



441 G St. N.W.
Washington, DC 20548

Comptroller General
of the United States

June 1, 2022

The Honorable Martin J. Gruenberg
Acting Chairman
Federal Deposit Insurance Corporation
550 17th St., N.W.
Washington, D.C. 20429

Priority Open Recommendations: Federal Deposit Insurance Corporation

Dear Acting Chairman Gruenberg:

The purpose of this letter is to provide an update on the overall status of the Federal Deposit Insurance Corporation’s (FDIC) implementation of GAO’s recommendations and to call your personal attention to open recommendations that should be given high priority.¹ In November 2021, we reported that on a government-wide basis, 76 percent of our recommendations made 4 years ago were implemented.² FDIC’s implementation rate for these recommendations was 97 percent. As of March 2022, FDIC had 10 open recommendations. Fully implementing these open recommendations could significantly improve FDIC’s efforts to more effectively oversee risks to consumers and the safety and soundness of the U.S. banking system.

Since our May 2021 letter, FDIC has not implemented our one priority recommendation, and we have not added any priority recommendations for this year. We ask your attention to the remaining open priority recommendation, which is related to financial technology (fintech). Specifically, in December 2018, we recommended that FDIC coordinate with other financial regulators to communicate to banks engaged with third-party relationships with fintech lenders on the appropriate use of alternative data in the underwriting process. In December 2021, the financial regulators told us they were working collaboratively on guidance, but they did not have a time frame for completing it. By implementing this recommendation, federally regulated banks may be better able to manage the risks associated with partnering with fintech lenders that use these data. (See enclosure for the recommendation and actions needed to implement it.)

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In March 2021, we issued our biennial update to our [High-Risk List](#), which identifies government operations with greater vulnerabilities to fraud, waste, abuse, and mismanagement or the need

¹Priority recommendations are those that GAO believes warrant priority attention from heads of key departments or agencies. They are highlighted because, upon implementation, they may significantly improve government operation, for example, by realizing large dollar savings; eliminating mismanagement, fraud, and abuse; or making progress toward addressing a [high-risk](#) or [duplication](#) issue.

²GAO, *Performance and Accountability Report: Fiscal Year 2021*, [GAO-22-4SP](#) (Washington, D.C.: Nov. 15, 2021).

for transformation to address economy, efficiency, or effectiveness challenges.³ Several government-wide high-risk areas have direct implications for FDIC and its operations. These include (1) [improving the management of information technology acquisitions and operations](#), (2) [improving strategic human capital management](#), (3) [managing federal real property](#), (4) [government-wide personnel security clearance process](#), and (5) [ensuring the cybersecurity of the nation](#). Progress on high-risk issues has been possible through the concerted actions and efforts of Congress, the Office of Management and Budget, and the leadership and staff in agencies, including within FDIC. In March 2022, we issued a report on key practices to successfully address high-risk areas, which can be a helpful resource as your agency continues to make progress to address high-risk issues.⁴

We are sending copies of this report to the Director of the Office of Management and Budget and appropriate congressional committees, including the Committees on Appropriations, Banking, Housing, and Urban Affairs, Budget, and Homeland Security and Governmental Affairs, United States Senate; and the Committees on Appropriations, Budget, Financial Services, and Oversight and Reform, House of Representatives. In addition, the report will be available on the GAO website at <https://www.gao.gov>.

³GAO, *High-Risk Series: Dedicated Leadership Needed to Address Limited Progress in Most High-Risk Areas*, [GAO-21-119SP](#) (Washington, D.C.: Mar. 2, 2021).

⁴GAO, *High-Risk Series: Key Practices to Successfully Address High-Risk Areas and Remove Them from the List*, [GAO-22-105184](#) (Washington, D.C.: Mar. 3, 2022).

I appreciate FDIC's continued commitment to this important issue. If you have any questions or would like to discuss any of the issues outlined in this letter, please do not hesitate to contact me or Daniel Garcia-Diaz, Managing Director, Financial Markets and Community Investment, at garciadiazd@gao.gov or 202-512-8678. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Our teams will continue to coordinate with your staff on all 10 open recommendations, as well as those recommendations in the high-risk areas for which FDIC has a leading role. Thank you for your attention to these matters.

Sincerely yours,

A handwritten signature in black ink that reads "Gene L. Dodaro". The signature is written in a cursive style with a large, prominent "D" and a long horizontal flourish extending to the right.

Gene L. Dodaro
Comptroller General
of the United States

Enclosure – 1

cc: The Honorable Shalanda Young, Director, Office of Management and Budget

Enclosure I

Priority Open Recommendation to the Federal Deposit Insurance Corporation

Financial Technology: Agencies Should Provide Clarification on Lenders' Use of Alternative Data. [GAO-19-111](#). Washington, D.C.: December 19, 2018 (reissued with revisions on March 12, 2019).

Recommendation: The Chairman of the Federal Deposit Insurance Corporation (FDIC) should, in coordination with the other federal banking regulators and the Consumer Financial Protection Bureau (CFPB) and with input from relevant stakeholders, communicate in writing to banks that engage in third-party relationships with fintech lenders on the appropriate use of alternative data in the underwriting process, including issues to consider when selecting types of alternative data to use.

Action Needed: FDIC agreed with the recommendation. In December 2019, FDIC and other banking regulators issued an interagency statement on the use of alternative data in credit underwriting, but it does not provide firms or banks with specific direction on the appropriate use of those data. In July 2021, the banking regulators issued proposed third-party risk management guidance for comment, which discusses several issues associated with the use of alternative data. In December 2021, the agencies told us they were collaborating on the next steps for the proposed guidance, but they did not have a time frame for completing the guidance.

To fully implement our recommendation, FDIC needs to provide—in coordination with other federal banking regulators and CFPB—finalized written communication that gives banks that engage in third-party relationships with fintech lenders specific direction on the appropriate use of alternative data in the underwriting process. Clear communication on appropriate use of alternative data would give fintech lenders greater certainty about their compliance with consumer protection laws and help banks manage the risks associated with partnering with fintech lenders.

Director: Michael E. Clements, Financial Markets and Community Investment

Contact information: clementsm@gao.gov or 202-512-8678

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