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National Association of Federally-Insured Credit Unions

July 12, 2022

The Honorable Dean Phillips
Chairman
Subcommittee on Oversight,
Investigations, and Regulations
Committee on Small Business
U.S. House of Representatives
Washington, DC 20515

The Honorable Beth Van Duyne
Ranking Member
Subcommittee on Oversight,
Investigations, and Regulations
Committee on Small Business
U.S. House of Representatives
Washington, DC 20515

RE: Tomorrow's Hearing, "Fintech and Transparency in Small Business Lending"

Dear Chairman Phillips and Ranking Member Van Duyne:

I write today on behalf of the National Association of Federally-Insured Credit Unions (NAFCU) in conjunction with tomorrow's hearing regarding the effect of innovations in financial technology and online lending on small businesses. As you are aware, NAFCU advocates for all federally-insured not-for-profit credit unions that, in turn, serve over 131 million consumers with personal and small business financial service products. As your Subcommittee examines the growing role that technology companies play in small business lending, we urge you to examine their presence in the market for financial services and the risks they could pose to consumers, small businesses, and the financial system.

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.

However, 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](#) that proposes regulatory recommendations for oversight of fintech companies operating in the financial services realm.

Credit unions look forward to continuing to experience growth in the technology space as a way to better serve their members, including small businesses. However, as technology companies expand, and new charters emerge to compete in the financial services marketplace, it is important that they compete on a level playing field of regulation and supervision—whether lending to consumers or small businesses. It

is important that Congress ensures laws are modernized to protect consumers and small businesses and to ensure credit unions are able keep up and compete with technological advances.

Thank you for your attention, and we look forward to working with you on these important issues. Should you have any questions or require additional information, please do not hesitate to contact me or Chad Adams, NAFCU's Senior Director of Legislative Affairs, at (703) 842-2265 or cadams@nafcuhq.org.

Sincerely,

A handwritten signature in black ink that reads "Brad Thaler". The signature is written in a cursive style with a long, sweeping tail on the letter "l".

Brad Thaler
Vice President of Legislative Affairs

cc: Members of the Subcommittee on Oversight, Investigations, and Regulations