FTC FinTech Series: Marketplace Lending
June 9, 2016
Transcript

STEPHANIE ROSENTHAL: Good morning, everyone. If you guys could please take your seats, we're about ready to get started here. Good morning. My name is Stephanie Rosenthal, and I'm the Chief of Staff of the Division of Financial Practices here in the Bureau of Consumer Protection at the Federal Trade Commission.

I'm really excited to welcome everyone here today to Marketplace Lending, our first forum discussion in a series of events that's going to explore emerging financial technologies and their implications for consumers. Before we get started with today's substantive program, I have a few administrative details to go through. First, please silence any mobile phones.

And if you do have to use your phone or electronic device this morning, please be respectful of the panelists, and try to do it out of the way, and quietly. Please be aware that if you leave Constitution Center this morning, you're going to have to go back through security to get back in. So particularly for our panelists, please try to limit that as much as possible, or build in enough time to get back through security to get back in so we can stay on schedule.

I think all of you received a lanyard today with your FTC security badge. We reuse these for multiple events, so before you leave, please return this to event staff. We'll have a box on your way out to drop the badges in. If an emergency occurs that requires the evacuation of the building, an alarm will sound. Everyone should leave the building through the 7th Street exit, which many of you came in.

After leaving the building, turn left and cross 7th Street, and then cross E to the FTC's emergency gathering area. And remain in that area until you receive further instruction. If an emergency occurs that requires you to leave just the conference center but stay in the building, please follow instructions voiced over the PA system.

Please be advised that this event may be photographed, and is being webcast and recorded. By participating in the event, you're agreeing that your image and everything you say could be posted indefinitely on ftc.gov, or on one of our publicly available social media sites. And restrooms are in the hallway just behind me.

During the panel discussion today, if you're interested in submitting a question to one of our panelists, please write it down on the question cards which, if you haven't received, are available

with you all. And now I am very pleased to introduce the chairwoman of the Federal Trade

Commission, Edith Ramirez.

[APPLAUSE]

Together we can help ensure that consumers enjoy the benefits of innovation as they work to build a strong financial future for themselves, and for their families. So thank you very much for joining us today, and let me now hand the floor over to Malini Mithal, our acting associate director in our division of Financial Practices. Thank you very much.

[APPLAUSE]

MALINI MITHAL: the panel one panelists could please come up? Good morning. I'm Malini Mithal, and this is Elizabeth Kwok. We are both with the FTC, and we are moderating the first panel today, the current state of the marketplace lending and its implication for consumers. I'd like to take a moment to thank our panelists, and to introduce them. I'm going to start with Shaheen Hasan.

She's a manager on the program team at the Center for Financial Services Innovation, CFSI. In her role she works to inform and advise the marketplace about the needs of consumers, and how to offer high quality financial services to improve their financial health. Next to her we have Ed Mierzwinski. He is a consumer program director and senior fellow at the Federation of State Public Interest Research Groups, US PIRG.

And he often speaks before Congress, state legislatures, and agencies on a wide range of consumer issues. Next to him we have Jessica Milano. She is the Deputy Assistant Secretary for Small Business Community Development and Housing at the US Department of Treasury. Miss Milano manages a portfolio of policy issues, including small business, access to capital, affordable housing finance, and community and economic developments.

And next to her we have Peter Renton. He is a founder of Lend Academy, an educational resource for P2P marketplace lending industries. He is the co-founder of the Lend It Conference, a conference series dedicated to the P2P and online lending industries. Now, we have a lot of ground to cover, so we're going to go ahead and get started, with Liz asking our first 10 questions on our first topic.

ELIZABETH KWOK: Good morning. So as we all know, marketplace lenders are typically described as online platforms that connect potential borrowers with potential investors, and while borrowers can include individual consumers as well as small business consumers, today we're going to be focusing on individual lenders.

With that in mind, let's talk more about the specific mechanics of marketplace lending. So if we could begin by describing the process of getting a loan through a marketplace lender, including how consumers are approved or denied, and how a loan is funded?

PETER RENTON: I'd be happy to take that. So, consumers typically go to a website that's run by one of the marketplace lenders. They vary between different ones, and obviously it's a different process for a consumer than it is for a small business. A small business obviously has-- there's a lot more data that they need to provide in order to make a decision.

But let's just say with the consumer, you go in and you put in a very small amount of information, some personal identifying information, and then you receive-- typically you receive an interest rate, and whether or not you have been approved, then you go through a few more processes-- I've done this myself several times, just to really understand the entire process.

