



**National Association
of Federal Credit Unions**
3138 10th Street North
Arlington, VA 22201-2149

NAFCU | Your Direct Connection to Education, Advocacy & Advancement

September 10, 2014

Monica Jackson
Office of the Executive Secretary
Consumer Financial Protection Bureau
1275 First Street, NE
Washington, DC 20002

RE: Comments on Request for Information Regarding the Use of Mobile Financial Services by Consumers and Its Potential for Improving the Financial Lives of Economically Vulnerable Consumers

Dear Ms. Jackson:

On behalf of the National Association of Federal Credit Unions (NAFCU), the only trade association that exclusively represents federal credit unions, I am writing regarding the Consumer Financial Protection Bureau's (CFPB's) recent request for information regarding the use of mobile financial services by consumers and its potential for improving the financial lives of economically vulnerable consumers. NAFCU appreciates the opportunity to participate in this important discussion about mobile financial services.

Current Offerings

Credit unions, like many small community institutions, have strong individual relationships with their members and strive to meet their financial needs. As a result, credit unions have been leaders in tailoring their products and services for their unique fields of memberships. While the products offered by credit unions vary based on their particular fields of memberships, NAFCU's member credit unions strive to develop products and platforms that will safely and soundly improve their consumers' financial livelihood. One example of this is offering remote deposit capture (RDC) for those members that live in rural areas or that travel regularly.

Credit unions are tailoring their mobile offerings to better accommodate a rising group of "mobile only" members who are looking for a robust account servicing or banking experience without having to access their account through traditional branches or even a personal computer. The right mobile banking offering can allow a credit union to pursue opportunities that enable "mobile first" servicing for prospective members that want to originate a relationship with the credit union whether it be a membership application, opening a secondary account, or applying for a loan from a mobile device.

Credit unions and the services they provide differ significantly from institution to institution because of their fields of membership. Some very small credit unions do not offer any mobile financial services while many larger credit unions offer a great number of mobile financial services including specially designed mobile applications, mobile deposit capture, and branch location services.

While the complete list of mobile services available seems to grow daily, most credit unions are providing some mix of the following services for their members:

1. Basic account information which includes the balances, detailed transaction history, and pending transactions for different types of accounts including mortgages and consumer loans.
2. Contact information for how to contact the credit union by email, phone, or live chat.
3. Location search functions to locate ATM and branch locations.
4. The ability to transfer money between accounts, update contact information and use mobile bill pay.
5. RDC which includes the ability of a member to deposit a check remotely by using the camera on a mobile device.

Security and Fraud Concerns

NAFCU acknowledges that providing financial services via mobile devices opens up new and unique security and fraud concerns. Because of the fast moving and ever changing landscape involved with new technologies such as mobile banking, credit unions are working to identify and overcome many of these concerns. It is important that the CFPB and other regulators consider any impact that potential regulations may have on credit unions and their members before regulating in this space.

With any new technology introduced there is a period of increased risk of fraud as consumer behavior adapts to that technology. Financial institutions must also learn what members want in the mobile space and navigate any new security concerns that are raised by providing those services. One example of potential security concerns seen in the mobile banking space involves the difference in security standards for mobile applications on the Apple iOS platform and the Android platform. The Android platform may have specific security concerns associated with open source and malware risks that are not present on the Apple iOS platform. While credit unions are not the only players in the mobile banking space that have this concern, it is important to highlight because credit unions strive to offer member preferred services that do not put members at risk of harm.

A number of credit unions have also conveyed concerns about fraud specific to providing financial services in the mobile space. The ease and the speed with which funds can be removed from an account, the difficulty retrieving stolen funds, and outdated ACH rules/time limits for retrieving funds fraudulently transferred via ACH are some examples of these concerns. Fraud of

any kind can harm either or both credit unions and their members and can be exceedingly costly to investigate and resolve.

