



July 27, 2021

The Honorable Maxine Waters  
Chairwoman  
Committee on Financial Services  
2155 Rayburn House Office Building  
United States House of Representatives  
Washington, DC 20515

The Honorable Patrick McHenry  
Ranking Member  
Committee on Financial Services  
2155 Rayburn House Office Building  
United States House of Representatives  
Washington, DC 20515

The Honorable Jack Auchincloss  
U.S. Representative  
1524 Longworth House Office Building  
Washington, DC 20515

Dear Chairwoman Waters, Ranking Member McHenry, and Congressman Auchincloss:

The Financial Technology Association (FTA) would like to express our support for H.R. 4590, the "Promoting New and Diverse Depository Institutions Act". We applaud efforts by the committee to examine hurdles faced by new entrants into our regulated financial system and support a diverse and dynamic financial system for American consumers and businesses. Forward-leaning policy and regulatory action can increase competition and provide consumers and small businesses with greater choice and access.

FTA believes that a thoughtful study by the U.S. banking and prudential regulators into the challenges faced by a broad range of de novo charter applicants can help drive improved policy and regulation. As part of a federal study, FTA encourages regulators to explore ways to foster fintech-bank partnerships, and responsibly charter firms centered on using new technologies to expand access, choice, and equity. Community Development Financial Institutions (CDFIs) and Minority Depository Institutions (MDIs) are a critical part of the American financial services tapestry, as are financial technology (fintech) companies that are constantly innovating to better serve consumers and small businesses.

With respect to federal bank chartering authority, FTA notes that the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC), and state banking authorities have broad authority and expertise to safely charter and regulate a diverse range of banking entities, whether full-service or more limited. The OCC has long used its broad bank chartering authority to charter both insured and uninsured banks, including by issuing special-purpose bank charters for credit card banks, community development banks, and trust banks. Notably, until the introduction of deposit insurance in 1933, all national banks were uninsured. State banking regulators have similar chartering authorities as do federal regulators. Industrial Loan Companies (ILCs), for example, are state-chartered, FDIC-insured



depository institutions, none of which are members of the Federal Reserve System. Accordingly, the FDIC serves as the primary federal banking supervisor of ILCs. An ILC charter subjects the entity to banking supervision by both state and federal banking regulators.

This landscape for bank chartering affords a significant opportunity for lawmakers and regulators to safely permit new entrants, including CDFIs and MDIs, and advance technology-driven competition to improve consumer and small business outcomes. The decision of a company to opt into banking regulatory oversight results in heightened regulation and supervision.

Since the mid-1980s, the number of banks in the United States has declined by more than 50 percent, and from 2011 to 2016, only a handful of new FDIC-insured bank charters were approved.<sup>1</sup> Concentration is increasing as well, with the top 15 banks holding over 56 percent of total deposits in 2020,<sup>2</sup> and only two banks generate nearly half of all ACH payments.<sup>3</sup>

Consumers in America deserve access to services provided by firms seeking to advance financial choice, access, and opportunity and are voluntarily seeking enhanced regulatory oversight. Sound policy and regulation should foster viable chartering and licensure paths for new entrants offering safe and consumer-centric services. By recognizing the benefits of financial services models predicated on customer access, success, and empowerment, regulators can bring a diverse set of new entrants into the regulatory fold and ensure more holistic oversight.

FTA looks forward to working with Members of Congress and regulators as they advance additional proposals to increase financial access and inclusion.

Sincerely,

Penny Lee  
Chief Executive Officer  
Financial Technology Association

---

<sup>1</sup> Statista, *Number of new FDIC-insured commercial bank charters in the United States from 2000 to 2019* (Nov. 10, 2020), available at <https://www.statista.com/statistics/193052/change-in-number-of-new-fdic-insured-us-commercial-bank-charters/>.

<sup>2</sup> S&P Global, *Largest banks keep winning market share as deposits soar* (Sept. 21, 2020), available at <https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/largest-banks-keep-winning-market-share-as-deposits-soar-60407300>.

<sup>3</sup> NACHA, *Nacha Releases the 2020 Top 50 Financial Institution ACH Originators and Receivers* (Mar. 30, 2021), available at <https://www.nacha.org/news/nacha-releases-2020-top-50-financial-institution-ach-originators-and-receivers>.