And you go through this-- there's the truth in lending form that you have to OK, and you go through, and typically it takes about 3 to 5 minutes. And at the end of the day, you know whether you're approved or not. And typically, depending on the lender, you might get your money within a day, or it might take up to two weeks, depending.

ELIZABETH KWOK: And could you expand maybe a little bit more on how loans are funded, or anyone else on the panel?

PETER RENTON: Well, I can-- I mean, loans are funded by a variety of different investors, with the case of, like, Lending Club, Prosper Funding Circle. They are true marketplaces which have a broad cross-section of investors. It could be an individual investor, it could be an insurance company, it could be a bank. It could be a hedge fund.

There's a huge variety of investors, with some of the larger platforms that are not pure marketplaces. They fund loans off their balance sheet, and that's typically a facility that they've obtained often through a bank, or some other kind of specialty finance company.

ELIZABETH KWOK: And with such a wide array of potential funding sources, what are the typical marketing channels that marketplace lenders are using to reach consumers?

But there are some very bad companies in them. The FTC has gone after a lot of lead generators, ELIZABETH KWOK: OK, so let's continue this topic about how marketplace lending works. So let's talk about, in the typical lending transaction, we've talked about there are a number of different players. Who all interfaces directly with the consumer?

JESSICA MILANO: Typically the lender of the platform.

PETER RENTON: Yeah. It's the platform.

ELIZABETH KWOK: OK. And so who would handle disputes or consumer complaints over loan terms or servicing? And do consumers know who to contact?

PETER RENTON: Yeah. It's the company where they're obtaining loan from, which is the online platform, and all of them have-- every step of the way, that as you can see, there's an e-mail address, there's 800 numbers. You can stop your application halfway through, call an 800 number, and get your questions answered. And that same number would apply if you have a dispute about your loan.

ELIZABETH KWOK: OK.

MALINI MITHAL: Ed, did you have something?

On the small business side, which I know we're not supposed to talk about, we are seeing a little bit less of a debt consolidation, and a little bit more of businesses that are young, young businesses, service-based businesses, businesses that traditionally have some difficulty getting access to startup or early stage capital from traditional sources being able to turn online and get access to capital.

PETER RENTON: I would just add that if you're focusing purely on expanding the availability of capital across the population, I would say that this industry is doing that from the mere fact that it's cheaper and quicker. If those two factors are a limiting factor for someone applying for credit, then this industry will provide them.

But it's really on the small business side where we're truly expanding access to credit in a big way, where banks, the sub $500,000 loan banks have pretty much exited that business for the most part. And the marketplace lending the platforms have really taken up the slack there, and that's where they really dominate.

MALINI MITHAL: And in terms of speed, I think one thing that was mentioned earlier is that it can take 3 to 5 minutes, it can take a day, two weeks-- what is the typical timeframe? Is it on that shorter end, or is it on the longer end?

JESSICA MILANO: In our research we've found-- I think we put 24 to 72 hours in the paper, I think is sort of the typical.

PETER RENTON: Yeah. I'd say that's pretty typical these days, that there are some platforms that are quicker than others, but 24 to 72 hours is probably average.

MALINI MITHAL: Right. So we've been talking a little bit about how the marketplace works, and some potential benefits. Liz is going to ask some more questions about the market, and one thing we do want to flush out is any other implications for consumers. You know, pros or cons. So with that, I'm going to turn it over to Liz.

ELIZABETH KWOK: Yeah. We've been discussing a little bit about speed, and as Peter just mentioned, some platforms are quicker than others with their decisions. So in that vein, how do marketplace lenders determine credit worthiness? And of course, that's a complicated question, but if we could start with a general idea?

JESSICA MILANO: I mean-- sorry, I'm probably, as a government representative, going to punt on this, because it's proprietary models, but--

PETER RENTON: No, I'm happy not to punt. So, if you look at who is actually the people behind the credit models at these marketplace lending platforms, they're bankers. They're pretty much universally from the banking industry. So what you're going to find is these credit models have a lot in common with the way banks underwrite.

The fact of the matter is, though, if you want to get a $10,000 loan from a bank, that's pretty difficult to do these days. And so what these platforms do, they're providing those unsecured loans in a very similar way, the way banks have done, with the addition of technology, with the addition of a bank might have-- those banks that still do $10,000 unsecured loans may take days or weeks.