Challenges

There are distinct challenges to providing financial services via mobile devices that are not present in other mediums. For example, the limited screen area presents challenges when attempting to convey a large array of required information, particularly where required disclosures are extensive. Fast and ever changing new technologies such as providing financial services on mobile devices are great opportunities for innovation, but present real regulatory and compliance challenges for credit unions. It is important for the CFPB to consider changes to outdated regulations to allow credit unions to innovate in this space without the fear of sanctions for violating outdated disclosure requirements.

As mentioned in *NAFCU's Dirty Dozen: Twelve Regulations to Eliminate or Amend*, NAFCU would like to see an update to advertising requirements for loan products and share accounts. The regulatory requirements for advertisement of credit unions' loan products and share accounts have not kept pace with technological changes in the current market place. The requirements of Regulation Z (Truth in Lending) and Regulation DD (Truth in Savings) should be updated to reflect these changes and advances in practical advertisements and the disbursement of information, while maintaining the integrity and accuracy of the information that the member truly needs to know from the advertisement.

We also urge the CFPB to work with the National Credit Union Administration (NCUA) to modernize NCUA advertising requirements to keep up with technological changes and an increasingly mobile membership. Currently, NCUA regulations part 740 regarding accuracy in advertising and notice of insured status prescribes the requirements for the official sign insured credit unions must display and the requirements with regard to the official advertising statement insured credit unions must include in their advertisements. These rules should be amended with use of the mobile medium in mind and include more flexibility for the differences that the mobile medium provides as opposed to the rigidity of the current rules.

Marketing Mobile Services

The request for information asks about how financial institutions such as credit unions are marketing to their members. While each credit union is different, many credit unions market their mobile services in the same ways they market other services. This can include traditional marketing options such as through their websites, brochures, direct mail, radio, television, and email. Providing financial services through the mobile medium lends itself to new more innovative ways to market to members such as QR codes for iPhone and Android mobile application downloads, online ads, and social media campaigns.

Costs

Credit unions have dealt with a huge increase in regulatory and compliance costs brought on by a deluge of regulations. During the same time, credit unions have invested significantly in transitioning to and adding mobile services for their members. It is important that the CFPB balance the cost to implement new requirements with any benefits to the consumers when considering regulating in this space.

Because credit unions differ in size, offerings, and membership, it is difficult to give an exact cost of mobile services for all institutions. We have however identified a number of items that add cost to any credit union when offering mobile financial services.

A dedicated technology staff member can be an additional operational expense in the form of hiring a new employee or adding to the responsibility of existing employees. In NAFCU's November 2013 *Economic & CU Monitor Survey*, 73.1% of credit unions responded that they have a technology officer on staff. The costs will likely increase over time due to the need to provide members the best service possible.

Credit unions must also design the products to get the mobile services to their members. This can be done in house for larger more sophisticated financial institutions, but the vast majority of credit unions use third-party vendors to design personalized mobile applications or optimize their websites for mobile use. Once those products are designed, the overhead increases to provide those services and the technical support to troubleshoot those features for members.

The Future

While the CFPB needs to consider current technology when providing guidance or regulation in the mobile service field, any regulation or guidance that the CFPB issues on mobile financial services needs to be flexible enough to accommodate for products that have yet to be developed. Technology and digital communication platforms are only going to continue to expand, and the CFPB should provide a flexible framework that will allow credit unions to utilize developing technologies to safely and soundly offer products and services that will improve the lives of their consumers.

Credit unions have also identified peer-to-peer payments, digital wallets, frictionless account openings and loan applications using cameras to capture data, travel notification for credit and debit cards, and real-time loyalty program redemptions as some of those products and services that are likely to increase as the mobile space becomes more technologically mature.

It is important that credit unions are not restrained from innovating in this space by unnecessary or over-burdensome regulations. These types of innovations will ultimately lead to better and faster ways to provide the highest quality member services.

NAFCU appreciates the opportunity to comment on this request for information. If you have any questions or concerns, please feel free to contact me at pjhoffman@nafcu.org or (703) 842-2212.

CFPB
September 10, 2014
Page 5 of 5

Sincerely,

A handwritten signature in black ink, appearing to read "P.J. Hoffman", with a long horizontal flourish extending to the right.

PJ Hoffman
Regulatory Affairs Counsel