



TO: Office of the Comptroller of the Currency

FROM: LendingTree, Inc.
11115 Rushmore Drive
Charlotte, NC 28277

RE: Comments on “Supporting Responsible Innovation in the Federal Bank System”

DATE: May 24, 2016

LendingTree appreciates the opportunity to provide feedback to the Office of the Comptroller of the Currency (hereinafter “OCC”)’s paper “Supporting Responsible Innovation in the Federal Bank System”. LendingTree feels the OCC’s recognition of the changes in the financial services industry due to innovations by both traditional financial services firms and financial technology (hereinafter “fintech”) firms is a welcome development for innovative companies who want to adapt within the regulatory landscape.

Since its founding in 1996, LendingTree has been an innovator in the use of technology to enhance consumer access to lending services. LendingTree is in a unique position to respond to the OCC’s paper because LendingTree operates the premier online marketplace for American consumers and small businesses to comparison-shop among lenders for a wide variety of lending products. This role gives LendingTree distinctive insight into both the needs of consumers and the needs of lenders when dealing with emerging technologies across the financial services landscape. This distinctive insight, combined with a desire to help regulators such as the OCC, supports responsible innovation and leads LendingTree to offer the following response to the OCC’s request for feedback.

1. What challenges do community banks face with regard to emerging technology and financial innovation?

Community banks are in a unique position in the financial services industry. Community banks play a vital role in the financial services industry due to their emphasis on local communities, consumers, and small businesses. Even though community banks make up over 96% of all banks in the United States¹, these community banks can be at a disadvantage when it comes to maximizing use of emerging technologies. Community banks may not have sufficient resources to create their own fintech solutions. Many community banks offer wide ranges of products and services making the adoption of technology more costly and more complex.

For instance, utilization of mobile banking is continuing to increase year over year.² A majority of LendingTree’s consumers are interacting with the LendingTree site from a mobile device, including completing the qualification forms for lending products.³ Community banks may lose access to their consumers if they do not have a convenient and robust mobile lending experience.

2. How can the OCC facilitate responsible innovation by institutions of all sizes?

¹ See Independent Community Banks of America, “Community Bank Facts”, December 31, 2015 (<https://www.icba.org/files/ICBASites/PDFs/cbfacts.pdf>)

² See Federal Reserve Board, “Consumers and Mobile Financial Services 2015”, March 2015 (<http://www.federalreserve.gov/econresdata/consumers-and-mobile-financial-services-report-201503.pdf>)

³ LendingTree internal data. Available upon request.



The OCC's definition of responsible innovation is appropriate as it focuses on meeting the needs of consumers, businesses, and communities, as opposed to the needs of regulators and banks. As the OCC points out, the "financial crisis was fueled in part by innovations such as option adjustable rate mortgages, structured investment vehicles, and a variety of complex securities"⁴. The common thread in those examples is a lack of benefit to the consumer. LendingTree's view of responsible innovation is aligned with the OCC's view of responsible innovation: LendingTree is supportive of innovation which is intended to benefit the consumer and small businesses. LendingTree believes innovation that takes both "sound risk management" and "consumer focus" will be the most successful as these ideals are complementary of each other. As the OCC points out, truly responsible innovation must take both of those ideals into consideration.

Responsible innovation is not an oxymoron, nor is it impossible. The OCC's willingness to facilitate this important conversation is an encouraging first step. One of the challenges LendingTree and other fintech companies face is inconsistency in regulation and enforcement. This inconsistency could be a result of forcing companies into definitions which are not truly representative of the work being done. Another root of this inconsistency could be a lack of understanding of what the proposed innovation is actually accomplishing.

Whatever the reason for inconsistency, no one benefits from inconsistency. Without clear regulations and regulatory guidance, companies will essentially be operating in the dark, which may stifle consumer benefiting developments. Enforcement without corresponding guidance is not beneficial to companies trying to operate within the regulatory landscape. In fact, if companies are truly operating in the regulatory dark, then enforcement without guidance is not illumination, but merely the rearranging of furniture in the darkness.

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

It has been LendingTree's experience that once a fintech company has the opportunity to explain what exactly they are proposing to do and how they will accomplish it, then regulators are more easily able to understand what the proposal is actually doing and how the proposal will ultimately benefit consumers, small businesses, and lenders. LendingTree has also found that it sometimes takes multiple attempts to educate regulators and lawmakers on the issues, due to having to educate multiple parties because of a lack of a centralized decisionmaker. The OCC's proposed centralized office of innovation would create this centralized decisionmaker, as well as several other benefits described below.

One of the other benefits of a centralized office of innovation would be consistency. Consistency in expectations and enforcement would be invaluable from an innovator's perspective. Innovators could have more confidence in their investments if regulatory uncertainty is reduced. Another benefit of centralized office would be creating a central point of contact in the OCC for innovation. A central point of contact would necessarily develop a certain level of expertise. Therefore, the level of consistency would increase as well as the OCC's ability to partake in informed and cooperative dialogue with banks and innovators.

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

⁴ OCC, "Supporting Responsible Innovation in the Federal Banking System", page 6 (<http://www.occ.treas.gov/publications/publications-by-type/other-publications-reports/pub-responsible-innovation-banking-system-occ-perspective.pdf>)



LendingTree, due to its relationships with many types of banks and non-bank lenders with various prudential regulators, relies heavily on regulatory resources such as the OCC's Bulletins, the CFPB's Examination Manual, and other regulatory guidance in creating products and services for consumers. This guidance is valuable for creating transparency for innovators.

This is another area in which a centralized office of innovation would be helpful. As the OCC sees an increase in innovation requests, the OCC would be in a great position to offer guidance based on the examples brought to the OCC. This guidance would help the proposed innovator and any other innovator working on similar products. A lot of financial innovation happens in a vacuum, however, if a regulator, such as the OCC, could share non-sensitive information, this would create positive guardrails to spur further innovation.

The example given in the OCC's paper regarding possible plans to share CRA success stories is illustrative. These are the types of learnings which nonbank innovators can use and then adapt to create access to low- and moderate-income individuals and communities. However, these types of "success stories" should not be limited to CRA. There are many areas of innovation which would benefit from hearing these types of success stories.

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

LendingTree believes innovation is fostered best by a regulatory scheme with sufficient flexibility to adapt to new products and applications. It is important that regulations give guidance but not stifle innovation through an overly rigid structure that predetermines the types of companies or products that will ultimately succeed.

Once again, LendingTree appreciates the opportunity to respond to the OCC's paper, and LendingTree wants to make itself available to the OCC for further discussion.

Sincerely,

John H. Henson
VP, Head of Compliance
LendingTree, Inc.