

United States Senate

WASHINGTON, DC 20510

April 22, 2025

The Honorable Michelle Bowman
Chair, Committee on Consumer and Community Affairs
Board of Governors of the Federal Reserve System
20th Street and Constitution Ave NW
Washington, DC 20551

Dear Governor Bowman:

We write to request information regarding your role in the Federal Reserve Board's failure to appropriately supervise Evolve Bank & Trust ("Evolve"), which led to serious financial harm for more than 100,000 consumers.¹ When one of Evolve's fintech partners, Synapse Financial, filed for bankruptcy one year ago today, more than 100,000 consumers had their funds frozen. Many consumers had to wait months before their funds were returned, while some consumers have not yet been made whole due to the disappearance of \$65 million - \$95 million in funds.² Since joining the Board in 2018, you have led the agency's supervision and enforcement of federal consumer financial law for small banks like Evolve that are exempt from the Consumer Financial Protection Bureau's ("CFPB") oversight. You did not respond to the clear warning signs in the years leading up to the Evolve-Synapse meltdown. During this time, you were instead promoting the importance of small bank partnerships with fintech companies and pushing back against stronger safeguards for such arrangements.

Synapse Financial operated as an intermediary between fintech companies, such as Yotta, Juno, Yield Street, Mercury, Copper, and Mainvest, and insured banks such as Evolve.³ Synapse helped manage the transfer of funds, and maintenance of records, between consumer-facing fintech apps and the banks where those funds could ultimately be stored.⁴ Fintech apps generally entice customers to their platforms by offering higher interest rates than banks, additional features like chances to win weekly games and monetary prizes, and reassuring representations that funds deposited into the fintech accounts are FDIC insured.⁵

¹ CNBC, "How thousands of Americans got caught in fintech's false promise and lost access to bank accounts," Hugh Son, July 2, 2024, <https://www.cnbc.com/2024/07/02/synapse-fintech-fdic-false-promise.html>.

² United States Bankruptcy Court Central District of California. In re: Synapse Financial Technologies, Inc. Chapter 11 Trustee's Fourteenth Status Report, January 8, 2025, https://www.crvath.com/a/web/nPS3L91uPQPUZ8onarxmyt/9NsX2A/9890-474-01_08_2025-pacer474-main-document-012731-00001-central-district-of-california.pdf.

³ PYMNTS, "Five Things to Watch as Synapse Bankruptcy Impact Shakes Up FinTechs," May 28, 2024, <https://www.pymnts.com/news/banking/2024/five-things-to-watch-as-synapse-bankruptcy-impact-shakes-up-fintechs/>; American Banker, "Where did the money go? Latest from Synapse bankruptcy, Evolve," Penny Crosman, December 2, 2024, <https://www.americanbanker.com/news/evolve-bank-update-fresh-lawsuit-in-synapse-bankruptcy>.

⁴ Bloomberg, "Moelis-Backed App Has \$113 Million Trapped in Fintech Collapse," Claire Ballentine and Jonathan Randles, July 17, 2024, <https://news.bloomberglaw.com/banking-law/moelis-backed-app-has-113-million-trapped-in-fintech-collapse>.

Since fintech companies themselves are not insured banks, despite often misleading advertising and representations to the contrary, federal deposit insurance does not protect customer funds if the fintech company or intermediary fails or when the funds are in transit to the insured bank. Synapse, Evolve, and the consumer-facing fintechs failed to maintain an accurate, shared ledger tracking who the money belonged to and where it was held.⁶ When Synapse filed for bankruptcy on April 22, 2024, more than 100,000 consumers lost access to \$265 million in deposits.⁷

As fintech accounts were frozen and customers scrambled to access their funds, a new issue arose: there was a massive \$65 million - \$95 million hole. Funds owed to the fintech customers appeared to be missing from Synapse's accounts at Evolve Bank and its other bank partners.⁸ For example, one customer who had put approximately \$130,000 in a fintech account with a routing number belonging to Evolve was told in November 2024 by Evolve that it only had \$1,182 in her name.⁹ Another customer who had nearly \$50,000 in his Yotta account was only able to recover \$1.49.¹⁰ After selling their house, a family that had put the roughly \$280,000 in proceeds in a Yotta account was informed by Evolve that they would only receive \$500.¹¹ One Florida-based business owner characterized the experience, "A bank just robbed us. This is the first reverse bank robbery in the history of America."¹²

Since joining the Board in 2018, you have served as the Chair of the Board's Committee on Consumer and Community Affairs and as the Oversight Governor for its Division of Consumer and Community Affairs. This division is responsible for supervising and enforcing federal consumer financial law for state member banks that have \$10 billion or less in assets and are therefore exempt from the CFPB's oversight. Evolve was one such state member bank and its failings clearly implicate consumer compliance risk management and its obligations under federal consumer financial laws.

