



Long Island Housing Services, Inc.

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www.LIFairHousing.org

Protecting Civil Rights for Long Islanders since 1969



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A 501(c)(3) nonprofit
Fair Housing agency

A.6693/Crespo

Long Island Housing Services, Inc. opposes A.6693. 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 would be able to do.

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

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

Even if banks did not seek to partner with check cashers to offer high-interest loans, the bill would allow check cashers themselves to impose substantial fees on borrowers, effectively transforming the loans into predatory products. There is nothing in this bill that would establish any caps on fees, such as application fees, or on commissions. If check cashers were not legally required to assess the likelihood of approval before charging loan application fees, they could profit even when borrowers were rejected by the lender. Furthermore, commissions 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 families 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.

Long Island Housing Services, Inc. is a 50-year-old civil rights, fair housing nonprofit serving Nassau and Suffolk counties.

Long Island Housing Services, Inc. believes that passage of this bill 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 more information contact: Ian Wilder, Esq. at 631-567-5111 or Ian@LIFairHousing.org

*Our mission is the elimination of unlawful housing discrimination
and promotion of decent and affordable housing through advocacy and education.*