

Testimony of Tara M. Flynn

Policy Director

National Community Reinvestment Coalition (NCRC)

June 24, 2026

House Financial Services Committee Hearing

Future of Payments: Promoting, Innovation and Fair Markets

June 22, 2026

Thank you for inviting me to speak today on the future of payments, promoting innovation, and fair markets. My name is Tara Flynn, and I am the National Community Reinvestment Coalition's Policy Director.

Prior to joining NCRC, I spent over 20 years dedicated to public service, enforcing consumer protection laws as an attorney at both the Federal Trade Commission and the Consumer Financial Protection Bureau.

NCRC is a coalition of more than 700 community-based organizations fighting for a just economy. For nearly 30 years, we have worked to create opportunities for people and communities to build and maintain wealth. NCRC members include community reinvestment organizations, community development corporations, local and state government agencies, faith-based institutions, fair housing and civil rights groups, minority and women-owned business associations, and housing counselors from across the nation.

Today we are discussing many different avenues for nonbanks to gain access to the financial system, but our inquiry should start with the same basic question: when a nonbank receives access to the public banking and payments infrastructure, what responsibilities should come with that access?

NCRC believes that to receive access to banking and payments infrastructure, nonbanks such as fintech payment apps, cryptocurrency companies, and other financial technology firms must be subject to strong consumer protections, have responsibilities that come with banking, including the requirement to help meet community needs and invest in communities, and be subject to robust supervision and enforcement on behalf of consumers.

1. Strong and enforceable consumer protections must be the first priority.

Any regulatory framework for nonbanks gaining access to banking and payments infrastructure should start with the principle that if something goes wrong, consumers have clear rights, fast resolution, and a responsible entity can be held accountable. Many consumers now receive their wages, pay rent, send money to family, buy necessities, and manage financial emergencies through payment products. Their prevalence and the increased speed of payment transactions make it imperative that consumers have strong and enforceable protections.

Strengthening existing consumer financial law frameworks should be the first step. The Electronic Fund Transfer Act (EFTA)¹ grants consumers important protections, such as limited liability for unauthorized transactions, error resolution rights, and the ability to stop recurring payments. But those rights may be limited based on the payment method.

¹ See 15 U.S.C. § 1693 et seq. and its implementing regulation, Regulation E, 12 C.F.R. Part 1005.

Fraud is extremely prevalent in the payment space, including transactions using payment apps and stablecoins. According to TransUnion, more than 25% of consumers indicated that they lost money to digital fraud in 2025.² A FTC report states that in 2024 consumers reported “losing more money to scams where they paid with bank transfers or cryptocurrency than all other payment methods combined.”³ The second highest reported losses came from imposter scams where the fraudster tricks the consumer into making payments.⁴

Given the rise of fraud in the payment space, EFTA-like protections should be extended to other payment methods. And, because much of the fraud in this space involves consumers tricked into making payments by fraudsters, EFTA should be amended to clarify that its consumer protections apply when scammers fraudulently induce consumers to make payments. A key step in extending and clarifying protections would be to pass the Protecting Consumers from Payment Scams Act⁵ because it confirms that EFTA’s protections apply to wire transfers and to transactions where scammers fraudulently induce consumers to part with their money. Clarifying the applicability of an expanded EFTA to cryptocurrency and stablecoin transactions would further protect consumers.

The bottom line is that functionally equivalent payment products should be subject to equivalent consumer protections and rules. Otherwise, consumers may be steered toward payment products that offer fewer protections when fraud, errors or unauthorized transactions occur. When similar products provide very different levels of protection, people can lose money without realizing they have fewer rights or avenues for recovery. Consistent safeguards across payment methods help ensure that consumers are protected regardless of how they choose to move, store, or spend their money.

Meaningful consumer protection is not in conflict with innovation. We agree that innovation can benefit consumers when it lowers costs, improves service, and expands access. However, faster payments are not the same thing as innovation. Just because payments are faster, it does not mean they are fair or safe. We believe innovation’s value should be measured by whether it improves people’s financial lives, not simply by whether a company finds a faster path into the banking system.

2. Nonbank access to banking and payment systems needs to be tied to an accountability framework.

When consumers trust a company with their money and rely on it to make payments, save funds, or access financial services, they deserve the same protections and community

²TransUnion, *The Impersonation Epidemic Drives Costly Fraud Attacks*, Apr. 6, 2026, www.transunion.com/report/top-fraud-trends.

³ Federal Trade Commission, *New FTC Data Show a Big Jump in Reported Losses to Fraud to \$12.5 Billion in 2024*, Mar. 10, 2025, www.ftc.gov.

⁴ *Id.*

⁵ Press Release, *Ranking Member Waters, Senator Blumentah, and Senator Warren Introduce Protecting consumers from Payment Scams Act*, Aug. 2, 2024, democrats-financialservices.house.gov.

benefits they would receive from a traditional bank. Companies that gain access to the banking system or receive special charters that allow them to operate like banks should not be able to avoid the responsibilities that come with that privilege. Fintech and crypto companies that receive national trust bank charters, industrial loan company charters or other special-purpose charters should be required to help meet the credit and financial service needs of the communities they serve, including through obligations under the Community Reinvestment Act (CRA) ⁶ or comparable responsibilities.

