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NEW YORKERS FOR RESPONSIBLE LENDING

c/o NEDAP / 73 Spring Street, Suite 506 / New York, NY / 10012
Tel: (212) 680-5100 / Fax: (212) 680-5104 / nyrl@nedap.org

VIA EMAIL AND FIRST CLASS MAIL

September 14, 2007

Financial Services Research Unit
New York State Banking Department - 4th Floor
One State Street
New York, NY 10004-1417

Re: Request for comments on NYS check cashing industry

Dear Financial Services Research Unit:

We, the undersigned members of New Yorkers for Responsible Lending (NYRL), support the continuation of geographic restrictions set forth in Banking Law § 369, as well as rate caps defined in Superintendent's Regulations Part 400.12, for check cashing outlets. We also would like to take this opportunity to express our vehement opposition to deregulation of check-cashing rules that would in any way permit payday lending in our state.

New York has one of the strongest set of check cashing regulations in the country. Currently, check cashers in New York are limited to charging fees of 1.7% of the check amount, compared to up to 10% in other states. We urge you to maintain these regulations, which protect consumers from being charged exorbitant check-cashing fees.

As the Banking Department conducts its study of the check cashing industry, the undersigned NYRL members would also like to comment on the dismal prospect of allowing check cashers to engage in payday lending in New York State. Payday lenders have consistently indicated their eagerness to enter the New York market, and New York check cashers are among those pressing for permission to make payday loans. **We urge the Banking Department not to be swayed by the spurious argument we frequently hear, that New York check-cashers are well-suited to offer payday loans, as they are familiar with New York communities and would readily submit to payday lending regulations.**

Like other forms of predatory lending, payday lending targets vulnerable consumers for abusive loans and perpetuates a cycle of escalating debt. While there is undisputed need for fair and affordable small loans in New

York communities, payday loans are inherently abusive and are not an appropriate solution.

Among their predatory features, payday loans:

- **Charge exorbitant interest rates** – up to 780% annually, or \$15 to \$30 for every \$100 borrowed.
- **Foster unsafe banking practices.** Every payday loan is based on enticing a cash-strapped borrower to write a check without sufficient funds on deposit. Check-holding for payday loans is the modern banking equivalent of unfair wage assignments and endangers bank account ownership for borrowers. It sets up borrowers for coercive collection tactics.
- **Lack sound underwriting** and are made without regard to a borrower's ability to repay, requiring only that someone have a bank account and a modest minimum income from employment, social security, or government benefits.
- **Contain abusive repayment terms** that entrap borrowers in debt. According to research from the Center for Responsible Lending, borrowers who receive five or more loans a year account for 90 percent of payday lenders' business.
- **Restrict borrowers' legal rights**, through mandatory arbitration clauses and other abusive terms.

New York State should not open the door to payday lending. We have been fortunate to have been spared the extensive abuses and economic harms that payday lending has caused in states that have permitted payday lending -- despite the industry's persistent assurances that it will submit to regulation and "play by the rules." New York State is lauded throughout the country for its strong consumer protections, including its effective ban on abusive payday lending. The Banking Department should not allow payday lenders to gain a toehold in New York communities, and should continue to send a strong message to payday lenders that their usurious and abusive practices are not welcome in our state.

Thank you for this opportunity to comment. Please do not hesitate to contact us if you have questions or require additional information.

Respectfully,

New Yorkers for Responsible Lending Members:

AARP

Anti-Discrimination Center

Bridge Street Development Corporation (BSDC)

Chautauqua Home Rehabilitation and Improvement Corporation

Community Homeowners and Neighbors Gaining Economic Rights (CHANGER)

Cypress Hills Local Development Corporation

Empire Justice Center

Fifth Avenue Committee, Inc.

Greater Rochester Community Reinvestment Coalition

Group 14621 Community Association
Housing Help Inc.
The Legal Aid Society of New York
Legal Services for the Elderly, Disabled or Disadvantaged of W.N.Y.
Lower East Side People's Federal Credit Union
Neighborhood Economic Development Advocacy Project (NEDAP)
Neighborhood Preservation Coalition of NYS, Inc.
New York Public Interest Research Group (NYPIRG)
Pratt Area Community Council
Pratt Center for Community Development
University Neighborhood Housing Program
Western New York Law Center Inc.

cc: Senator Hugh Farley, Chair Senate Committee on Banks
Assemblyman Darryl Towns, Chair Assembly Committee on Banks