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Emerging technology, changing consumer behavior, demographic shifts — an array of forces will reshape the economy and the industry in the years ahead. Those forces are largely outside the control of banks.

SO WHAT DOES BANKING LOOK LIKE IN 2025?
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americanbanker.com
First Horizon, Iberiabank merging
The deal, which the companies termed a merger of equals, would create a Southeastern regional with $75 billion in assets across 11 states. First Horizon Chief Executive Bryan Jordan, above, would be CEO of the combined bank.

Paying up after a patent case
Remote deposit capture technology at the center of a dispute between USAA and Wells Fargo is used by 6,500 financial institutions. A recent court ruling may mean other institutions will have to pay licensing fees to USAA.
For "Bill," now in his 50s, overspending was one of the earliest signs of bipolar disorder.

He was gainfully employed when he first began to experience symptoms of mania 20 years ago. But he eventually lost his job and began collecting Social Security disability income. When it was determined that Bill could not manage his own finances, his sister was appointed as his representative payee.

Then things went awry.

His sister would skim money from his account whenever she bought his groceries, Bill recalled. He never knew quite how much he had, and over a two-year period, she stole about $18,000 from him. Once he figured out what was happening, Bill was able to get a different representative payee, but his relationship with his sister had been shattered.

By the time Bill recounted this story to researchers with Yale University, he had not spoken with her in three years.

Bill is not his real name, but his story illustrates how the traditional financial system falls short when it comes to helping people with mental health issues manage their money. A recent collaboration between Yale’s psychiatry department and law school aims to raise awareness of the issue and encourage financial institutions to offer account features that could help this population.

In a report titled “Banking for All,” the Yale researchers recommend three specific features: customizable mobile notifications, self-imposed spending limits on debit and credit cards, and view-only account access for trusted third parties.

“The options that are currently available to people tend to be either/or. You’re either left alone to control your own money or somebody else controls your money entirely,” said Annie Harper,
a researcher and cultural anthropologist in Yale’s psychiatry department.

Though some people with a mental health disability may need to relinquish control of their finances, many more would benefit from some supportive features that help them monitor and control their spending, she said.

Harper and her team interviewed dozens of people who either had a representative payee or had been appointed one for somebody else. That research, funded by a grant from the Center for Retirement Research, built on previous work she had done trying to better understand the challenges that people with mental health issues face in managing their money.

A representative payee can be a good option for those who truly cannot manage their finances independently, she said. But it can also cause anxiety for those who have given up control of their money, create tension between the two parties, and sometimes set a person up for financial exploitation.

The Yale researchers are urging financial institutions to adopt supportive tools that can help a person manage their finances independently, with some guardrails.

In some cases, banks need only market existing products or services as being helpful for people struggling with mental health issues.

In other cases, banks would merely need to modify existing technology.

Many banks already offer mobile notifications, for instance, but Harper said greater detail in those alerts would be helpful for people dealing with a mental health disability. One example might be alerts for heavy spending in particular categories that a person already knows they struggle with.

View-only account access would benefit people who want to designate a third party to monitor their bank account for any signs of erratic spending or fraud. Some banks, including Wells Fargo and TD, already offer the view-only option, but in many cases, a customer has to get a power of attorney to set it up. It also tends to be marketed mainly for the elderly or people with physical disabilities.

Anika Singh Lemar, a professor at Yale Law School, said that banks often offer a view-only option to their commercial clients and could simply adapt it for retail customers.

Self-imposed spending limits are far less common, but at least two fintech firms, True Link and Greenlight, give customers that option.

True Link, based in San Francisco, offers a debit card that allows a third party, like a representative payee, conservator, or sober coach, to establish detailed spending limits.

True Link would not disclose the number of users it has, but says the customer base includes the elderly and people dealing with mental health disabilities, substance abuse problems and gambling addictions.

Chief Executive Kai Stinchcombe founded the company because his grandmother suffered from Alzheimer’s disease and his mother struggled to find her a banking option that would still allow for a degree of independence.

The third party entrusted to handle a TrueLink debit card for someone can set limits in various spending categories, on cash withdrawals or even on the times of day transactions are permitted. A cardholder who wants to ease any of those restrictions has to talk to the designated third party.

Though the Yale researchers focused on people with mental health disabilities, they are quick to point out that the supportive features they recommend in their report could be equally helpful for others. Elderly customers, parents of teenagers, and people with substance abuse issues or a gambling addiction could also benefit.

Harper likens the features to curb cuts, which were originally intended for people using wheelchairs, but have also benefited parents pushing strollers, people with vision problems, bicycle riders and many pedestrians.

The broader social impacts are just as important as the bottom line, the researchers said. By offering these tools and talking about the people they can benefit, banks and credit unions can do their part to help destigmatize mental health disorders. The National Alliance on Mental Illness estimates that 48 million Americans deal with a mental health issue at some point in their lives.

“This is a population who already suffer unnecessarily because of the inadequate benefits that we provide them with,” Harper said. “To have a banking system that neglects them on top of that, it has to change.”

‘Doughnut hole’ filler

Why a banker’s son started a crowdfunding firm instead of joining the family business

George Cook’s family has run Somerset Trust in Pennsylvania since its founding 130 years ago. His father, G. Henry Cook, has been the $1.3 billion-asset bank’s chairman and chief executive since 1992.

But the younger Cook has no plans to join Somerset, at least not anytime soon. Instead, he co-founded Honeycomb Credit, a crowdfunding firm in Pittsburgh that matches early-stage businesses with investors in their communities.

Since its recent graduation from a
Pittsburgh accelerator program, Honeycomb has opened offices in Philadelphia and Cleveland, with another location planned in Detroit. The firm, which is in the midst of raising $1 million in seed capital, has managed several dozen crowdfunding campaigns, with 15 more in progress.

Growing up in a banking family, "I did everything you could possibly imagine at the bank, from working the teller line to working on strategic projects," Cook said.

"The one thing that really stuck with me was commercial lending, in particular the relationship-banking model community banks relied on," he added. "They didn't just look at the numbers. There was a story behind every commercial loan."

Cook said it would be challenging to build a platform like Honeycomb at a community bank. Because Honeycomb structures its deals like "mini bond offerings," it had to be licensed by the Securities and Exchange Commission and the Financial Industry Regulatory Authority, a prospect that may be unappealing to small banks already dealing with plenty of regulatory oversight. "A lot of banks are also running on old legacy systems, so it's difficult for a fintech that needs flexibility out of the gate to plug into some of those," Cook said.

But he is looking at ways to work with community banks, possibly by having them refer loan applicants whose businesses aren't mature enough to qualify for traditional financing.

