

**Consumer Financial Protection Bureau**  
**Testimony**  
**of**  
**Ann Epstein**  
**Assistant Director, Office of Competition and**  
**Innovation**  
*before*  
**House Financial Services Committee**  
**Subcommittee on Digital Assets, Financial**  
**Technology and Inclusion**

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**December 5, 2023**  
**Washington, DC**

Good Morning, Chairman Hill, Ranking Member Lynch, and distinguished Members of the Subcommittee. Thank you for the opportunity to appear before you.

My name is Ann Epstein and I am the Assistant Director in the Office of Competition and Innovation (OCI) at the Consumer Financial Protection Bureau (CFPB). Today's hearing is well timed and critical as innovation is rapidly changing the competitive landscape, bringing new opportunities and challenges for consumers and the financial services sector more holistically. A competitive and innovative financial sector is critical for our economy, for our global competitiveness, and to create choices for consumers. Technological progress can improve our lives when done within a vibrant, competitive marketplace that maximizes consumer choice and safety.

Over the last two years, the CFPB has significantly ramped up efforts to facilitate market competition through work across the agency to ensure that consumer financial services markets are fair, transparent, and competitive. The Office of Competition and Innovation is part of this broader initiative by the CFPB to monitor for any obstacles to new entrants and support competition in consumer financial markets. In my role as Assistant Director, I oversee this monitoring through conversations with many firms in the fintech ecosystem, and through gathering data on new business models. This information is then used to inform our work at the CFPB. My office also monitors the market to understand the technologies and technology providers used by the entities we regulate and to better inform and support the work of the CFPB.

When the CFPB first opened our doors just over a decade ago, technology companies in consumer finance were an emerging trend, but they were still an anomaly; the world has since rapidly evolved. Today, many traditional financial services companies have begun to see

themselves as technology companies, and large technology companies, many with built-in customers and scale from other business lines, are providing consumer financial services, particularly in the payments space. Newer technologies, such as generative artificial intelligence (AI) are increasingly being used to market financial products and provide customer service across all segments of the financial marketplace, with potentially unexpected outcomes. It is vitally important that we examine what this means for consumers and what it means for the financial services industry.

As technology has increased in importance in the financial marketplace, the CFPB has expanded our in-house expertise. For example, we've added a Chief Technologist and developed a technologist program that recruits for technical expertise in areas such as data science, artificial intelligence and UX design, and embeds this expertise throughout the CFPB to support all aspects of our work.

The CFPB is also playing a role in setting up new rules of the road in this landscape to ensure that the future state of financial services is open to facilitate innovation. In October, the CFPB published a proposal for the Personal Financial Data Rights Rule, as required under Section 1033 of the Consumer Financial Protection Act. We believe this rule, which would create new standards and norms for newer technologies that facilitate sharing consumer financial data, will create an environment in which new entrants can thrive, while simultaneously allowing consumers greater control and choice.

We've also focused on ensuring that newer technologies are used in ways that comply with existing law. For example, if artificial intelligence technologies are used in loan underwriting processes, their use must conform with existing Equal Credit Opportunity Act rules that require lenders to provide consumers with an adverse action notice that explains the reasons for loan

denials. Without transparency in process and data, consumers cannot effectively protect their rights and understand the reasons why they may have been declined for credit. The requirement to provide specific and accurate adverse action notices also plays a vital role in helping to detect and deter illegal discrimination.

We also work to encourage the development of innovative new technology products and services that will provide real value to consumers. My office is currently running a tech sprint, where private companies use digitized data to build technology products – in this case to help consumers make more informed credit card choices. Tech sprints are a tool used by the CFPB to do two things simultaneously: (1) to foster the creation of private tools using the dataset; and (2) to get feedback on our data and the technology we use to help external parties access our data to inform our own policy and technology teams.

In a similar vein, two weeks ago, we announced that CFPB would be working with the Independent Community Bankers of America (the ICBA) to test adjustments to mortgage disclosures in the unique context of construction loans. This has potential benefits across the U.S. housing market – and in particular to bring tremendous benefit to Americans living in rural areas, where existing housing stock is often in scarce supply and new homes are seldom built on “spec” (speculation), but rather require upfront capital from the borrower. Construction loan disclosures have historically been more oriented toward the purchase of existing homes that do not require significant funds advanced for renovations. My office reviewed and approved a proposal from the ICBA that will allow lenders to apply to do in-market testing of these new disclosures. This is the first application approved under the trial disclosure policy and a great illustration of how we can work collaboratively with industry to identify and address real market

needs – in this case, improving transparency related to a complicated, but important, financial transaction that ultimately supports American families and communities.

Finally, as I sit here with my colleagues from other federal financial regulator innovation offices, I'd like to highlight the importance of collaboration and consistency across the regulatory framework. My office chairs an organization called the American Consumer Financial Innovation Network (ACFIN), where we meet regularly with states on innovation topics in which we have a shared interest. We are also a coordinating group member of the Global Financial Innovation Network (GFIN), along with most of the other regulators on this panel, where we are able to share approaches to similar challenges with regulators across the globe. We recently hosted the annual meeting of GFIN, along with the Commodities Futures Trading Commission, and that were attended by my colleagues at the FDIC, the OCC, the Federal Reserve, and the SEC.

In summary, the Office of Competition and Innovation—and the CFPB as a whole – is focused on advancing a more sophisticated approach to competition and innovation, in support of our statutory mission to ensure the market for consumer financial services is fair, transparent, and competitive.

Thank you for the opportunity to appear before you. I look forward to responding to your questions.