



**Testimony of Erica Khalili
Co-Founder and Chief Legal and Risk Officer
Lead Bank**

**Before the
U.S. House Committee on Financial Services Subcommittee on Digital Assets, Financial
Technology, and Artificial Intelligence**

**“Partnering for Innovation: How Bank-Fintech Collaborations Enhance Financial
Infrastructure”**

May 20, 2026

Chairman Steil, Ranking Member Lynch, and Members of the Subcommittee: thank you for the opportunity to testify today. My name is Erica Khalili. I am the Co-Founder and Chief Legal and Risk Officer of Lead Bank, a community bank headquartered in Kansas City, Missouri.

I have spent my career building compliance infrastructure for financial institutions operating at the intersection of technology and banking. Before co-founding Lead Bank, I spent more than six years at Block, Inc., formerly Square, Inc., serving as Deputy General Counsel and as General Counsel of Square Financial Services, Block's internal bank subsidiary. In that role, I led the cross-functional effort to obtain a de novo industrial loan company charter from the FDIC, and I oversaw the buildout of that bank's compliance, legal, BSA/AML, and risk functions from the ground up. Before that, I practiced law for nearly a decade in the banking and finance sector at two international law firms, advising financial institutions on bank regulatory matters, structured products, and fintech issues.

At Lead Bank, I have helped build and scale our compliance, legal, financial crimes, risk and information security functions. Lead is a community bank, but we are also a partner bank. We work with some of the most innovative fintech and digital asset companies in the country to offer innovative products and services, opening the aperture of financial services in a compliant and technologically enabled manner.

My testimony today covers Lead Bank's experience as a community bank that has built its business around fintech partnerships and the performance data that support the model; the risk management and compliance practices that responsible partnership banking requires; the consumers these partnerships serve and why these collaborations matter; and specific policy recommendations.

II. THE IMPORTANCE OF FINTECH PARTNERSHIPS TO COMMUNITY BANKS

Lead Bank is a Kansas City-based community bank that has built, from the ground up, a compliance and risk infrastructure designed specifically for the complexity of bank-fintech partnerships, including partnerships with some of the most technically sophisticated fintech and digital asset companies operating today. Since founding the company, we have seen firsthand that

strong compliance and sound technology enable fintech partners to innovate in ways that strengthen the banking system and open new lines of business for community banks on Main Street.

What distinguishes our model is a clear and deliberate allocation of responsibility. Lead owns the compliance stack, and Lead is accountable for the consumer experience for each and every product and service that we offer. Partnerships with fintechs extend our services, but do not displace our obligations. This is a key component of the bank-fintech partnership model.

Performance data support the partnership model. Community banks offering banking-as-a-service grew deposits 18 percent from the first quarter of 2022 to the first quarter of 2023, while deposit growth at comparable banks without these partnerships was essentially flat.¹ In the second quarter of 2023, partner community banks posted median sequential deposit growth of 2.2 percent, compared to a 0.8 percent decline at non-partner banks under ten billion dollars in deposits.² A peer-reviewed study of 993 community banks with under fifteen billion dollars in assets found that banks with at least five fintech partnerships showed 2.2 percent higher return on equity than non-partner peers in 2024, driven by a 0.9 percent higher net interest margin at comparable interest expense.³ Additionally, partner banks averaged 12.4 percent Return on Equity (ROE) versus 10.2 percent for peers, and 1.3 percent return on assets versus 0.9 percent.⁴

Lead's experience is consistent with the broader data demonstrating that community banks that have built sound partnership programs have grown stronger as a result. Lead's own partnership portfolio spans consumer and commercial lending, depository products, payments infrastructure, and digital asset on- and off-ramp services, each of which is distributed through fintech-enabled channels. That being said, we have never lost sight of balancing this business line with our Kansas City lineage and serving the small businesses and agricultural sector in our community.

III. RISK MANAGEMENT IN BANK-FINTECH PARTNERSHIPS

The risk management required to engage in a bank-fintech partnership responsibly is technically demanding, requiring fluency across bank regulation, best in class information security, software systems, data architecture, financial crimes compliance, and consumer protection. Banks such as Lead that invest in the people and systems to develop and maintain that fluency are best positioned to grow and more completely serve their communities.

