

**Testimony of Lorelei Salas, Commissioner for the
New York City Department of Consumer and Worker Protection before the
Committee on Consumer Affairs and Business Licensing**

Oversight Hearing on the Office of Financial Empowerment

February 8, 2021

Good morning Chair Ayala, and members of the Committee. I am Lorelei Salas, Commissioner for the Department of Consumer and Worker Protection (DCWP). I am joined today by Nichole Davis, Acting Deputy Commissioner for the Office of Financial Empowerment and Steven Ettannani, Executive Director of External Affairs.

Before I begin my remarks, I'd like to take a moment and congratulate you formally, Madam Chair, on your appointment to lead this important committee. I enjoyed our most recent conversation and my staff, and I are looking forward to working with you on a range of priorities at this critical time in our City's history.

About OFE

The Office of Financial Empowerment, or OFE, focuses on initiatives that support New Yorkers and communities with low incomes in building wealth and improving their financial health. OFE educates, empowers, and protects residents and neighborhoods with low incomes so they can build assets and make the most of their financial resources. OFE uses data and research, policy, partnerships, and convenings to advance its mission. Using this model, OFE can develop, offer, and advocate for innovative programs and products for all New Yorkers.

Since its creation, OFE has been trailblazing a new path and challenging conventional orthodoxy of what municipal government services can, and must, provide to its constituents.

The foresight to create this office, and the import of its mission, can be summed up in a few ways, but one is particularly telling. In 2006, it was the first-of-its-kind in the nation, today, there are over fifty models and initiatives built in its likeness, including in San Francisco, Los Angeles, Denver, Boston, and Philadelphia.

Still, OFE remains unique in that its placement within DCWP acknowledges the interconnectedness of financial empowerment with consumer and worker protection. The Department leverages OFE's work, ultimately, to more completely pursue its mission to enhance the daily economic lives of New Yorkers to create thriving communities.

As you know well, in New York City, we're accustomed to leading, and I am excited to give the Council an update on how OFE is continuing to do so on a range of issues including its:

- original and acclaimed research,
- financial counseling and coaching,
- outreach to the public, and

- free tax preparation services.

A Focus on Research-Based Policy Making

OFE is committed to contributing to research-based policy making, this philosophy has borne out from a legislative and programmatic perspective. OFE's research and reporting of predatory lending in the secondhand auto industry in New York City, informed two pieces of legislation passed by the Council in 2017 to augment consumer protections and bridge language access gaps for residents citywide. Similarly, a first-of-its-kind report and partnership with the Federal Reserve Bank of New York informed the launch of a series of student-debt clinics in targeted neighborhoods to help New Yorkers understand their loans and how to repay them.

Student Loan Debt Research

In the case of student debt in particular, its unique burden on individuals, families and communities has fueled further study into the topic. Drawing on its findings, including a second student debt report that identified indicators of vulnerability, OFE developed a three-part series on borrower populations vulnerable to student loan debt distress. This series includes briefs on New York City veterans, Black borrowers, and borrowers with low-income. Each installment of the series provides historical and policy context for these constituencies and provides conclusions and actions for them to consider as they make higher education choices.

In all, OFE's commitment has inspired other cities like San Francisco and Washington, D.C. to duplicate its research methodology and has enhanced existing citywide financial counseling and coaching modules by incorporating counselor training to manage student debt inquiries and concerns from clients.

COVID-19 Impact Research

Economic shocks, like COVID-19, and its consequence on low- and middle-income New Yorkers are stark reminders of the research-based work that remains to be done. Over the past several months, OFE developed a two-part series of briefs to illustrate the broad-scale and magnified economic distress on New Yorkers during COVID-19.

The first brief, which came out this past September, looked at three key indicators of financial health preparedness – banking access, emergency savings and credit access – to identify the neighborhoods with the lowest level of financial preparedness prior to the pandemic and who is therefore most vulnerable to future economic shocks. The second brief, released in December, examined the impact of the pandemic-induced recession on New Yorkers in the short-term and what can be learned from the Great Recession about potential long-term impacts.

These briefs have, and will continue to, inform advocacy at the federal level as Congress considers more stimulus programs. OFE's research bears out the need for extended enhanced unemployment and paid leave benefits and underscores the imperative of additional direct payments to those in need.

Financial Counseling and Coaching

As illustrated by our most recent research, the COVID-19 crisis has exposed the financial fragility of millions of vulnerable households. Whether shut out of the mainstream banking system, lacking any rainy-day savings, unable to access credit, delinquent on their debt – or some combination of these – many New Yorkers lack the financial foundation to manage a crisis without experiencing economic hardship.

Seeking out financial counseling and coaching is one affirmative step New Yorkers can take to help navigate financial difficulties. OFE contracts with seven organizations that run five different counseling and coaching programs. These programs include Ready to Rent, a specific counseling service for New Yorkers to prepare to apply for affordable housing, EmpoweredNYC, a counseling service for New Yorkers with disabilities and their families, and Financial Empowerment Centers, the largest of the programs which provides free and confidential counseling to anyone over the age of 18 who lives or works in New York City.

Prior to New York State on PAUSE (NYS PAUSE), OFE was operating 32 Financial Empowerment Centers across all five boroughs with three additional sites set to open later in March 2020. These Centers are strategically located in neighborhoods where our research shows a high density of where low-income un- and under-banked households reside.

