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**Testimony before the Committee on Banks
Opposing S.B. 361,
An Act Concerning Regulatory Relief for the Connecticut Check Cashing Industry
Submitted by Jim Horan, Executive Director
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The Connecticut Association for Human Services (CAHS) opposes S.B. 361, An Act Concerning Regulatory Relief for the Connecticut Check Cashing Industry. CAHS is a statewide nonprofit organization that seeks to end poverty and empower all families to build a secure economic future.

CAHS opposes S.B. 361, which proposes an increase of the maximum fee check cashers can collect from 2 percent to 3 percent of the amount of a check, excluding government welfare checks. This would mean a 50 percent increase in the cost of cashing a check. Consumers of check cashing services are almost all low-wage workers struggling to make ends meet. Such low-income consumers cannot afford a 50 percent increase in the cost of cashing a check.

The bill also would eliminate the prohibition on cashing checks exceeding \$6,000. Some increase may be reasonable to keep up with inflation, perhaps to \$10,000. But consumers with larger checks probably should be using alternatives to check cashing services, such as banks or credit unions.

It is true that low-income people cannot open a bank account due to past problems with credit or because banks are not located within their community. Therefore, we recognize that check cashers have a role for those low-income people who are unable to enter the mainstream financial system. But substantially raising fees for those who can least afford to pay for financial services is harmful, and will inhibit the nearly 55,000 low- and moderate-income households in Connecticut without a bank account from building their financial assets.

A 2009 study by the Federal Deposit Insurance Corporation (FDIC) found one of the most common alternative financial services used among households without a bank account, the unbanked, are check cashing services. According to this report an estimated 73,000 of Connecticut's households are unbanked. About 75 percent of those unbanked earn an annual income of \$30,000 or less.¹ High cost alternative financial services hinder low- and moderate-income (LMI) households from building financial assets to move out of poverty.

¹ Federal Deposit Insurance Corporation. (2009, December). *FDIC national survey of unbanked and underbanked households*.

One alternative for consumers is to work with banks or credit unions to open accounts there. Banks do have such programs and accounts for those with past credit and banking problems, and CAHS works with several large and small banks on a project, Bank on Connecticut, to make it easier for consumers to open accounts. Also, consumers can cash checks at Walmart, which cashes checks for less than the state maximum.

Check cashers have a role in the community. They are almost exclusively located in low-income communities where there are too few banks. Many offer valuable services, such as utility bill payments. But their services are not so valuable to merit a 50 percent increase in fees or complete elimination of the check amount cap. We urge the committee not to make the requested changes, and instead support policies that help low-income people to move into the economic mainstream. Policies that help low-wage earners address credit issues, financial management, and access to mainstream banking, we believe, are the way to go in moving Connecticut's families toward a more secure future.

Thank you for providing CAHS the opportunity to testify today.