Rough Transcript. Automated Speech to Text Transcription

Speaker 1 (00:00:24):

[inaudible]

Speaker 2 (00:00:24):

Hello and welcome. I am Steve Clemons editor at large of the Hill. Thanks for joining us today for our forum on modern credit systems, alternative data and the American dream. We're going to be exploring financial inclusion and how innovation can address a lot of modern credit problems that don't get discussed enough before we begin, I'd like to thank our sponsor FICO for its supportive today's event is going to be a great set of conversations. Stay tuned. When we think about the typical American dream or owning a home, buying a car, starting a small business, these are all ideas that might come to mind for many Americans who lack access to traditional credit. Like I once did. These could remain forever out of reach in recent years, economists and some members of Congress have suggested incorporating alternative data like cell phone utility rent payments into credit scores.

Speaker 2 (00:01:10):

These data lines are currently excluded from traditional credit scores, but could provide information on financial responsibility that could expand credit access and ought to expand credit access. Let me just put my marker there. How can policy makers install guardrails to ensure alternative data is used responsibly and not harmfully? How can financial literacy and inclusion be prioritized? How can historically underserved communities and communities left out of the credit picture, be brought in and be given fair credit access. We're going to be putting these questions in more in front of our fantastic speakers, but first a few housekeeping notes you can tweet us at at the Hill events and use the hashtag hashtag the Hill credit we're broadcasting live, and we'll be taking your questions throughout the entire program. And as with any live stream, you could experience occasional trouble, not our fault, not this time. Uh, if you refresh the page, they tell me it will help you and hopefully fix all the problems.

Speaker 2 (00:02:03):

My first guest is Congressman Patrick McHenry from North Carolina. He's the ranking member on the house, financial services committee, Congressman McHenry. It's great to see you, you know, I've been wanting to kind of get off this topic of who certified whom in the Senate and begin talking about real problems, hitting real Americans. Now, you know, you've been around the financial services track a lot and you know, I want to make this real for Americans. I want, you know, the folks watching this today, that we're not just talking about policies that far away, but as you think about the financial services, challenges that you think about credit scoring, what are the gaps that we have to address from your perspective?

Speaker 3 (00:02:37):

Well, first of all, we have to acknowledge that you have, uh, an oligopoly, you have, uh, three credit reporting agencies that really don't compete with one another. Uh, it seems they have a pretty well agreed upon track, uh, by which they, they operate. So we have a lack of competition, the credit reporting agencies, that's number one, number two, we have a limited set of data that is under law. Uh, the favored data, we have to expand that set, uh, show that you have traditional American, uh, activities that are current in this marketplace. So think about this, um, uh, cell phone bills as a great example, uh,

paying your water bill things that tell me a lot about your credit worthiness are actually not a part of most credit files. Um, and these are huge expenses for every American, I'm sorry, nearly every American. Uh, so we need to expand, uh, that, that data set. Um, and then third, and finally, what we don't need is a government agency, uh, stepping in, uh, to be a fourth, uh, credit reporting agency. What we need is that, like I said, point number one, which is more competition, we don't need a government Bureau to approve every data source. What we need to do is, uh, is, is have a more enhanced competition. So we don't need a CFPB for instance, to get into the credit reporting agency business.

Speaker 2 (00:04:08):

Now, are you worried about the direction of the CFPB right now? I know, um, you know, I'm now just following you on Twitter, I'm a brand new, a follower of Congressman McHenry, but I think, you know, the, the, the question I have is, do you think it's trying to turn itself into that and that the leadership that has been announced as trying to, uh, turn that, uh, CFPB into a new credit reporting Bureau?

Speaker 3 (00:04:29):

Yes. Uh, that was, uh, on the docket for Richard Cordray's CFPB. And that was the intention, uh, before, uh, uh, well, four years ago. And we see that with the president's, uh, you know, uh, nominee and, uh, for the CFPB, we see that it's really going back to the old days of what Elizabeth Warren dreamed the agency could be, which is, uh, quite an unaccountable, um, and doing things that should be done in the private sector.

Speaker 2 (00:04:58):

Well, let me ask you a question that came up. I did a background call with our final speaker of today's event, Susie Orman. I think I can disclose that Susie raised an interesting issue, and I just don't know where, you know, what, thinking about that, that COVID-19 is such an extraordinary hit on all of us, systemically that people through no fault of their own have a new economic fragility. You know, we've seen eviction moratoriums, we've seen support for people in jobs on unemployment that this period of time that we're in is anomalous because of this, this huge shock. Should we be making some adjustment in the way that we're looking at at credit, go back to the time before this hit, because, you know, I just wonder whether we've created this Darwinian situation where, you know, those that are totally well off fine, but everybody who is, you know, through no fault of their own was hit by the I'm just wondering where I have no idea where your head is in this or where the Democrats are in this, but, but, you know, there's a point there to be made, I think,

Speaker 3 (00:05:54):

Oh, sure. There's something to be made for that. And I think what you'll see is if you have accurate, uh, credit reports, then the allocation of credit can be accurately and appropriately done. So those that are allocating credit, those are making lending decisions. I think we'll be able to do that. Um, I would also say that we have a unprecedented amount of government money going to individuals, government debt, uh, produced and money going directly to individuals. And so in some ways, uh, you have a group of Americans that are, uh, better off economically though. They're actually worse off in terms of their jobs and their, their, uh, individual income making rather than, uh, governmental support. So there's a quite a bit of a noise out there if you will about, um, uh, Americans credit worthiness. Um, also you

have, uh, unemployment rate that is not historically off the charts, but what you have is, uh, segments of the economy that are dramatically worse off.

Speaker 3 (00:07:00):

So if you work in hospitality, for instance, let's say you waited tables and you actually had, uh, for Americans, what is described as an upper middle class income stream, because you're really good at what you did. Uh, now you're on government assistance. Well, does that really speak to, uh, your productivity as a human being your credit worthiness, but you also have those folks that are making sound economic decisions about how they're paying. So I don't think we need to erase credit reports is, is really my larger point here. We should, we should acknowledge the reality of these things and, um, and allow lenders to make, uh, those discretionary choices about their relative credit worthiness,

Speaker 2 (00:07:44):

Cosmic McHenry. You know, I disclosed this to folks perhaps at my peril, but I usually, and this week at the world economic forum in Davos, Switzerland high in the mountains, you know, talking about economic issues, social issues, and others, and usually this very night, in fact, right now, as we speak to you, I'm in a dinner hosted by Dan Schulman of PayPal. And, uh, you know, he does it every, every a Davos, not this year, of course, but, but one of the things that PayPal did and put in place, which I find so interesting is that they began to find ways to finance small businesses or micro businesses, people that wanted to go out and venture not by going through credit scoring, but by looking at reputational models, looking at other ways to look at how they finance. And I admit that's not a FICO score, but there are other ways to look at how to look at the solvency and that question of risk related to somebody. And they have remarkable success. They've made it created a multi-billion dollar industry and financing and sort of outsmarted, you know, many of the banks I think in this. And I'm just wondering whether or not, when you kind of look at this question of getting, you know, a wider aperture that's credible and solvent in looking at credit worthiness, is there something there in the model of Dan Schulman, or do you have other ideas in mind of how to open aperture on credit worthiness?

Speaker 3 (00:08:57):

Uh, for sure. I think it is a good idea and for sure we need more of it. Uh, that is how emphatic I am, uh, about what you've laid out, what PayPal's done, what a, uh, square is doing, uh, and a number of small business lenders. What I'd like you to ask my democratic colleagues and raise this as whether or not they think that that small business lending is appropriate, what you, what my Democrat colleagues proposed last Congress, um, here in the house was to, uh, take, uh, uh, individual, um, uh, credit scoring decisions and apply it to small businesses that would, uh, eliminate the capacity of PayPal to, uh, to take that program that you described that is, uh, that is loading up significant amount of money, uh, to individual small businesses and having an aggregate positive impact on the economy. Um, it would eliminate their ability to use those enhanced models in those broader models, uh, for small businesses and would take them back to a very basic 1970s mentality of, uh, of a FICO score to allocate those that credit. I think that's a huge mistake. I think we have more vibrant small business lending because we have more competition. I think we have more vibrant, small business lending because we have a wider array of data that goes into it. And I think that should be a more enhanced model for how we allow individuals, uh, to get, uh, lending and a greater choices.

Speaker 2 (00:10:30):

I want to go to a question from the audience in a moment, but, but, but another quick one, you know, I'm very aware at this time of stress in the country, you know, there's, uh, income inequality, there's, you know, difference in G and geography. Um, we have serious, um, racial divide and identity questions in the country. And if you look back the legacy of decisions that this country has made on infrastructure, whatever, you know, we we've had a divided society, a lot of that falls along race and all, but a lot of it also falls around the, the question of literacy. And I'm just wondering, you know, I know that there are no silver bullets in this conversation, but as you look at financial literacy, and as you look at bringing in some of those communities that have been historically excluded, uh, from financial inclusion, what would be on the top of your list?