Cook developed Honeycomb because he saw a need to provide capital to young companies that are too big for microloans yet too small for conventional credit. An increased reliance on algorithms for credit decisions convinced Cook that an opportunity existed to revisit lending based on a company's underlying narrative.

"We see that doughnut hole emerging for businesses that are one to five years old," Cook said. "They have a growth opportunity in front of them, but they just don't have a good place to turn. They're kind of caught in between two different types of capital."

Cook and co-founder Ken Martin came up with their concept for Honeycomb while pursuing MBAs at Dartmouth College. Martin had invested in several capital-starved small businesses.

Most of Honeycomb's campaigns, which top out at $50,000, are structured as three- to five-year loans. Its platform has facilitated nearly $1 million in loans.

The "lenders" largely consist of the customers of the company raising capital and people who feel strongly enough about a model to chip in at least $100. "By voting with their wallets, community members who are actually investing in these loans ... can do a lot of that qualitative analysis that used to be done at the community banking level," Cook said.

Honeycomb generates revenue from user fees and a "success fee" of 6% or 8% that only kicks in when a client meets its capital goal.

Honeycomb's credit gap thesis is spot on, said William Phelan, general manager at PayNet, an Equifax unit that provides small-business credit ratings. A focus on local investors "is something that's sorely needed."

Phelan isn't convinced that the model is scalable, though, given how difficult crowdfunding can be.

In contrast, Cook's father is enough of a believer that he became one of Honeycomb's first investors. "He's been a real cheerleader for us," the younger Cook said.

— John Reosti

Student loans made easy

A new online platform gives banks a way to offer an uncommon product

The online student lender CommonBond wants to recruit more banks as partners.

It has a new digital platform, called CommonBond Ignite, to enable these partners to refinance student loans.

David Klein, CommonBond's chief executive, said the platform "is an opportunity for us to get in front of millions of people we wouldn't have gotten in front of otherwise."

At the same time banks could use this type of loan — which "not many large financial institutions have," Klein said — to court new customers or cross-sell to existing ones.

The platform, created with input from Fifth Third Bancorp, uses application programming interfaces to send consumer data back and forth between CommonBond and the client institution, Klein said.

The $171 billion-asset Fifth Third is one of several banks to take an equity stake in CommonBond and was the first to forge a referral partnership with the online lender. Ben Hoffman, Fifth Third's head of fintech and co-head of strategy, said his company shared insights it learned about its student loan refi borrowers to help CommonBond develop the platform.

Given the magnitude of student debt — at $1.5 trillion, it's the largest consumer debt category after mortgages — Hoffman said he expects to see more demand for such products among banks. "It takes a lot of expertise to do it yourself," he said. "I would expect more banks to at least test the waters via partnerships."

— Laura Alix
Emerging technology, changing consumer behavior, demographic shifts — an array of forces will reshape the economy and the industry in the years ahead. Those forces are largely outside the control of banks.

SO WHAT DOES BANKING LOOK LIKE IN 2025?
By Kevin Wack

Over the next several years, U.S. banks are likely to become less relevant in the daily lives of their customers, less central in the economy and less profitable.

The major culprit will be the rapid evolution of technology, which will allow data-savvy bank partners to siphon off a larger share of revenue while relegating the banks to a behind-the-scenes role in customer relationships.

Banks will retain certain privileges, such as the ability to connect directly to the U.S. payment system and the right to accept government-insured deposits. But the value of those advantages will shrink as innovators find new ways to attack banks’ business models.

Meanwhile, the rapid customer adoption of mobile banking — which represents the culmination of the industry’s decades-long march toward nationwide scale — will further erode the value of local franchises. Smaller banks that fail to establish niches other than those based on geography will be at risk of getting bought out by more savvy competitors.

“We’re in the beginning of a digital disruption wave that will challenge banks at their very core,” said Nigel
Morris, a venture capitalist at QED Investors who co-founded Capital One Financial in 1994.

As the speed of technological change increases, banks’ biggest advantage over competitors lies in one of their principal complaints — their high level of regulation. That barrier has made it difficult for the Amazons and Facebooks of the world to break through. It has also led some tech firms, including Google, to partner with banks, rather than try to displace them entirely.

But even these types of arrangements may not necessarily be advantageous to banks.

Citigroup is “very conscious around not being the dumb utility,” Chief Executive Michael Corbat said at an industry event in November, speaking of Citi’s new partnership with Google on consumer checking accounts. He said the company is intent on “not giving away unconsciously the client-customer ownership that’s there.”

Corbat’s comment aptly sums up the risk as banks move forward. In trying to adapt and survive in an increasingly tech-dominated world, they may unintentionally give up their most valuable commodity — their relationship with the consumer and the data that comes with it.

**The battle over big data**

The acclaimed economist Nouriel Roubini was recently asked for his views on the potential of big data to transform the financial services industry. Roubini, who rose to fame for calling the U.S. housing bubble, has drawn a lot of attention over the last few years for his blunt skepticism about cryptocurrencies and blockchain technology.

But during an onstage interview in October, Roubini made clear that he believes big data, along with machine learning and artificial intelligence, are revolutionizing everything from lending to asset management to fraud detection.

“The question is not whether, but how long is it going to take,” he said.

Roubini noted that in the run-up to the financial crisis, mortgage underwriters were subject to biases, had bad incentives and lacked the right data. He suggested that big data will help address all three problems. “There’s billions and billions of transactions,” he said, “and there is no human being that can just monitor all these transactions and make the right decisions.”

Banks are of course awash in data that holds insights about their customers. “We’re sitting on over 28 Libraries of Congress,” Wells Fargo’s chief data officer, Zac Maufe, said at a recent conference.

“Customers should be able to make an informed decision about what they’re sharing,” Don Cardinal, managing director of the Financial Data Exchange, which is promoting a common interoperable data standard, said at a recent congressional hearing. “At the end of the day, it’s their data.”

But traditional financial institutions are, by and large, poorly equipped to exploit the mountains of data that they possess. The data often sits in silos. Cleaning it up and combining it in ways that enable deep learning both present big challenges.

Banks are typically hamstrung by aging technology, cobbled together over many decades. Very few U.S. financial institutions have been willing to make the massive, multiyear investments that would be necessary to install a modern technological core.

Moreover, luring the best tech talent is an ongoing struggle, particularly for banks that are outside of the industry’s top tier and in cities that highly compensated workers find less attractive.

At the same time, banks are facing increasing pressure to accommodate customers who want to share their own banking data with other companies. Banks have pushed back on those demands in recent years, which has led to friction with data-hungry fintechs.

