Innovative Payments Association
110 Chestnut Ridge Rd, Suite 111
Montvale, NJ 07645
[redacted]

October 14, 2024

Submitted via the Federal eRulemaking Portal – www.Regulations.gov
Submitted via email – regs.comments@federalreserve.gov
Submitted Via email – Comments@fdic.gov

Office of the Comptroller of the Currency
400 7th Street, SW, Suite 3E-218
Washington, DC 20219

Federal Reserve Board of Governors
2001 C Street NW
Washington DC, 20551

Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

Re: Request for Information on Bank-Fintech Arrangements
[Docket No. OCC-2024-0014; Docket No. OP-1836; RIN 3064-ZA43]

To whom it may concern:

This letter is submitted to the Office of the Comptroller of the Currency; the Board of Governors of the Federal Reserve System; and the Federal Deposit Insurance Corporation (collectively, the "**Agencies**") on behalf of the Innovative Payments Association ("**IPA**"),[1] in response to the request for information concerning bank-fintech arrangements published in the Federal Register on July 31, 2024 (the "**RFI**").[2] We appreciate the opportunity to provide feedback to the Agencies on this important topic. If you have questions about our comments, we would be happy to discuss them further.

The RFI broadly solicits input on the nature of bank-fintech arrangements including on the benefits and risks posed by such arrangements, effective risk management practices regarding bank-fintech arrangements, and whether enhancements to existing supervisory guidance may be helpful in addressing risks associated with these arrangements. The IPA has many members involved in bank-fintech arrangements, both as sponsoring financial institutions and as non-bank fintech partners. While we understand the spotlight that has come on such arrangements recently in the wake of the bankruptcy of Synapse FI, our members wish to highlight the significant benefits such arrangements have had on the

[1] The IPA is a trade organization that serves as the leading voice of the electronic payments sector, including prepaid products, mobile wallets, and person-to-person (P2P) technology for consumers, businesses and governments at all levels. The IPA's goal is to encourage efficient use of electronic payments, cultivate financial inclusion through educating and empowering consumers, represent the industry before legislative and regulatory bodies, and provide thought leadership. The comments made in this letter do not necessarily represent the position of all members of the IPA.
[2] 89 Fed. Reg. 61577 (July 31, 2024).

Innovative Payments Association
110 Chestnut Ridge Rd, Suite 111
Montvale, NJ 07645
[redacted]

marketplace and the lives of consumers. In addition, we wish to note the many compliance and oversight requirements and existing regulatory framework that such arrangements are subject to under the current law. We urge the Agencies to consider both the benefits of these arrangements as well as the existing regulatory framework they are already subject to, before adding additional administrative and compliance costs when there are appropriate rules already in place.

The Agencies should coordinate among their various initiatives to ensure resulting rules are consistent and provide needed clarity and are not overly complicated or burdensome

As a starting point, we note that the Agencies have several additional requests for information and proposed rulemakings that are currently pending. Our members are concerned that a lack of coordination among the Agencies with respect to these various initiatives could result in inconsistent, overly complicated, and burdensome rules. We therefore urge the Agencies to coordinate with one another on their various initiatives to ensure that any rulemakings follow a coordinated and data driven process designed to ensure the most effective outcomes.

Bank-fintech arrangements have provided an important path to the digital financial ecosystem for underserved Americans

Bank-fintech arrangements have long provided important products and services that offer a path to the mainstream banking ecosystem to every adult, regardless of their financial background and income. While traditional banking services are out of reach for many Americans because they cannot access a branch or meet other creditworthiness standards, bank-fintech sponsored products such as fee-free accounts, free overdraft, prepaid or fintech debit accounts, earned wage access, and buy-now-pay later have provided every adult with the power to fully participate in today's technology-driven economy.

Bank-fintech arrangements have made such products simple to acquire. In most cases, if a consumer has access to a computer or a cell phone they can simply download a payment app and open a fintech debit account. Alternatively, in the case of prepaid cards, a consumer can purchase them at their local supermarket. In each case, once the account holder completes the "Know Your Customer" registration process, strong anti-fraud protections apply to the consumer, just like traditional demand deposit account holders.