Speaker 3 (00:11:13):

No, look, I, you have a unity of effect, economic effect between certain urban communities and certain rural communities. And, uh, while you raised the question of race, let's actually get into the economic, uh, question here, because that is a deeply meaningful question, uh, that, that we should speak to. Uh, what we have is in, in rural communities, they're being left behind in urban communities. They're being left behind. We've seen that, not just, uh, over the last four years or eight years, but over the last 30 years, uh, some of this is, uh, the effects of trade on, um, certain communities across the country, largely in rural areas, uh, some deals with, uh, race and ethnicity. Uh, and those are mainly in urban centers, right. But what unifies, uh, both those communities is, uh, education training, um, and economic opportunity. Uh, and we need to make sure that we're, uh, raising the rest up, uh, as a rise of the rest, is this Steve case initiative to go to those communities and give them access to capital.

Speaker 3 (00:12:26):

Uh, so they can create that economic future that they hope and dream for. We need to have more of that. We need to make sure that we're having investment capital poured into these communities like we did with, uh, opportunity zones, uh, through the tax, uh, tax cuts and jobs act. I think there's more work that needs to be done to bring these financial products, um, in a, in an understandable way, uh, but to pour resources into those that have been left behind, um, and, uh, regardless of race, regardless of ethnicity, uh, but, but getting into the deep effects of those who've been left behind economically, for sure.

Speaker 2 (00:13:01):

Thank you for mentioning that. We're going to go to our question, but I want to mention that I add, uh, Senator Tim Scott on, uh, two weeks ago, talking about opportunity zones, also Steve case, uh, JD Vance, others on rise of the rest. So thank you for mentioning those. Uh, we have a Nicholas Nicholas question.

Speaker 4 (00:13:14):

Thank you for taking my question. My name is Nicholas Anthony. I'm a monetary and financial economist here in Washington, DC. I'm wondering what in your eyes has been the largest barrier to incorporating alternative data into mainstream credit scores. Why of small start-ups fintechs across the nation incorporated this data so successfully where others have not.

Speaker 2 (00:13:37):

Thanks AmpliSeq Paxman.

Speaker 3 (00:13:40):

No, that's the difference between small business and individuals. Uh, we have quite onerous, quite stringent regulations that at the time were very thoughtfully put in place in the 1970s. Uh, but the models have been, uh, we've outgrown them in terms of our computing capacity and in terms of the range of data that we can access. So what you see is small business lending, uh, that gets a pretty aggressive rate for the relative risk of that small business. Um, and what we need to do is bring those models into the individual, uh, consumer credit scoring data models. Um, and right now, uh, the reason why you haven't seen that is because we have not updated the laws that gave the consumer credit reporting agencies, these quite enhanced, uh, position in society, uh, that was a 1970s law that has not been touched in any meaningful way since, and it's high time. We have reforms fought full bipartisan reforms so we can use, uh, greater data sources and have more aggressive pricing when it comes to consumer lending

Speaker 2 (00:14:50):

Kinetics, McHenry, the Hill is going to give me an hour long show when I can just talk about my obsession with the scaffolding of our economic policies, but I need a junkie. I need somebody that's so obsessed with this on the other side, that it will work. So I'm gonna invite you back when they let me do that. I, I really appreciate your time.

Speaker 4 (00:15:08):

I would love to do it. I would love to do it. And, uh, thanks for the opportunity to, to talk about these really weedy very important issues. Uh, they're quite foundational to our economic system, and we need to make sure that they're right, so that good things can happen and more good things can happen to our society. Thanks so much for joining us. Thank you.

Speaker 2 (00:15:25):

And now a mess it down for a message from our sponsor. Please welcome phyco CEO will Lansing in conversation with personal finance expert Lynette Kalfani Cox.

Speaker 5 (00:15:35):

Thank you, Steve. Hi, I'm Lynn that Kalfani Cox the money coach and thank you to the Hill for organizing today's event, helping consumers to understand and improve their credit scores is something that I think about every day. And that's why I'm super excited to be here today to help kick off this event with my friend. [inaudible] the CEO of phyco, the sponsor of today's event. This conversation is focused on alternative data, and that's a topic that phyco knows about perhaps more than any other organization out there. As many of, you know, a Five-O score serves as an independent, predictive, and reliable indicator of credit risk building on the FICO score. FICO is now leading with innovations to help expand inclusion via alternative data. So with that, we'll again, it's great to see you. I want to kick things off with a question about access. Can you please tell the audience, what is phyco doing to help responsibly expand access to credit?

Speaker 4 (00:16:39):

Thanks, Lynette, you know, FICO has been at the center of credit scoring for a long time, and we think that we have a special, unique and responsible role in the system. Uh, we're constantly looking for ways to score more people. And so, uh, probably worth just spending a second on, um, traditional FICO scores because, um, it starts with, uh, credit credit payment data. And if you're responsible in the way you use your credit card, you pay your bills on time. You don't overdraw your line. Um, you don't ask for too much credit all at once. Those are the kinds of things that contribute to a higher, uh, FICO score. And the thing is, some people don't have credit cards and so they don't have the credit card payment, uh, data, that payment history. And so the question is how are we going to find these people and get them scored so that they can get credit too? So we're, we're very focused on that, um, worth noting that we are an independent company, we don't hold consumer data. All that we do is focusing on the analytics or predicting credit worthiness.

Speaker 5 (00:17:41):

Now we know that a lot of people have goals and objectives that have a price tag attached to them, whether that's paying for, you know, buying a new car, uh, perhaps getting a house. And of course, in order to do that, most of them have to get finance and get along. And so somebody is going to check their credit scores. So what is fickle doing to help people to understand their FICO scores and then to improve it if they need to do so?

Speaker 4 (00:18:07):

You know, it's very important for Google to understand their FICO scores because it, it contributes to access to credit and also how much the credit costs. Um, so we've done a few things. One is we have, uh, for many years, we've had my FICO, which is a service provided by FICO that provides your credit score and your credit report, as well as a lot of educational material around how to improve your FICO scores. We have a program called open access and it's available to hundreds of millions of consumers through their financial institution, credit unions, banks. And, um, you know, you can get your FICO score from them. And then, uh, finally we've introduced a program called score a better future, and that is aimed at providing us a free credit score and a free credit report, as well as financial counseling on how to improve those things. So those are the kinds of programs that we've engaged in to try to try to get the FICO score out there and improve people's understanding of it.

Speaker 5 (00:19:05):

Let me drive home that point, will that you mentioned about the open access program in particular there, because that's something that I think, frankly, a lot of people, um, a lot of consumers aren't particularly aware of, Oh, I'm going to encourage people to do that. Cause I think it's a good deal. Um, but let's move on and talk about people who lack access or who at least don't have traditional, uh, credit scores or credit files right now, because they haven't had say a mortgage credit card or an auto loan things of that nature in the past. What is speical doing to address the needs of the credit invisible population?

Speaker 4 (00:19:43):

Yeah, well, that's a, that's a big, uh, opportunity for all of us to get credit into the hands of people who were previously unscorable. Um, we're constantly focused on innovation around this identifying alternative data sources that, um, that can do the job. Um, you know, we need to make sure that, um, you know, we, we responsibly test these sources and that they're widely available. Um, but you know, we're very focused on that and, um, it has, uh, it, it shows great promise. I would say that there are a lot of people who don't have scores today, uh, who are going to have access to scores in the future because they pay their telephone bills on time.

Speaker 5 (00:20:23):

Now I know that one of the challenges is that a lot of the alternative data is not really found in people's credit files, the files that are maintaining the data at, you know, say Equifax, Experian, TransUnion. So how can alternative data actually increase financial inclusion?

Speaker 4 (00:20:44):

Well, so the idea behind using alternative data, that there are other data sources that can demonstrate that a consumer is credit worthy. Um, so for example, telco data or cable cable payment data, you know, consumers are behaving responsibly by paying their cable bills and their telephone bills on time, um, that that should be reflected in our assessment of their credit worthiness. And so, um, so I know we have a new score called FICO score XD, which is, which incorporates both telco and cable payment data. And, um, and you know, that's, that's one way. Uh, we also have a new score called ultra FICO, and that is, um, that's built around your checking account. And so if you maintain balances, if you've had it open for a long time, if you don't overdraw frequently and people will make mistakes, but if you don't overdraw frequently, um, those are all indicia of responsibility. And, um, and so those kinds of things really help. And, and so we're, you know, those are two examples.

Speaker 5 (00:21:43):

Permission-based credit scoring, I guess, is the, is the key words there. Um, so it sounds like that there's definitely a lot of promise in terms of the use of alternative data, but how was it that phyco is going to ensure that the end result of using some of this alternative data and expanding access and promoting inclusion that it's actually a net benefit for consumers?

