Attached please find seven memoranda in opposition to S.6121/A.7907 from New York groups.

As the enclosed memoranda make clear, a broad spectrum of New York groups – including community-based organizations, community development financial institutions, and legal services groups – strongly oppose this bill.

Attached are memoranda in opposition from the following groups (more to follow):

ANHD
Hebrew Free Loan Society
Lower East Side People’s Federal Credit Union
New Covenant Dominion Federal Credit Union
New Economy Project
Western New York Area Labor Federation, AFL-CIO
Western New York Law Center

Please contact the groups directly, or Andy Morrison at 212-680-5100, with any questions.
MEMORANDUM IN OPPOSITION TO
S.6121 / A.7907
May 22, 2017

BILL NUMBER: S.6121 / A.7907

SPONSORS: Senator Savino / Assemblymember Crespo

TITLE OF BILL: AN ACT to amend the banking law, in relation to conduit services

STATEMENT OF OPPOSITION: This bill would allow check cashers to partner with out-of-state and nationally-chartered banks to facilitate loans in excess of New York’s usury laws. Although the bill states that check cashers would not be able to assist with loans exceeding “prevailing usury provisions,” this statement has no actual legal bearing on what check cashers can do. As a matter of federal law, banks chartered by the federal government, and out-of-state banks insured by the federal government, need not abide by New York State’s civil usury cap of 16% or criminal usury cap of 25%. The bill’s language would therefore be legally unenforceable against any and all national banks and federally-insured out-of-state banks.

Thus, check cashers that partner with these banks would simply grease the wheels for loans that exceed New York’s usury caps. These high-interest loans will inherently target borrowers who already use check cashing services — primarily low-income New Yorkers of color.

Even if banks do not intend to partner with check cashers to offer high-interest loans, the bill would allow check cashers themselves to impose substantial fees on borrowers, essentially transforming the loans into predatory products. There is nothing in this bill that establishes any caps on fees, such as application fees, or on commissions. If check cashers are not legally required to assess the likelihood of approval before charging loan application fees, they could profit even when borrowers are rejected. Furthermore, commission from banks could incentivize check cashers to prepare and submit applications containing false financial information. All in all, this bill is an invitation to predatory lending and fraud.

Although the bill states that “conduit services” agreements would be subject to the approval of the New York State Superintendent of Financial Services, there is no guarantee of perpetually vigilant supervision. Our usury caps are essential to protecting low-income households and small businesses from high-cost and unscrupulous lending practices. The State Legislature, the Governor, the Attorney General, and various enforcement agencies have commendably fought against attempts to circumvent our usury caps and bring high-interest lending to New York. This bill would undermine these efforts.

ANHD is a nonprofit coalition comprised of over 100 neighborhood-based affordable housing and equitable economic development organizations and CDCs with a 30-year track record of engaging in bank reinvestment advocacy on behalf of New York City’s low- and moderate-income communities.

ANHD believes that passage of this bill, together with S.5920 (Savino) / A. 7705 (Rodriguez), would put New Yorkers’ financial security in jeopardy. Considering the political climate, and the threats to consumer protection at the federal level, this is an especially inadvisable time to weaken or thwart what we have fought so hard for in New York State.

For the above reasons, we strongly oppose this legislation.

Please contact Jaime Weisberg, jaime.w@anhd.org with any questions.
MEMORANDUM IN OPPOSITION TO

S.6121 / A.7907

May 19, 2017

BILL NUMBER: S.6121 / A.7907

SPONSORS: Senator Savino / Assemblymember Crespo

TITLE OF BILL: AN ACT to amend the banking law, in relation to conduit services

STATEMENT OF OPPOSITION: This bill would allow check cashers to partner with out-of-state and nationally-chartered banks to facilitate loans in excess of New York’s usury laws.

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As a matter of federal law, banks chartered by the federal government, and out-of-state banks insured by the federal government, need not abide by New York State’s civil usury cap of 16% or criminal usury cap of 25%. The bill’s language would therefore be legally unenforceable against any and all national banks and federally-insured out-of-state banks.

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Although the bill states that “conduit services” agreements would be subject to the approval of the New York State Superintendent of Financial Services, there is no guarantee of perpetually vigilant supervision.

Our usury caps are essential to protecting low-income households and small businesses from high-cost and unscrupulous lending practices. The State Legislature, the Governor, the Attorney General, and various enforcement agencies have commendably fought against attempts to circumvent our usury caps and bring high-interest lending to New York. This bill would undermine these efforts.

The Hebrew Free Loan Society opposes this bill, which would unnecessarily set aside New York’s longstanding and widely popular interest-rate cap, opening the door to dangerous high-cost loans that New Yorkers do not need.

