Ranking Member Brown Opening Statement

9.18.2018 – Fintech: Examining Digitization, Data and Technology

In the run-up to the financial crisis, Wall Street banks bragged about innovations that they claimed made the financial system less risky and credit more affordable. Some of these innovations were in consumer products – like interest-only subprime mortgages. Other innovations were happening behind the scenes, like the growth in risky collateralized debt obligations and credit default swaps.

According to the banks, technological advances like increased computing power and information sharing through the internet allowed financial institutions to calculate and mitigate the risks of these complex financial innovations. Here in Washington, banks told lawmakers that regulation would hold back progress and make credit more expensive for consumers. Rather than look at financial technology with an eye to the risks, federal banking supervisors repealed safety and soundness protections and used their authority to override consumer protection laws in several states.

Eventually, so-called financial innovations led to the biggest economic disaster in almost a century, costing millions of Americans their homes and their jobs.

Criticizing the bankers and regulators who lost sight of the enormous risks that came with these new innovations, former Fed Chair Paul Volcker declared that “the ATM has been the only useful innovation in banking for the past 20 years.”

I am more optimistic about some new technologies benefitting consumers rather than just lining Wall Street’s pockets, but I think we should look at this Treasury report with the same level of skepticism.

Rather than learn from past mistakes, the Treasury report embraces the shortsightedness of pre-crisis regulators. It exalts the benefits of “financial innovation,” describes federal and state regulation as “cumbersome” or as “barriers to innovation,” and recommends gutting important consumer protections, like the CFPB’s payday lending rule. It even suggests stripping away what little control we have over our personal financial data, just a year after Equifax put 148 million Americans’ identities at risk.

Just like a dozen years ago, Wall Street banks and big companies are making record profits, but working families are struggling just to get by. Student loan debt is at record levels, and credit card defaults are rising. Worker pay isn’t keeping up with inflation, but we’ve managed to cut taxes for the richest Americans while CEOs and shareholders have reaped huge windfalls through over half a trillion dollars in stock buybacks.

Plenty of financial institutions are adopting new technologies without running afoul of the law. Rather than focusing on how we can weaken the rules for a handful of companies who prefer to be called “fintechs” rather than “payday lenders”, or “data aggregators” rather than “consumer reporting bureaus”, Treasury should be focused on policies that help working families.

This isn’t a partisan issue for me. I raised concerns about relaxing the rules for fintech firms when Comptroller Curry, appointed by President Obama, suggested a special “fintech” charter almost two years ago.

The new leaders at the Federal Reserve, the OCC, the FDIC and the CFPB have already made it clear that they’re ready to give Wall Street whatever it asks for. And the recommendations in this report call for more handouts for financial firms, fintech or otherwise.

I am, however, interested to hear from our witnesses about how new financial technologies could increase our control over our own information, better protect against cyberattacks, or make it easier for lenders to ensure they’re following the law. And as traditional banks partner with technology firms, I think it’s important for the Committee to consider where gaps in regulation might lead to future systemic risks.

Thank you to the Chairman for holding this hearing, and to the witnesses for their testimony today.