



Statement for the Record

On Behalf of the American Fintech Council before
The Subcommittee on Digital Assets, Financial Technology, and Artificial Intelligence
Of the House Committee on Financial Services
United States House of Representatives
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Delivering for American Consumers: A Review of FinTech Innovations and Regulations

Chairman Steil, Ranking Member Lynch, and Honorable members of the Subcommittee on Digital Assets, Financial Technology and Artificial Intelligence, thank you for the opportunity to submit the American Fintech Council's (AFC) statement for the record.

AFC is the premier trade association representing both innovative banks and fintech companies. AFC's mission is to promote an innovative, transparent, inclusive, and customer-centric financial system by fostering responsible innovation in financial services and encouraging sound public policy. AFC members are at the forefront of fostering competition in consumer finance and pioneering ways to better serve underserved consumer segments and geographies. Our members are also improving access to financial services and increasing overall competition in the financial services industry by supporting the responsible growth of lending and lowering the cost of financial transactions, allowing them to help meet demand for high-quality, affordable financial products.

Our members are improving products that help advance consumer financial health and financial capacity. AFC members are interested in providing more innovative products that address consumer demand for more affordable, lower-fee deposit products, unsecured consumer credit, small-dollar credit, and other products. AFC members are focused on products that are responsible, fair, transparent, and want to work in partnership with federal and state policy makers to scale responsible and competitive options in the marketplace.

Fintech companies arose out of the combination of a dearth of consumer trust in traditional financial institutions in the wake of the 2008 financial crisis and increasing demand for modern, digital-first banking services.¹ As noted in multiple reports by the U.S. Government Accountability Office (GAO), responsible fintech providers provide the opportunity for significant consumer and market benefits.² Through partnerships with innovative financial institutions, fintech companies have been able to increase access to historically underserved communities, expand offerings, and create a robust and competitive market that has the ability to mitigate certain types of contagion risks in the financial services industry.

I. Fintech Products and Partnerships Creates Affordable and Competitive Options for Consumers

AFC membership spans all verticals of the financial services industry and as we detail below, have successfully provided lower cost and more efficient alternatives to traditional financial products and services. These fintech companies and their innovative bank partners have increased competition in the industry, leading to substantial benefits for American consumers.

A. Fintech Lending Expands Access to Consumer Credit

The Federal Reserve Bank of St. Louis noted that fintech products have expanded the consumer use of unsecured personal loans.³ They also note the role that fintech is playing in creating stronger competition for consumer product choice. The study points to Transunion's research that shows fintech lending expanded from 5% to 38% of the market from 2013 to 2019 alone.⁴ Fintech lending has also become a lower-cost alternative to carrying debt on a credit card. Additionally, unsecured personal loans offered via fintech companies are generally not associated with carrying what have been classified as hidden or deceptive fees. For example, loans offered by one bank-fintech partnership only charge consumers late fees following a grace period, and NSF fees for returned payments, but do not assess any payment processing, convenience, or prepayment fees. These unsecured personal loans are designed to be transparent, consumer friendly alternatives to payday loans available in the market. Competition facilitates more affordable options for consumers, as demonstrated through its effect on several factors, including credit score profiles, product types, and provider structure. Researchers at the Board of Governors of the Federal Reserve System (FRB) have also found considerable interest rate and APR savings from debt consolidation through marketplace lending solutions after calculating spreads and analyzing data across nine credit score bands as compared to average credit card offer rates.⁵ Industry research supports these findings for various products and loan sizes.

¹ U.S. Department of the Treasury, A Financial System That Creates Economic Opportunities: Nonbank Financials, Fintech, and Innovation, (July 2018), available at https://home.treasury.gov/system/files/136/A-Financial-System-that-Creates-Economic-Opportunities--Nonbank-Financials-Fintech-and-Innovation_0.pdf

² U.S. Government Accountability Office, Financial Technology: Additional Steps by Regulators Could Better Protect Consumers and Aid Regulatory Oversight, GAO-18-254, (Mar. 22, 2018), available at <https://www.gao.gov/products/gao-18-254>; and U.S. Government Accountability Office, Financial Technology: Products Have Benefits and Risks to Underserved Consumers, and Regulatory Clarity Is Needed, GAO-23-105536, (Mar. 08, 2023), available at <https://www.gao.gov/products/gao-23-105536>.

