

Lisa: Hi, I'm Lisa Hernandez.

Avigail: And I'm Avigail Oren.

Lisa: And we are your hosts for Scholar Strategy Network's No Jargon. Every other week, we will discuss an American policy problem with one of the nation's top researchers without jargon.

Avigail: So Lisa, I don't know if I've ever shared this story with you, but I have this really core memory from my senior year of college. It was the fall of 2008 and I was sitting having breakfast in the dining hall at Barnard College, and there was a TV up on the wall playing I think CNN or one of the cable news networks.

And the chyron says "Lehman Brothers collapses." And the images of the front door of a big New York City office building and the revolving door is just people coming out with those bankers boxes full of their stuff. And I remember just sitting there thinking, is this a moment? Am I going to look back on this and think, huh? I was there when? And, as it turns out, yes. I went on to have quite an existentially stressful senior year as I'm trying to sort of figure out how I'm going to begin my career. And the options are slowly, slowly, being winnowed down as the recession began.

And, so when I sort of think about government regulation and agencies like the Consumer Financial Protection Bureau, I feel very viscerally that these need to exist because they're not just protectors of our individual finances, but also our opportunities.

Lisa: Absolutely. And you know, within the, "is this a moment experience?" I think a lot of us are waking up every day thinking, "is this a moment?" whenever we hear about anything having to do with being slashing, funding of certain agencies or anything having to do with finances really. We're learning so much about lack of protections for consumers and threats to consumers and I think we're now finding ourselves in a really interesting time, having to deal with everything to do with like banking systems and how they operate and maybe how they will be less regulated

or less controlled as we are all counting how much we are spending on groceries and everything having to do with mortgage rates. So I think it's another really interesting time for financial anxiety and so I'm really glad that I got to speak to a professional about all of the things having to do with finances in the U.S. right now.

So for this week's episode, I spoke to Professor Terry Friedline, a professor of social work at the University of Michigan, and the author of *Banking on a Revolution: Why Financial Technology Won't Save a Broken System*. She has also served as a member of the Consumer Financial Protection Bureau's Academic Research Council. Here's our conversation.

Lisa: Professor Friedline. Thanks for coming on No Jargon.

Terri: Thanks so much for having me.

Lisa: Of course. We definitely know that your research spans a really wide range of issues around consumer finance. So we wanna dive into all the topics within that, but wanna start with some current events. We are recording this on May 19th. We have to say the date all the time during our recordings nowadays because so much changes.

But there's been a lot of buzz lately around changes at the Consumer Financial Protection Bureau and the Federal Deposit Insurance Corporation. So for listeners who might not be familiar, could you do us a favor of briefly explaining what these agencies do and why they matter to consumers?

Terri: Yeah, absolutely. So let's start with consumer protection and what that is. Generally consumer protection, it's the practice of preventing unfair, deceptive, fraudulent activities that happen in the financial marketplace. And this covers the sale and advertising of financial products like credit cards or auto loans or mortgages. It covers scams, predatory lending, unfair debt collection, and so on.

And so in this understanding, people, us, we are the consumers, whose buying power and money should be protected. It generally involves state and federal

statutes and laws and regulations, and it attempts at this kind of systemic level to prevent companies and businesses from taking advantage of us.

I have what I think is a useful analogy, and that is that consumer protection is to the financial marketplace what food safety testing is to preventing foodborne illness and epidemics. So generally I think we want to know that the milk we're drinking is pasteurized. It's therefore protected against transmitting hazardous bacteria like salmonella, listeria. And we don't want to just know this for just one glass of milk at a time, but across the system, all the milk, or all the mortgages are being originated on fair and transparent terms. And this is where the Consumer Financial Protection Bureau comes in and a really important federal agency that plays a role in, looking across the system and making sure that consumers are protected in the financial marketplace.

We have a range of agencies that are tasked with overseeing the financial system and doing some of these consumer protection activities. And so this includes the Consumer Financial Protection Bureau which was established in 2010, the Federal Deposit Insurance Corporation, or the FDIC that was established after the Great Depression and after a set of bank failures, inflation, high unemployment and bank collapses where people lost all their money. We decided that having deposit insurance and agencies at the federal level that could oversee our system of banks and lenders, that would be a good idea. We have the Office of the Comptroller of the Currency or the OCC which has some regulatory function over banks and lenders.

