

Opening Remarks of FTC Chairwoman Edith Ramirez
FinTech Forum Series: Marketplace Lending
Washington, DC
June 9, 2016

Good morning and welcome to the Federal Trade Commission's FinTech Forum. This is the first in a series of events we are hosting that will bring together leading experts to discuss emerging financial technologies and their impact on consumers.

For decades, consumers have relied largely on brick-and-mortar banks and investment firms to help them get access to credit, invest their money, and chart their financial goals. When it comes to making payments – for everything from buying clothes to giving a donation – in the past most of us used cash, credit cards, or checks. But new technologies have transformed our options on all of these fronts.

Today, with a tap on a screen, we can choose from an array of different products and platforms to complete these and other daily transactions. While traditional financial institutions still dominate, it is becoming increasingly clear that innovators are disrupting the financial services sector.

The view of young adults may be an indication of what's to come. In a recent survey of 10,000 millennials by Viacom, 68% said that they think the way we access our money in five years will be completely different than it is today, and 33% believe that in the future they will not need a bank at all.¹

For some people, that may be the case. We now see crowdfunding platforms link investors with entrepreneurs who are passionate about the same causes and projects. Consumers can quickly compare multiple options among marketplace lenders when they need a loan. And

¹ VIACOM MEDIA NETWORKS, *The Millennial Disruption Index* (2014), <http://www.millennialdisruptionindex.com>.

we can now use our cellphones to pay for everything from coffee to movie tickets to groceries. While fintech services vary greatly, they have the potential to empower consumers by providing more choices and unprecedented convenience. More than ever before, technology is driving the way consumers store, share, spend, and borrow money.

But while the proliferation of new financial options provides significant advantages to consumers, these new options also raise important questions. For example, are consumers fully informed about their financial transactions? Are there safeguards in place to protect users from fraud? And how can we continue to ensure that our personal information will be safe, even as access to our data expands? These are just a few of the issues that the FTC will be examining in our fintech series.

Today, our focus is on marketplace lending, an industry that has grown rapidly in recent years. As you know, these platforms connect consumers and small businesses that want to borrow money with individuals and institutions that want to invest. They have the potential to increase consumers' access to credit and to provide more effective and efficient ways for them to find, apply for, and access loans.

Marketplace lenders have already had a significant impact. The California Department of Business Oversight recently conducted a survey of 13 online marketplace lenders and found that, in 2014, they collectively provided nearly \$16 billion in lending and other financing – primarily to individual consumers.² That number is substantial, but still small when compared to traditional financial institutions. By way of comparison, Bank of America's consumer loan

² CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT, *Survey of Online Consumer and Small Business Financing Companies – 01/01/2010 through 6/30/2015* (Apr. 8, 2016), http://www.dbo.ca.gov/Press/press_releases/2016/Survey%20Response%20Summary%20Report%2004-08-16.pdf.

portfolio was \$489 billion in 2014.³ And, as many of you know, it has been a rocky spring for the marketplace lending sector – we have heard public reports that there is a decline in the availability of capital for these kinds of loans. However, most observers agree that, given the advantages it offers both lenders and borrowers, marketplace lending is here to stay.

Our aim is to advance the dialogue about the impact of marketplace lending. It is important to examine not only the potential benefits of this form of lending, but also the risks it may present for consumers. For example, a recent white paper published by the Treasury Department highlights the risk of disparate impact in credit outcomes as well as the challenges that consumers may face in seeking to verify and correct the data used in credit decisions.⁴

In light of the FTC’s broad jurisdiction over non-bank financial entities and our decades of experience enforcing consumer lending laws, we want to ensure that consumers are treated fairly when they navigate this changing landscape. This includes ensuring that the same protections consumers have in traditional lending contexts also apply to marketplace lending. The FTC Act allows us to protect consumers from a broad range of deceptive and unfair practices – from misleading ads to privacy abuses and unreasonable data security practices. We also enforce a wide range of other financial consumer protection statutes and regulations that apply in the financial services arena, including the Truth in Lending Act, the Equal Credit Opportunity Act, the Graham-Leach-Bliley Act, the Fair Credit Reporting Act, and the Fair Debt Collection Practices Act. As in other areas, the FTC will remain vigilant to ensure that market participants adhere to applicable laws.

³ Peter Eavis, *Bank of America’s Profit Falls 11%, Hurt by Consumer Loans and Investment Banking*, N.Y. TIMES: DEALBOOK (Jan. 15, 2015, 7:38 AM), <http://dealbook.nytimes.com/2015/01/15/bank-of-america-posts-11-decline-in-profit>.

⁴ U.S. DEPARTMENT OF THE TREASURY, *Opportunities and Challenges in Online Marketplace Lending* (May 10, 2016), <https://www.treasury.gov/connect/blog/Documents/Opportunities%20and%20Challenges%20in%20Online%20Marketplace%20Lending%20vRevised.pdf>.

My hope is that today's forum will take our work in this area one step further. Our speakers and panelists will discuss, among other topics, adequate lending disclosures, issues related to credit reporting, robust privacy and data security practices, protections against unauthorized charges, fair lending concerns, and debt collection practices. Our first panel will focus on the current state of marketplace lending and its implications for consumers. The second panel will address the continued evolution of lending markets and the role of consumer protection regulation and enforcement going forward. In addition, the FTC's Office of Technology Research and Investigation will provide a survey of marketplace lenders, including an analysis of how they advertise and market themselves, and the data that lenders attempt to collect from consumers.

As the marketplace lending sector continues to evolve, questions about how to best protect consumers will continue to surface. My hope is that today will lay the groundwork for enhanced understanding of the issues, improved consumer awareness, and ongoing study of the impact of emerging financial technologies on consumers and the marketplace. Together, we can help ensure that consumers enjoy the benefits of innovation as they work to build a strong financial future for themselves and their families.

Thank you for joining us.