

September 10, 2014

Monica Jackson  
Office of the Executive Secretary  
Consumer Financial Protection Bureau (CFPB)  
1700 G Street NW.  
Washington, DC 20552

Re: Request for Information Regarding the Use of Mobile Financial  
Services by Consumers and Its Potential for Improving the Financial  
Lives of Economically Vulnerable Consumers;  
[Docket No.: CFPB–2014–0012]

Dear Ms. Jackson:

This comment letter represents the views of the Credit Union National Association (CUNA) regarding the Consumer Financial Protection Bureau's (CFPB's) request for information on the use of mobile financial services and the underserved. By way of background, CUNA is the largest credit union advocacy organization in this country, representing state and federal credit unions, which serve over 100 million members.

CUNA supports efforts by the CFPB to understand how mobile financial services could help improve the lives of consumers, including the underserved. Consumers are using mobile financial services to access products and services, manage finances, and achieve their financial goals.

Credit unions currently offer a broad range of financial products and services—including mobile financial services—to meet the needs of all consumers, including the underserved. As not-for-profit financial cooperatives, credit unions are organized, owned, and controlled by their members to best serve the financial needs of all their members.

The CFPB should minimize regulatory burdens associated with offering mobile financial services, to ensure that credit unions and other providers are able to continue to provide these innovative services to consumers. The agency should also recognize that implementation costs to provide mobile services can be quite significant for credit unions and other smaller financial institutions.

Today, virtually all credit unions offer online financial services through websites, while nearly 60% of the more than 200 credit unions that responded to CUNA's

2014 Technology Spending survey currently offer mobile financial services and another 26% plan to do so in the next two years.

According to the Federal Deposit Insurance Corporation's (FDIC's) "Assessing the Economic Inclusion Potential of Mobile Financial Services" white paper from April 2014, they estimate that there are currently about 68 million adults that live in underserved households in the U.S. About 90% of unbanked and underbanked households owned a mobile phone, of which 71% are smartphones, according to the FDIC.

Mobile devices or phones can help enhance access to financial services, by providing a convenient delivery channel for many consumers, including the underserved. A consumer could easily access a credit union's financial services and products with a mobile device, in addition to using other convenient channels, such as online websites, telephone services, and physical branches. Credit union members may also use mobile services offered by shared branching and other credit union service organizations, as well as by third party providers. Mobile applications could also include features that encourage saving and responsible credit for consumers.

### **Significant Costs to Provide Mobile Financial Services**

There are currently significant implementation costs for credit unions to offer mobile financial services to consumers, including the underserved. Credit unions incur costs when they: consider and review different mobile services that continue to evolve rapidly; implement and integrate these services with their systems; and secure the mobile, online, and other channels. Additional costs could include fees for software licensing, third party providers, and legal review. Further, credit unions incur ongoing costs associated with risk and fraud management, data security, regulatory compliance, and information technology (IT) updates.

Implementation costs for mobile financial services, including certain fixed costs, are more significant for credit unions and other smaller financial institutions when compared to large financial institutions that have larger budgets and a greater number of users. These mobile transactions also do not fully replace teller transactions at physical branches or other channels, such as online and ATM transactions.

In addition, credit unions are currently facing many other pressures that are reducing their net income or reducing their margins, as well as regulatory compliance and risk management costs that are increasing.

While mobile financial services provide greater convenience for consumer members, they generally do not provide substantial cost savings for credit unions

at the present time. As consumers continue to make greater use of mobile financial services, there is potential for cost savings on a per-transaction basis over time.

### **2014 CUNA Survey on Credit Unions and Mobile Financial Services**

Credit unions offer financial services through the online and mobile channels to their consumer members, including the underserved. According to CUNA's 2014 Technology Spending Survey, sponsored by Credit Union Magazine and conducted by CUNA's market research department, almost all credit union respondents with more than \$500 million in assets provide mobile financial services. Generally larger credit unions are more likely to offer a broader range of mobile financial services, while smaller credit unions continue to evaluate whether to provide or expand their mobile services.

Consumers are also increasingly using mobile financial services at credit unions. Currently, about 18% of members with checking accounts are enrolled, while about 23% of members from the largest credit unions have enrolled in mobile services.