Founded in 1892, Hebrew Free Loan Society provides 0%-interest, no-fee loans to low and moderate income New Yorkers. Over our 125-year history, we have lent more than $300million to over 500,000 New Yorkers. This year we will service a portfolio of $13million in loans to nearly 2,000 borrowers. We are deeply familiar with the needs and circumstances of low-income borrowers in New York.
The Hebrew Free Loan Society believes that passage of this bill, together with S.5920 (Savino) / A. 7705 (Rodriguez), would put New Yorkers’ financial security in jeopardy. Considering the political climate, and the threats to consumer protection at the federal level, this is an especially inadvisable time to weaken or thwart what we have fought so hard for in New York State.

For the above reasons, we strongly oppose this legislation.

Please contact Rabbi David Rosenn, Executive Director at 212-687-0188 x209 with any questions.
MEMORANDUM IN OPPOSITION TO

S.6121 / A.7907

May 19, 2017

BILL NUMBER: S.6121 / A.7907
SPONSORS: Senator Savino / Assemblymember Crespo
TITLE OF BILL: AN ACT to amend the banking law, in relation to conduit services
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Although the bill states that “conduit services” agreements would be subject to the approval of the New York State Superintendent of Financial Services, there is no guarantee of perpetually vigilant supervision. Our usury caps are essential to protecting low-income households and small businesses from high-cost and unscrupulous lending practices. The State Legislature, the Governor, the Attorney General, and various enforcement agencies have commendably fought against attempts to circumvent our usury caps and bring high-interest lending to New York. This bill would undermine these efforts.

The Lower East Side People’s Federal Credit Union (LES People’s) has been serving low income, minority households and businesses since 1986. Our loans are affordable and, most importantly, are underwritten to be sure that our borrowers are able to repay. No one “needs” a usurious, costly loan. What they need are fair and affordable loans as provided by our credit union and other CDFIs throughout New York State. If NYS is truly interested in helping financially struggling New Yorkers, please look to the resources we have already – NYS CDFIs.

The Lower East Side People’s Federal Credit Union believes that passage of this bill, together with S.5920 (Savino) / A. 7705 (Rodriguez), would put New Yorkers’ financial security in jeopardy. Considering the political climate, and the threats to consumer protection at the federal level, this is an especially inadvisable time to weaken or thwart what we have fought so hard for in New York State.

For the above reasons, we strongly oppose this legislation.

Please contact Linda Levy, l levy@lespfcu.org, 212-529-8197 x 120 with any questions.
MEMORANDUM IN OPPOSITION TO
S.6121 / A.7907
May 19, 2017

BILL NUMBER:  S.6121 / A.7907
SPONSORS:  Senator Savino / Assemblymember Crespo
TITLE OF BILL:  AN ACT to amend the banking law, in relation to conduit services
STATEMENT OF OPPOSITION:  This bill would allow check cashers to partner with out-of-state and nationally-chartered banks to facilitate loans in excess of New York’s usury laws.

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Although the bill states that “conduit services” agreements would be subject to the approval of the New York State Superintendent of Financial Services, there is no guarantee of perpetually vigilant supervision.

Our usury caps are essential to protecting low-income households and small businesses from high-cost and unscrupulous lending practices. The State Legislature, the Governor, the Attorney General, and various enforcement agencies have commendably fought against attempts to circumvent our usury caps and bring high-interest lending to New York. This bill would undermine these efforts.

New Covenant Dominion Federal Credit Union believes that passage of this bill, together with S.5920 (Savino) / A.7705 (Rodriguez), would put New Yorkers’ financial security in jeopardy. Considering the political climate, and the threats to consumer protection at the federal level, this is an especially inadvisable time to weaken or thwart what we have fought so hard for in New York State.

For the above reasons, we strongly oppose this legislation.

Please contact RACHEL MACARTHY AT 718-328-6072, EXT 119 OR RMACARTHY@NEWCOVENANTCREDITUNION.ORG with any questions.
MEMORANDUM IN OPPOSITION TO

S.6121 / A.7907
May 19, 2017

BILL NUMBER: S.6121 / A.7907

SPONSORS: Senator Savino / Assemblymember Crespo

TITLE OF BILL: AN ACT to amend the banking law, in relation to conduit services

STATEMENT OF OPPOSITION: This bill would allow check cashers to partner with out-of-state and nationally-chartered banks to facilitate loans in excess of New York’s usury laws.

Although the bill states that check cashers would not be able to assist with loans exceeding “prevailing usury provisions,” this statement has no actual legal bearing on what check cashers can do.

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Although the bill states that “conduit services” agreements would be subject to the approval of the New York State Superintendent of Financial Services, there is no guarantee of perpetually vigilant supervision.

Our usury caps are essential to protecting low-income households and small businesses from high-cost and unscrupulous lending practices. The State Legislature, the Governor, the Attorney General, and various enforcement agencies have commendably fought against attempts to circumvent our usury caps and bring high-interest lending to New York. This bill would undermine these efforts.

