



April 13, 2017

specialpurposecharter@occ.treas.gov

Office of the Comptroller of the Currency

400 7th Street, SW

Washington, DC 20219

Re: "Draft Licensing Manual Supplement for Evaluating Charter Applications From Financial Technology 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") publication of the "Draft Licensing Manual Supplement for Evaluating Charter Applications from Financial Technology Companies." SoFi continues to commend 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.¹ 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

SoFi agrees with the OCC that "it is in the public interest to consider applications for a special purpose national bank (SPNB) charter from financial technology (fintech) companies that engage in banking activities..." As the OCC correctly points out, an SPNB charter would offer the option of "a framework of uniform standards and supervision..." While many states have made admirable efforts to align their regulations with technological innovation, state laws by and large were drafted for a physical branch banking environment that did not envision online delivery of financial services. Notwithstanding the welcome efforts of the Uniform Law Commission to harmonize state laws, requirements for mortgage lenders, non-banks making unsecured consumer loans or small business loans, money transmitters and so on vary widely from state to state. State laws vary on permissible interest rates, origination fees, late fees, payment terms and physical presence requirements. Evaluating and complying with these varying regulatory regimes entails costs that must be passed on to consumers, while certain financial products might not be permissible in every state.

¹ See January 12, 2017 SoFi comment letter on "Exploring Special Purpose National Bank Charters for Fintech Companies," which is incorporated by reference herein.



SoFi agrees with the OCC's conclusion that an SPNB charter for fintech companies can promote "growth, modernization and competition." An SPNB charter could offer a more efficient alternative to multiple state licenses, better aligning borrowers' perception of national online presence with a fintech lenders' ability to offer consistent products to its customers. A national framework allows lenders to reduce costs and complexity and enables some consumers to receive banking services that otherwise would not be available to them, at lower costs. As the OCC rightly points out, the existence of an SPNB charter would not preclude fintech companies from operating under other frameworks, including state bank charters, partnerships with banks, and existing state non-bank licenses.

SoFi's comments on specific elements of the draft Licensing Manual Supplement follow below.

BACKGROUND ON SOFI

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. SoFi has expanded 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. It has originated approximately \$17 billion in loans since it began lending in 2012, with more than \$8 billion in loans in 2016 alone. In 2016, SoFi expanded its borrower base from 100,000 to 250,000.

SoFi is the leading lender in the student loan refinance market. SoFi has sponsored 24 asset-backed securitization transactions since inception and developed relationships with a range of institutional investors. In 2017, the senior notes on SoFi's student loan ABS transactions were rated AAA by two major credit rating agencies, a first for a fintech lender. SoFi has also sold significant portfolios of loans it has originated to depository institutions, insurance companies and other institutional investors. SoFi has raised more than \$1.9 billion in equity since it was founded and is well capitalized.

SoFi Lending Corp., a wholly-owned subsidiary of SoFi, maintains both consumer lending licenses and mortgage lending licenses in multiple states. It originates 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's student loan interest rates are typically lower than federal student loan rates and its average personal loan interest rate is significantly lower 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.

On February 28, 2017, SoFi acquired Zenbanx Holding Ltd (ZBH), a Delaware based financial services technology and outsourcing services company that provides core-banking solutions to regulated Financial Institutions (FIs") including an OCC regulated institution. The ZBH product platform offers regulated FIs core-banking, web and mobile banking applications, as well as customized deposit, debit card and payment solutions to their customers. Based in San Francisco, SoFi has offices in Healdsburg, CA; Salt Lake City, UT; Helena, MT; New York, NY; Clayton, DE; and Reston, VA. SoFi's employee base has grown to approximately 900 employees with backgrounds across the consumer financial services and financial technology landscape.



COMMENTS ON SPECIFIC ELEMENTS

Financial Inclusion Plans

SoFi appreciates that a potential SPNB engaged in consumer lending or small business lending should “demonstrate a commitment to financial inclusion.” A 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. At the same time, an uninsured SPNB will not be subject to the Community Reinvestment Act (“CRA”) and it would be inappropriate for the OCC to apply CRA-like requirements under the rubric of “financial inclusion” to institutions without operations based in specific geographic communities.

SoFi believes it has demonstrated a commitment to financial inclusion by expanding access to historically underserved market segments. For example, SoFi has provided consumers with the ability to consolidate and refinance high interest 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 2,000 institutions of higher learning; graduates of any institution accredited by the U.S. Department of Education are eligible.

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. Based on a borrower’s stable income and ability to repay, SoFi is willing to lend at a loan-to-value ratio that is underserved by traditional banks.

SoFi’s commitment to financial inclusion is also demonstrated by its free career strategy, planning and job search assistance program, entrepreneurial support and networking opportunities it offers to SoFi community members. Borrowers who have involuntarily lost their jobs are eligible for SoFi’s unemployment protection program, where they can receive up to 1 year of forbearance in 3-month increments provided they remain engaged in the 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.

SoFi respectfully submits that the “financial inclusion” requirement in the Draft Licensing Manual is currently vague and undefined, making it difficult for fintech companies interested in the SPNB charter to evaluate the costs of fulfilling such a requirement, as well as the impact of such a requirement on its business operations. Given that the fintech companies who obtain the special purpose charter will not have insured deposits, the financial inclusion requirement should not be an extension of CRA requirements and the OCC should provide more detail on how fintechs can satisfy the financial inclusion requirement.

Liquidity and Funds Management

SoFi agrees with the OCC that liquidity requirements should be “tailored to the bank’s business model.” The OCC rightly maintains that it will “consider the proposed bank’s specific business model when evaluating the SPNB’s liquidity profile and processes for monitoring and mitigating liquidity risk.” In particular, a business model that does not include taking deposits should be subject to different liquidity requirements than an institution that does take deposits. While an adverse liquidity environment might cause an online lender engaged in closed-end lending to restrict lending or stop making new loans, it should not pose broader safety and soundness concerns and should not harm consumers. Unlike a traditional bank that must develop alternative



funding strategies to serve its depositors, lack of funding for a non-bank lender just results in curtailing the availability of its products. By ensuring the sufficiency of backup servicing plans, the effective oversight of such vendors, and the sufficiency of capital to complete a transfer of responsibilities from the SPNB, the OCC can ensure that any difficulties experienced by an SPNB lender do not affect the institution's existing borrowers.

Furthermore, the low leverage ratios of fintech companies compared to traditional banks results in a different risk profile in the event of adverse market events and the capital and liquidity requirements for SPNB entities should take into account this different risk profile.

Banking and Commerce

SoFi supports the OCC's position against approving "proposals that would result in an inappropriate commingling of banking and commerce." SoFi agrees that the longstanding policy that generally requires the separation of banking and commerce has prevented risks associated with non-banking related commercial activities from entering into the banking system and has promoted the efficient allocation of credit. For an SPNB charter to be workable, however, the OCC should display a measure of flexibility as it considers the ownership and capital structures of existing fintech companies that may become applicants. Many fintech companies have substantial private equity and venture capital ownership who would have little or no direct involvement in the SPNB. The OCC should consider whether the Change in Bank Control Act (CBCA) (12 USC 1817(j)) and the OCC's change in control regulation (12 CFR 5.50), will serve as an obstacle to fintech companies obtaining the SPNB charter.

SoFi appreciates the opportunity to share its views with the OCC regarding SPNB charter applications from financial technology companies. SoFi would be happy to answer any questions raised by this letter and looks forward to continued dialogue with the OCC.

Respectfully,

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