The platforms will utilize technology with sort of the proprietary algorithms, and each platform

surprisingly well. But many others have not been through it, so many people are reserving judgment until we go through the next recession.

ELIZABETH KWOK: Great. And in terms of the algorithms, and all the data that's being used to verify identity and assess credit risk, does marketplace lending create any unique fair lending risks?

JESSICA MILANO: I mean, I think it's-- certainly, there's at least the potential to create fair lending risk. I think that this market is untested through a complete credit cycle, as Peter just said, and we-- you know, found in our RFI findings that there's certainly a need to study more how these loans perform, how they're being priced, the borrowers that are applying, the borrowers that are receiving the loans.

And one of the ways that we try to address that in our recommendation and is sort of suggesting that there should be some sort of federal coordination, or an interagency working group that could look into studying at least the potential for lending violations further. But, you know, I think it's an important concern that we should be addressing, but I think it's important to note that it's not something that we're currently seeing.

ELIZABETH KWOK: And once a consumer's credit information is obtained, how often are loans denied, and how is the decision-- you know, obviously without going into the algorithm, whether to approve a loan?

PETER RENTON: Well, it varies. It varies dramatically between lending platforms, but keep in mind that this is online, and your 12-year-old kid could go in and apply for a loan, and they're going to be denied. My point is that anyone can start an application to apply for a loan.

So with that in mind, the approval rates are fairly low, so that, you know, just-- and it depends, like, some marketing channels that these platforms use have extremely high approval rates, because they know people being sent from them are really great potential customers for a loan. Others, if you're clicking on a Google AdWords ad and going to a site, that's going to have a much lower approval rate, because that could be anybody.

MALINI MITHAL: OK, with that, let's turn to a topic that Ed touched on earlier. I think Ed was raising the issue of, you know, marketplace lending, involves some consumer data, exchanging different hands, whether it's lead generators, aggregators, et cetera. So let's kind of dive into that topic a little bit more.

I think, Peter, you mentioned earlier that, you know, it's not much consumer information that's being collected, but let's expand on that. If anyone wants to comment on what categories of

PETER RENTON: So, people that get approved, that information is never sold. It's never shared. To my knowledge, I've never heard of any incidents like that. People that are denied, some companies have agreements with other lenders, often traditional lenders, you know, like a

MALINI MITHAL: All right. So I guess-- I think part of my question about how marketplace lenders make sure that the companies they're sharing information with are lenders-- does anyone have anything to add to that? No? OK. So, I guess my prior few questions have focused on marketplace lenders that sell leads.

For marketplace lenders that buy leads, how do marketplace lenders monitor the sources of their leads, and weed out leads collected using problematic or deceptive practices? I think that's something that Ed was also kind of referencing earlier, that there had been a lot of FTC actions where you have companies that were using information that was supposedly collected for a loan, or for one purpose.

But then they get it for another purpose and use it that way, and the consumer doesn't understand the CFPB in this marketplace, because how does a consumer know that she is logging on with a good company, and not a bad company that just pops up?

MALINI MITHAL: And also on the-- I guess data side, data security questions, you know, what steps are lenders taking, or platforms taking to make sure that they're securing the consumer data they receive? Whether it's the, you know, 14 pieces directly from the consumer, or the profiles

And it's different platforms, like SoFi is an example of a platform that sticks purely in the super prime space. And you've got Avant, who sticks more in the near prime space. And then you've got things like Lending Club and Prosper that are sort of between those two.

And I think there's a variety, but if I had to say an average, the average loan term is-- three year loans is the most common product. Most platforms offer that. There's some one and two year loans, and if I had to say, an average API would be in the low teens.

JESSICA MILANO: Yeah. I think that's consistent, now looking at our chart. You know, I think that on the consumer side, essentially you're trying to be competitive to credit cards. So you're seeing rates that are competitive to credit card rates, with term ranges that we've recorded here anywhere from two to five years.

On the student loan side, it looks like a rate of-- sorry, a range of rates from about 3 on the low end, up to about 8 on the high end, for 5 to 20 year terms. And these are rates that we took as of December 2015.

ELIZABETH KWOK: And when will the consumer learn of these terms in this process? You know, you've gone in, you've disclosed maybe your 14 pieces of information, but at what point does the consumer know what fees, and APRs, and duration they would be facing?

PETER RENTON: Well, typically on the very next screen you click you click Submit when you've done your-- if you put in your information, the very next screen, you said here's your interest rate.

