

## Barefoot Innovation Podcast with Delicia Reynolds Hand, Director, Financial Fairness at Consumer Reports

**\*Note that transcripts may sometimes contain errors and that transcript timing notations do not match the posted podcast**

Jo Ann Barefoot: Hi, everybody. We are going to start recording. This is a special recording of the Barefoot Innovation Podcast and we are on the floor at FinTech Nexus in New York City at the Javits Center. Very excited to be able to talk here with my guest, Delicia Hand. Delicia. Welcome.

Delicia Reynold...: Thank you, Jo Ann. I'm very glad to be here as well.

Jo Ann Barefoot: I am so glad to have you here. We've had you on the show before along with Cleve Mesidor, and we'll link to that in the show notes. But I want to talk with you today about your initiative at Consumer Reports. And I'll say for people in the audience who may be listening, that we are also going to do a session right after this. But for people who want a longer story of what you're doing, this is the opportunity to hear it. And I think that your initiative is one of the most exciting things going on in the FinTech space. So I want to start by asking you to just tell us a little bit about yourself, your background and the journey that's led you to what you're doing today, which is you are Director of Financial Fairness Advocacy at Consumer Reports.

Delicia Reynold...: Sure. Well, I appreciate the opportunity to talk about this work with you. And in terms of what's led me here, I've been at Consumer Reports for just over a year now. And prior to that I was at the CFPP for almost 10 years. And I would say that is the precipitant to the work that I'm doing at Consumer Reports, which is... There are a couple of things, during my journey, in my tenure at the CFPP, which led me to want to have this specific focus at Consumer Reports.

One is really stepping back after spending all of that time and really seeing the landscape evolve from 2011, 2012 to now where we are it just... Thinking about those next steps, I realized that even though the CFPP accomplished a lot, one of the places where it probably could have done more was in financial innovation and really sort of impacting the trajectory of innovation. And so I began to think about, "Well, what were those gaps? What are the opportunities?" And what I landed upon was really thinking about the story of FinTech and how it differentiates from traditional finance in that the story of what FinTech can do for everyday consumers.

And you see products emerging every day that promise a lot, but many consumers place big bets hoping that they can achieve something different than what potentially traditional finance may be able to do. And I didn't see anything out there that was really sort of doing that measurement of FinTech. So that is really the impetus for the work that I'm doing now at Consumer Reports, which

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is really sort of trying to evolve that evaluatory lens into the financial services space, FinTech specifically.

Jo Ann Barefoot: So this is so exciting. We think of consumer reports as testing and making recommendations and ratings on cars and lawnmowers and laundry detergent and all kinds of things. And you're bringing this to FinTech.

Delicia Reynold...: Yes.

Jo Ann Barefoot: So tell us, I'd like to hear maybe first sort of where you're started with it and then secondly, what's the methodology that you and your team are bringing to this?

Delicia Reynold...: Sure. So we've started with the most popular products and services that consumers use. So we started first by surveying and examining the marketplace of consumers, both in terms of doing some qualitative survey research, what are the products that consumers use most frequently within FinTech? What are the different kind of services where consumers have FinTech apps that they use on a regular basis? And then that largely tracks to payments, banking and investment apps along with some of the personal finance management tools such as credit scoring and other kinds of applications.

So we started with that prioritization because we wanted this to be reflective of where consumers are, but we also looked at the marketplace. So what are the actual most downloaded apps? So not just what consumers are saying, but how does that track to what we're seeing in terms of where consumers actually are? And so looked at things like downloads and then downloads to actual utilization.

And so that landed us to start with payment apps. I think we probably that rated highest largely because of the pandemic and just seeing the increase in consumers using features like digital wallets and peer to peer payment apps. So that's largely informed our approach.

And then in terms of the methodology, what we've done is started with a digital standard that CR had developed for several years, which looks at connected devices, platforms and IoT, internet of all things, and landed on some values based principles to evaluate digital products. And so we built upon that and evolved that into something that is specific to finance.