The Evolve-Synapse disaster did not develop overnight. There were several troubling warning signs that should have prompted immediate supervisory and enforcement intervention from the Federal Reserve, which could have avoided, or at least mitigated, the damage. Evolve dramatically altered its business model and grew rapidly. The bank was purchased by new investors in 2005, and up until 2017, it primarily focused on serving small businesses and

⁵ Banking Dive, "Yotta CEO: 85K customers lose access to funds due to Synapse-Evolve tussle," Rajashree Chakravarty, June 5, 2024, <https://www.bankingdive.com/news/yotta-ceo-85k-customers-lose-access-to-funds-due-to-synapse-evolve-tussle/718101/>.

⁶ American Banker, "Where did the money go? Latest from Synapse bankruptcy, Evolve," Penny Crosman, December 2, 2024, <https://www.americanbanker.com/news/evolve-bank-update-fresh-lawsuit-in-synapse-bankruptcy>.

⁷ CNBC, "How thousands of Americans got caught in fintech's false promise and lost access to bank accounts," *supra* note 1.

⁸ Axios, "Synapse debacle cost some users their life savings," Dan Primack, November 25, 2024, <https://www.axios.com/2024/11/25/venture-capital-startups-fintech-synapse-andreessen-horowitz>.

⁹ Wall Street Journal, "The Bank Behind the Fintech Revolution Stumbles After Customer Funds Go Missing," Alexander Saeedy, December 25, 2024, <https://www.wsj.com/finance/banking/evolve-bank-struggles-missing-customer-funds-lost-clients-1d531fd3>.

¹⁰ American Banker, "Where did the money go? Latest from Synapse bankruptcy, Evolve," *supra* note 6.

¹¹ CNBC, "'I have no money': Thousands of Americans see their savings vanish in Synapse fintech crisis," Hugh Son, November 22, 2024, <https://www.cnbc.com/2024/11/22/synapse-bankruptcy-thousands-of-americans-see-their-savings-vanish.html>.

¹² *Id.*

consumers in the Memphis region.¹³ The bank then pivoted to a so-called “Banking as a Service” model, in which it would provide back-end banking services to customer-facing fintech companies. At year-end 2019, the bank had \$451 million in assets.¹⁴ Three years later, it had more than tripled in size to \$1.75 billion in assets.¹⁵

Evolve’s relationship with Synapse, in particular, should have raised alarm bells for you and the Federal Reserve’s consumer compliance supervisors years before the fintech’s failure. In August 2022, Evolve notified Synapse it intended to end the relationship.¹⁶ A few months later in November 2022, Evolve reportedly sent a letter to Synapse stating, “The balances tend to differ a couple hundred million on the daily.”¹⁷ Moreover, staff at Evolve and Synapse were aware of missing funds at least as early as 2023 and spent months trying to calculate the deficit, but customers were not notified.¹⁸ Finally, according to a report, “Evolve had been charging fees directly from the Synapse customer accounts to pay itself and to cover card fees, according to bank statements. Those fees totaled about \$26 million between 2019 and 2023.”¹⁹ Evolve, supposedly in its own defense, argued that, “Synapse failed to do the one most critical job they were supposed to do—keep accurate ledgers to track individual end user funds.”²⁰ Of course, under federal banking laws, it was ultimately Evolve’s responsibility to ensure Synapse was conducting its activities in a safe and sound manner, and in accordance with all laws and regulations.²¹ Reporting suggests a federal grand jury proceeding is underway.²²

The Federal Reserve may have been aware of these developments in real-time, but was certainly aware of them no later than Evolve’s 2023 consumer compliance exam that concluded in August

¹³ Wall Street Journal, “The Bank Behind the Fintech Revolution Stumbles After Customer Funds Go Missing,” *supra* note 9.

¹⁴ Evolve Bank & Trust, FFIEC 041, December 31, 2019.

¹⁵ Evolve Bank & Trust, FFIEC 041, December 31, 2022.

¹⁶ TechCrunch, “Amid breakup, Synapse, Evolve address allegations about how their relationship ended,” Christine Hall, October 13, 2023, <https://techcrunch.com/2023/10/13/synapse-evolve-mercury-fintech/>.