ELIZABETH KWOK: And has anybody on the panel kind of seen consumers complaining about lack of transparency, or that they didn't adequately understand the terms of their loans?

PETER RENTON: Any complaints I hear are people who get denied. And, you know, when someone gets denied, they may feel like they deserved to be approved, and they get upset about it.

JESSICA MILANO: You know, I guess for our part, and I'm going to pivot a little bit, but the New York Fed does an excellent survey of small business credit every year, and what that survey has found is about one in five small employer firms have turned on to online lenders in the past year, and only about 15% of those borrowers have actually been satisfied with that experience. And I think the top three frustrations were transparency, high interest rates, and repayment terms.

PETER RENTON: Yeah, I would say we're not really talking much about small business, but small business definitely has more work that needs to be done on those particular topics, on transparency on clear terms, and it actually--

There are several initiatives that the industries have put forward to move in that direction, where there's trying to match what we have on the consumer side with the Truth in Lending Act. Bring that over into the small business side, so it's simple and transparent, and easy to understand.

ELIZABETH KWOK: Ed? 49

higher revenue to process those transactions. I can't say it for every single platform, but for the major platforms, it's not mandatory, but it's not something that is offered as an option.

ED MIERZWINSKI: Then all I would add is that I hope that the Prudential regulators and the CFPB are looking at compliance with the FTA on that.

ELIZABETH KWOK: Peter, you just touched a little bit about the notifications that consumers will get, reminding them a payment is coming out. Has anybody on the panel heard about whether consumers have a general understanding about their frequency and amount of their payments, or is there confusion about this process?

PETER RENTON: I have never heard of anyone being confused about this process. It may be, but this is a loan, like a car loan, like a home mortgage. It comes out every month, and I think that's a fairly easy to understand product.

MALINI MITHAL: And I think part of our questions are directed at, of course, we have a lot of cases enforcing EFTA and regulation E, and some concerns we've seen in other areas have been with recurring payments and consumers not understanding that these payments will be taken out on a regular basis.

Or obviously they're concerned that such condition could be an extension of credit on a mandatory pre-authorized electronic funds transfer, of course, would violate EFTA and regulation E. So I think we're just trying to suss out, is that something that we're seeing in this market, as we've seen in many, many other areas?

ELIZABETH KWOK: And as we've discussed all the different fees and loan terms, and the different players in this, if anybody on the panel could shed a little bit of light on how each participant makes money in a typical marketplace lending transaction?

JESSICA MILANO: Sure. OK. So again, it comes into play which model the lender is using, whether it's a direct model or a platform model partnering with an issuing bank. I think in the direct model, it's a combination of interest income if they're holding the loan on balance sheet, and fees.

In the platform model, it's a combination of first a platform would pay the depository institution a fee for issuing the loan, and the depository institution would be able to-- can everyone hear me? Sorry, you guys are looking. And the depository institution would be able to earn interest on the loan for the few days that it held the loan. And then the platform would earn income from transaction fees for matching investors and borrowers, and from servicing fees.

MALINI MITHAL: OK. And do any of lenders add on credit insurance, and any idea what those loss rates are if-- by the way, these are audience questions, and we appreciate them. If you have any other questions, please send them up through Patrick, who is around here some-- there he is.

PETER RENTON: So, credit insurance was the question?

ELIZABETH KWOK: Yes. Here, I'll repeat the question. Do any of the lenders add credit insurance, and any idea what the loss rates are if they do?

PETER RENTON: In this country, credit insurance is really not often through these platforms.

ELIZABETH KWOK: OK. Another audience question is can you comment on the impact of that

were doing that, we used the Chrome browser extension Ghostery to basically quantify what sort of tracking was going on.

So just to outline how we're going to go through some of the results, as I said, we'll talk a little bit about how we identified the different lenders, we'll talk about the different loan terms and how they're displayed on the websites, what sort of fees, and some data about the loan issuers. And then data about the advertising. So that includes traditional media, as well as their websites, and some social media aspects.

As far as data collection, we're going to talk a little bit about the third party tracking, and then sort of, like I said, some of the data that's actually being requested of the consumer as they're going through the initial process. So as far as identifying the marketplace lenders, the actual-- like, there isn't a strict definition that we could find easily to do this in a rigorous way, so it's still an evolving term.

