method

October 30, 2024

Chief Counsel's Office
Attn: Comment Processing, Office of the Comptroller of the Currency
400 7th Street, SW
Suite 3E-218
Washington, DC 20219

Federal Reserve Board of Governors
Attn: Ann E. Misback, Secretary of the Board
Mailstop M-4775
2001 C Street, NW
Washington, DC 20551

James P. Sheesley, Assistant Executive Secretary
Attn: Request for Information on Bank-Fintech Arrangements Involving Banking Products and Services Distributed to Consumers and Businesses – RIN 3064-ZA43
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Submitted electronically via www.regulations.gov.

Re: Request for Information on Bank Fintech Arrangements Involving Banking Products and Services Distributed to Consumers and Businesses – Docket No. OCC-2024-0014, Docket No. OP-1836, RIN 3064-ZA43.

Method Financial ("Method") appreciates the opportunity to comment on the request for information ("RFI") on bank-fintech arrangements from the Office of the Comptroller of the Currency's ("OCC"), the Board of Governors of the Federal Reserve's ("Fed"), and the Federal Deposit Insurance Corporation's ("FDIC"; collectively, "the agencies"). Because we are laser-focused on our mission to help consumers manage connectivity to financial accounts and expanding credit access, we have intentionally built strict controls on our platform that limit its functionality to align with that mission and to mitigate risk from bad actors. We hope our comment demonstrates how a thoughtful approach to compliance for tailored business purposes allows for innovative and beneficial financial products and services for consumers through a well-managed bank-fintech arrangement.

As the agencies gauge the safety and soundness, consumer protection, and third-party risk management implications of bank-fintech arrangements, Method notes that the growth of these partnerships over the last two decades has:

- enabled broader consumer and business access to mainstream financial services products, tools, and services;

- facilitated more affordable access to credit, particularly for consumers and small businesses; and,
- allowed smaller financial institutions to compete in a banking marketplace that has otherwise significantly contracted since the financial crisis of 2008.

It is important, therefore, that the agencies consider these benefits while ensuring that any bank-fintech partnership adheres to regulatory expectations.

About Method

Method is a business-to-business platform-as-a-service ("PaaS") provider to entities like banks, credit unions, and fintech applications (collectively, "Partners") that offer repayment and debt management financial products and services to their end users ("consumers"). We provide our Partners with consumer-permissioned real-time data[1] on their consumers' external liability accounts and offer payment functionality for their balance transfer, refinance, debt consolidation, payoff, and bill pay solutions. These use cases allow consumers to more easily service their debts, lower their interest rates, automate their bill payments, and more.

We connect to consumers' external liability accounts (including, for example, student loans, credit cards, auto, mortgage, and other loans) without the use of account credentials. Instead, we connect to consumers' liability accounts using elements of their personally identifiable information ("PII") and account numbers to obtain and share real-time account data their financial institution (our Partner) requires to provide them with the financial service or product that they requested. For example, our Partner could be Credit Union Z who extended a low-APR debt consolidation loan to a consumer, and Credit Union Z requires real-time data on the consumer's credit card account at Bank A and auto loan at Bank B so Credit Union Z can send the loan proceeds directly to Bank A and Bank B to pay off those accounts. Because Credit Union Z has certainty that the proceeds from the debt consolidation loan will, in fact, be used to pay down or pay off the existing liabilities at Bank A and Bank B, they can consider that in their debt-to-income ratio analysis and credit models to approve, and thus benefit, more consumers.

Through contractual terms we limit our Partners' use of data they obtain through us to the use case and original purpose for which that data was obtained and for which the consumer consented, and we contractually prohibit the use of that data for any secondary purposes.

Prior to accessing accounts and obtaining and sharing data, we obtain informed, meaningful consent and direction from the consumer to take each of these actions. We also ensure that each consumer is identity-proofed and verified through integrations with the major credit reporting agencies and other data sources, and by using mobile network operator ("MNO") authentication, which many financial institutions, including the largest FIs, use to meet their Customer Identification Program requirements under the Bank Secrecy Act.

[1] To be sure, the data services we provide does not involve our bank partners and is outside the scope of this RFI. We include it here only to provide a fuller context and description of our company.

