American Fintech Council (AFC) is the largest and most diverse trade association representing financial technology (fintech) companies and innovative banks. On behalf of over 150 member companies and partners, AFC promotes a transparent, inclusive, and customer-centric financial system by supporting responsible innovation in financial services and encouraging sound public policy. AFC members foster competition in consumer finance and pioneer products to better serve underserved consumer segments and geographies.

Fintech Lending

Responsible fintech companies partnering with regulated financial institutions have created safe, transparent, and affordable credit options for families long forgotten by traditional financial institutions. Our members have committed to advocating for a regulatory gold standard that offers access to credit without compromising consumer protection or regulatory compliance. A key component of our advocacy includes a rate cap of 36%.

AFC Standards

- ✓ Financial services products must not be characterized as something otherwise to avoid regulation.
- ✓ Members may not offer "payday" or "high-cost installment loans" as defined by the CFPB.
- ✓ Small business financing must adhere to the responsible lending standards of the Small Business Borrowers' Bill of Rights.
- ✓ Members advance standards of fairness and nondiscrimination.

The Depository Institutions Deregulation and Monetary Control Act (DIDMCA)

A select few states (e.g Colorado, Minnesota, Rhode Island), are attempting to opt out of Section 521 of DIDMCA ending parity for state-chartered banks with their nationally chartered counterparts. This action is intended to target "predatory" lending. Unfortunately, these misguided pieces of legislation sweep in responsible lenders who offer consumers safe, responsible, affordable, everyday products.

IMPACT:

- The statute upsets the competitive balance in the financial services industry and puts state-chartered banks at a significant disadvantage as compared with national banks. The proposals interest rate caps apply only to state-chartered banks; national banks can continue charging at the higher rates permitted under federal rules.
- Opting out of DIDMCA will harm families by eliminating the availability of credit options offered by state-chartered banks. The law will lead to shrinking credit availability and rising rates due to a lack of competition in the market that will impact minority, rural, and lower income communities hardest. Our state-chartered members do not make payday or predatory loans but provide responsible, affordable credit products to a wide range of consumers looking for a safe pathway out of debt.

True Lender

BACKGROUND:

- Responsible fintech companies have developed transparent, efficient and consumer friendly lending products that are offered in partnership with regulated financial institutions. The banks originate these loans and are fully responsible for compliance with all applicable rules and regulations expected of a bank. This model democratizes financial services, creates competition in the market and most importantly provides clarity for the fintech company, the bank and especially the consumer.
- Some have tried to create confusion by calling into question the nature of the bank-fintech partnership and have raised doubts on which entity is originating the loan.

IMPACT:

- Multiple states have begun to scrutinize the validity of the loans made in responsible bank-fintech partnerships and have created varying and confusing standards to determine the true lender of a loan. While states like Illinois and New Mexico and many others have created new standards, they rightfully exempted lenders offering products below 36% to clearly distinguish responsible lenders from others.
- The lack of clarity and confusion in certain states has directly led to a significant decrease in access to responsible credit in those states.

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