January 12, 2017

Specialpurposecharter@occ.treas.gov
Office of the Comptroller of the Currency
400 7th Street, SW
Washington, D.C. 20219

Re: "Exploring Special Purpose National Bank Charters for Fintech Companies"

Dear Sir or Madam:

Social Finance, Inc. ("SoFi"), appreciates the opportunity to comment in response to the Office of the Comptroller of the Currency's ("OCC") white paper entitled "Exploring Special Purpose National Bank Charters for Fintech Companies." SoFi commends the OCC on its initiative in exploring special purpose national banks ("SPNBs") for fintech companies and believes that an SPNB charter could potentially lead to efficiencies and innovation in the online lending space. The reduction in costs and complexity would result in increased availability of convenient and affordable credit and other financial products, as well as cost savings that could be passed on to consumers, while preserving consumer protections.

DISCUSSION

Online lending today is an essentially nationwide activity, not confined to the geographic territory of any individual state. Looking to the future, online lending will continue to benefit from the increase in scale and the depth of geography, such that the activity will likely cross national borders, at least for successful business models. Fintech companies and traditional banks are both using new technologies to meet the evolving financial needs and preferences of consumers and businesses. Online lenders may disproportionately serve population groups with fewer ties to traditional banks – such as "millennials" – who find fintech offerings more accessible and easier to use. These populations are not generally concentrated geographically.

While many states have made admirable efforts to align their regulations with technological innovation, state laws by and large were drafted for a "bricks and mortar" banking environment that did not envision online service delivery. Complying with 50 state laws adds substantial costs and complexity and makes consistency of online product offerings more difficult. State-level requirements for mortgage lenders, unsecured consumer lenders, money transmitters and so on vary widely from state to state, notwithstanding the welcome efforts of the Uniform Law

Commission to provide uniformity among state laws. Several states require bricks and mortar presence, and state laws vary on permissible interest rates, origination fees, and payment terms. The costs of continuously evaluating and complying with these different regulatory regimes must be passed on to consumers and specific financial products might not be permissible in every state. Moreover, the process of applying for licenses and the time frame for the states to review such license applications differs from state to state, particularly as not all states use the Nationwide Multistate Licensing System ("NMLS") for license applications.

Granting SPNB charters to fintech firms would be a logical extension of long-standing OCC policy of granting SPNB charters to trust banks that engage in fiduciary activities, to credit card banks, and to other entities that deliver banking services in new and different ways, realizing the benefits of technological innovation. A SPNB charter could offer a more efficient alternative, reducing costs and complexity, and could enable some consumers to receive banking services that would otherwise not be available to them, at lower costs.

SoFi's responses to the specific questions posed in the OCC white paper that relate to SoFi's current business follow below.

BACKGROUND ON SOFI

We respectfully submit that SoFi's record makes it particularly well-qualified to comment on the White Paper. SoFi is a leading online lender offering student loan refinance, personal loans, and mortgage loans. SoFi began as the first company to enable post-secondary graduates to refinance their federal and private student loans. In its short history, SoFi has expanded its offerings to include mortgages, mortgage refinancing, and unsecured personal loans, while earning industry-leading customer loyalty. SoFi has grown rapidly since it was founded in 2011. In 2016, SoFi originated more than $8 billion in loans, and has originated approximately $15 billion in loans since it began lending in 2012. SoFi is the leading lender in the student loan refinance market. SoFi has sponsored 20 asset-backed securitization transactions since inception and developed relationships with a broad range of institutional investors. In 2016, the senior notes on SoFi's student loan ABS transactions were rated AAA by a major credit rating agency, a first for a fintech lender. SoFi has also sold several billion dollars in loans to depository institutions, insurance companies and other leading institutional investors. SoFi has raised more than $1.4 billion in equity since it was founded and is well capitalized.

In the spring of 2016, SoFi was approved by Fannie Mae as a seller-servicer and began originating and selling conforming mortgages to Fannie Mae. SoFi has also partnered with Fannie Mae on an innovative refinance product that allows homeowners to pay off their outstanding student loans by refinancing their mortgage at low interest rates. Additionally, SoFi has partnered with a leading mortgage company to establish a joint venture known as SoFi Mortgage which will focus on VA and FHA loans. SoFi completed its first non-agency mortgage securitization in 2016.

SoFi views its 225,000 borrowers as members of the SoFi community. The company intends to broaden its product offerings as it seeks to deepen member relationships and serve members financial needs across their lifetime. SoFi continues to invest in its proprietary model for underwriting credit risk while at the same time further simplifying the application process for its members to deliver more of it online, particularly through mobile devices. Most recently, SoFi partnered with a large insurance company to offer its members an innovative term life insurance product with no medical examination requirement for most applicants. SoFi has also launched a goals-based wealth management product through its affiliate, SoFi Wealth, a registered internet investment adviser.