As to payments, our sponsor bank contracts allow us to access the bank's existing payment systems to facilitate payments to consumer liability accounts. FBO accounts established at the sponsor bank for each of our Partners who use our payments services are typically funded by the Partners from their corporate accounts to complete balance transfer or refinance use cases for example. In a few rare instances, if a Partner offers its consumers with a personal financial management tool that allows the consumer to make payments to connected liability accounts, the FBO would be funded by the consumer. In every case, payments to the consumer's liability accounts are settled through the FBO.

We manage our platform to comply with a litany of both regulatory and sponsor bank expectations. Our datastores meet or exceed SOC-2, Type II and PCI-DSS requirements. We deploy Secure Sockets Layer ("SSL") encryption to data both in transit and at rest and never collect a customer's financial institution account credentials.

Our focus on compliance and our commitment to satisfying our sponsor banks' third-party risk management expectations allows us to provide significant value to our Partners and their consumers while mitigating the potential for risk and abuse on our platform. While we can only provide our own perspective, our experience suggests that with the appropriate controls, risk management practices, and robust data privacy and security processes, bank-fintech relationships convey significant benefits to consumers, businesses, and the economy in a safe and secure way.

Below, we provide our responses to specific questions raised in the RFI for which we believe we have a unique perspective to share.

Benefits of Bank-Fintech Arrangements

Are there any benefits of bank-fintech arrangements that are not addressed by this RFI? What benefits do the bank or the fintech company receive by using an intermediate platform provider?

Method would note it is important to consider the significant consumer and small business benefits from innovations made possible through bank-fintech partnerships. Since the financial crisis of 2008, these partnerships have enabled broader consumer and business access to mainstream financial services products, tools, services, and have facilitated more affordable access to credit for millions of Americans. Mutually beneficial relationships between financial institutions and fintech companies have provided customers with innovative applications, products, and services that they otherwise may not have accessed. From a broader market perspective, the increased competition facilitated by the entrance of fintechs that partner with banks has lowered prices for a host of financial products and tools across the financial services marketplace. Bank-fintech arrangements have also enabled smaller financial institutions to compete with much larger banks in market that has otherwise been dominated by consolidation.

In Method's case, our platform enables personal financial management, bill pay, refinancing, debt consolidation loans, and balance transfers, among other use cases. Our technology enables millions of lower-income, underbanked, a non-digitally native consumers to access a wide range of use cases that can help them holistically manage and improve their financial wellbeing. These opportunities are in some cases made possible through the partnerships that are the subject of this RFI, which have created the opportunity for companies like ours to provide our customers with the many benefits referenced here on which they rely to manage their financial wellbeing.

For these reasons, Method believes that these partnerships are vitally important to customers, fintech companies, and to many financial institutions. Smaller financial institutions particularly benefit from these arrangements as they enable them to reach customers and scale they could not otherwise accomplish on their own. If these smaller institutions were not able to participate in the breadth of the bank-fintech partnerships in which they are engaged today, the financial institution market would likely see further consolidation, with smaller banks losing more market share to larger institutions. Such an outcome would lead to higher fees, more expensive deployment of credit, and less access to mainstream financial institutions for consumers and small businesses across the country. And, with fewer bank-fintech partnerships, we would expect far fewer customers would have access to financial management tools on which millions of Americans now rely to manage their financial wellbeing. On balance, bank-fintech partnerships have over the last 15 years fostered innovation and competition in the market, benefited consumers and small businesses, and provided for a more robust and competitive U.S. banking system.

Customer-facing Issues

How do the parties to bank-fintech arrangements determine the end user's status as a customer of the bank, the fintech company, or both, including for purposes of compliance with applicable laws and regulations, and each party's responsibility in complying with contractual requirements? Describe the range of practices regarding disclosures (e.g., initial, annual, or ongoing) to end users about the involvement of bank-fintech arrangements in the delivery of banking products and service.