It's frequently used in discussing this industry. This forum is an example of that. But it's not always necessary-- so it's not, like, emblazoned on a lot of the websites very easily to see, either. So we had to do a little work to figure out exactly, you know, what's the problem space of marketplace lenders that we're going to be looking at?

So, I think now we're going to have a short break, and then everyone has to come back by 11:15 to start the next panel. And so thank you.

[APPLAUSE]

[MUSIC PLAYING]

DUANE POZZA: If everyone could start finding their seats, we'll start the second panel. Great. So, can everyone hear me? I'm Duane Pozza, and this is Helen Wong. We're with the Federal Trade Commission. Our second panel is on the future of marketplace lending, and possible approaches for regulation. So I'll do a short introduction of our panelists.

THOMAS DRESSLAR: Crystal balls are always a little tricky. But I think-- the general sense I get from folks in the industry, and, you know, analysts, what have you, is that no, you're not going to see the salad days of, you know, say, the beginning of 2015. We're likely in a-- not we, but the industry is likely in a period of slower growth, of maybe some consolidation.

And what they hope for coming out of that is the survivors will be right sized, operated properly, and eventually the industry will enter a sustained period of growth. But I don't think we're going

process to originate the loan, and as we heard on the prior panel, sell it within a couple of days back to the platform, or the investors on the platform, in order to have the loan originated by the bank, and not have to comply with state interest rate caps.

Now, we are a supporter of state interest rate caps. We don't have caps at the federal level, and caps are critically important to protect consumers. And as I would imagine, a number of you in the room are also looking at CFPB's payday loan rules. And the more I work on payday and the CFPB rule, the more I appreciate interest rate caps. They're really simple, right? We all know what it is, it protects people against high interest lending.

We don't have to have a lot of complicated other rules, and they also really provide a function to ensure that loans are underwritten for ability to pay. Because if you can't charge sky high interest rates, then you can't sustain high default rates. Pivoting back to Madden, I'm familiar with the study that Brian just mentioned, but we heard on the earlier panel that the marketplace industry really is not lending in the subprime space right now.

They weren't before, and they're not now, and you probably can't really see this little chart from the study he talked about, that I just happened to have printed out this morning, but the amount of lending that was going on in the sub-625 FICO score area before Madden was really minuscule. And yeah, I'm sure it did drop off, but we don't think the answer to serving subprime customers is charging really high rates above 36%, and just tolerating high defaults.
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And of course, on bigger loans, even, depending on how big you get, even 36% could be rather high.

HELEN WONG: So I want to transition a little bit. In addition-- for this same group of consumers, a lot of them might need small dollar loans. And Tom, I want to ask your opinion about this. Do you think that marketplace lending will move into this area, toward more small dollar loans?

THOMAS DRESSLAR: Well, first of all, to the point Conor made earlier about access to credit being a part of the inquiry-- I mean, we've said from the get go that, you know, the folks that we're looking at have definitely stepped up to fill some gaps. Not just on the consumer finan.39 -2c2(d f)3(n)-10

credit history. Does that raise, and this could potentially involve gathering a lot more data-- I have a two part question.

One is do you think that the market is moving that way, in terms of new marketplace lenders moving into this space? And second, is that raising any particular concerns about the security or the privacy of these consumers, if this kind of data is being collected? I guess I'll ask Conor first.

CONOR FRENCH: Sorry, I missed the beginning.

DUANE POZZA: The first is do you think that the market will move in that direction, of new entrants, or maybe established entrants are looking to innovate as they go down the credit spectrum, or expand other communities, try to use alternative sources of data? These new kinds of data you were talking about.

CONOR FRENCH: Yeah. No, it's an excellent question. I think a lot of-- sort of rewind a couple of years, and I think that the alternative data was more headline grabbing than actually used. I mean, it was these sort of great headlines about, you know, Yelp reviews, and all of these different things. And particularly in consumer, the underwriting for consumer loans is pretty commoditizable, and often easier to automate based on FICO.

So I don't know that people are using alternative data in as many ways as people think. I do think that it is a challenge for fair lending to adapt to that. You know, there is the notion of modern day redlining that people are concerned about, and we would like to cooperate. And I go back to of daha10(o ba)4((nd)-10(w)2(or)3(v Y)2(ou17)4(t)-2(ua)4(l)(g)t)-2-10(w)llere ofu(l)-2(e)4(2(i)-2(e)4((a)-16(y

Or might give credit scores to some people who don't have them, but they might be bad scores that nobody in this panel's going to be interested in, but might put a big target on their back for predatory lenders. So we do have concerns about utility credit reporting. As far as other alternative data, we've gotta make sure it's accurate, it's used responsibly, people have the chance to correct errors, or the assumptions that are made based on the data.