³ Federal Reserve Bank of St. Louis, Unsecured Personal Loans Get a Boost from Fintech Lenders (2019), available at <https://www.stlouisfed.org/publications/regional-economist/second-quarter-2019/unsecured-personal-loans-fintech>.

⁴ *Id.*

⁵ Robert M. Adams, Do Marketplace Lending Platforms Offer Lower Rates to Consumers? Board of Governors of the Federal Reserve System, FEDS Notes (2018) available at <https://www.federalreserve.gov/econres/notes/feds-notes/do-marketplace-lending-platforms-offer-lower-rates-to-consumers-20181022.html>

Additionally, the past decade has seen the rise of buy-now-pay-later (BNPL) products, becoming a staple for consumers seeking an affordable source of short-term credit. Responsible BNPL products enable consumers to make purchases and defer payment, breaking down the total cost into smaller, more manageable installments often with 0% interest. This approach offers flexibility and accessibility, particularly for individuals facing temporary financial constraints. Under these plans, consumers can select from available financing options. For example, “Pay in 4” products typically feature interest-free, biweekly payments that consumers often use for everyday purchases, while longer installment plans may be used to finance higher-cost “big ticket” items over an extended repayment period. As BNPL has scaled, it has underscored the importance of an activity-based, risk-calibrated policy framework that preserves consumer choice while ensuring consistent, transparent disclosures and consumer safeguards.⁶

B. Responsible Bank-Fintech Partnerships Respond to Consumer Demand

As the premier industry association representing both innovative banks and fintech companies, we are uniquely positioned to discuss the myriad benefits these partnerships bring to American consumers. Bank-fintech partnerships developed and rapidly grew in popularity due to strong consumer demand for digital first financial products and services. Partnerships that started within one vertical, such as lending or payments services, quickly developed to include other services, such as deposit taking. The consumer demand, which has been a driving force for these innovative products and services, shows no sign of slowing, regardless of market or non-market forces and their impact on bank-fintech partnerships.⁷

Through academic, industry, and government research, bank-fintech partnerships have been empirically shown to improve financial inclusion through improved services to historically underserved communities.⁸ In addition, innovations from fintech companies have provided responsible alternatives to high-cost options for consumers in these communities; thus, improving the overall financial health of these consumers.⁹ Instead of being forced to engage with payday lenders and check cashers, consumers have gained access to responsible term loans and high-yield demand deposit accounts. Specifically, the deposits brought into financial

⁶ Consumer Financial Protection Bureau, *The Consumer Credit Card Market* (Washington, DC: CFPB, Dec. 2025), available at https://files.consumerfinance.gov/f/documents/cfpb_consumer-credit-card-market-report_2025.pdf.

⁷ Propson, Drew, Emina Ajvazoska, Felipe Ferri de Camargo Paes, Stanley Mutinda, Dana Salman, Jill Lagos Shemin, Krishnamurthy Suresh, et al., The Future of Global Fintech: Towards Resilient and Inclusive Growth, (Jan. 2024), available at <https://www.jbs.cam.ac.uk/faculty-research/centres/alternative-finance/publications/the-future-of-global-fintech-towards-resilient-and-inclusive-growth/>.

⁸ Chernoff, Alan and Julapa Jagtiani, The Role of Bank-Fintech Partnerships in Creating a More Inclusive Banking System, WP 23-21, Federal Reserve Bank of Philadelphia, (Oct. 2023) available at <https://www.philadelphiahfed.org/the-economy/banking-and-financial-markets/the-role-of-bank-fintech-partnerships-in-creating-a-more-inclusive-banking-system>; Dolson, Erik and Julapa Jagtiani, Which Lenders Are More Likely to Reach Out to Underserved Consumers: Banks versus Fintechs versus Other Nonbanks?, WP 21-17, Federal Reserve Bank of Philadelphia, (Apr. 2021), available at <https://www.philadelphiahfed.org/consumer-finance/which-lenders-are-more-likely-to-reach-out-to-underserved-consumers>; Lung, Harrison, Why financial inclusion is the key to a thriving digital economy, World Economic Forum, (Jul. 29, 2024), available at <https://www.weforum.org/agenda/2024/07/why-financial-inclusion-is-the-key-to-a-thriving-digital-economy/>; and Salman, Sabry, The role of banks in FinTech partnerships, Barclays Investment Bank, (Sep. 18, 2023) available at <https://www.ib.barclays/our-insights/3-point-perspective/the-role-of-banks-in-fintech-partnerships.html>.

