

## Responses to “Exploring Special Purpose National Bank Charters for Fintech Companies”

It is inspiring to see a government bureau take proactive measures to better understand how technology companies shape the consumer finance market in the United States. Thank you again for your time and interest in this topic, below please find my answers to questions posed by the OCC:

- In response to Question 3: Consumer access to banking services (e.g., an FDIC-insured bank account and a debit card) can dramatically increase with a special purpose national bank charter. In addition to providing more access to basic levels of service, fintech companies can also offer highly personalized services to each customer. Several fintech companies currently offer services focused on individuals who are underserved and underbanked, a great example being Affirm ([www.affirm.com](http://www.affirm.com)). Similarly, I have ideas to provide new forms of credit to those who currently resort to payday advances and credit cards.
  - By leveraging new sources of data available online and on personal devices, personalized lending can exist for the first time. This is particularly helpful for members of underserved groups and those who do not have a complete history with credit bureaus.
  - Further, special purpose national banks can champion the Community Reinvestment Act by offering services to low- and middle-income families across the country.
  - I have no relation to Affirm.
- In response to Question 11: The OCC and other regulators could come together to create guidelines that fintech companies could follow (1) in order to receive national bank charters and (2) to remain compliant moving forward.
  - There are several regulators governing the banking industry and each have their own criteria, some of which are difficult to find online. The core idea is that there could be a set of guidelines for becoming an uninsured national bank, an FDIC-insured national bank, and so on.
  - Furthermore, once a bank charter is approved for a fintech company, ongoing work is needed to (1) continue operating in compliance to regulations, (2) comply with newly-passed laws, and (3) enter new markets, for example, to begin offering auto or home loans.
- In response to Question 12: If a special purpose national bank has concentrated business activities, then the OCC should consider specific regulations for that entity. For example, a fintech company focused on lending could be allowed to only lend a certain percentage of its deposits, an amount that is more restrictive than regulations levied on traditional banks. Over time, these restrictions can be loosened as the company meets certain agreed-upon milestones.

## Questions for the Office of the Comptroller of the Currency

The points below are comments and questions I have from researching this topic and reading the OCC's paper. The comments are made from my perspective, as someone who has worked closely with early-stage, privately-held technology companies.

Although the consumer internet market has grown at a strong pace, entrepreneurs and early-stage investors have long avoided highly-regulated industries. Recently, we have started to see large venture capital investments in technology companies operating in highly-regulated areas, from insurance and healthcare to financial services.

To the point made in the paper, however, many fintech companies either attempt to create alternatives to banks or decide to partner with existing banks. There has still be little to no innovation in what I view to be the **most successful long-term path**: a U.S. national bank that offers personalized services to customers via the internet.

Naturally, I was grateful to find the OCC's Special Purpose Charter paper. I find the work done by the Office to be a great step in the right direction. In my opinion, the largest hurdle to greater innovation and inclusion in financial services is not regulation. Financial regulation is needful and I strongly believe that if technology companies receive bank charters, they should be held to high standards of safety and soundness, fair access, and fair treatment of customers.

The largest barrier to starting is, in my eyes, the chicken and egg problem. Namely, receiving approval for a bank charter requires significant capital and an experienced team, among many other things. To do would require an entrepreneur to already have millions of dollars of funding prior to receiving the charter, with no guarantee that the charter will be granted. This is a tall order.

In my opinion, the most sound way to build a fintech company that has the goal of receiving a bank charter is to partner with an existing bank and demonstrate a strong track record. Then, the nonbank company can apply to receive a special purpose bank charter from the OCC. (I welcome discussion with members of the OCC on this line of thinking.)

Below please find my questions for the OCC to review, time permitting:

- Would the OCC be open to the idea of having a pilot program for fintech startups that are seeking special purpose national bank charters?
- Would the OCC be open to create a tiered chartered system (if one is not already in place)?
  - For example, a fintech company could start by accepting deposits and issuing debit cards. Once it has operated for a period of time and achieved certain milestones, it can begin lending. And after successfully lending for a period of time, it can provide new credit offerings.
  - No fintech company will compete on all fronts with large, multi-national banks. Technology companies traditionally start with a narrow focus and expand out in concentric circles; regulations that match this idea would help new companies get off the ground quickly and provide data for management, investors, and regulators to make better decisions.
- What does the OCC look for in a strong fintech company application for the proposed special purpose national bank charter?
- How does the OCC evaluate the aptitude of an individual executive, of the management team as a whole, and of the company's board of directors?
- Specifically, what information would be most helpful to the OCC that either fintech companies or general consumers can provide the Office?