



**Testimony of Delicia Reynolds Hand**

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**Before the United States House Committee on Financial Services**

Subcommittee on Digital Assets, Financial Technology, and Artificial Intelligence

“Delivering for American Consumers: A Review of FinTech Innovations and Regulations”

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## **Introduction**

Chairman Steil, Vice Chairman Emmer, and distinguished Members of the Subcommittee, thank you for the opportunity to testify today on behalf of Consumer Reports.

My name is Delicia Reynolds Hand, Senior Director of the Digital Marketplace initiative at Consumer Reports. Before joining CR, I spent nearly a decade at the Consumer Financial Protection Bureau, where I helped establish and lead programs designed to ensure consumer voices are heard in financial policy. At Consumer Reports, I lead our efforts to ensure that digital financial products and services and digital marketplaces work for consumers—not against them.

Consumer Reports is an independent, nonprofit membership organization that has worked to create a fair and just marketplace for consumers since 1936. For nearly 90 years, we have tested products, conducted research, and advocated for policies that put consumers first. Today, we bring that same mission to the digital marketplace—evaluating fintech products, surveying consumers, and developing frameworks that help companies build products worthy of consumer trust.

## **The Consumer Perspective**

This hearing asks whether fintech is “delivering for American consumers.” That’s the right question - it deserves an honest answer.

By the end of 2025, two things had become clear. First, fintech innovation is no longer peripheral—it is the core financial infrastructure for payments, wages, credit, and fraud prevention. Second, artificial intelligence is no longer “emerging”—it is actively shaping financial outcomes for consumers, often invisibly and at scale.<sup>1</sup>

What concerns consumer advocates is not innovation itself, but how risk is being allocated. In many cases, the benefits of speed and efficiency accrue to firms, while errors, bias, and fraud losses are pushed onto consumers with limited recourse. That is the lens Consumer Reports brings to this hearing.

Between 2023 - 2025, Consumer Reports conducted multiple nationally representative surveys of thousands of Americans about their experiences with digital financial products and services. This was across payments apps, buy now pay later products, digital wallets, crypto platforms, bank-fintech partnerships, and use of AI in financial services. Consumers are sending a

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<sup>1</sup> Branch, J.B. & Beller, I. Expert Predictions on What's at Stake in AI Policy in 2026. TechPolicy.Press, January 6, 2026.

consistent message: they value convenience and access, but they are increasingly worried about cost, transparency, and accountability when things go wrong.

Through our Fair Digital Financial evaluations of banking apps, buy now pay later services, peer to peer payment, and digital wallets, we've documented patterns: opaque fee structures, barriers to refunds and disputes, excessive data sharing and unclear accountability when things go wrong<sup>2</sup>. Across our surveys, consumers raise consistent concerns. In peer to peer payment research, consumers reported confusion about dispute rights and liability.<sup>3</sup> In buy now pay later evaluations, we documented refund barriers, stacked obligations across merchants, and difficulty understanding total exposure<sup>4</sup>. In banking apps consumers reported uncertainty about fees, data sharing and fraud protections<sup>5</sup>. In crypto and other app-based financial platforms, many consumers worry about fraud, losing access to funds, and the lack of meaningful consumer protections.<sup>6</sup>

More broadly, hidden fees remain a persistent problem. Our July 2025 survey found that roughly half of consumers encountered unexpected fees in telecom and live entertainment, and one in four encountered them in personal banking<sup>7</sup>.

These concerns show up across product categories. They're patterns across digital finance: unclear costs, limited recourse, and confusion about accountability.

What stands out is that **these concerns are not about whether consumers should use fintech products—they are about whether the products are designed in ways consumers can reasonably understand and afford.** Consumers want innovation that works, but they expect clear information about costs, fair treatment when problems arise, and someone to be accountable when their money is at stake.

That expectation is consistent across income levels, age groups, and political affiliation. Consumers are not asking Congress to stop innovation. They are asking for rules of the road that ensure digital financial products remain affordable, transparent, and trustworthy as they scale.

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<sup>2</sup> Consumer Reports. Peer-to-Peer Payment Apps: A Case Study for a Digital Finance Standard. January 24, 2023.

<sup>3</sup> Consumer Reports. Peer-to-Peer Payment Apps: A Case Study for a Digital Finance Standard. January 24, 2023.

<sup>4</sup> Consumer Reports. Buy Now Pay Later Apps: A Case Study for a Digital Finance Standard. May 25, 2023.

<sup>5</sup> Consumer Reports. American Experiences Survey: February 2023 Omnibus Results. Conducted February 10–20, 2023. (Banking apps, fintech usage, access concerns, security, trust)

<sup>6</sup> Consumer Reports. American Experiences Survey: January 2025 Results. Consumer Reports Survey Research Department, January 2025.

