

October 22, 2024

James P. Sheesley, Assistant Executive Secretary  
Attention: 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 17<sup>th</sup> Street NW  
Washington, DC 20429

Mr. Sheesley,

The [Cities for Financial Empowerment Fund](#) (CFE Fund) writes in response to this request for information (RFI) on Bank-FinTech arrangements involving banking products for consumers. This is a critical area of concern for low and moderate income (LMI) consumers, and we are grateful for the regulatory attention. Access to mainstream banking products is foundational to a consumer's ability to manage their daily financial lives and build long-term financial stability. Evidence from our network of over 30 [Financial Empowerment Center](#) (FEC) municipal partners reveals that even working repeatedly with a professional financial counselor, people without a mainstream bank or credit union account are only half as likely to be able to save money, and only a third as likely to be able to improve their credit score, compared to those with accounts; moreover, those counseling clients who newly opened a mainstream account then became eight times more likely to improve their finances as compared to those who did not open an account.

Increasing the transparency of Bank-Fintech partnerships is a valuable goal; however, our experience and that of our 150+ municipal partners suggests that clearer disclosures and targeted education are not sufficient to address the significant safety concerns from their alternative banking products. We urge the regulators to focus their primary attention on the issue of consumer safety and the substantial risk to trust in the banking system these partnerships represent.

### **The CFE Fund**

The CFE Fund is a national nonprofit organization that has worked with over 150 cities and counties to help them implement large-scale, systemic financial empowerment initiatives for their residents, including access to safe and affordable banking accounts, one-on-one financial counseling, asset building, and consumer financial protection.

The CFE Fund's national [Bank On initiative](#) is a multi-sector partnership to create pathways for un- and underbanked individuals to enter, or re-enter, the financial mainstream. At the core of the initiative are the [Bank On National Account Standards](#) for basic banking accounts, that are designed to address critical pain points for consumers and limit risk for financial institutions and inspired by the FDIC's own work on safe accounts. Certification under the Standards prohibits overdraft or insufficient fund fees and requires low monthly fees, a low opening deposit, bill pay functionality, and deposits to be insured by the FDIC, National Credit Union Association (NCUA) or regulator-sanctioned equivalent. The CFE Fund runs both national and local programs to connect people to these Bank On certified accounts and supports nearly 100

local Bank On coalitions across the country in their work to expand banking access and connect consumers to these certified accounts.

Additionally, the CFE Fund leads the national Financial Empowerment Center initiative. First launched in New York City in 2008 under then-Mayor Michael R. Bloomberg, and then replicated throughout the country under the CFE Fund's FEC Public platform, the FEC model of professional, one-on-one financial counseling as a free public service is now active in 32 cities and counties across the country, with dozens more working towards local launches. Counselors have worked with over 150,000 clients with low to moderate incomes manage their finances, pay down debt, increase savings, establish and build credit, and *access safe and affordable mainstream banking products*. Counselors are professionally trained according to the CFE Fund's rigorous FEC Counselor Training Standards, a Code of Ethics, and also participate in a monthly national learning community series.

### **The Risks of Bank-Fintech Partnerships**

While alternative fintech-bank arrangements may increase consumers' access to banking product functionality, they have created grave risks to household financial stability. The safety and reliability issues from these arrangements often impact those least able to manage delays in accessing deposits or a total loss of funds. Moreover, the volatility caused by the opaque and complex design of these arrangements only serves to undermine the trust needed to help people sustainably re-engage with the banking mainstream.

We agree that improvements to transparency are important; however, we write to emphasize our and our partners' firsthand experience that even improved transparency and education are not sufficient to address the primary safety and trust risks at stake.

Through intensive education and messaging work across the country with leaders of 100 Bank On coalitions, as well as nearly 150 professional FEC financial counselors in cities and counties across the country working directly with LMI consumers, we have seen how even these partners struggle to distinguish between banks and nonbanks, and thus misapprehend the safety and reliability of fintech banking products for the populations they serve. Counselors and clients have specifically struggled to ascertain the differences between a nonbank and a regulated financial institution; the extent of regulatory oversight and consumer protections; whether and when deposits are insured; customer service expectations; and what happens to funds access should a nonbank provider experience an interruption in services or shut down. Even when fintech products appear to have all the features of "good" mainstream accounts, like those outlined in our [Bank On National Account Standards](#), it's not possible for a consumer to know what other fintech partners or providers a fintech uses, itself, in its back end. These differences are often stark and too complicated to easily explain to consumers. Transparency strategies that warn consumers of the potential risks of these products do not in actuality mitigate or protect the most vulnerable consumers from those very real risks.

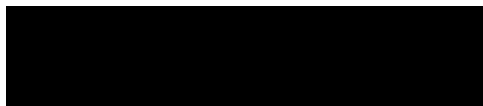
Our Bank On initiative accordingly focuses specifically on banking products from mainstream regulated entities and does not certify nonbank fintech banking products, even those that otherwise meet our National Account Standards. Bank On certified accounts present none of the above-outlined risks to consumers, as Bank On only certifies accounts from regulated financial institutions. Those accounts, and providers, are subject to oversight and covered by federal deposit insurance. This certification protection eliminates the nearly impossible need for

coalition partners, financial counselors, or clients to try to distinguish which fintech provider is “better” or “safer” than another, or whether or when their deposits are protected and recoverable. We encourage the primary regulators to focus on the underlying safety and risks associated with Bank-Fintech arrangements and not rely upon transparency strategies.

## **Conclusion**

The nature of these purposeful back-office relationships and our experience in the field leads us to advise a regulatory response focused first and foremost on consumer safety. Transparency will not solve the underlying risks presented by Bank-Fintech arrangements.

Sincerely,



Jonathan Mintz  
President and Chief Executive Officer  
Cities for Financial Empowerment Fund