Speaker 4 (00:22:09):

Uh, very important, very important. So I would start by saying that all these alternative data sources, um, produce, uh, new and incremental scores. So they don't take down your FICO score. What they do is they give you opportunities to get a score where you otherwise wouldn't have them. So it's, it's a net positive, it's a net add. And, you know, for us at phyco, we're very focused on making sure that everything we do is compliant with the laws, with the regulations. There's, there's a lot of, uh, regulation around making sure that we don't have discrimination in lending. We have the fair credit reporting act. Um, and so everything that we do is tested against this regulatory framework to make sure that it's, that it works, that it's, you know, and it's fair. And that's, I think if you took away one thing from this entire talk, it's, we're focused on the science and the fairness we want them both want them together. We want to score as many people as possible, but leveraging those two things.

Speaker 5 (00:23:04):

Okay. And my last question will is what do you see as the future of credit scoring and the ways in which the credit scoring system is going to become more inclusive?

Speaker 4 (00:23:14):

Well, I, I think that for sure, we're going to be using a lot more alternative data. I mean, it's getting easier to access and, um, and we can put it to work and some of these new scores, so things like FICO score XD leveraging the telco and cable data. Absolutely. We'll be using that. And, and frankly, uh, one of the things that FICO is doing is we're making FICO score XD available with no fees to, uh, any lender that wants to use it for the next year. We would love to see more use of the score.

Speaker 5 (00:23:42):

I think the population of, uh, people who are,

Speaker 1 (00:23:46):

You know, credit invisible right now is somewhere around 50 million people, so big opportunity there to make an impact. Um, so we'll, again, thank you for your comments and insights. Great to hear about the innovations and what FICO is doing. So with that say thank you all for watching, thank you again to the Hill for organizing today's event and see we'll pass it back to you.

Speaker 2 (00:24:35):

Well that thank you for that great conversation. And we'll thank you for supporting today's program. Now it's time for a panel of experts. Michael Neil is a senior research associate in the housing finance policy center at the urban Institute. One of my favorite institutions in town there like data central on stuff. He's had a previous, he's had previous roles at Fannie Mae and the national association of home builders. Jeff Tucker is a senior economist at Zillow. We all know Zillow where he studies the causes and consequences of changing supply in the housing market. And Chichi Wu is a staff attorney at the national consumer law center where she focuses on consumer credit issues. She's the author of a legal manual, fair credit reporting, and is a contributing author to consumer credit regulation and truth, and letting, uh, Gigi, let me start with you, uh, again, we're trying to get today, you know, and look at this question of the reality of credit, invisible people, people have been excluded. And let me just tell you there's another dimension that's uncomfortable. You know, one of those uncomfortable conversations, people that aren't finance inside, the, the, the sandbox of financial inclusion, in my opinion, they're preyed upon everything is more expensive. Everything is more complicated. There's, you know, a set of social ills, uh, that comes with that. So I'm interested in what you think we need to do to particularly address those communities that have been excluded, uh, from the, from the financial scene.

Speaker 6 (00:25:54):

Well, first of all, um, the first thing I want to mention is my mantra or consumers advocates, mantra about alternative data, which is the devil is in the details. It is really important when you're talking about alternative data and trying to help credit invisibles that you do it right, that you don't do it in a way so that they are not preyed upon. Right. Um, the, you know, there's some data that shown a lot of promise. For example, the analysis of cashflow in people's bank accounts credits and debits and balances is, has shown some promise. Um, usually pre pandemic we've said, rent payments have shown promise, but as

we all know, people are struggling right now to pay rent. So maybe not so much right now flip, there's some kind of, some kinds of alternative data that are really risky for consumers. One of those is alternative data about high cost loans, payday loans, auto title loans, high cost, installment loans, and, you know, talk about predatory, talk about, um, you know, things that cost too much. Um, and the irony is, you know, when they're proponent saying, well, we should use, um, high cost lending to help credit invisibles. Most of those folks aren't credit invisible. They're actually folks, unfortunately with poor credit scores, low credit scores. And so you always have to remember that it's not just credit and his ability that you worry about it's the folks who are struggling and who have low scores where things like credit and insurance costs more. And so you have to look at it holistically that

Speaker 2 (00:27:39):

I appreciate it perspective, you know, and, and, you know, Michael, um, I happen to know a ton of your colleagues over at urban Institute. I'm a big client and consumer of urban Institute data. You know, one of the things that motivated me about today's program is, you know, if I'm reading the data, right, um, there are about 25 million Americans who otherwise would be qualified who have no credit Bureau file, 28 million, uh, who have a credit Bureau file, but not sufficient for scoring 53 million. That's a big chunk of folks who are outside and then that's, before you get it. I think some of the other dimensions, uh, that Chichi just laid out. So I guess my question to you is you look at this question right. Of economic activity. And there's one of the reasons why I was very interested today is to the degree that you can get credit where credit should be done, that you get the biases removed, that you get greater pictures that, that, that create a different, uh, set of tracks, not to do things inappropriately, but basically there is an inappropriateness and not opening up that aperture. How do you see it, um, with your colleagues at urban Institute?

Speaker 6 (00:28:38):

Yeah, no, that's an excellent question. You know, look, let me start off by saying that, you know, I think it's important to distinguish between the, the cyclical conditions under which credit scores perform, um, and the structural ones, right. That is under cyclical conditions. I think exactly to what Chichi said that in times of recession know, there are going to be a portion of people that are going to be there that are going to operate worse off on they're going to lose their job. You know, the unemployment rate is going to rise. We know that some people are gonna lose their jobs, uh, uh, by definition. Um, and, and they're not going to have the income, uh, to, to, to make their payments and to meet their credit obligations. And that's going to have an impact, um, ultimately on their credit score. Um, but at the same time, I think what we're really wanting to get at here is the underlying structural issue. And the structural issue I think, um, is, is, is most shown, particularly when we look at a lot of the issues across race. Um, one of the things, when we think about expanding credit access is that we saw particularly after the great recession, was that, uh, credit availability, uh, particularly for, to, in order to buy a home, um, actually remain

Speaker 7 (00:29:42):

Quite tight, um, in large part because credit scores are made elevated relative to where they were prior to the great recession, the longer that, that continued the less of a, I think the less intuitive it was that it was that, that, that, that there was a cyclical component to that that was driving that, and that it was more being driven by a lot of the structural issues that, um, that even predated of, uh, the great

recession. I see. I say all that to say the reason I say all of that is because I think there are two parts that your question brings up. The first one is to what degree are we there? Do we need to expand access to credit? Um, but also to what the great is it the way that we measure credit, uh, uh, someone's, someone's credit, uh, uh, uh, ability, their ability to repay credit, to what degree do we need to somehow alter that?

Speaker 7 (00:30:28):

Um, and the reason I think that both of those are important is because it's, our data shows that we, we wrote a report in 2018 showing that roughly about a third of African Americans, um, did not have a credit score that matters because we know that house prices were rising at the same time, uh, increasing and expanding, uh, housing equity. So these were a number of people who are not able to access credit, who may not have been able to get it to access home ownership. There might have been other reasons that play that I want to touch on maybe a little later, hopefully, but they were not able to access home ownership and thereby may have contributed to the widening of the wealth gap. Okay.

Speaker 2 (00:30:58):

Well, that's why we got Jeff Tucker here of Zillow. Thank you for that, Michael, Jeff, um, you're in the housing world, but let me just ask you a question. I don't know the answer to this. I mean, Zillow really operates by algorithms and, and you're not a credit score, but you basically value lots of participants in the economy around the housing and rental market. It's very impressive at one level, but, but those algorithms and what goes into those algorithms matter. And so let me just ask you the question. What, how should those algorithms be shifted? Do you think to, to create a fairer, uh, you know, set of exp you know, expanded credit, if that's what's deserved, how would you, how would you shift things? How would you shift your own algorithms?

Speaker 7 (00:31:40):

Yeah. I love tutus phrasing that the devil's in the details, um, when you have a giant black box algorithm, you know, we use machine learning and artificial intelligence to train an algorithm, like does estimate that's sort of our claim to fame, right? Is estimating the value of every home in the country. Uh, we are well aware of the risks that an algorithm like that can essentially take in data from a biased system and then recreate it in help, potentially. You're not careful further entrenched that. And I think when it comes to credit scoring, if we're starting to take information, you know, especially if we're thinking about younger folks, people in their twenties, we're trying to get them into the credit reporting system sooner, rather than later, what we may end up doing is actually getting a clear picture of how wealthy their parents are. Really, you know, if you have mom and dad able to chip in at the last minute to help you pay this bill or that bill that's actually going to not really reflect a, your credit worthiness is, but it's just sort of recreating the credit worthiness of your parents, which could sort of flow into some of that early life cycle data.

