GOVERNOR RAUNER APPROVES DOUBLE-DIGIT RATE INCREASE ON LOWER-INCOME CONSUMERS
Currency Exchange Industry Gets Exactly What It Asked For

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Chicago, IL – Late yesterday, the Illinois Department of Financial and Professional Regulation (IDFPR), an executive branch agency that reports to the Governor, issued its decision on the currency exchange industry’s request for a rate increase.

Old Rate | New Rate | Check Amount | Percent Increase
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1.4% + $1.00 | 2.5% + $1.00 | $100 or less | 46%
2.25% | 2.5% | $100.01-$1250.00 | 11%
2.25% | 3.0% | $1250.01 or more | 33%

The rate increases were exactly the same increases that the currency exchange industry requested in its petition for a rate increase.

The rate increase will have a disproportionate impact on lower-income consumers and other vulnerable consumers. Research shows that unbanked and underbanked households are more likely to use currency exchanges than banked households, particularly for check cashing services. Last year, the Federal Deposit Insurance Corporation (FDIC) released the results of its most recent survey of unbanked and underbanked households, which 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.

Woodstock Institute, a not-for-profit organization that advocates for a more fair and inclusive financial system, called on Governor Bruce Rauner not to increase the maximum allowable check-cashing rate that may be charged by currency exchanges in Illinois. In Woodstock’s letter to the Governor and in its written submission to IDFPR, Dory Rand, President of Woodstock, proposed, as an alternative to rejecting the industry’s petition altogether, that Illinois, like many other states, establish different rate tiers for different types of checks. For example, last year, Pennsylvania lowered certain check cashing rates. The rate went from 2.5% to 1.5% for government checks and from 2.5% to .5% for public assistance checks. These tiers are fairer to vulnerable consumers who may rely on government assistance and comport with the levels of risk associated with different types of checks. A government check, for example, is much less likely to bounce than a personal check. Even though Woodstock made this point in its written submission, IDFPR included Pennsylvania’s old rates in its decision.

“Governor Rauner has made it clear whose side he’s on,” said Ms. Rand. “When presented with the option of tiering the rates, as we suggested, which would have balanced the interests of industry and consumers, the Governor chose to give the industry exactly what it wanted. Lower-income and other vulnerable consumers will pay the price.”

The new rates must now be codified through the administrative rule-making process before becoming final. That process includes a hearing before the Joint Committee on Administrative Rules, a legislative committee comprised on State Senators and State Representatives from both parties.
Woodstock Institute is a leading nonprofit research and policy organization in the areas of equitable lending and investments, wealth creation and preservation, and safe and affordable financial products and services. Woodstock Institute works locally and nationally to create a financial system in which lower-wealth persons and communities of color can safely borrow, save, and build wealth so that they can achieve economic security and community prosperity.