<sup>7</sup> Consumer Reports. American Experiences Survey: July 2025 Results. Consumer Reports Survey Research Department, July 2025. (Digital finance, apps, access, consumer anxiety)

## **Consumers Need Affordable Financial Services to Manage through the Current Affordability Crisis**

Americans are stretched thin. Groceries cost more. Rent costs more. Insurance premiums keep climbing. Credit card interest rates are near historic highs. In this environment, consumers are turning to products like buy now, pay later and earned wage access because they need liquidity to make it to the next paycheck. Consumers use liquidity products for many reasons - timing mismatches, unexpected expenses, preference over credit cards. The question isn't whether they should. It's whether the products are structured so people can see what they're paying and compare alternatives.

The CFPB's December 2025 BNPL markets report<sup>8</sup> documents the pattern: consumers are taking out more loans per year and at higher dollar amounts, often from multiple providers simultaneously. The average consumer now takes 6.3 BNPL loans per year from a single provider—up 11 percent from the prior year. And that only captures one lender. Many consumers are stacking obligations across multiple providers, creating debt that doesn't show up on traditional credit reports and can't be easily tracked.

This is not necessarily a sign of financial health, nor does it reflect consumers' total exposure. Instead, it may indicate that people are relying on short-term credit to bridge persistent gaps between income and expenses. When the cost of living outpaces wages and credit remains expensive, the market fills the gap with products that offer immediate relief—but can deepen financial strain over time. At the same time, consumers who use multiple BNPL providers have no easy way to see their total obligations, and lenders lack visibility into that exposure when assessing creditworthiness.

The question for this Subcommittee is whether legislation will help consumers navigate this environment - or make it easier for them to get in over their heads. Clear cost disclosures lets people compare options. A functioning regulator catches unfair practices before they scale. These aren't anti-innovation - they're the baseline for a market that actually works for the people using it. They need guardrails against debt stacking. They need someone watching out for unfair practices.

What they don't need is more bank charters for fintechs, more exemptions from existing law, or regulatory frameworks designed around industry convenience rather than consumer welfare.

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<sup>8</sup> Consumer Financial Protection Bureau. Buy Now, Pay Later: Market Trends and Consumer Risks. December 2025.

## **Earned Wage Access: Affordability, Not Paternalism**

The EWA market has grown substantially, with tens of millions of consumers now using these products. Our research shows significant variation in how these products are structured and priced. At one end of the spectrum, some employer-sponsored programs operate with minimal or no fees to consumers—genuinely approaching the “free access to earned wages” that the category promises. At the other end, direct-to-consumer products can layer subscription fees, expedited access fees, and “voluntary” tips in combinations that produce effective annual percentage rates ranging from under 100% to well over 300%—and in some documented cases, exceeding 1,000% when annualized for frequent users.

This variation matters. It means that product design choices—not just market forces—determine whether EWA serves as a low-cost liquidity tool or functions more like high-cost short-term credit. The best EWA products demonstrate that it is possible to provide early wage access affordably. The question for policymakers is whether legislation should set a floor that moves the entire market toward those better models.

This Subcommittee is considering the Earned Wage Access Consumer Protection Act. The bill contains meaningful consumer protections—a no-cost option requirement, disclosure rules, prohibition on late fees, overdraft reimbursement for provider errors. These are constructive. However, Consumer Reports has concerns about certain provisions that may limit the ability of policymakers to address harms that emerge as the market evolves. Most concerning the bill:

- categorically excludes EWA from the definition of "credit" under federal law,
- preempts state authority to classify these products based on how they actually function, and
- establishes no clear standard for affordability

Regulation should follow function, not labels. When a product advances money, gets repaid later, and generates revenue from time-sensitive charges, it behaves like credit—and consumers deserve the protections that come with credit, even if the product is marketed differently.

**State preemption.** The bill would preempt state laws that treat EWA as credit, loans, or similar products—or that impose disclosure or reporting requirements that conflict with the federal framework. States have served as laboratories for consumer protection innovation, including in this area. California regulators documented the true costs of EWA products, including effective APRs exceeding 300% for frequent users. Arkansas implemented a no-cost option requirement.

Preempting state authority to classify these products based on how they actually function could prevent states from addressing harms the federal framework does not anticipate.

**Categorical exclusion from credit laws.** The bill amends the Truth in Lending Act to explicitly exclude EWA from the definition of “credit” and EWA providers from the definition of “creditor.” Consumer Reports believes product regulation should be based on function, not labels. When a product advances money to consumers, is repaid later, and generates revenue through time-sensitive charges, it shares key characteristics with credit—regardless of what it is called. The CFPB’s late-2025 advisory opinion recognized that some EWA products may constitute credit depending on their structure. A categorical exclusion forecloses that functional analysis.