So we have a set of evaluation principles. The first half are tethered to regulatory principles, privacy, safety and transparency. And then the other half is tethered to the consumer experience. So our outcomes based principles at the end of the day, how do these apps impact financial wellbeing? What is the user

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experience? Are they user-centric or not? Are they inclusive? Do consumers find that these services are any more accessible as a result of engaging with them?

So we have this set of normative principles, which are then affixed to various criteria that help us to identify specific characteristics that attached to that. So for example, from a safety perspective, in looking at all the different kinds of things that companies need to do to make sure a product is safe, we identify criteria such as authentication processes and fraud management, fund protection, those kinds of criteria. Then we identify specific indicators, so what are the actions or behaviors that companies can do to demonstrate those things? And then we run various kinds of procedures to extract data.

The procedures involve various methodologies. On the qualitative side, we do a robust amount of consumer research, which includes quantitative and qualitative survey research, discussion boards, focus groups where we lead consumers through specific actions while they are using a product or engaging with the app.

And then we actually have developed some product tests, believe it or not. So some ways to onboard and engage with these various financial apps so that we can make observations about what happens when you set up an account, what happens when you start down the road of making certain transactions.

Jo Ann Barefoot: So similar to buying the detergent and washing...

Delicia Reynold...: Exactly.

Jo Ann Barefoot: ... some loads of laundry and seeing what happens. Yeah.

Delicia Reynold...: Yeah, exactly. Yeah.

Jo Ann Barefoot: Very, very interesting. It sounds daunting and...

Delicia Reynold...: It is.

Jo Ann Barefoot: ... one of the things I know that we run into when we think about financial products, and maybe it might not be affecting what you're doing, is that what is a good product for one person might not be a good product for another one depending on what they're optimizing for or what their situation is. Have you tried to do any customizing of the use case situation? Or maybe that would be something down the road?

Delicia Reynold...: Yeah, I would say initially we have. So in developing the set of evaluation criteria and the framework, we did that basically by doing a deep dive into the

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landscape. So we wanted to start with some well known research recommended standards and industry best practices. So that to the extent that we are measuring for something as the floor or minimum expectations, there was alignment with best practices, regulatory standards or just known... Standard setting bodies have made some recommendations with respect to these various characteristics.

That is our starting point. But then we expect that one of the things that I hope for as an outcome of this initiative is that we will, in comparing various products within a particular market, then really be able to hone in upon practices that actually help to move the needle or help to move consumers closer to specific outcomes. So we have some baseline standards and expectations, and in particular during this phase of the initiative where we're really testing out our framework to see what we can do with it and what we can learn. We also hope to get a really clearer sense of some of the fuzzier issues, particularly on the outcome side of the framework. So what really are inclusive practices? What are design features or characteristics that facilitate that sense of inclusion? And we're also engaging consumers around those topics as well. And we hope we'll emerge with some more concrete data points, which can help us to adjust our meter for the different principles.

Jo Ann Barefoot: Might it be in the roadmap to create an interactive version where people could say, "These are my goals, these are my criteria." And you could end up with recommendations?

Delicia Reynold...: Yeah, absolutely. I mean, that's also one goals that we have for this initiative is... At the end of the day, we are trying to, and this is really manifesting across the board at Consumer Reports and our engagement and digital spaces to provide the consumer with more agency in a space where they traditionally have had none. So with respect to management control, access to their own data for example, and then how that data interacting with financial services products then translates into better choices, choices that will more likely lead to improved financial outcomes. Those are the things that we're specifically tracking for. We hope that results in one day there's a product or some sort of add-on to a financial service, for example, that will help consumers in their journey with financial products.

Jo Ann Barefoot: So I saw you speak recently and was pretty excited to see that you're starting to get some very interesting feedback already or outcomes and analysis. So share with us what you've been learning.