⁹ Dunn, Andrew and Nadia Van De Walle, Fintech as a Solution for Employee Financial Health Findings from Five: Exploratory Studies, Financial Health Network, (Mar. 2023), available at https://cfsi-innovation-files-2018.s3.amazonaws.com/wp-content/uploads/2021/03/23024025/FSL_IE-Report-WashU-Final.pdf; Cornelli, Giulio, Jon Frost, Leonardo Gambacorta, and Julapa Jagtiani, The Impact of Fintech Lending on Credit Access for U.S. Small Businesses, WP 22-14, Federal Reserve Bank of Philadelphia, (Apr. 2022), available at <https://www.philadelphiahfed.org/the-economy/banking-and-financial-markets/the-impact-of-fintech-lending-on-credit-access-for-us-small-businesses>; and Dunn, Andrew and Heidi Johnson, Building Consumer Savings with Fintech Innovations: Savings are a critical component of financial health, and new approaches can encourage consumer savings, Financial Health Network, (Jul. 2022) available at <https://finhealthnetwork.org/wp-content/uploads/2022/07/Building-Consumer-Savings-with-Fintech-Innovations-2022.pdf>

institutions via their partnerships with fintech companies have proved to be stable and beneficial for both the consumers and the financial institution. These products and services are a direct response to consumer demand, and their impact is most acute for those consumers historically underserved by traditional financial services participants.

Consumers categorized as “near prime” are another consumer group who has uniquely benefited from responsible bank-fintech partnerships and their ability to offer expanded traditional products and services. For example, credit offerings, including credit builder products, credit cards, and term-loans, offered through the innovative services born out of the bank-fintech partnership model are able to serve an expanded consumer market making these products and services more economically viable and available to consumers. In today’s world, it is nearly impossible to function without a credit card, to either make purchases online, or offline, particularly with a trend toward cashless payments. Through responsible bank-fintech partnerships, this cohort of near prime consumers can more easily and securely build credit.

C. Millions of Workers Demand Responsible Earned Wage Access

In addition to the expanded offerings of traditional banking services, responsible bank-fintech partnerships have also been able to offer new, innovative products and services to consumers. AFC represents the largest and most diverse set of Earned Wage Access (EWA) providers. EWA is a fintech product that allows users to access the wages they have already earned in a pay period, before their scheduled payday. Millions of American workers now use EWA products to address short-term financial needs, accessing wages already earned to pay bills or bridge pay periods. The rapid adoption of EWA demonstrates not only demand for flexible pay options but also the growing recognition that technology can be harnessed to avoid the high fees and penalties linked with conventional payday lending.

Recent research underscores the breadth of consumer demand for earned wage access products. In a nationwide survey, 8 in 10 U.S. voters expressed support for access to EWA, and 30% of voters (and 50% of union members) reported accessing wages early to meet urgent needs such as rent, groceries, or medical bills. Critically, 87% of respondents agreed that losing access to EWA would likely push workers toward harmful alternatives such as high-interest credit cards or payday loans, reinforcing the importance of a risk-based framework that protects access to responsible models.¹⁰ Additional research recently released by the University of Connecticut shows the detrimental impact that limiting access to earned wages has on workers. Unfortunately, Connecticut’s January 2024 decision to restrict EWA services has put unnecessary financial strain on the users in the state. Specifically, more than two thirds of the state’s EWA respondents said the service had made a positive impact on their financial situation before it was shut down; more than a third of families have gone without what they needed due to the shut down; 26% have relied on credit cards instead and 31% have resorted to borrowing from friends and family to afford necessary purchases. Many also turned to high-cost alternatives, including 8% who pawned items and 6% who took out payday loans.¹¹

