

June 30, 2020

The Honorable Mike Crapo  
Chairman  
Committee on Banking, Housing, and  
Urban Affairs  
United States Senate  
Washington, DC 20515

The Honorable Sherrod Brown  
Ranking Member  
Committee on Banking, Housing, and  
Urban Affairs  
United States Senate  
Washington, DC 20515

Dear Chairman Crapo, Ranking Member Brown, and Members of the Committee:

The Electronic Transactions Association (ETA) appreciates the opportunity to submit this statement for the record before the Committee's hearing, "The Digitization of Money and Payments."

ETA has over 500 member companies, representing the complete payments technology ecosystem. Its membership includes financial institutions, payments processors, merchant acquirers and payments sales organizations, financial technology companies, technology companies, money services businesses, security companies, software developers and hundreds of other organizations in the business of powering digital commerce online and across the world.

ETA and its members share your commitment to financial inclusion and recognize that the past few months have highlighted the need to ensure that individuals and businesses have access to useful and affordable digital payment tools and financial products that meet their needs. The payments industry is well-positioned to help – and in fact is already helping.

Digital payments products are being deployed today to assist with the delivery of the \$266.8 billion in Economic Impact Payments<sup>1</sup> (EIPs) and \$511 billion in Paycheck Protection Program loans<sup>2</sup> (PPP), along with the \$260 billion in unemployment insurance allocated under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act).

### **General Purpose Prepaid Cards**

Thanks to the leadership of a number of members of Congress – including Sens. Tom Cotton and Doug Jones – the Treasury Department has begun using general purpose reloadable prepaid cards as one of the mechanisms currently being deployed to deliver stimulus money. Prepaid cards are backed by banks and typically carry major association logos and can be used to make purchases just like credit and debit cards. They come with the same fraud protections and security measures, the same dispute resolution rights as traditional credit and debit cards, and, like bank accounts and P2P services, the funds loaded on them are FDIC insured. Many prepaid products have low or no fees, making it easy for users to conduct their daily financial transactions without incurring a fee.

Prepaid cards can be loaded directly with government benefits or by direct deposit of paychecks, or funds can be loaded from a bank account, at thousands of retail locations, transferred from a P2P service, or transferred from another prepaid card. According to the Federal Reserve, at the beginning of 2019 there were 2.2 billion cards in circulation, valued at \$60 billion.<sup>3</sup>

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<sup>1</sup> Through June 5, 2020. The CARES Act authorized \$290 billion.

<sup>2</sup> <https://home.treasury.gov/system/files/136/SBA-Paycheck-Protection-Program-Loan-Report-Round2.pdf>

<sup>3</sup> Board of Governors of the Federal Reserve System, Report to the Congress on Government-Administered, General-Use Prepaid Cards - September 2019

Since these cards do not require a bank account and can be used easily and broadly, numerous federal and state government benefits and reimbursements are already delivered via prepaid card. In 2018, government agencies disbursed \$137 billion through prepaid cards across reported programs. The Supplemental Nutritional Assistance Program, the largest government program user of prepaid cards for distribution, disbursed over \$60 billion on prepaid cards in 2018. The Social Security Administration has been using prepaid cards since 2011, and currently disburses almost \$40 billion annually through those cards.<sup>4</sup>

Additionally, the Treasury Department turned to a long-standing prepaid card program – US Debit – to disburse more than \$9 billion in EIPs to 5.7 million Americans.<sup>5</sup> Prepaid cards allowed the EIP stimulus to reach consumers quickly, and the funds could be used immediately. Individuals did not have to wait weeks or months for a physical check, then figure out how and where to cash that check (assuming that cash would suffice to meet their payments needs). Instead, armed with the prepaid card, they could immediately use stimulus funds, directly advancing the goals of this important program.

### **Peer-to-Peer Services**

Peer-to-peer payment systems — also known as P2P payments or money transfer apps – are also being used to distribute stimulus dollars. P2P systems — like PayPal, Venmo, Zelle, TransferWise, and Cash App – allow users to send one another money from their mobile devices through a linked bank account or card. Like prepaid cards, P2P services allow users to load and withdraw cash at tens of thousands of grocery, retail and convenience stores across the country.

Because P2P services can be accessed from a smartphone, they can reach the vast majority of individuals, regardless of where they live or whether they have access to a bank account. The Pew Research Center found that 98% of the U.S. adult population has a mobile phone, and that 81% of people have smartphones.<sup>6</sup>

P2P services thus made it possible for individuals to securely and quickly receive stimulus money and then immediately use it to make needed purchases, or transfer money to a family member or friend.

### **Mobile Wallets**

Mobile wallets have increasingly been used by individuals during the pandemic. A mobile wallet is an app on a mobile device, such as a smartphone, that stores payment information from a credit card, debit or prepaid card.

The phone can then be used to securely make purchases. There are a number of different mobile wallets that are compatible with specific devices. The stimulus dollars sent to prepaid cards or bank accounts linked to a card (credit or debit) already loaded into a digital wallet, are very easy for consumers to spend the money quickly, easily and securely.

Mobile phones and wallets are not only ubiquitous, they are also highly secure. To access a smartphone, some form of authentication is required such as biometric (fingerprint, face recognition) or entry of a pin. Additionally, mobile wallets do not hold any actual payment card numbers, instead converting the payment card number to a token. When making a transaction, it is the token that is transmitted to the issuing bank, which converts the token back to the account number. Thus, even if a transaction using a

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<sup>4</sup> *Id.*

<sup>5</sup> <https://home.treasury.gov/system/files/136/EIP-data-update.pdf>

<sup>6</sup> <https://www.pewresearch.org/internet/fact-sheet/mobile/>

mobile wallet was compromised, the bad actor would only have access to a token that could not be used to commit fraud.

### **ETA Members Helping Small Businesses**

The electronic payments industry's ability to deliver stimulus also included relief to small businesses. ETA members - both traditional and fintech participants - used modern lending tools to help the Small Business Association process and disburse more than \$103 billion to nearly 1.3 million businesses in PPP loans.

As financial services have expanded into our growing internet-based economy. Access to the internet, often through multiple devices, has become essential for American families and businesses in many facets of their lives, including commerce, recreation, work, and education.

ETA member companies are working to expand affordable access to the internet in underserved communities both domestically and abroad by improving infrastructure and reducing costs so that more people can connect to the web-based world.

Access to the internet is a critical driver of economic growth. With more people connected to the web-based world, the affordability, ease-of-use, and security of electronic transactions helps power the economy. Likewise, the benefits of expanded affordable internet allows consumers to move into a more secure financial system.

### **Conclusion**

The payments industry is innovative, dynamic, and competitive, focused on delivering cutting edge products with robust security measures to help consumers connect with merchants, make payments, and move money. This system is already effectively delivering government benefits quickly and securely and is proud to have delivered billions of dollars in stimulus dollars during the pandemic. The modern payments industry is already hard at work developing the next generation of products and services and fraud prevention technologies to help individuals move money and stands ready to assist further in the distribution of government benefits, including any additional stimulus dollars.

ETA would like to thank the Committee for this opportunity to provide this statement for the record on this important topic and we appreciate your leadership on this vital issue. If you have any questions, please feel free to contact me directly at [stalbott@electran.org](mailto:stalbott@electran.org).

Sincerely,



Scott Talbott  
Senior Vice President of Government Affairs  
Electronic Transactions Association

