January 3, 2025

James P. Sheesley
Assistant Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Submitted via electronic mail to Comments@fdic.gov.

Re: Notice of Proposed Rulemaking on Recordkeeping for Custodial Accounts – Docket No. RIN 3064–AG07.

Method Financial ("Method") appreciates the opportunity to provide comments in response to the Federal Deposit Insurance Corporation's ("FDIC") Notice of Proposed Rulemaking ("NPRM") regarding recordkeeping for custodial accounts. Method supports the intention of the proposed rule, which seeks to ensure that insured depository institutions ("IDIs") maintain accurate end user information and balance records pertaining to transaction accounts held by end users, whether directly or through an arrangement with a third party. However, we strongly encourage the FDIC to clarify that non-transactional, payment processing settlement accounts, do not meet the definition of "custodial deposit accounts with transactional features" in a potential final rule. Adopting this approach will uphold a well-established, highly regulated segment of the market that supports streamlined and efficient end user payment processing across the financial industry without conveying any appreciable risk to either "beneficial owners" (as defined in the NPRM), financial institutions, or the broader financial system. Moreover, given that these non-transactional, payment processing settlement accounts utilized to facilitate payments of consumer debt do not offer the beneficial owner any post-deposit transactional features, we believe that explicitly exempting these accounts from the end user-focused recordkeeping requirements of the FDIC's proposed rulemaking aligns with the intended application of the NPRM to only those accounts for which a beneficial owner has access to transactional features.

About Method

Method is a business-to-business platform-as-a-service ("PaaS") provider to entities such as banks, credit unions, fintech applications, and telecommunications companies (collectively, "Partners") that offer financial products and services to their end users ("consumers") with safe, secure, and convenient debt management and repayment solutions. Through Method's fully consumer-permissioned, secure authentication and account connection flow, our Partners can access real-time data on their consumers' liability accounts including student loans, personal, credit card, auto, mortgage, and other loans to offer use cases that provide their consumers with safe, secure, and convenient debt management and repayment solutions to lower their interest rates and thereby increase their savings. These solutions include but are not limited to refinancing, balance transfers, and debt consolidation.

As discussed below, Method's platform utilizes non-transactional For Benefit Of ("FBO") settlement accounts to facilitate debt payments by beneficial owners. The use of these intermediary accounts enables seamless transfers that empower beneficial owners to more easily and efficiently pay debts across a wide range of creditors. The temporary nature of the non-transactional settlement accounts (deposited funds are typically disbursed within one business day) used in these processes ensures that funds are securely routed to the beneficial owner's intended creditor without requiring additional interaction, providing a simplified and frictionless experience. Beneficial owners provide the payment instructions prior or simultaneous to depositing funds to the FBO, which earmarks the deposited funds accordingly. Thus, the beneficial owner has no expectation that they will be able to access those funds independently since they've already committed the funds strictly as a repayment towards a specified debt. In short, these FBO settlement accounts have no transactional features. Given this reality, applying the recordkeeping requirements proposed under the FDIC's NPRM would provide no tangible benefit to the beneficial owner, the IDI, or the third party tasked with maintaining records on payment transactions in intermediary settlement accounts.

The FDIC Should Broaden its Exemption for Non-Transactional Settlement Accounts

Method supports the FDIC's requirement for IDIs to maintain records for end user transactional accounts, where account holders or beneficial owners have the ability to withdraw or deposit funds freely. However, the NPRM's proposed example for non-transactional accounts does not fully appreciate the robust infrastructure developed to facilitate electronic debt payments efficiently. In practice, platforms like Method's that enable debt servicing rely on the use of FBO accounts, where funds are pre-designated by beneficial owners to pay earmarked debts are temporarily held before being sent to the corresponding creditor financial institutions,. These non-transactional settlement accounts, which act solely as temporary conduits, differ fundamentally from traditional transactional accounts since they do not allow for any transactional activity beyond the initial debt payment instructions, and the beneficial owners have no expectation of being able to transact with those funds after they have initiated their payment instructions. Importantly, beneficial owners are aware that once they submit payment instructions and fund the FBO, the funds are exclusively allocated to their debt obligations per those instructions.