¹⁰ American Fintech Council, *Workers for Wage Access* (citing a nationwide survey conducted by Mercury Analytics between Aug. 9–15, 2024, with a representative sample of 1,500 registered U.S. voters), available at <https://www.fintechcouncil.org/workers-for-wage-access>

¹¹ Raissian, Kerri M., Jennifer Necci Dineen, Katie Fitzpatrick, and Andrew Pixley, Connecticut Earned Wage Access User Impact Study, (Apr. 2025), available at https://publicpolicy.media.uconn.edu/wp-content/uploads/sites/3091/2025/04/CT_EWAUserStudy_UConn_Raissian_04072025.pdf.

As a new and distinct financial product, EWA must be governed by distinct regulations. Simply put, responsible EWA is not credit and should not be regulated as such. In an effort to ensure that EWA providers safely and effectively serve consumers AFC has established clear standards on what constitutes a responsible EWA product, and ensures users remain protected.¹² Under these standards, providers should make a voluntary no-cost option available for all users, and any expedited fees should be disclosed in a clear and transparent manner. Responsible EWA products should not charge interest or impose late fees, and these transactions are credit invisible, no underwriting or credit checks are required to access a user's earned wages. Finally, EWA transactions should be non-recourse and can be canceled at any time. Consumers should be able to cancel their service at any time, meaning it does not have to be repaid, and failure to repay will not be reported to credit agencies or be referred to collections. Given the importance of EWA services for workers across America and the need for a federal regulatory framework, AFC strongly supports the reintroduction of the Earned Wage Access Consumer Protection Act.

II. Regulatory Modernization Will Drive Innovation and Competition, Benefiting Consumers

Consumer demand, as discussed above, has helped to drive market competition and the overall success of financial services offerings by fintech companies and the innovative banks that partner with them. However, consumer demand alone, while necessary for initial market success, is insufficient to ensure sustained market development. To create sustained market development that drives further innovation and competition in the financial services industry, policymakers and regulators must review the existing regulatory framework and, where appropriate, modernize it. AFC members have operated within existing regulatory frameworks but have experienced regulatory challenges that have limited their abilities to innovate and compete with traditional financial institutions. Notably, current leadership at the Federal Deposit Insurance Corporation (FDIC), OCC, and FRB have all recognized the importance of modernizing various regulatory frameworks to drive innovation, and pursued actions accordingly. However, to ensure that these regulatory changes remain intact through administration changes, AFC recognizes the need to codify many of these regulatory modernization efforts. As such, AFC is fully supportive of the Subcommittee's efforts to introduce and pass legislation that will ensure that laws and regulations fit the 21st century financial services industry. Therefore, AFC respectfully offers the below policy recommendations for the Subcommittee's consideration.

A. AFC Respectfully Recommends the Subcommittee Pursuing Efforts to Remove the Patchwork Regulatory Landscape that may Stymie Innovation

The products and services provided by fintech companies and the innovative banks that power them are offered nationally, and therefore require a regulatory approach that avoids inconsistent or conflicting requirements between states. While state regulatory regimes can be helpful when ensuring effective oversight to keep irresponsible actors out of the financial services industry, inconsistent and conflicting regulatory requirements stymies fintechs' abilities to offer their products and services, ultimately disadvantaging consumers. Responsible bank-fintech partnerships like those pursued by AFC members have shown substantial impacts on improving

¹² American Fintech Council, Our Mission (Membership Standards), available at <https://fintechcouncil.org/our-mission#standards>.

market competition and access to financial services over the past decade in the consumer lending space.¹³ Empowering especially smaller banking organizations to form these partnerships in a safe and responsible manner is critical to ensuring competition throughout the market, which creates lower prices and a variety of superior options for consumers. Sound, unambiguous federal policy will help to propel and foster responsible innovation while creating a more level playing field across the ecosystem. In many cases, the ability for these institutions – many of which previously have played a critical role in delivering affordable credit to low- and moderate-income (LMI) communities – to continue to drive the industry forward and create innovative solutions depends on their ability to partner effectively with third parties. Banks and fintech companies have leveraged each other’s core competencies to offer consumers access to affordable credit at responsible rates without compromising on regulatory compliance or consumer protection. In addition, these responsible bank-fintech partnerships have enabled community banks to remain competitive in a market that has heavily favored large national banks.