Moreover, such arrangements also help to reduce the financial strain consumers experience from unexpected financial events, and enhance budgeting tools and capabilities. Consumer innovations such as real-time account updates, easy checkout options, remote deposit taking, buy-now-pay-later tools, and earned wage access tools are all due to the creativity within the payments community and are a direct result of the innovations created by bank-fintech partnerships. These financial tools have brought a wide variety of people out of the shadows and into the financial mainstream by reducing the need for more costly alternatives like check cashiers and payday lenders.

The many benefits created by bank-fintech partnerships remain a critical need for Americans. As of 2017 the FDIC reported that over twenty-five percent of U.S. households—totaling 32.6 million—were

Innovative Payments Association
110 Chestnut Ridge Rd, Suite 111
Montvale, NJ 07645
[redacted]

unbanked or underbanked as of 2017.[3] In its most recent survey issued in 2021, the FDIC stated, "[b]etween 2011—when the unbanked rate was at its highest level since the survey began—and 2021, the unbanked rate fell 3.7 percentage points, corresponding to an increase of approximately 5.0 million banked households."[4]

The same report makes it clear that the "use of mobile banking increased sharply between 2017 and 2021 and remained the most prevalent primary method of account access." Mobile payments jumped from 15% in 2017, to 45% in 2021.[5]

Finally, Agencies should take note of the fact that products resulting from bank-fintech arrangements have among the highest consumer satisfaction rates among consumer products in the marketplace. According to the Consumer Financial Protection Bureau ("CFPB"), of the millions of complaints received through its consumer complaint database, less than 1 percent of all the complaints relate to prepaid or fintech debit account products and services, which are usually offered through bank-fintech arrangements.[6]

Bank-fintech arrangements have also been a key partner to government agencies at all levels for the disbursement of government funds

In addition to the important role bank-fintech arrangements played in responding to the Covid-19 pandemic, for many years, such arrangements have assisted federal, state, and local governments in disbursing funds to their constituents at a lower cost than checks and providing an electronic alternative to direct deposit for those recipients without bank accounts. In 2011, then Treasurer of the United States Rosie Rios estimated the cost of issuing paper checks to be 92 cents higher than the cost of direct deposits.[7] Further, the U.S. Treasury Department estimated federal beneficiaries to be 125 times more likely to have difficulties with paper checks versus electronic payments.[8] It also said there is an added taxpayer price tag of $120 million for paper checks, and that would increase as more baby boomers retire. For calendar year 2022, government agencies disbursed $285.1 billion through government administered, general-use prepaid cards across over 1,400 programs reported by issuers.[9]

We believe it is important to not forget that the payments community, including bank-fintech partnerships, played a key role in helping the country through the Covid-19 pandemic by making it easier

---

[3] FDIC, National Survey of Unbanked and Underbanked Households, 2017, available at https://www.fdic.gov/household-survey/2017-fdic-national-survey-unbanked-and-underbanked-households.
[4] FDIC, National Survey of Unbanked and Underbanked Households, 2021, available at https://www.fdic.gov/system/files/2024-07/2021execsum.pdf.
[5] *Id.*
[6] https://www.consumerfinance.gov/data-research/consumer-complaints/search/?chartType=line&dateInterval=Month&dateRange=3y&date_received_max=2024-07-05&date_received_min=2021-07-05&lens=Product&searchField=all&subLens=sub_product&tab=Trends.
[7] *See* https://godirect.gov/gpw/.
[8] *Id.*
[9] https://www.federalreserve.gov/publications/files/government-prepaid-report-202310.pdf.

Innovative Payments Association
110 Chestnut Ridge Rd, Suite 111
Montvale, NJ 07645
[redacted]

for Americans to receive, move, and access funds without leaving the comfort of their homes. The innovations and investments made by the payments community allowed the U.S. economy to continue to operate and even thrive in some sectors during the pandemic. In the words of the FDIC, "the importance of quickly receiving income from Economic Impact Payments or other government relief programs created a unique bankable moment, and consumers benefited from enhanced online and mobile account opening technologies and the greater availability of safe and affordable bank accounts. This combination of factors resulted in meaningful gains in connecting households to the banking system." We do not believe it is a stretch to say that the meaningful gains cited by the FDIC would not have been possible were it not for the payments community, including bank-fintech partnerships.