Speaker 7 (00:32:46):

And, you know, I really appreciated Michael's point about the, the way that this housing boom, and we just saw a tremendous home price appreciation. Boom, in 2020 has been a much less inclusive housing boom than in the 1990s or early two thousands. This was a boom predicated on actually excluding a lot of people from home ownership. We saw prices rising as homeownership rates fell or remained really

low, especially for black and Hispanic borrowers. Um, so that's the risk there is that you can actually similar to credit reporting. You can kind of entrench these differences in outcomes. Further ahead in time, we, we looked back at the redlining maps. We took digitized redlining maps from the 1930s, overlaid them on this estimate, just looked at averages estimate in the declining versus the best areas. There's a gap of about $300,000, or it's more than double the price still 80, 90 years later in those, in those green line areas basically compared to redlined areas. And that, that just reflects the way that these kinds of generational inequities can get carried forward into the next generation.

Speaker 2 (00:33:56):

Well, thank you for that. You know, I'm fascinated by the, uh, Zillow. We'll have to have you back to a show on Zillow, Zillow algorithms and what goes in. I've been wrestling with them, but, but TG, let me, um, you know, come back to the devil's in the details. If you were to be in charge of expanding the inflow of data and what's red, you know, some of the ideas right now that are being discussed today are things like rent utilities, cell phone payments, but how would you expand it? What would be the other dimensions that you would include, uh, you know, in what you would consider a fairer and better credit scoring picture?

Speaker 6 (00:34:29):

So, um, thank you for that question. And I think, um, what I'm going to do is, is, uh, talk about and push back a little bit, uh, uh, from one of your previous speakers. Um, one of the ideas that I think is really exciting out there is the idea of a public credit registry. Um, you know, it's kind of bizarre that credit reporting is a private function. If you think about it, here are these three companies, this controls all this information about us that determines our access to credit and, and employment, rental, housing and insurance too. Um, because that's what credit reports and credit scores are used for. And it's in the hands of these three private companies that don't compete with each other and their highest duty is to make money for shareholders, not the public good, not the American economy. So, um, this group GMOs and, um, our organization have supported the idea of having a public credit registry or public option, at least that would have as its mission protecting, uh, helping consumers, the economy, the credit economy.

Speaker 6 (00:35:40):

And so that is one idea to expand the box, you know, in terms of, um, you know, the kinds of data we've said, cashflow is promising rental data has been promising. Although right now we have a lot of struggling renters, right? Um, gas and electric utilities. We're very concerned about. And that is because, um, those are sort of special payment obligations. They are natural monopolies. There's a lot of consumer protections that got again undermine and the way you do it, it's important to, if you take a lot of new data and you dump it into the credit Bureau files, what you're going to do is you're going to end up hurting people who already have a credit file. Um, you could possibly hurt people with already with a credit file and with a credit score, if they're having trouble paying their utilities. For example, what you want to do is use that data as an alternative or a second chance or a waterfall score. And in fact, you know, again, the congressmen mentioned an oligopoly, why would you take this alternative data and give it to the credit bureaus, which are the very entities that compose that oligopoly. You want a, if you want competition, you want new sources of information and new companies that manage and manage that data, right? You don't, you don't want to give it to the same old companies that are the problem to

begin with. And so that's, again, that's part of the devil then detail, not only what kind of information, but how you use it.

Speaker 2 (00:37:09):

Michael, what kind of apertures would you open up? What do you think would be a useful, and again, how do you feel about opening up on rent? And let me just add one other dimension, because again, uh, Susie Orman raised it, you know, that, that, is there a way to begin looking? A lot of people live not on credit cards, but on debit cards, but debit cards is also financial behavior, financial footprint. You can measure, you know, uh, I suppose I hate to use these words, but financial responsibility. I w I agree with the, that, that the COVID era is a weird, uh, Annapolis anomalous era should be, be, you know, uh, accounted for in that, in that. But, but what areas would you open up the, you think would create a sounder and more inclusive, um, uh, credit, uh, space?

Speaker 6 (00:37:50):

Nope. Uh, again, excellent question. And, you know, let me start off by saying that I think, you know, part of what we're part, part of what we, what I think we believe is that there is still room, um, to expand credit access, um, without necessarily expanding the risk that's associated with, with credit lending. Um, and from a, so from that standpoint, um, eh, uh, uh, from that standpoint, I do think that from a social perspective, there are certainly payments that are made consistently over time, uh, uh, as part of your living, um, that can somehow be that that can somehow be included. Um, that to a degree right now are only included. Um, if

Speaker 7 (00:38:36):

You make, uh, if, if, if something that if, if an adverse event occurs. So, for example, if you're paying your, uh, your, your, your mobile payment, but you forget to make your payment and inquiry comes on, that inquiry will find its way onto your credit report, but it won't find its way on your credit report as you're making your mobile payment each, each and every month. Um, and so somehow the degree to which, uh, to which those kinds of payments can be included in the way that we in the credit box, uh, algorithm or assessment, um, I think Ken does some way, um, toward, uh, toward expanding credit access. Uh, but, you know, I think one of the key concerns here is certainly, and I think this was mentioned a little bit earlier, um, are certainly issues of privacy. Um, and how are we able to find that balance between privacy and some of the, uh, some of the alternative data that might exist, uh, outside of the traditional scope?

Speaker 2 (00:39:33):

Well, excellent. Um, Jeff w one of the things that has come up, um, is the 2008, 2009 financial crisis. That at that time, when you look at, you know, the, the financial markets credit, default swaps, you know, subprime mortgages, and, you know, that whole arena, um, which I will call, you know, vast negligence in governance. And, and to certainly, you know, in my book, this is Steve Clemons saying this, you know, a bit of corruption, but, but people, um, were able to jump in and get more credit at a time than perhaps they could handle. So it's the other side of the equation, which is how do you, I mean, I'm just sort of visiting how you get the equilibrium, right, between getting more people in the door so that they have more credit and opportunities, and they're not excluded on any, uh, you know, appropriate bias or in inappropriate bias, but you can also go the other way and begin creating hardships. And I still

know people whose mortgages are underwater or who are still financially suffering from that economic crisis 12 years ago. So I'm just going to sit in, if you and your economist colleagues at Zillow have talked about that dimension,

Speaker 7 (00:40:42):

I mean, you sort of hit the nail on the head. It's a balance that you need to strike of between availability of credit and the overextension of credit to people who are not in a position to pay it back. And we certainly saw excesses in lending in particularly 2004, 2005, even 2006. Um, those sort of chickens came home to roost in the crisis that really came to a head in fall 2008. We got the, the great financial, uh, sorry, the global financial crisis and the great recession. Um, but there there's a wide array of possibilities for credit access, particularly in the mortgage market between what we saw in 2004, 2005. And what we've seen for the last several years, which was the last several years have been, haven't seen very strict underwriting standards. Um, we've seen the sort of apparently kind of minimum credit score, just keep climbing higher.

Speaker 7 (00:41:36):

So the, the, the credit score of borrowers in recent years is, is impressive astronomically high. And what that suggests is that there, there is actually a pretty large segment of the population that's still being excluded from the possibility of home ownership. Um, another dimension there really has to do with, uh, whether lenders are actually willing to, uh, extend mortgages on small purchases or refinance a small loans. So there's a bit of this gap where for a lot of lenders, it's not even really worth it to get into the market with, you know, 60, $70,000 mortgages in very, uh, you know, very priced or just low cost parts of cities, which actually makes it really hard for people who are often paying much more in rent than they would on a mortgage to get into home ownership and take on some of that chance to build equity.

Speaker 7 (00:42:24):

So I think there, there's, there's a lot of space between what we did in 2005, which we absolutely should not get back to doing, um, and what we could be, how we could still expand credit today. I mean, just continuing to do a good job, verifying income security of your job, um, alternative assets to fall back on. We just do that, uh, we're miles ahead of what a lot of lenders were doing in 2005. So if we start there and then think about just sort of inching this credit box outward a bit, uh, we can make a lot of progress on opening opportunities.

Speaker 6 (00:42:59):

I love this discussion because, you know, it's one word, you know, we're, we're, you know, it's the conscious that we're very much in the weeds at the same time. You know, I hear we can get better algorithm. We can improve, we can get other communities included. And the devil's in the details. I mean, all of this sounds very constructive. We do have a question from our audience, um, Amina. Hi, my name is Amina Zia. I am the founder of blue Ridge impact consulting. We are a social impact firm specializing in facilitating dialogue around impactful and sustainable outcomes with community stakeholders. So we would like the conversation to reflect on what role, if any, can local and state leadership, political leadership play in ensuring that there is a stakeholdership approach to developing a sustainable response and recovery effort to ensure that we have financial inclusion. Thank you.

Speaker 6 (00:43:46):

Big question. Financial inclusion stakeholders. How do we get it right? T G um, thank you for that. Very thoughtful. Very good question. Um, I'm a lawyer, so, you know, like hammer hammer, see nails, uh, I think about laws and I think about the way that credit reporting credit scoring has been used for exclusion and how local and state governments can address that. So one very important issue for example, is that credit, a lot of folks don't realize credit reports are used for employment. About half of employers use credit reports. I mean, that's just bizarre, especially in this COVID era, if you think about some core consumer who lost their job, because by luck of the draw, they happen work in a restaurant versus Costco. They couldn't pay their bills and their credit report is damaged. That report could exclude them from another job. And so state and local governments can address that issue and restrict the use of credit reporting.