¹⁷ Fintech Business Weekly, “\$13M in Missing User Funds: Evolve, Synapse Play Blame Game as BaaS Crisis Intensifies,” Jason Mikula, October 8, 2023, <https://fintechbusinessweekly.substack.com/p/13m-in-missing-user-funds-evolve>.

¹⁸ Wall Street Journal, “The Bank Behind the Fintech Revolution Stumbles After Customer Funds Go Missing,” *supra* note 9.

¹⁹ *Id.*

²⁰ *Id.*

²¹ Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, “Interagency Guidance on Third-Party Relationships: Risk Management,” June 7, 2023, <https://www.federalreserve.gov/supervisionreg/srletters/SR2304a1.pdf>. (“Whether activities are performed internally or via a third party, banking organizations are required to operate in a safe and sound manner and in compliance with applicable laws and regulations. A banking organization’s use of third parties does not diminish its responsibility to meet these requirements to the same extent as if its activities were performed by the banking organization in-house.”)

²² Bloomberg, “How Virtual Banking Made Saving Risky Again,” Paige Smith, Claire Ballentine, and Emily Mason, April 10, 2025, <https://www.bloomberg.com/news/features/2025-04-10/how-fintech-banking-made-saving-risky-again-synapse-evolve-and-yotta?srnd=undefined>.

2023.²³ In October 2023, these issues were made public by a financial technology reporter.²⁴ The Federal Reserve ultimately took an enforcement action against Evolve in June 2024, two months after Synapse filed for bankruptcy and Evolve froze customer funds.²⁵ While Evolve's partnership with Synapse may have failed most catastrophically, it was not the only troubled fintech with which the bank partnered. Among others, Evolve partnered with SoLo Funds and Branch, two fintechs sued by the CFPB for predatory lending and unlawful deposit account practices, respectively.²⁶

During this time, instead of appropriately policing Evolve's compliance with federal consumer financial laws, you were publicly championing small bank partnerships with fintech companies, and warning against placing any additional regulatory or supervisory "burden" on these arrangements. In 2019, you stated, "I am concerned that some banks are not innovating because they feel they lack the ability to navigate the complex regulatory and compliance issues that may arise. Among other requirements, for instance, before a bank partners with a fintech firm, it first has to consider regulatory and supervisory expectations regarding third-party risk management."²⁷ In 2020, you stated, "While it is essential to safety and soundness that banks understand, monitor, and mitigate risks associated with their third parties, I am sensitive to the burden that due diligence can pose."²⁸ You voted against revised guidance on third-party risk management in 2023.²⁹ Finally, as recently as 2024, you argued that, "The obligation to be receptive to innovation falls more heavily on regulators."³⁰

To help us understand your role in the Federal Reserve's failure to adequately oversee Evolve Bank, leading to serious financial harm for consumers, we request that you answer the following questions and provide the requested documents by May 6, 2025:

²³ Board of Governors of the Federal Reserve System, "Federal Reserve Board issues an enforcement action against Evolve Bancorp, Inc. and Evolve Bank & Trust for deficiencies in the bank's anti-money laundering, risk management, and consumer compliance programs," press release, June 14, 2024, <https://www.federalreserve.gov/newsevents/pressreleases/enforcement20240614a.htm>.

²⁴ Fintech Business Weekly, "\$13M in Missing User Funds: Evolve, Synapse Play Blame Game as BaaS Crisis Intensifies," *supra* note 17.

²⁵ Board of Governors of the Federal Reserve System, "Federal Reserve Board issues an enforcement action against Evolve Bancorp, Inc. and Evolve Bank & Trust for deficiencies in the bank's anti-money laundering, risk management, and consumer compliance programs," *supra* note 23.

²⁶ Consumer Financial Protection Bureau, "CFPB Sues Walmart and Branch Messenger for Illegally Opening Deposit Accounts for More Than One Million Delivery Drivers," press release, December 23, 2024, <https://www.consumerfinance.gov/about-us/newsroom/cfpb-sues-walmart-and-branch-messenger-for-illegally-opening-deposit-accounts-for-more-than-one-million-delivery-drivers/>; Consumer Financial Protection Bureau, "CFPB Sues SoLo Funds for Deceiving Borrowers and Illegally Extracting Fees," press release, May 17, 2024, <https://web.archive.org/web/20250208060306/https://www.consumerfinance.gov/about-us/newsroom/cfpb-sues-solo-funds-for-deceiving-borrowers-and-illegally-extracting-fees/>.

