



June 8, 2022

Senator Monique Limón
Chair, California Senate Banking and Financial Institutions Committee
California Capitol Building, Room 2100
Sacramento, CA 95814

RE: SUPPORT: AB 2540 (Berman): Qualifying accounts

Dear Senator Limón:

On behalf of Chamber of Progress, a tech industry association working to ensure that all Americans benefit from technological leaps, I write to express our support for AB 2540 (Berman). The bill seeks to clarify that non-bank accounts with a voluntary payment feature may qualify to receive direct deposits related to child support payments, public assistance payments, and unemployment benefits – as long as the payment or fee is voluntary and can be refunded at the request of the consumer.

AB 2540 (Berman) is the **first bill of its kind – in any state – to set guardrails for all financial services that offer voluntary payments as a feature**. If enacted, AB 2450 (Berman) would set a new national standard for how voluntary payments are offered by financial technology providers to consumers in a transparent and fair way.

We commend the author for amending the bill to clarify that non-banks can qualify to receive direct deposits of public assistance and have an option for voluntary payment – as long as the availability of features is not affected by providing or not providing a voluntary payment, the default payment amount is set to \$0, and the payment is refundable upon request.

AB 2540 (Berman) is aligned with the Legislature's intent to protect consumers against predatory payment models that have been advertised as "voluntary", but where the user is required to tip or be limited in their use of the overdraft program. These predatory payments hurt consumers and the amendments to the bill ensure consumers are protected.

Given the current economic climate, consumers are increasingly relying on non-bank services to stretch every dollar. To many consumers, non-bank financial services provide opportunities for consumers to receive their paychecks a few days early to pay bills on time, cover unexpected expenses, or provide overdraft protection. For the 64% of Americans who are living paycheck to paycheck,¹ those services are heavily in demand.

¹<https://www.cnbc.com/2022/03/08/as-prices-rise-64-percent-of-americans-live-paycheck-to-paycheck.html>

Neobanks and fintech companies commonly offer consumers overdraft protection services with the creation of an account. The company covers the charge without a cost or a fee, and deducts the overage amount once the consumer deposits sufficient funds. We commend the author for the April 20, 2022 amendments which provide important protections and recourse for consumers.

The proposed standards in AB 2540 (Berman) will set a precedent for safe and fair voluntary payments offered by all financial institutions, including neobanks and fintech companies. We commend the Legislature's continued attention ensuring fintech services and neobanks comply with fair business practices.

For the reason stated above, Chamber of Progress proudly supports AB 2540 (Berman) and requests an 'AYE' vote.

Sincerely,

A handwritten signature in black ink, appearing to read 'JE', with a stylized flourish at the end.

Janay Eyo
Director, Financial Policy
Chamber of Progress

CC: Assemblymember Berman