

HOUSE BUSINESS AND INDUSTRY COMMITTEE

March 24, 1977

The subcommittee meeting on Senate Bill No. 170 was called to order at 10:00 a.m. in Room 436. All subcommittee members were present.

Rep. Vincent stated the disadvantages of the EFTS. They are as follows: 1) loss of the paper check, 2) computer genererized records, 3) computer errors, 4) consumer satisfaction, 5) stop-payment, 6) attachment of bank accounts, 7) letting minors use their parent's account, 8) individual's money may become disagreeing with bank creditors, 9) use of individual financial data by government agencies. Standards are needed to assure consumer protection.

Mr. Roger Tippy stated that when the bill had begun drafting process last summer, a law review was composed containing an article of an officer credit union containing these points. It is a irreducible fact that the consumer gives up a float and the stop-payment remedy. The receipt is admissable attachment of banks accounts. The Supreme Courts have recently said that it would make the constitititutional to be responsible of the debtor. The access of the card to minors would be something the parents would have to deal with. There are many portions in the bill which cover Rep. Vincent's problems, but they are not detailed. They need to be clarified further.

Mr. John Cadby stated that in regard to EFTS he read one article pertaining to the timing relative to checks. It will not replace checks. By the year 2000 with good customer acceptance, they may get up to 25 or 30% of the total population using EFTS in lieu of checks. People are reluctant to experiment with a new idea. The younger generation will accept it first. At the time you make a transaction, you can maintain your own records as you are doing now. It will have a bank statement. All of these things are provided in the bill and more protection is built in with EFTS rather than with checks.

Mr. Harold Pitts stated that within a very short period of time the community will realize that checks will be out. If we can hold it where it is (25 billion checks), there is no way that you will get out of the check-cashing policy.

Mr. Tom Waterman stated that there is a full, large report which came out of the National Commission on EFTS (attached). The basic problem with the bill appears in section 7 of the bill. It states that a satellite terminal which is used by a bank must be made available to all other financial institutions. That means that if a debit or credit card is used by a retailer that terminal must be made available to all other banks which to him meant that a retailer cannot bargain to get the best deal.

Mr. Frank Stock stated that anyone who wishes not to have this system does not have to accept it. This bill does not specifically outline any clearing house arrangements or switches. The Uniform Commercial Code provides for clearing houses. The switches have been left aside.

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It would be ridiculous to have 10 terminals for each financial institution. Otherwise a small bank would have no chance.

Mr. Harold Pitts stated that no one has disagreed with the automatic teller machines. The point-of-sale terminals are the problem. This does not affect Bank Americard, Master Charge, Penny's, etc. You cannot use a BAC at Penny's. This point-of-sale terminal would be used for bank cards. This bill provides that these machines can only be used within a 3-mile radius within the city limits.

Mr. Waterman stated that this bill is a very good bill, but the fact remains that this violates the law. He said that Penny's does like cash, but they do not want to be forced into accepting all debit cards. The bankers look at this bill from the switch side. Penny's does not have to accept checks from a bank if they do not want to. He asked why they should be obligated to accept these cards. If Penny's does not have the right to contract, then the bill is not fair.

Mr. Pitts stated that the bill does not cover BAC or Master Charge. It is purely a debit and credit bill.

Mr. Stock stated that it could be a credit account. It is in the retailer's business to know if the individual is buying on credit or debit.

Mr. Waterman stated that the bill needs to cover "contracting."

Mr. Stock stated that he did not believe that any bank would want to interfere with anything a retailer would do internally. This bank cannot interfere with the stores internal credit policies.

Rep. Fabrega asked Mr. Waterman if he was afraid the bank will tell him that the terminal is here, it will cost you 10 cents. Mr. Waterman does have that fear.

Mr. Cadby said that transaction charges may be very high. Competition will want point-of-sale terminals in their stores. This bill also provides protection for the independent retailer.

Mr. Stock stated that the merchant is certainly paying now due to the absorbency of bad check losses. The rent of the terminal would depend on the bank.

Mr. Les Alke stated that he may be able to delay some of the fears on consumer protection. The terminals must be approved by the Department of Business Regulation. There is a Consumer Affairs Division in the Department which would take care of any consumer oriented problem.

Mr. Waterman stated that if it is competition this would be just great. But where you have mandatory sharing, it is not fair because you must share on the same basis. That is the basic problem he had with the bill.

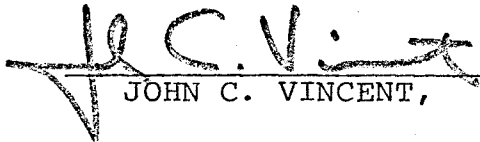
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Mr. Ray Blehm stated that if the credit union says a he wants a 5 cent transaction then so be it. Nothing precludes him from taking his machine out and transmitting in another point-of-sale location.

Mr. Waterman stated that he thought he would have to share that terminal with anyone. He would like to be assured that it will stay competitive.

Mr. Pitts stated that no two banks have the same service charge, therefore, why should they charge the same amount on the point-of-sale terminals. He also stated that the bill provides for different types of ownership. In point-of-sale terminals you are not speaking about big expensive types of equipment. A small store could buy one point-of-sale which is relative to a cash register. That is why it is provided that a bank can buy them. There are several different ways in which you can go about this. The telephone company will probably be the most logical location for a switch. The banks or financial institutions can go together and form a switch, also.

The meeting adjourned at 12:00 noon.



JOHN C. VINCENT, Chairman