



*Advancing Economic Security  
and Community Prosperity*

**Testimony of Brent E. Adams**  
**IDFPR Public Hearing: 9/13/17**

Woodstock advocates for a wide-range of reforms with respect to our financial system. The check-cashing system in this country reflects a deplorable, but not uncommon, misalignment. By that, I mean those who have less pay more. Put another way, it is very expensive to be poor. As a price to participate in our economy, lower income folks are hit with all sorts of fees that essentially target them: late fees, overdraft fees, credit limit fees, and check-cashing fees.

There is no question that the currency exchange industry has shrunk and that we want to preserve these stores as an option for consumers who lack options. But we can do that *and* spare the most vulnerable among us from what amounts to a very precisely targeted regressive tax increase. Consider a consumer who receives government support by receiving a paper check in the mail. Now there are three important things to consider about this scenario: (1) the currency exchange faces no risk of this type of check bouncing and therefore does not need to charge a fee to cover itself for that possibility, (2) the consumer presenting this check is, in most instances, an at-risk consumer who is already skimping on basic necessities: food, medication, school supplies, clothing, and (3) the currency exchange revenue attributable to this scenario is exceedingly small as most government assistance is delivered electronically. This consumer would absorb this rate increase by cutting even further into an already dire financial situation. At Woodstock, we believe our financial system ought to be investing in tools to enable consumers to lift themselves up, not using them to prop up an industry.

You are aware that we have offered a counterproposal. It is disappointing that you decided not to respond to it substantively. So, I shall tender it again now and request that you consider it and explain whatever decision you make with regards to it.

Woodstock Counterproposal

1. Exempt government issued checks, including public assistance checks and government payroll checks (regardless of the amount of the check), from the rate increase. Thus, the current rate schedule would continue to apply to those checks.
2. On all printed payroll checks (except government payroll checks, which would be subject to the current rate schedule as I just described) cap the rate at 2.25%, the top rate under the current schedule.

There are compelling reasons why we should stratify rates, and I am at a loss as to reasons why we shouldn't.

We have pointed out many times at various opportunities that, of the states that regulate check cashing rates, Illinois is one of only four states that does not stratify rates based on the type of check. But I think it is also worth mentioning here today that of the three other states *without* stratified rates, *all* have

lower maximum rates than Illinois [Delaware, WV, NY]. Considering these two facts together, Illinois is the worst state on this issue. The other states that regulate rates do one of two things: (1) they stratify rates based on the type of check, or (2) they charge lower rates. Illinois does neither! The industry is having its cake and eating it too. Either stratify the rates OR if you are going to be part of the small camp that doesn't, lower the rates. New York, which bears certain similarities to Illinois, is one of the four states that does not stratify its rates. The check cashing rate in that state is 2.03%.

An appropriate evaluation as to whether to increase rates needs to look at both sides of the equation. Don't just look at the industry's profits; look at how low- and moderate-income folks have fared over the last 10 years. Suffice it to say that things have not gotten better for the bulk of these folks. There is no indication from the Department's Statement of Findings that consumers' financial condition was considered at all. I am well aware that the six-factor criteria in the statute does not reference consumers, but the Act provides that currency exchange customers are to be protected from being charged unreasonable and unconscionable rates for cashing checks. You can't properly evaluate unconscionability in a vacuum. You have to consider the economic conditions of the consumers who would bear the brunt of the increase. We hope that when you take this into account and give more thought to rate stratification that you will modify your proposal to spare the most vulnerable from this rate hike. Thank you.