About two-thirds of credit unions offering mobile financial services make the service available through a mobile website and/or downloadable app. About half offer SMS/text messaging. For credit unions with more than \$500 million in assets, more than 80% have mobile websites for their members, nearly 95% use downloadable apps, and more than 65% provide SMS/text messaging.

Almost all credit union mobile financial services programs allow their members to make deposits and withdrawals, make transfers between their own accounts, and make credit union loan payments. Sizable percentages (between 45% and 65%) of credit union mobile programs provide the ability for their members to pay bills, make transfers to other members' accounts, or access e-statements.

Regarding other features, about 5% to 35% of credit union mobile programs currently offer features such as remote deposit capture (RDC), person-to-person (P2P) payments, transfers to other financial institutions, consumer or mortgage loan applications, new-account opening, or live "chat" functionality.

(For the full article from Credit Union Magazine, please click [here](#) to access "Tech Budgets Are Going Mobile: Exclusive Results from CUNA's 2014 Technology Spending Survey." (August 7, 2014))

## **Data and Device Security, and Other Challenges**

Data security is very important for all providers in order for consumers to access to secure mobile financial services. Credit unions and other financial institutions are already subject to robust data security requirements and standards, such as National Credit Union Administration (NCUA) and Federal Financial Institutions Examination Council (FFIEC) rules and guidance.

Data and device security considerations must be addressed for all consumer users of mobile financial services and should not be minimized when considering such services for underserved consumers. The risks associated with mobile financial services that need to be addressed include: securing the data, and managing fraud and other risks, as well as providing effective authentication methods. Also, the security of the mobile device or phone, including physical security and access credentials, is very important for consumers to understand as mobile use continues to increase. The CFPB should continue to research opportunities to promote greater consumer awareness regarding these important security areas.

Other challenges associated with providing mobile financial services for underserved consumers include technology and language options. Underserved consumers may also have simpler or lower-cost devices that may not have the latest technology like high resolution cameras, larger screens, near-field-communication (NFC), and other features associated with more expensive devices or phones. Mobile apps that require the latest features would not be accessible to consumers that do not have the latest technology. Currently, most mobile applications are in English, while some underserved consumers may desire to use these services in another language, such as Spanish.

In addition, some underserved consumers may only have a mobile phone and may not have a computer. This presents challenges because these consumers may not be able to fully access online websites to conduct their financial services, and they will have to rely on the mobile app or another channel instead. Further, some underserved consumers may also rely more on mobile financial services because they may not have access to reliable transportation to reach physical branches or may not be able to use branches during business hours.

## **Additional Opportunities for Financial Education, Investment, and Coordination**

CUNA supports additional efforts to promote financial education and awareness for all consumers, including the underserved. Credit unions are very consumer focused and we will continue to do our part to help promote financial literacy and education. Credit unions currently provide financial education and resources to consumers through online websites and in a variety of other formats to encourage

achievement of various financial goals, financial planning, and overall fiscal responsibility.

Also, we support the National Federation of Community Development Credit Unions' efforts to promote a coordinated approach at the federal level under the leadership of the U.S. Treasury and CFPB to ensure that existing investment mechanisms, including the CDFI Fund, are better attuned to supporting the proliferation of consumer financial access with an emphasis on new technology investment.

We appreciate the outreach efforts of the CFPB to understand the numerous ways credit unions provide financial solutions to consumers, including the underserved. We encourage the agency to continue to work with CUNA, state credit union leagues, and credit unions to further support ways that credit unions can serve all consumers.

Finally, as mobile financial services evolve, the CFPB should continue to coordinate with payments regulators, including the Federal Reserve Board and NACHA, as well as NCUA and the FFIEC regulators. The agency should also work with other regulators that are focused on mobile payments, such as the Department of the Treasury's Federal Management Service (FMS), the Financial Crimes Enforcement Network (FinCEN), and the Federal Trade Commission (FTC).

Thank you for the opportunity to comment on this request for information. If you have any questions concerning our letter, please feel free to contact CUNA SVP and Deputy General Counsel Mary Dunn or me at (202) 508-6733.

Sincerely,

A handwritten signature in blue ink that reads "Dennis Tsang". The signature is written in a cursive, flowing style.

Dennis Tsang  
CUNA Assistant General Counsel

cc:

William L. Myers, Director, National Credit Union Administration Office of Small Credit Union Initiatives (OSCU)