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But as more banks have begun to embrace application programming interfaces, which enable different kinds of software to talk to each other, the dynamic is changing. In the U.K., the government has mandated that banks enable open banking, which means that customers can access other companies’ products from their primary bank’s app. Though a similar regulatory fiat seems unlikely in the U.S., technological and market forces are pushing banks on this side of the Atlantic in the same direction, whether they like it or not.

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More incursions from fintech and big tech
Banks have long benefited from having access to customers’ entire financial lives. But as technology has advanced, some of the things that used to be part of the bank’s business have become more competitive.

Banking profits remain robust — last year, industrywide net income totaled $237 billion — in large part because of what amounts to the government’s stamp of approval on the companies allowed to engage in that business. This advantage is often called the moat — a metaphor that casts regulators as sharp-toothed crocodiles who keep invaders at bay.

The most important edge that banks have over less regulated companies is probably their right to accept deposits backed by the Federal Deposit Insurance Corp., since it gives them the exclusive ability to offer the product that remains at the center of people’s financial lives, the checking account.

As a result, startups have often chosen to target more peripheral parts of the banking business. Consider the example of credit cards, which have historically been a high-margin product for banks, but have faced new competition in the post-crisis era.

The initial competitive threat came from companies like LendingClub and Prosper Marketplace, which allowed U.S. consumers to refinance their credit card debt in less expensive personal loans. More recently, firms such as Affirm and Klarna have launched more direct attacks on credit cards by offering lower-cost loans to shoppers at the moment they make a purchase.

Still, banks enjoy a degree of protection from these startups, which generally spend a lot of money to acquire new customers, struggle to sell multiple products to those customers, and borrow at higher interest rates than banks.

In the coming years, bigger, better established tech companies pose a more substantial threat. These firms, built in the internet age, are expert at monetizing consumer data. They are masters at designing intuitive, pain-free customer experiences. They already have large user bases, so they don’t have to spend a lot to acquire customers. And some are now eyeing the checking account, which could offer a base from which to offer more financial products to customers.

“They’re all after that customer relationship,” said Todd Baker, a senior fellow at the Richman Center for Business Law and Public Policy at Columbia Business School.

Both Google and Uber announced new checking products this fall. Uber Money is aimed at the company’s large army of U.S. drivers. A big selling point is that a driver’s bank balance will go up immediately after the passenger gets out of the car. “It’s free, it’s real time and it’s fast,” Peter Hazlehurst, Uber’s head of payments, said in a speech when the product launched.

"The question is not whether," Nouriel Roubini says of big data forcing massive change in banking, “but how long is it going to take.”
Google’s product is still under development, and its value proposition is less clear. But the search giant’s checking account will be integrated into the Google Pay mobile wallet and will likely incorporate money-management features.

Both Google and Uber have no choice but to work with banks, since they lack their own charters. But over time, the tech giants’ strategy should dilute the value of a bank license. Customers will increasingly believe they’re banking with a tech company, which will give the tech firm leverage in negotiations with potential bank partners. Certain depositaries that specialize in banking-as-a-service may still benefit, but the industry as a whole will suffer as they lose control of customer relationships.

“Banks will be around,” said Asheet Mehta, a senior partner at the consulting firm McKinsey & Co. “But unless they evolve, I think it’s going to be difficult to earn returns significantly above the cost of capital, which makes you a utility-type industry.”

It is possible that the U.S. government will prevent the tech industry from expanding further into financial services. Distrust of the tech sector has been surging. Libra, Facebook’s proposed digital currency, got an icy reception in Washington. A bill from Rep. Jesús “Chuy” García, D-Ill., would bar online platforms with at least $25 billion in annual revenue from functioning as financial institutions.

But the government can only do so much to restrain technological trends. And it’s not just the tech industry’s behemoths that are expanding into financial services.

Take, for example, digital accounting platforms, which are already a frequent destination for small-business owners, and which collect a lot of data about their customers’ finances. Intuit’s QuickBooks and other accounting platforms now offer numerous banking-like features, including payments and financing. Javelin Strategy & Research said in a recent report.

“For many small businesses, accounting platforms have already become a de facto primary bank. That should be alarming for bankers,” the Javelin report said.

**Outsize peril for small banks**

The trends described above are working against the U.S. banking industry as a whole. But thousands of smaller, locally oriented banks are in a particularly tough spot. Between 1992 and 2006, the industrywide return on equity never fell below 12.98%, according to data from the FDIC. In the 12 years since, that metric has never climbed above 12.01%.

Those percentages are averages that mask important distinctions between large banks — relatively well positioned to weather rapid changes in the business climate — and smaller, more vulnerable institutions.

Last year, institutions with more than $250 billion in assets posted stronger returns on equity than those with between $10 billion and $250 billion in assets, which in turn performed better than those with between $100 million and $10 billion in assets, according to FDIC data. Institutions with under $100 million in assets performed worst of all.

The differences are relatively small at the moment — in 2018, about 1.5 percentage points separated the average returns on equity at the largest banks from those at the smallest ones — but an institution’s size is likely to matter significantly more five years from now than it does today.

“As technology and scale become more important, it will force more consolidation,” said Mehta, the McKinsey senior partner.

That seems particularly true as fintechs and big banks extend their reach. More than three decades after interstate banking began to gain momentum, any startup that develops a good mobile app can attract customers from coast to coast. At the same time, big banks are finding it much easier to attract customers in locales where they do not have branches.

“The millennials are now the largest generation ever, and they’re expecting good technology. And they’re not going into bank branches,” said Jo Ann Barefoot, CEO of Barefoot Innovation Group.

Still, there are steps that even smaller banks can take to set the stage for a thriving future. Small banks have access to a lot of the same technology as their larger peers, and they have the advantage of nimbleness, said Tripp Shriner, a venture capitalist at Point72 Ventures.

In an era where distribution is national, specialization is perhaps the biggest key for smaller institutions. This is the path forged by CBW Bank in Weir, Kan., and Cross River Bank in Teaneck, N.J., both of which have carved lucrative niches by providing services that cater to fintech companies.

But with roughly 5,300 banks now operating in the U.S., a lot of consolidation seems likely over the next five years. Only so many specialties are available.

“Many organizations underestimate the increasing momentum of digitalization,” Jim Marous, host of the “Banking Transformed” podcast, wrote in a recent report. “New digital tactics are important, but not enough. The organizational culture must also be upended, silos must be torn down, and agile processes must be put in place.”
The lending landscape

What will drive future loan opportunities?

By Alan Kline

Peter Minshall, a longtime real estate developer and investor in the Baltimore-Washington region, made a strategic decision five years ago to stop buying office buildings and invest in properties that are far less sexy: industrial warehouses.