Bank-fintech arrangements benefits to community banks

It is worth noting and highlighting that bank-fintech arrangements provide significant benefits to the overall health and stability of the U.S. financial ecosystem, specifically, community banks. Deposits which are the result of bank-fintech relationships are a low-cost, stable source of liquidity for community banks. As you may know, these deposits are generally FDIC insured, do not pose a flight risk as they are sticky, and distinct from characteristics of hot money, and are helping diversify revenue streams. Each of these factors is positive for community banks given that it has been harder for them to compete in the current era of bank consolidation. In short, bank-fintech relationships are helping community banks retain current clients and attract new customers by giving their clients innovative tools to manage their day-to-day financial lives.

Bank-fintech arrangements are subject to an existing regulatory framework and numerous oversight requirements that should already sufficiently address concerns over the risks posed by these partnerships

Effective arrangement models exist when banks and their fintech partners develop robust risk management frameworks that are properly and directly managed. Such mutual oversight allows bank partners and fintechs to monitor performance, ensure regulatory compliance and mitigate operational risk These risks are not new and have been the subject of numerous rulemakings and regulatory guidance. The result is an existing, complex regulatory framework that already provides regulators with significant ability to gain insights into bank-fintech arrangements directly from the banks they regulate. This existing regulatory framework includes, but is not limited to, the following:

- Interagency Guidance on Third Party Relationships.[10]
- Interagency Guide for Community Banks on Conducting Due Diligence on Fintech Companies.[11]
- The CFPB's prepaid account rule.[12]
- The Bank Service Company Act.[13]

---

[10] https://www.occ.gov/news-issuances/bulletins/2023/bulletin-2023-17.html.
[11] https://www.fdic.gov/sites/default/files/2024-03/pr21075a.pdf.
[12] https://www.consumerfinance.gov/prepaid-rule/.
[13] 12 U.S.C. §§ 1861 et seq.

Innovative Payments Association
110 Chestnut Ridge Rd, Suite 111
Montvale, NJ 07645
[redacted]

- FDIC's General Counsel Opinion No. 8.[14]
- FinCEN's Prepaid Access Rule.[15]
- CFPB interpretive rules governing buy now, pay later and earned wage access services.[16]
- CFPB proposal to supervise fintech providers, including digital wallets and payment apps.[17]
- FDIC Complex Bank Supervision.[18]
- OCC Office of Financial Technology.[19]
- State Based Licensing, laws, and regulation.

We believe most, if not all, risks posed by bank-fintech arrangements can be appropriately addressed through this existing regulatory framework. For this reason, we urge the Agencies to both consider the need for, and potential negative consequences of, new or additional rules and requirements for bank-fintech arrangements before imposing them.

The IPA appreciates your consideration of our comments. If you have any questions or wish to discuss this letter, please do not hesitate to contact me at: btate@ipa.org.

Sincerely,

[redacted]

Brian Tate
President and CEO
IPA
btate@ipa.org

[14] https://archive.fdic.gov/view/fdic/7790.
[15] https://www.fincen.gov/resources/statutes-regulations/guidance/final-rule-definitions-and-other-regulations-relating.
[16] https://www.consumerfinance.gov/about-us/newsroom/cfpb-takes-action-to-ensure-consumers-can-dispute-charges-and-obtain-refunds-on-buy-now-pay-later-loans/; https://www.consumerfinance.gov/about-us/newsroom/cfpb-proposes-interpretive-rule-to-ensure-workers-know-the-costs-and-fees-of-paycheck-advance-products/.
[17] https://www.consumerfinance.gov/about-us/newsroom/cfpb-proposes-new-federal-oversight-of-big-tech-companies-and-other-providers-of-digital-wallets-and-payment-apps/.
[18] https://www.fdic.gov/system/files/2024-06/ii-15-1.pdf.
[19] https://www.occ.gov/topics/supervision-and-examination/financial-technology/index-financial-technology.html.