Method is a business-to-business intermediary whose consumer-permissioned authentication flow provides our users with the ability to access, and share access to, their liability accounts seamlessly with third parties of their choosing. Through our secure consumer authentication and account connection flow, which uses elements of the consumers' PII, our Partners can access consumer-permissioned, real-time data on their customers' liability accounts. Given our focus on helping customers service and connect to their existing liability accounts, our customers already have a relationship with the credit servicer(s) to which they are seeking to connect by the time they interact with our platform. Our customers remain customers of their mortgage, auto, credit card, or student loan servicer at all times. In deciding to utilize a third-party tool to service their debts, the customers we serve also have elected to become customers of that third-party service provider. These end users are therefore simultaneously customers of both their lender and the third-party tool they chosen to use. As a service provider facilitating the customer-permissioned data access to enable the third-party tool, Method neither establishes nor maintains a direct relationship with the customer.

Method's consumer authentication process, which does not require user credentials, is widely used by numerous financial institutions to meet their own KYC/CIP requirements and allows for account connection without the need for a burdensome tokenized gateway. Method's consumer-permissioned authentication flow facilitates valuable financial tools; all securely achieved for those who need it most without using consumer credentials. As we detail below, the Consumer Financial Protection Bureau ("CFPB") will soon finalize its Dodd-Frank Wall Street Reform and Consumer Protection Act ("the Dodd-Frank Act") Section 1033 rulemaking, which will establish legally binding consumer disclosure, data privacy, data security, and risk management requirements for any third-party financial provider to whom a consumer elects to share data held in a Regulation E or Regulation Z asset account. Method anticipates becoming an authorized third party under the CFPB's Section 1033 rulemaking framework and will be compliant with all of the rule's third-party expectations.

The CFPB's forthcoming consumer authorization disclosure requirements under its Section 1033 rulemaking are particularly relevant to the agencies' RFI. Once the rule is finalized and implemented, any fintech that accesses data held in a checking, savings, credit card, or digital wallet account, whether through a formal partnership with a bank or not, will be required to provide the end user with a consumer authorization disclosure. Method anticipates that the CFPB's disclosure requirement will create standardization across the industry, streamlining the manner in which customers receive disclosures from fintech firms, the content included in those disclosures, and the manner and frequency in which the disclosures are made. We would encourage the agencies to review the disclosure framework proposed by the CFPB in its Section 1033 Notice of Proposed Rulemaking, released last year, and encourage the agencies to align their financial institution third-party risk management supervisory expectations with the consumer disclosure requirements ultimately promulgated in that final rule.

Risk and Risk Management

Bank-fintech arrangements can present unique or heightened consumer protection risks, such as risks of discrimination, unfair or deceptive acts or practices under the Federal Trade Commission Act, or privacy concerns. Describe the range of practices for managing any heightened risks.

Bank-fintech partnerships are almost universally governed contractually. The terms of any such agreement, in Method's experience, generally require the fintech to comply with the third-party risk management expectations of both the bank and its regulators, including specific focuses on physical and data security and data privacy. To ensure that the fintech partner is complying with the terms of the agreement, banks typically audit their fintech partners regularly, and fintech partners to banks participate indirectly in regulatory third-party risk management examinations of their bank partners.

In Method's specific case, we are committed to providing best-in-class, highly compliant data security, data privacy, and customer protection. Our platform is SOC-2 and PCI compliant, fully reliant on informed consumer consent, and only accesses the minimum amount of user data required for the use case for which the consumer has selected. With a customer's express consent, and after presenting the consumer with transparent disclosures regarding, among other items, what data is being collected, and for what purpose, Method is able to utilize integrations with wireless carriers and a major credit bureau to authenticate the consumer using those organizations' existing, regulated customer authentication processes.[2] This authentication process today provides hundreds of thousands of consumers with the ability to share data access to third-party tools.

Additionally, as previously noted, Method's role in building connectivity to a customer's accounts is clearly and conspicuously disclosed to the end user even in the absence of a final CFPB Section 1033 rulemaking. Method also ensures, through contractual terms and periodic audits of the use cases that utilize our platform, adherence to strict prohibitions regarding secondary usage of consumer-identifiable data, or uses of consumer data for any purpose other than that for which the consumer has provided their consent. This is all done in an effort to ensure our company never re-discloses or reuses data for any secondary purpose, even for internal purposes.

How are risks resulting from these arrangements, including those concerning credit, liquidity, concentration, compliance, and operational risk, as well as concerns regarding negative end-user experience managed?

