



TESTIMONY OF MISSION ECONOMIC DEVELOPMENT AGENCY (MEDA)
BY NORMA P. GARCIA, POLICY COUNSEL, DIRECTOR OF ADVOCACY
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SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS
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CASHED OUT: HOW A CASHLESS ECONOMY IMPACTS DISADVANTAGED
COMMUNITIES AND PEOPLES

Madam Chair, Members of the Committee, thank you for inviting my testimony today on this very timely and important topic. My name is Norma Paz Garcia and I am proud to represent San Francisco’s Mission Economic Development Agency,¹ also known as MEDA, where I serve as Policy Counsel and Director of Advocacy. Rising out of the civil rights movement of the 1960s, since 1973, the Mission Economic Development Agency has been advancing toward a mission to create equity for Latinos and immigrants seeking a better life. We are a Latino-led nonprofit organization that invests in the lives of our underserved Latino families through direct services, community development initiatives and policy advocacy. Along with our partners, we leverage our community’s inherent strengths to collectively build Latino prosperity, community ownership and civic power.

Today’s topic, “How a Cashless Economy Impacts Disadvantaged Communities and People” falls squarely within our work. I will outline the many reasons why we believe it makes sense to support a marketplace where all consumers can pay in cash, should that be their preference. I will also offer MEDA’s point of view of why, from an equity perspective, there is no greater reason than ensuring that the most marginalized and at risk communities can participate in the economy that surrounds them and that they feel they belong and are valued in their communities. Preserving cash as a payment option is an equity-forward imperative, and is easily implemented as it is already a common practice in our country’s economic marketplace.

MEDA advocates for and creates conditions that advance inclusion and belonging, rather than exclusion.² By all measures, San Francisco and the Bay Area is a land of immense opportunity

¹ Learn more about the Mission Economic Development Agency (MEDA) at www.medasf.org . Read MEDA’s Strategic Plan, 2021 - 2024, available at <https://medasf.org/strategic-plan-2021-2024/>

² Since 2014 MEDA has been an affordable housing developer now having preserved or produced almost 1,300 affordable housing units; we launched a community loan arm in 2015, and in 2017 it became one of the few Latino-focused CDFIs; we created a Promise Neighborhood, our community anti-poverty education initiative; across all of our programs, we provide direct services to approximately 8700 clients per year; we actively advocate on the state and local level for policies that support our

and growth for particular industries and sectors. At the same time, not everyone has been able to benefit from that growth. That growth has created unprecedented wealth gaps that have placed extreme pressure on San Francisco's low income Latino residents and other low-income communities. MEDA seeks to not only stop displacement, but to reverse it and to bring greater economic opportunity to the community we serve, and others like ours. We work closely with other community based organizations and partners within the City and County of San Francisco to ensure that those in our community who are most sensitive to displacement have the support they need to remain in place and thrive.

Evolving Economic Disparities for Latinos in San Francisco

The conditions that exist in our community and the measures that have been taken to address growing inequity are worth noting. While San Francisco's Latino population has grown in the past 30 years, so have racial income gaps.³ Since the 1990s, gentrification (through market-rate housing development, commercial growth catering to high-wage earners, new residents taking advantage of historically low-cost neighborhoods) has displaced Latino families from historically Latino-heavy neighborhoods on the city's Eastside and Southside, such as the Mission District and Bernal Heights. However, the Latino population has increased in the vast majority of San Francisco neighborhoods. Between 1990 and 2020, the Mission District's Latino population decreased by 32 percent. Over the same time period, the citywide Latino population increased by 36 percent.

The increase in the Latino population, and the geographic dispersal of Latino families, has presented additional challenges for service providers and advocates: even as the population has increased, Latino families' financial circumstances have not improved much during a generation of rapid economic growth in the Bay Area. Between 1990 and 2019, the median household income in SF rose by 63 percent, after adjusting for inflation. However, for Latino households, the median household income only rose by 28 percent over the same time period.

