



Advancing Economic Security
and Community Prosperity

June 6, 2017

Board of Directors

Chair

Natalie Abatemarco
Citi Community Development

Vice Chair

George Lipsitz
University of California,
Santa Barbara

Secretary

Michael Seng
The John Marshall Law School

Treasurer

Byna Elliott
Fifth Third Bank

Members

Lehia Franklin Acox

LFA PR

Ravi Aurora

MasterCard

Bobbi Ball

Partners in Community
Building

Eva Brown

U.S. Bank

James Carr

Wayne State University

Thomas FitzGibbon, Jr.

NHS of Chicago

Gordon Mayer

Dory Rand

Woodstock Institute

Matthew Roth

IFF

Gabriella Roman

Spanish Coalition for Housing

Founder

Sylvia R. Scheinfeld

1903-1990

Via Hand Delivery & Online Submission

Governor Bruce Rauner
Office of the Governor
James R. Thompson Center
100 W. Randolph, 16-100
Chicago, IL 60601

Dear Governor Rauner:

We are writing to urge you to direct the Illinois Department of Financial and Professional Regulation *not* to increase the maximum rate that Illinois currency exchanges may charge for check cashing. The industry has petitioned IDFPFR for an increase in the maximum allowable rates.

Research shows that unbanked and underbanked households are more likely to use currency exchanges than banked households, particularly for check cashing services.¹ Banked households typically deposit checks and withdraw cash at ATMs or bank branches and pay nothing or a small fee depending on the features of the account and whether they use an ATM in their bank's network. The traditional, banked method for getting cash is, in general, considerably less expensive than cashing a check at a currency exchange. For example, people can take a \$100 check, deposit it in their bank account, and withdraw \$100 at one of their bank's ATMs for nothing. That same check, cashed at a currency exchange, would cost them \$2.40. A \$500 check, cashed at currency exchange, would cost them \$11.25 under current Illinois rules.

In October 2016, the Federal Deposit Insurance Corporation (FDIC) released the results of its most recent survey of unbanked and underbanked households. The FDIC survey found that unbanked and underbanked rates were higher among lower-income households, less-educated households, younger households, African American and Hispanic households, and working-age persons with disabilities.² Correspondingly, an increase in the maximum fees charged by Illinois currency exchanges would have the greatest impact on these segments of the population. As a matter of public policy, is it reasonable to target these populations for a rate increase? Lower-income households? Communities of color? People with disabilities? Woodstock Institute believes the answer is no. Increasing the rates would be tantamount to a regressive tax increase on the historically disadvantaged.

¹ Rhine, S. L., Greene, W.H., & Toussaint-Comeau, M. (2006). The Importance of Check-Cashing Businesses to the Unbanked: Racial/Ethnic Differences. *The Review of Economics and Statistics*, 88(1), 146-157; Use of Financial Services by the Unbanked and Underbanked and the Potential for Mobile Financial Services Adoption. (2012). *Federal Reserve Bulletin*, 98(4), 1-20.

² Federal Deposit Insurance Corporation, 2015 FDIC National Survey of Unbanked and Underbanked Households, Executive Summary (2016), at <https://www.fdic.gov/householdsurvey/2015/2015execsumm.pdf>

Governor Bruce Rauner
Office of the Governor
June 6, 2017
Page 2

Enclosed is the written submission we provided to IDFPD on this matter. We hope you and/or your staff will review it closely. As you will see from the enclosed, while Woodstock believes the industry's petition should be denied, we also suggest an alternative: any increase should be limited to a very small increase in the rate for cashing checks only for checks other than government-issued and payroll checks. Other states stratify the rates that may be charged for different types of checks. Government-issued checks and payroll checks carry a low risk for a currency exchange because they are unlikely to bounce. *Decreasing* the rate that may be charged for these types of checks would provide vulnerable consumers with some much-needed financial relief.

We would, of course, be happy to discuss this matter with you or your staff. I may be reached at 312-368-0316 or drand@woodstockinst.org. Thank you, in advance, for your thoughtful consideration.

Very truly yours,

Dory Rand
President