Introduction

In February of 2017, the check-cashing industry petitioned the Illinois Department of Financial and Professional Regulation to increase the maximum rate currency exchanges can charge to cash a check in Illinois. Woodstock Institute analyzed income data from 2007—the last year in which check-cashing rates were increased—through 2016 to determine to what degree Illinois households could absorb this increase. Below are the findings:

Incomes Still Below Pre-Recession Levels

Median household income for Illinois households has yet to recover from losses during the Great Recession and sits 2.9 percent below what it was in 2007 when adjusting for inflation. Median household income was $62,784 in 2007. It dipped during the Recession, reaching its lowest point in 2011. Since 2011, income figures have slowly rebounded, but remain lower than pre-Recession levels (see Figure 1).

Unbanked Groups Hit Hardest by Income Loss

A check-cashing rate increase would have the greatest impact on unbanked households, defined as households in which no one has a checking or savings account. According to data from the Federal Deposit Insurance Corporation (FDIC) National Survey of Unbanked and Underbanked Households, 7.1 percent of Illinois households are unbanked. The unbanked are disproportionally comprised of low-income and minority households. Unbanked persons are also more likely to not have a college degree and to be a working-age person with a disability. Below are income trends for groups most likely to be unbanked and impacted by a check-cashing rate increase:

Black/African-American households were hit hardest by Recession income losses. Median household income for Black/African-American households in Illinois was $39,417 in 2007 (see Figure 2). In 2016, this figure was $35,517—9.9 percent lower than pre-Recession figures. Median household income for Hispanic/Latino households was $54,935 in 2007 and $51,705 in 2016, which is 5.9 percent lower than pre-Recession figures (see Figure 2).
In 2016, 26.7 percent of working-age persons (age 20 to 64) with a disability had incomes below the poverty level (see Figure 3). (In 2016, the federal poverty threshold for a family of four with two adults and two children was $24,339. For a single individual, it was $12,228). This is more than twice the poverty rate for people without disabilities. The poverty rates for people with and without disabilities have increased since 2007.

Persons with a high school degree or less were more than twice as likely to be below the poverty line as those with some college or a bachelor’s degree (see Figure 4). Poverty rates have increased for both groups since 2007.

Conclusion
Incomes for Illinois households have yet to fully recover from the Recession. Income and poverty rates among groups most likely to be unbanked and use currency exchanges to cash checks were more severely impacted by Recession era income losses and historically have higher rates of poverty. Given these trends, Illinois households would be less able to absorb a rate increase than they were the last time check-cashing rates were raised in 2007.

For more information contact Woodstock Institute Research Director Lauren Nolan at (312) 368-0310 or lnolan@woodstockinst.org.