Over the same three decades, the median rent in San Francisco rose by 41 percent—in other words, rents have increased at a significantly higher rate than the increase in Latino household incomes. Between 1990 and 2019, the gap between the median household income for white families and Latino families in San Francisco grew by a factor of five. These rising economic disparities seen citywide have been even more pronounced in the Mission District. That is, not only has the Mission witnessed a net loss of nearly 10,000 Latino residents in the past generation; but the Latino households who have managed to stay face steeper financial disparities on a local level. Between 1990 and 2019, Latino median household incomes in the

community and participate nationally through our association with UnidosUS and the National Association of Latino Community Asset Builders (NALCAB).

³ All data from this section comes from: 2020 U.S. Census, 2015-2019 American Community Survey Five Year Estimates.

Mission rose by 24 percent, compared to a 118 percent rise in Median Household Income (MHI) for all Mission households. The gap between Latino and white median household incomes grew by a factor of 20 over the same period. While the COVID-19 pandemic created disproportionate financial impacts for Latino workers, between 1990 and 2019 Latino unemployment rates fell by 60 percent. In other words, these rising income disparities cannot be explained by a rise in unemployment, but rather a widespread lack of access to jobs with living wages and other necessary family financial support.

The Impact of a Cashless Economy

A cashless economy that excludes cash as a form of payment essentially functions as a “cash ban.” Let’s consider how a cash ban impacts consumers generally. While the idea of shifting away from cash to other forms of payment may be appealing to some, for many others a cash ban seems unnecessary, confounding, inconvenient and risky. As a practical matter, as long as cash is valid legal tender in the United States, it should be an acceptable form of payment at brick and mortar locations selling goods and services to the public.

Providing alternate means of acceptable payment options, such as debit cards, credit cards, other electronic means and mobile payments should be additive, and not a replacement for accepting cash payments. Consumers should be free to choose how they want to pay to address whatever concerns they have, including a preferred familiarity with cash payments, protecting their privacy, guarding against potential security breaches that can compromise their financial security, especially when the risk and losses fall most heavily on consumers to rectify. If you’ve ever had to fix a problem with a security breach, as far too many people have, you will know that the process can be difficult for any consumer. It can be especially so for those with limited English language proficiency, hearing or visual impairments, or other disabilities. For many, the potential risks accompanying non-cash payment methods and any ensuing problems can be avoided by sticking to cash.

MEDA serves a predominantly low-income Latino population that would be negatively and disproportionately impacted in a cashless economy.⁴ At MEDA, we lead with equity, which means our first point of analysis of any policy proposal is always, “How will this idea impact the most vulnerable in our community?” This is essential analysis so that we can continue to serve our community effectively to address their needs and vulnerabilities and leverage their strengths. Here is a snapshot of the community we serve: Among the 6,600 clients that MEDA has served since the start of 2020, 83 percent are Latino, and 79 percent speak Spanish at home. Only four percent live in households that are NOT low income, per HUD standards. By contrast, 55 percent of clients live in households that are Extremely Low Income (between zero and 30 percent of the Area Median Income). Twenty-four percent reside in San Francisco’s Mission District, with about 60 percent of clients living elsewhere in San Francisco. Sixty-five percent lost their job

⁴ All data from this section comes from: MEDA client data from Salesforce, January 2020 to October 2021

since the start of 2020, and only 10 percent reported losing no income at all. Seventy-five percent reported being ineligible for federal relief funds during the COVID-19 pandemic.

A cash ban would be devastating for the predominantly low-income Latino clients we serve, and others like them, many of whom live on the economic and social margins. As our data demonstrate, many of our clients suffered economically due to COVID-19 job and income loss. Others suffered physically when COVID infection soared among the Latino population, among all others in San Francisco.⁵ Many of our clients were and continue to be the essential workers who, during the height of the pandemic, kept our economy going, just as they had before, but without the ability to work from home like many others. In doing so, they risked their health and that of their families, to keep food on the table and to pay their bills, often existing in overcrowded housing conditions due to the high cost of housing in San Francisco.