In bank-fintech partnerships, the banks originate the loans, (commonly referred to as the “True Lender”). However, some states have started to develop varying interpretations on which entity—the bank or fintech company—constitutes the “True Lender” in a loan agreement. As a result, responsibly acting bank and fintech partners have been subjected to significant confusion as to the specific regulatory requirements each party has in a given loan agreement and faced significant additional regulatory burdens in a state-by-state manner. The confusion and regulatory burdens due to the patchwork regulatory framework under development by various states has undercut the ability for fintech companies and innovative banks to serve consumers nationally.¹⁴

In response to the True Lender issue, the Office of the Comptroller of the Currency (OCC) finalized a rulemaking in 2020 that established a clear and concise way to determine which entity constituted the “True Lender” in a bank-fintech partnership.¹⁵ However, this rulemaking was invalidated by the 117th Congress,¹⁶ which created a return to the confusion and difficulties experienced by fintech companies and their bank partners prior to the OCC rulemaking, which has continued in the intervening years. It is with this in mind that AFC believes that this Congress should work with the prudential regulators to create a federal solution to the True Lender issue to end the confusion resulting from the patchwork regulatory framework. AFC appreciates Chairman Steil’s leadership on this issue, including his co-authorship of an October 3, 2025, letter to the prudential regulators urging the Joint Agencies to engage in rulemaking on the True Lender issue. Recognizing the importance of codifying this regulatory effort and building on Chairman Steil’s leadership on this issue, AFC affirms their support for efforts to reintroduce the Modernizing Credit Opportunities Act.¹⁷

Sensible federal standards will also assist with responsible emerging markets that create more sustainable options for consumers and will add more regulatory compliant businesses in financial services. EWA products, for instance, are facing a gambit of at times, conflicting state laws and

¹³ Ibid. Government Accountability Office.

¹⁴ See Bryan Cave Leighton Paisner, “True Lender Rule: Return to Confusion”, (Jul. 28, 2021)

¹⁵ National Banks and Federal Savings Associations as Lenders, 85 Fed. Reg. 68,742 (Oct. 30, 2020) (to be codified at 12 C.F.R. Part 7).

¹⁶ National Banks and Federal Savings Associations as Lenders, 86 Fed. Reg. 42,686 (Aug. 5, 2021) (to be rescinded at 12 C.F.R. Part 7).

¹⁷ Modernizing Credit Opportunities Act, H.R. 4439, 115th Cong. (2017).

regulations that are classifying this product in different, but consequential ways that make it less feasible for accountable companies to conduct their work and assist consumers in need. However, some states are looking to classify this product as a loan, even though it does not fit any definition of the features of a loan product. This is one example of the perils of forcing EWA and other emergent products into a legacy lender regulatory framework. This would have significant, negative consequences for consumers and would lead to the withdrawal of responsible EWA providers and other competitive services from the market. AFC appreciates Chairman Steil's leadership and the Subcommittee's continued focus on establishing durable, risk-based federal guardrails for earned wage access. A clear federal framework that recognizes the non-credit nature of responsible EWA, while codifying baseline consumer protections and transparency standards, can preserve access to an important liquidity tool for working families and support responsible innovation through well-supervised bank-fintech partnerships. Thus, AFC supports the efforts of Chairman Steil to reintroduce the Earned Wage Access Consumer Protection Act.

Also key to driving innovation and competition across the modern financial services ecosystem is to ensure that regulators avoid a patchwork regulatory framework related to data. Consumer data is crucial to ensuring consumers receive the best financial services possible. Unfortunately, innovative banks and responsible fintech companies, who are subject to data protection provisions under the Gramm-Leach-Bliley Act, continue to be subjected to de facto regulatory requirements from state and non-U.S. regulations, such as the California Consumer Privacy Act and the European Union's General Data Protection Regulation.¹⁸ Further, the CFPB continues to move forward with a forthcoming reconsideration of the rulemaking to implement Section 1033 of the Dodd-Frank Act.¹⁹ While AFC supports this rulemaking in principle, we recognize the importance of ensuring that CFPB's implementation does not add to the patchwork regulatory framework that exists on the consumer data issue.

