

OPINION

With Communities in Need, Financial Service Centers Are Essential Services

BY ED D'ALESSIO

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Even before the coronavirus pandemic that has challenged our nation's financial system, the Federal Deposit Insurance Corporation (FDIC) called attention to the fact that over 60 million adults in the U.S. are either unbanked or underbanked. This figure, which equates to nearly one-third of all U.S. adults, demonstrates that despite the public policy emphasis on banks as the panacea for every financial need, there remains a mismatch between bank products and the needs of everyday Americans, many of whom choose to use non-depository financial providers. Whatever the reason for the numbers of unbanked and underbanked Americans, it has taken the current crisis to demonstrate that in order to truly provide financial inclusion, and to ensure that all Americans can maintain their financial lives, the financial service center industry must be fully recognized as an "essential" branch of our nation's "critical infrastructure."

These local, financial service centers process over 350 million transactions annually, employ tens of thousands of Americans, and are located in the neighborhoods where their customers live and work. Being of and from the community ensures that customers are treated with respect and, importantly, in their native tongues.

As the coronavirus pandemic degrades our economy and stretches thin the budgets of millions of families who are confronting health care and childcare needs, rent, utility and other bills, and other existential financial challenges, it is critical that consumers have access to as many safe and reliable financial service options as are possible. Licensed financial

service centers provide just that — safe, reliable, convenient, and regulated financial services.

Thankfully today, thousands of financial service centers remain open and operating, providing regulated financial services while following all CDC guidelines and ensuring the health and safety of customers and employees, and continuity of financial services in all communities. In fact, governors and other public officials from across the country — including in California, Illinois, Kentucky, New Jersey and New York, to name a few — agree that neighborhood financial service centers are critical, designating these businesses as “essential” in meeting the needs of Americans. These financial service centers remain open, despite the closure of scores of other businesses, including other financial services providers who have simply elected to close.

Across the country and in Washington, D.C., federal, state and local officeholders and regulators alike have recognized that financial service centers permit communities and their residents to conduct necessary transactions and to make ends meet. Whether it is check cashing, sending money to a family member or taking out a small loan, financial service centers enable individuals to buy groceries, fill prescriptions, access benefits and pay bills to keep the lights on — all potentially life-saving necessities during times like these. Certainly, one factor in the determination to designate financial service centers as essential is their adherence to state and federal laws regarding disclosures, transparency and the fees they can charge for their products and services. Moreover, regulators are comfortable with financial service center operators as they are intimately familiar with them through their licensing and regulatory oversight processes for decades.

As Congress moves forward with stimulus proposals, some of which seek to mandate extensions of loan terms and to restrict collection practices, it is important to note that in addition to following state and federal law, financial service centers adhere to industry best practices. These best practices ensure transparency and disclosure, as well as flexibility in loan payments and extended payment plans. It should also be recognized that the basic structures of our small loan products are set by state laws that dictate interest and fees, strictly

limiting what can be charged, even for late payments. Check cashing fees are also heavily regulated and capped.

Above all, we acknowledge our responsibility to customers, our employees and the communities in which we operate. As we confront the coronavirus pandemic, we will answer the call to remain open, operating safely and exerting our best efforts to help customers during this time of need.

Ed D'Alessio is the executive director of the Financial Service Centers of America (FiSCA), a national trade association representing the Financial Service Center (FSC) industry. FiSCA members offer a wide array of necessary financial products and services to tens of millions of Americans each year in accordance with state and federal law.