

December 9, 2021

The Honorable Jim Himes
Chairman
Select Committee on Economic
Disparity and Fairness in Growth
House of Representatives
Washington, DC 20515

The Honorable Bryan Steil
Ranking Member
Select Committee on Economic
Disparity and Fairness in Growth
House of Representatives
Washington, DC 20515

Dear Chairman Himes and Ranking Member Steil:

On behalf of the members of the Electronic Transactions Association (ETA), I appreciate the opportunity to submit this letter before the Select Committee's roundtable, "America's Unbanked and Underbanked."

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. 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. The next edition will be published on February 7, 2022. 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.

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>

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.

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.

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.

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 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. 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

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

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 these comments and the Select Committee'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.

Sincerely,



Jeff Patchen
Senior Manager of Government Affairs
Electronic Transactions Association