Demand for office space has been shrinking rapidly as growth in the working-age population has slowed and advances in technology have allowed companies to digitize files that once took up lots of square footage. As Minshall sees it, the pace of this downsizing is only going to accelerate as firms eliminate support staff and permit — and even encourage — more employees to telecommute.

Companies “don’t need the volume of space they once needed to operate an office,” said Minshall, the managing partner at Washington Capitol Partners. “People don’t need to be in an office. They don’t need administrative assistants. They can do everything they need to do from a hand-held device.”

This diminished need for office space is occurring as the explosion of e-commerce and cloud computing has led to soaring demand for warehouse space.

To fill all those online orders, retailers such as

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To fill all those online orders, retailers such as
Amazon and W.B. Mason not only need acres of space by interstates, but also smaller facilities near population centers that allow for even speedier delivery. Meanwhile, businesses and governments have a seemingly endless demand for warehouses to store, process and distribute data.

This shift is poised to have a marked impact on banks given that commercial real estate lending is a key business line. Lenders will need to pay close attention to the various forces that will drive demand for CRE loans over the next five years and beyond.

Some of the same forces influencing demand for office and industrial space will impact other areas of commercial real estate as well, particularly housing and brick-and-mortar retail. Already strong demand for senior and multifamily housing will increase as baby boomers age and younger generations continue to migrate to urban markets, and the declining foot traffic at shopping malls and big-box centers is putting pressure on property owners — and their lenders — to come up with creative new uses for vacant retail space.

Banks also can expect expanded opportunities in renewable energy. Clean energy lending is already a fast-growing business and is likely to become a bigger part of banks’ portfolios in the coming years as more states and municipalities set clean energy targets and companies and households look to reduce their energy bills.

Andy Redinger, head of the renewables energy group at KeyCorp, said that with solar power costs coming down, the biggest opportunity of all for banks over the next five years could be in financing rooftop solar projects.

Following is a look at some of the demographic, societal and technological shifts that could shape bank lending over the next several years, based on interviews with consultants, urban planners, bankers and other experts.

### Aging baby boomers

The country is in the middle of an immense demographic shift in the workforce as waves of baby boomers born between 1946 and 1964 start to retire.

Over the last 10 years, the annual change in working age population growth has slowed considerably when compared to the previous two decades. That slowdown is expected to continue well into the 2020s, according to an analysis conducted by the real estate data firm CoStar Group.

Between 1980 and 2009, annual growth in the working age population — defined as workers between the ages of 25 and 64 — was consistently between 1% and 2%, but the pace has slowed to an average of 0.6% per year over the past decade and is projected to be around 0.2% annually through 2027.

The reason for this slowdown is primarily because Generation X, which followed the baby boomers, is smaller. Add in structural shifts taking place across all industries and government agencies and it’s clear why demand for office space has been shrinking and will keep declining through the next decade. At its peak in 2005, net absorption of office space totaled 170 million square feet, according to CoStar. Last year, total absorption fell to 100 million square feet.

Nancy Muscatello, a managing consultant at CoStar, said that demand for what is known as “class A” office space in dense urban areas remains strong because firms see high-quality properties near public transportation and good eateries as crucial to attracting and retaining employees.

For banks, there is still significant opportunity to finance the construction and acquisition of these properties.

### “There are 71 million homes in the U.S. and only 2 million have solar panels on them,” says Andy Redinger.

“That’s just a massive, massive market.”
Muscatello said.

At risk, she said, are older office buildings in urban markets that are becoming increasingly obsolete and suburban office properties that are far from public transportation and require workers to hop in their cars if they want to grab a decent lunch.

"Quality and location are becoming more and more important," Muscatello said. "It doesn't mean that the office market overall isn't going to be performing well, but there are going to be sectors of the market that are going to perform better than others and are a better bet, especially in an environment of slowing demand."

These trends won't play out evenly across the country. Metropolitan markets with strong population growth, such as Austin, Texas, Orlando, Fla., and Raleigh, N.C., will have higher than average growth in the workforce and thus heightened demand for quality office space. The 10 fastest-growing U.S. metropolitan markets of the past decade are in just four states — Texas, Florida and the Carolinas, according to data provided by Gerald Bierling, a researcher at Generational Insights, a Mobile, Ala., consulting firm. The 10 slowest-growing markets are in the Northeast and upper Midwest.

The aging of the baby boomers is also expected to accelerate demand for both senior housing and multifamily rentals in urban locations. Many retirees, particularly the more affluent ones, are selling their suburban homes and moving into luxury apartments "and we see that trend continuing over the next five years," Muscatello said.

Erika Poethig, a vice president and the chief innovation officer at the Urban Institute, said that for less-affluent seniors who want to remain in their homes, there will be an acute need for financing upgrades that will allow them to age in place. Think walk-in showers, outdoor wheelchair ramps and improved flooring and carpeting that can better prevent seniors from slipping.

Medicare does provide some grant money for such upgrades but not nearly enough to meet the demand, Poethig said. "Congress has appropriated very modest dollars for that, so there's a huge issue around whether the housing stock is going to be equipped to be retrofitted and what the financing sources will be."

**The need for affordable housing**

The chronic shortage of affordable housing in many urban markets is unlikely to abate anytime soon because there's simply not enough supply to meet demand. Nationwide, there are only 31 affordable properties for every 100 extremely low-income renters, according to data from Mercy Housing, a Denver-based community development financial institution.

The shortage is not just in high-cost cities such as Washington, D.C., and Oakland, Calif., where gentrification is pricing out many residents, but also in faster-growing markets in Sun Belt states where housing costs are generally lower.

Muscatello said that in built-out markets, there could be a great opportunity for banks to finance acquisitions and conversions of older, obsolete office space into affordable multifamily units.

"That B and C product could be a driver for more workforce housing," she said. "We're already starting to see a lot of clients looking to acquire" those properties.

Poethig agreed that the older office buildings could be part of the solution, but said that in densely populated markets where acquisition costs tend to be high, developers and lenders will need a fair amount of support from govern-
Implications for CRE lending

Growth in the working-age population has slowed in recent years and is expected to level off over the next half-decade. The decline in the number of people entering the workforce has resulted in diminished demand for office space.

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of people in the workforce (ages 25 to 64)</th>
<th>Projected</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>148.9m</td>
<td></td>
</tr>
<tr>
<td>2003</td>
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<td></td>
</tr>
<tr>
<td>2005</td>
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<td>173.1m</td>
<td></td>
</tr>
<tr>
<td>2025*</td>
<td>173.6m</td>
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</tr>
</tbody>
</table>

* Projected
Source: Costar

said that he sees the industrial market today “as the best investment opportunity of my career.” In the last few years, he has used bank financing to buy two old printing plants in the Baltimore-Washington corridor and repurpose them as distribution facilities for retailers.