Speaker 6 (00:44:45):

Um, they can provide protections to consumers. Now it's, it's tricky because the fair credit reporting act, which is the federal law that governs, um, credit reporting, um, does override state law in some, but not all instances, happy to talk to anybody about the, the very gory weedy details of that. Um, but yes, state and local governments have, can have a role in protecting their consumers from, um, the abuses and problems with credit reporting. I mean, just one bizarre example. There is a system in New York that is using, um, experience to verify identities for signing up for the vaccine, which means that people who are credit invisible, can't sign up to get the vaccine using that system. I mean, it's, it's, it's insane. So

Speaker 2 (00:45:32):

I invite you to write an op-ed for the Hill on that. Cause that's something I had not heard before, but listen, we unfortunately run out of time, but I want to say, you know, you call it laws. Um, uh, Michael calls it data, uh, Jeff calls it algorithms. I mean, this is the scaffolding of a really important discussion, very, very happy to have had it with all of you. Thank you so much for joining us. Michael Neill, senior research associate at the urban Institute, Chichi Wu staff attorney at the national consumer law center and Jeff Tucker senior economist at Zillow. This was terrific. I hope you'll come back as I'm not done with this conversation and all of you.

Speaker 6 (00:46:06):

Thank you so much. Thank you for having us. Thanks

Speaker 2 (00:46:09):

John hope Bryant is the founder, chairman and CEO of operation hope he's been named in American banker magazine innovator of the year, one of time. Magazine's 50 liters for the future, and he's invited, he's advised the last three sitting presidents. We'll have to see if he gets into this new one specifically in areas around financial inclusion and economic empowerment. John hope Bryant. It has been years. My friend, it's very, very good to see you again. Uh, we, we have history, uh, from over decades. And so congratulations to you. I want to say personally on all that you've achieved, you know, to help open this door. But, but you know, as we talk today about bringing more people, you know, in, in, into the financial sandbox, they've been excluded left outside, you know, what are the most important dimensions of this to you right now? We've got you on mute, John.

Speaker 8 (00:46:58):

Yeah. First of all, thank you for all. You've done over the last couple of decades to bring light to this topic since the Rodney King riots of 1992, you and the Hill, um, we are living in a moment in history right now. Uh, history doesn't feel historic when you're sitting in it. It just feels like another day, but that doesn't mean the moment is not in fact, historic. And we, um, are looking at social justice now through an economic lens, really, uh, you're gonna achieve social justice through economics and economic lands. Uh, if you looked at, um, what's going on four years ago, plus that happened to the ballot box, that was a riot or frustration. You look at what happened January six, a ride of frustration, frustrated aspiration. You look at what happened with urban communities, the protesting, some riding, which I don't endorse by the way, a ride of frustration, um, that, uh, these are voices of the unseen and the unheard.

Speaker 8 (00:47:51):

And we're speaking the language of money really, but we're not talking about it. The color today is not black or white or red or blue. It's green as in the color of us currency. And there's just not enough of it to go around. And when we do distribute it, it's a, it's not an investment. I mean, we're not thinking through this properly, um, by the way, a hundred percent of all the in neighborhood shootings, uh, in the last five years and George Floyd in particular, uh, by police officers of African-Americans were in 500 credit score neighborhoods. Uh, it's a a hundred percent of those neighborhoods. And all of the problems that we're facing are in really subsequently in 50 credit score neighborhoods. We see a check casher next to a payday loan lender next to a rent to own store next to a title lender next to a liquor store and a church down the street, trying to make you feel a little bit better about your problems. And the reality is that this is not an urban black and Brown and urban black and Brown problem, because what I just described to you is also happening in rural white America. So how do we solve this? We need to target seven of the credit score neighborhoods. We need to have a goal of seven and a critical neighborhoods because 700 critical neighborhoods don't ride. They go shopping, they raise their family, they start businesses.

Speaker 2 (00:49:17):

I've never quite heard it. I've never quite heard it that way. That's a very powerful way to do it. You know, I haven't seen the math that kind of looks at those credit scoring. There is, but as we talk today, you know, FICO supporting today, but as we talk about credit scoring, I think there are two dimensions to it, right? There's one to, I find very interesting of promoting literacy so that people get an early understanding of what the tracks are to, uh, you know, a better credit saying that's one dimension. Another dimension is okay, what's what, what cards are stacked unfairly that need to be open? What are the other ways to read, uh, people's credit profiles or what should be? So I just ask you, if you, you know, what would be the things that you would do, we're talking today about, you know, rent, cell phone, other sort of payment behaviors that are out there, you know, do you think that's a good step forward? What would you add?

Speaker 8 (00:50:02):

Yes. Uh, this is a radical movement of common sense. And I talked to, uh, the CEO. We all have a phyco recently. I believe that he's on the right track with what he's talking about. Uh, and by the way, you can map this entire country and its aspiration and opportunity to problems by credit score. W the poorest state in America is the lowest state credit score state in America, which is Mississippi. And the, the

opposite. The opposite is also true. I would do alternative data, which you have mentioned on your program, uh, copies of rent statements, phone bills, utility bills. These are all, uh, uh, ways and underserved neighborhoods of showing that you're credit worthy. If you're paying your, your, your, your phone, your mobile phone bill, that's a form of credit. You're paying auto insurance. This is an interesting one. You don't get a one bill from your auto insurance carrier where you pay most people.

Speaker 8 (00:50:51):

One time a year, it's checked, it's put into monthly payments or quarterly payments. That is a effectively a term financing agreement. Uh, my guess is insurance companies are taking all this, uh, these, uh, premium payments. You're selling it off to a finance or they're securitizing it probably on wall street. Uh, and you're, you know, so you're part of a financing instrument. What, shouldn't the average everyday human being with too much month at the end of their money, trying to get credit for everything they do. They ever single parent house. So run by a woman, needs a Nobel peace prize for running a family where she's living from paycheck to paycheck successfully. Should they get credit for that? Should they get credit for the auto loan? Uh, the I'm sorry, the auto loan insurance bill that they're paying on the home insurance bill that they're paying.

Speaker 8 (00:51:35):

These are some easy ones. Here's another one we find out that hope inside that 95% of people who come to us. And by the way, 41% of all African Americans have a credit score below six 20, which means that almost half of black folks are locked out of the free enterprise system. No matter how brilliant you are, because we didn't finish the work of the Freedman's bank of 1865, which was charted by Lincoln to teach free slaves about, about money. But what we found and hope inside when we coach and counsel people is that 95% of folks have an error on their credit report. So if you're financially illiterate, so what you don't know that you don't know, you're not checking your credit. You don't know there's an error. When we don't know the law States, you write a letter to the three credit bureaus. If they can't confirm that's yours, as you know, they must remove it. Well, that pops a credit score, 30 points. So if you're, if you're five 90, you're now six 20 that puts you in the game, changed your whole life changed your self-esteem, your confidence, your optionality. So I think massive financial literacy for all part of my new Marshall plan. We need to have legislature. We have need a K through college education, financial literacy education as a baseline financial coaching for adult families and innovations. Many, many of the things you've talked about today.

Speaker 2 (00:52:47):

Well, I, I, you know, I really love that package of, of things, John, you know, you and I have known each other a long time. I think part of the question is, you know, show and tell, you know, and how do you, you know, disrupt people's, you know, frame of, you know, th there, most of us run by a nurture, right? But how do you wake them up? And I, and I, and I know you do that. I know that you're working, uh, John on, on, uh, uh, the 1 million black business and entrepreneur initiative sounds so interesting to me, I should say, on this show for the Hill, uh, whether it was during, you know, government shutdowns or whatever, I've always looked for people who scrambled and innovated and kind of read. One of my favorite is furlough cheesecake. These two happen to be black women who were laid off in government, went out to create a business, and they tell their whole story of how hard it was to get money in the door or whatever. Now they're there, they're kind of literally booming. So there are good stories out

there, but not every one is good. I guess my question to you is, you know, with your entrepreneur initiative, what do you need? Where's it going?

Speaker 8 (00:53:40):

Yeah. So this is, um, uh, this really speaks to operationalizing financial literacy in the way in which you've been sort of asking that question during your whole program, how do we go from PhD to pH due to what people need is a way to, uh, they need an aspirational opportunity to make financial literacy real, otherwise. Otherwise it'll put folks to sleep, uh, owning by wanting to buy a home small, to start a business. These things are what we're doing at bank branches to get the banks out of the no business and back into the yes, business by coming in at point of of, um, decision-making where the bank may have to turn somebody down and we step in and give a financial coach and get the credit score up 54 points in six months, 120 points in 24 months, nothing changed your life more than God, or love the moving your credit score 120 points to make them approvable.