SoFi is based in San Francisco and has offices in Healdsburg, CA; Helena, MT; Salt Lake City, UT; New York, NY; and Reston, VA. Since its founding at the Stanford Graduate School of Business in 2011, SoFi's employee base has grown to over 700 employees with backgrounds across the consumer financial services and financial technology landscape.

SoFi maintains consumer loan licenses in more than 20 states and it holds mortgage lending licenses in more than 25 states. SoFi Lending Corp., a wholly owned subsidiary of SoFi, originates SoFi loans in its own name in compliance with state usury and licensing laws and does not rely on a depository institution to originate loans. SoFi offers consumers a choice of fixed or variable rate loans. SoFi's student loan interest rates are typically lower than federal student loan rates and its average personal loan interest rate is significantly less than credit card rates. SoFi services personal loans in house and contracts with qualified third party servicers for its student loans and mortgage loans after origination. SoFi does not currently take deposits or execute payments for the benefit of third parties.

SoFi Lending Corp. in its current business as a non-depository institution, is currently subject to the supervisory authority of the Consumer Financial Protection Bureau ("CFPB") since it originates consumer mortgage loans and private education loans.[1] In addition to the CFPB, SoFi Lending Corp. is also regulated by the states in which it has consumer lending or mortgage lending licenses and is subject to examinations by such states.

Career Services and Special Servicing

SoFi is committed to providing tangible value to its community of members that cannot be found elsewhere. It has established a Career Services group that works side-by-side with its Special Servicing team to mitigate employment disruption and resulting financial hardships. By providing a professional support system to its customers, SoFi seeks to foster increased brand loyalty and improve servicing communication from both challenged and performing customers. Staffed by professional "reverse" recruiters, the Career Services group assists borrowers who may have lost their jobs or seek to move on from their current employers. There is no charge to the borrowers for this service. Career Services has assisted over 250 unemployed borrowers to find

[1] 12 U.S.C. 5514(a).

employment and has counseled more than 1,800 individuals through a range of services including placement, résumé development, interview preparation, and counseling.

SoFi also provides support for indebted entrepreneurs through its Entrepreneur Program. In operation since 2013, the program has provided 6-12 months of loan forbearance to startup founders with student debt. In addition, the program also provides a peer network, mentorship, access to investors and assistance with a range of things such as social media strategy and press relations. Over 70 entrepreneurs have now benefited from the program without any charge.

SoFi has also hosted more than 200 networking events across more than 30 states for its members. These informal sessions range from dinners and happy hours to panel sessions with distinguished speakers, covering a range of finance and career related topics. The events, free of charge for members, are hugely popular and provide networking opportunities for members beyond their usual social networks. SoFi is planning to host 400+ events in 2017 alone.

ANSWERS TO SPECIFIC QUESTIONS

1. **What are the public policy benefits of approving fintech companies to operate under a national bank charter? What are the risks?**

Public policy benefits of the SPNB charter for fintech companies include: greater credit availability at lower costs to consumers through more efficient regulation and reduced complexity; larger range of choices for consumers through increased competition, including traditionally underserved consumers; and enhanced safety and soundness through consolidated examination and supervision by well-resourced financial regulators. In addition, a national charter could foster financial inclusion, by enabling fintech companies to offer products to a broader population of un-banked and under-banked individuals than may currently be possible given state restrictions on loan terms. Finally, a SPNB charter may allow fintech firms greater access to capital, as investors and financial institutions may be more likely to invest or do business with a federally regulated institution in a clearer regulatory environment.

Most fintech companies whose focus is consumer lending engage in lending and capital raising activities that are similar to those of traditional financial services providers and that are already addressed by existing regulation. Enabling fintech companies to operate under a national bank charter would bring them under Federal oversight, which means they would no longer be operating in the shadow of traditional banks. Having a window into this type of banking activity should augment the Federal government's macro prudential capabilities. This should reduce risk in the System rather than increase it.

2. **What elements should the OCC consider in establishing the capital and liquidity requirements for an uninsured special purpose national bank that limits the type of assets it holds?**

As the OCC correctly noted in its white paper, minimum and ongoing capital levels should be commensurate with the risk and complexity of an individual institution's activities. Capital should promote continuity in lending and allow a loan originator to withstand temporary adverse markets. Lenders should have sufficient capital to support a specified number of months of loan originations, as well as an anticipated level of loan buybacks relating to failure to conform to loan representations and warranties. For SPNBs engaged in consumer lending, capital requirements should reflect the nature of the institution's lending, the quality of its loan underwriting, the leverage profile, and the extent to which loans are held on the institution's balance sheet versus sold to investors or securitized. Capital requirements should be lower for institutions that engage in prime lending, have demonstrably high-quality loan performance, and keep fewer assets on their balance sheets. Capital requirements should also be lower for institutions with simpler business models.