Delicia Reynold...: Yeah, we've been learning a lot. So I would put our learning into two categories. One observations about company performance with respect to the various principles that we're measuring. So where are various companies landing with

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respect to good safety practices, transparent practices, et cetera. And then we're also gathering some insights from the data about issues that we've all struggled with for some time in the financial services community. So things like meaningful disclosure, is it enough to meet your basic legal requirements? Is a company doing enough if they are in fact meeting their legal requirements? Is that meaningful to the consumer? And are there practices that we're observing that are better for consumers in terms of equipping that consumer with a more concrete sense of their outcomes? And also just how to better manage their own rights and control access to their own data, for example. So is kind of two categories of things.

In the peer-to-peer app evaluation, which we completed in January of this year. I think one large takeaway was that though we don't think by intent, there's a real opportunity for companies to improve their transparency when it comes to providing and equipping consumers with usable information about their own data. And some of that has to do with, frankly, how things are translating in the app. So you imagine consumers are using a payment app, but there are rights or information sets that companies are legally required to share with the consumer but don't translate well in a mobile device and not even short form disclosures translate well in a mobile device. So how are companies moving from the legal requirements, privacy notices and things like that to really leveraging the technology? So using things like push notifications, creating simplified readable texts and information that really situates consumers with respect to their own data or other kinds of information in the app.

And what we saw across the board was that this is an area of great opportunity for companies. We saw overly complex language associated with all the various different parties. In one instance, for example, we saw five different terms of service and user agreements within the context of one app. If I'm a consumer, how is any of that really usable and accessible to me? If I have to connect the dots between the FinTech app that I'm using, the bank that is maybe behind the app and also other different parties that are present in that transaction?

And our conclusion is that it's not enough to facilitate on the front end seamless quick payments, but on the back end really load consumers with a 3.5 font legalese that they can't find, they can't understand. And they almost always are accessing those things in a bind. So in situations of urgency where they may have experienced fraud and things like that, that's not really the moment that you want consumers to encounter something that's largely impenetrable or confusing.

So the transparency element was... I would say the primary takeaway is that there's really a multitude of opportunities for companies to take that next step. If you are able to facilitate a payment being delivered in seconds, then

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companies can also facilitate breaking down complex issues into usable inputs for consumers.

Jo Ann Barefoot: Yeah, that's fantastic. I have felt for years, and I know I'm not the only one, that our mandatory disclosure model is not succeeding. Maybe it was the best we could do at the time. These disclosures were first required, but with the information available today, there must be better ways to educate people in the moment, as you say that they're making a selection on something. And so thinking about what really works, what do consumers really understand, what do they want to know is so powerful.

I know another thing that you've been doing, tell me if I have this right as you've been looking at some of the different business models, including some of the banking as a service type activities and beginning to find some interesting findings there as well. Talk to us about that.

Delicia Reynold...: Sure. So bridging, I'd say from our peer-to-peer work, we're now examining other kinds of apps. So we've recently completed a round of product testing and consumer engagement on buy now, pay later. And we're in the middle of testing banking apps. And so one of the things that we're seeing, particularly on the consumer experience side, again, is a real disconnect on the consumer's part or a lack of understanding of well, who's actually in charge? And then where do the responsibilities lie?

We're also seeing that on the parts of some of the providers. So the engagement with the providers of these various app-based financial services is also a large part of our data collection. I should have mentioned that. But in addition to testing the products, using them, but also doing things like network traffic analysis and examining authentication, we engage with the companies themselves to validate the data, but also understand different processes and how they really approach the business.

So we're encountering some learnings and again, finding data to really attach to some of the issues that I think they're not novel, but really seeing now in the consumer experience and also in the engagement with companies that there are some gaps. So one gap that we found, for example, is in the app world, a reliance on the operating system. So iOS, Android for example, there are a number... It's hard to believe, I hardly believed it myself, but in reviewing our data and observing some of the testing and then also engaging with the companies, there's a lot that's left assumed on the part of the consumer, on the part of the financial institution and also on the part of the mobile provider platforms with respect to basic things like fraud and authentication that one would assume someone that is one of those parties would have covered.

