



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

Washington, D.C.

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“Partnering for Innovation: How Bank-Fintech Collaborations Enhance Financial Infrastructure”

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 a standards based organization and the largest and most diverse trade association representing financial technology companies and innovative banks. On behalf of more than 150 member companies and partners, AFC promotes a transparent, inclusive, and customer centric financial system by supporting responsible innovation and encouraging sound public policy. AFC’s membership includes a broad range of institutions subject to OCC supervision and therefore has direct and practical experience with supervisory processes, including examination findings, supervisory determinations, and associated dispute resolution mechanisms.

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

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

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.

As outlined in AFC's October 30, 2024 letter responding to the federal bank regulatory agencies' Request for Information on Bank-Fintech Arrangements, not all bank-fintech partnerships are structured the same way, and the specifics of a given arrangement significantly impact risk profiles, business operations, and oversight requirements.³ One critical distinction AFC emphasizes is between fintech consumer and fintech supplier partnerships. Fintech consumer partnerships involve direct engagement between fintech firms and end-users, often in lending or payments, requiring strong consumer protection measures. Conversely, fintech supplier partnerships support financial institutions as enterprise-facing service providers, assisting with areas like fraud prevention, KYC monitoring, and payments processing. Additionally, AFC has highlighted the distinction between direct and indirect partnership models, where direct relationships involve a financial institution providing APIs and technology solutions, while indirect partnerships utilize middleware providers. In both cases, clearly defining roles and responsibilities is essential to maintaining compliance and ensuring consumer protection.

AFC appreciates the Subcommittee's continued bipartisan focus on these partnerships. As we noted in our January 13, 2026 Statement for the Record submitted in connection with the Subcommittee's hearing on "Delivering for American Consumers: A Review of FinTech Innovations and Regulations," responsible bank-fintech partnerships are now a central feature of the U.S. financial system.⁴ They deliver digital-first products to tens of millions of consumers and small businesses, allow community banks to compete with the largest institutions, and channel innovation through the regulated banking perimeter where consumer protection, safety and soundness, and anti-money laundering (AML) standards apply.

I. The State of Bank-Fintech Partnerships in 2026

AFC membership spans all verticals of the financial services industry. These fintech companies and their innovative bank partners have increased competition in the industry, leading to substantial benefits for American consumers. 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.

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 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>.

⁴ AFC 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 <https://fintechcouncil.org/advocacy/afc-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>.

A. Fintech Lending Expands Access to Consumer and Small Business Credit

In the lending space, bank-fintech partnerships have become a well-recognized opportunity for expanding access to credit, particularly for borrowers in historically underserved communities. Over the past decade lending through bank-fintech partnerships has grown significantly. For example, the Federal Reserve Bank of St. Louis noted that fintech products have expanded the consumer use of unsecured personal loans.⁵ 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.⁶ Further, in their recent reports on consumer credit, the FDIC and CFPB both continue to recognize the increased role that fintech lending opportunities have for unbanked and underbanked communities.⁷

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.⁸ Industry research supports these findings for various products and loan sizes.

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.⁹

⁵ 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>.

⁶ *Ibid.*

⁷ See, Federal Deposit Insurance Corporation. *2023 FDIC National Survey of Unbanked and Underbanked Households*. (Washington, DC: FDIC, 2024), available at <https://www.fdic.gov/household-survey/2023-fdic-national-survey-unbanked-and-underbanked-households-report>; 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.

⁸ 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>.

⁹ *Ibid.*, Consumer Credit Card Market.

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.¹⁰

Through academic, industry, and government research, bank-fintech partnerships have been empirically shown to improve financial inclusion through improved services to historically underserved communities.¹¹ 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.¹² 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 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,

¹⁰ 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/>.

¹¹ 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.philadelphiafed.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.philadelphiafed.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>.

¹² 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.philadelphiafed.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>.

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. Bank-Fintech Partnerships Strengthen Community Bank Competitiveness and Long-Term Viability

Bank-fintech partnerships have also been crucial to improving competition in the financial services industry both domestically and abroad. As noted in a 2025 New York University Journal of Law and Business study, community banks engaging in bank-fintech partnerships “exhibited a higher average Return on Equity (ROE) of 12.4% versus 10.2% of peers and a return on assets of 1.3% versus 0.9% in 2024”.¹³ According to a June 2024 literature review conducted by the Basel Committee on Banking Supervision, there is ample evidence to support the view that the rise of fintech has put pressure on the market share and pricing power of incumbent banks. The Basel Committee literature review also notes the rise in community bank and fintech partnerships.¹⁴ Ultimately, responsible bank-fintech partnerships have led to greater competition for banking services, particularly when gaps in the market are present. In turn, this greater competition has led to a virtuous cycle of innovation and consumer benefit by pushing companies to continue seeking new services or providing these services in unique ways to increase their market share and effectively serve more consumers.