“IF I’S A banker, I’m not targeting office; I’m targeting industrial,” he said.

Minshall said that a looming threat to the warehouse market is a dwindling supply of land zoned for industrial use, especially as data centers continue to “muscle out other users.” In the United States, square footage devoted to data centers has grown by 25% over the past decade, to 230 million square feet, according to CoStar, and that pace of growth is likely to continue.

But even in that potential shortage Minshall sees intriguing new possibilities for developers and lenders.

VW

A sustainability push

Large banks have been in the real estate business for 40 years and is expected to continue.

To create a green future, chief executive officer of the global electric and gas utilities company.

He said that a looming threat — just as in the case of office and retail properties — is the generation of energy storage will need sufficient technology to power the grid.

By 2025, more banks will look beyond those big solar and wind projects to be part of that mix.

Alfred Griffin is the chief operating officer of NY Green Bank, a New York state-sponsored lender that will be the first to market for utility-scale renewable energy projects.

The bank, which started working with banks last year, has set a goal of getting 100% of their energy from renewable sources by 2025.

For large solar projects of around 40 acres, batteries can be the cost-effective way to store energy.

At the installations, with the help of large-scale batteries, banks can invest in the savings from using energy storage.

With e-commerce sales growing at around 15% a year and driving up demand for warehouses, that’s no longer the case. Warehouse space that was renting for $4 a square foot a decade ago is now fetching twice as much, giving banks far more confidence to finance construction of new projects, upgrades to existing properties and outright acquisitions.

Average sales prices for warehouse space also have nearly doubled over the past decade, from $51.80 per square foot in 2009 to $97.30 in this year’s third quarter, according to data from CoStar.

“The dynamics of industrial are such that there’s plenty of opportunities for banks to make loans,” Minshall said.

He has been in the real estate business for 40 years and
"What’s going to happen is that older assets are going to be torn down and sold for their land value, and new, bigger projects will go up,” he said. “It’s only a matter of time.”

**A surge in renewable energy**

Large and regional banks in recent years have become active in financing large-scale solar and wind projects and demand is expected to increase.

To give a sense of the demand to come, Mark Haefele, the chief investment officer at UBS Global Wealth Management, pointed to RE100, a group of 191 companies, including Apple and JPMorgan Chase, with a goal of getting 100% of their electricity from green sources (up from the current 39%).

Haefele said in a note to clients that reaching the target — just for that group alone — would require additional solar and wind capacity that is equivalent to Spain’s entire power generation. And, he wrote, that would take another $100 billion of investment in renewable energy, based on an analysis by Bloomberg New Energy Finance.

By 2025, more banks will look beyond those big solar and wind projects as well, to further expand their financing in areas such as energy storage, rooftop solar panels, indoor agriculture and electric vehicles, according to industry experts.

Alfred Griffin is the chief executive of NY Green Bank, a New York state-sponsored lender that works with private investors, including banks, to finance green projects. He said that demand for energy storage is expected to surge in the next couple of years as the cost of capturing solar energy for use during nondaylight hours comes down and battery technology improves.

This presents considerable lending opportunities for banks with expertise in financing renewables. "Certainly larger banks that have project financing teams are well aware of this and are paying close attention to it,” Griffin said.

For large solar projects of around 40 acres, batteries can be the size of two or three shipping containers and cost millions of dollars.

Any municipality or corporation that has set ambitious goals to reduce greenhouse emissions will need sufficient battery power to store energy that can be released when the sun isn't shining, Griffin said. The state of New York, for example, has set a goal of receiving 50% of its energy from renewable sources within a decade and storage is expected to be part of that mix.

In an individual home with rooftop solar panels, a battery might be the size of a picture frame that sits on a wall in the garage. Financing for those smaller batteries can be rolled into rooftop solar installation, which is emerging as a huge business.

KeyCorp’s Redinger said that the Cleveland-based company is financing rooftop projects in two ways: partnering with contractors to provide point-of-sale loans to homeowners and providing working capital to solar providers that lease solar panels to homeowners. A typical solar installation costs around $25,000.

Redinger said that solar power is "starting to go mainstream" and that the demand is being driven largely by the potential for cost savings. With the cost of generating solar power continuing to come down, demand is sure to go up over the next several years, he said.

"The residential solar business is growing 15% to 20% a year," said Redinger. "There are 71 million homes in the U.S. and only 2 million have solar panels on them. That’s just a massive, massive market.”

Griffin said that electric vehicles also will become more mainstream in the next five years, presenting opportunities for banks to finance everything from charging stations to fleets of electrical cars and buses for businesses, municipalities and school systems.

NY Green Bank has financed some indoor farming facilities too, and Griffin said he expects more banks to follow suit as food producers look to cut costs and reduce their overall carbon emissions. "If you are a resident of New York, your leafy greens are typically being shipped in trucks from California. Now technologies are available and efficiencies have been created so that those greens can be produced locally, are extremely high quality and will last longer in your refrigerator,” Griffin said.

Even as banks up their commitments to financing environmentally friendly projects, many still actively lend to oil and gas producers. But Griffin said he expects banks’ enthusiasm for fossil-fuel financing to wane over the next five years because there will be greater opportunities in renewable energy. According to the International Energy Agency, wind, solar and other forms of renewable power will attract about $322 billion of investment annually through 2025, almost triple what will go into fossil-fuel plants.

Big banks in particular will be under heavy pressure from investors to do their part to slow the pace of global warming, Griffin added. “It’s fair to say that a lot of the largest investors in the world, pension funds and so forth, are very focused on this,” he said. “They want to see their investees having an impact on reducing greenhouse gases.”
By Penny Crosman

Digital banking technologies — including artificial intelligence, analytics, personal financial management software, the internet of things, voice banking, banking as a service and fintech innovation — are converging toward one end goal: invisible banking.

This is banking you don't have to think about. You tap to pay. You drive out of a parking lot and the car pays the parking fee. You tell the bank you’re saving for your daughter’s college tuition and money is automatically moved from your checking account to a special tuition savings account at regular intervals. You’re offered a loan or a discount at the moment you need it, at the time you’re making a purchase.

In five years, banking will be behind the scenes, embedded in everyday activities.

“You want to get all the hassle away,” said Benoit Legrand, chief innovation officer at ING. “So banking is becoming invisible.”

That change is already starting.