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And so I think one of the things that we are realizing and maybe playing out with some of the volatility that we're seeing is that when you have multiple parties to a transaction, there can be some assumptions around, "Okay, well, who's actually driving the fraud prevention and detection activities?" In some instances we're observing that the companies are assuming, "Well, isn't Android or Apple taking care of that?" Well, in fact, no. And then from the platform perspective, they think, "Well, they're the financial service provider. That's their obligation." And so in engaging with the companies, we've had a really meaningful opportunity to point out some of these discrepancies and raise them, and literally in those conversations have discovered gaps. And so it's been a good opportunity to learn some things but also be a part of sort of detecting vulnerabilities as well.

Jo Ann Barefoot: That really is eye-opening.

Delicia Reynold...: Very.

Jo Ann Barefoot: I mean, you're a former regulator. I'm a former regulator. The basic model, tell me if I'm wrong, is that the bank is responsible...

Delicia Reynold...: Yes.

Jo Ann Barefoot: ... for making sure that the consumer is protected by a third party relationship, right?

Delicia Reynold...: Yes.

Jo Ann Barefoot: But that isn't fail-safe or...?

Delicia Reynold...: Yeah, it's not entirely fail-safe. And if you think about the consumer experience in the context of an app, for example, so first they have to go into the mobile provider's app store, be that Google or Android, the consumer's making a set of basic assumptions that the availability of an app in that platform conforms to certain rules. And even though those rules may exist, I think one of the things that we're finding is the enforcement mechanism isn't really there. And this is where I do see evidence of the need for oversight, a regulator, some third party that is not either of the mobile platform or the financial services companies.

Then you've got the banks who are also a party, but they're then in partnership with this financial service provider, let's say for example, a payments provider. So what we are seeing, and this was particularly true with respect to buy now, pay later, and having talked with product staff, general counsels and people in these various institutions that we're examined, in these conversations where we talk about identifying maybe certain vulnerabilities or vagaries, we often saw, "Well,

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our responsibility stops here." And then engaging with maybe the partner bank, for example, them also identifying, "Well, our responsibility stops in another place." And then in between there's a gap.

And I think one obvious takeaway, and this is literally hot off the presses, so in our last couple of weeks of talking with companies to present our findings and do some validation, we're saying, "Well, do you realize that there's some gaps here? Neither of you are covering this." And so it's been already, I think, a really meaningful opportunity to identify some things. And that's maybe... That was one instance. I think other instances are, I would say lower, not as alarming.

But if you think about how that might translate, for example, into a customer service experience and other aspects of using a product, what that leaves is the consumer in the gap. And so it's been a really great opportunity for us to bring parties to the transaction together to say, "Okay, well then how do we figure that out? Is this something that we can solve via optimizing a search feature? Is this something that requires an update to an iOS platform rule or an Android platform rule?" So it's been a great experience in that way.

Jo Ann Barefoot: Wow, that is so interesting. Does what you're looking at include, or may it include in the future, consideration of the privacy and security performance, including not only whether it's managing fraud well, but just does this company sell my data or what do they share? Have they had breaches? That type of thing?

Delicia Reynold...: Absolutely. So under the privacy principle, but also transparency principle, we examine how much data, what data is involved in a consumer transaction or use of a service, how the data is collected, what's done with it, with whom is it shared, how is it disclosed, and then what happens to it. So we're actually able to observe data flows and where information ends up online and so on and so forth.

We're also looking at things like the use of certain software development kits, and so additional parties to a transaction or to a consumer's use of a service to see where data may be ending up or what additional parties are at the table when consumers use certain apps. And so we're learning that, again, that's an opportunity for improvement, that to use any financial service, it is highly reliant upon having access to consumer data. And yet there's room for improvement in terms of having plain direct translation of what happens to the data with whom is it shared.