²⁷ Governor Michelle Bowman, "Community Banking in the Age of Innovation," April 11, 2019, <https://www.federalreserve.gov/newsevents/speech/bowman20190411a.htm>.

²⁸ Governor Michelle Bowman, "Technology and the Regulatory Agenda for Community Banking," December 4, 2020, <https://www.federalreserve.gov/newsevents/speech/bowman20201204a.htm>.

²⁹ Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, "Agencies issue final guidance on third-party risk management," press release, June 6, 2023, <https://www.federalreserve.gov/newsevents/pressreleases/bcreg20230606a.htm>.

³⁰ Governor Michelle Bowman, "Innovation and the Evolving Financial Landscape," May 15, 2024, <https://www.federalreserve.gov/newsevents/speech/bowman20240515a.htm>.


1. Please provide all reports of examination for Evolve Bank since 2019.
2. Please provide all written communications between Federal Reserve staff, including communications with Governors, regarding Evolve Bank since 2019.
3. For all meetings of the Committee on Consumer and Community Affairs since 2019, please provide a list of dates, participants, and agenda items.
4. When Evolve Bank changed its business model around 2017, did it notify the Federal Reserve in accordance with the requirements of Regulation H (12 CFR 208.3(d)(2))? If so, please provide the notice and the Federal Reserve's grant of permission. If not, why not?
5. As the Oversight Governor for the Division of Consumer and Community Affairs and Chair of the Committee on Consumer and Community Affairs, how often do you meet with Federal Reserve staff, or otherwise receive briefing materials, regarding consumer compliance issues at individual banks?
6. When were you first made aware of the following:
 - a. Federal Reserve staff had identified serious risks at Evolve Bank related to its third-party oversight of its fintech partners.
 - b. Evolve Bank and Synapse had severe recordkeeping issues.
 - c. There was a shortfall in consumer funds related to the Evolve-Synapse partnership.
 - d. Staff at Evolve and Synapse "spent months in 2023 and 2024 trying to figure out how large the deficit was...But they didn't alert customers and allowed withdrawals to continue."
7. Did Evolve Bank's rapid growth between 2019-2022, more than tripling in size, raise any concerns for you or Federal Reserve staff?
8. In June 2024, the Federal Reserve issued an enforcement action against Evolve Bank, citing consumer compliance deficiencies, among others. Why did it take the Federal Reserve almost a full year after concluding its August 2023 consumer compliance exam to initiate the enforcement action? Did the agency consider an emergency action after finding deficiencies in the August 2023 consumer compliance exam?
9. It was reported that "In the aftermath [of Synapse's bankruptcy], the Federal Reserve summoned Evolve's board of directors to present a plan to resolve the problems [related to Synapse]."³¹ If the Federal Reserve knew well in advance of Synapse's bankruptcy that there were serious discrepancies in the Synapse-Evolve recordkeeping, including a shortfall in consumer funds, why didn't the agency summon Evolve's board sooner?

³¹ Wall Street Journal, "The Bank Behind the Fintech Revolution Stumbles After Customer Funds Go Missing," *supra* note 9.


10. In the wake of the failure of Silicon Valley Bank, you called for an independent third-party review of the agency's supervisory failures.³² Do you intend to commission such a review to better understand the Federal Reserve's supervisory and regulatory failures related to Evolve? Will you recuse yourself from the solicitation process to contract with the independent reviewer?
11. Do you support the Federal Deposit Insurance Corporation's 2024 proposed rule to strengthen recordkeeping requirements for bank deposits placed by consumer-facing third parties, such as fintech companies?
12. Do you believe it is appropriate for Congress to rescind the Federal Reserve's consumer compliance supervision and enforcement authority over banks that, directly or indirectly, have more than 500,000 consumer accounts, even if the institution has \$10 billion or less in assets, and instead provide such authority to the CFPB?

How have your views on bank-fintech partnerships, including the importance of strong regulatory safeguards and concerns about "burden", changed following the Evolve-Synapse catastrophe?

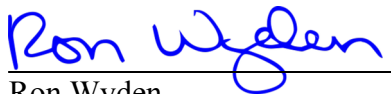
Sincerely,



Elizabeth Warren
Ranking Member
Committee on Banking,
Housing, and Urban Affairs



Tammy Baldwin
United States Senator



Ron Wyden
United States Senator



John Fetterman
United States Senator

³² Reuters, "Fed's Bowman calls for external review of Silicon Valley Bank oversight," Pete Schroeder, May 12, 2023, <https://www.reuters.com/business/finance/feds-bowman-calls-external-review-silicon-valley-bank-oversight-2023-05-12/>.