could amass an almost 3/4 of $1 million negative balance. We need to think about who has access? How the information is presented, and how it's regulated. In a nutshell, I think we need to consider something similar to what was done with the 2009 credit card app. There was a section in the app about prompt and fair crediting of payments. Correspondingly, when we think about managing these investment apps, we need better information on account status. In the credit card act, there was information about enhanced consumer disclosures. We are going to need clear disclosures and clear information about the risks. I will repeat again, when we think about these investment apps, their allowing consumers to have access to specific types of exotic financial securities like options. Buying and selling put options which is not a nontrivial, quite complicated type of financial asset. We need to highlight, with the potential risks of investing in these assets could pose to the consumers. We also need to think about similar to with the credit card act, there was a title for protection of young consumers. Specifically think about regulating and limiting access to young people. We do it in other contexts. You know if you're 20 years old, you cannot buy alcohol. You cannot rent a car. There are safeguards to protect consumers in this regard. I think as more people have access to financial markets, we need to think about similar types of safeguards. I do want to be clear. Yes?

Could I just ask? Tell me what is unique about access through apps. I mean the finance professors advice has always been diversify, buy and hold the end of this daytrading nonsense. You will just lose money because there are people better informed. Nonetheless, there are people who have done that through their brokers. In all sorts of financial assets. It is cheaper now. What else is different other than it is cheaper?

That is an excellent question. It being cheaper now I think three things, limiting transaction costs, making it easier to engage in these markets. I think is a good thing. But the way some of these apps are structured, I don't know a lot of people have heard in the popular press about nudges and people using principles of behavioral economics to get people to make certain kinds of choices. Within the context of these apps, there are a lot of behavioral edges that try to encourage people to trade. This is not, these nudges that are coming in the context as you mentioned before, you went your broker. Implicit in your interaction with the broker you know education and someone giving you information. You are not sitting on your phone you know in your basement making trades, being subtly matched to trade more even if it is not in your best interest to do so. The thing about these apps, it is good and bad. It is good in that transaction costs are low. People have more access. It is bad if they are not regulated such that consumers are protected from being encouraged to make financial choices that are not in their best interest but the best interest of the firm.

Go ahead.

I have a comment. Bernard here. What is interesting about this to me, none of this presents traditional portfolio 30. Traditional theory and economic says you look at the assets, you look at the expected return and volatility. You make your investment and you hold it until the information changes. What we have out there is a world in which the information is changing every minute. Okay. We have everyone involved. Very large numbers of people involved. Trend chasing and all this sort of thing. And what is it interesting you see, none of that is part of what we traditionally recommend to people, but no one pays any attention to it.

Professor Durkin, if I could ask a question since you talk about young people which I think is a fascinating issue. We know young people student loans are huge, a huge issue. Huge amounts of student loan debt taken out with no underwriting whatsoever. And very long-lasting sorts of things. And we know that has had the impact on household formation and row economics and that sort of things. Two questions related to your comments, he gave the example of credit card act and the example about the apps. I understand your point. But and maybe it's a disclosure issue. Which I would like you to elaborate on more, one of the things I have observed and I wonder about, it appears young people today may be kind of finally or financially maturing later in life. Partly that is because of student loan debt. It seems like there's potentially a trade-off between giving young people too much access to financial services and products whether credit cards or investments. I have no idea. I literally have no idea. I know the example you are talking about got access to so much stuff. In one since there is a benefit to giving access to younger people. Everybody knows the example of the parents who gave them the credit card when they were to cause college, with a limited credit line. At the same time getting in over their head. How do you navigate that. The second thing is, we know to what extent the student loan debt we're seeing maybe young people who are college maybe cannot get access to credit cards now or have trouble getting access to other bank accounts because of regulation. The general question is, how do we get people to mature financially without, without giving them access to the products they would use to learn?