For these complex regulatory issues that do not have an inherent geographic limitation, it is important to develop policy solutions at the federal level that are based in empirical evidence and seek to establish clear and consistent framework for fintech companies and their bank partners. By advocating for federal legislation on the above policy issues, AFC and its members are not recommending that this approach is adopted across the board. Members of this subcommittee continuously recognize the importance of developing consistent regulatory frameworks derived from strong empirical evidence. We agree with this measured, evidence-based approach to policymaking. We believe it is not appropriate to pursue reactionary policymaking, but instead focus on developing pragmatic policy once there is sufficient evidence to construct such legislation.

B. AFC Respectfully Recommends the Subcommittee Continue Efforts to Codify a Unified Approach to Regulation and Supervision

As regulators continue adapting supervisory frameworks to a modern, technology-enabled financial services ecosystem, they have at times pursued activities, rulemaking, or guidance in a

¹⁸ Title 1.81.5 - California Consumer Privacy Act of 2018 section 1798.192. and European Parliament & Council of the European Union, Regulation (EU) 2016/679 of The European Parliament and of The Council [on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation)], (Apr. 27, 2016).

¹⁹ CFPB, Personal Financial Data Rights Reconsideration, Docket No. CFPB-2025-0037.

unilateral manner. Pursuing unilateral activities, rulemaking, or guidance is not inherently an issue, since institutions under a given regulator’s jurisdiction might face unique issues not experienced by institutions under another regulator’s jurisdiction. However, there are times when unilateral activities, rulemaking, or guidance create a disparity between regulated entities and allows for potential regulatory arbitrage to exist.

In the bank–fintech partnership context, a unified and coordinated approach is particularly important because these arrangements often span multiple regulatory touchpoints and implicate shared safety-and-soundness and consumer protection objectives. Recent interagency efforts demonstrate that the agencies can coordinate effectively—most notably through joint statements and other coordinated supervisory communications addressing third-party arrangements used to deliver bank products and services, as well as fight fraud in the payments space.²⁰ Building on these efforts, AFC has continued to encourage the prudential regulators to develop consistent, activity-focused “rules of the road” that reduce fragmentation across charters and supervisory portfolios, without diluting accountability for effective risk management and consumer outcomes.²¹ Consistent with AFC’s March 31, 2025, letter to the Committee on the “Make Community Banking Great Again” principles²², as well as AFC’s December 16, 2025, letter in Support of H.R. 6552, the Bank-Fintech Partnership Enhancement Act, we believe Congress has a timely opportunity to build a pragmatic legislative agenda that strengthens community banks, supports responsible bank-fintech partnerships, and modernizes supervisory frameworks to reflect today’s digital-first financial system.²³

Finally, as agencies set priorities for 2026 and beyond, interagency coordination should extend beyond high-level principles and into practical implementation. Where new supervisory focus areas emerge, particularly those related to technology-enabled delivery channels, regulated entities benefit most when agencies align on core definitions, expectations, and examination posture. This type of coordination promotes supervisory efficiency, supports consistent compliance across jurisdictions, and reduces the risk of uneven treatment for functionally similar activities.

C. AFC Recommends Encouraging the Use of Regtech and Suptech Tools to Improve Examinations

Fintech companies and their innovative bank partners have made great strides in improving access to financial services for those communities that have been historically left behind. Primarily, this success stems from fintech companies reaching consumers through easy-to-use

²⁰ Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, Joint Statement on Banks’ Arrangements with Third Parties to Deliver Bank Deposit Products and Services, (July 25, 2024), available at <https://www.occ.treas.gov/news-issuances/news-releases/2024/nr-ia-2024-85a.pdf>; Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, and Federal Deposit Insurance Corporation, Request for Information on Potential Actions To Address Payments Fraud, 90 Fed. Reg. 26293 (June 20, 2025), available at <https://www.govinfo.gov/content/pkg/FR-2025-06-20/pdf/2025-11280.pdf>.

