



3138 10th Street North
Arlington, VA 22201-2149
703.842.2234 | 800.336.4644
gmesack@nafcu.org | nafcu.org

National Association of Federally-Insured Credit Unions

Greg Mesack
Senior Vice President, Government Affairs

October 24, 2023

The Honorable French Hill
Chairman
Committee on Financial Services
Subcommittee on Digital Assets,
Financial Technology, and Inclusion
United States House of Representatives
Washington, DC 20515

The Honorable Stephen Lynch
Ranking Member
Committee on Financial Services
Subcommittee on Digital Assets,
Financial Technology, and Inclusion
United States House of Representatives
Washington, DC 20515

Re: Tomorrow's Hearing: "Modernizing Financial Services Through Innovation and Competition"

Dear Chairman Hill and Ranking Member Lynch:

I write to you today on behalf of the National Association of Federally-Insured Credit Unions (NAFCU) in conjunction with tomorrow's hearing, "Modernizing Financial Services Through Innovation and Competition." As you know, NAFCU advocates for all federally-insured not-for-profit credit unions that, in turn, serve over 138 million consumers with personal and small business financial service products. NAFCU appreciates your work to ensure a competitive financial system that is up to date with the most recent technological advancements.

The growth of fintech in recent years offers new opportunities for the delivery of financial services. The use of financial technology can have a positive effect on credit union members. Credit unions have worked with fintech companies to improve efficiency in traditional banking, and many of the technologies that are commonplace today, such as credit cards and e-sign, would have once qualified as "fintech" when they were first introduced. Consumers today have come to expect technological developments from their financial institution—from online banking to mobile bill pay. Many credit unions embrace innovations in technology to improve relationships with members and offer more convenient and faster access to financial products and services.

As we have previously cautioned, the growth of fintech can also present new threats and challenges as novel entities emerge in an underregulated environment. As such, NAFCU believes that Congress and regulators must ensure that when technology firms and fintechs compete with regulated financial institutions, they do so on a level playing field where smart regulations and consumer protections apply to all participants. NAFCU has outlined some of the challenges and opportunities in this area in a [white paper](#) which proposes regulatory recommendations for oversight of fintech companies operating in the financial services realm.

We are pleased to see the Subcommittee is looking at legislation to address how financial institutions can innovate in the fintech space in a regulated environment as part of the draft "Financial Services Innovation

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Act of 2023” noticed for this hearing. NAFCU supports the aim of this legislation to create a petition process for regulatory flexibility for innovation.

As you consider this legislation, NAFCU would urge you to consider the following thoughts on the draft bill:

- There should be clear guidance from regulatory agencies on the petition process to minimize administrative burdens;
- Collaborative forums should be established for credit unions and other financial institutions to share best practices and challenges related to innovative financial products and regulatory petitions;
- There needs to be consistency in how regulatory agencies respond to petitions, ensuring a level playing field for credit unions (both amongst the industry and with other types of institutions);
- There should be clarity and support to navigate state-level regulatory challenges and engage effectively with the judicial review and arbitration processes to ensure the petition process can effectively work; and
- There should also be protection against the potential for misuse by fintechs, resulting in competitive pressure for regulated entities. It is important that petitioners have strong regulatory compliance track records.

We look forward to working with you on this legislative effort as it moves through the process. Thank you for your attention and the opportunity to share our thoughts on this important legislation. Should you have any questions or require additional information, please do not hesitate to contact me or Brad Thaler, NAFCU’s Vice President of Legislative Affairs, at (703) 842-2204 or bthaler@nafcu.org.

Sincerely,



Greg Mesack

cc: Members of the Subcommittee on Digital Assets, Financial Technology, and Inclusion