And then also setting the right defaults in terms of is a consumer automatically opted into a number of data sharing agreements that if presented more plainly and earlier in the transaction, not as a part of a, "Here's some 3.5 text in a 3.5 inch phone screen and you have to click a box to get to the service." But really



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using things like popup windows or steps in a process that's gamified to ensure that a consumer is confronted with things like, "We may sell your data. We may not sell your data, but we may share it with affiliate marketing partners." But really ensuring that consumers actually confront those specific information as choices in the process.

So we're able to see all of that and then have been engaging in conversations with the providers to ask them to improve their practices, to try to adapt what we call a data minimization approach, which is to set the defaults on the apps in one where consumers are automatically opted out. And then there's actual engagement with the consumer after they've onboarded a product, downloaded an app, and started to use it to ask for permission to use their information in various ways.

Jo Ann Barefoot: So this is so powerful, and I know we're going to run short on time. The classic theory of economics is that a willing buyer and a willing seller do a transaction where they both connect in their best interest, right?

Delicia Reynold...: Yes.

Jo Ann Barefoot: And we know in financial services, that model fails a lot of the time because there's asymmetrical knowledge...

Delicia Reynold...: Yes, absolutely.

Jo Ann Barefoot: ... between the two parties. So you're filling that gap, you're creating an easy way for a consumer to get shortcut insight into whether this is a good product or not for them, and what might be the problems with it.

So my question for you is how are you going to get this word out into the hands of everyone? Because Consumer Reports has been with us for a long, long time, and it's a great way of evaluating purchases, but are you going to have a way to sort of democratize this?

Delicia Reynold...: Yeah, so our first step is actually to rate companies and to work through partners. We do have a magazine still and an online community, but also working with partners who are connected to consumers to share that information. So we're going to share it in the simplest way, which is to rate and score products. We want to facilitate consumer utilization of these products such that we're pointing out, well, which are the companies that do well with managing your data, which are the companies that do well with fraud or other specific metrics that we will score and rate.

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So that's a starting point, but we want to go further. We know that consumers are saturated with different kinds of information and ratings choices. So we're also thinking about how we can leverage technologies to be part of those financial transactions. So how can we get information integrated into certain data flows or processes in app while consumers are completing a financial transaction so that they can confront information. So it's almost kind of like an eAgent type scenario where the consumer is at a shopping cart and then is able to... The transactions slow down such that they have meaningful opportunity to really think about the impact of a specific choice in that kind of scenario. But there are other things that we're thinking about in terms of how can we show up and be present for consumers today in the places where consumers are, which is mostly online, mostly on their phones, mostly in online communities and spaces.

Jo Ann Barefoot: Is it in your vision for this that you may get to the point where everybody automatically screens their financial choices through your app and then that in turn, if so, would create tremendous market pressure for people to improve the transparency and fairness and safety of their products?

Delicia Reynold...: Yeah, absolutely. I mean, I would say today people ask Siri a bunch of things, in the future, maybe people are also asking Siri to do additional things, or maybe they're asking CR via some kind of smart technology that helps them to make better financial choices. But not better, I think historically better has really placed the onus on the consumer. And this notion of, "Well, if you're more informed and educated, you'd make better choices." Better means that because we've now put these products through tests and examination, we've taken the guesswork out of that transaction. Or we've taken the blind trust that just because something is available on a platform, that it's been stress tested and means tested.

So that's what I mean in terms of better choices. Because I do think a sort of deficit approach that we have at times applied to consumers, well, if they would only become more educated and empowered, they can make better choices. But really we want to make sure that we're also closely examining what happens to consumers as a result of their use of various products and then infusing that into the consumer journey.

Jo Ann Barefoot: Consumer financial literacy is obviously a good thing, but I have learned the hard way, I think through the years, that it's not realistic to think that we can educate people up to the point where they can go toe to toe with a...

Delicia Reynold...: Exactly.

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Jo Ann Barefoot: ... very complex financial situation. And financial services has always been subject to a certain amount of predatory activity and also a lot of market activity that just doesn't optimize for the customer because again, they may not be able to see the hidden fees or the potential charges or changes in rates and so on that may be triggered down the road. There's so many factors to weigh in.