Lisa: And the other thing is that the Trump administration is pushing for constant leadership changes at both of these agencies. So could you tell us a little bit about what is happening currently and what you think is driving this?

Terri: There's a lot happening currently around consumer protection and activities being undertaken by the Trump administration. So here are just some things that have been happening since January.

One is that the administration appointed somebody named Russell Vought to be the acting director of the CFPB or the Consumer Financial Protection Bureau. Vought is a key architect of the Heritage Foundation's Project 2025. And one of the elements of Project 2025 is a plan to abolish the agency and to reverse the legislation called Dodd-Frank that created it.

This abolition is definitely underway, with the help of Elon Musk's kind of pseudo agency, the Department of Government Efficiency. The administration is trying to cut 90% of the CFPB workforce. It's laying off about 1500 people that are tasked with upholding the agency's mission, which has to do with preventing unfair, deceptive, fraudulent activities in the financial marketplace. There's also a scaling back of employees at the FDIC, the Federal Deposit Insurance Corporation. This is the agency, again, that plays a role in monitoring the financial system for risks and promising to back up people's money if the bank fails. If a bank goes belly up, the federal government promises to make good on the money in our accounts up to \$250,000.

There's a litany of other things that are happening. Trump has killed rules established by the CFPB, and these rules are passed through a democratic process, a rulemaking process that involves conducting research, getting feedback from the public. There was a rule that would've limited overdraft fees. That has been curtailed, under votes direction.

The CFPB is also withdrawing proposals that would've protected people against harmful data collection practices. So, allowing data brokers, you know, part of this multi-billion dollar industry to collect and sell our data, often without our knowledge, let alone our permission. So that rulemaking process has been dropped. That one I think is especially relevant in an area where many people in charge want to let data and algorithms kind of make decisions about our humanity and really expand the surveillance of everyday life. It's possible through data brokers.

The Trump administration has overturned the CFPB's decision that oversees large finance and technology companies like Amazon and Google. A lot of these companies are kind of non-banks, but they offer payment services like being able to

transfer money or having digital wallet services, and the Trump administration rolled this oversight back. It's dropping enforcement lawsuits that the CFPB under its previous director brought against various banks and financial companies alleging, for example, Capital One overcharge its customers up to \$2 billion in interest rates on savings accounts, overcharging them. Zelle letting a billion dollars worth of fraud go unchecked on their platform. Student loan borrowers paying back loans that they didn't owe. So, the agencies dropped these enforcement mechanisms that are sort of meant to protect consumers and intervene in potentially harmful practices in the marketplace.

Lisa: Absolutely. That's a lot of changes for people to keep track of and it sounds like, from the privacy and the cost that people might be suffering as a result of these changes. I want to ask you just a little bit more about those changes. How do they affect consumers, especially those within marginalized communities?

Terri: That's a great question. And I think it's one of the most important questions we can ask. A lot of consumer protection, along with the CFBB and some of the actions that are taking place within the Trump administration, the practice of consumer protection is part of political struggles and is part of political struggles for a couple reasons, but I think one of the most salient has to do with power and challenging power.

Consumer protection, including in the form of the CFPB, really attempts to intervene in the harms of racial capitalism and address issues of power and control where people get exploited by companies in the financial marketplace. And this is especially true for oppressed and marginalized peoples and communities that really bear the burdens of, when systems fail.

The Consumer Financial Protection Bureau was established by Congress in the wake of the 2008 financial crisis. We're less than two decades away from the financial crisis and essentially there had been a loosening of regulations over banks and financial institutions. Banks made speculative high cost mortgages, lent out subprime mortgages, the housing market collapsed and it dragged the U.S. and the

global economies with it. And so Congress created the CFPB in 2010 to protect consumers from activities like subprime mortgages.

