United States Senate
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS
WASHINGTON, DC 20510–6075

The Honorable Martin J. Gruenberg, Chair
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Dear Chair Gruenberg,

I am writing to express my concerns with Tellus, a nonbank "fintech" company that offers high-interest savings accounts. A recent article in Barron's[1] raises several red flags about the company's business practices and potential risks to customers.

Tellus uses customer deposits to extend mortgage loans. Tellus is then able to offer high interest rates to customers, funded by the interest income generated from their real-estate lending. These interest rates are significantly higher than those offered by traditional banks. While this may be attractive to customers, the article warns that the company's business model relies heavily on unadvertised risky investments, such as loans to real estate speculators and distressed borrowers, which could leave depositors vulnerable to losses. Tellus claims that they provide residential loans "to borrowers in some of the country's most stable real estate markets."[2] Yet, according to the article, Tellus does most of its real estate lending in the San Francisco Bay Area, a region where property values have been declining. This downswing may pose increased risks to Tellus depositors if Tellus borrowers default on their loans.

Although Tellus claims that it is not a bank, a fact its website repeatedly reminds customers of, I am concerned that Tellus's practice of marketing high-interest deposits to fund real estate loans may give consumers the false impression that their money is as safe as a deposit at an FDIC-insured bank. Further, according to the article Tellus has touted partnerships with FDIC-insured banks, specifically JPMorgan Chase and Wells Fargo. Upon further investigation, these banking relationships did not exist.

In the past, the FDIC has issued statements detailing the risks to customers when non-banks make "inaccurate representations about deposit insurance"[3], and has issued numerous letters[4] to crypto companies who made false or misleading statements regarding FDIC deposit insurance.

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[1] Barron's, *This Start-Up Promises Rates 13 Times Higher Than a Typical Savings Account. There's One Problem: It Isn't a Bank.* (April 11, 2023)
[2] Tellus, *How It Works*
[3] FDIC, *Advisory to FDIC-Insured Institutions Regarding FDIC Deposit Insurance and Dealings with Crypto Companies* (July 29, 2022)
[4] FDIC, *FDIC Issues Cease and Desist Letters to Five Companies For Making Crypto-Related False or Misleading Representations about Deposit Insurance* (August 19, 2022)

This behavior of claiming to partner with FDIC-insured banks is also common in the crypto industry, another highly risky and unregulated environment.

Given these concerns, I urge the FDIC to take a closer look at Tellus and its operations. As the federal agency charged with protecting the integrity of the banking system and ensuring the safety of depositor funds, the FDIC has a critical role to play in safeguarding consumers from financial fraud and abuse. I encourage you to conduct a thorough review of Tellus's business practices and risk management procedures, and to take appropriate action if necessary to protect the interests of consumers.

Thank you for your attention to this matter.

Sincerely,

Sherrod Brown
Chairman