

Leading the Way: Financial Technologies

Breakout Session on Tuesday, September 21, 2021 from 1:30 - 2:30 pm ET

Sponsored by: Intuit, Rocket Mortgage, S&P Global

Moderator: Lydia Beyoud, Reporter, Bloomberg Law

Panelists: Adriana Samán, Principal, Clocktower Technology Ventures
Sheree Garner, Regulatory Counsel, Government Affairs, Rocket Mortgage
Karla Uribe, Director of Product Management for TurboTax, Intuit
David Feliba, LatAm Financial Journalist, S&P Global

The financial technology sector, or "fintech," witnessed tremendous growth in 2020 with no signs of slowing down in 2021 and beyond. More than 60% of American consumers rely on virtual financial services and digital banking on a regular basis .

Representative Vicente Gonzalez (TX-15) opened the session by defining the variety of services that fall under fintech and touched on the opportunities fintech creates to "help serve the underserved and bank the unbanked." Representative Gonzalez stressed the importance of regulation, "we cannot treat fintechs who act as banks...differently from banks...we cannot treat all fintechs alike, regulation should be mindful of what tasks they perform. This is a pivotal moment...If fintech wants to do banking they must bear the same burdens and responsibilities that a bank does." Lydia Beyoud, a reporter covering fintech and financial services with Bloomberg Law, moderated the panel discussion with Adriana Samán, Sheree Garner, Karla Uribe, and David Feliba.

Improving Financial Inclusion

The discussion began by taking stock of the ways in which financial technology has made it easier for more people and small businesses to access digital tools to conduct business and build wealth. The panelists shared examples of ways in which fintech has disrupted more traditional financial services by using Artificial Intelligence (AI) to develop alternative data that uses non-traditional factors to help qualify people and small businesses that in the past would not have qualified for financial services. For example, in Latin America prior to COVID-19, roughly half of adults did not have or use a bank account. Fintech has been used to successfully include these people in the system. In addition to simple inclusion, the quality of service has also improved, providing easier, more user-friendly services that meet people where they are.

Sheree discussed how Rocket Mortgage is developing tools so individuals with non-traditional jobs - like those in the creative and gig economies - are able to responsibly take advantage of

digital financial services. “If you have the capacity to earn and you can do it consistently, that should not be a hindrance to you because it doesn’t come in a particular format.”

The speakers all agreed that building a more diverse pipeline of leaders, from allocating venture capital funding to more diverse founders to prioritizing how companies form their teams is important for a more holistic perspective. Panelists also emphasized the need for awareness of and the prioritization of diverse leadership at existing, large institutions

Democratizing Access

The panelists spoke passionately about the extent to which fintech is leveling the playing field and increasing access to expert advice. Online services now connect average people to experts for help; financial advice is not just for the wealthy and privileged anymore. Anyone with a smart phone or internet connection can now access financial support online with a live person regardless of their location. Small businesses and individuals now have more specific budgeting tools to keep track of their finances and easily compare their choices with other standards. Consumers can take advantage of tools that leverage data and provide personalized insights that provide tips on how to reach financial goals.

Building Trust

Speakers discussed the critical need to overcome distrust from those in the Latino community who are underbanked and unbanked. Panelists cited various marketing missteps that contribute to this mistrust, including marketing that pushes Latinos to products that don’t fit their needs, marketing in English (instead of Spanish), and marketing that does not target the localized areas where Latino communities are seeking information. Instead Latinos may be marketed to by subpar institutions that may try to exploit them. Karla shared that “only 4 percent of all Fortune 500 marketing dollars go to Hispanics and only one of the top 50 advertisers is a bank.”

Our experts also advocated for the need for transparent information and education in multiple languages. For example, Adriana is working with a startup that is creating credit reports in Spanish to help non-English speakers better understand gaps and why they might be rejected by service providers.

Innovation in Financial Services

Panelists spoke passionately about the important role of innovation in delivering digital financial services and breaking down barriers to access. Repeatedly, we heard that fintechs play a significant role in decreasing the costs, and increasing access and affordability of financial services and quality. In particular, Artificial Intelligence was cited as a critical innovation. AI provides people and businesses with a clearer picture of their finances, helps them see all of their options, and provides greater access to help and education.

COVID-19 has Accelerated Access to Credit

Although the pandemic has brought pain and suffering, it has also accelerated access to fintech everywhere. Digital tools have been adopted in the past 18 months in huge numbers. Even groups of people who traditionally were unwilling to move to fintech, have done so during

COVID-19. For example, in Latin America, during the first 6 months of the pandemic, 40 million people transitioned to digital financial tools. It is predicted that these people will continue to utilize digital tools after the pandemic is over.

Policy Issues Driving Fintech Adoption

The speakers highlighted a few policy issues that are helping with fintech growth, including government backed loans that provide flexibility around lending, and allow small businesses to access credit more easily. They also called for the government to encourage the use and adoption of digital tools through toolkits and handbooks, and to modernize financial service regulations, by removing unneeded and outdated compliance settings to lower barriers to access. They also advocated for government investment in regulatory technology to increase compliance and enable stability and crime prevention, and to harmonize regulations at the state and federal level so they work together to reduce burdens to fintech companies.

Parting words for the audience: (optional - if there is space and interest in calling out one or two of these quotes - may also add visual interest to lay out)

- Sheree - “There is no limit to how much technology can change the financial services space. We need to continue to invite non-traditional tools and leverage technology to bypass traditional barriers and be creative in expanding access.”
- Adriana - “Not too far from today every Latino will have the option to download an app fully in Spanish, navigate through the marketplace, borrow a loan that is what they need at a lower price, turn on car insurance when they need it, turn it off when they’re not driving or the car is getting fixed, figure out what life insurance means, be able to feel more comfortable with these services. Highly customized services are here to stay and will reshape the way we think.”
- Karla - “Managing finances should be as easy and simple as possible for everyone, and everyone deserves access to tools, to experts, to all of the resources they need to pursue their version of prosperity. We have the power to demystify finances and we look forward to continuing to serve the Latino community and all communities.”