In responding to this question, we believe it is important for the agencies to recognize that many bank-fintech partnerships do not convey any credit, liquidity, or concentration risks. There exist a broad range of bank-fintech arrangements that do not involve deposit taking activities or the facilitation of credit, including Method's platform. In Method's case, the remaining risk management activities—our compliance, operational risk management, and end user experience process—are managed through a combination of existing and forthcoming regulatory expectations, internal controls, oversight by our bank sponsors, and contractual requirements.

We have designed deliberate controls on money movement consistent with our use cases. For example, our Partners and their consumers can only send funds to confirmed liability accounts that belong to the consumer. Further, payment amounts to any liability account cannot exceed the real-time balance of the account. Such controls reduce the AML risk on our platform while providing our Partners and their consumers with the full functionality of what our platform is intended for.

Further, our bank sponsors conduct, at a minimum, yearly AML/BSA/OFAC audits on us as well as require our cooperation, as needed, during their regulatory examinations. One sponsor requires us to integrate with their KYC control, monitoring, and testing tools.

Our Partner contracts also contain a number of requirements and limitations to mitigate risk related to money movement and data security and use. These include caps on payment amounts per transaction, KYC requirements consistent with federal regulations, audit rights for ourselves and our bank sponsors, and unilateral rights to suspend or terminate our services to the Partner or to any of their consumers. Our Partners can use consumer-permissioned data obtained from our platform only for the use case and purpose for which that data was originally accessed; i.e., to

[2] In some cases, depending on a number of factors, a consumer may be prompted to provide additional information as part of Method's authentication process, including, for example, a one-time password or answers to security questions.

provide the consumer with the product or service that they requested. We expressly prohibit our Partners from reusing or redisclosing any data they obtain from our platform for any use to which the consumer has not affirmatively consented. And our Partners are contractually required to maintain security standards, consistent with applicable law, to safeguard such data.

Describe the range of practices, and challenges, in negotiating contracts with, or conducting due diligence on fintech companies. Describe the range of practices in maintaining ongoing monitoring of bank-fintech arrangements, particularly related to risk management, regulatory compliance, data ownership and use, and information security assessment rights. What impact, if any, does the size and negotiating power of the bank or the fintech company have on these issues? What impact, if any, does the fintech company's or intermediary platform provider's degree of control of operational functions have on these issues? What impact, if any, does bank liquidity or revenues concentration represented by any particular fintech company, intermediary platform provider, or business line have on these issues?

As referenced above in response a previous question, the CFPB will soon issue final regulations under Section 1033 of the Dodd-Frank Act that will promulgate requirements for any third-party tool that accesses data, with a consumer's permission, held in their Regulation E or Regulation Z asset account. Because we cannot contemplate any bank-fintech partnership that does not rely in whole or in part on the fintech's ability to access a consumer's checking, savings, digital wallet, or credit card account, it is our view that the requirements included under the CFPB rule for authorized third parties will apply to virtually all of the bank-fintech arrangements contemplated under this RFI. As a result, the terms of data ownership, access, and use will be dictated by the CFPB's rule, as will risk management processes and requirements with regard to data security, data privacy, authorization, authentication, and secondary data limitations. While some fintechs, like Method, that partner with banks today already adhere to these practices, we expect that all third-party financial providers will ultimately comply with these requirements.

We have procedures and controls in place to manage risk and oversee compliance with applicable law and contractual requirements. As noted above, we deploy controls that strictly limit money movement. We have an existing BSA/AML/OFAC Program and accompanying KYB, KYC, and OFAC screening procedures. And we are currently building new policies and procedures to formalize and broaden transaction monitoring and improve our enhanced due diligence and auditing of Customers on an ongoing cadence.

Conclusion

Thank you for your consideration of our comments in response to the agencies' RFI on bank-fintech arrangements. As a fintech platform facilitating customer access to a host of tools that improve consumers' and small businesses' financial wellbeing, and that partners with financial institutions and credit unions across the country, we appreciate the opportunity to share our perspective on this important topic and once again encourage the agencies to carefully consider the positive customer and market competition outcomes that bank-fintech partnerships have enabled over the last 15 years. It is our hope that you will not hesitate to contact us if Method can provide any information or perspective that might be of value.

Sincerely,

[redacted]

Mit Shah
Co-Founder and Chief Operating Officer
Method Financial