The new internet of things

The internet of things has long been promised as the next tech breakthrough, although many efforts — such as Google Glass — have fallen short.

Still, wearable devices keep coming: Amazon is launching its own version of tech-enabled eyewear that can access Alexa, along with a ring that does the same. And these newer options promise to make banking and money movement seamless.

By 2025, Alan McIntyre, senior managing director for banking at Accenture, expects payments to move completely away from cards and phones toward wearables and biometrics.

“Whether it is tapping a ring that you wear or facial recognition, the payment will become more seamless,” he said. “The idea of taking the card out of the wallet will seem archaic. What you think of as transactional banking will disappear.”

An ING startup initiative, FINN-Banking of Things, develops software that lets smart devices make autonomous payments on behalf of the user. It can be embedded in smart bottles, so that when a bottle is close to empty, it reorders. It can be installed in a car, so that at a gas station or tollbooth, the payment is made automatically.

“You can load your car with 100 euros or dollars and the car pays whenever it’s put in those conditions,” Legrand said. The bank has been piloting the technology with BMW. NS, the public transportation system in the Netherlands, uses this technology for invisible tickets.

“You walk in, we know where you are, where you entered, on which train you stepped in and where you stepped out, and you’re charged for your trip automatically,” Legrand said. “This is what you want.”

Voice banking proliferates

At the same time, voice assistants are making inroads. Payments, on-demand loans, and other banking activities will increasingly be done by talking to Siri, Alexa, or a car or phone app.

“When you think about the world and how we’ll access banking services, we’ll talk to Alexa and Siri and get financial information,” said Brett King, futurist, author and founder of Moven. “We might use smart glasses from Facebook and Apple. Those operating systems will be the gatekeepers for the way we connect to core banking utility.”

King has long espoused the idea of one digital assistant to rule them all. So far, the virtual assistant providers haven’t shown a willingness to interoperate to make this happen, though Google is working on it.

Legrand calls banking via Alexa, Google Home, Siri and the like “bionic banking.”

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“Voice banking through these machines is where we are going,” he said. “Why? Because human beings are lazy. First we needed to go to the bank to get cash. Now you can open your computer and do a couple of things; you can tap your phone and pay. The next stage is to say, ‘Alexa, transfer two euros to my mom.’ This is the next step in laziness.”

But Legrand also warns that as people become more reliant on this autonomous, invisible technology, it has to work reliably and there has to be strong customer service. A customer won’t be willing to wait 25 minutes for a payment gate to open.

“You need to have someone on the line to help you,” Legrand said. “The more digital we are, the more human touch we will need. You subcontract a lot to machines, which is fine, but when there’s a hiccup, you want to have someone to unlock situations fast. It’s a bit like oxygen: You don’t realize you’re using it until you stop having it. The moment it stops, someone needs to give you oxygen very rapidly.”

McIntyre also sees a place for in-person conversations five years from now. “Our research suggests that still the majority of people want to be able to do that navigation with human beings,” he said. “There’s still a lot people that when they’re making bigger decisions want the reassurance of having a human being talking to them.”
What's ahead in financial wellness

The personal financial management aspect of digital banking also appears on track to be more seamless and effortless in five years.

Kristen Berman, a behavioral scientist and co-founder of Common Sense Lab, a Duke University initiative dedicated to improving the financial well-being for low- to middle-income Americans, said that the overarching trends in money have had mixed results for financial wellness.

"It's wonderful for people to have access to money, and decreasing the amount of time ACH payments will take us is good," she said.

At the same time, it's easier for people to rapidly spend the money in their accounts, she said.

To cope with this, many apps that help with personal financial management or financial wellness try to show people where their money is going through visuals like pie charts and traffic lights. The intent is to help them see where they might be spending too much on going out to dinner or on coffee at Starbucks.

These spending views rely on accurate categorization, which is not always a given. "I always joke, we can put a satellite in space ... but we can't get our transactions categorized correctly," said Berman, who is also co-founder of the product design company Irrational Labs. "Transfers are still being categorized as spending in apps, which makes people not trust these types of apps to give you insights, which makes this useless.

"No kidding people aren't taking action. We don't trust the insights that we're being given."

Berman sees this going in two possible directions. Either the technology gets better and people start to trust it or consumers are given the tools to make better decisions using heuristics and a lot of the work is done for them.

She would prefer the latter: Instead of presenting people with categorizations and hoping they form better habits because of it, the customer is helped to make changes.

For instance, a customer could sign up for a goal, such as taking a vacation at the end of the year, and the bank would make automatic deductions from their checking account to a vacation account, based on their income and expenses. A few fintechs and banks offer such automated savings tools already, including Digit, Chime, Qapital, Acorns, Fifth Third and Bank of America.

"I would love a behavioral economics method that would help people to do this," Berman said.

McIntyre of Accenture said that in five years, banks will be giving consumers more in-the-moment advice on things like which payment mechanism to use, who to pay when, and how to split payments. Such small decisions can add up to financial wellness.

U.S. Bank and Huntington Bank are already experimenting with this, using technology from Personetics. Bank of America's Erica virtual assistant also is beginning to provide this type of advice.

The overall idea is to stop customers from making bad decisions that are not in their financial self-interest. Fintech like Chime and MoneyLion already tout the idea that they protect consumers from bank fees.

Ultimately, banks' improvement in this area will hurt their ability to make fee income, but if they do not improve, they risk losing further business to fintech upstarts.

"The U.S. banking industry still has tens of billions of dollars of insufficient-funds fees and we're getting to a point where technology should save customers from that," McIntyre said. "The challenge is going to be self-cannibalization for the bank. The banks have benefited from customers making suboptimal decisions."

Some banks have already attempted charging monthly maintenance fees. Monzo, the popular U.K. challenger bank with 40 financial services firms, including Marcus by Goldman Sachs, American Express, nbkc bank, Social Finance, LendingClub, Prosper, Upgrade and Avant, the bank. The banks have benefited from customers making suboptimal decisions.

The battle over who controls customer data also appears to be ending. For years, banks and fintechs have sparred over the issue, with each side blaming the other as either purposefully holding up sharing to keep a competitive advantage or smartly holding on to data to protect consumers from bank fees.

Banks are also striking deals with companies to offer banking products without actually becoming a bank. "For us, this is an enormous opportunity to expand, to give them a less expensive service, and help them switch. It will tell them which utility providers could be ending. For years, banks and fintechs have sparred over the issue, with each side blaming the other as either purposefully holding up sharing to keep a competitive advantage or smartly holding on to data to protect consumers from bank fees.

