

OPENING STATEMENT OF
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“THE IMPLEMENTATION OF THE EFT REQUIREMENTS OF THE DEBT
COLLECTION IMPROVEMENTS ACT OF 1996 AND THE USE OF ETAs”
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Good afternoon. Thank you Chairwoman Kelly for holding this important hearing. It is a pleasure to be here today.

I would like to start by commending the Department of the Treasury for its continued efforts in helping bring into the mainstream of our financial system the millions of Federal payment recipients who currently do not have bank accounts.

Today we have a series of witnesses who are going to bring us up to date with the progress of the EFT'99 program and the status of the ETAs. I would like to welcome Mr. Donald Hammond from the Department of the Treasury and Ms. Margot Saunders from the National Consumer Law Center. I would also like to welcome Mr. Richard Carrion, President and CEO of Banco Popular de Puerto Rico whose vision and foresight has played an instrumental role in the success of Banco Popular de Puerto Rico at being the number one ETA provider in the United States and Puerto Rico.

ETAs offer a unique opportunity to fill consumer protection voids, increase the attractiveness of the account for those outside the banking mainstream and build positive relations between banks and the communities they serve.

Not requiring a minimum monthly balance to maintain an ETA (except as provided by state or federal law); setting a maximum fee of \$3 dollars per month; providing a monthly statement and making ETAs voluntary are important inclusions that demonstrate commendable sensitivity to many low-income federal payment recipients who must live on what is essentially a fixed income.

However, I believe that there are some flaws with the current requirements of the ETAs. One of the problems is that it sets a minimum number of ATM and teller transactions that customers must do in a month. Also, it leaves it up to the financial institution rather than the account holder to decide whether to use a teller or an ATM or both.

Prospective ETA account holders average 61 years of age. ATM usage decreases with age and only 33 percent of consumers over 64 years of age use an ATM card. Therefore, teller access is a very important factor in encouraging use of the ETAs by these prospective account holders. It is also a crucial factor in assuring that the goal of bringing those without bank accounts into the mainstream financial system is realized. ETA prospects are not likely to enroll in a pure debit card product. For this group, the branch is their primary choice for any type of transaction. Therefore, it should be up to the account holder and not the financial institution to decide whether to use an ATM or a teller.

Another concern is that the current ETA does not provide means for account holders to pay bills. Consequently, they must withdraw cash and then purchase a money order. Because of this, many of these individuals resort to check cashers or other fringe bankers. ETA accounts should offer free or low cost money orders.

An important aspect of implementing the Act and establishing ETAs is the confidence of recipients in the system. It is vital that unbanked recipients receive effective, targeted education about the availability of the account and how to use it. Recipients should be given clear and understandable information about the nature of the account, associated fees for the account, the free items, additional fees, the types of transactions that are allowed, etc. Any educational effort must consider potential cultural and language barriers that could inhibit understanding of the ETA in the unbanked population. For this reason, it is important to insure that informational materials are provided and customer service lines are available in a wide variety of languages.

I thank you again for coming here today and I look forward to hearing the testimonies. Thank you Madame Chairwoman.