

July 21, 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, Ranking Member Luetkemeyer, and Members of the Subcommittee:

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, "Banking the Unbanked: Exploring Private and Public Efforts to Expand Access to the Financial System."

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 more than \$21 trillion 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 new financial offerings for consumers at lower costs. These products and services — which support improved financial management, increased transaction security, and stronger financial stability — continue to expand financial opportunities for traditionally underserved consumers.

ETA publishes an annual white paper¹ that highlights the many ways in which our members are using technology to address the financial needs of underserved consumers and expand access to financial services. A few of these efforts, discussed in greater detail in the white paper, include the following:

COVID-19 Pandemic Response

Since the outbreak of COVID-19, ETA members have been focused on helping consumers and small businesses mitigate economic hardship by assisting with the delivery of billions of dollars in stimulus payments and small business loans through the Paycheck Protection Program (PPP) as well as by helping the government disburse additional benefits.

As federal and state governments provided stimulus and unemployment payments to Americans struggling with the fiscal impacts of COVID-19, the electronic payments industry was there to help deliver those benefits quickly and securely, so people got the help they needed.

¹ Electronic Transactions Association (2021). *How Fintech Is Addressing the Needs of the Underserved* [online] Available at: <https://www.electran.org/wp-content/uploads/2021-ETA-WP-FinTech-UnderServed.pdf>

The Coronavirus Aid, Relief, and Economic Security (CARES) Act authorized economic impact payments (EIPs) totaling \$290 billion. The Treasury Department and the Social Security Administration turned, in part, to two longstanding prepaid card programs — Mastercard’s Direct Express and Visa’s U.S. Debit — along with P2P systems to distribute stimulus funds. Federal agencies used these payment solutions to distribute more than \$9 billion to 5.7 million Americans.²

By using prepaid cards and peer-to-peer services for distribution, the EIP stimulus reached consumers quickly, with funds that could be used immediately. To expedite the EIP delivery for individuals without bank accounts, Square allowed individuals to create free bank accounts.³ By using these digital payment options, government agencies ensured that individuals would not have to wait weeks or months for a physical check or figure out how and where to cash that check. Instead, armed with the prepaid card, these individuals could immediately use stimulus funds, directly advancing the goals of this important program.

Prepaid Products

According to the latest FDIC survey, 5% of households do not have a bank account and rely on other products to complete basic financial services.⁴ In particular, prepaid cards are popular with consumers seeking to manage or protect their finances, including college students, low-income individuals who may not have access to a traditional checking account, and consumers traveling internationally. In fact, the federal government uses prepaid cards as an alternative to paper checks for many of its benefit programs.

One of the goals of prepaid products is to increase use of these cards as payment tools rather than as a means to access cash, so that consumers have a more secure way to manage their money. Prepaid cards have shown demonstrable benefits for the underserved. For example, Netspend’s prepaid debit card offers direct deposit and online bill-pay⁵ features that used to be reserved for customers of traditional banks. Now, debit cardholders can open savings accounts and budget their money in ways that open the door to financial security and stability.

Providing America’s underserved consumers with access to prepaid cards makes their money safer and helps move them into the increasingly important world of online transactions.

Nontraditional Payments

In 2019, the Federal Reserve Bank of San Francisco⁶ 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

² IRS, “Treasury, IRS Announce Delivery of 159 Million Economic Impact Payments,” at <https://home.treasury.gov/news/press-releases/sm1025>

³ Cash App, “Cash App, The Stimulus, and You,” at <https://cash.app/help/us/en-us/1018-cashapp-the-stimulus-and-you>

⁴ Federal Deposit Insurance Corporation. (2019). *FDIC National Survey Use of Banking and Financial Services*

⁵ About Netspend | Netspend Prepaid Debit Cards. (2017). Retrieved from https://www.netspend.com/about_netspend.

⁶ Findings from the Diary of Consumer Payment Choice (2019). Federal Reserve Bank of San Francisco.

have additional options to pay for their purchases in cash and a pathway to participate in the digital economy. ETA member companies such as Amazon, Western Union, and PayPal have specifically developed tools for the needs of consumers to add cash directly to their accounts and shop online.

These companies offer safe, secure, and convenient ways for consumers to add cash directly to their accounts and pay for online purchases. eCash solutions allows 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 then they can pay in cash at participating retail locations, such as CVS and Walgreens, via the barcode to complete the online purchase.

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

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. Research has shown that more than 62% of adult U.S. consumers own at least one credit card, and 40% of those have downloaded at least one mobile payments app.⁷

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.

Cross River helps those in the marketplace economy — such as workers in ridesharing, food delivery, and other freelance occupations — by partnering with payments companies to provide 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 necessity businesses that trap consumers with high-interest predatory loans. Ultimately, these solutions help consumers break cycles of debt.

⁷ eMarketer, US Mobile Payment Users 2019 Report

More than half of all U.S. consumers have downloaded mobile card apps and 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 support these efforts through policies that encourage innovation and the use of technology to improve financial outcomes for all consumers.

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

Sincerely,



Jeff Patchen
Senior Manager of Government Affairs
Electronic Transactions Association

cc: Members of the Subcommittee of Consumer Protection and Financial Institutions

