

Good morning and thank you to Paul Horwitz for the invite to be part of today's program.

In preparing my brief remarks to the Forum, I thought back to my student days here at CCSU I thought about the few options I had to manage my meager part-time salary and the amount of money I spent every two weeks in buying money orders to pay the bills I had. Being a student and living paycheck to paycheck eliminated using a bank and a comparatively cheaper checking account until I graduated. I was lucky to be able to establish a banking relationship, and become one of those individuals who are "banked". Now I had a checking and savings account that connected me to the banking system, helped me establish a credit score, and gave me access to consumer credit that can help buy a car, a home.

FDIC estimates that 43 million Americans and 21 million households are either unbanked or underbanked and use services provided by alternative financial providers such as, check cashers, money transmitters, pawn shops and other non-depository providers of financial services.

Non-bank providers of financial services are very expensive to use.

The unbanked and underbanked groups are, to some degree, low income individuals and families, who can least afford to pay for the services they offer.

Consider a family earning \$20,000 per year. Twice each month a paycheck is cashed by a check casher. Being unbanked or underbanked there is no checking account normally, so routine family expenses are paid for with money orders which are not cheap. In total the expense for cashing the check and money orders may reach \$1,200, an unacceptably high amount when you compare it to a checking account.

As the FDIC report noted, there are some tough challenges to offering financial products to the unbanked and underbanked including poor credit history, lack of understanding what a bank is, lack of Identification, language barriers.

However, there are opportunities that include expansion of product and service offerings specifically for the needs of these groups. Marketing efforts need to be directed at small-dollar loan products, low cost accounts and other retail strategies.

The volume of business the non-depositories have gathered in has prompted the Department of Banking to increase the regulatory oversight of industries such as, Check cashers, money transmitters, pawn shops, consumer collection agencies and debt negotiators. We've taken formal actions when they were warranted. In fact, at all times we have two examiners who go around to check cashers posing as private citizens, cashing checks to make sure only the allowable fee is being charged.

With a high unemployment rate affecting every income group, but low income families are impacted worse, the debt negotiation industry has proliferated both in Connecticut and across the country. Connecticut has issued a statutory limit to what consumers can be charged if one of these companies is engaged to negotiate debt for any of our citizens. I believe our law enforces a much lower allowable charge than other states because we view the consumers risk in retaining a debt negotiation firm to be high. Most of them try to charge more. We've taken many formal regulatory actions against debt negotiation firms and will continue to police this type of activity because of the many people who have paid exorbitant amounts of money only to have the company take no action to lessen the debt of the consumer.

Recently, the Department held a "Town Hall" meeting in preparation for a research and policy conference in October sponsored by the Conference of State Bank Supervisors and the Federal Reserve System. The conference, to be held in St. Louis will bring together academics, policymakers, bank supervisors, and community bankers to focus on the challenges and opportunities that face community bankers.

During our Town Hall meeting a great many issues were discussed. The most difficult challenges faced by community banks is the burden of complying with the countless laws, rules and regulations coming out of Washington such as Basel 3, FASB, FinCen requirements, the (QM) qualified mortgage rule just issued by CFPB, and others. All of these laws add to the compliance burden of community banks and promote a "one size fits all" approach. The last thing we want is for products and services to be standardized.

The best hope for the underserved is the community bank that is left to create a menu of services that serves the needs of ALL the people in it's market area. That is the spirit of the Community Reinvestment Act and the passion of

community bankers. "One size does not fit all". The needs of customers are unique to their situation and community bankers are, by their size, better positioned to identify those needs and put programs in place to serve them.

The Department of Banking has held several Foreclosure Assistance Meetings that provide a forum for defaulted mortgage customers to meet with their banker face to face and try to work out a modification that will return their mortgage to performing status, and preserve home ownership. In total, about 7,000 people have attended these events. We've scheduled another in Hartford to take place on Oct XXX. Many of the consumers who come to these meetings are in a low to moderate income group and are affected by unemployment and need special handling by their bank. The effort put forth to make a modification happen is the result of hard work on the part of the banks involved, neighborhood advocacy groups, legal aid and others. Any solution to these problems has to come from collaboration with neighborhood groups.

Advocacy for the unbanked and underbanked has to include financial education and literacy. The goal is simple: provide people with the right information and guidance and better financial choices will be made. Bankers and regulators need to work together with local governments, school, banks community organizations and partnerships to help expand financial products and services to meet local needs, provide financial education, and develop resources to reach the underserved communities and consumers of Connecticut

Thank you.....