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United States Senate
COMMITTEE ON BANKING, HOUSING, AND
URBAN AFFAIRS

WASHINGTON, DC 20510-6075

July 27, 2021

The Honorable Dave Uejio
Acting Director
Consumer Financial Protection Bureau
1700 G St., NW
Washington, DC 20552

Dear Mr. Uejio:

I write regarding a recent report that found a significant volume of complaints relating to the sudden closure of customer accounts by the company Chime.¹ In light of the large number of complaints to the Consumer Financial Protection Bureau (CFPB or Bureau) regarding Chime, I seek insight into the Bureau's plan for addressing the risks arising from Chime and other nonbank actors within the financial system.²

Digital-only, financial companies that are not banks are not fully regulated to ensure that our banking system is safe and consumers are protected. Chime is the largest of these nonbanks that claims to focus on providing financial services to low- to moderate-income individuals underserved by traditional banks.³

According to news reports, Chime closed or froze a number of accounts due to potential fraudulent activity.⁴ Chime's actions occurred without any prior warning to its customers. Many of Chime's account closures resulted from the company's suspicion of fraudulent federal stimulus checks and unemployment insurance deposits. This followed a broad marketing campaign by Chime encouraging consumers to open new accounts with those exact types of funds. In response to customer complaints, Chime does not appear to have adequately explained why it closed their accounts.⁵ Chime has since acknowledged that it made "mistakes" in closing customer accounts.⁶

Chime's abrupt, involuntary closures of its customers' accounts—and locking them out of access to their funds—can cause lasting damage to their financial condition. Chime customers who could not access funds may have been unable to pay their bills, subject to late fees, become delinquent on bills, and put at risk of losing their homes to eviction or foreclosure. As noted in the article, one consumer complained "I'm a single mom of 4 kids and they stole[] \$1400 from me and refuse to give it back and now we are about to be evicted."⁷ Chime customers' negative payment information would also be reflected on their credit reports, affecting the terms of or their ability to obtain credit for years to come.

¹ <https://www.propublica.org/article/chime>.

² *Id.* (since April 2020, Chime was the subject of more than 900 consumer complaints submitted to the CFPB, with at least 197 complaints relating to a closed account).

³ *Id.*

⁴ *Id.*

⁵ In the report an email to one customer stated the company could not explain to why the account was closed because of security reasons.

⁶ *Id.*

⁷ *Id.*

In addition, Chime’s account closures may increase the number of people in this country who do not have access to the financial services. Already, as of 2019, 5.4 percent of U.S. households (approximately 7.1 million households) were unbanked; these rates are even higher among lower-income households.⁸ Among unbanked households in 2019, half had previously held a bank account.⁹ Millions of Americans have deposit accounts that are involuntarily closed by their banks.¹⁰ These account closures are then usually reported into a system¹¹ for which there is evidence that the prior financial mismanagement at another institution leads banks to deny customers deposit accounts.¹² This all but ensures that the most financially vulnerable of America are denied basic financial services.

In addition to the harms from account closures, there are a number of consumer risks involving nonbanks, including privacy concerns, fraud, data breaches, and proper disclosure that these companies are not actually banks. Chime, for example, is not a bank, but has marketed itself as a bank – even after California regulators prohibited the company from calling itself a bank.¹³

The CFPB’s mission is to protect consumers from risks in the marketplace for consumer financial products and services. This includes the risks associated with receiving financial services from nonbanks. So that I may better assess these issues, I ask that the Bureau share insight into the risks posed by nonbanks to consumers as well as the measures the Bureau is taking to address the risks by nonbank fintech companies and their affiliated banks. In addition, please offer any guidance on any gaps in the regulatory framework that may require Congressional action.

Sincerely,



Sherrod Brown
Chairman

⁸ <https://www.fdic.gov/analysis/household-survey/2019execsum.pdf>.

⁹ *Id.*

¹⁰ https://www.bostonfed.org/-/media/Documents/events/payment-choice-2008/campbell_jerez_tufano.pdf.

¹¹ https://files.consumerfinance.gov/f/201602_cfpb_consumer-guide-to-being-denied-a-checking-account.pdf.

¹² See also https://www.bostonfed.org/-/media/Documents/events/payment-choice-2008/campbell_jerez_tufano.pdf.

¹³ Chime’s website prominently advertises “Banking that has your back,” and “Banking made awesome: Welcome to better online banking through Chime....Experience the ease and simplicity of online banking.” www.chime.com, last accessed July 15, 2021. See also, <https://dfpi.ca.gov/wp-content/uploads/sites/337/2021/04/Admin.-Action-Chime-Financial-Inc.-Settlement-Agreement.pdf>.