Speaker 8 (00:54:27):

And that pops GDP makes the loans viable for the banks, pops GDP for the country. So likewise, now it's scaling this up. Shopify. The second largest e-commerce company in America has decided that black businesses is good business and, and philanthropy and business should not be Intercon should not be separated. So they made $130 million, 10 year commitment, uh, to, to create with us a million new black businesses in America, uh, and 96% of all black businesses, as you know, cause you're on your game, don't have an employee, right? So you can't win. There's no wealth creation. There's no generational wealth. This is more busy busy-ness than business, but they're smart. They're brilliant. So we give them financial coaching, financial counseling, financial literacy, credit score improvement work is again, these books using their personal credit for the business enterprise. Speaking to one of your, uh, uh, points you, one of your books made earlier, which I think I mostly disagree with the rationale because the personal credit and the business credit in this case is the same thing.

Speaker 8 (00:55:27):

We then give them free license with like with a Shopify free, uh, donated. We actually invested free website, free storefront, uh, free, free payment systems, free, uh, delivery systems. These are investments in the business. And then what people can do watching this. You're a lawyer, you're an accountant. Uh, you're a CPA, you're a insurance rep. You're a banker. You want to help give us two hours per business, donate that time, invest that time to help these businesses gird up the inside of their operations. Uh, because in two years, maybe that same business you're donating to we'll pay you for those services because they're successful. Like the one you just mentioned, and I think a million new black businesses in America is social justice in this country.

Speaker 2 (00:56:10):

John that's that's terrific. We have a question from our audience, uh, from, from Porsche Porsche. Hi, my name is Portia Jackson and I am a realtor here in Los Angeles, California with Pacific plier Realty. My question

Speaker 9 (00:56:24):

Is what is the first policy when to alleviate consumer debt or student loans that you think the Biden Harris administration should focus on?

Speaker 8 (00:56:35):

Uh, I would, uh, I'm gonna cheat and give you to a living wage for all, uh, which, which is take the earned income tax credit applied to everybody who makes $50,000 a year or less, uh, which cuts 80% of it. Well, 65% of this country, uh, make it a requirement. Uh, you don't have to go request it. It is embedded. Now the government just sends you a bonus for working as wall street gets it. Mainstreet would get it. It would be paid for not by businesses. It would pay for by all Americans, which would make it an incremental cost. You wouldn't even feel it from the average American. It would raise average living wage up. It would create more GDP. You'd embed that with financial literacy for all. So now you have effectively a twofer, you got financial literacy, financial coaching and a living wage, which raises the economic energy for everybody and reduces the tension, which is unfortunately, uh, effecting public policy making, uh, and the, and the state of energy in this country and hopefulness for all as I'd said earlier. Okay.

Speaker 2 (00:57:36):

Uh, also Porsche, I want to mention, uh, you know, not to support the Biden team, but just to say that president Biden last week, cause I was on the call, uh, has moved to suspend principle and interest payments on student loan debt until March 31st and hopefully to encourage the cancellation for every holder of a student loan up to $10,000 in principal, uh, by September 30th. So it's just something to keep in mind that there's a little bit of a financial wiggle room there. Um, but John, let me ask you, you know, uh, later in our program we have Susie Orman coming in and I had, I, I benefit from an early call with her and, you know, stuff rolling around my head. She's very, very animated in this. And, and one of the things she says is there, you know, people, certain communities dealing cash like we're missing, you know, I, I think what's interesting about today is we're talking about rent payments. How do we capture, you know, the specificity of people's financial behavior, financial footprint through other means and widen the aperture, but is there some way to do that in the cash world and the debit world and looking at people's, you know, um, side there that we ought to be looking at?

Speaker 8 (00:58:40):

Well, you got to incentivize people to want to get into the, to the mainstream economy. I mean, I remind folks who want to demonize drug dealers, that NASCAR was created at a moonshine running, which was the cash business. They realized they couldn't keep running from the police. Uh, they had to do something illegal. Well, a drug dealer is essentially an illegal unethical entrepreneur, uh, but they understand import export, finance, marketing, wholesale, retail, conservative, good customer service, security, territory, logistics. These are, you know, they have a horrible business plan. It's morally unacceptable, but they're not dumb. And you think about an all of these communities, this country versus just accepting things as a status quo. You say, how many, how much untapped GDP is there in these, in the drug dealers who are in illegal entrepreneurs and the gang organizers who are frustrated union organizers, okay, what have we got them in?

Speaker 8 (00:59:35):

What are we, we went in and train them up, going back to financial coaching, financial literacy, for all hope business of box training for these folks that they have natural small business skills. And, and w we do as whole business of box academies, where we for kids, we give you F we'll invest $500. If you pitch your business idea and agree to open a bank account. So this is now answering your question. Nobody does nobody wakes up and says, Ooh, let me open a bank account. Ooh, I want a mortgage. Ooh, I want to pay the tax man. You've got to give people a reason for the season. And I think by giving them that $500 chance to show their skills, this is K through K through high school example, right? Pitch their idea. They get that, that commitment, but the money has to go into an FDI insured bank account. Uh, and you got to get a business mentor and you have to books and records. You have to have an, uh, accounting records. So now you're, you're incentivizing people. I mean, you know, this life's about rewards and penalties w so we had to incentivize people to, to mainstream. This is the American story we're talking about. We really need a new Marshall plan, which is what I wrote early last year. And the byte administration is considering now, right now at scale over 10 years,

Speaker 2 (01:00:51):

Besides what you just told me, which sounds very compelling. If you were sitting down with Joe Biden instead of Steve Clemons right now, what would you tell him?

Speaker 8 (01:00:59):

Uh, I would tell them to listen to Steve lemons. Uh, I mean, look the administration to their, to their credit. I don't wanna get ahead of them. They have reached out to me several times during this transition. And even as recently as last night, um, I think you're going to find a really moderate, inclusive. I think you're gonna find more, some, something that looks more fuchsia than more red or blue or blue or red. I think you're going to find that this is a legacy move for the president, because I don't think he wants a second term that he wants to make America a normal again, in, in one term with GDP growth in an economy that works for all and dignity returned for everybody. Uh, and that's going to be, there's going to have to be inclusive. So I think I would say that we got to find ways to bring everybody along.

Speaker 8 (01:01:41):

I think financial literacy for all is an easy win legislation that makes financial literacy or requirement K through college is an easy win for everybody. I think our living wage for all is easy. I think here's one internships that apprenticeships at scale gift corporations where 90% of all jobs come from a tax benefit to bring on millions of young people and give them a reason to graduate from high school, go to college if you like, but that's not a requirement to get an internship into a corporate America community, faith, our government giving them the let's repair. The ladder. That's what I would say is it's not complicated, but it has

Speaker 9 (01:02:20):

To be a 10 year commitment. It has to be scaled. And it has to be about free enterprise working for all of God's children. But I think he knows most of this. Well,

Speaker 2 (01:02:28):

John hope, Bryant, founder and chairman, CEO of operation hope good friend. I always said, you know, you are part of what makes me uncomfortable in this conversation is that all your provocations make so much common sense. I mean, I think that's the interesting Mona, it's just common sense. Why don't we do it? So I hope we do. And thank you so much for joining us today,

Speaker 9 (01:02:49):

John honor. God bless you. Thanks for what you do.

Speaker 2 (01:02:53):

Congresswoman Joyce BD from Ohio joins a snack. She serves on the house financial services committee, where she serves as the chair of the subcommittee on diversity and inclusion. We've had the pleasure of talking to her many times here at the Hill in December, 2020, she was elected chair of the congressional black caucus. Cosmin Beatty. Great to see you again, uh, were added again, we're out at talking about how can we make this country better? How do we get people in the door? What are the right ways to do it? What are the wrong ways to do it? So as we think about financial inclusion, you know, it's the story of the economy is also one of race. It's also one of bias. It's also one of how do we fix it? So I guess I would just start out with what's on top of your list, as we talk about potentially opening up the apertures. So we get a different way. You get more people in the door. Are we doing enough? What would be on your list?

Speaker 9 (01:03:38):

Well, first of all, let me just say thank you so much. And we certainly have a list, whether I am answering it as chairwoman of the diversity and inclusion committee, which we're making great headway with, or as the newly elected chairwoman of the congressional black caucus today is a good day that we just learned that president Biden has introduced his racial justice and equity forum that he's gonna put throughout all of his cabinets. That's very much what a Congresswoman Maxine waters and I have been doing on the financial services committee. It is the beginning process. We have a lot of work to do, and there's so many new avenues that are opening up with how we educate people as it relates to financial literacy. What are some of the alternative choices that we have to make individuals eligible for getting home loans and car loans and school loans?

