

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).

FIGURE 1: MEDIAN HOUSEHOLD INCOME IN ILLINOIS (IN 2016 DOLLARS)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Change 2007-2016
Median Household Income	\$62,784	\$61,859	\$60,442	\$58,799	\$56,960	\$57,894	\$57,896	\$58,018	\$60,184	\$60,960	-2.9%

Data Source: 2007 to 2016 One-Year American Community Survey. Figures adjusted for inflation using the Bureau of Labor Statistics CPI Inflation Calculator.

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 disproportionately 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).

FIGURE 2: MEDIAN HOUSEHOLD INCOME IN ILLINOIS BY RACE & ETHNICITY (IN 2016 DOLLARS)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Change 2007-2016
White (non-Hispanic/Latino)	\$69,099	\$67,981	\$66,603	\$65,444	\$64,301	\$64,981	\$64,190	\$64,992	\$66,899	\$68,083	-1.5%
Black/African-American	\$39,417	\$38,151	\$36,574	\$36,481	\$34,695	\$33,695	\$33,211	\$33,703	\$34,290	\$35,517	-9.9%
Hispanic/Latino	\$54,935	\$52,422	\$51,115	\$49,748	\$45,093	\$47,447	\$46,426	\$47,941	\$49,613	\$51,706	-5.9%

Data Source: 2007 to 2016 One-Year American Community Survey. Figures adjusted for inflation using the Bureau of Labor Statistics CPI Inflation Calculator.

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.

FIGURE 3: ILLINOIS POVERTY RATE BY DISABILITY STATUS FOR POPULATION AGE 20 TO 64

	2007	2016	2007-2016 Change
Persons with disabilities	24.0%	26.7%	2.7%
Persons without disabilities	8.9%	10.4%	1.6%

Data Source: 2007 and 2016 One-Year American Community Survey.

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.

FIGURE 4: ILLINOIS POVERTY RATE BY EDUCATION ATTAINMENT

	2007	2016	2007 to 2016 Change
High School Degree or Less	14.1%	16.2%	2.1%
Bachelor's degree or some college	5.2%	7.1%	1.9%

Data Source: 2007 and 2016 One-Year American Community Survey.

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.

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