New Economy Project believes that passage of this bill, together with S.5920 (Savino) / A. 7705 (Rodriguez), would put New Yorkers’ financial security in jeopardy. Considering the political climate, and the threats to consumer protection at the federal level, this is an especially inadvisable time to weaken or thwart what we have fought so hard for in New York State.

For the above reasons, New Economy Project strongly opposes this legislation. Please contact Andy Morrison at andy@neweconomynyc.org or 212.680.5100 with any questions.
MEMORANDUM IN OPPOSITION TO
S.6121 / A.7907

May 19, 2017

BILL NUMBER:  S.6121 / A.7907

SPONSORS:  Senator Savino / Assemblymember Crespo

TITLE OF BILL:  AN ACT to amend the banking law, in relation to conduit services

STATEMENT OF OPPOSITION:  The Labor Federation consists of the 5 Central Labor Councils: the Buffalo Labor Council representing Erie County, the Niagara/Orleans Labor Council representing all of Niagara County, and the western part of Orleans County, the Dunkirk, Jamestown, and Cattaraugus/Allegany Labor council representing those two Counties in the Southern Tier. The total representation of the union members in these five councils are over 140,000 members from all walks of life.

This bill would allow check cashers to partner with out-of-state and nationally-chartered banks to facilitate loans in excess of New York’s usury laws.

Although the bill states that check cashers would not be able to assist with loans exceeding “prevailing usury provisions,” this statement has no actual legal bearing on what check cashers can do.

As a matter of federal law, banks chartered by the federal government, and out-of-state banks insured by the federal government, need not abide by New York State’s civil usury cap of 16% or criminal usury cap of 25%. The bill’s language would therefore be legally unenforceable against any and all national banks and federally-insured out-of-state banks.

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Even if banks do not intend to partner with check cashers to offer high-interest loans, the bill would allow check cashers themselves to impose substantial fees on borrowers, essentially transforming the loans into predatory products. There is nothing in this bill that establishes any caps on fees, such as application fees, or on commissions. If check cashers are not legally required to assess the likelihood of approval before charging loan application fees, they could profit even when borrowers are rejected. Fees are fundamentally the vehicle of extraction from lower income New Yorkers. Furthermore, commission from banks could incentivize check cashers to prepare and submit applications containing false financial information. All in all, this bill is an invitation to predatory lending and fraud.

Although the bill states that “conduit services” agreements would be subject to the approval of the New York State Superintendent of Financial Services, there is no guarantee of perpetually vigilant supervision.

Our usury caps are critical in protecting low-income households and small businesses from high-cost and unscrupulous lending practices. The State Legislature, the Governor, the Attorney General, and various enforcement agencies have commendably fought against attempts to circumvent our usury caps and bring high-interest lending to New York. This bill would undermine these efforts.
The Labor Federation represents members who are frequently targeted by extractive financial service providers. By allowing provisions such as those outlined in S.6121 / A.7907 check cashers would be allowed issue predatory and extractive loans with high fees and interest well above New York’s usury cap that would take hard earned wages from our members. The strong usury cap in New York serves as one of the strongest consumer protections for our members and keeps thousands from falling into usurious loans that trap people in a debt trap. Providing usurious loans is not a way to address a lack of income; ensuring living wages is a proactive solution that will not trap hard working New Yorkers in decades of debt.

For the above reasons, we strongly oppose this legislation. Please contact Richard Lipsitz by email at richardlipsitz2@gmail.com or by phone at 716-852-0375 with any questions.
MEMORANDUM IN OPPOSITION TO

S.6121 / A.7907

May 19, 2017

BILL NUMBER: S.6121 / A.7907

SPONSORS: Senator Savino / Assemblymember Crespo

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The Western New York Law Center is a non-profit legal services organization that represents lower income Western New Yorkers who face foreclosure and consumer related legal matters. In addition to our legal representation we also do extensive advocacy around access to financial services and fair lending. The very issues that bring Western New Yorkers to our door for legal representation are accelerated by the fact that extractive services with high fees, such as check cashers, limit their ability to meet their basic needs.

In addition of legal work, Western New York Law Center chairs the Buffalo Niagara Reinvestment Coalition, which is coalition of community organizations that examine the impact check cashing and other predatory services have on lower income communities and communities of color in Western New York. An expansion of services that are offered by check cashers will not benefit lower income communities and lead to a further extraction of income and wealth.
The Western New York Law Center believes that passage of this bill, together with S.5920 (Savino) / A. 7705 (Rodriguez), would put New Yorkers' financial security in jeopardy. Considering the political climate, and the threats to consumer protection at the federal level, this is an especially inadvisable time to weaken or thwart what we have fought so hard for in New York State.

For the above reasons, we strongly oppose this legislation.

Please contact Thomas Keily by email at tkeily@wnylc.com or by phone at (716) 855-0203 ext. 109 with any questions.