I've got one more question for you, Delicia, and that is about your own business model in this. We have a number of entities that do rate and recommend financial products, and they have different business models, but some of them do it by recommending something to you based on a referral fee from another company. And some of them, a lot of them, of course, a lot of companies in general have a business model that's based on selling your data and so on. Yours is in a different category. So tell us how you see this becoming the mainstay of the American consumer or maybe the world consumer in terms of how you're going to build this.

Delicia Reynold...: Sure. Well, we continually do our own... Seek third party guidance and auditing of our own processes across all of our various product evaluation areas. But fundamentally, we try to be independent, so not beholden to any party in any area that we are evaluating. And so even though we may put out a recommendation, that recommendation is as a result of actual utilization and testing of a product, not by virtue of any arrangement, and to the extent then that we may allow companies to go out and say, "Well, CR has recommended." Or, "We rated number one." That's separate and apart from any of our evaluation work. So none of our evaluation team would be involved in that. And that's frankly not anything that we currently do. So we would create the necessary firewalls.

But as a basic level, what drives our testing, meaning what companies we test, where we look, we start first with just an analysis of the consumer marketplace. So what are the products that consumers are interested in? Where do we actually see consumers utilizing certain products? And then we don't have the resources yet to test the entire span. So we right now are looking to where we see the most consumers, the most users of certain products and apps, and those are the apps that we look at. We're hoping to lead a race to the top in that way, such that if larger players are being examined and we're really highlighting what we think are the best practices or frankly practices that need to improve and putting that information out there, then we hope that creates pressure points in the system that encourages companies to do differently as well. Yeah, but in that sense, I think we are truly independent organization.

Jo Ann Barefoot: Are you planning to ask ChatGPT to help in your project?

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- Delicia Reynold...: I think we should. I mean, one of the things I'm working with the team at CR on right now as well as external partners in this space is to see how we can leverage artificial intelligence. As you and I have discussed, if it's not present and at the table, I don't think anything that will do will be worth any consumer's time. So it's definitely has to be among the set of tools that we utilize.
- Jo Ann Barefoot: Is there anything you want to add that we haven't talked about?
- Delicia Reynold...: I think the only thing I would say is that we have only been able to do this by being able to have access to a variety of experts and technologists that are out there in industry. And so we have this evaluation framework and we invite people to look at it, critique it. We expect it to change over time so that we're continually examining data points that are relevant. But we truly do welcome conversations with financial services participants, whether you are front of shop or behind the screen, so to speak, because that is how we are going to get better and how we're going to learn about the new technologies and new ways of managing all of those things that facilitate the products that consumers use. So we welcome conversations with industry participants.
- Jo Ann Barefoot: That's fantastic. So you and I have to head over to a different stage and do another session. And it'll be interesting to see how this recording comes out. Among other things we have someone apparently demonstrating a golf club or something like that, and it's been booming as if somebody was firing a cannon, and-
- Delicia Reynold...: I've been wondering what that is.
- Jo Ann Barefoot: It's alarming at first, but we appreciate FinTech Nexus for bringing us here and...
- Delicia Reynold...: Yeah, absolutely.
- Jo Ann Barefoot: ... where can people get more information about your program?
- Delicia Reynold...: Sure. Go to [consumerreports.org](http://consumerreports.org) and just search financial services or financial fairness, rather.
- Jo Ann Barefoot: And we will have all the information...
- Delicia Reynold...: Yes.
- Jo Ann Barefoot: ... including what you've produced so far in the show notes at [regulationinnovation.org](http://regulationinnovation.org). And I would just add, I hope everyone will get the word out about this. All our listeners will share the fact that this is starting to, I

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hope, reshape the market. It's very, very exciting. So Delicia Hand, thank you for being my guest today. It's fantastic.

Delicia Reynold...: Thank you for having me, Jo Ann.