Liquidity requirements should be different for an online lender chartered as an SPNB that does not take deposits than for an institution which takes deposits. An online lender engaged in closed end lending might slow down or stop making new loans in response to an adverse liquidity scenario, but such a development should not pose broader safety and soundness concerns and should not harm consumers. The OCC should focus on the sufficiency of backup servicing plans, effective oversight of such vendors, and the sufficiency of capital to complete a transfer of responsibilities from the SPNB. This will ensure that existing borrowers are not affected by difficulties experienced by the SPNB lender.

3. **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 purpose 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?**

The OCC should take a broad view of the degree to which fintech companies have expanded access to credit to historically underserved market segments. For example, SoFi has provided consumers with the ability to consolidate and refinance high interest rate private and Federal student loans, an opportunity which did not exist before SoFi introduced this product. SoFi has refinanced student loans for graduates of over 2000 institutions of higher learning; graduates of any institution accredited by the U.S. Department of Education are eligible. SoFi has already developed policies and procedures to ensure compliance of its lending practices and that they do not have a disparate impact on protected classes that would be extended under and SPNB charter.

SoFi's mortgage products also meet the needs of homeowners who have not been well served by traditional mortgage lenders. SoFi's high loan-to-value mortgage product allows first time homebuyers who might not otherwise qualify for a loan to put down as little as 10% of the purchase price. A recent graduate of medical school, for example, may not have the savings needed to obtain a mortgage from a traditional mortgage lender, but, in SoFi's analysis, such a borrower is sufficiently creditworthy to warrant this type of loan. Because of our confidence in the borrower's stable income and ability to repay, we are willing to lend at an LTV ratio that is under served by traditional banks. Further, SoFi will soon expand access to mortgage loans to lower income borrowers through its joint venture with a major mortgage lender which will focus on FHA and VA loans.

SoFi's free services to community members in the form of career coaching, job placement assistance, entrepreneurial support and networking also demonstrates a commitment to financial inclusion. SoFi provides career placement services for borrowers who lose their jobs. Participants can receive up to 1 year of forbearance in 3-month increments provided they remain engaged in SoFi's program. In addition, SoFi's Entrepreneur Program offers early-stage entrepreneurs loan forbearance, access to the SoFi community for product outreach, and access to capital for business growth.

Uninsured SPNBs are not subject to the Community Reinvestment Act ("CRA") and it would be inappropriate to attempt to apply CRA-like requirements to institutions without operations based in specific geographic communities. Instead, commitment to financial inclusion can be demonstrated by use of technology to reach underserved communities, compliance with fair lending laws and targeted financial literacy programs not limited to existing customers.

4. **Should the OCC seek a financial inclusion commitment from an uninsured special purpose national bank that would not engage in lending, and if so, how could such a bank demonstrate a commitment to financial inclusion?**

Currently, SoFi is engaged only in lending. Consequently, we believe this question is better addressed by others with a different business model.

5. **How could a special purpose national bank that is not engaged in providing banking services to the public support financial inclusion?**

Once again, SoFi is currently engaged only in lending, and lending is a traditional banking function. With that said, and acknowledging the limitations of our particular experience, we note that one important aspect of financial inclusion is financial literacy. Many consumers who are not able to obtain traditional banking services are in this position because of things that they do not know. For example, credit history and the FICO score are important if a consumer wishes to have access to credit. But many consumers do not understand this basic point. A SPNB that is not providing banking services to the public may not be in a position to help with lending or payment services, but it can help the financial literacy problem, as can all SPNBs. The OCC may wish to consider some type of commitment toward financial literacy, as a measure in recognition of the privilege of being granted a SPNB charter.

6. **Should the OCC use its chartering authority as an opportunity to address the gaps in protections afforded individuals versus small business borrowers, and if so, how?**

Currently SoFi does not make small business loans. Consequently, we believe this question is best addressed by others with a different business model.

7. **What are the potential challenges in executing or adapting a fintech business model to meet regulatory expectations, and what specific conditions governing the activities of special purpose national banks should the OCC consider?**

The challenges in executing a fintech business model to meet regulatory expectations are substantially similar to the challenges facing community banks generally. It is essential that regulators take into account size differentiation in developing regulatory expectations. Online lenders who currently act as a service provider to banks or who sell loan portfolios to banks are required to demonstrate to such banks that they have an effective compliance management program and comply with the array of consumer protection laws including, without limitation, the Truth in Lending Act, Equal Credit Opportunity Act, Fair Credit Reporting Act, Electronic Funds Transfer Act, Servicemembers Civil Relief Act, and the regulations promulgated under those Acts, as well as state UDAPP laws and laws relating to debt collection by first party creditors.