Among our clients and community, we are aware that there are other drivers that make it important for our community to be able to use cash to buy goods and services at retail establishments. Distrust of banking systems cuts across many cultures and populations and we understand there are multiple reasons why individuals may not trust banks. Their lived experience in their country of origin may include a banking system without sufficient regulatory oversight to inspire consumer confidence. They may be suffering from the vestiges of exclusionary policies that kept banks out of their neighborhoods. Paying in cash does not require one to hold a bank account in an institution that may not be trusted or present. Additionally, others may avoid banks due to fees required to maintain their accounts, minimum balance requirements, overdraft fees and other costs. For others, it is easier to stick to a budget when only cash is involved.

Some people prefer to transact in cash because it holds its value and it is certain. Its value does not depend on purchasing and maintaining an extraneous device (such as a smartphone or tablet) or connectivity (including cell phone service, or internet connectivity). Devices and connectivity may be costly, and in some cases, quality connectivity may be difficult to access. “Connectivity deserts” are a reality, even for those who live in some parts of San Francisco.

Unlike what many in our community may already know from their lived experience, disaster preparedness has taught us that keeping cash on hand is prudent. In the last few years, this is

⁵ Fernandez, E., Weiler, M. (UCSF), Initial Results of Mission District COVID-19 Testing Announced; Latinx Community, Men and Economically Vulnerable Are at Highest Risk. May 4, 2020.
<https://www.ucsf.edu/news/2020/05/417356/initial-results-mission-district-covid-19-testing-announced> ;
Testimony of Alicia Hernandez, MD. before the United States House of Representatives, Ways and Means Committee, May 27, 2020 The Disproportionate Impact of COVID-19 on Communities of Color, p. 2, Accessed June 4, 2020.
https://waysandmeans.house.gov/sites/democrats.waysandmeans.house.gov/files/documents/Fernandez_Testimony.pdf;
Unidos en Salud study <https://www.ucsf.edu/news/2020/05/417356/initial-results-mission-district-covid-19-testing-announced>;
Palomino, J., Sanchez, T., Troubling upward trend in Latino COVID-19 cases, May 08, 2020, *San Francisco Chronicle*.
<https://www.sfchronicle.com/bayarea/article/Bay-Area-Latinos-hit-hardest-by-coronavirus-15252632.php#photo-19394123>

something that many more people around the country are learning as disasters become more prevalent. For those of us in California, we are learning to live with unpredictable power outages or planned and prolonged power outages that make electronic and mobile payments at a point of sale impossible. “Cash only” is a frequent sign at cash registers during power outages and during periods of disaster and only cash helps consumers make the purchases they need.

While a majority of MEDA clients are banked, Latinos nationwide remain unbanked at higher rates. This should be another compelling reason to retain the option to pay in cash at retail establishments. Since the start of 2020, 95 percent (378 of 396) of MEDA’s clients reported that they have a bank account -- including clients who have had the chance to work with MEDA service providers to establish key financial footholds.⁶ However, on a nationwide scale Latinos face disproportionately low access to banking institutions. According to [2017 FDIC data](#), 30 percent of low-income Latino households nationwide are unbanked, compared to 20 percent of all low-income households. An additional 30 percent of Latino households are underbanked (have a bank account, but still rely on alternative financial services like check cashing), compared to 26 percent of all low-income households.⁷ A recent [nationwide survey by Credit Sesame](#) indicates that Latino families are less likely than white families to have a credit card, and are more likely to report distrust of, or mistreatment by, crediting institutions⁸

Latinos are not the only population nationally who are unbanked at higher rates.

According to Pew Charitable Trusts, citing FDIC data, “About 7.1 million U.S. households don’t have a bank account, according to the Federal Deposit Insurance Corporation’s latest survey in 2019. Rates are highest among low-income, Black, Hispanic and Native American households, as well as households headed by a person with disabilities, the FDIC survey shows. Nearly half of the unbanked people surveyed told the agency they can’t afford to maintain a minimum balance in an account.”⁹

Employment and Potential Impact of a Cashless Economy

The impact of a cashless economy on employment generally would create an untenable and devastating economic situation for those who are paid in cash. In San Francisco, many