**Behavioral design around tips.** While the bill requires disclosure that tips are voluntary, it does not address the interface design choices that influence tipping behavior. Our research shows that some apps pre-select tip amounts, use visual design to steer toward higher tips, or make the “no tip” option less prominent. Disclosure alone may not address these behavioral nudges. The Committee may wish to consider whether additional guardrails on tip solicitation design are warranted.

**No affordability standard for frequent use.** The bill does not establish any standard for assessing cumulative costs for consumers who use EWA repeatedly. A consumer who accesses earned wages once per pay period has a very different cost experience than one who accesses wages multiple times per week. Requiring disclosure of costs in APR-equivalent terms for frequent use scenarios would help consumers compare products meaningfully. States like California and Arkansas have led on this. A federal floor shouldn’t become a ceiling.

## **Artificial Intelligence and Innovation in Financial Services**

AI is no longer emerging in financial services—it's embedded and likely to become an integral part of financial services infrastructure. AI chatbots are often the first point of contact for a consumer needing assistance. They are approving loans, freezing accounts and flagging fraud. Determining who gets access to products and at what price. These systems operate at machine speed, affecting thousands of consumers simultaneously. But when something goes wrong, accountability moves slowly—if it moves at all.

Consumer Reports surveyed over 4,000 Americans in late 2025 on AI in financial services.<sup>9</sup> Three-quarters are concerned that AI could lead to bias or unfair treatment. When consumers are aware of encountering AI, many report negative experiences. Fifty-seven percent don't believe current laws adequately protect them.

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<sup>9</sup> Consumer Reports. National Survey on Artificial Intelligence in Financial Services. September–October 2025.

What would build trust? The ability to opt out. Independent audits. A simple way to dispute or appeal. Public reporting on accuracy and bias. In other words - transparency, accountability, human review.

For the consumer, an AI error doesn't look like a technical problem. It looks like an account frozen with no explanation and no one to call. A loan denied with an adverse action notice that says only "credit profile." A fraud flag that follows you to your next bank without anyone able to explain why. The people most affected are often those the algorithm doesn't recognize - thin credit files, irregular income, transaction patterns that don't fit the model.

This Subcommittee is also considering the Financial Services Innovation Act, which is framed as a technology-neutral proposal applicable to any "financial innovation." The bill is more expansive than the AI-specific sandbox considered previously, which makes the consumer protection concerns even more pressing. Artificial intelligence systems would plainly fall within its scope, given their increasing use in core financial functions such as credit underwriting, fraud detection, account monitoring, and customer service. The bill would allow companies to petition regulators for modifications or waivers of existing regulatory requirements in order to deploy technology-enabled financial products. While the intent is to promote innovation, the practical effect is to permit reduced compliance with existing consumer protection safeguards at precisely the point when automation enables decisions to operate at greater scale, speed, and opacity. In the context of AI-driven systems, errors or bias are not isolated—they can affect thousands of consumers simultaneously. For that reason, any framework designed to support innovation should provide enhanced scrutiny rather than reduced oversight, and should clearly identify baseline consumer protection obligations—such as anti-discrimination rules, privacy protections, fraud prevention, and meaningful explanations for adverse decisions—that are not subject to waiver, regardless of the technology used.

Consumer harm that occurs during a "test period" is still harm. From the consumer's perspective, there is no meaningful distinction between an error caused by an experimental system and one caused by an established business practice. A consumer wrongly denied credit or locked out of an account experiences the same consequences either way.

### **The Cop on the Beat**

I spent nearly a decade at the Consumer Financial Protection Bureau. I've seen what happens when there's an agency with the tools and mandate to hold financial institutions accountable—and I'm watching what happens when that capacity is dismantled.

The CFPB exists because Congress recognized that consumer protection in financial services can't be an afterthought. Markets move fast. Products evolve. Bad actors exploit gaps. Without a

dedicated regulator, consumers are left to navigate disputes on their own against companies with vastly more resources and information.

Right now, this Subcommittee is considering legislation that would expand the use of AI, create new exemptions for fintech products, and establish sandboxes that waive existing protections. At the same time, the CFPB has lost the vast majority of its enforcement capacity. Staff have been let go. Examinations have stopped. The agency that Congress created to be the cop on the beat for consumer finance is being dismantled while this subcommittee considers legislation that would expand fintech activity and waive existing protections.

That's not a policy disagreement - it's a practical problem. Who supervises compliance with the EWA bill's disclosure requirements if there's no one at the agency to do it? Who investigates when AI systems produce discriminatory outcomes at scale? The bills before you assume a functioning regulator. This assumption no longer holds.

That combination—more industry-friendly rules and fewer cops on the beat—is a recipe for consumers bearing all the risk while companies capture all the benefit. If this Congress is serious about "delivering for consumers," it should be strengthening the CFPB, not looking the other way as it's dismantled.