This is particularly relevant because banks and lenders were targeting Black, Latinx, women borrowers for expensive mortgages, even when they qualified for loans on better terms. They were particularly focused, disproportionately lent out mortgages at subprime rates, to black and brown borrowers that when the housing crisis happened, foreclosures occurred, that really stripped and eliminated wealth from a lot of Black and Brown home buyers and communities. Like erased that benefit, erased wealth that they were accumulating through the home, which is where a lot of Americans kind of build their wealth. That's how we've established our system of wealth accumulation is typically through property and home buying.

Lisa: You mentioned a term— and here at No Jargon we like to think about taking these terms that people often use within fields and trying to break them down for listeners here—so, racial capitalism. Would you be able to define that for listeners here?

Terri: Racial capitalism is another way of saying our economic system of capitalism. A lot of people say that all capitalism is racial capitalism. And that's because our system of economic capitalism exploits and makes profit by creating racialized groups of people, separates people into racial groups and then assigns different values to those groups of people.

How racial capitalism might work in the housing market might be that a pattern that we would see across mortgages is disproportionately charging higher mortgage rates to Black borrowers, lower rates to white borrowers, meaning that white borrowers could pay down their loans more quickly, use their money to be able to spend and invest in other things throughout their daily life. And that difference, that stratification based on race is part of what our system, our economic system of capitalism does. It's the way that it works.

Lisa: Thank you for breaking that down for us. And I definitely should have mentioned this before, but you did serve as a member of the Consumer Financial

Protection Bureau's Academic Research Council, and you mentioned the different democratic process that some of these rules go through. So I want to ask you about your experience. What was it like to be a part of that research council and how did you see the value of the agency during your time there?

Terri: I really appreciated the opportunity to serve on the Academic Research Council. And I served, I think, in a pretty interesting time because it was in the first Trump administration when I was appointed. Steve Mnuchin had been appointed interim director. The position was then filled by Kathy Kraninger to oversee the agency. And I was part of a group of, oh, maybe eight other academics and scholars as part of the academic research council.

I was interested in serving in part because a lot of the work the CFPB had been doing in the years prior to that was focused on payday lenders, and other high interest loans and lenders. These are lenders that charge, in particular, for payday loans. They lend based on the promise of your future paycheck, so you expect to get a paycheck in the future, and a payday lender will offer you a percentage of that, but you have to pay back that loan then with a pretty high interest rate. So on average, the interest rate is about 400%. Some as high as 700%, 800%, and 900% in some states.

And the CFPB had been working, studying, doing a lot of research, getting a lot of public comments, from people around the country about what should happen with payday lenders, installment lenders, check cashers, these companies that charge really high interest rates. We know that a mortgage interest rate now maybe is around 7%. Maybe if you've gotten a loan at a good time, your mortgage interest rate maybe is around 3%. Could be as high as 10 or 12%. So like 400% is really high for these loans that people end up not just paying back when they get their paycheck, but really hanging onto for months and months and months, taking 10 months or so to pay back what they were sold as a two-week loan.

When I was on the Academic Research Council at the time, the Trump administration made their new appointments and took over the agency. They started contesting this rulemaking process, which included years and years of work.

They developed a set of research papers, they studied the issues, they asked people to submit comments. They held hearings, in congressional committees in the Senate and in the House, in the House U.S. Financial Services Committee, You know, really worked their way through this rulemaking process to say how these companies should be overseen.

And so that is, that's the process of rulemaking, but also sort of, what was happening at the agency that I was interested in being a part of it as somebody who has spent a lot of time doing research with people about their money and their debt and what it means to take out a payday loan for things like groceries. Most people that use payday loans, you know, take them out for everyday expenses, not for an emergency, but, you know, living on the day to day. And so it was really discouraging then to be at the agency at a time when so many of the things that I thought were really important in consumer protections were being rolled back.

And so that's also consistent, although I'm looking at the outside of it from today, that's also what's happening now.

Lisa: And within your research, you've also talked about banks acting as gatekeepers, and revealed a little bit of that real life impact of practices of extending or withholding essential financial products and services. Could you talk to us a little bit about how banks work as gatekeepers and who is affected the most?