We did a report a couple of years ago where some guinea pigs in our Boston office asked for their data, or their quote unquote credit reports from some alternative data sources. These were companies that purported to be able to estimate somebody's income, or their education level. And we were really quite shocked at the inaccuracies that came back.

There are people who had twice as much, or half as much income, or wildly different education backgrounds. And it's not even clear that you have the same sort of rights that you do under the Fair Credit Reporting Act when that sort of data is used. You know, depending on who's using it how, they're using it, it might be covered by the FCRA, but they're probably not complying with it.

It might be technically outside the FCRA, but we need the same source of protection. If I'm turned down, or I get a higher rate because of this secret sauce of data, I should be told that. I should be told, you know, what the data was used, and what assumptions were made, and have the chance to correct it if it's wrong, or to learn, you know, if it was correct.

We don't have those protections today if you're outside the FCRA, and I think we don't have an easy way to mesh the FCRA with big data. It's not like just turning over a simple credit report. They're not going to turn over their whole algorithm. So it's a very complicated area, and definitely having more regulator scrutiny and understanding, and yeah, absolutely.

Working with lenders to know how it's working, what the disparate impacts are, is very important.

THOMAS DRESSLAR: On this issue of the secret sauce, that is one of the focal points of the follow up questions that we sent to the 14 companies as part of our inquiry, the underwriting secret sauce. And you know, we're looking at it from the perspective of tell us exactly how your policies and procedures give us the documents to back it up. How they ensure compliance with the Equal Credit Opportunity Act, the Fair Credit Reporting Act, Regulation B.

So hopefully we will get some good answers from that process.

BRIAN KNIGHT: If I could just add one thing, which is I think it's important we recognize that accurate credit scoring is also consumer protective, right? Credit scores, and, you know, prices for credit, and all of that signal to the borrower the risk that they're taking on. And having borrowers operate without the best information is going to-- I mean, credit scores are probabilistic, right? They don't predict with certainty what's going to happen.

They tell you sort of how much risk you're running. So the person who is currently incorrectly scored as safer than they actually are, it might be fine. But they also are not appreciating, or not

And we see this-- we saw this in sort of the winter of marketplace lending that happened this year, where Citi pushed back on a series of securities, saying this isn't good enough, there's too much default. You're seeing a lot of these lenders really react very quickly to emerging credit situations. So, you know, I'm not going to say, like, oh, it'll be fine, because I don't know. But you can see that they are sensitive to these issues. They are reactive to these issues.

LAUREN SAUNDERS: Can I ask a question? For those that are securitized, what ability does the servicer retain to work with the borrower? Is there any ability to modify the loan, allow them to skip a payment? You know? Or do we have the same kind of problems that we have with mortgage security?

BRIAN KNIGHT: Well, and I just want to be clear, this is actually a little outside of my expertise, our platform does not securitize the loans. But that would depend, I guess, on the service agreement, the terms of the servicing agreement. And so yes, you could, if you wanted to ensure specific protections, I think that would be a very valuable move by the industry to eventually move toward standardized terms of some of the agreements--

Perhaps the warranties, the things that you're able to do. And that would be something that I think any responsible participant in the industry would be supportive of, as long as it was done thoughtfully.

HELEN WONG: So I want to expand on some of the points that Brian and Conor brought up. In the past few years we have seen more collaboration between marketplace lenders and banks, and traditional lenders, including a few cases of partnerships with large banks, and many partnerships with smaller banks for purposes of originating loans. So do you think these types of partnerships are likely to continue or expand? And we'll start with Tom.

THOMAS DRESSLAR: I'm gonna get in trouble for saying this, but when we have roundtable discussions with the banks that we regulate, which are basically state chartered banks, and as the issue of online lending comes up, there's still kind of a posture of talking about how they need a level playing field, and not really, you know, talking about how do we, you know, join the club, so to speak.

Probably not the right term, but, you know, get serious about developing partnerships with online folks. So, you know, it remains to be seen. I think the trend is kind of-- maybe not necessarily

DUANE POZZA: So we have talked about the various consumer protection laws that apply, Now, you know, I certainly recognize that automatic payments can be easier for everybody. Certainly make the lending model work better. But we also worry about obviously predatory lenders doing it, and, you know, the consumer being in control of their bank account.