### **The Synapse Lesson**

The collapse of Synapse<sup>10</sup>—a middleware provider linking fintechs to partner banks—illustrates what happens when innovation creates opaque chains of custody over consumer funds and no one can quickly answer<sup>11</sup>: “Where is the money, and who is responsible?”

Consumers were promised “FDIC-insured” accounts through fintech apps. When Synapse failed, they discovered that pass-through insurance is only as strong as the record-keeping that supports it.<sup>12</sup> Real-time reconciliation did not exist.<sup>13</sup> Resolution mechanisms were inadequate.

For bank-fintech deposit partnerships, consumers need: clear disclosures of who holds funds, who services the account, and who resolves errors; pass-through insurance clarity and limits on misleading marketing; real-time reconciliation so funds can be promptly returned in a failure;

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<sup>10</sup> Consumer Financial Protection Bureau. CFPB Takes Action Related to Synapse Financial Technologies, Inc. Adversary Proceeding and Public Statements, 2024–2025.

<sup>11</sup> Reuters. Fintech middleware firm Synapse collapse strands consumer funds across fintech apps. 2024–2025.

<sup>12</sup> Wall Street Journal. Fintech customers learn FDIC insurance depends on backend records. 2024.

<sup>13</sup> American Banker. Synapse failure highlights absence of real-time reconciliation in fintech stacks. 2024.

resolution playbooks with defined timelines for consumer access to funds; and one front door for complaints—not finger-pointing between fintech, middleware, and bank.<sup>14</sup>

This outcome was not unforeseeable. In our 2023 evaluation of peer-to-peer payment apps, Consumer Reports found that many widely used apps either did not provide FDIC insurance by default or failed to clearly explain when funds were—and were not—protected.<sup>15</sup> We warned that consumers could reasonably believe their money was insured when, in fact, coverage depended on backend structures, record-keeping, and conditions consumers did not control. The Synapse collapse exposed exactly that risk. It showed why third-party risk management is not just a prudential concern—it is consumer protection.

## **Principles for Effective Legislation**

Based on our research and product evaluations, Consumer Reports believes effective fintech legislation should always reflect several core principles:

- Accountability for automated decisions—when AI harms a consumer, someone must be responsible.
- Transparency—consumers should understand why they were denied credit or why their account was frozen.
- Human review for consequential decisions—appeals shouldn't dead-end at a chatbot.
- Functional regulation—same risks, same protections, regardless of what the product is called.
- Affordability standards based on actual use patterns—not one-off marketing claims.
- Clear responsibility in partnerships—consumers shouldn't be caught in disputes about who owns the problem.

These principles aren't theoretical. When companies know they'll be evaluated against clear standards, they improve. Market accountability can reinforce regulation—but only if standards exist and someone is enforcing them.

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<sup>14</sup> Federal banking regulators (FDIC, OCC, Federal Reserve). Interagency Guidance on Third-Party Risk Management. 2021–2023

<sup>15</sup> Consumer Reports. Peer-to-Peer Payment Apps: A Case Study for a Digital Finance Standard. January 24, 2023.

## Learning from State Action

States have been laboratories for addressing these challenges:

- **New York** enacted BNPL licensing with consumer protection requirements in May 2025—a model showing that supervision is possible without banning products.
- **Arkansas** requires EWA providers to offer at least one genuinely no-cost option and prohibits certain fee-sharing arrangements with employers—provisions the federal bill reflects.
- **Colorado** passed the nation’s first comprehensive AI law, requiring risk assessments for high-impact automated decisions—a framework Consumer Reports helped defend from repeal.
- **California** regulators have documented the true cost of EWA products, including effective APRs exceeding 300% for frequent users, providing the evidence base for federal action.

These state actions point toward what effective federal legislation could include: licensing and supervision, affordability standards, transparency requirements, and clear prohibited practices—without prescriptive technology mandates. Consumer Reports urges Congress to set a federal floor that does not prevent states from building on these innovations.

## Conclusion

The core question for 2026 is not whether fintech innovation will continue—it will. The question is whether this Congress will ensure that consumer protections will scale alongside automation, or whether consumers will remain the shock absorbers for innovation.

Predatory lending taught us that access without affordability is not access—it is risk transfer. That lesson applies squarely to the business of financial services innovation.

We urge the Committee to consider whether the state preemption and categorical exclusion from credit laws may limit future flexibility to address harms that emerge as the market evolves.

Consumer Reports is here as a resource to ensure there are clear, measurable and meaningful standards to examine whether innovation serves the people it is designed to help. We have tested the products, surveyed the consumers, and developed the frameworks. We are ready to work with this Subcommittee on legislation that protects consumers while allowing responsible innovation to flourish.

Thank you. I welcome your questions.