

From: [ilaf](#)
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Subject: [EXTERNAL MESSAGE] Federal Interest Rate Authority [RIN 3064-AF2]
Date: Sunday, January 19, 2020 7:43:02 AM
Attachments: [FDIC Comment Letter - The Real Effects of Financial Technology.pdf](#)

[Please see the attached PDF.]

Dear Mr. Feldman,

We would like you to kindly consider the results in our research paper “*The Real Effects of Financial Technology: Marketplace Lending and Personal Bankruptcy*” for the FDIC’s proposed new rule. We are, respectively, Assistant Professor of Finance at Bristol University, and Assistant Professor of Practice in Economics at New York University Shanghai.

In this work, we examine the impact of new financial technology on personal bankruptcy, focusing on marketplace lending, a relatively novel type of consumer credit whose underlying lending technology introduces significant innovations to more traditional methods of screening potential borrowers.

We document that in the states affected by the *Madden vs Midland LLC* ruling there is a persistent rise in the number of personal bankruptcies, particularly among low-income households, which is causally attributable to the significant rationing of marketplace credit following *Madden*.

Our results are of general concern as they suggest that the effects of new financial technology associated with marketplace lending differ from innovations associated with more traditional credit, including bank lending and credit card debt. New financial technology has the potential to help individuals avoid personal bankruptcy. Personal bankruptcy matters as it not only affects filers but also creates negative externalities for non-filers and other borrowers, besides imposing large macroeconomic costs (Mahoney, 2015, AER).

Our study is attached below for your review.

Yours sincerely,

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[1] The latest version of our study is available at: <https://ssrn.com/abstract=3208908>