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National Association of Federally-Insured Credit Unions

January 8, 2019

The Honorable Maxine Waters
Chairwoman
Committee on Financial Services
United States House of Representatives
Washington, DC 20515

The Honorable Patrick McHenry
Ranking Member
Committee on Financial Services
United States House of Representatives
Washington, DC 20515

Re: The growing role of fintechs in the financial services marketplace

Dear Chairwoman Waters and Ranking Member McHenry:

I write to you today on behalf of the National Association of Federally-Insured Credit Unions (NAFCU) regarding the growing role of fintechs in the financial services marketplace. NAFCU advocates for all federally-insured not-for-profit credit unions that, in turn, serve over 115 million consumers with personal and small business financial service products. NAFCU and our members encourage the Committee to continue to scrutinize the growing fintech sector, and we stand ready to work with you as you examine this important topic.

This emergence of fintech in the financial services marketplace presents new opportunities. However, it can also present new threats and challenges as entities emerge in an environment that can be unregulated or underregulated. As such, NAFCU believes that Congress and regulators must ensure that when fintechs compete with regulated financial institutions, they must do so on a level playing field where smart regulations and consumer protections apply to all actors in that space.

Just recently, we saw another example of the growing role of fintech in the financial services marketplace with the announcement that Zillow is entering the mortgage business. While details are still emerging, we urge the Committee to keep a watchful eye on developments such as this, where fintechs could end up competing under different regulations and fewer consumer protections than regulated depository institutions.

It is important to note that credit unions do not view fintech companies in adversarial terms. The use of financial technology can have a positive effect on credit union members. Credit unions have worked with fintech companies to improve efficiency in traditional financial services and improve member service.

Consumers today have come to expect technological developments from their financial institution – from online banking to mobile bill pay. However, credit unions are concerned when unregulated fintech companies exploit supervisory gaps to obtain a competitive advantage in the marketplace.

Although non-bank lenders are subject to the enforcement and rulemaking authority of the CFPB, they are not supervised the same way as credit unions or banks.

The use of fintech can also create data security concerns with consumer financial data. For example, a fintech company that permits consumers to consolidate control over multiple accounts on a single platform elevates the risk of fraud and may not be subject to cybersecurity examination in the same way that credit unions are under the *Gramm-Leach-Bliley Act* (GLBA). This is one reason why NAFCU strongly believes that Congress must establish a strong national data security standard akin to the GLBA's requirements for financial institutions that applies to all entities that handle consumer financial data. We hope that this issue will be on the Committee's agenda this year as well.

Ultimately, credit unions look forward to continuing to experience growth in the technology space as a way for them to better serve their members. As new companies emerge and compete in this area, it is important that they compete on a level playing field of regulation – from data security to consumer protection. Finally, I would note that it is also important that laws are modernized to allow credit unions to keep up and compete with technological advances.

Thank you for your attention to this important issue. We look forward to continuing to work with the committee on this and other issues of importance to credit unions. Should you have any questions or require any additional information, please contact me or Alex Gleason, NAFCU's Associate Director of Legislative Affairs, at 703-842-2237 or agleason@nafcu.org.

Sincerely,

A handwritten signature in black ink, appearing to read 'Brad Thaler', with a long horizontal flourish extending to the right.

Brad Thaler
Vice President of Legislative Affairs