

September 29, 2021

The Honorable Ed Perlmutter  
Chairman, Subcommittee on Consumer  
Protection and Financial Institutions  
Committee on Financial Services  
House of Representatives  
Washington, DC 20515

The Honorable Blaine Luetkemeyer  
Ranking Member, Subcommittee on Consumer  
Protection and Financial Institutions  
Committee on Financial Services  
House of Representatives  
Washington, DC 20515

Dear Chairman Perlmutter and Ranking Member Luetkemeyer:

On behalf of the members of the Electronic Transactions Association (ETA), I appreciate the opportunity to submit this statement for the record before the Subcommittee's hearing, "The Future of Banking: How Consolidation, Nonbank Competition, and Technology Are Reshaping the Banking System."

The Electronic Transactions Association (ETA) is the world's leading advocacy and trade association for the payments industry. Our members span the breadth of significant payments and fintech companies, from the largest incumbent players to the emerging disruptors in the U.S. and in more than a dozen countries around the world. ETA members make commerce possible by processing approximately \$22.5 trillion annually in purchases worldwide and deploying payments innovation to merchants and consumers.

One of the goals of our financial system is to provide high-quality, affordable financial services to the broadest possible set of consumers. Over the past decade, financial institutions and fintech companies have transformed the financial landscape through the development and deployment of innovative products that expand access to and provide a number of new financial offerings for consumers at lower costs. A few of these efforts include the following.

### **Online Small Business Lenders**

Small businesses are vital to the U.S.; however, these businesses routinely lack access to necessary capital to maintain and expand operations. Fortunately for small businesses, ETA's members are expanding access to credit and offering attractive alternatives to traditional loans. As evident in their participation in the Paycheck Protection Program<sup>1</sup>, online lenders used sophisticated, data-driven processes to reach funding decisions quickly and efficiently and provide access to capital to approved borrowers expeditiously. This allowed small businesses to cover operational costs.

Expanding this access through the bank partnership has allowed numerous banks to partner with fintechs, using their platforms to streamline and automate their loan application processes and expedite their underwriting processes. These platforms allow potential lenders to analyze a broad range of financial and operational data to determine an applicant's creditworthiness — and to do so quickly. Enabling small business borrowers to apply for loans online reduces processing costs,

---

<sup>1</sup> As of April 2021, ETA members have helped the SBA process and disburse more than \$142 billion in PPP loans to nearly 2.5 million small businesses.

accelerates decision-making, speeds access to funds, and improves the overall customer experience. This type of collaboration has already provided numerous benefits for consumers.

## **Nontraditional Payments**

In 2019, the Federal Reserve Bank of San Francisco<sup>2</sup> reported that 73% of payments in the U.S. were made in person. For these in-person payments, cash accounted for 35% of the volume. With the services and products offered by ETA member companies, underserved consumers have additional options to pay for their purchases in cash and a pathway to participate in the digital economy.

ETA member companies offer safe, secure, and convenient ways for consumers to add cash directly to their accounts and pay for online purchases. eCash solutions allow consumers to pay for online purchases *but then complete the process at a physical payment point with cash*. Participating merchants provide the option at checkout for consumers to pay with cash. The consumer receives a barcode to complete the payment amount via text, email, or printable PDF and can then pay in cash at participating retail locations, such as CVS and Walgreens, via the barcode to complete the online purchase.

Other eCash solutions enable consumers to load cash onto their digital wallet accounts so they have alternative ways to shop or pay their bills online. Some solutions even allow individuals to directly deposit their paychecks into their account for free, so consumers can enjoy the benefits of spending their balance anywhere.

Billions of people around the globe face inconvenient, time-consuming, and prohibitively expensive systems for completing simple transactions like cashing a paycheck or sending money to a loved one. In this era of mobile technology and advanced software platforms, technology helps people around the world manage, move, and spend their money by providing more consumer choice.

## **Mobile Payments**

In the U.S., 98% of the adult population has a mobile phone and of those, 81% are smartphones, a steady increase from previous years. The FDIC has found that mobile banking, as a primary method of account access, continues to increase sharply (from 9.5% in 2015 to 34% in 2019), overtaking online banking as the most prevalent primary banking method. Mobile payments are a convenient and secure alternative to cash and checks that allow consumers to pay for goods and services in a safe and cost-effective manner. These products also enable greater financial literacy by allowing consumers to manage their accounts from their mobile phones. The adoption rate of mobile payments by consumers and merchants is on the rise.

Mobile payments aren't just for commerce but are being used by employees nationwide. ETA members empower workers with immediate access to their money and multiple options for receiving it, helping them manage their day-to-day cash needs more efficiently and effectively.

---

<sup>2</sup> Findings from the Diary of Consumer Payment Choice (2019). Federal Reserve Bank of San Francisco.

By partnering those in the marketplace economy — such as workers in ridesharing, food delivery, and other freelance occupations — with payments companies, the industry provides workers with quicker access to their earnings through push-to-card payments. Providing consumers with the ability to quickly access their funds helps to deter the businesses that trap consumers with high-interest predatory loans. Ultimately, these solutions help consumers avoid cycles of debt.

Similar to mobile banks apps, mobile card apps have been downloaded by more than half of all U.S. consumers, who use them on a weekly or even daily basis. ETA is encouraged by this trend and sees value for consumers in the access, ease, ubiquity, and security of mobile payments. When using mobile wallets for in-store payments, both customers and merchants are protected by the latest innovations in payments security. Mobile wallets require a passcode, fingerprint, or facial recognition before a transaction can occur, and thus are highly secure. This two-step authentication and encryption makes them a great option for businesses to reduce the risk of fraud and ensure that their customers' data is safe. In addition, the standard for mobile payments is tokenization, a process that replaces the card number with a unique string of digital numbers during the transaction so that the account information remains secure.

ETA member companies are creating innovative offerings in financial services and revolutionizing the way commerce is conducted with safe, responsible, convenient, and rewarding payment solutions and lending alternatives that are available to a broad set of consumers. As the leading trade association for the digital transactions industry, ETA encourages policymakers to focus on a framework that ensures a positive policy environment — encouraging growth and innovation governed by common principles but tailored appropriately to a company's particular risk profile. As the industry continues to evolve, it is imperative that the framework is equipped to embrace the proper safeguards to protect consumers without stifling progress.

We appreciate the opportunity to submit this letter for the record and the Subcommittee's leadership on this topic. If you have any questions, please contact me or ETA's Senior Vice President of Government Affairs, Scott Talbott, at [stalbott@electran.org](mailto:stalbott@electran.org).

Sincerely,



Jeff Patchen  
Senior Manager of Government Affairs  
Electronic Transactions Association

