

Friday, May 14, 2010

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**CONSUMER AFFAIRS COMMISSIONER JONATHAN MINTZ ADDRESSES NEW YORK  
STATE CHECK-CASHING INDUSTRY BY CALLING FOR IT TO EXPLORE WEALTH  
BUILDING PRODUCTS AND SERVICES**

*The following is the text of Consumer Affairs Commissioner Jonathan Mintz's remarks as prepared for delivery at the Financial Service Centers of New York 18th Annual Conference & Exposition*

"Thank you for inviting me to join you today. I'm here today to talk about the Bloomberg Administration's approach to meeting the financial services needs of consumers with low incomes – a market that you all have long recognized for its potential, and that the many banks have long ignored. There are over 825,000 adults in New York City who live in households where no one has a checking or savings account – and hundreds of thousands of others have banks accounts but primarily rely on check cashers like yourselves and other non-banks to conduct their core financial transactions.

"Three years ago, the Mayor asked me to take a look at the financial empowerment needs of New York City residents, and figure out how we could help working poor families move forward

economically. We started with some research, surveying some 600 residents in Melrose in the Bronx and Jamaica, Queens, and comparing their financial services needs and wants to the products and services available in those communities – at banks, credit unions, check cashers, pawn brokers, tax preparers or wherever else.

“Through this study, we uncovered serious gaps between the products offered by most banks and credit unions and the needs of the neighborhood residents. 53% of checking account holders indicated that their landlords would not accept a personal check for rent payment, yet money orders at banks were four times the price that local check cashers were charging.

“Another factor deterring people from getting banked is monthly maintenance fees and low interest rates that mean the average low income saver is often paying their bank every month to keep their savings, instead of seeing their money grow.

“In other words, we well understand that the costs and perils of many mainstream financial institutions’ products and services understandably drove many consumers with low incomes to your doors.

“But things have changed since then.

“The Department of Consumer Affairs Office of Financial Empowerment has opened 20 financial empowerment centers throughout New York City to provide FREE one-on-one financial counseling to ALL New Yorkers. We’ve also introduced our first starter account – NYC SafeStart, a safe and affordable account that has no overdraft or monthly maintenance fees and gives the 825,000 unbanked New Yorkers a good reason to stop wasting money on cashing checks. We’re now working with some dozen banks and credit unions around the city to offer this account at dozens of branches and we’re hopeful that even more banks will join Carver and our other partners in offering this account to their customers.

“Another sign of progress is that beginning this July 1st, banks will no longer be able to automatically enroll customers in fee-based overdraft coverage, which we hope leads to less people getting into trouble with overdraft or avoiding mainstream banks as a result.

“Why does mainstream banking remain a priority for us? We’ve found both in our research and experience that bank accounts play a key role in overall financial stability. Households without bank accounts are more likely to rely on expensive credit options such as pawn brokers and refund anticipation loans. People who rely exclusively on the services of check cashers are considerably less financially stable than those who exclusively use banks. 37% of households who use only check cashers couldn’t pay rent at least once in the previous 12 months, compared to about half as many among those who instead use banks or credit unions.

“Savings are also key to stability and growth. Our \$aveNYC account program provides incentives to save at tax time and we are working with our financial empowerment centers and local financial institutions to help low income families struggling with debt to obtain low- cost consolidation loans. Across our initiatives, we believe that our role as a local government is to help create and then connect New York City residents to products and services that will promote, rather than undermine, financial stability and empowerment. Working with banks and credit unions, we’ve done just that.

“While I understand the business model you employ, and firmly believe that the regulatory requirement of transparency and consistency in pricing have helped to support demand for your business, transparency is not enough. New Yorkers deserve productive and cost-effective financial products and services ... and this Administration will settle for no less.

“Now, I’m happy to see some of your financial services centers creating partnerships with

financial institutions like Bethex FCU, but in the long-term the check cashier business model isn't helping people get ahead.

"This is unfortunate since you have storefront locations in the communities of greatest need.

"I recognize that check cashers are increasingly looking to build upon their traditional business model to add new services. But I don't see these efforts as doing much for anyone's bottom line but yours. Prepaid debit cards carry multiple fees that add up and drain precious dollars from people's pockets and leave them further removed from traditional banking services. And your industry is now working in Albany for the ability to offer interest rate busting short-term loans, a practice that has decimated low-income communities in other states.

"My hope is that the check casher industry can transition toward playing a more proactive role in wealth-building – rather than wealth depletion -- in the New York City communities they serve. You are currently in a unique position in many low-income neighborhoods because you've become the financial service provider that people trust. But I have come here today to make it clear that we are working to give people a better option. In the end, it comes down to a simple choice: if a safe banking product is available and for free, why pay?"

Wednesday, April 28, 2010

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**STATEMENT OF CONSUMER AFFAIRS COMMISSIONER JONATHAN MINTZ ON JPMORGAN CHASE'S DECISION TO QUIT REFUND ANTICIPATION LOAN BUSINESS**  
"JPMorgan Chase's decision to pull out of the refund anticipation loan ("RAL") business, along with a growing list of others in the financial services industry, will ideally herald the ultimate and long-overdue demise of these predatory and unnecessary loans," said Consumer Affairs Commissioner Jonathan Mintz. "In New York, our enforcement agents find year after year that tax preparers generally need to lie about these terrible loans to sell them, misrepresenting them as "rapid refunds" rather than costly loans that drain much-needed dollars from those who can least afford it. And because these high-priced RALs go to low-income wage-earners, it siphons taxpayer dollars away from the Earned Income Tax Credit, which Congress specifically intended to help working individuals with low and moderate incomes. It's time to ban these loans once and for all so taxpayers get every penny of the tax refunds our elected officials intended them to receive."