There's a lot in your question. Let me try to unpack it. Let me start with the most recent first. I think you're absolutely right, younger people are financially maturing later in life. And I think there's not just one reason for that. I have some research with a grad student. We called it the boomerang generation. We called it boomerang bias. Because of the student loan, people are going back to live with parents. As a result of living in a household with their parents, they are often we have found in research, they are less likely to hold jobs and do other types of more mature financial behaviors. We are balancing that against something you mentioned before. Some young people are actually more likely to engage in financial markets through technology. When you think about the apps I am referencing, they are more likely to trade stocks or engage on their smart phone or laptop than older generations. So I think it's a very multifaceted problem. Just to be clear, I think giving people access is important. Giving people access to financial markets is important. But I too think there has to be checks and balances. And so I am not a huge proponent of limiting access. But I think access that is given needs to be regulated and policies do need to be in place to put a floor on how much potential damage can be done. When we think about -- this goes back to the earlier comment about you know we Council financial theory we should have the buy and hold strategy. The only time you should be turning your portfolio is when the information changes. Through some of these apps the particular case I referenced, the 20-year-old that committed suicide, he was trading put options. He was doing a very complicated sort of put spread. Which is not new no a wealth building buy and hold type of strategy. It is something that sophisticated financial traders do. There has to be coupled with you know access. There has to be protections in place. And also I know Mr. Beals mentioned education. We have to think critically about how we are going to educate people with regard to financial markets and participation in the financial market. When we think about wealth building and trying to facilitate economic mobility, access to financial markets is important. On the flipside, along with this access, we need enhanced consumer protection policies. In terms of how they can access it and what kind of safeguards are put in place. Both in the way regulating the apps and how they are maintained and also the firms managing the apps.

[Indiscernible - multiple speakers]

Professor did you want to weigh in here?

I want to defend the millennials here. I do think you know, the research is just they have more debt than any other generation before them. That is because of the structure of the education system. Colleges way more expensive than it was. Colleges way more necessary than it was. They are burdened with debt. You know they have been exposed to two crises back to back. On education and maturity. A lot of people are making the same decisions. Instead of people like us who are more privileged. I graduated college in the 90s. So I did not experience with these students. My students. I've been teaching them 10 years. From where I sit as a professor, it's not that they are immature or financially you know lagging behind. They are under a lot more pressure than I ever was. In a way they are under more. They know more about interest rates on loans and where to get the best deals. I actually think it's information for some of them. Trading things that Professor Bogan is talking about, that is a worrisome trend. You know broadly the idea of financial education. The story we shared that story.

Someone hiking to save three dollars. That is a person who is very financially savvy. That could mean a meal or not. For a lot of people who live on margins, take out payday loans who don't have access to bank accounts, they are making a rational choice. It's not anything that education can fix, because there are no other options. If you don't have enough money to avoid overdraft fees on the bank account. If you're young and don't have the money to pay for college, you will take out loans. You will go to the bank and wait hours and hours in line. I see these things as the problem of the system. The copout says let's educate each individual. Instead of changing the system they are part of. Banks are charging overdraft fees. If you don't have enough money to put in the bank account, you will get pegged with the C fees. That's a big revenue stream so people decide not to do that. Same with the young folks. I think some people are going to be frivolous with money and reckless. Of course. That is up and down the wealth scale. It would behoove us to actually focus on making their bad decisions not so financially catastrophic. Thanks.

[Indiscernible - multiple speakers]

They know how to trade put spreads, they know more than I do. I have a question. How about, should there be consideration given to licensing access? You cannot drive an automobile without a license. To get a license, it requires some driver training and you have to have proof of competence. Then you can get in the automobile and drive it. That you have all these apps your telling me about . Little weapons of mass destruction. People freely access them.

Like a test of competency basically.

Just a thought.

You can do it when you proof you are competent. And there's some sort of procedure for determining that. How does this differ from the automobile license?

