



WASHINGTON, D.C.

99 M Street SE
Suite 300
Washington, D.C. 20003-3799

Phone: 202-638-5777

Fax: 202-638-7734

November 8, 2019

Consumer Financial Protection Bureau
Office of the Executive Secretary
1700 G Street, NW
Washington, DC 20552

Re: Request for Information Regarding Tech Sprints; Docket No. CFPB-2019-0048

Dear Sir or Madam:

The Credit Union National Association (CUNA) represents America's credit unions and their 115 million members. On behalf of our members, we are writing regarding the Consumer Financial Protection Bureau's (CFPB or Bureau) Request for Information (RFI) on Tech Sprints. CUNA supports the CFPB's potential use of Tech Sprints as a method to encourage regulatory innovation and collaborate with stakeholders to address regulatory compliance challenges. However, CUNA strongly recommends the Bureau ensure credit unions are appropriately represented in any future Tech Sprint since credit unions, as the only not-for-profit financial cooperatives in the market, have unique needs and perspectives on regulatory burden and innovation.

Background

The Bureau is currently exploring the use of Tech Sprints as a model for collaborative innovation. Tech Sprints gather regulators, technologists, financial institutions, and subject matter experts from key stakeholders for several days to work together to develop innovative solutions to clearly-identified challenges. These initiatives have been used by the Financial Conduct Authority (FCA) in the United Kingdom and several non-financial U.S. regulators, including the Census Bureau and Department of Health and Human Services.

The CFPB RFI seeks ideas on how it can use Tech Sprints to advance regulatory innovation and compliance. Specifically, the Bureau has expressed an interest in using Tech Sprints to address the following consumer finance issues:

- Leveraging cloud solutions, machine automated compliance checks that allow for independent validation by regulators, and other developments that may reduce or modify the need for regulated entities to transfer data to the Bureau.
- Innovating Home Mortgage Disclosure Act (HMDA) data submission, processing, and publication to help ease burden, increase flexibility, and resolve compliance challenges, while satisfying all legal requirements.

- Identifying new technologies and approaches that can be used by the Bureau to provide more cost-effective oversight of supervised entities, effective evaluation of compliance and risk, and closer interface with financial industry systems and technology that may include the use, for example, of analytical tools in the review of mortgage origination data.
- Exploring other technological approaches to robust and secure data access or exchange between regulated entities and the Bureau.
- Reducing unwarranted regulatory compliance burdens.

CUNA Supports the CFPB’s Innovation Initiatives, as Long as Credit Unions Are Given an Equal Voice in These Efforts.

The Bureau has a statutory mission to “ensure that all consumers have access to markets for consumer financial products and services and that markets for consumers financial products and services are fair, transparent, and competitive.”¹ As part of this mission, the CFPB has taken several steps to revitalize its approach to innovation as a key policy priority, including issuing a revised Trial Disclosure Program (TDP) Policy, participating in the Global Financial Innovation Network (GFIN), bolstering the No-Action Letter Policy, establishing the “Regulatory” Sandbox Policy, and the present exploration of Tech Sprints as a method to increase collaboration and innovation. While these initiatives are positive developments, CUNA recommends the Bureau refrain from approaching innovation in a manner that places traditional depository institutions at an unjustified disadvantage.

Innovation, through technology and other creative solutions, has the potential to enhance the delivery and quality of financial products and services to consumers. In recent years, credit unions have been at the vanguard of innovation as a byproduct of their cooperative nature, member-driven focus, and relatively small size. Consumers could benefit from financial institutions being provided more opportunities, under the careful oversight of regulators, to pursue fresh answers to traditional questions. For this reason, CUNA supports the CFPB’s effort to use its authority to encourage innovation and collaboration using mechanisms like Tech Sprints so long as credit unions are given an equal voice in these efforts and any subsequent official actions consider the unique needs and not-for-profit structure of credit unions.

CUNA Responses to CFPB Questions to Consider:

1. *What regulatory compliance issues, problems, procedures, or requirements could benefit from innovation through a Bureau Tech Sprint?*

Regarding regulatory compliance, Tech Sprints could be used to address technical compliance issues that often create confusion for financial institutions. The technical challenges that could benefit from the collaboration of diverse perspectives range from the use of the Bureau’s submission portals, such as those in place to submit credit card agreements, to the submission of HMDA data. The Bureau could also use Tech Sprints

¹ 12 U.S.C. 5511(a).

during the beta stage of establishing a new submission system in order to develop industry best practices, identify system errors and potential sticking points, and create “Frequently Asked Questions” (FAQs) that adequately address issues that may be experienced by financial institutions approaching a new system for the first time. In addition, CUNA members identified the TILA-RESPA Integrated Disclosure (TRID) Rule and HMDA Rule as rulemakings most likely to benefit from the use of Tech Sprints, which could result in an improved HMDA submission portal, expanded FAQs, and the identification of areas in need of regulatory amendments.