Speaker 9 (01:04:37):

We're in the midst of COVID 19. So we have to think differently and we have to have those who are going to push the envelope for those who are marginalized. So that's what we're doing at the top of my list also is a racial justice and equity policy chair through the congressional black caucus, with the financial service and with the financial services, diversity inclusion, we are building on what we've done in the last Congress. And that's holding people accountable, bringing them in, asking them how have they moved the needle? What does their C-suites look like? What does their look like? And it's not just hiring people. It's how do you change the culture away from the systemic racism that we have here now? And I think the racial justice and equity is going to be a part of it because it's about inclusion in equity.

Speaker 2 (01:05:37):

I really appreciate represented beta. You talking about what the Biden, uh, president Biden and his team have done. I've actually been sitting here for a while here, moderating events, kind of checking in a little bit here and saw that come out. Is that even a very important thing to say? You know, that issue of racial equity is going to be part and parcel of everything they do. So it's a, it's a, it's a big, it's a jump up slightly different direction. But I guess my other question to you is today, as we look at well, let me just tell you John hope Bryant, you just gave me an idea. Maybe it's already done. He said, you know, we can map the FICO scores, uh, of different communities around the country, different States around the country, Mississippi, California, Oklahoma, wherever it may be going deeper in communities.

Speaker 2 (01:06:19):

I'm sure that FICO itself, you know, knows what this looks like. What comes to me is whether or not, you know, I look at many of the problems as marketing problems. Is there a way to go in and begin talking to communities, these communities, and partnering with financial services firms in, in helping to instill an understanding of what goes into a FICO score is what it goes in to financial literacy and also get feedback about what's missing that, that those institutions aren't reading or getting, I just, you know, I don't want to be naive, but I'm just wondering, is there any opportunity for that?

Speaker 9 (01:06:51):

Oh, I think partnerships are certainly a great opportunity. I think you have to have companies. I think you have to have financial institutions, credit unions are doing a lot of that, that you have to go in and do the education and training when that consumer comes in. But I think we have to start before that. I think we have to start when young folks are in school, before you can graduate from high school, you have to understand all of the qualities and things that have to be in your portfolio to have good credit or better yet how to manage your money and how to be able to know what the ingredients are. This is going to make your credit bad. By the time you get to be an adult, and you're going into some of those corporations, if you already have bad credit or you're on the verge of it, it takes you a longer period to undo it.

Speaker 9 (01:07:43):

I think we have to be very strategic about how we go into the communities, because certainly you and I know there are different ranges. If you just take a look at that three digit number that is so important to us. And if you look at it by race and ethnicity, if you look at it by income, then those ranges vary a lot from being at the low end of the 690 or 697 versus being at 730 in the credit range. And that's by race, black Americans have the lowest score. So I think we need to look at how we look at those scores, how we provide those scores. I've written legislation on making sure that people get those scores, but partnerships are a great Avenue and how we can look at things differently to be of help because we have systemic racism that has been going on for years, cultural racism that also plays a part into it. And the disparities, the disparities in education and the disparities. When we even look at things alternatively of how someone values the same individual with the same credentials, but maybe a different education that they look at that person. And they make a decision that oftentimes is very unfair.

Speaker 2 (01:09:16):

Um, earlier in the show I had Congressman McHenry on and I sort of said, how would you change things up? And we got a little bit of talk about, sometimes we are focused too much on individuals and not enough on small businesses. Those small businesses are sometimes individuals, but there needs to be a way to open up a financing and find unique ways to do that. And he wanted me to kind of raise that with his said his democratic colleague. What would you like your Republican colleagues to think about or know about or map that they may not be hearing? What are their blind spots?

Speaker 9 (01:09:49):

Well, I think we have to look at, look at what history has taught us. I think we have to start with the inequalities and the disparities that we have. We're in the midst of COVID 19 and one, I call it three pandemics. And one of those is what we're looking at with the economic turmoil. When you look at 41% of black owned businesses have been devastated by this it's because we start out behind the eight ball. So I think we have to look at education and awareness. I think we have to be open and receptive that we need to root out all of those bad practices that we have had. There's so many bias and unbiased things that goes into the formula. So how about getting on board with diversity and inclusion? How about making sure that we create different or alternative avenues that we really discuss?

Speaker 9 (01:10:39):

And we can take a look at, because there's so many things that's engaged, but we have to come to come to gather that we don't have this divide of how we look at things and that we don't make it partisan, that we sit down and we craft out, how do we start changing? I like the idea of small businesses. We saw what we went through with PPP, with small businesses. When those dollars went out for small business, we didn't have the opportunity to the first time to get it right. So many small businesses, African American and minority businesses weren't included in the first round. Then we were the ones that had to look at our MDI eyes and we had to look at our community development, financial institution and make sure that we crafted language and funds differently for those minority communities because black and Brown communities and business are treated differently and there are disparities. So we could start there with businesses and you're right. Businesses are individuals and individuals make up some of the businesses. So if we just take a look and say, let's start and look at people and communities work towards moving the needle in a more creative and different way to be able to be helpful, to bring some parenting. As we look at this,

Speaker 2 (01:12:09):

We'll represent a baby. The last time we talked to him, if you remember, we were talking about COVID, we were talking about racial disparities, how it was hitting differently. And you know, I remember you saying in absolute clarity, we can't continue doing the same things we've been doing because it is unjust unfair. It's not bringing the country together. I hear the same things from you today. Congratulations on your new role as chair of the congressional black caucus. It's always fun to talk to you. I hope you'll come back.

Speaker 9 (01:12:34):

Absolutely. I did enjoy it. Now, come back with a little more resolved after we get into this session, because we think having the precedent building back better and doing things like he's done with the executive orders this week, the DNI training now with federal contractors, he's rescinded that at that the

former president had put a halt to. So I think we're having our doors open where we can come together more.

Speaker 2 (01:13:02):

Well, I look forward to seeing you again and hearing more about it. So thank you so much as always. And thank you for your great tweets where, you know, because I follow you on Twitter as well, so good to see you, my friend. Thank you. Thank you. My final guest on the program today is a fantastic, uh, fascinating household name, personal finance experts, Susie Orman. She's a number one time or sorry, number one. But of course she's number one, New York times. Number one, bestselling author was contributing editor to O the Oprah magazine for 16 years. Hosted the award-winning Susie Orman show on CNBC for 13 years. Susie. Great to see you. Thank you so much for joining us. I have name-dropped you about six or seven times today about, you know, cash about, you know, looking at the COVID era. I want to thank you as I really enjoyed our pre-call and I couldn't wait to, uh, to divulge some of our discussion, but let me ask you, as we're thinking about this question of how do you open the aperture on, on financial inclusion in this country? What's top on your list as Susie there.

Speaker 2 (01:14:02):

Okay. Are we in touch with Suzy? All right. Well, uh, I am going to try to get on with Susie here real quick. And I will tell you, I had an incredible conversation with Susie Orman the other day, where we talked a little bit about the COVID era and whether or not there needs to be some pause in the way we grade people. I think that's up for other people that debate, but it's, I think a legitimate question. We also talked a little bit about the fact that different parts of America have different financial patterns. They operate in different ways. I think that's part of what FICO is getting to. I'm sorry. Okay, good. I hope so. Susie Orman, are you a great Susie? I just said really great things about you a moment ago and introduced you. But I wanted to say I've named dropped you about seven times during the show today on some of the things that I had just couldn't wait for you to get on and raise some of these questions about how do we seriously move towards a more financially inclusive picture? Uh, some of what's been talked about is looking at other data flows that we can look at what's top on your list.

Speaker 10 (01:15:04):

Here's the problem. And in my opinion, everybody in all the years that I've been doing this, you know, phyco never, in my opinion, has taken into consideration. Where is the money coming from to pay the bills? And it seems to me that we reward people for getting in debt versus rewarding people for paying in cash. So what do I mean by all that? What struck me during all the years of the Susie Orman show is that people would have a great fight go score, but as I would be going through their finances, they did not have one penny to their name, where they paying their credit cards by payday loans, loans from their 401k plans, personal loans from their family, just so they could have a good fight, go score by go, never took that into consideration. Then I came across a whole group of people that paid for everything in Pash, the unbanked, the underpaid, all of those people that didn't want to have a credit card that wanted to pay in cash.

Speaker 10 (01:16:14):

And we were penalizing all of them because they did not have a FICO score and they didn't have a FICO score because they didn't have a credit card. So they paid for their rent and Pash. They paid for all their

bills in cash, but yet they were penalized for it. So I think the time has come seriously that we redo the entire scoring system. If you ask me, because just because you're able to pay your bills on time, just because you're able to expand your credit limit and get more of a credit limit. So you're able to decrease your credit to debt limit ratio, which increases your fight, go score. All of those things. In my opinion, don't make any sense anymore, especially today.

