

LABOR AND WORKFORCE DEVELOPMENT

Resolution LWD-20-42

A RESOLUTION ON ALTERNATIVE COMMUNITY BANKING

WHEREAS, the National Black Caucus of State Legislators has long been dedicated to financial empowerment of the economically disadvantaged;

WHEREAS, 76% of American families live paycheck to paycheck with little or no savings for emergencies, as found by a BankRate.com study;

WHEREAS, nearly 25 million US workers earn less than \$10.10 an hour itself below poverty level for a single parent working 35 hours per week to support two children;

WHEREAS, approximately 12 million people turn to small-dollar, short-term payday loans to make ends meet or cover emergency expenses, according to the Pew Charitable Trusts (2012);

WHEREAS, payday borrowers typically have no cash cushion, no savings, poor or no credit, and nowhere else to turn but payday lenders and other such financial predators;

WHEREAS, these predators charge exorbitant fees and usurious interest that result in effective annual percentage rates (APRs) averaging nearly 400%, also according to Pew;

WHEREAS, such predatory fees and interest total, on average, \$520 on a typical \$375 loan;

WHEREAS, such predators impose rules designed to entrap desperate borrowers, such as loan terms averaging 14-17 days, according to a Milken Institute report (2014);

WHEREAS, the typical payday borrower is trapped for at least seven debt cycles on a given loan, staying indebted at high cost for more than half the year, according to Consumer Financial Protection Bureau (CFPB) data (2013);

WHEREAS, the excessive portion of predatory charges totals nearly \$2,190 per payday borrower per year, based on data cited by the office of the Inspector General (OIG) of the United States Postal Service (USPS), an amount that is: equal to more than a full month's hard-earned wages for the working poor, or nearly equal to a poverty-level family's average annual food budget, or more than 93% of the average Earned Income Tax Credit (EITC), designed by Congress to assist lower-income working families and not to be taken by financial predators;

WHEREAS, excessive costs of alternative financial services "including, and especially, costs of payday loans and reloadable money cards on which unbanked and under-banked people commonly rely totaled approximately \$80 billion in 2012 and was anticipated to rise by approximately 10.5% in 2013, according to data cited by the USPS Office of Inspector General;

WHEREAS, returning said \$80 billion per year to the control of people from whom it is taken, would enable said individuals and families to better care for their own needs;

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WHEREAS, returning to said people essentially a full month of their own wages, would result in substantial positive impacts, such as: easing demand on services provided by local nonprofits and on tax-supported public services; and substantially reducing the need to rely on payday borrowing, and potentially generating more than \$3 billion in additional sales tax revenues with no rate increase;

WHEREAS, no effective nationwide solution is currently in place to consistently provide such loans and related financial services at low cost;

WHEREAS, the conventional banking industry has experimented with affordable financial products and services geared to poverty-level customers, but has generally failed to provide effective nationwide solutions;

WHEREAS, market forces have prompted banks to generally abandon the poor, for example by shuttering more than 2,200 branches in 2012 alone, mostly in low-income neighborhoods (thereby creating bank deserts) while opening new branches in higher-income neighborhoods;

WHEREAS, the USPS office of Inspector General proposed on January 27, 2014 that the USPS could sustainably provide low-income workers and retirees with payday loans at less than one-tenth the cost imposed by predators e.g., a \$48 cost instead of \$520 on a \$375 loan as well as low-cost reloadable money cards and related low-cost financial services (collectively and generally referred to as postal banking); and

WHEREAS, nearly 60% of America's 30,000+ US Post offices are located in bank deserts, i.e., zip codes having zero or only one bank branch.

THEREFORE BE IT RESOLVED, that the National Black Caucus of State Legislators (NBCSL) supports establishing safe and secure postal banking, thereby enabling the only consistent nationwide alternative to payday predators and urges Congress to provide the US Postal Service with the ability to move forward on providing these services subject to the necessary consumer protections and restrictions;

BE IT FURTHER RESOLVED, that the NBCSL understands that steps will need to be taken on the part of the US Postal Service, to establish safe and secure postal banking that will help our communities, and the USPS should begin launching pilot programs, consumer studies, and partnering with the necessary financial institutions; and

- BE IT FINALLY RESOLVED, that a copy of this resolution is transmitted to the President of the United States, the Vice President of the United States, members of the United States House of Representatives and the United States Senate, and other federal and state government officials as appropriate.

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SPONSOR: Senator Ronald L. Rice (NJ)

Committee of Jurisdiction: Labor and Workforce Development Policy Committee

Certified by Committee Co-Chair: Senator Ronald L. Rice (NJ)

Ratified in Plenary Session: Ratification Date is December 6, 2019

Ratification is certified by: Representative Gilda Cobb-Hunter (SC), President