And personally, even the loans that I pay automatically, I do it through my own bank's website, so I can control it. And the fact that there's a little bit of risk there is actually part of what enhances the incentive to do good underwriting, too.

DUANE POZZA: We've heard a little about-- regulatory uncertainty has come up a few times, and I just want to flesh this out a little bit more, especially because there might be some regulators watching, or in this room. From the perspective of the consumer protection laws, do you see a lot of regulatory uncertainty in this area? Is it a matter of how things are interpreted? Or do you think that that has more to do with sort of other aspects of risk regulation, or the like? And I'll ask Conor first.

CONOR FRENCH: So I would point out to start that there are five federal regulators of depository institutions, an additional 25 federal agencies that touch consumer finance, and 50 plus state and territory counterparts that also monitor consumer finance. So part of the question is who is regulating what, and there are quite authoritative GAO studies that show that there's a very fractured and overlapping jurisdiction among financial services regulators in this country.

So I think that's one issue, and that's-- taking my experience in the UK, where we are regulated directly by the Financial Conduct Authority, we have a much easier time figuring out what are the customer guardrails that apply to a specific thing than here, where we are trying to read between different things.

I think the other issue, and I mentioned this in passing to Helen was sometimes because some of the regulators don't quite understand the industry, but from talking to them, they do understand when someone's a bad actor. You're seeing enforcement drive what you're supposed to do, as opposed to sort of principles, and understanding those, and then sort of complying, trying to comply with those.

So you're seeing the example made of bad actors to regulated industry, which I do think ends up with an uncertain message, instead of going with sort of a more principals based approach that focused on transparency, the borrower's ability to understand the product. Fairness. You know, are you doing responsible underwriting?

Is the product suitable for a borrower? Things like that, that I think would be guideposts that every regulatory agency would support, and would be a lot easier to understand over time for the industry.

LAUREN SAUNDERS: I always find it amusing to hear this conversation, because I think when we're talking about regulations that are about to be proposed, we hear this is too strict, just go after the bad actors. Just do principles. When, you know, the agencies do principles, we hear it's too vague, what do you mean? I don't know how to comply.

When they do enforcement action, you hear you're regulating through enforcement, so, you know, agencies will get criticized no matter what approach they do, and I think we knew all of it. I agree with principle based regulation. I think it's really important, because we can't have a specific rule for every situation. When we know there are problems, we need specific rules.

And for the most part we actually do have a set of consumer protection laws that apply here, with some uncertainty about state rate caps and the situation there. I think that the data is an area where there's uncertainty. And could I just raise one other issue we haven't touched on at all? In the student loan area, there's a special concern about refinancing federal student loans.

Because federal student loans come with really important protections if somebody gets into trouble, and the right to income based repayment revisions, and even loan forgiveness in certain situations. And if you refinance out of a federal loan, even at a lower rate today, you may be in trouble down the line. So that's nygetsa lonnd -2(D4(t)-2()3(to[nu15 Td   3(e)u)-1(0(y)2)-0(ve)4(n 2(por)314(c

DUANE POZZA: So we're almost out of time, so I'll throw this open for any final thoughts about any consumer protection issues that you feel haven't been raised, or your sort of view of the optimal place for regulators to act or not act, going forward on the consumer protection side.

LAUREN SAUNDERS: I'd just like to thank the FTC for having this forum. I think the more dialogue we have, the more we all understand each other's perspectives, and the more regulators understand, the more consumer advocates understand, the more industry understands where we're coming from, the better we are.

BRIAN KNIGHT: So I'd like to echo saying thank you for this. And I think the thing I would say is that it's important to remember that no industry, and no particular regulation is sacred. They're both means to an end. They're means to an end to allow people to access credit, they're a means to an end to protect consumers, and so we should always evaluate whether or not they match the economic reality that's currently in play.

And if they are not a good match for this, we need to have the courage to be willing to change it. And maybe that requires Congress, maybe that's something that regulators can do on their own, and certainly a competitive market is going to drive the lenders to do it. But we should be mindful of the fact, ie

This terrific event, and preview our next forum in the series. So, we learned a lot today, in just a few hours. I guess the first thing we learned is that marketplace lending is growing. One recent study found that the volume of online lending and financing by marketplace lenders grew from about 2 billion in 2010 to almost 16 billion in 2014.

And another study is projecting that loan origination for marketplace lenders could reach $90