Through these competitive dynamics, community banks have experienced unique benefits. Through partnerships with fintech companies, community banks have been able to reach far more consumers than through their traditional banking services alone. Central to many community banks is a “relationship banking” culture that meets customers on their terms and provides additional flexibilities in the products and services offered. Community banks engaged in bank-fintech partnerships bring additional benefits to consumers by providing their relationship banking style to the products and services they offer online. Further, the relationship banking ethos that underpins community banks helps to bolster the suitability and resilience of partnering with fintech companies who seek to leverage innovative technologies and methods to offer new products and services. By pursuing these innovative products and services through responsible bank-fintech partnerships, community banks can help ensure long-term viability of their institutions and the resilience of the U.S. financial services industry.

Relatedly, responsible bank-fintech partnerships have been able to improve regulatory and cost efficiencies within both financial institutions and fintech companies, particularly for community banks, who must deploy their resources strategically in order to remain competitive in the industry. For years, fintech companies have leveraged their core competencies to make payments, lending, and deposit taking easier for their financial institution partners. On the financial institution side, these entities have used existing robust compliance practices and processes, as well as keen knowledge of the regulatory requirements in financial services to improve the safety and security of products and services offered in partnership with fintech companies. By creating these efficiencies, financial institutions and fintech companies are able to

¹³ Frederik Braun; Sam Yu, "Innovation at the Intersection: A Policy Blueprint for Bank-Fintech Partnerships," New York University Journal of Law and Business 21, no. 3 (Summer 2025): 733-810.

¹⁴ Bogaard, Hein, Sebastian Doerr, Nicole Jonker, Hua Kiefer, Onur Koltukcu, Calixto Lopez, Jose R H Ornelas, et al., Literature review on financial technology and competition for banking services, Working Paper 43, Bank for International Settlements, (Jun. 7, 2024), available at <https://www.bis.org/bcbs/publ/wp43.pdf>.

dedicate additional capital to their core products and services. Thus, more effectively serving consumers, especially those in historically underserved communities.

Overall, the continued consumer adoption of technology, and their use of this technology to conduct banking services, combined with the strong economic incentives for the expansion of the bank-fintech partnership model within the financial services sector means that innovative banks and their fintech partners will have an ever increasing role in providing responsible banking services in the United States.

II. Industry Practices and Third-Party Risk Management

Fintech companies and the innovative financial institutions with whom they partner have a duty to operate in a responsible manner. To AFC and its members, this means avoiding simply digitizing existing analogue predatory products and operating in a proactive manner to address any identified issues that might harm consumers, diminish the resilience of the financial institution or fintech company, or increase risks to the financial services system. Like any emerging industry or model, the bank-fintech partnership continues to mature in its processes and practices related to risk management. To that end, AFC and its members continue to pursue leading practices to effectively manage risks associated with bank-fintech partnerships. As noted in the existing interagency third-party risk management guidance, both financial institutions and fintech companies engaging in responsible bank-fintech partnerships of all types should develop robust due diligence and risk management processes and practices encompassing the entirety of the bank-fintech relationship.¹⁵ AFC generally approved of the supervisory expectations conveyed through the Agencies' third-party risk management guidance and found the guidance helpful for the continued development of responsible bank-fintech partnerships. Particularly, the provisions related to due diligence and third-party selection, contract negotiation, and governance were helpful in rebalancing industry conversations and developed a clear path forward for financial institutions and fintech companies. In accordance with this guidance, AFC members have developed specific processes and practices for partner onboarding, continued monitoring of the partnership, and the responsible dissolution or termination of a partnership should it be required.

Within the onboarding process for either a financial institution or a fintech company in a bank-fintech partnership, AFC has identified leading practices that include conducting robust "suitability assessments"; holistic qualitative and quantitative risk assessments; targeted secondary risk assessments (where applicable); development of clear compliance requirements; and contingency planning for effective remediation of issues, dissolution, or termination of the partnership.