Before Lead enters any partnership, we conduct immensely robust technical and regulatory due diligence on the prospective partner. This includes assessment of the partner's technology architecture, including data flows, API security, and access controls, sufficient to give Lead

¹ Jordan McKee, Banking as a Service: The Role of Banks in Powering the Fintech Industry, S&P (Aug. 17, 2023), www.spglobal.com/market-intelligence/en/news-insights/research/banking-as-a-service-the-role-of-banks-in-powering-the-fintech-industry.

² Thomas Mason, Banking as a Service Still Boosts Banks' Deposits but Has its Risks, S&P (Sept. 21, 2023), www.spglobal.com/market-intelligence/en/news-insights/research/banking-as-a-service-still-boosts-banks-deposits-but-has-its-risks.

³ Braun & Yu, "Innovation at the Intersection: A Policy Blueprint for Bank-Fintech Partnerships," NYU Journal of Law & Business (2025).

⁴ *Id.*

visibility into program activity at any point in the transaction lifecycle. Our due diligence practices also include a review of the partner's compliance program for operational effectiveness, a BSA/AML risk assessment specific to the partner's customer acquisition model and transaction patterns, an analysis of the partner's financial condition and concentration risk implications for Lead's own balance sheet, and a review of the partner's consumer protection infrastructure.

For digital asset partners, our due diligence continues to be tailored to the specific risk profile of those activities. We evaluate the regulatory status of the partner's activities, the BSA/AML and OFAC risks associated with the asset types and customer base involved, and the technical controls in place to monitor on-chain activity. This work requires Lead's compliance personnel to understand how blockchain transactions differ from traditional payment rails, where financial crime risk concentrates in digital asset environments, and how monitoring must be adapted accordingly. Lead has built that internal capacity.

Once engaged in an ongoing third-party relationship, our oversight framework includes governance structures, reporting obligations, contractual rights, and exit protocols sufficient to allow Lead to identify, escalate, and remediate compliance failures. Additionally, developing a deep understanding of each partner's business model is central to our compliance practices and to maintaining productive coordination with regulators.

IV. THE CONSUMERS BANK-FINTECH PARTNERSHIPS SERVE

The importance of bank-fintech partnerships to consumers is well-documented. Specifically, FDIC survey data⁵ has found:

- In 2023, 4.2 percent of U.S. households, roughly 5.6 million families, were unbanked, with the most commonly cited barrier being insufficient funds to meet minimum balance requirements.⁶
- An additional 14.2 percent of households were underbanked, holding accounts but still relying on check cashers, money orders, and similar alternatives.⁷ Among Black households, that figure rose to 23.8 percent.⁸
- Approximately 15.7 percent of U.S. households have no mainstream credit.⁹ Among unbanked households, that figure is 78.4 percent, six times the rate for banked households.¹⁰

Additionally, Federal Reserve data indicate that approximately 32 million American adults are unscorable under traditional credit models.¹¹ The data found that among this group, roughly 7 million have no credit history whatsoever, and 25 million have files that are too thin to generate a reliable score.¹²

⁵ FDIC, 2023 National Survey of Unbanked and Underbanked Households (2024).

⁶ *Id.* at 1.

⁷ *Id.* at 15.

⁸ *Id.* at 66.

⁹ *Id.* at 12.

¹⁰ *Id.*

¹¹ Federal Reserve, Consumer & Community Context, Alternative Data: Expanding Access to Credit (Oct. 2025), <https://www.federalreserve.gov/publications/2025-october-consumer-community-context.htm>.

¹² *Id.*

For these consumers, the financial products made possible by responsible bank-fintech partnerships represent a meaningful path to mainstream credit access. First, these partnerships dramatically reduce the cost of reaching underserved sectors. Digital partnerships reduce customer acquisition costs from between \$100 and \$200 per customer down to between \$5 and \$35, which is what makes it economically viable to serve populations that larger institutions have concluded are not cost-effective to reach through traditional channels.¹³ Second, partnerships supporting fintech underwriting tools enable credit decisions based on a more complete picture of a borrower's financial life. Tools incorporating bill payment history, bank account balance trends, and other behavioral data can allow lenders to extend credit to borrowers who do not appear in traditional credit scoring models.