In this way, Method collaborates with various financial institutions to streamline debt repayment processes, effectively highlighting the importance and unique role of non-transactional settlement accounts, including:

- Debt Consolidation, Refinancing, and Balance Transfer Services: Method partners with financial institutions and fintechs (collectively "FIs") that offer debt consolidation, refinancing, and balance transfer solutions where funds from the FI's corporate account are deposited to the FBO and then automatically applied to their consumer's existing liability account. This streamlined process depends on non-transactional FBO accounts that act exclusively as intermediaries, without allowing beneficial owner FIs to transact in any other way. This approach provides a transparent, predictable process in which beneficial owners understand that their funds are committed specifically toward an earmarked debt repayment without any need to monitor or interact with these intermediary accounts directly.

- Holistic financial Management and Debt Servicing: Method empowers consumers by providing a comprehensive platform that integrates real-time, consumer-authorized data to streamline financial management and debt servicing. By enabling direct payments to various debt servicers—such as credit card, auto loan, mortgage, and student loan providers—on behalf of beneficial owner consumers, Method ensures accurate, timely payments without delay. This is achieved through non-transactional settlement accounts, which efficiently route funds while minimizing consumer interaction, reducing errors, and minimizing missed payments.[1] Beyond debt repayment, Method supports financial goals such as building emergency savings, automating financial plans, and optimizing fund allocation. Consumers can access tailored financial coaching,[2] automate debt elimination,[3] and leverage smart routing tools to allocate income to high-yield savings, debt reduction, or investments based on personalized rules. These features simplify complex processes, foster financial stability, and enhance long-term resilience, enabling consumers to take control of their financial lives with confidence and ease.

The Method-specific use cases demonstrate how non-transactional settlement accounts facilitate seamless fund routing and debt servicing in various practical applications, demonstrating their critical role in enabling consumers to manage their financial obligations effectively. However, the value of these accounts extends beyond individual use cases. While the examples provide a snapshot of their functionality, they do not fully illustrate the systemic necessity and broader value of non-transactional settlement accounts. These accounts are not merely a convenience for

[1] *See* https://methodfi.com/blog/chipper.
[2] *See* https://methodfi.com/blog/budge.
[3] *See* https://methodfi.com/blog/sequence-the-first-personal-financial-router.

isolated scenarios—they are a foundational component of the financial ecosystem that underpins the efficiency, security, and compliance of financial transactions.

Non-transactional settlement accounts act as indispensable intermediaries, ensuring timely and accurate payments, which are critical for maintaining creditworthiness and avoiding penalties. By centralizing payment processing, they mitigate risks such as errors and fraud through controlled verification processes before final settlement.[4] Moreover, these accounts simplify complex operational workflows by consolidating payments, which reduces administrative burdens and streamlines reconciliation for financial institutions.[5] Critically, non-transactional settlement accounts also already address regulatory compliance by providing clear, auditable records of transactions.

To support efficient payment transactions and debt servicing, we urge that the FDIC either limit its definition of a "custodial deposit account with transactional features" or include an exemption in the NPRM to, in either case, exclude FBO settlement accounts used for payment processing where the beneficial owner has already committed the deposited funds prior to or at the time of deposit and cannot otherwise transact on the account. Implementing this clarification in a final rule will prevent unnecessary administrative burdens that do not enhance beneficial owner protection nor IDI safety and soundness and will allow consumers to continue to benefit from streamlined, reliable debt servicing solutions.

Conclusion

Method values the FDIC's commitment to consumer protection through its proposed rule on custodial account recordkeeping. We strongly recommend that the FDIC explicitly exempt non-transactional, payment processing settlement accounts described in this Comment from end user-level recordkeeping requirements, as these accounts are crucial for payment processing and other essential financial functions. Clarifying their exclusion will ensure the regulatory framework reflects the operational realities of modern, innovative financial services that support safe, efficient, consumer-focused outcomes.

By recognizing the unique role of non-transactional settlement accounts—distinct from traditional transactional accounts—the FDIC can ensure consumer protections and trust while maintaining the safety and soundness of the financial system. Method remains committed to fostering responsible growth and consumer empowerment through secure financial solutions. We look forward to ongoing collaboration with the FDIC and other regulators to create a regulatory environment that promotes innovation while maintaining consumer trust and security.

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[4] *See* https://fastercapital.com/content/Settlement-Account--The-Final-Step--How-Issuing-Banks-Use-Settlement-Accounts.html.
[5] *Ibid.*

Sincerely,

[redacted]

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