For example, banks operate in a public policy framework designed to ensure financial institutions help meet household, small business, and community credit needs. Through the Community Reinvestment Act, regulators assess and rate whether banks are meeting their obligations to serve low- and moderate-income communities and support equitable access to credit and financial services. Yet national trust bank charter holders are not subject to CRA requirements and are not required to reinvest in communities, creating a gap in accountability for institutions that benefit from access to the banking system without sharing the corresponding responsibility to help meet community needs. The principle is simple: when nonbank firms obtain special-purpose pathways into the banking system, policymakers should ask whether the public responsibilities attached to banking are keeping pace with the public benefits those firms receive.

Recently, the Office of the Comptroller of the Currency has conditionally approved national trust bank charters for several cryptocurrency firms, including firms whose business models involve custody, payment, or stablecoin-related activities. These charters give firms the credibility and legal status associated with the national banking system, even when they are not subject to the same CRA obligations that apply to insured depository institutions. That gap matters. If policymakers allow firms to use bank charters or other special-purpose pathways to deliver bank-like financial services at national scale, they should also ensure that community reinvestment and fair-service responsibilities follow.

ILC charters allow nonbank commercial firms to own banks supervised by the Federal Deposit Insurance Corporation (FDIC) and raise similar problems. They are allowed to operate like full-service banks, but they are exempt from the definition of a bank holding company under the Bank Holding Company Act (BHCA).⁷ These concerns have prompted legislative proposals in the Senate, including the Close the Shadow Banking Loophole Act (S. 3538). The bill would end the exemption that allows commercial firms to own ILCs without becoming bank holding companies. As a result, those firms would be subject to the same consolidated supervision and regulatory framework that applies to other banking organizations. In both cases, firms gain important benefits associated with the banking system while operating under a different set of obligations than traditional banks.

⁶ 12 U.S.C § 2901 et seq.

⁷ 12 U.S.C § 1841 et seq.

The obligations that come with banking, especially the responsibility to serve community needs, should not disappear simply because financial services are delivered through a different corporate structure or a new technology platform. Entities that seek special purpose charters to access the banking and payment systems should be expected to demonstrate how they will serve communities fairly, expand opportunity and contribute to the economic well-being of the people and places that rely on these systems.

3. Regulators must engage in robust supervision and enforcement of companies that act like banks and have the structural capacity to do so.

The current and proposed expansion of paths for nonbanks to access the federal payment and banking systems is taking place while federal regulators' capacity to conduct robust supervision and enforcement is contracting. The Consumer Financial Protection Bureau (CFPB), which plays a central role in supervising nonbank financial companies and enforcing federal consumer financial protection laws, has been the subject of proposals that would dramatically reduce its staffing. In April 2025, CFPB employees and their union reported in federal court that agency leadership planned to reduce the Bureau's workforce from roughly 1,700 employees to approximately 200—a reduction of nearly 90 percent—raising concerns about the agency's ability to continue supervision, enforcement, and consumer protection functions at current levels.⁸ In recent court filings, the CFPB proposed a reduction in force of closer to 50%,⁹ but concerns about the CFPB's ability to effectively function remain.

Some of the recent proposed rules covering nonbank access to federal banking and payment systems make application approval the default—essentially setting up a system up for automatic approvals. For example, the OCC's proposed rule implementing the GENIUS Act's stablecoin requirements¹⁰ would allow for automatic approval of stablecoin issuer applications if the OCC does not act within a certain number of days. Because stablecoin issuers can affect payment system integrity, consumer protection, and financial stability, authorization should follow a complete agency review instead of merely the passage of time. Requiring an affirmative OCC determination helps ensure that applicants have satisfied all statutory and regulatory requirements before they are authorized to operate.

This concern is particularly significant given the complexity and interconnectedness of the banking and payment systems. Regulators should be required to review and act on applications before access is granted, rather than allowing approval to occur by default. It is not difficult to see a scenario in which companies gain access to critical banking and payment infrastructure simply because regulators lack sufficient funding or staffing to

⁸ See *National Treasury Employees Union v. Vought*, No. 25-cv-00381 (D.D.C.), declarations and filings describing planned reductions in force; see also Stacy Cowley, *Consumer Bureau Plans to Cut Nearly 90% of Staff, Court Filing Says*, *The New York Times* (Apr. 18, 2025).

⁹ See *National Treasury Employees Union v. Vought*, No. 25-5091 (D.C. Cir. Mar. 31, 2026), Appellant's motion to modify the stay pending appeal; see also Evan Weinberger, *Vought's Latest CFPB Plan Sent to Judge who Halted Mass Firings*, *Bloomberg Law* (June 20, 2026).

¹⁰ 91 Fed. Reg. 10202 (Mar. 2, 2026).

complete timely reviews. In that circumstance, the approval process would function less as a meaningful safeguard and more as a rubber stamp, potentially exposing the system to unnecessary risk.

The need for adequate regulatory capacity does not end once a regulator grants access. Regulators and law enforcers, including the CFPB, must also have the capacity to hold companies accountable if they fail to meet regulatory requirements or otherwise put consumers and the system at risk. This is especially important where regulators allow access to federal payment and banking systems to companies that have never been subject to federal regulatory regimes.

NCRC welcomes innovation that benefits consumers, expands economic opportunity and strengthens communities. But access to the payments and banking systems must come with clear responsibilities. Companies that seek such access should be held to strong consumer protection standards, expected to meet community needs and invest in the communities they serve, and subject to robust supervision and enforcement by regulators with the authority and resources necessary to ensure accountability.

Thank you for the opportunity to provide this testimony.