In addition to robust onboarding processes implemented by both financial institutions and fintech companies, AFC members have identified a number of leading practices related to continuous monitoring efforts throughout the partnership that they engage in to proactively identify and mitigate risks. While the specific practices implemented depend on the risk profile of the partnership, AFC members have identified the importance of consistent engagement between

¹⁵ The Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency, Treasury, "Interagency Guidance on Third-Party Relationships: Risk Management", Fed. Reg. 88, no. 111, (Jun. 9, 2023): 37920.

both the financial institution and the fintech company to ensure that both entities are discussing any risks that might be on the horizon and are continuously monitoring their systems for potential issues. To assist the regulators in their supervisory function, the Committee can play a role in facilitating public conversations on the nuances of these partnerships and the risk management processes pursued within them by convening hearings on the matters discussed above.

III. Regulatory Modernization Will Drive Innovation and Competition

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 Recommends the Subcommittee Pursue 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 market competition and access to financial services over the past decade in the consumer lending space.¹⁶ 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

¹⁶ Ibid. Government Accountability Office.

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.¹⁷

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.¹⁸ However, this rulemaking was invalidated by the 117th Congress,¹⁹ 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.²⁰

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 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

¹⁷ See Bryan Cave Leighton Paisner, “True Lender Rule: Return to Confusion”, (Jul. 28, 2021).

¹⁸ 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).

¹⁹ 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).

²⁰ Modernizing Credit Opportunities Act, H.R. 4439, 115th Cong. (2017).

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.²¹ Further, the CFPB continues to move forward with a forthcoming reconsideration of the rulemaking to implement Section 1033 of the Dodd-Frank Act.²² 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.

AFC strongly supports the Committee’s efforts to address this patchwork through enactment of the Guidelines for Use, Access, and Responsible Disclosure of Financial Data Act (the “GUARD Financial Data Act”)²³, which reflects meaningful progress toward a durable, national standard for the treatment of customer financial data. AFC particularly appreciates that the Act provides explicit effective dates with a two-year implementation period for the bill’s most consequential provisions, including data minimization and deletion rights, which will give financial institutions and their fintech partners the meaningful lead time needed to update systems, contracts, and procedures in a responsible manner. AFC also welcomes the addition of a statutory definition of “former customer” and the narrowing of the “financial data aggregator” definition to entities whose “primary business purpose” involves data aggregation, which better reflects the operational realities of bank-fintech partnerships. AFC looks forward to continuing dialogue with the Committee on ensuring that the bill’s deletion-right exceptions are sufficient to address the practical realities of loan-lifecycle management, and on clarifying the fintech partner exclusion in the financial data aggregator definition to provide certainty for partners that serve both institutional and direct consumer functions.

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

²¹ 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).

²² CFPB, Personal Financial Data Rights Reconsideration, Docket No. CFPB-2025-0037.

²³ GUARD Financial Data Act, H.R. 8398, 119th Cong. (2026).

focus on developing pragmatic policy once there is sufficient evidence to construct such legislation.

B. AFC 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 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.²⁴ 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.²⁵ Consistent with AFC’s March 31, 2025, letter to the Committee on the “Make Community Banking Great Again” principles²⁶, 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.

AFC therefore strongly supports the enactment of H.R. 6552, the Bank-Fintech Partnership Enhancement Act, introduced by Representative Andy Barr (R-KY)²⁷ on December 10, 2025, and reported favorably by the Committee, which directs the Federal Reserve, FDIC, and OCC to conduct a comprehensive study of bank-fintech partnerships, including how these partnerships support the formation of new banks and the health of community banks, and to report findings and recommendations to Congress. AFC also strongly supports H.R. 3380, the TAILOR Act, which requires federal financial regulators to take into account an institution’s risk profile and

²⁴ 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>.

²⁵ 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>.

²⁶ 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>.

²⁷ 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>.

business model when issuing new regulations or taking supervisory actions, mandates the use of simplified reporting for eligible institutions, requires regulators to conduct a retrospective review of past rules to identify opportunities for tailoring, and directs the agencies to submit a comprehensive report to Congress on efforts to modernize bank supervision. As AFC urged in its December 8, 2025 letter to House and Senate leadership, codifying these reforms in statute, including in the final text of the National Defense Authorization Act for Fiscal Year 2026, would deliver concrete, bipartisan regulatory relief and ensure that supervisory modernization endures across administrations.²⁸

Finally, 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 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.²⁹ 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” and that “[s]uptech tools should have a natural place in supervisory processes and address specific pain points”.³⁰

²⁸ American Fintech Council, “Letter Urging Inclusion of Banking Legislation in the National Defense Authorization Act for Fiscal Year 2026” (Dec. 8, 2025) available at <https://fintechcouncil.org/advocacy/afc-letter-urging-inclusion-of-banking-legislation-in-the-national-defense-authorization-act-for-fiscal-year-2026>.