²¹ American Fintech Council, “Advocacy Letter on Interagency Bank-Fintech Arrangements RFI,” (Oct. 30, 2024) available at <https://www.fintechcouncil.org/advocacy/federal-advocacy-letter-on-interagency-bank-fintech-arrangements-rfi>; American Fintech Council, “AFC Comment Letter on Interagency RFI to Address Payments Fraud,” (Sept. 18, 2025) available at <https://fintechcouncil.org/advocacy/federal-afc-comment-letter-on-interagency-rfi-to-address-payments-fraud>.

²² American Fintech Council, “Request for Feedback on “Make Community Banking Great Again” Principles and Slate of Bills (Mar. 31, 2025), available at <https://www.fintechcouncil.org/advocacy/federal-afc-letter-to-house-financial-services-committee-on-principles-to-make-community-banking-great-again>.

²³ American Fintech Council, “Letter in Support of Bank Fintech Partnership Enhancement Act” (Dec. 16, 2025), available at <https://fintechcouncil.org/advocacy/federal-afc-letter-in-support-of-bank-fintech-partnership-enhancement-act>

applications and debunking previously held conceptions of the risks associated with serving these communities by using innovative modeling techniques that more accurately predict risks such as default risk and fraud risk.

While the aforementioned innovative techniques have helped to improve access to financial services, it is important to pursue legislation that will promote innovative regulatory and supervisory technology—commonly referred to as regtech and suptech tools—for both industry participants and regulators. Globally, suptech tools have been a key area of potential innovation for regulators. Both academic institutions, such as the University of Cambridge via its Suptech Lab, and international organizations such as the International Monetary Fund and the Bank for International Settlements have recognized the importance of improving regulatory activities through the use of suptech tools.²⁴ According to the Bank for International Settlement's Financial Stability Institute, when pursued with a distinct strategy by an agency, suptech tools have been extremely helpful for improving supervision of regulated entities within a number of jurisdictions. Specifically, the report found that suptech tools have improved efficiencies in their regulatory engagements. Further, the report noted that “[s]ome suptech tools are now critical to supervisory processes “[s]uptech tools should have a natural place in supervisory processes and address specific pain points”.²⁵

As evidenced by the efforts of this Subcommittee, Congressional leaders are taking seriously the importance of passing legislation that will encourage an innovation-first mindset within federal banking agencies. To continue building on the efforts of the Subcommittee, AFC respectfully recommends pursuing legislation that directs federal agencies to identify and implement relevant suptech tools to improve their oversight activities of regulated entities. By implementing suptech tools, AFC believes that examiners can more efficiently and effectively examine regulated entities and lower the costs associated with an examination for both the agency and the regulated entity.

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AFC again thanks the Subcommittee on Digital Assets, Financial Technology and Artificial Intelligence for the opportunity to submit this statement for the record on these very important issues. The above recommendations reflect an opportunity to develop legislation and regulations that fully align the incentives for fintech companies and innovative banks to work even harder to serve consumers effectively. AFC and its members stand ready to assist Congress as it crafts risk-based frameworks that provide clear rules of the road for responsible bank-fintech partnerships. These frameworks will help deliver what Americans are demanding most: affordable financial services, transparent terms, and innovative tools that support work, wages, and affording everyday life, without sacrificing safety and soundness.

²⁴ See, the University of Cambridge's Cambridge Suptech Lab, <https://lab.ccaf.io/>; BIS Innovation Hub, “BIS Innovation Hub expands suptech and regtech research to include monetary policy tech”, Last updated Mar. 21, 2024, https://www.bis.org/about/bisih/topics/suptech_regtech.htm; and Tobias Adrian, Financial Counsellor and Direct, Money and Capital Markets Department, IMF, “AI and Regtech”, Speech, Virtual Workshop on AI & Finance, Oct. 29, 2021, available at <https://www.imf.org/en/News/Articles/2021/10/29/sp102921-ai-and-regtech>.

²⁵ Ibid, Pages 14-15.