House of Representatives Subcommittee testimony **June 29, 2021**

Purpose of testimony

After the killing of George Floyd and countless other incidents of racism and police brutality that led to the death of George Floyd and 163 other Black men and women from January through August of 2020, organizations across the financial services industry made pledges to invest in people and communities of color. For instance, banks promised to support minority depository institutions and community development financial institutions, especially those that assist Black communities, as well as to provide down payment assistance to potential Black homeowners as a step towards closing the racial wealth gap. Witnesses should discuss the extent to which banks, publicly traded companies and others in the financial services industry have made good on their promises to Black communities and businesses, as well as the steps they have taken towards achieving sustainable racial equity within their organizations.

Witness testimony

My name is Hassan Miah, CEO and Founder of Paybby Corp. We are a financial technology company or "Fintech" focused on the empowerment of the Black and Brown community. The company was founded in August 2020 in the wake of the death of George Floyd. Over the past few months, we have met with several of the largest banks including Black-owned Banks in the country. Our observations include the following: major banks have announced large financial commitments to the Black community and Black banks and MDIs have announced investments from the big banks. This is applauded. However, the scale of the announced commitments is far larger than the actual investments. There is no tangible evidence that the announced commitments have resulted in actual incremental support to the Black community. The biggest concern is the lack of Key Performance Indicators (KPIs) that show accountability of announcements to results. Also, the approach and types of commitments taken by the banking industry is unlikely to make a difference.

The financial services industry includes the private equity and venture capital (VC) industries that account for a large share of the capital used to finance businesses and support financial inclusion and economic improvement in the Black community. According to recent reports, Black entrepreneurs receive only about one percent (1%) of VC investment. This has not changed. The VC industry has made several investments in the last year supporting new Black founder funds. However, the scale is miniscule relative to the industry and not of any material significance. Related to Fintech investment, there is little to no support from the investment community. Private equity and venture capital backed Fintech is the fastest growing category of alternative banking and lending in the country. The lack of support to Black-owned businesses will only increase the gap in racial equity. Many of these non-minority backed Fintechs target the Black community, but their business models are not designed to support racial equity and often result in more income and wealth extraction from the community. For example, tax advantaged, private equity firms are making investments in buying residential housing to be made available to rent. This will "crowd-out" the supply the housing and reduce the opportunity for the Black community to achieve home ownership, the biggest contributor to wealth creation. Private equity largely receives it capital from government and private pension funds, of which the Black community is a capital supplier. Therefore, the lack of investment in Black businesses and Black entrepreneurs actually results in transfers of wealth from the Black community to the other communities.

The approach taken by Banks and corporations to support Black Banks and MDIs can only have limited impact. Black MDIs total aggregated assets is approximately $10 Billion, compared to total US banking assets of $20 Trillion. Given their limited size and smaller geographic focus, they are simply incapable of addressing the racial equity gaps. Fintechs are creating a transformation of banking and financial services, and similar to other industries, tech-driven companies are designed to scale and efficiently build new models to support the market. Traditional companies and banks generally do not have the skills or focus to manage the change to a tech-driven economy. There are several small community banks that have become "Fintech" banks by offering a platform for companies to offer financial services as a technology company. There is not a single Black Bank in this category.

As a regulator of banking, the federal government can play a significant role in addressing these issues. The CRA regulations need to be adjusted to give more incentive to major banks to make a material change in their behavior to support the Black and Brown community. Metrics of capital recirculation should be established and monitored. Also, many of the Fintechs are applying for banking charters. These are exclusively going to non-minority owned companies that suggests that there will be limited support for underserved communities of color.

For the banking industry, the keys to closing the racial wealth gap and support racial equity is greater direct investment, recirculation of capital and a reduction of the excessive banking costs incurred in the Black community. The spending power of the Black community is over $1.3 Trillion and approximately $4 Trillion for the Black and Brown community. Only about 2% of spending by the Black and Brown community is retained by the community. The major banks and corporations gain significant profits from the exploitation of these communities. Banks and the investment community need to be held accountable for results on a regular and ongoing basis. Similarly, the federal government needs to improve access to financial services to support the growth of affordable banking, reduce excessive fees and support fair lending. Outside of the US, where large, formerly poorer nations are gaining access to banking, new KYC and alternative credit scoring systems are being developed that are as reliable as anything in the US. Yet, this does not exist here, and the Black and Brown communities continue to stagnant. Actually, the racial wealth gap is still increasing and there is a much higher failure rate for Black businesses than before George Floyd murder.

About Paybby

Paybby (pronounced pay baby) is a New York based Fintech company, and the only Black- owned company with a working mobile-only banking App that offers checking and savings accounts and is focused on the empowerment of the Black and Brown community. The Wicket by Paybby App is available on the Apple App and Google Play store. It is possible to get a free bank account in only a few minutes after download.

Paybby’s mission is to eliminate the excessive banking fees charged by banks and other institutions and support the recirculation of capital in the Black and Brown community. In less than a year, Paybby was conceived and launched a fully working banking App available in all 50 states. Paybby is committed to investing in areas that will fix the problems that cause disparities in banking The goal of company management, experienced in technology and finance, is building banking products that can scale nationally and offer services that will drive banking in the future.

Hassan Miah