The regulatory environment should reflect the importance of bank-fintech partnerships to consumers. Individuals who depend on responsible bank-fintech partnerships for access to products and services to meet their financial needs benefit from a well-calibrated regulatory framework that holds banks to rigorous standards while also enabling responsible innovation.

V. POLICY RECOMMENDATIONS

Lead Bank appreciates the opportunity to offer the following policy recommendations, which are grounded in our direct experience with facilitating responsible bank-fintech partnerships.

Examiner Education

Bank-fintech partnerships involve technology infrastructure, data flows, and product structures that differ meaningfully from traditional banking. Examiners who are not familiar with how these programs operate are less equipped to evaluate them accurately, which can produce examination findings that do not reflect the actual risk profile of a well-run program. Greater standardization of examination manuals across the prudential regulators, combined with investments in examiner training, would address these issues.

The FDIC's Emerging Technology Team offers a useful model. By embedding specialized examiners alongside local examination teams, the FDIC has created a more iterative, dialogue-driven process that allows institutions to understand what regulators expect and enables more appropriately focused examinations. The availability of clear, accessible appeals mechanisms for banks that disagree with examination findings would also enhance fairness and meaningful participation in the examination process. These mechanisms protect against findings that penalize innovation rather than genuine risk, and may be particularly important in an area where examination standards are still developing.

Codify the True Lender Standard

Congress should affirm that the chartered bank is the true lender in a bona fide bank-fintech partnership, with clear federal preemption. This concentrates regulatory accountability where it belongs: with the bank, which maintains the compliance infrastructure and the direct supervisory relationship with federal regulators. There is also a practical financing dimension worth noting.

¹³ See *Banking-as-a-Service Enables Up To 95 Percent Cost Saving in Acquiring Customers*, Oliver Wyman (Mar. 8, 2021), www.oliverwyman.com/media-center/2021/mar/banking-as-a-service-enables-up-to-95-percent-cost-saving-in-acquiring-customers.html.

When true lender status is ambiguous, the liquidity channels available to banks that originate loans through fintech partners are constrained. Secondary market participants and funding counterparties need certainty about who made the credit decision and who holds the legal obligation. Without it, the ability to originate at scale is effectively limited by downstream uncertainty that has nothing to do with the quality of the underlying loans. Codifying true lender status would resolve that uncertainty and allow the model to function as intended.

The American Lending Fairness Act of 2026

Since late 2025, Wisconsin, Rhode Island, and New York have introduced legislation seeking to impose true lender laws or opt out of the Depository Institutions Deregulation and Monetary Control Act (DIDMCA), following Colorado's 2023 enactment of a DIDMCA opt-out. The Tenth Circuit's 2025 decision in *National Association of Industrial Bankers v. Weiser*, which held that Colorado's opt-out requires out-of-state state-chartered banks to comply with Colorado's usury limits when lending to Colorado residents, has introduced uncertainty into interstate lending markets. If the Tenth Circuit's interpretation is replicated elsewhere, state-chartered banks engaged in interstate lending would face a fragmented, state-by-state compliance regime that would constrain credit availability and erode the competitive parity between state and national banks that DIDMCA was designed to preserve. We are supportive of the American Lending Fairness Act of 2026, introduced by Representative Davidson and Senator Moreno, to restore Congress's original intent of strengthening the dual banking system and resolve uncertainty.

The Bank-Fintech Partnership Enhancement Act

Lead Bank supports the goals of H.R. 6552, the Bank-Fintech Partnership Enhancement Act. Requiring the federal banking agencies to study how these partnerships affect competition, innovation, consumer protection, and access to financial services would help promote greater regulatory clarity and more effective oversight as this space continues to evolve.

VII. CONCLUSION

Bank-fintech partnerships, when approached responsibly, expand access to financial products and services for consumers who are underserved by traditional banking channels and strengthen community banks. Lead's experience in particular demonstrates the benefits of actively participating in the technological evolution of financial services as a community bank. Thank you for the opportunity to testify. I look forward to your questions.