That is an interesting idea. I was sitting here wondering, what kind of disclosure you could give a person who thought that trading put spreads in response to the gratification of getting confetti on his screen, was a rational idea. I once had a young friend who thought that that who had no money -- he thought trading in bitcoin was going to be much more [Indiscernible] for him than having any sort of regular day job. That did not work out so well for him. But when you have people who are so responsive to these gimmicks, you know as a longtime consumer protection lawyer, I am trying to think of how I would write a law that says no gimmicks. Or how I would write a disclosure that would make a bit of difference to the person I was trying to reach.

Disclosure that could inform someone who already knows what a put spread is but doesn't know the dangers to challenge. Let's move on. I want to ask also all of the panelists and members of the task force and everybody else. Please check and make sure your phones are often your computer sound is off. We are getting up pinging from someone. Thank you. With that we will move on to Bill MacLeod. The floor is yours.

Thank you Todd. My favorite subject is competition. I think that is a important aspect of consumer protection. I would like to frame my question in two ways. We all know competition means consumers have choices among a lot of providers. That prevents providers from exercising market power over consumers. If there are areas where that is not the case, I would like to learn about that and also I would like to learn about barriers that our panels have seen to the entry or expansion of firms and markets that look like they need a little more competition. Maybe we can start it off with Professor Smith. Is there any thought you have on that general subject on either side of it?

The thing I think is important for Bureau like this to be involved in thinking about, is what economics we like to call in Centre. The whole idea that the incentives of individuals have to be compatible with what ever the wealth creating social or economic objectives of markets. Whatever the institution is. The reason why I started out my opening remarks talking about nondurable goods, that very large category of good does really well. Okay? You see that is a world which is governed by laws requiring sellers to deliver, buyers to pay, and supplemented by truth and labeling and advertising. Those are more recent. The last 100 years or so we got that could those markets are basically work quite well on their own. It is in this stuff that gets retreated. We have seen in housing asset market supply chain was shot through with incentive compatibilities from 1997 to 2008. Recall in 1997, we had an enormously pop boiler bipartisan bill to exempt primary home ownership from capital gains taxes up to one half million dollars. Although that is a defensible, wealth growing idea for all capital investment, it was an incredibly bad idea to select one asset and sweeten it in this way. You expect investment funds to be diverted and flow into that asset. That's exactly what happened. We look the enemy, he was us. As a consequence, house prices surged to new inflation-adjusted highs by 2001, this is well before all of the many incentive and new all inventive incentive compatible forms of financial innovation set in that widen the Between values and prices. I think similar proposals are likely to be coming in the future. I think it's important for the

Bureau to be willing to stand in the wind to identify these dangers. In some ways I think it is the most unique and important function that the Bureau could engage in. Let me give you some specific examples. This is coming out of the housing mortgage market crisis. Now consider mortgage loan originations, which are a major source of poor quality mortgages. Sold to banks. Then pooled and diversified portfolios, insured by unlisted derivatives issued on them. Then sold to investors. Why were these loans such poor quality? Very simply, a lump sum, upfront fee was paid the originator. Who holds the loan only long enough to sell. This of course is why when the housing mortgage markets went south, had countrywide Indy Mac were among the first bankruptcy. The chain of collapse. The incentive of the loan originator was uncoupled with the incentive of the lender. How might you fix that? So that the loan originator is free to do their specialty and produce mortgages like those any prudent lender might issue. Here would be a proposal for study and testing. Very simply, what ever the market determined fee, that it be paid to the originator in proportion to the principal payments spread over the life of the loan. You cannot simply write a 10 year interest only loan, and then you get no fee payments for 10 years. Your incentive is to write lender friendly, not hostile loans. It of course needs testing. I'm not proposing I just want to do that without a little more study. Because there are unmitigated consequences. In the best laid plans for rulemaking. Another example is mortgage service providers. If a mortgage is in default, does the provider have incentives to work out a refinancing program to keep the homeowner in the house? Or does the provider collect more money from foreclosure than finding a means to avoid it? It's far less costly for society if you work out a means to keep the homeowner in the house and make payments.