Since the inception of the program in 2008, Financial Empowerment Centers have helped clients reduce their debt by over \$80 million and accumulate over \$7 million in savings.

Today, due to ongoing health concerns regarding COVID-19, many Centers are now closed for in-person services and are providing remote counseling sessions by phone. In either case, however, appointments may still be booked by visiting “nyc.gov/talkmoney” or calling 311.

Despite the consequences of NYS PAUSE, counseling and coaching programs have had a steady demand. Counselors have completed nearly 10,000 appointments across all five financial counseling and coaching programs during this time and, in general, remote counseling appointments have proven to have a higher “show rate” than in-person appointments. In fact, from March 16th to December 31st, 63% of all scheduled appointments were completed which is 13% higher than the industry standard for financial counseling.

Regarding client needs, historically, most clients seek financial counseling and coaching to help reduce their debt and improve their credit. During the pandemic, this has largely remained to be the case. However, the number of people seeking assistance with benefits eligibility and emergency resources, such as food or rental assistance, has risen noticeably. Financial counselors have shared that clients are experiencing acute food insecurity among other financial and emotional crises. Financial counseling is an important resource for clients to manage their finances in uncertain times, get connected to emergency assistance, avoid scams and predatory products and services, and protect their income and assets. As a result, OFE created a COVID-19 Resource Guide for counselors to use to direct their clients to existing and emergency resources for food, shelter, transportation, and health related matters.

Communicating to the Public

OFE leverages DCWP's Communications and Marketing and External Affairs staff to ensure its message reaches New Yorkers.

Fact sheets on student loan debt payment relief are found on DCWP's dedicated landing page for information during the COVID-19 crisis, "nyc.gov/dcwpalerts." After the passing of the CARES Act, additional tip sheets and guidance were created to assist New Yorkers in securing Economic Impact Payments. As usual, these resources are translated into at least 12 languages and amplified at virtual events coordinated by DCWP staff.

DCWP regularly leverages its relationships with stakeholders and sister agencies to amplify OFE's work. Events with the Department for the Aging, New York Immigration Coalition and the Hispanic Federation are just some examples of the 165 financial empowerment events the agency conducted in 2020.

From a marketing perspective, DCWP strategically targets constituencies that may benefit from its programs. In 2020, and in response to COVID-19, DCWP advertised that its counseling services were continuing to be made available over the phone. Targeted media buys focusing on expanded language access to Haitian and Russian New Yorkers and ad buys in subway stations, LinkNYC kiosks helped drive consistent intake for our financial counselors.

NYC Free Tax Prep

One public awareness campaign that is just getting started is our annual NYC Free Tax Prep program. NYC Free Tax Prep is a free tax preparation service administered and funded by OFE with service delivery through contracted community partners with professional preparation provided by certified IRS tax volunteers. This year, individuals with an income of \$48,000 or less and families with an income of \$68,000 or less, qualify for the program.

NYC Free Tax Prep offers a number of different options for individuals and families to complete their tax returns including virtual prep or assisted prep over the internet, drop off, and in-person services. Over the last five tax years alone, this historically popular program has completed over 735,000 returns and saved New Yorkers over \$110 million in estimated tax preparation fees.

Functionally, NYC Free Tax Prep relies heavily on volunteer, temporary and seasonal tax workers. Prior to the services being disrupted last March during NYS PAUSE, NYC Free Tax Prep providers operated more than 130 sites in all five boroughs and had completed more than 55,000 returns. When in-person services were suspended in accordance with NYS PAUSE, providers discontinued work with their volunteers and temporary employees while they awaited guidance from the IRS on delivering services remotely. While many providers adapted quickly to complete returns online and virtually, services were limited, and constituent lack of access to needed equipment and secure internet connections stunted preparation numbers.

This tax season, some of the same challenges remain. Lack of access to, and comfort with, online technology will limit participation of key constituencies. That said, nine of OFE's fifteen

contractors this year will offer in-person or drop off services in all five boroughs to help mitigate this issue. Although one in two New Yorkers are eligible for NYC Free Tax Prep, most choose to pay a commercial preparer or use paid online services to complete their tax return. The increased availability and promotion of online tax preparation may attract more eligible New Yorkers to this safe and free option.

NYC Free Tax Prep providers also stand ready to assist New Yorkers in claiming the Economic Impact Payments. In 2020, more than 1,100 New Yorkers received assistance in completing the forms to claim the first round of stimulus payments, and we anticipate more will be helped during this tax season. As Congress and the White House discuss additional stimulus payments, NYC Free Tax Prep providers are ready to help New Yorkers claim these critical funds.

This year, neighborhood marketing, including placing posters in establishments like convenience stores and laundromats as well as skewing ad purchases to digital outlets and investing resources in targeted zip codes, we anticipate, will drive awareness and participation.

Conclusion

As I mentioned at the beginning of my testimony, OFE has a bold vision. Its research, programmatic work and outreach to the financially vulnerable is a constant and indispensable duty.

I am asking the Council to join OFE as a partner in supporting an inclusive and equitable approach to our recovery from COVID-19. An approach that, of course, addresses the public health challenges facing our city, but also importantly supports financial health resiliency so that New Yorkers can better withstand future economic downturns.

That support, of course, begins with supporting OFE's work. I look forward to your questions and thank you for the opportunity to testify.