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Before the
New York City Council Committee on Immigration

Hearing on
Introductions 1706-2019

October 2, 2019

Good morning Chairman Menchaca and members of the committee. My name is Nicole Perry and I am the Deputy Commissioner for the Office of Financial Empowerment at the New York City Department of Consumer Affairs, recently renamed the Department of Consumer and Worker Protection (DCWP). I would like to thank the committee for the opportunity to testify today on behalf of DCWP Commissioner Lorelei Salas regarding Introduction 1706-2019 related to prohibiting a smart chip in the New York City identity card.

DCWP protects and enhances the daily economic lives of New Yorkers to create thriving communities. Through the work of the Office of Financial Empowerment (OFE), we assist New Yorkers with low incomes by developing and offering innovative programs and services to increase access to high-quality, low-cost financial education and counseling, safe and affordable financial products, and access to income-boosting tax credits and savings. DCWP has served more than 55,000 clients through our Financial Empowerment Centers, helping them reduce their debt by $70 million, and increase their savings by $5.8 million[1]. DCWP also conducts research and advocates for public policy that furthers its work to support New York City's communities.

DCWP is committed to making sure access to safe and affordable financial products is a reality for all New Yorkers, whether through our programs and services, such as the Financial Empowerment Centers, our community partnerships, or looking at innovative policies with our colleagues in the administration. From the inception of the IDNYC program, DCWP has worked hand-in-hand with its sister agencies and the Administration to ensure the card could be a vehicle for financial access. In 2014, we partnered with the Mayor's Office to seek and obtain regulatory guidance ensuring that the card could be used as a form of identification at banks and credit unions to open new accounts, including NYC SafeStart Accounts. In the case of NYC SafeStart Accounts, we have collaborated with credit unions and banks to connect New Yorkers to a savings account with no overdraft fees, no or low minimum balance requirements, and no monthly fees (provided minimum balances are met). In 2016, with the financial institutions who agreed to accept IDNYC as a primary form of ID, many of which are credit unions, we developed a citywide advertisement campaign educating New Yorkers on their options for banking access through IDNYC. We see exploring IDNYC's ability to provide New Yorkers with a safe and affordable financial product as a continuation of this work that seeks to broaden the available tools for improving financial health.

[1] Since 2008

In 2015, DCWP commissioned a study by the Urban Institute, using data from the Federal Deposit Insurance Corporation (FDIC), to investigate how many New Yorkers are unbanked or underbanked – a key metric used to measure financial access and an indicator of an individual's financial health. The study found, at the time, that 11.7% of New York City households did not have a bank account, while approximately 25.1% of households were underbanked[2]. The study also showcased that those neighborhoods with the highest rates of unbanked or underbanked also had majority Black or Hispanic communities. For these communities, lacking access to safe and affordable financial products has implications on the full range of their financial health, impacting their ability to conduct day-to-day transactions, save money, guard against unexpected financial emergencies, and connect to safe credit-building and asset-building products.

Today, DCWP released additional information with updated 2017 data from the FDIC revealing only marginal decreases in unbanked and underbanked households of .5% and 3.3% respectively[3]. Moreover, the data continues to show that these households are not evenly distributed throughout the City, with communities in the Bronx and Brooklyn having a higher rate of households that are unbanked and underbanked at 49.2% and 33.7%, respectively, as opposed to 29.6% in Queens, 27.4% in Manhattan, and 21.6% in Staten Island.

These neighborhoods are most often "banking deserts", or areas with inadequate brick and mortar financial institutions, and are often populated by businesses offering high-cost alternative financial services, such as pawnbrokers, check cashers, or money transferrers. The individuals and families who come to rely on alternative financial services face challenges every day in managing and improving their financial health. New Yorkers who lack accounts or transaction cards, and rely on check cashers, pay more in fees or may be forced to keep their cash in unsafe places. The average worker without a bank account can spend more than $40,000 over the course of their lifetime to cash their paychecks[4]. Every year, New Yorkers across the City spend $225 million in check cashing fees[5]. These are real measures of the amount of money removed from communities who can afford it the least.

Furthermore, New York City's unbanked households continue to be highly concentrated in neighborhoods that have higher rates of vulnerable residents who are struggling with other areas of financial health, including no or low credit scores and delinquent debt. We have worked extensively with organizations in these communities, and we have met with New Yorkers in these communities – educating them on a range of topics including the dangers of predatory lending and distressful student loan debt or promoting DCWP's Financial Empowerment Centers.

New Yorkers who do not have the opportunity to access safe financial resources may find that their only option is an expensive or predatory financial product that adversely affects their overall financial health. These products may not be insured by the FDIC or may not have built in

[2] https://www.urban.org/interactive-map-where-are-unbanked-and-underbanked-new-york-city
[3] Brookings, Banking on Wealth: America's New Retail Banking Infrastructure and Its Wealth-Building Potential, January 2008
[4] Office of Financial Empowerment, Neighborhood Financial Services Study, June 2008.

protections for loss, theft, and unauthorized charges. They may charge junk fees harmful to working families on a tight budget, such as overdraft, insufficient funds, and declined transaction fees. Ultimately, the lack of access to a safe and affordable financial product will have repercussions down the line on the financial health of these New Yorkers.

Because of these challenges faced by our communities that lack access to affordable or safe financial products, DCWP believes it is critically important the City continues to take the lead on expanding access and protecting consumers from predatory practices. The City of New York, by developing a financial product, can provide a critical service to unbanked and underbanked communities that need more safe and affordable solutions than those offered currently in their communities. We hope the Council will reconsider this legislation and continue to partner with the City to improve financial access for more New Yorkers.