The CFPB could also use Tech Sprints in coordination with other federal regulators to address common compliance challenges in complex areas of financial regulation, including Financial Crimes Enforcement Network (FinCEN) to address Banking Secrecy Act (BSA)/Anti-Money Laundering (AML) challenges or the National Credit Union Administration (NCUA) and U.S. Department of Homeland Security to address cybersecurity best practices and improve fraud detection.

2. What financial technology or other advances hold the most promise for helping modernize regulatory compliance?

The use of technology by financial institutions varies greatly depending on an institution’s individual risk-appetite and its available resources. While some credit unions have the resources to invest in financial technology, many credit unions choose to engage with financial technology through collaboration with third-party vendors or Credit Union Service Organizations (CUSOs). CUNA cautions the Bureau against requiring credit unions to adopt any specific technology or innovation. The decision to invest in a specific tool should be done based on the credit union’s available resources and the needs of its membership. For example, artificial intelligence is widely considered to be an emerging technology that could impact consumer financial services and be utilized in several different applications. However, the Bureau issuing a rule requiring all entities to use artificial technology in their lending decisions or regulatory compliance would unjustifiably tie the hands of financial service providers, stifle innovation, and likely not be in the best interest of consumers.

3. What other suggestions do you have for how the Bureau could plan, organize, and conduct a Tech Sprint, including its participants, duration, and location?

CUNA supports the use of Tech Sprints conditioned upon the equal access to participation for credit unions and their vendors. When assembling a Tech Sprint “panel” to discuss a regulatory challenge or innovation initiative, the CFPB needs to recognize that credit unions are unique actors in the financial services space and should be provided a seat at the table. In addition, the CFPB should ensure small entities are equally represented as any “solution” to regulatory challenges must consider the perspective of the small financial service provider. It would not be in the interest of consumers if the recommendations or work product of a Tech Sprint initiative is only feasible for the largest banks but not the nation’s community-based credit unions.

The duration of a Tech Sprint should vary depending on the size of the challenge the initiative intends to address and expectations for the final work product. For example, the identification of issues could likely be conducted over several days of intensive dialogue but establishing solutions to complex technological problems could require a Tech Sprint to have ongoing meetings over the course of several months.

The Bureau should attempt to ensure geographic diversity among the Tech Sprint participants and that could require some Tech Sprints to occur in places other than Washington, D.C. However, these geographic diversity issues could be resolved if the Bureau makes full use of teleconferencing technology. Teleconferencing would allow participants working from their home financial institution to participate in an active capacity without the associated travel expenditures. In addition, the Bureau may want to consider offering travel stipends to small financial institutions to increase their opportunities to participate.

- 4. Other than organizing Tech Sprints, what else might the Bureau do to encourage innovation in financial products and services? For example, could advances be encouraged by changes to certain Bureau rules or policies?*

In addition to the initiatives the Bureau has already started, CUNA believes the best method for the CFPB to encourage innovation is to appropriately tailor its regulations to reduce the associated burdens on community-based financial institutions. Right-sized regulations would ensure small financial institutions have more resources available to invest in technology and the specific needs of their communities.

In its rulemaking efforts, the Bureau should reduce regulatory burden for financial institutions with lower risk profiles relative to systematically significant institutions. Constant regulatory changes present a challenge for small depository institutions because the fixed costs of compliance are proportionately higher for smaller-sized credit unions and banks than for large institutions. Almost half of the credit unions in the United States operate with five or fewer full-time equivalent employees; the largest banks in most cases have compliance or technology-focused departments that exceed that number by multiples of a hundred or more.

CUNA also generally supports the CFPB's Product Sandbox as a method to facilitate innovative products and services. However, we continue to encourage the Bureau to avoid creating an uneven playing field and limit the number and scope of products approved to participate in the Product Sandbox. We have also recommended, in the interest of market transparency and encouraging entity participation, the Bureau make information publicly available regarding Product Sandbox applications that are approved and/or denied.

- 5. Are there any concerns that might discourage participation in Tech Sprints that the Bureau could address?*

The Bureau should cast a wide net when determining which financial institutions are invited to participate in a Tech Sprint. If the Bureau focuses its efforts on “FinTechs” or large banks with substantial financial resources available to invest in technology, then it

could discourage the participation of community-based financial institutions and promote “solutions” that do not reflect the diverse needs of all financial institutions in the market.

Conclusion

On behalf of America’s credit unions and their 115 million members, thank you for the opportunity to share our recommendations. If you have questions or require additional information related to our feedback, please do not hesitate to contact me at (202) 508-3629 or amonterrubio@cuna.coop.

Sincerely,



Alexander Monterrubio
Senior Director of Advocacy & Counsel