[Indiscernible - multiple speakers]

Go ahead.

I'm Sy. I thought you were done.

I want to mention one more thing. That is, two the extent hedge funds or other specialists in momentum trading are privileged with tax incentives, the problem of asset instability is greatly exacerbated. Now if that situation is not your problem, whose is it? Because to the extent that they have passed through tax status, as far as I'm concerned, all businesses should have that but you choose some and you sweeten that and I can tell you, you can expect trouble out of that. Thank you.

Doctor Smith, if I could ask you since we have you, you have any generals bots based on your experience with experimental and economics. Just the general open-ended question about behavioral economics and the role of behavioral economics in consumer protection, consumer financial protection specifically? Making specific recommendations about regulations and the like?

There's been a lot of talk about try to help consumers make better decisions. Trying to protect them from themselves. I prefer to emphasize the development -- I would like to have consumers able to make their own judgments. And be able and find means use the of protecting themselves. Because if you will always look for ways to protect consumers, from themselves, from the mistakes they might make, you are really not addressing the problem. It has to be in the form of better informed consumers who are better able to make decisions. Okay. I think at least some part of the Bureau's activities should be directed to that, rather than sort of fix ups given, given the situations and the things people are doing out there.

Let's move on to my question. We will talk about inclusion and access. I'm sure many of you will weigh in on. I would like to first address Professor Baradaran. It's something near and dear to our hearts. Professor Baradaran, you have written a lot on this topic and you addressed this in your opening statements in a powerful way. I would ask you first if you just want to elaborate. You raised two things also if you would be willing to talk about. Which is the first is, you mention -- this is something that intrigued me a lot of consumers want simple debit card or checking account. One of the things I've been thinking about at the task force, we tend to think of financial inclusion as a binary thing now. Is either your have a bank account, you don't have a bank account. You either use alternative products or you don't. That at first glance doesn't appear to be a useful way to think about this as opposed to a continuum type of thing. I would like if you would to elaborate on what you mean by simple debit cards and checking accounts. It seems like there's a huge middle ground between not thinking in all the bells and whistles of a bank account but it's not clear everyone needs that to be financially competent. The second thing to talk about, what are the primary barriers to inclusion, what public policies might do? You mention postal banking. What you think about other traditional non-banks such as Walmart or Amazon? I didn't mean to name particular companies. Other companies that have a lot of access to consumers, but have not traditionally been banks. It's a vague question. I would like to hear your thoughts on what we can do to promote better inclusion and access for consumers.

