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National Association of Federally-Insured Credit Unions

November 1, 2021

The Honorable Stephen Lynch
Chairman
House Financial Services Committee
Task Force on Financial Technology
U.S. House of Representatives
Washington, DC 20515

The Honorable Warren Davidson
Ranking Member
House Financial Services Committee
Task Force on Financial Technology
U.S. House of Representatives
Washington, DC 20515

Re: Task Force Hearing: Buy Now, Pay More Later? Investigating Risks and Benefits of BNPL and Other Emerging Fintech Cash Flow Products

Dear Chairman Lynch and Ranking Member Davidson:

I am writing on behalf of the National Association of Federally-Insured Credit Unions (NAFCU) regarding tomorrow's hearing on the impacts of the buy now, pay later business model. NAFCU advocates for all federally-insured not-for-profit credit unions that, in turn, serve over 127 million consumers with personal and small business financial service products. NAFCU appreciates your work on the Task Force, and the opportunity to share the views of credit unions.

The growth of fintech in recent years offers new opportunities for the delivery of financial services. As we have previously commented to the Committee, the use of financial technology can have a positive effect on credit union members as credit unions work with fintech companies to improve efficiency in traditional banking. However, the growth of fintech can also present new threats and challenges as novel entities emerge in an under-regulated environment. As such, NAFCU believes that Congress and regulators must ensure that when technology firms and fintechs compete with regulated financial institutions, they do so on a level playing field where smart regulations and consumer protections apply to all participants. NAFCU applauds the Task Force for examining some of the emerging trends in the buy now, pay later space and their potential negative impact on consumers from lack of regulation of these fintech companies operating in this space.

While the buy now, pay later trend is worthy of investigation, we do not think that H.R. 4277, the *Overdraft Protection Act of 2021*, is the right vehicle to address these concerns. This legislation would have a negative impact on a number of courtesy pay programs put in place by credit unions to serve their members – programs that the members *affirmatively* opt in to. Enacting this legislation would create consumer confusion and have a negative impact on community institutions that design these programs to meet the needs of their members. Most credit unions already have alternatives and mechanisms in place to deal with abuse and overuse of these programs, and often will waive fees or provide relief if members request or raise concerns. Many members tell credit unions that they appreciate these programs and even threaten to leave the institution if they lose access to these programs. As such, we would encourage you to consider

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other solutions to the risks posed by buy now, pay later than H.R.4277, and we are opposed to this legislation at this time.

We thank you for the opportunity to share our thoughts in advance of tomorrow's hearing. Should you have any questions or require any additional information, please contact me or Lewis Plush, NAFCU's Associate Director of Legislative Affairs, at 703-842-2261.

Sincerely,

A handwritten signature in cursive script that reads "Brad Thaler".

Brad Thaler
Vice President of Legislative Affairs

cc: Members of the House Financial Services Task Force on Financial Technology