

**Association for Neighborhood and Housing Development (ANHD)
Hebrew Free Loan Society
Lower East Side People's Federal Credit Union
National Federation of Community Development Credit Unions
New Economy Project
Western New York Law Center
[List in formation]**

LETTER IN OPPOSITION
S.5920 / A.7705-A

June 6, 2017

BILL NUMBER: S.5920 (Savino) / A.7705-A (Rodriguez)

TITLE OF BILL: "Community financial services access and modernization act of 2017"

STATEMENT OF OPPOSITION:

Our organizations respectfully submit this memo in opposition to S.5920/A.7705-A. Our groups previously considered not weighing in on this bill, given our limited organizational capacities and need to focus on defeating egregious legislative attempts to weaken New York's longstanding usury law. We now feel compelled to register our opposition, however, because we recognize that the bills, S.5920/A.7705-A, are part of a concerted push to undermine consumer protections and communities throughout our state, to the benefit of the fringe financial services industry, rather than to the people of our state. S.5920/A.7705-A should be viewed alongside S.6121 (Savino)/A.7907 (Crespo), an act to amend the banking law, in relation to conduit services, and S.5771 (Hamilton)/A.6511 (Morelle), the "Credit creation pilot program act of New York."

Indeed, bill sponsors this year bifurcated the so-called check-cashers' bill from the 2016 session, separating "modernization" elements from the dangerous "conduit services" provisions. But separation of these proposed expansions of check cashers' authority in New York does not eliminate major concerns that advocates have raised.

Fundamentally, there has been no persuasive articulation as to how the public would benefit from expanding the check-cashing and master licensing authority of these fringe financial services.

S.5920/A.7705-A would in fact expand check cashers' reach, without providing meaningful benefits to New Yorkers. Check cashers have tried for years to obtain special carve-outs from New York's longstanding usury laws. They have sought licenses to directly make high-cost small business and consumer loans, and to broker, through vaguely defined "conduit services," high-cost loans and other unspecified products and services for out-of-state and federally-chartered banks.

Especially problematic, the Senate version of the bill would allow the check cashing industry to rebrand as "financial services providers." Both the Senate and amended Assembly bills would

also double the amount of money check cashers may cash, from \$15,000 to \$30,000, without setting any limit on the fees or reducing the check cashing rate that they charge. The proposed new limit would harm New Yorkers through exorbitant fees, as well as personal risk, as they leave check-cashing outlets with extremely large sums of cash. The bills would also expand the categories of entities whose checks the check cashers may process, including affiliates of broker dealers. Again, no public policy rationale has been articulated to give check cashers these expanded privileges.

The bills add several categories of funds that check cashers would be permitted to process, including — alarmingly — lawsuit and settlement advances, with no limit on the face value of these checks. These are notoriously predatory products, typically sold to vulnerable low-income litigants at exorbitant rates and are comparable to payday loans. New Yorkers would thus pay check casher fees to cash check advances, in addition to paying high fees and interest on underlying lawsuit advance loans.

With their outlets most concentrated in low-income neighborhoods and communities of color, New York check cashers have sought to convince legislators that their services fill gaps in mainstream banking services access. Although it is indeed the case that banks redline entire neighborhoods throughout our state, permitting check cashers to expand their fringe financial services and engage in predatory services is hardly sound public policy.

We encourage our state legislators to direct their energies to supporting community development financial institutions (CDFIs) — which responsibly serve the very same low income and immigrant neighborhoods and communities of color in which check cashers typically locate. The legislature should press banks to comply with laws that require them to serve all communities equitably, within the bounds of safe and sound banking principles.

New York has long been a leader in advancing economic justice and consumer protections. Rather than expand the reach of the check cashing industry, the Legislature should protect New Yorkers from products and services that provide no benefit.

For the above reasons, the organizations listed above oppose this legislation.