Thank you for that question. It is an important one. Historically, understand why we have the banking system we do without understanding the long history of how we got here. I know you know, we bundle the two services banks have provided ages ago. Which is financial transactional services. Anything that is sending and getting money. It used to be you had to have a bank and drive to the clearinghouse and exchange text and make sure they weren't fraudulent. We had this transfer clearing that we only allow banks to operate on. That's how we have done it hysterically. Even if you have a syntech any at, not up uses the bank on the back into do the payments system. Absolutely. I think a lot of folks don't have a need for bells and whistle banking as you would call it they seek access to transactional accounts. It could be through ATH, Visa or debit cards. A lot of that is regional. While some of us are digital and may exist on the cloud. A lot of Americans still exist in the community. Where they spend their money. When the community loses access to financial services, that is a huge barrier. That's why say yes. A simple debit card,. In institution it would go in a simple and safe way and the safety and technology is already there. We do not need to wait for some entrepreneur to create the debit card. We already have that and it works fine. The other banking services. And if I am a banker, I would rather not have a $500 deposit or or $1000 bank account because I lose money. I am paying my staff I have the location and that overhead. The ways banks make money, they make big loans to big businesses. They do mortgages and that those are two different functions of banks. Increasingly that have gone to be fair vastly different profit sectors. For the accounts it's more the syntech through the network on that side. Banks are focusing increasingly on the higher profit services. The problem with this, it's not a problem of the banks or the syntech . If the people aren't a natural fit for either of those two different sectors. Those are the folks that are un-banked. That is a problem. If you have a market problem for me, it is about the public utility which is the payments sector that only open to a chartered bank. One option could be Walmart, Amazon. The thing to worry about with Walmart and Amazon. Amazon still relies on the USPS and other services to get to that last delivery in these areas where they are excluded from banking anyway. A lot of these companies, it will not be a profit center. Walmart could offer checks. The bankers you know shut down that Walmart application a while back through random politics. I think there are easy solutions, and there are some market solutions here. I tend to think if banks are being supported anyway, the payments processing, we may as well open that to everybody.
Interesting. So the key is used to get is unhooking the transitional payments everybody needs from the other stuff that only some people need.
Yeah. Deposit insurance right would go to depositors and it wouldn't subsidize the rest of the banking activities that are highly risky.
So in terms of -- would you recommend the payments system opened up to nonbanks then?
Depends on the non-bank. You know?
Certain protections.
The reason banks you know have to comply with the anti-Monday laundering, know your customer. A lot of the anti-terrorism, there is a whole system of regulation. You may think it's too much, but Congress passed it for some purpose they have. There has to be oversight if we will keep those intact. Otherwise some people are doing it and others are not in it will be unfair.
You are panelists have any thoughts of the AML laws on financial inclusion and the causes associated with that?
My opinion is, it certainly presented barriers for some folks. On the identification laws. So there are some barriers as far as the trade-offs, I would need to see more data whether it has solved. Bitcoin is an option for a lot of that AML type things we worry about. The FBI -- if you're looking for those transfers, you can find them. Perhaps technologically, we are beyond AML . I couldn't say that confidently. It has been a burden certainly.
I will just asked the panel in general. This is all of you who have been some work on this issue of financial inclusion. I will just invite anybody to weigh in. One other question perhaps this is for Professor Smith or Professor Bogan specifically. One of the challenges with financial inclusion, Doctor Smith was talking about mortgages. A type I type II type issue. We want to make sure everybody all creditworthy people get access to the credit they need. But, we don't want to extend or give too much credit for too many bad risks. Right? And so financial inclusion is good unless it's too much in some sense. More generally, does anybody have thoughts or questions on barriers to inclusion, things that could be done to promote financial inclusion? Regardless of whether you think of it as a lower income, younger racial minorities or whatever the case may be.
[pause]
Any other task members have questions? Did I interrupt someone?

Yeah, this is Professor Bogan. I was just going to respond to your question to the group. I mean I think it has been said before. I'm just beginning to do some work on the un-banked and under-banked population and looking at the FDIC national survey among the un-banked and under-banked and trying to unpack the barriers to the financial inclusion. One of the things that struck me I guess, is you know I thought this was primarily relegated issue being under-banked for a lower income households. What I see to my surprise is almost 35% of middle income households are also under-banked getting alternative financial services. I think you know as I start to do research. Is a bigger problem than a lot of people are aware. It is not solely for low income households. Households that have higher incomes are still plagued with issues with financial inclusion. I think one of the things the data suggests, this is a big way households are discouraged from participating, engaging with financial institutions. Obviously comprehensive review of regulation is important to understand. How this blocks not just the low income, but a lot of middle income households as well.

I think access to credit -- Todd, you said it ought to be based on the needs to be based on the ability to utilize it in a way that involves either self-development or the development of others. Family or whatever. And the poor are perfectly capable of finding ways to do that. You see? I grew up among poor people. Everybody was poor in the 1930s. But it did not, it did not mean that people are not able to find ways to function and utilize what little bit of money they could acquire in ways to develop themselves or contribute to the family. It wasn't just a consumption sink. It was productivity source. I think somehow that sort of thing needs to be part of the inclusion. So people understand this is for self or other development you see? And there be some kind of evidence this is what it is going to be used for.

