



Testimony Before the New York City Council Regarding IDNYC Program

I want to thank City Council Member Carlos Menchaca and all members of the City Council present today for allowing me to speak about the need to ban a smart-chip on the IDNYC card. My name is Alicia Portada from the Lower East Side People's Federal Credit Union, a local not-for-profit financial cooperative with branches in East Harlem, the Lower East Side and the North Shore of Staten Island. We serve 8,500+ members many of whom are low-income, people of color and immigrants with quality and affordable financial services.

I'm here today to support the "Prohibiting a smart chip from being added to New York City identity card" bill in order to protect card holder's privacy and provide comprehensive financial access.

Our communities don't need more reloadable cards, we need to ensure that people can build assets and support the development of their communities.

Transforming the IDNYC Card from a purely identification card into a smart chip enabled card to allow financial services is a bad idea as the marketplace already has a number of reloadable card options. They are said to be preferred for their quick access, and not requiring a bank or credit union account. We believe in the initial goal of the IDNYC program, to provide required identification so that individuals could access a complete range of financial services. There is not natural step from using a reloadable card to opening an account. Also, reloadable cards come with a heavy cost, not only in terms of dollars but in lack of consumer service and consumer protections that our low-income and immigrant New Yorkers simply cannot afford.

Lower East Side Peoples Federal Credit Union's community organization partners do not ask for prepaid cards, they ask for their members and clients to have:

- Multi-lingual trained professionals who can thoroughly answer financial questions
- Physical branches where people can meet and reach trusted credit union representatives
- Access to quality financial products including low cost savings and checking accounts which help people build assets and leads them to economic security
- Access to fair and affordable credit
- Immigrant services such as ITIN lending, DACA loans, international money wiring, etc.
- Acceptance of the IDNYC as a standalone ID to open an account

More broadly, community partners want to support organically the economic development of their own communities. Unfortunately, FinTechs and out-of-state banks involved with reloadable prepaid cards do not have community reinvestment responsibilities in New York. Funds that



would be deposited on these cards would therefore flow outside NY and not yield the benefits to our communities.

We need to ensure that financial innovation doesn't come with the cost of losing consumer protections.

Most Fintech providers develop partnerships with a handful of OCC chartered banks based outside of New York State and thereby are pre-empted from our strong consumer protection laws and regulations. Reloadable cards are known for lacking consumer protections from hidden fees, liability for unauthorized transactions, uncapped fees, etc.

Banks and credit unions are obligated to disclose fees (and rates) to consumers at the time of account opening. Both federal and state regulation require that these financial institutions have fair and sound practices, i.e. that accurate account statements are provided, that excessive overdraft fees are not charged, that unauthorized transactions are not the liability of the cardholder and that consumers are notified of changing fees and charges.

These consumer protections have been mandated to avoid harm to consumers. We know, through our financial counseling program, of many members unsuccessfully fighting incorrect charges and/or overcharges by corporations for years. Some give up and don't follow through as they are constantly met with a bureaucratic dead-end path.

We need to maintain confidence in the IDNYC program among the vulnerable communities who most need this identification and against data breaches and identity theft risks

In the current political climate, the concentration of information and data from the primary ID coupled with account access, transactional information and possibly the funds themselves could place cardholders at greater risk both to federal authorities and to purveyors of identity theft and scams.

Our partners, like New Immigrant Community Empowerment that works with day laborers in Queens, many undocumented; and Mixteca, an organization that works with Latino and immigrant families in Sunset Park have stated that they would not feel comfortable promoting the proposed IDNYC card among their membership due to security and privacy concerns.

One of the main obstacles to banking outreach is the perceived lack of information on how personal data is shared/sold to third parties. Regulated depository financial institutions have strong policies about protecting the privacy of our members and clients. Let's not risk the strides made by the IDNYC card by coupling it with the smart-chip as this could put into jeopardy its continued adoption by questioning the ability of the City to protect the private information of these vulnerable New Yorkers.



What is the solution?

We think it is a mistake to pair the IDNYC card with the smart chip and financial services.

We support the bill to keep the IDNYC as a pure identification vehicle and encourage other Credit Union, Banks and all financial institutions in NYC to accept the card as stand-alone identification. Thus, allowing full access by these vulnerable communities to quality financial services at institutions of their choice.

About Lower East Side People's Federal Credit Union

Lower East Side People's Federal Credit Union is a non-profit financial cooperative organized in 1986 that promotes economic justice and opportunity in NYC neighborhoods. We are owned by our members and dedicated to providing high-quality financial services and community development investments in low income, immigrant and other underserved communities.