Terri: A reason that I focus on banks is because it's the point where people sort of come in contact with the financial system. I mean being able to transact cash or swipe your card at the store or open a bank account. These are places, everyday activities that most people participate in in some way. So it's kind of the outer edge or the tip of the iceberg, of the financial system. If you can study what's happening at the tip of the iceberg, you get a sense of what the other cascading effects might be.

Banks serve as gatekeepers in a couple ways. You need, for example, to have a checking or savings account if you wanna be able to apply for a mortgage. Usually, you need to have a bank account if you want to take out a payday loan oftentimes.

And so that small step of having an account connects you to lots of other things that happen in the financial system. What you do with your bank account gets recorded on your credit record. So having a checking account or a bank account connects you to this broader system.

A couple of the things that I've done in my research have been asking people how they have been able to open bank accounts. The more I talked to people about their money, especially earlier in my career, the more I realized that banks and other financial institutions were putting up barriers to prevent people from using their own money. So the longer that I've been doing research, the more I've been moving sort of deeper into the system or further down the iceberg, so to speak. This has involved talking with people who work at banks about how they make decisions, the people who cash checks at the windows and banks.

If you were to go into a bank branch and try to deposit money into your checking or savings account, there's a series of decisions that that person is making. And that person has been trained to make decisions in a particular way by their institution. If one is able to walk through the lobby of the bank and make it to the customer service window, then the teller there is making decisions about who you are as a person, how much money is in your account and what they wanna offer you in terms of a product or service.

Maybe you've come in to contest an overdraft fee, because banks sometimes structure their transactions in ways that preempt customers to overdraft. So maybe you stopped at the gas station first, then you deposited your paycheck, and then you went to buy groceries, in that order. And you went in that order because you knew you couldn't buy groceries until you deposited your money into your account. And only then would you have a good enough balance to buy groceries without overdrafting. Even though you took those steps in the right order, keeping the balance of your account in mind, the bank didn't necessarily process those transactions in that order. Instead sometimes processing them in an order that would cause you to overdraft.

So you walk into the bank branch to maybe contest that overdraft fee. And you know, someone at the teller window is going to check into their computerized system. They're going to check your account history, they'll look to see how many overdrafts you've had. Maybe they'll look to see where you've made your purchases and make judgments on you about how responsible or trustworthy you are. And they'll use that information to make a decision about whether or not they should waive your overdraft fee. And all of those decisions, all of those ideas about "are you trustworthy, are you responsible?"

Those are heavily coded for, race, gender, and class. This is where white people can bring that whiteness as a credential to their banking. If you have wealth and a sufficient account balance, that's a benefit that a teller can look at and automatically sort of waive those overdraft fees from your account. Whereas if your race, gender, and class are more questioned—you're a Black woman trying to go and contest that overdraft fee—then you have all the stereotypes, all the racist, sexist stereotypes that are built into society being weighed in that decision by the teller.

Those are real gatekeeping sorts of practices and they're gatekeeping practices that happen in these really, really small, but consequential steps in our everyday financial lives. If that is just the tip of the iceberg, what a lot of what I've theorized in my research, if that's the tip of the iceberg, then imagine, how those practices, how racist, sexist, classist practices just compound as you get farther and farther into the system.

Lisa: Well in addition to this traditional form of banking, you mentioned going physically to a banking location, we also have things like mobile banking, these digital payments and maybe even cryptocurrencies that we're all having to learn a lot about nowadays. And these technologies are often marketed as tools for financial inclusion. And you wrote a book called *Banking on a Revolution: Why Financial Technology Won't Save a Broken System*, so I can assume what your view on this is, but could you break down for us why it's falling short of the promises, why this mobile banking isn't exactly the solution that it is claiming to be?

Terri: This is a question I think that I've been responding to for a pretty long time now because mobile banking, online banking has been hyped maybe for the last 20 years or so. And I think that it can—that example that I just gave of a person going into the bank branch and needing to negotiate, a conversation about overdraft fees—I think there are those one-on-one sort of frictions that online and mobile banking sort of mitigate the potential for discrimination that an individual person might have in those interactions. And that is definitely a good and worthwhile thing for people wanting and needing to avoid those sorts of interactions which happen in many places beyond banking. That's just one of the things of a person's daily life where they might have to negotiate a form of discrimination.

