

Testimony to the House Commerce, Labor, and Technology Committee on House Bill 253

Kalitha Williams

Good afternoon, Chairman Young, Ranking Member Hagan and members of the committee. My name is Kalitha Williams and I am the policy liaison for asset building at Policy Matters Ohio, a nonprofit, nonpartisan organization with the mission of creating a more vibrant, equitable, sustainable and inclusive Ohio. My work centers on household financial stability and consumer protection issues. I also convene Ohio CASH, a statewide coalition of organizations focused on improving the financial and economic conditions for low- and moderate-income families and communities. Thank you for the opportunity to testify today regarding House Bill 253.

According to the Corporation for Enterprise Development's 2014 Assets and Opportunities Scorecard, nearly 9 percent of Ohio households are unbanked. Payroll debit cards, being used widely, may help unbanked workers by allowing them avoid check cashing fees, providing more security than carrying cash, and giving card holders the ability to make phone and online purchases. Employers may also save money by not printing paper checks. In 2012 over \$34 billion dollars was loaded on 4.6 million payroll debit cards, according to industry research; by 2017 that number could rise to nearly \$69 billion dollars on 10.8 million cards.¹

Despite the benefits and growing usage, Ohio workers should be able to decide how they receive their pay. Last year, the National Consumer Law Center, a national consumer protection organization, and the American Payroll Association, a trade association of payroll administrators, came together and developed recommendations for payroll debit cards. The recommendations were designed to ensure that payroll cards are good for both workers and employers. House Bill 253 includes some of these recommendations. The full recommendations are as follows.

Employees must:

- be able to access their entire pay in cash at least once per pay period without incurring any fees;
- have the ability to choose their method of wage payment and be able to change it;
- have free and convenient access to their account information.

Employers must:

- offer a payroll card that is widely accepted;
- provide clear information and training on card usage and fees;
- offer a payroll card that has deposit insurance;
- be cautious of offering payroll cards with overdraft protection;

¹ Atkinson, Nancy H. and Madeline K. Aufseeser. "U.S. Payroll Card Programs: Paving The Path For New Revenue," The Aite Group, Boston, February 22, 2013.

- be careful of employer incentives for employee card usage.

There have been complaints at the national and state level of employers having automatic opt-in policies for employees and/or creating obstacles for them to use other payment methods. The federal Consumer Protection Finance Bureau released a bulletin last fall in response to growing complaints. In New York, Attorney General Eric Schneiderman sent inquiries to several employers to see if they were engaging in these practices after he received complaints.

The primary complaint workers have about being forced to use payroll cards are the excessive fees attached to the cards. An investigative report in the *New York Times* described excessive fees charged by some card issuers, fees that workers found difficult to avoid.² Netspend, the largest payroll card issuer, was found to charge 50 cents for each card purchase, \$5 for reprinted statements, \$10 to close an account, and \$7.50 per month for card inactivity. In some cases, workers were found to be making less than minimum wage after all of the fees they incurred were added up. Ohio workers should not have to pay fees to access their full wages.

HB 253 includes important consumer protections. Here are other provisions that would make this bill stronger for Ohio's workers.

- **Eliminate overdraft protection.** Some payroll debit cards require users to opt out of overdraft protection. Overdraft protection services can create a cycle of debt.
- **Cards should not be connected to any credit accounts.** The current language states "No payroll card account shall be linked to any abusive form of credit or credit practice." The bill should provide a clear definition of "abusive."
- **Ensure paper checks are an option.** Ohio workers should have this option along with direct deposit and payroll cards.
- **Allow workers to access their account information without incurring fees.** The bill states that "No issuer shall charge a fee for accessing the information described in division (A)(4) of this section unless otherwise permitted under federal law." The statement is meaningless, because there are no federal laws that prevent card issuers from charging fees. Employees need to access their account to manage their finances and should not be charged a fee for this responsible behavior.
- **Written consent needs to be clarified.** It's important the Ohio workers get clear and concise information about payroll cards and that the disclosures are not lost in a pile of paperwork when they are first hired to a new position.

We ask that you protect Ohio workers by supporting House Bill 253 and the recommended changes. Payroll debit cards can be a viable option for unbanked Ohio workers. However, we need to ensure they have strong consumer protections.

Mr. Chairman, thank you for allowing me to testify on this legislation. I am happy to answer any questions that you or any of the other members of the committee may have.

*Policy Matters Ohio is a nonprofit, non-partisan research institute
with offices in Cleveland and Columbus.*

² Kallianiotis, Niko, "Paid via Card, Workers Feel Sting of Fees," *The New York Times*, June 30, 2013.