WOODSTOCK INSTITUTE

Advancing Economic Security and Community Prosperity

Board of Directors

Chair
Edward Jacob
Neighborhood Housing Services of Chicago

Vice Chair
Steven McCullough
Safer Foundation

Secretary
Maria Choca Urban
Center for Neighborhood Technology

Treasurer
Thomas Fitzgibbon
First Michigan Bank

Members

Angel Beltran

Cheryl Devall
Southern California Public Radio

Karen Edwards
KME Consulting, LLC

Reginald Lewis
Chad School Foundation

Michael Mitchell
Mitchell Development Consultants, Inc.

Ofelia Navarro
Spanish Coalition for Housing

Megan O'Neil
Independent Asset-Building Consultant

Dory Rand
Woodstock Institute

Christine Robinson
Stillwaters Consultation

Sandra P. Scheinfeld, Ph.D.
Freelance Documenter

Gregory Squires, Ph.D.
George Washington University

Founder
Sylvia R. Scheinfeld
1903-1990

Testimony of
Tom Feltner
Woodstock Institute Vice President
Before the Finance Committee of the City Council of Chicago

February 7, 2011

Good morning,

Thank you Chairman Burke, Alderman Dowell, and members of the Finance Committee for the opportunity to address you this morning on the important issue of access to basic, low-cost transaction accounts.

My name is Tom Feltner, and I am the Vice President at Woodstock Institute. Woodstock is a leading nonprofit research and policy organization working to ensure that lower-wealth consumers can safely borrow, save, and build wealth so that they can achieve economic security and community prosperity.

Woodstock believes that the ability to deposit checks, receive direct deposits, write checks, pay bills online, access an ATM, and use a debit card is a critical part of creating and preserving assets. When these features are available at a low cost and with appropriate consumer protections, low-wealth consumers have a point of entrance to the mainstream banking system that can lead to the use of additional asset-building products, such as prime mortgage lending, auto loans, college and other savings products, and retirement accounts. When they are unable to access a low-cost transactional account, consumers often end up trapped in a second-tier financial system of high-cost check cashing, payday loans, and buy-here, pay-here car financing. In addition, having a basic transaction account makes it easier to use direct deposit of payroll and tax refunds and to save regularly.

Woodstock Institute encourages all financial institutions to offer a basic transaction account that carries no minimum balance or deposit. Minimum balances or deposits disproportionately impact low-wealth consumers, especially young, part-time workers, seniors on fixed incomes, and the unemployed. In particular, young workers, who receive checks for part-time work are unlikely to meet minimum deposit requirements. With average weekly unemployment benefits just over $300, minimum deposit requirements also threaten to pile on new fees to those jobseekers already facing a reduced income.[1]

[1] http://lmi.ides.state.il.us/insurance/159.htm

Woodstock Institute supports strategies to ensure that basic bank accounts are widely available in low-wealth communities. First, federal regulators must effectively implement the Community Reinvestment Act, which ensures that local financial institutions reinvest in the communities where they do business. By strengthening the Services Test portion of CRA, we can ensure that financial institutions are actually providing services directly to low-wealth people, not simply building branches in or near low-wealth communities.[1] At the local level, Woodstock supports policies that require financial institutions that receive City deposits to adopt local commitments to low-cost basic banking and other reinvestment activities in return. A City of Cleveland ordinance currently require such commitments as does a policy enacted by the Illinois Treasurer in 2009.

Once again, I appreciate the opportunity to address the committee this morning and am happy to answer any questions.

[1]Smith, Geoff, Sarah Duda, and Malcolm Bush. *Benchmarking Branch Outcomes: Using Available Data to Analyze and Improve the Delivery of Retail Bank Services to Low-Wealth Communities*. 2009. Web. 22 Jul 2010.