



American Fintech Council Testimony

TO: Council of the District of Columbia Committee on Business and Economic Development
FROM: Ian P. Moloney, Senior Vice President, Head of Policy and Regulatory Affairs, American Fintech Council
DATE: March 13, 2024
SUBJECT: Bill 25-0609

Position: Oppose.

Testimony:

Thank you Chair McDuffie and members of the Committee on Business and Economic Development for providing me the opportunity to testify before you in opposition to Bill 25-0609. My name is Ian Moloney, I am Senior Vice President, Head of Policy and Regulatory Affairs at the American Fintech Council (AFC) and a resident of the Cleveland Park neighborhood in Councilmember Furmin's Ward 3.

AFC is a standards-based trade association seeking to promote an innovative, transparent, inclusive, and consumer-centric financial system by supporting responsible innovation in financial technology (Fintech) and encouraging sound public policy. As part of this standards-based association, I recognize that not all bank-fintech partnerships are created equal. While AFC members do not offer loans above 36 percent interest, other bank-fintech partnerships do not hold themselves to such a standard. However, this bill is a blunt legislative solution for an issue that requires nuance.

Bill 25-0609 diminishes access for DC residents. Under the current law, state-chartered community banks are able to partner with fintech companies to offer much needed, safe and affordable, credit to consumers. This bill opts DC out of the federal law that enables community banks to compete with national banks. As a result, this will significantly decrease the supply of affordable credit in DC at a time when, according to the CFPB, credit card interest rates are at an all-time high and being driven by a lack of competition. Consumers deserve options in financial services to choose the most appropriate financial product that best serves their needs in the moment. Further, high-cost lenders will seek loopholes, like partnering with nationally chartered banks who are not impacted by the bill's provisions, to continue offering their predatory products to the consumers previously served by the responsible lenders that make up AFC's membership.

It is important to note that this bill is based on the ideas of a small group of Iowa lawyers, who claim that Iowa's decision to opt-out of rate exportation proved beneficial for their consumers,

without proving that with any data. Proponents of this bill will tell you that lending activity is robust in Iowa. However, based on an analysis of AFC's members, each year at least 250,000 Iowans are missing out on loans at responsible rates, totaling approximately \$300 million. This hardly seems like a robust lending environment. It is likely that the impact to DC would be much worse, given that the District only has two financial institutions chartered within its borders.

If passed, this bill will decrease access to responsible credit, put community banks at a disadvantage and leave many DC residents — particularly low-income communities—with no option but to rely on far too many predatory and high-interest alternatives. Simply put, responsible offerings through bank-fintech partnerships will no longer exist in DC, leaving thousands of consumers without access to responsible credit. If the Council decides to pass this bill, then I respectfully request that this committee revisits DC's interest rate laws to ensure that the allowable interest rate in DC reflects the current environment and gives DC residents the opportunity to engage with responsible credit offerings at 36 percent interest and below.

Both as a representative of the fintech industry and a resident of DC, I am deeply concerned about the impact that passing this bill will have on my fellow DC citizens. Therefore, we respectfully request that this committee table this bill to consider the nuance needed to properly solve the issues discussed, and not harm the thousands of DC residents being responsibly served by AFC members. I thank you again for the opportunity to raise my concerns regarding Bill 25-0609 and I am open to answering any questions.