Speaker 2 (01:17:01):

Well in a world, you know, I asked you, I mean, I want to be careful about how I talk attach. I had a debate today, um, and I'm sort of happy that, you know, Andrew Jackson is going to be replaced on the $20 bill with Harriet Tubman, but that's a whole nother topic, but you raise these questions about cash versus credit credit. And I'm just very aware of how digital everything has become. I mean, I know the world that you're talking about about cash exists, but I also know that the digital world has become bigger. That COVID for better or for worse has shoved everyone in to a real digital life. You know, our fun is digital, our dealing with our family and telling who people we love is digital. Our work is digital. And so I'm just wondering I'm so I'm hearing what you're saying by cat, but another side of me is saying, you know, we're in a digital world more than we ever were before. So tell me where I'm wrong is Rachel Maddow

Speaker 10 (01:17:52):

Cash doesn't necessarily have to mean the green stuff doesn't have to mean that it can mean a prepaid card. It can mean a debit card. For instance, there are many people that do have money in banks, but they don't want a credit card. They don't want to get in trouble. They're afraid of it for whatever reason. So let them play on their debit cards, on their prepaid debit cards that should be able to be, let you be your digital self, let them do things and still be okay.

Speaker 2 (01:18:24):

So that debit card behavior, I mean, this is something I had raised several other times that I told you I would, but in addition to looking at utility, bill payments, rent payments, other dimensions, it does raise this in that debit card behaviors and paying bills is also part of the footprint. So that's something that you would say add to the mix, right?

Speaker 10 (01:18:43):

I would absolutely say add that to the mix. You know, what's so funny is that we just got, um, uh, an example of somebody sending me in this card that they just got, but their stimulus, you know, payment on it. And if you look at the back of the card that they got, because they don't really have a bank account. So they were sent this card. The feeds on the back of this card from our government is absolutely crazy, by the way, I'm just going to say that, but there are a lot of people in a lot of ways that we can improve the system big time. Everybody there has to be, because I can tell you the way that we're doing it right now is not a good example across the board. There are people that are penalized. Do you know that their car insurance premiums are higher because they don't pay? They don't have a credit card and they aren't paying it on time. And things like that. Their direct TV bill is higher. They're even being penalized when they go to get a job because their jobs as well, let me check your credit report. You don't have a credit report. So we have to find a different way to report to the credit reports that then tabulate on honest for that really dictate how people are treating their money,

Speaker 2 (01:20:01):

Susie. Um, we, I don't know if you know, John hope, Bryant of operation. Hope. We just had him on earlier. And he's an extraordinary guy and he's been working with FICO, but he's been looking at this question of not, uh, I'm gonna get in trouble here, not philanthropy, not handouts, but how do you get gravity to go the right way? By giving people both financial, uh, tools, financial assets, getting them to understand the importance of assets and aspiration and unlocking that. And he had, and he said something that really struck me. He says, you can map the country in terms of FICO scores. You can go in every communities, you know, guess what the highest gun violence in the nation are in districts with, you know, a 50 FICO score. You know, the ones that are at 700, you know, they're out shopping, not shooting each other. It's an interesting way. I'd never thought of this before. And he says, we need to go into those communities. We need financial literacy. We need new tracks to look at how this suddenly turn it around. And I'm just saying, know, it reminded me a little bit of you. Do you think there's an opportunity to go into the places that have not been part of this picture and just make it an obsession of ours to turn that around? I think that's part of the conversation we need to have today.

Speaker 10 (01:21:08):

Listen, financial literacy, no matter where it happens to be is something that is needed. Now, I find that people are totally financially illiterate and other aspects of their life. No matter what their FICO score happens to be, they don't know, should they have a raw, should they not have a raw, should they do? They don't know anything. Truthfully, the majority of Americans out there and nobody, nobody in the entire United States talks to more people on the personal finance level than I do. But it's not just about financial literacy. It's not just about educating these people that they need, this FICO score, they need this, they need that. They know they need it, but we won't give it to them unless they can form. Now what we want from them, rather than having them conform to what we want from them. Why don't we conform to what they need from us in order to establish themselves in really an economic economic way that empowers them, you know, they feel, and this is true, that there is a highway into poverty and there is not even a sidewalk out because once you get in there, you don't have the tools.

Speaker 10 (01:22:24):

I mean, really Steve look at what's just happened with the pandemic and I myself, call phyco twice and talk to heads of white, go and ask them, can you please freeze? The fight goes scores from February of last year. If you had a great fight, go score before all of this happened and now you've lost your job. You can't find another job. You're being evicted. All these things are happening to you, which will ruin and has ruined your FICO scores. Even if you are doing everything like you're supposed to do it. And now you have a really low FICO score for no fault of your own. Now you're going to be punished your car insurance in many States is they're going to go up. You're not going to be able to probably get hired because once an employer checks your credit report, Oh my God, you're in the five hundreds versus the seven sixties before. So there's so many new ways that we have to look at things because of the pandemic, because of people being out of job because of what it's done to their fight goes scores. We really have to look at this because we're hurting the majority of the people in the United States that really are on the brink of poverty.

Speaker 2 (01:23:39):

No, I think just when you, I really appreciate your candor. Um, Susie, and it's so such an honor to talk to you. My husband's going to be super thrilled that we connected. We'll have to do this again, but I want to ask one other question. You know, there's, uh, uh, someone, I know he was actually a guy who wrote a biography of Walt Disney. Uh, he was a screenwriter. He wrote a cover story in the Atlantic magazine. His name is Neil Gabler, and he basically confessed, um, as, as my friend race war, as he used to be on PBS did recently that they're one of those people who have a $400, uh, uh, incident hit them they're underwater. And we sometimes don't talk about that. Is it even many of those people who seemingly look successful have a financial fragility in their circumstances that are out there. And I guess since you do talk to everyone, do we need to rethink our economic social contract? Do we have to rethink this? We're talking about those that have not been part of it, but even those that are in it right now are I just see more and more stories where that gap between what may be apparent and what may be real for them financially is something we don't often talk about. And I want to talk about it. Yeah.

Speaker 10 (01:24:46):

You know, most, most of people out there are financial fakers, the cars they drive are finance or lease to the, you know, companies they financed with their homes are financed up to the Hill with some mortgage lender, their clothes they wear are financed on the credit cards from the department stores and other places like that. What you see is not what's real. There are very few people out there. Believe it or not that what they look like is also what they have. You know, I was with a doctor yesterday and this doctor has an office with four other doctors working for her and all these people. And you would think that she has so much money and everything is going great. And we started to talk like I always do. And I said, so what do you do with your money? And by the time the conversation was over, she started to cry.

Speaker 10 (01:25:44):

She's a 58 year old successful doctor. And she said, Susie, I'm putting my son through medical school. It's $150,000 a year. I promised him I would do that. I've had to take a mortgage out of my home. I don't have any money. I just found out that the money that I was sending to this financial advisor has put me all into insurance products. And now I'm sitting here and I'm telling you, I don't have a retirement account. All I have is debt. And I feel so ashamed and I don't know what to do. You would look at her normally and go, wow, she's really a successful doctor. I Yvette, she's doing great. The more money I have found people make, the more they spend the bigger house they have the fancier car they have. They don't think about living below their means, but within their needs.

Speaker 10 (01:26:32):

So I'm telling you, we need a total financial revamp on every possible way. We need to open up the discussion of money, which is what I do on my podcast, the women and money podcasts, and the men smart enough to listen official title by the way. Um, and that's where the truth comes out. We have to stand in our true Steve, when we talk money, it's not what you see on CNBC or on Fox business or on Bloomberg. It's really, what's behind the scene when nobody can see what you really have going on, which I do. That's what we need to start looking at.

Speaker 2 (01:27:10):

Well, Susie Orman, uh, thank you so much. A person who talks to more people about their financial situation than anyone. Thank you so much for joining us today. Really appreciate it.

Speaker 10 (01:27:21):

Thanks Dave, take care and give your husband and kids for me.

Speaker 2 (01:27:24):

Great. Well, our goal today was to talk about every dimension of this question. And, you know, when we kind of look at this question of the American dream, how to build it, part of the question is how to get it healthy, how to get new tracks in to do this, right, listen to alternative ways to bring people into the financial picture and to give people a better read if they're, if they're, if they're living in a certain way and their bills, uh, whether from rent from utilities and others will give you that better picture. That is part of the question and part of the process, but we dealt with an awful lot today and I want to thank all of our speakers. This brings us to the end of our program, a big thank you to FICO for its support and all of you attendees for joining us for this, this discussion.

Speaker 2 (01:28:02):

For those of you who have missed any of the conversations, we'll have the video from all of this up on our website shortly, for those of you who can't get enough of our events, come back at 3:30 PM today, Eastern. And for listening to America, we're going to go to every corner of the country that we can and get a fascinating look at what folks around this nation are expecting from the new administration. We'll be speaking with Colorado, governor Jared Polis, the mayors of new Orleans in Espanola, New Mexico, or Espanola, New Mexico, and many more I'm Steve. Plemons be well

Speaker 1 (01:29:01):

[inaudible].