



Testimony Before the New York City Council on Immigration
Regarding IDNYC Program Oversight

On behalf of:
Inclusiv (formerly Nat'l Federation of Community Development Credit Unions)
and
Brooklyn Cooperative Federal Credit Union
Lower East Side People's Federal Credit Union
Neighborhood Trust Federal Credit Union

I want to thank Committee Chair Menchaca and all the members of the City Council Committee on Immigration for this opportunity to speak with you today about the IDNYC Program. My name is Alicia Portada from the Lower East Side People's FCU. Today I'm providing testimony on behalf of my credit union, as well as Inclusiv and the network of community development credit unions throughout New York City.

Inclusiv is a national network of community development credit unions dedicated to closing the gaps and removing barriers to financial opportunities for people living in distressed and underserved communities. We believe that true financial inclusion and empowerment is a fundamental right for all. Inclusiv members serve over eight million residents of low-income urban, rural and reservation-based communities across the U.S. and hold over \$92 billion in community-controlled assets. There are 18 Inclusiv member credit unions within the 5 boroughs, all working to provide access to affordable banking services and loans.

Together NYC community development credit unions like Lower East People's FCU, Brooklyn Cooperative FCU and Neighborhood Trust FCU are able to serve **all** New Yorkers with safe and responsible services. Our institutions have a Juntos Avanzamos designation which indicates that our institutions are oriented to serving the Hispanic population and other immigrant communities in the City.

As locally owned and managed financial cooperatives, we are **all** committed to reaching and serving New Yorkers who are otherwise excluded from the financial mainstream. Specifically, our credit unions actively open accounts using IDNYC as the primary form of identification. We also work to help undocumented members of our communities obtain taxpayer ID numbers (ITINs) to be able to file tax returns, earn interest on their savings, establish credit and even one day achieve the dream of homeownership.



IDNYC

We commend the Administration and City Council for having established this groundbreaking municipal identification offering all our City residents an accessible and secure document that enables residents to access City services and grant admission to buildings, such as schools, hospitals and other professional buildings requiring identification. The IDNYC has enabled us to open accounts and serve all within our communities.

Proposed changes

Over the past several months, the City of New York has explored the opportunity to implement integrations with the IDNYC and the MTA and adding a financial services or banking component through “smart chip” technology onto the cards.

While well-intentioned, we believe that trying to integrate banking access directly onto the IDNYC raises a host of privacy, security, consumer protection, and other concerns. The credit unions have raised these concerns with the City agencies coordinating this process. While the City has elicited proposals from a number of financial services providers, we believe it has failed to recognize the security concerns related to the overall concept; the numerous ways in which implementation flaws could cause unnecessary consumer harm and the inadvisability of testing such an undertaking with a population that is disproportionately composed of some of the most vulnerable members of our community. With so much at stake for the undocumented, homeless, and other New Yorkers who rely on IDNYC in their daily lives, we urge the City to change course.

Through our discussions we have specifically raised the following areas of concern:

The proposed changes would risk the security of IDNYC and create uncertainty among the vulnerable communities who most need the identification.

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. Data breaches could cause substantial harm to many who may feel least empowered to report or fight it.



Financial Technology (Fintech) firms will attempt to minimize the challenges to implementing a compliant banking access platform at this scale.

Financial technology firms will often focus on the technology necessary to design a delivery system of this type without full understanding of the complexity in managing accounts that must be compliant with federal and state banking and consumer protection laws and regulations. As financial institutions, we have extensive experience implementing technology to increase access for our members and communities.

Technology firms, particularly those positioning themselves as disruptors or innovators, will often skip essential steps to be in full compliance with federal and state regulations, relying instead on the financial institutions to ensure that any innovation is safe and compliant. This process can be costly and time-consuming; with the full liability resting with the institution (or in this case the City). In addition, any time a new product or service is delivered through a technology platform it is critical for the implementing institution to do extensive testing with experienced, knowledgeable users who will be able to sound the alarm on bugs and flaws in the system. These processes are best tested through pilot testing with the most vocal users. We are concerned that this totally new and untested technology platform is planned to be delivered to a population that has limited knowledge and trust in the financial system and will not feel empowered to complain or raise challenges to the inevitable flaws in the system.

The administration's interest in providing banking services – including prepaid debit -- through IDNYC raises a number of questions and concerns, including whether cardholders' funds would be fully-insured, whether state consumer protections would apply, and whether the bank managing the funds would have any obligations to reinvest in NYC communities.

We presume that the City would intend for any funds deposited on the card to be fully insured by federal deposit insurance. In order to offer deposit insurance, the accounts would have to be held at a regulated depository institution. 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. Moreover, these out of state banks 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 believe that banks that are either NY State chartered or are based in NYC and already engaging in community reinvestment responsibilities are not likely to step up to this challenge or they would have already participated as an IDNYC Financial Institution. Many of the



large banks continue to shy away from accepting IDNYC as primary form of identification. It is unlikely that their legal\compliance teams would pursue this higher-risk undertaking.

Lack of transparency in the development of this program.

When the IDNYC program was first designed, the City solicited and received extensive input from groups representing immigrant communities, activists, and local financial institutions like ours. Despite our best efforts, we are still in the dark as to why these changes to a successful program are being implemented now. We have been given many different reasons for the incorporation of the smart chip, including financial inclusion, to achieve access to the MTA's soon-changing payment system, and integration with and across City agencies. In addition, the administration has expressed concern that IDNYC enrollment is falling and that if the NYS Driver's License becomes available to undocumented immigrants there will be no need for IDNYC. As a result of these disparate concerns, a multi-functioning card is seen as a "one-stop" solution. However, other cities have determined that pursuing multiple of these strategies simultaneously is not feasible. Evidence from other cities shows that financial inclusion promises do not bear fruit and are either scrapped during the design phase or unable to be successfully implemented

So what are the solutions?

We are all committed to the success of IDNYC. We will continue to accept the IDNYC as a primary identification in opening accounts in our communities. But we would welcome the opportunity to explore together with City agencies how we can continue to grow the program and increase financial inclusion.

Just as the City worked with immigrant communities and advocates in designing the original IDNYC, we encourage the same input in this process of enhancing the IDNYC card. We invite City agencies to work together with the community development credit unions and banks that accept IDNYC to be able to enroll cardholders more easily in a seamless manner and achieve the goal of true financial inclusion.