Before we leave this, everybody else has weighed in. Do you have any thoughts? You have talked about Fringe tech earlier in any further thoughts on financial inclusion?

Professor Cole.

I'm glad to use the turn financial inclusion. I think the term un-banked or under-banked is psychologically constraining. The reason is, it elevates the role of banks in our economy. Banks have historically been important. Banks have changed throughout the history. But thanks are increasingly under pressure because of the constraints. Particularly imposed by brick and mortar monetary systems. Much of the world -- I would argue possibly now most of the world is cashless. China has become almost entirely cashless economy. The use one of two payments systems in China. Either WeChat pay or [Indiscernible] pay. Much of Africa is completely cashless. Largely because it reduces the crime of theft. Mobile money transfer is much more secure than using cash payments systems. Financial technology has placed banks all around the world under tremendous pressure that pressure is forcing banks dashed by the way, it doesn't just come from technology. It also comes from other kinds of institutions that have interfaces with customers like as you mentioned, Mr. Chairman, Walmart is a great example. Walmart has become a bank for all intensive purposes to the poor in America. It is not a place where they can necessarily store wealth. It is the place where financial intermediation and transactional services are accomplished for much of the poor will later have access to banks. Banks now are increasingly focusing their attention on segments of the economy where they have less competition for transactional services. When it comes especially with regard to the poor and people who have limited means, banks are largely now feeding or seeding that territory to Fin Tech or other institutions like Walmart. Where if you walk into a Walmart today at the front of the store customer service, it looks an awful lot like a bank with the line and everything else associated with banks. I don't like using the term un-banked or under-banked because it elevates banks and banks are now losing in this competition in the marketplace. We need to think more broadly as to how to protect consumers in a more global financial services industry than just simply focusing on how to regulate banks.

You know we are now up to our final topic. It makes me very sad. These two hours have been very provocative. I wish we had more time. Our final topic is on the Tory modernization and flexibility. The development of the national economy is consumer finance. The growth of consumer protections in the 1960s and 70s. This was the evidence for the national commission on consumer finance the director mentioned at the outset this afternoon. Today consumers shop for and use financial products very differently than we did 50 years ago as has been discussed. I would like to ask each of our panelists in the final 15 minutes, to take three minutes to share their their thoughts on the following question. How do we protect consumers from new threats while enabling providers to develop new and better ways to serve their needs? Second, the pandemic has highlighted the need to ensure the federal government can quickly adjust and provide regulatory flexibility. Indeed just the way the market evolves, shows us the need for regulatory flexibility. How do we create a system that is responsive to acute market disruptions like 9/11 or the 2008 financial collapse, or COVID or just to the rapid evolution of products while providing a stable regulatory framework for consumers? I will let you fight to see who gives first.

Well you see when I think of the main charge this Bureau has in the way it came about. What we have been talking about has all involved sort of endogenous problems and issues that arise in consumer markets. They are not really -- the kind of thing where you have an external threat. It is not clear to me that this is an area you have any or any special competence to take on. You can be part of assisting other government agencies in the event of another 9/11. Or another COVID. Okay? It seems to me that involves kinds of expertise. Whatever the source to the external threat is, those will have special characteristics requiring facial competence and knowledge. And the question is, what can you contribute to that beyond sort of a secondary supplemental role as one of the many agents that might help other agents? It seems to me you in a sense have enough to do. Okay? In the main charges you have and that we have been talking about there. And so I would question whether those things are not really beyond your authority in terms of commitment of any kind of resources to that. That require expertise virtue I think of your main charge and your main function.

Thank you Professor Bogan. You have thoughts on this?