"For us, this is an enormous opportunity to expand, to give them a less expensive service, and help them switch. But banks and fintechs are increasingly using application programming interfaces to share information. These could be letting consumers see all their recurring monthly payments.

Fargo's Control Tower, for instance, gives customers the ability to see all their recurring monthly payments elsewhere, and thus disrupt auto dealers. Sienna when they could lease or buy a new car with lower monthly payments.

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Some banks have already attempted charging monthly maintenance fees. Monzo, the popular U.K. challenger bank
with 4 million customers, recently tried that. But customers balked.

Another way banks could make up for lost fee income is they attempt to disintermediate other industries like telecommunications by using the visibility they have into customers’ spending patterns to help them get better deals. A bank could see that a customer is leasing an 18-month-old Toyota Sienna when they could lease or buy a new car with lower monthly payments elsewhere, and thus disrupt auto dealers.

U.S. banks are gingerly starting down this path. Wells Fargo’s Control Tower, for instance, gives customers the ability to see all their recurring monthly payments.

The next generation of this idea is to actually help people switch to cheaper providers, whether they’re auto dealerships, mobile service companies, or other firms.

ING has an app called Yolt that’s used by 1 million U.K. customers (it’s recently been expanded to France and Italy as well). ING crunches the customer data it gathers in Yolt to help users make better decisions about the products and services they buy. It will tell them which utility providers could give them a less expensive service, and help them switch.

“We have always a challenger’s mindset,” said Legrand. “For us, this is an enormous opportunity to expand, to give new services, innovate, and better service customers.”

Banking as a service, APIs and fintech partnerships

The battle over who controls customer data also appears to be ending. For years, banks and fintechs have sparred over the issue, with each side blaming the other as either purposefully holding up sharing to keep a competitive advantage or encouraging customers to engage in unsafe behavior to allow access to bank accounts.

But banks and fintechs are increasingly using application programming interfaces to share information.

Banks are also striking deals with companies to offer banking-as-a-service, which can allow third-parties to offer banking products without actually becoming a bank.

Phillip Rosen, chief executive of the fintech Even Financial, said that such interactions are the hallmark of the future in which banking becomes embedded in other activities.

Even Financial has a network that connects about 40 financial services firms, including Marcus by Goldman Sachs, American Express, nbkc bank, Social Finance, LendingClub, Prosper, Upgrade and Avant, with consumer sites like the Penny Hoarder, the SmartWallet and ClarityMoney through APIs. Consumers searching for a product not only get an offer suitable to them; they can fully apply for the product right then and there.

Rosen envisions the embedding of banking in multiple places, the same way apps, which used to operate independently, have become interoperable.

“Now you go to your phone and if you have something scheduled on your calendar, you’re probably going to see a notification saying here’s the shortest route or there’s traffic,” Rosen said.

BBVA, meanwhile, has been actively engaging in offering banking as a service, and expects to see those efforts grow. The bank is working with retailers to embed its services, like quick online loans, in their websites at the point of checkout.

For example, the bank might offer short-term loans through Target, and the customer may believe the loan comes from the retailer.

In an interview earlier this year, Javier Rodriguez Soler, the CEO of BBVA USA, said he’s comfortable with the bank being invisible in that transaction. “As long as this customer receives a good loan, and we are helping, I don’t mind if he believes Target is giving him the loan,” he said.

“As long as this customer receives a good loan … I don’t mind if he believes Target is giving him the loan,” says Javier Rodriguez Soler.
Nearly 3,000 miles separate Silicon Valley and Washington, D.C. But comparing the pace of progress in the two locales, they may as well be in different solar systems.

Take the Dodd-Frank Act in 2010. The post-crisis law created a consumer protection regulator, eliminated a thrift regulator, empowered the Fed to tighten its supervision of big banks, and launched a committee of regulators to combat systemic risks, among other changes. Against the history of bank policymaking, Dodd-Frank was a big deal.

Yet it was hardly a tremor next to the tectonic movements in digital technology. In 2010, bitcoin and Venmo were in their infinities and Apple's cellphone market share trailed Nokia's. 2020 is like a new century in tech development.

With policymaking moving at an agonizingly slow speed compared with the exponential growth of technology, regulators and lawmakers face a huge task heading into a new decade. By 2025, despite efforts to close the gap, policymaking could fall even further behind.

What will regulators do?

A broad regulatory reform push to address fintech appears unlikely by 2025. Instead, observers see piecemeal changes perhaps in response to singular market developments or crises, while agencies will continue to digitize the regulatory process and streamline their assessment of banks' fintech solutions.

"We'll certainly have organic change. We might have crisis-driven change. But I think what actually is going to happen and is needed is something in the middle," said Jo Ann Barefoot, a former regulator and congressional staffer who heads the Alliance for Innovative Regulation. "That is, not structural change in the sense of creating a new Department of Financial Technology Oversight … but rather new modes of working by the regulators."

The past five years as a guide, there is little doubt that the steady advance of digital technology, automation and artificial intelligence over the next five years will further reshape how consumers handle their money. Data-focused tech companies will continue to venture into financial services, redefining what it means to be a bank and obscuring the lines between financial and commercial companies.

That evolution is certain to set off policy debates over new proposed charter types, regulatory frameworks and activity restrictions. The growing dominance of data in financial services will lead regulators and lawmakers to zero in on who owns that data, how to protect consumers' privacy and the risk of criminals using financial technology to launder money.

But despite such a rapid transformation in the financial services sector, policy experts doubt Congress will pass comprehensive regulatory reform to keep pace.

"It's very unlikely that there will be this 'aha' moment — a Big Bang or sweeping change in policy towards financial services — that happens in any given year," said Kelly Cochran, a former official at the Consumer Financial Protection Bureau who is now the deputy director of FinRegLab. "Does the financial sector stay distinct? Does financial data stay distinct? If so, how does that happen when all this line-blurring is going on? I'm not exactly sure how it will play out. But I strongly suspect that's going to be the central question over the next five years."

Can the rules catch up to a swiftly changing market?
want to innovate banking faster and a regulatory system designed in many ways to slow change will only intensify.

Perhaps the biggest puzzle for regulation to solve is the intersection of big tech and financial services. "Financial services are regulated as a sector. Now you see Google and Amazon — these big-tech, commercial entities — starting to blur that line," said Kelly Cochran, a former official at the Consumer Financial Protection Bureau who is now the deputy director of FinRegLab. "Does the financial sector stay distinct? Does financial data stay distinct? If so, how does that happen when all this line-blurring is going on? I'm not exactly sure how it will play out. But I strongly suspect that's going to be the central question over the next five years."

