

May 31, 2016

Office of the Comptroller of the Currency
Re: Supporting Responsible Innovation in the Federal Banking System
Via electronic submission

We appreciate the opportunity to respond to the Office of the Comptroller of Currency's recent report on "Supporting Responsible Innovation in the Federal Banking System." We are pleased to participate in and fully support the OCC's ongoing efforts to engage with industry and the public as it continues to develop its framework to guide responsible innovation.

At Credit Karma, we believe that helping consumers understand their finances can open the door to greater opportunity. Banks and lenders have access to a great deal of information about consumers, but consumers' access to and understanding of that information, and how it is used, is often quite limited. Our goal is to provide everyone with the information, guidance, and tools they need to understand their options and take action. We strive to exemplify responsible innovation by empowering consumers to take charge of their credit health and connecting them to the financial services and products that are right for them.

Fifty million people in the U.S. — about one in four adult Americans — use Credit Karma. We leverage the power of technology to simplify financial decision-making, and save Americans time and money. We collaborate with dozens of national financial institutions to provide regularly updated personal financial information and credit product rates. We analyze our members' individual financial situations to provide them with tailored, personalized recommendations on how to manage their credit health and find savings across their financial products. Our services are designed to meet the evolving needs of consumers by drastically simplifying some of the most confusing and tedious yet important tasks in personal finance.

As a consumer-facing platform that partners with financial institutions and other nonbank innovators across the consumer financial services sector, we are a stakeholder with a unique perspective on responsible innovation.

We have elected to limit our response to those questions for which we can provide particular insight based on our position and experience.

4. How would establishing a centralized office of innovation within the OCC facilitate more open, timely and ongoing dialogue regarding opportunities for responsible innovation?

We are not a bank or depository institution (or an affiliate of either) and therefore not subject to the direct supervision of any prudential regulator. Because we partner with national banks to provide our services, however, we conduct our business with a view towards, and in compliance with, the same consumer finance regulations as our financial institution partners, to the extent applicable.

As many commentators recently noted in their responses to the Department of the Treasury's request for information on expanding access to credit through online marketplace lending, regulatory uncertainty is one of the primary challenges that we face as a nonbank innovator. We have found tremendous value in being able to communicate directly and on an ongoing basis with the Project Catalyst team at the CFPB about regulatory matters affecting our operations. Through Project Catalyst office hours, we are able to share ideas and receive feedback as we build new product features and services for consumers.¹

This relationship with the CFPB Project Catalyst team demonstrates how centralized and direct communication benefits mutual understanding and transparency. Just as transparency is key to consumers' ability to choose the right financial products, so too is it key to our success in meeting the evolving needs of consumers.

A centralized office of innovation at the OCC would facilitate efficient cross-agency coordination and communications with industry participants. Continuing efforts to coordinate among banking regulatory authorities is critical to supporting responsible innovation, given the intersecting nature of the products and services that financial technology companies and traditional financial institutions offer.² In the fast-paced, ever-changing environment of fintech, where innovation is crucial and new products are introduced constantly, effective guidance depends on efficient communication, which is greatly facilitated through close interagency collaboration and dialogue with industry. Interagency cooperation to provide regulatory clarity would benefit all market participants.³

¹ We are also encouraged by the CFPB's efforts to engage in more formal dialogue through the No-Action Letter process, as outlined in its final Policy Statement on No-Action Letters. 81 Fed. Reg. 8,686 (February 22, 2016).

² U.S. Dep't of the Treasury, *Opportunities and Challenges in Online Marketplace Lending*, May 10, 2016, at 32.

³ Interagency coordination, as articulated by the Treasury, "would enable the member agencies to coordinate efforts towards identifying areas where additional regulatory clarity could protect borrowers and investors and expand access to credit." *Id.*

5. How could the OCC provide guidance to nonbank innovators regarding its expectations for banks' interactions and partnerships with such companies?

In our nascent industry, innovation to enhance consumers' experience cannot, by its nature, be anticipated. Therefore, a principles-based articulation of the OCC's expectations for banks' interactions with nonbank innovators, rather than a rules-based approach, would both allow space for innovation and communicate guardrails for market participants.⁴ These principles would likely derive from the hallmarks of the consumer protection and safety and soundness principles that underlie existing consumer financial regulation, such as transparency and fairness. We support the concurrent development of industry guidelines, which can be updated frequently to adapt to changes in the marketplace, in addition to these principles.

9. What should the OCC consider with respect to innovation?

Consumers are stakeholders in, and the ultimate beneficiaries of, responsible innovation. Responsible innovation means making financial products and services more user-friendly, more comprehensible, and more accessible to all consumers, especially those in underserved communities. The responsible innovator accomplishes this without engaging in predatory practices or putting the safety and soundness of the financial system in jeopardy.

The value that nonbank innovators can bring in collaboration with banks and traditional financial institutions is more than rapid development, cost savings and technological sophistication. Nonbank innovators also add value in their ability to reach and serve a broader consumer base.

Fintech companies can, and do, reach many consumers, including millennials and underserved populations, more effectively than traditional financial institutions. Many consumers in underserved communities have little credit history or no credit history. Credit Karma research has shown that 68% of millennials of consumers have made significant mistakes early in their financial lives, and that they believe these credit mistakes could have been prevented by better financial education.⁵

⁴ As noted by the Center for Financial Services Innovation in its response to the Treasury's request for information on marketplace lending, "[t]his is an ideal space in which to lay out broad principles for market operation – substantive transparency, fairness, practical suitability – and then let providers demonstrate how their products fit these criteria. Innovators need to know that there is room to experiment in safe ways and to try out new products and services in ways that enable them to bring pilot study data back into product design."

⁵ See Credit Karma, *More than Two-Thirds of Young Adults Make Significant Financial Mistakes*, available at <https://www.creditkarma.com/about/releases/credit-fumble-over-two-thirds-young-adults-make-significant-financial-mistakes-01-2016>.

In shaping its efforts to support responsible innovation, the OCC should consider the importance of financial education and tools for consumers. Any guidance issued by the OCC relating to financial inclusion of underserved communities should also address the need for financial education and tools to help consumers understand the implications of their financial decisions.

We appreciate the OCC's ongoing efforts to engage with the broader financial services community on the benefits and challenges of responsible innovation. Thank you for providing the opportunity to respond and we would be happy to engage in further dialogue with the OCC about this important topic.

Sincerely,

/s/ Anna Schwartz

Senior Director of Legal

Credit Karma, Inc.