Yes. I agree 100% with Professor Smith. Especially when you think about the market disruptions you highlighted in your question. 911, 2008 financial clouds, COVID. 9/11 is a security issue. The financial collapse was in our financial market. COVID is a public health crisis. I think it's important to make sure this organization is elevated so that when the is a crisis, they're kind of plugged in and people look to you as a resource. The organization is nimble enough to be able to react as quickly as possible to you know whatever issue has been foisted upon us. I definitely concur with Professor Smith that, it seems like it's a little bit outside the purview to be able to create a system that is responsive to health issues and security issues in addition to financial issues. Just trying to be nimble is the most important. Technology is evolving increasingly more rapidly. In general, I think government organizations are going to have to be more nimble.

Thank you. Professor Baradaran?

I will add that, I think, I think you could not predict the pandemic or something like 911. You can predict the events that hurt the most vulnerable people. These things are just inevitable and history -- in every crisis, any sort of nature affects those who are vulnerable, the hardest. This is the job of this agency and others to make sure those systems are in place before the crisis. And not be reactive. This is not just -- it is the issue across the board. We do not have a system sending out easily payments to every American when we need to. A systematic problem that is hard to fix in the face of an emergency. Before that, anticipating how these things might affect people. A lot of these issues that have been coming up, are not blindingly new. There's a lot of academics who have been saying, I am among them who have been saying pay attention to this payments issue. Pay attention to the inclusion issues. I'm not going to get hung up on terms of what we call it. Some people do not have access to a bank account and some of those people are not just poor people. Their middle income all of these issues have been there. They just get heightened in the emergency. I think yes now is not the time to sort of do this. I don't think the CFPB is the only agency or maybe the primary one. Certainly, these things will come up repeatedly. It is upon us to fix them when we can.

Thank you, Dean Cole?

Yes. I agree with much of what has been said. I think there is something really instructive from the public health crisis of COVID-19 for you and for all regulators. The question to ask yourself is, whether you want to be Florida or you want to be Illinois. If there was an immediate federal response to COVID 19 that was the response of the state of Florida, this public health is is would be an utter disaster. If it was the federal response that was the response of the state of Illinois, we might look like South Korea right now. The point I'm trying to make is, different states have taken different approaches. Those different approaches are ones we can learn from so that when it is time to impose federal regulations, we will of had the learning of the laboratory of the states. To immediately jump in when there is a new technology or new product that is created to immediately jump and with federal goal regulation, runs the risk of creating a regulatory parallel to Florida's response to COVID-19, rather than Illinois response to COVID-19. That is the whole point I have been trying to make about the benefit of the laboratory of the states and state consumer protection as a way in which you as a federal regulator can learn and create better regulatory instruments.

With that, Matt back over to. I didn't mean to cut you off. Talk fast Todd.

[laughter]

Thank you everybody for this stimulating discussion. This has been very helpful. I'm sure our staff has been writing down references. I have written down a bunch of references. If they did not, a four we need to now go back and look at. This was a wonderful discussion. A very wide range and helpful and gives us a lot of food for thought and a lot more work to continue doing. Thank you for taking the time for this great discussion. I would like to thank of course all of the participants and those who spoke today. I would like to thank the director for being here and are incredibly hard-working and talented staff who are supporting the task force. Who are doing a lot of the work on this. I just want to have a chance to recognize them. They were really the ones who put this whole thing together today. Including figuring out all the technical challenges and everything else. They are the ones who make this work. I want to thank Matt was been the staff director for the staff on behalf, thank you Matt and all the staff for all the great work you have been doing. I want to thank you who joined us online or by phone. Please be on the lookout for the next public engagement which will plan to be in default. Until then, I hope everybody has a great rest of the summer. This concludes today's Public Hearing. Thank you for being with us today.

Thank you.

Thank you for everyone's participation. This does now conclude today's conference. All lands -- lines may disconnect at this time.

All right everybody. Thanks.

[Event Concluded]