²⁹ 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>.

³⁰ Ibid, Pages 14-15.

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.

The Committee has already advanced legislation that would directly operationalize these recommendations. AFC strongly supports H.R. 8278, the FUTURES Act, introduced by Rep. Marlin Stutzman, which requires financial regulatory agencies to assess whether the technologies they currently use pose challenges to conducting real-time supervisory assessments of the firms within their jurisdiction, and to identify opportunities for testing and adopting new technological systems. AFC also strongly supports H.R. 4801, the Unleashing AI Innovation in Financial Services Act, introduced by Chairman Hill, which requires each federal financial regulatory agency to establish or designate an AI Innovation Lab, empowering regulated entities to test AI applications within supervised regulatory sandboxes. AFC has been on the record in support of this legislation since August 2025, and we are encouraged that the bill requires agencies to actively engage with regulated entities in these labs, as collaborative engagement is essential to ensuring that regulators develop the institutional expertise to supervise AI-driven financial products effectively. Relatedly, AFC supports H.R. 2152, the AI PLAN Act, introduced by Rep. Zach Nunn, which directs the Departments of Treasury, Homeland Security, and Commerce to jointly produce a comprehensive assessment of the national and economic security risks posed by the use of artificial intelligence in financial crimes, along with legislative recommendations and best practices for both public- and private-sector entities. Together, these bills would meaningfully advance the suptech and regtech objectives discussed above by ensuring that both regulators and regulated entities operate with compatible, modern technology infrastructure.³¹

D. AFC Highlights Opportunities for Improving Examination Quality and Activity-Specific Supervisory Clarity

Through AFC's membership and discussions across the industry, we have learned that examiner knowledge and understanding of bank-fintech partnership models, as well as the innovative products and services offered through them, varies substantially. Both federal and state examiners are crucial to ensuring a safe and sound financial services industry that serves consumers effectively. However, due to the varied understanding of bank-fintech partnership models and the risks associated with them, AFC believes that significant education and reform efforts are needed. AFC recognizes and appreciates the efforts to improve the examination of bank-fintech partnership models pursued by the OCC and Federal Reserve through the establishment of the Office of Financial Technology and the Novel Activities Supervision Program, respectively. Given the continued growth of digital-first offerings through bank-fintech

³¹ American Fintech Council, "Letter of Support for Legislation Advancing AI Innovation, Fraud Prevention, and Supervisory Modernization in Financial Services" (May 13, 2026) available at <https://fintechcouncil.org/advocacy/federal-afc-letter-of-support-for-legislation-advancing-ai-innovation-fraud-prevention-and-supervisory-modernization-in-financial-services>

partnerships, it is incumbent upon the regulators to ensure that they are dedicating adequate funding to the staffing and development of programs designed to examine bank-fintech partnerships.

While it is crucial that agencies support the continued development of the subject matter experts found in the Office of Financial Technology and the Novel Activities Supervision Program, AFC believes that it is equally important to ensure that all examiners at the regulatory agencies have the requisite knowledge to engage effectively with financial institutions under their jurisdictions who are engaged in bank-fintech partnerships. As a practical matter, AFC respectfully recommends that the regulatory agencies engage with private sector entities to craft examiner education programs, syllabi, and course materials related to examining bank-fintech partnerships. Regulators' engagements with private sector entities have proved helpful for finding solutions to pressing policy issues — for example, the April 2022 FDIC-FinCEN Tech Sprint on digital identity, which produced solutions valuable to both regulators and industry participants.

AFC also strongly supports the Fair Audits and Inspections for Regulators' (FAIR) Exams Act, which would establish a new, structured process for institutions to appeal supervisory determinations. The lack of a fair and transparent appeals process has created uncertainty for financial institutions and their fintech partners, leading to inconsistent examination outcomes and undue regulatory burdens. AFC believes that adopting an appeals process similar to the FAIR Exams Act would improve fairness, accountability, and transparency in the examination process, ensuring that financial institutions are evaluated consistently and equitably.

Relatedly, AFC consistently advocates for clear and consistent “rules of the road” for industry participants developing innovative products and services or engaging in responsible bank-fintech partnerships. Now that the regulatory agencies have established adequate guidance for the overarching risk management framework within bank-fintech partnerships through the 2023 TPRM Guidance and the May 2024 Community Bank Guide, AFC believes that the agencies should pursue the issuance of additional activity-specific guidance tailored to various bank-fintech partnership models.

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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 bank-fintech partnerships.