



633 Folsom Street, 7th Floor • San Francisco, CA 94107

January 17, 2016

Via E-mail (specialpurposecharter@occ.treas.gov)

Office of the Comptroller of the Currency (OCC)
Legislative and Regulatory Activities Division
400 7th Street SW, Suite 3E-218
Mail Stop 9W-11 Washington, DC 20219

Re: Exploring Special Purpose National Bank Charters for Fintech Companies

Ladies and Gentlemen:

Affirm, Inc. welcomes this opportunity to comment on the OCC's white paper, *Exploring Special Purpose National Bank Charters for Fintech Companies*. We recognize the unique challenges facing the OCC in developing a chartering framework for non-depository fintech companies. We also recognize that the OCC's framework may not be suitable for all fintech companies. Nevertheless, we believe the rapid development of the fintech industry warrants the kind of serious policy consideration shown by your office and applaud your efforts.

This brief letter provides views on the type of information that the OCC might consider seeking from any fintech special purpose national chartered entity to gauge progress toward financial inclusion. It also suggests strategies for better coordinating and communicating with other regulators.

I. About Affirm

Affirm is a financial technology company seeking to re-imagine consumer finance in ways that improve the lives of everyday consumers. Affirm's core product provides point-of-sale installment finance solutions at a variety of online merchant retailers from sectors including furniture and homewares, apparel, consumer electronics, and travel. Loans typically have terms ranging from three, six, or twelve months, and contain no origination fees, late fees, service fees, prepayment fees, or any other hidden fees. Affirm succeeds when consumers succeed.

II. Responses to Select Questions

What information should a special purpose national bank provide to the OCC to demonstrate its commitment to financial inclusion to individuals, businesses and communities? For instance, what new or alternative means (e.g. products, services) might a special purpose national bank establish in furtherance of its support for financial inclusion? How could an uninsured special



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purpose national bank that uses innovative methods to develop or deliver financial products or services in a virtual or physical community demonstrate its commitment to financial inclusion?

Affirm embraces data-driven solutions and would encourage the OCC to seek rich data from any fintech special purpose national chartered entity to demonstrate progress toward financial inclusion. This may include datasets showing products or services provided by the chartered entity, and corresponding customer data including the time and manner that the product or service was accessed. At a minimum, such data may help provide a fuller picture of Americans relying on emerging fintech alternatives, which is an important first step toward financial inclusion.

Greater financial inclusion is a fundamental goal for many new fintech companies. But it is important to recognize that there are multiple impediments to, and therefore multiple means of achieving, financial inclusion. Changing consumption patterns and values seem to have led many Americans to opt out of certain traditional financial products or services. For example, only about one-third of Americans ages 18-29 claim to own a credit card, compared to nearly two-thirds of Americans ages 50-64.¹

Furthermore, there seem to be ongoing systemic barriers to traditional financial products or services. While it is true that most Americans are trending away from using cash during the typical week, this trend breaks down for those making less than \$30,000,² who are also less likely to own a credit card.³ The reasons are undoubtedly several and nuanced. But the observation remains: over one-quarter of all American households today are unbanked or underbanked,⁴ and nearly 20% of American households have used payday loans, refund anticipation loans, rent-to-own services, pawn shop loans, or auto title loans.⁵

Affirm, like other fintech companies, believes technology holds the potential to democratize access to quality financial products and services. We, and fintech companies like us, are focused on building products and services that consumers want to use, from credit-card-alternatives, to real-time financial management tools, to quality small business loans. We welcome changing behaviors toward commerce and finance by meeting Americans where they are today,⁶ not where they were a generation ago.

¹ Cetera, Mike. "Survey: Surprisingly few millennials carry credit cards." *Bankrate*. Bankrate, Inc., 13 June 2016. Web. 17 Jan. 2017.

² Pew Research Center, December, 2016, "Online Shopping and E-Commerce," p. 17.

³ Cetera, *supra*.

⁴ Federal Deposit Insurance Corporation, October 20, 2016, "2015 FDIC National Survey of Unbanked and Underbanked Households," p. 1.

⁵ *Id.*, p. 13.

⁶ See Consumer Financial Protection Bureau, November, 2015, "Mobile financial services: A summary of comments from the public on opportunities, challenges, and risks for the underserved" Available at:



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How can the OCC enhance its coordination and communication with other regulators that have jurisdiction over a proposed special purpose national bank, its parent company, or its activities?

Affirm believes the quality of coordination and communication between regulators can be improved by upfront agreement on the type and cadence of information to be shared between stakeholders. Specifically, the OCC may consider defining the kind of information it expects to gather and monitor with respect to any fintech special purpose chartered entity and, critically, identifying any other relevant regulators. This would have several advantages. First, it clearly sets expectations for newly-chartered entities and promotes regulatory certainty. Second, it may help streamline the OCC's supervisory process across diverse business models and entities. And third, it gives other regulators ample opportunity to weigh in with particularized concerns about the OCC's supervision of relevant special purpose national chartered entities.

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Once again, we appreciate the opportunity to engage in this critical dialogue and look forward to the OCC's continued leadership in this area.

Very truly yours,

AFFIRM, INC.

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By: _____
Manuel P. Alvarez
General Counsel, Chief Compliance Officer

http://files.consumerfinance.gov/f/201511_cfpb_mobile-financial-services.pdf. The rate of growth in smartphone use among underserved households and individuals is “growing and significant.” 44 percent of unbanked individuals and 50 percent of adults living in households earning less than \$30,000 per year have smartphones. *Id.*, p. 4-5.

See *also* Pew Research Center, April, 2015, “The Smartphone Difference” Available at: <http://www.pewinternet.org/2015/04/01/us-smartphone-use-in-2015>. “Some 13% of Americans with an annual household income of less than \$30,000 per year are smartphone-dependent.” *Id.*, p. 3.