So about 15 years or so ago, I was working in think tank and policy spaces in Washington, D.C. and everyone was very excited that online and mobile banking could be a solution to the problem of financial access— helping people who didn't have a bank account or a checking account or, would get kicked out of the banking system. Online and mobile banking would solve this, and help people use their money as consumers more readily in the economy.

I was just thinking about so many people that I knew that didn't have internet access and it seemed like a pretty basic sort of first check in terms of “can you do online or mobile banking if you don't have internet?” In my hometown, which was in a valley, no high speed internet, no cell phone service, it would not have been possible. The nearest bank was maybe 30 minutes away by car, But on top of the hill there was a farm field and a farmer had, at the edge of the road, created a little kind of carve out in his cornfield for people to park their cars and use their cell phones. So you could get a cell phone signal up at the top of this hill. And I was just trying to imagine folks in my hometown driving up to the top of this hill. They can now have cell phones because they have a place where they can use them. They can't use them in their homes.

But this is not the scenario—when policy folks were talking about online and mobile banking— this wasn't the scenario that they had in mind. I think people envisioned households at home, at their kitchen tables with a smartphone, being able to seamlessly use money, make transactions as the rest of the middle, upper class

world is able to do. But you know if you travel through like the Appalachian Mountains or if you're on a native tribal reservation, there are lots of places that we have divested from our infrastructure, like high-speed internet.

We haven't provided that infrastructure to make it possible to make these technological tools possible in the ways that policymakers often think or assume are available. And so this is like one reason why I think technology just isn't up to the task of solving some of the kind of persistent challenges that we have around access to financial products and services.

The other one is that banks and lenders were really stood up in the history of slavery in the United States. They were stood up to facilitate racial capitalism and the wealth accumulation of white slave holders and property owners. And we have not dealt with some of those root causes of exploitation that are built into the system that create patterns of exploitation and discrimination in other aspects of our financial marketplace. So in mortgage lending, for example, I don't think that you can just layer technology onto that and make those problems go away.

And so often what we see, with technology, is that it has the potential to exacerbate problems of discrimination. So there is a line of research that looks at, for example, can algorithms do better at making lending decisions, and reduce discrimination in lending? It is not eliminating discrimination from the system. It's potentially mitigating discrimination to what might be perceived as a more acceptable level. And I would like us to consider consumer protection, eliminating these harmful forms of racialized, gendered, and classist, discrimination, that are too often amplified whenever technological solutions are imposed.

Lisa: While we're on the topic of potential solutions here, I would love know—you've talked about the idea within your writing about a financial revolution—would you be able to talk a little bit about what this idea of financial revolution is? And if you could change maybe even just one aspect of our financial system to make it more just, where would you start?

Terri: That's a good question. One of the things that I really look to is how grassroots organizations and mobilizations have happened around issues of finance. So much of the work of Ella Baker, for example, in the 1930s and 1940s around economics education, or the Student Nonviolent Coordinating Committee (SNCC), efforts around civil rights and Black power were concerned about issues of financial protection. And so we're advocating for things to better support their communities and not be exploited by financial products and services.

One of the things that I write about in my book, *Banking on a Revolution*, had to do with organizations that were focused on creating municipal identification cards. So municipal ID cards were cards ideally available for folks who are undocumented, or queer and trans folk to be able to have their name well represented on their government issued identification, for folks who were older or elderly and maybe didn't have another form of government issued identification. So lots of people who might be excluded from banking services, because they weren't able to get, a driver's license or a state ID.

So cities, counties, like New York City, like Detroit, like Washtenaw County in Michigan, developed these municipal ID cards. And this was great because folks could take these cards to a bank and use that identification as proof for being able to open a checking account or open a savings account. And there were lots of grassroots organizations, lots of advocacy organizations that supported these municipal ID cards. This sort of grassroots support, in my view, people asking for what they need, working together, studying together, finding a solution to a problem that they were experiencing in the financial system, was a good approach to this issue.

