



*Advancing Economic Security
and Community Prosperity*

December 6, 2017 Testimony before Committee on License and Consumer Protection

Good morning, Alderman Mitts and members of the Committee. My name is Lauren Nolan, and I am the Director of Research at Woodstock Institute. Woodstock is a leading nonprofit research and policy organization that strives to make our financial system and financial products more fair and inclusive, particularly for lower-income people and communities of color.

Today, I will provide testimony regarding the proposed ordinance under consideration by the Committee on License and Consumer Protection that would prohibit licensees from refusing to accept cash as payment for goods or services.

Use of credit cards has increased over the past decade, and new technology now allows for payment for goods and services with smartphone apps. In light of this, a handful of food retail establishments in several cities including Chicago have elected to exclusively accept electronic forms of payment, meaning they no longer accept cash. This is problematic. "Cashless" policies discriminate against individuals who do not have access to electronic payment methods. The number of people in Chicago without access to electronic payment methods, namely, a credit card or debit card, is significant and is largely comprised of vulnerable groups already prone to discrimination and financial exclusion.

According to the latest Federal Deposit Insurance Corporation (FDIC) National Survey of Unbanked and Underbanked Households, 8.1 percent of households in the Chicago region are unbanked, meaning no one in the household has a checking or savings account. This represents 300,000 households, or roughly 770,000 people in the region. Persons without a bank account, by definition, do not have access to a debit card and therefore rely on cash transactions.

The most frequently cited reason among unbanked households for not having a bank account is not having enough money to maintain an account. Unbanked rates are higher among lower-income, younger, Black/African American, and Hispanic households, as well as households with working-age adults with disabilities and households with high income volatility. Furthermore, debit cards are largely out of reach for youngsters, homeless persons without addresses, persons without identification or documentation, and those struggling with identify theft issues.

Credit cards, the other major form of electronic payment, are even more unattainable for lower-income and vulnerable households. Issuers' income requirements mean that many low-income households are ineligible for credit cards. According to the FDIC, less than eight percent of unbanked households have access to bank credit. Persons under 18 are prohibited from independently applying for a credit card, and few would qualify anyway. Even among banked households, large numbers do not own credit cards. Per the FDIC, only 66.5 percent of U.S. households have a credit card. High levels of credit card debt, privacy considerations, and data breaches (as demonstrated by the recent Equifax data breach) are growing points of concern with electronic transactions.

Payment via a smartphone app requires customers to own a smartphone that often must be linked to a credit card or bank account, which, again, is problematic for people without those items.



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Our only suggested revision to the ordinance as currently written is that the period from passage to when it would go into effect be extended from 30 days to 60 days. Businesses need time to instate cash handling procedures such as training employees on cash counting and contracting with armored truck services.

In closing, Woodstock Institute strongly supports the proposed ordinance prohibiting businesses from refusing to accept cash. It would ensure that historically vulnerable and marginalized groups and others who purchase goods and services with paper money and coins have access to all of our local businesses.

Thank you, Alderman Mitts and members of the committee, for permitting me to testify today. A copy of my testimony has been tendered to staff for the record. I would be happy to receive any of your questions or comments.