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"It's very unlikely that there will be this 'aha' moment — a Big Bang or sweeping change in policy towards financial technology," said Michael Barr, the dean of the University of Michigan's Gerald R. Ford School of Public Policy and a former Obama Treasury Department official.

Policymakers will instead respond in more discrete ways.

"It's much more likely that you'll see a series of interventions, maybe around many mini-crises, or maybe around many mini-possibilities for innovation or mini-realizations about important areas," Barr said.

**Incremental change has limitations**

Many have been encouraged by the progress of agencies like the Federal Deposit Insurance Corp., the Office of the Comptroller of the Currency and the CFPB to build in-house units focused on innovation.

There appears to be a sincere desire among regulators to understand both digital products offered by banks and new compliance tools, as well as utilize their own data-focused tools to make regulatory oversight more efficient.

Examples include the OCC's work to develop a specialized fintech charter, although the charter has hit legal roadblocks. The CFPB has advanced vehicles to give fintech startups running room to test products without the looming threat of an enforcement action. FDIC Chairman Jelena McWilliams, meanwhile, has been credited with bringing a new innovation-focused attitude to her agency, illustrated by her participation in a recent transatlantic "tech sprint" — in which teams demonstrated new anti-money-laundering tools — co-hosted by the Financial Conduct Authority.

"Candidly, the FDIC was probably the most cautious of the regulators a few years back," said Barefoot, whose alliance helped put on the tech sprint. And now McWilliams "has set a goal — these are her words — of transforming how they supervise banks during her term, which has three and a half years left, and doing it in a way that will survive long after she's gone. ... Increasingly, we are seeing bold leadership."

Adrienne Harris, who was a special assistant to President Barack Obama at the National Economic Council, said officials have to thread the needle of protecting the financial system from mishaps while still cultivating innovation.

"From the innovation offices to other types of engagement that we're seeing from policymakers, a lot of this will continue to develop organically as all the stakeholders are trying to find the right balance between mitigating risk and making sure the market's able to seize opportunity responsibly," said Harris, a policymaker-in-residence and Gates Foundation senior fellow at the University of Michigan.

But an incremental, organic approach to setting federal
policy for the profound technological change in the financial services sector has limitations. Analysts say a better scenario is for the legislative and executive branches to develop a more comprehensive framework to enable innovation while safeguarding the system from new risks.

“If we had sufficient political attention and will, not just in the Congress, but in the regulatory agencies, to get together in a concerted way, we’d be much better off as a country — if we pushed forward aggressively to have an innovation policy on fintech that balanced all these issues, that took care of consumers, that was pro-innovation,” Barr said. “As a predictive matter, how likely is that? I don’t think very likely.”

The line between financial, nonfinancial regulation
A structural policy already in play that appears likely to grow more complicated in the next five years is the blurring of lines between banks, other types of financial companies and commercial firms.

The aim of tech giants such as Google and Facebook to be more involved with consumers’ money highlights the emphasis on consumer data as a commodity. But that leads to questions about who regulates the use of data across different sectors, who owns the data and how portable it should be. Meanwhile, longstanding efforts to pass legislation strengthening data security and privacy have yet to succeed.

A future policy debate could revolve around whether an existing agency such as the CFPB or the Federal Trade Commission is given new powers to oversee the use of consumer data for financial purposes, or whether Congress creates a new agency for that purpose. “One of the advantages to the Federal Trade Commission structure right now is that it has both competition and consumer protection within the same agency,” Cochran said. “There are some real advantages when it comes to data issues to having both of those lenses being used at the same time.”

Factors such as a massive data breach or concerns about the reach of a private-sector cryptocurrency could force Congress to finally enact strong cybersecurity standards or take steps to protect consumers’ privacy.

Amy Friend, a former staffer on the Senate Banking Committee and former general counsel at the OCC, recalled how — even before the debate over Dodd-Frank — the financial crisis spurred lawmakers to pass a sweeping credit card reform bill in 2009. At the time she worked for then-Chairman Chris Dodd, D-Conn.

“What enabled the CARD Act to move forward was lawmakers, particularly the chairman of the Senate Banking Committee, saw the opportunity during the financial crisis, when the banks really couldn’t muster the lobbying force to lobby against it,” said Friend, referring to the Credit Card Accountability Responsibility and Disclosure Act.

Areas such as privacy and data portability are “ripe for legislation,” said Friend, now a senior adviser at FS Vector. “Privacy is something that Congress has been trying to do for many, many years, even before where we are right now with more intrusive technology.”

Contributing to a more innovative future
With regulators setting out to be more innovation-focused, a variety of nongovernmental groups are trying to aid the process, conducting projects that look at the future of financial policy for both the policymakers and financial services companies.

Harris and Barr are involved with the University of Michigan’s Center on Finance, Law and Policy, which is studying issues like the future of central banks and small-business consumer protections tied to fintech.

The center’s project on central banks deals with how they might evolve so that financial inclusion becomes a core part of their mission.

“Part of our task is to think about technology that those institutions could leverage in the ‘regtech’ or ‘suptech’ arenas, ways they might change their processes, how they might even change their explicit mandate such that they would be in a position to better promote and foster financial inclusion around the world,” Harris said.

Barefoot’s group is developing what she called a “regtech manifesto” on steps to make the regulatory system more innovative, as well as a legal memo in concert with the Buckley law firm on the statutory impediments for regulators to incorporate more tech-focused tools.

“We have to get the information in the regulatory system into digital form so that we can see it. The information that we use to oversee banks … is mostly locked up. It’s opaque,” she said. “They need smarter data. They have to become data-centric. I’m optimistic that there is fast-developing interest in this.”

FinRegLab, meanwhile, has conducted a project focused on the predictive power of cash-flow data — versus more traditional factors such as credit scores — in the underwriting process. “If you adjust underwriting models to incorporate new information, what are all the issues that come along with that adjustment? If you can figure that out in the cash-flow space, that might be very useful,” Cochran said.
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Founder of NorthOne, on the opportunity for fintechs like his to lure small-business customers away from traditional banks with a simplified banking platform.

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“Maybe tribalism is just in her DNA.”
Former Goldman Sachs CEO, criticizing Sen. Elizabeth Warren’s “vilification” of prominent billionaires like him in her campaign ad for a proposed wealth tax.

JELENA MCMILLIAMS
“I love you, Silicon Valley, but equity is not capital.”
Federal Deposit Insurance Corp. chair, saying some fintechs seeking an industrial loan company charter misunderstand the requirements.

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Education secretary, proposing a separate agency to monitor the country’s $1.5 trillion student loan portfolio.

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Wells Fargo’s newly hired chief operating officer, on his task of fixing the embattled bank’s myriad regulatory issues.

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