In New York City, a couple years after a municipal ID card was created, the city council for some reason thought it would be great if they could add a payment chip to the ID card. And so this payment chip could be used to pay for bus fare, metro tickets. This would mean sort of swiping your card and having that transaction recorded somewhere electronically. The same groups that had been advocating for this municipal ID became concerned because they were worried about it being a point of surveillance that the city could then track where people were, spending

their money, where people were moving, going from place to place making purchases. These are now activities that are being recorded that we don't have when we are just using cash. So there was concern about the way that this municipal ID card evolved over time.

This evolution over time, I think, is relevant to the idea that consumer protection is politically contested, and needs us. We need to be continually involved in sort of shaping how these, potential strategies like municipal ID cards, move forward. Because this is a very relevant concern, in this time where the Trump administration is really ramping up immigration and customs enforcement actions, arrests, detentions, deportations, particularly of people, who are immigrant and undocumented, but also folks who are here with legal status and have citizenship. This municipal ID card, if it's disproportionately sort of developed to serve folks who are undocumented and vulnerable, creates the potential for a list of people that administration could share with immigration and customs enforcement to be detained and then deported.

This is a concern that we have had in the county that I live in here in Michigan. I think it's likely a concern in other places around the country that this municipal ID card developed to support banking services now has this very nefarious connection, potential connection with immigration and customs enforcement, which is not the purpose that it was originally intended for. And so this is why kind of being engaged with consumer protection and seeing how our systems and institutions are connected, I think is really important, for folks who care about consumer protection and banking and finance.

Lisa: These financial policies definitely shape a lot of people's lives in different ways and can affect other aspects like other societal issues that we are all thinking about right now. So I want ask you, as we close our conversation here, any final thoughts on maybe financial policies that we haven't touched on or anything that you would like to leave our listeners with?

Terri: Promises of inclusion aren't new. So having a new financial technology company promise that it's going to help people save their money, that it's gonna

help people open checking accounts and meet their financial goals, that those promises are, you know, pretty much sort of as old as time, as old as financial institutions, as old as debt. We have not seen them, at least in recent decades, play out in the ways that they've been given to us. So one of the things that colleagues and I did a couple years ago was we looked at the promises that banks and lenders and financial technology companies made about their products and services.

So we looked over the last 20 years, 26 years actually, at press releases from companies like Bank of America, Facebook, Intuit, we looked at a bunch of companies, from the 90s through up to present day, seeing how they routinely promised financial inclusion. They promised people were going to be able to get control of their money, that they were going to save more, that they were going to be able to meet the goals that they had for themselves, with every new financial product that they established. And, you know, this is part of marketing and advertising for financial products and services.

These products and services then should be under the jurisdiction of consumer protections. Whether it is a bank promising that online banking in 1998 is gonna solve somebody's sort of financial struggles, to a new FinTech company promising in 2019, it's gonna do just the same thing. Those promises have been just repeated over and over again, across the decades. If the promises are repeated, then the problems don't appear to have been solved. And at the same time, they're expanding the ways that they're using data and using information, and really requiring us in a lot of places to trade our privacy for inclusion in systems that then we have very limited protection from the harmful effects. This is some of the evidence that I think of when I think of whether financial technology is going to fix the problems that we have in our system and is it that it's just not capable of doing that. And we don't have evidence that it has done that in the past. The promises just haven't played out.

Lisa: Thank you so much for delving into the promises and shortfalls, which definitely there are a lot to keep track of, so we appreciate you sharing your expertise with us today.

Terri: Thanks so much for having me.

Lisa: And thanks for listening. For more on Professor Friedline's work, check out our show notes at scholars.org/nojargon. No Jargon is the podcast of the Scholars Strategy Network, a nationwide organization that connects journalists, policymakers, and civic leaders with America's top researchers to improve policy and strengthen democracy.

The producers of our show are Wendy Chow and Dominik Doemer. Our audio engineer is Peter Linnane. If you liked the show, please subscribe and rate us on [Apple Podcasts](#) or wherever you get your shows. You can give us feedback on X, formerly known as Twitter, [@NoJargonPodcast](#) or at our email address nojargon@scholars.org.