Larger online lenders with greater financial resources may have advantages in meeting regulatory requirements over smaller fintech companies, because they have the wherewithal to establish an effective compliance and audit function satisfactory to the OCC. The understandable burden of these regulatory requirements likely means that the SPNB charter will be attractive to businesses that have substantial financial and human capital; this charter is probably not practical for startup fintech companies. Indeed, the OCC SPNB process may lead to consolidation among fintech companies given the investment that will be required to establish an infrastructure that will meet regulatory requirements.

8. **What actions should the OCC take to ensure special purpose national banks operate in a safe and sound manner and in the public interest?**

As it has for existing SPNBs, the OCC should tailor its regulatory capital requirements and examination program for fintech SPNBs to take account of the risk and complexity of an individual institution's activities. The public interest will be served to the extent these institutions increase the level of competition in the marketplace for financial services and reach consumers that may not be fully served by traditional financial services providers.

9. **Would a fintech special purpose national bank have any competitive advantages over full-service banks the OCC should address? Are there risks to full-service banks from fintech companies that do not have bank charters?**

When all relevant factors are taken into consideration, SPNBs would not have an overall competitive advantage over full-service banks. FDIC-insured institutions have and will continue to have a lower-cost of funding than non-depository SPNBs. In addition, FDIC-insured institutions enjoy and will continue to enjoy an enhanced customer perception due to the backing of the Federal government.

Full-service institutions can and do offer their own "fintech" services to customers, including web-based lending and mobile-based payments. The competition they face from non-banks is not fundamentally different from the competition they face from other banks.

10. **Are there particular products or services offered by fintech companies, such as digital currencies, that may require different approaches to supervision to mitigate risk for both the institution and the broader financial system?**

Specifically as it relates to SoFi, our career services and entrepreneur programs provide members with tools to potentially improve their ability to pay over the term of the loan while offering limited loan forbearance. These programs contribute to SoFi's overall performance, however they do not fit within the traditional workout strategies the OCC looks to when evaluating safety and soundness for deposit taking institutions.

To the extent the SPNB will not take deposits, the OCC should evaluate the safety and soundness considerations of such programs only as far as they impede the financial stability of the SPNB or its commitments to customers and counterparties.

11. 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?

Generally, the tools that the OCC might use to enhance coordination and communication with other regulators should be the same as the OCC uses with national banks. As with a national bank, there will be other regulators who have concurrent jurisdiction of the SPNB, or an affiliate. For example, if the SPNB takes insured deposits, the FDIC will have concurrent jurisdiction of the SPNB. The CFPB may also have concurrent jurisdiction of the SPNB, particularly with respect to products that affect consumers. Similarly, if there is a bank holding company, the Federal Reserve will have concurrent jurisdiction of the holding company, and also of the non-banking affiliates if any exist. If the SPNB is an insured depository institution, it will also likely have access to the Federal Reserve's lender-of-last-resort facilities, and there will be a need to coordinate with the Federal Reserve concerning borrowing and crisis management. For these regulators, there are a number of familiar tools that enhance coordination and communication. The regulators can enter into information-sharing agreements, that will enable them to share supervisory information. The regulators can enter into cooperation agreements, which will enable them to state how they will deal with various scenarios, like a bankruptcy or a liquidity crisis. If the SPNB conducts operations across national borders, the regulators may want to organize a "college of supervisors" that will permit them to conduct supervision on a cross-border basis.

12. Certain risks may be increased in a special purpose national bank because of its concentration in a limited number of business activities. How can the OCC ensure that a special purpose national bank sufficiently mitigates these risks?

To the extent that risks are increased due to concentration in a limited number of business activities, that risk can be mitigated through high quality of loan underwriting, demonstrated by loan performance. In addition, risks can be mitigated to the extent that institutions keep fewer assets on their balance sheets, have limited open credit commitments, and utilize less leverage than traditional banks.

13. What additional information, materials, and technical assistance from the OCC would a prospective fintech applicant find useful in the application process?

Prospective fintech applicants would find it extremely useful to have access to the OCC for pre-filing meetings and for OCC staff to critically review draft business plans. This should be done in a way that does not unnecessarily drag out the application process and result in prohibitive costs and time delays for fintech applicants. Clear direction on expectations for qualifications of management and for qualifications of prospective members of the board of directors for the SPNB, as well as obligations of the parent company of the prospective fintech applicant would also be very helpful.

Respectfully,

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