⁶ MEDA client data from Salesforce, January 2020 to October 2021

⁷ Guzman & Ryberg, “The majority of low-income Hispanic and Black households have little-to-no bank access, complicating access to COVID relief funds,” *National Research Center on Hispanic Children and Families*, 11 Jun 2020. <https://www.hispanicresearchcenter.org/research-resources/the-majority-of-low-income-hispanic-and-black-households-have-little-to-no-bank-access-complicating-access-to-covid-relief-funds>

⁸ “Black and Hispanic Americans on the U.S. financial system: “The odds were always against me,” new Credit Sesame survey finds,” *Cision PR Newswire*, 26 Jan 2021. <https://www.prnewswire.com/news-releases/black-and-hispanic-americans-on-the-us-financial-system-the-odds-were-always-a-against-me-new-credit-sesame-survey-finds-301215072.html>

⁹ Quinton, Sophie, “Paying With Cash? Retailers Must Take Your Dollars in These States.” *Pew Charitable Trusts, Stateline*, 11 May 2021. <https://www.pewtrusts.org/en/research-and-analysis/blogs/stateline/2021/05/11/paying-with-cash-retailers-must-take-your-dollars-in-these-states>

low-wage workers and day laborers are paid in cash. If San Francisco had allowed the proliferation of a cashless economy, increasingly, these workers may have been unable to spend the cash they earn to buy goods and services they need. This would create a disproportionate and unnecessary hardship on this population, as well as lead to increasing experience of exclusion, rather than inclusion in our City's economic life.

Retail Experience in a Cash Acceptance Economy

In San Francisco, the retail industry is doing a good job of serving the public because consumers can pay with cash as well as by other means, if merchants choose to make other payment means available. Some merchants, in an effort to keep their products and services affordable, prefer to be paid in cash rather than to have to pass on the cost of interchange fees to the customer or to absorb it themselves. Many of these merchants offer their customers the option to choose what method is best for themselves. In these cases, merchants inform customers that there is an additional fee charged when the customer uses a debit or credit card to pay. We are not aware of dysfunction in the retail realm due to customers paying in cash.

San Francisco's Ordinance

Pursuant to legislation passed by the City and County of San Francisco in 2019, "Legal Rights for Legal Tender Ordinance,"¹⁰ consumers in San Francisco have the explicit right to pay in cash, for goods and services, other than professional services, at brick and mortar retail establishments. This right is not exclusive; it exists alongside any other payment options the merchant wants to make available to customers. There are some businesses that are exempt, and certain dollar amounts under which the obligation to accept cash apply.

The underlying rationale for the San Francisco legislation includes:

"San Francisco seeks to strive to be a welcoming, inclusive place for all City residents. Consistent with this ethos of inclusivity, the City strives to empower all of its residents to participate in San Francisco's economic life. A key aspect of participation in economic life in the City, as anywhere, is the ability as a consumer to purchase goods and services."

Other conditions that gave rise to the law include the fact that many City residents, and especially the very poor, are unable to access credit or obtain bank accounts that allow for non-cash payments; a recognition that there are "millions of Americans who are unbanked or do not operate within the financial mainstream"; consumer privacy concerns; "denying the ability to use cash as a payment method means excluding too many people." The City is vigilant in

¹⁰ Full legislative history available at <https://sfgov.legistar.com/LegislationDetail.aspx?ID=3863269&GUID=7196286E-DD3A-43AC-88AE-3A8864880B17&Options=ID%7CText%7C&Search=cash>

ensuring that its economy is “inclusionary and accessible to everyone . . . [and that they are] able to participate in the City’s economic life by paying cash for goods and services.”

Conclusion

MEDA supports the goals and objectives of San Francisco’s Legal Rights for Legal Tender Ordinance and encourages other jurisdictions to adopt similar protections for consumers, particularly for those who are at risk of exclusion from the economic mainstream. We are pleased that the U.S. House Committee on Financial Services is examining this topic and that we have had an opportunity to offer our input. Now, more than ever, as our country endeavors to recover from the COVID pandemic, and there is greater recognition of the imperative to include, rather than exclude, historically marginalized communities, retaining the right to transact in cash is essential. An inclusive economy benefits civic life, a positive experience for all consumers, and business success. Retaining the right to pay in cash is a just, efficient and effective means to achieve greater societal equity.