



**CONSUMER
FINANCIAL DATA
RIGHTS GROUP**

January 29, 2018

The Honorable Blaine Luetkemeyer
Chairman
House Financial Services Committee
Subcommittee on Financial Institutions
and Consumer Credit
2129 Rayburn House Office Building
Washington, D.C. 20515

The Honorable William Lacy Clay
Ranking Member
House Financial Services Committee
Subcommittee on Financial Institutions
and Consumer Credit
4340 O'Neill House Office Building
Washington, D.C. 20515

Dear Chairman Luetkemeyer and Ranking Member Clay:

The Consumer Financial Data Rights (“CFDR”) Group appreciates the opportunity to share its perspective regarding the financial technology market and respectfully submits this letter for inclusion in the record for today’s subcommittee hearing entitled “Examining Opportunities and Challenges in the Financial Technology (“Fintech”) Marketplace.” We commend you for convening this timely and important hearing.

The CFDR Group is a consortium of approximately 40 fintech firms that have united in support of the consumer’s right to use innovative, technology-based tools to improve their financial wellbeing. CFDR member firms vary in size, scale and use case but collectively provide valuable financial services products and services to more than 100 million American consumers and small businesses across the country. The firms in our ranks use technology platforms to provide vital access to capital, important personal financial management assistance, rewards and loyalty points monitoring, investment tools, and many other types of critical products and services that empower Americans to take better control of their finances.

The fuel that powers all of these innovations is data: the ability of consumers to affirmatively access their own financial transaction and account information without restriction, safely and securely, and in real time.

Americans need new and better tools to help them manage their finances. According to the Federal Reserve’s most recent survey of Americans’ economic well-being, approximately one-third of Americans are struggling financially and more than 40 percent of Americans were unable to pay their bills at least one month within the last year. Nearly half of American

households would have to incur debt or sell assets to pay for a surprise \$400 expense.¹ Another recent study found that fully 31 million Americans expect that they will die with unresolved credit card debt.² More Americans are dependent on financial data access to care for their loved ones: 45 percent of consumers over the age of 50 have authorized a partner or family member to access depository and investment accounts by sharing login credentials.³ In addition, there are 45 million Americans who do not have credit scores, either because they are credit invisible or unscorable.⁴ The only sustainable path toward improving Americans' financial lives is one that allows consumers and small businesses alike to leverage intuitive, powerful technology tools that rely on access to their financial information to help them improve their financial health.

Advances in technology have enabled innovative new tools that allow consumers to increasingly take control of their financial lives. Without the ability to safely and securely permission access to their financial information to third-party tools, no American consumer or small business would be able to take advantage of these innovative financial technologies that have come to market in recent years.

Fintech applications only use financial account information when and to the extent that consumers have affirmatively granted permission to do so. Yet, as the number of fintech use cases has increased, obstacles to the effective use of data have arisen. Over the last several years, some U.S. financial institutions have sought to institute a range of technical and administrative hurdles that would interfere with consumers' ability to use third-party tools. These financial institutions have moved to limit the amount of data that consumers can share, or are seeking to define bilateral agreements with onerous contractual terms that would restrict consumers' ability to take full advantage of marketplace solutions that would empower them to improve their financial state. As a result, there are an escalating number of cases where consumers are excluded from engaging with fintech services best suited to improve their financial well-being. Financial institutions will assert that these restrictions are driven by their commitment to protect the security of their customers. Though some of the restrictions may be motivated by security concerns, the fintech market and traditional financial institutions increasingly compete with another; commercial interests in some cases create a market disincentive with regard to full-scale cooperation. Further, several financial institutions have shared with CFDR members that any restrictions they impose are attributable to regulations and supervisory policies, despite the application of the Gramm-Leach-Bliley Act on the fintech ecosystem. The unintended consequence of any such regulatory or supervisory policy is reductions in innovation and market competition, which ultimately impacts the consumer and small business.

¹ *Report on the Economic Well-Being of U.S. Households in 2016(Rep.)*. (2017, May). Retrieved January 24, 2018, from Board of Governors of the Federal Reserve System website:

<https://www.federalreserve.gov/publications/files/2016-report-economic-well-being-us-households-201705.pdf>

² *Poll: 2 in 3 Adults with Debt Doubt They'll Ever Live Debt-Free(Survey)*. (2018, January 10). Retrieved January 24, 2018, from CreditCards.com website: <https://www.creditcards.com/credit-card-news/debt-free-living-survey.php>

³ *Financial Innovation Frontiers(Rep.)*. (2017, April). Retrieved January 24, 2018, from AARP website:

<https://www.aarp.org/content/dam/aarp/home-and-family/personal-technology/2017/04/Financial-Innovation-Frontiers-AARP.pdf>

⁴ *Data Point: Credit Invisibles(Rep.)*. (2015, May). Retrieved January 26, 2018, from Consumer Financial Protection Bureau website: http://files.consumerfinance.gov/f/201505_cfpb_data-point-credit-invisibles.pdf

Several large economies have already achieved or are well along the road towards achieving a more innovative and competitive ecosystem by ensuring consumers can control their own financial data. The United Kingdom's Open Banking regime became a reality on January 13, after almost three years of coordination among financial institution, fintech, and policymaking stakeholders. Through Open Banking, U.K. citizens are assured unfettered access to their financial data and the ability to use fintech tools to help them improve their finances. In Europe, the second payment services directive ("PSD2") now provides a similar open framework for payment account services throughout the European continent. The governments of Australia, Singapore, Canada, Hong Kong, and India – just to name a few – are at varying stages of implementing similar regimes, all modeled after Open Banking and PSD2.

Unfortunately, the U.S. market is woefully behind with regard to addressing the fundamental questions regarding whether – and how – consumers and small business can leverage their own financial data to their economic benefit. Some progress has been made of late; however, following a public comment period and a field hearing on data access issues, the Consumer Financial Protection Bureau published non-binding principles for consumer-authorized financial data sharing and aggregation in October. The Office of the Comptroller of the Currency and the Federal Reserve Board have embarked on their own examinations of the issue of consumer and small business data access. And, at the state level, the Conference of State Bank Supervisors has created a fintech advisory group that has connected state regulators with fintech firms in the spirit of finding collaborative answers to important questions raised by innovations in technology such as data access.

Of course, more work remains to be done in the private sector as well as the public sector. Collaboration among all market participants and coordinated engagement from the regulatory community will be critical to ensure that American consumers and small businesses can continue to take advantage of fintech tools that help them improve their financial wellbeing, and that the U.S. market remains an innovative leader in financial services amidst a technology-driven sea change.

The CFDR Group once again commends you for holding this timely and important hearing. If the CFDR can be of any assistance as the subcommittee continues to consider policy issues related to fintech, I hope that you will hesitate to contact me at (202) 876-2995, or at sboms@allonadvocacy.com.

Sincerely,

A handwritten signature in black ink, appearing to read 'S. Boms', with a long horizontal line extending to the right.

Steven Boms
Consumer Financial Data Rights Group

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