



October 14, 2021

Testimony:

Beverly Brown Ruggia

Financial Justice Program Director

New Jersey Citizen Action

beverly@njcitizenaction.org

201 344-2954

Thank you, Chairman Green and members of this Committee for the opportunity to testify today. I am the Financial Justice Program Director for New Jersey Citizen, a statewide nonprofit organization working for social, racial, and economic justice through advocacy, public outreach, and community empowerment programs that address systemic and institutional issues, as well as the pressing needs and interests of low- and moderate-income New Jerseyans.

In 2019 New Jersey passed bi- partisan legislation to protect consumers' choice to use cash as payment for most retail purchases. The legislature acted because denying cash as a form of payment for goods and services discriminates against people who cannot afford or are unable to obtain non-cash payment options. Additionally, the practice potentially subjects consumers to unnecessary costs, violations of privacy and exposure to cyber security risks.

Cashless payment polices discriminate against communities of color and low-income customers, disproportionately. A 2019, FDIC survey¹, showed that 7.1 million Americans are “unbanked,” or live in households where no one has a bank account. 17% of Black households and 14% of “Hispanic” households are unbanked, compared with just 3% of white households. Another 24 million households are “underbanked,” meaning that at least one household member has a bank account but does not generally use credit cards or other traditional bank credit products. Indigenous households, working-age disabled households, and households with volatile income are also among the unbanked or underbanked at high rates.

¹ The 2019 FDIC Survey of Household Use of Banking and Financial Services
<https://economicinclusion.gov/surveys/2019household/>

As demonstrated in a 2018 report by Reveal News,² Redlining persists in this country and still denies millions of low- and moderate- income, and Black and Brown people access to banking services and accounts. Even where possible, opening a bank account requires documents which many low-income and elderly people do not have. People experiencing homelessness usually cannot provide utility bills or other proof of address needed to open a bank account. Online banking services also require reliable and affordable internet access, which low- and fixed- income people often cannot afford. And, people for whom [English is not their first language](#)³ are more likely to be unbanked than native English speakers.

But the main reason cited by 29 percent of the FDIC survey's respondents—is not having enough money to meet the minimum balance requirements to open and maintain a bank account. Sadly, the COVID-19 pandemic may have caused more households to fall out of the banking system. Cashless policies specifically penalize individuals and households for whom the cost of maintaining a bank account is what prohibits them from having a bank account, a credit card or consumer credit products needed to make non-cash payments.

The alternatives to credit cards, such as a prepaid cards or mobile devices are costly. A study by the Financial Health Networks found that in 2018, unbanked and underbanked households spent \$189 billion in fees and interest on non-bank financial products.⁴

Cashless payment policies can also pose practical barriers. One of Citizen Action's board co-chairs is blind. She cannot use bank cards because the terminals are not accessible in design, lacking braille keypads and appropriate pin security, for example. In other words, cashless policies exclude the most vulnerable individuals and households among us, who are not able or cannot afford to use anything but cash.

The second most popular reason cited in the FDIC survey by 16.1 percent of unbanked households, was a distrust of the banking system. Bank card payments are not as private as cash payments. Point of sale systems give businesses and large companies access to personal and financial information. Cashless payments also force customers to expose themselves to potential identify theft and other forms of cyber fraud. So, it should be no surprise that a another study by the National Coalition for Asian Pacific American Community Development, the National Urban League and the National Council of La Raza found that cash has been the preferred method for daily transactions among people in [communities of color](#) whether they are banked or unbanked.

Technology in banking and finance must expand financial equity and inclusion by providing choices and options that make personal financial management easier, more efficient and safer for all consumers. Technology must not limit choices or perpetuate systemic inequities in our financial

² Kept out- Modern-Day Redlining: <https://revealnews.org/article/for-people-of-color-banks-are-shutting-the-door-to-homeownership/>

³ BANKING IN COLOR New Findings on Financial Access for Low- and Moderate-Income Communities: https://www.nationalcapad.org/wp-content/uploads/2017/08/banking_in_color_report.pdf

⁴ Financially Underserved Market Study: <https://finhealthnetwork.org/research/2019-financially-underserved-market-size-study/>

system that exclude and discriminate. Cashless payment policies amount to discriminatory retail redlining. Instead of a redline around a neighborhood, there are millions of redlines around individual customers shopping on Main street every day, which deny them access to goods and services despite having perfectly sufficient US legal tender to spend.

Thank you!