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National Association of Federally-Insured Credit Unions

September 17, 2018

The Honorable Michael Crapo
Chairman
Committee on Banking, Housing
& Urban Affairs
United States Senate
Washington, DC 20510

The Honorable Sherrod Brown
Ranking Member
Committee on Banking, Housing
& Urban Affairs
United States Senate
Washington, DC 20510

Re: Tomorrow's hearing "Fintech: Examining Digitization, Data, and Technology"

Dear Chairman Crapo and Ranking Member Brown:

On behalf of the National Association of Federally-Insured Credit Unions (NAFCU), the only trade association exclusively representing the federal interests of our nation's federally-insured credit unions, I write today in conjunction with tomorrow's hearing, "Fintech: Examining Digitization, Data and Technology." NAFCU and our members welcome the Committee's interest and scrutiny of the growing fintech sector and we look forward to working 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.

It is important to note that credit unions do not view fintech companies in adversarial terms. The use of financial technology can also 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 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 Bureau of Consumer Financial Protection, they are not supervised in the same way as credit unions or banks.

The use of fintech can 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.

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. While the action on S. 2155 earlier this year was a positive step, there is still more that needs to be done.

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 Allyson Browning, NAFCU's Associate Director of Legislative Affairs, at 703-842-2836 or abrowning@nafcu.org.

Sincerely,

A handwritten signature in black ink, appearing to read 'Brad Thaler', with a stylized flourish at the end.

Brad Thaler
Vice President of Legislative Affairs

cc: Members of the Senate Banking Committee