

# SENATE, No. 3206

## STATE OF NEW JERSEY 218th LEGISLATURE

INTRODUCED NOVEMBER 26, 2018

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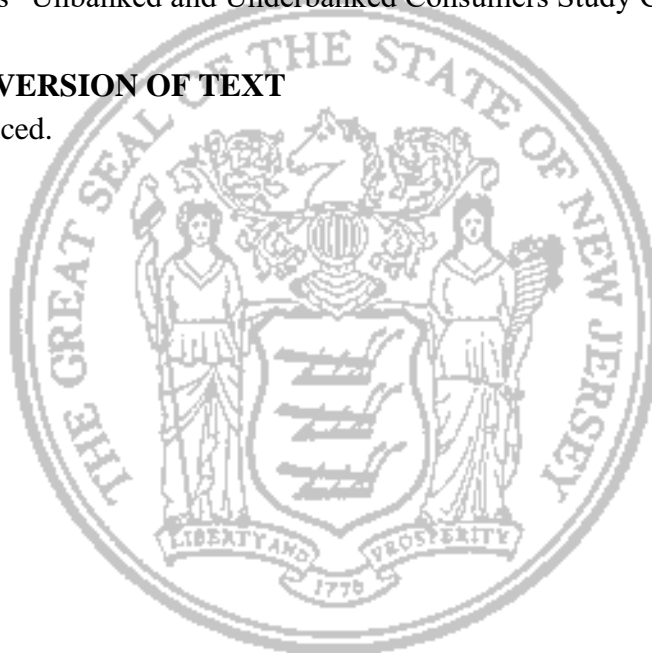
**Senator Ruiz and Assemblyman Schaer**

**SYNOPSIS**

Establishes “Unbanked and Underbanked Consumers Study Commission.”

**CURRENT VERSION OF TEXT**

As introduced.



**(Sponsorship Updated As Of: 12/17/2019)**

1 AN ACT establishing the “Unbanked and Underbanked Consumers  
2 Study Commission.”

3

4 **BE IT ENACTED** by the Senate and General Assembly of the State  
5 of New Jersey:

6

7 1. As used in this act:

8 “Alternative financial services” means financial services offered  
9 by providers that operate outside of federally insured banks and  
10 thrifts. Check-cashing outlets, money transmitters, payday lenders,  
11 pawnshops, and rent-to-own stores are all considered alternative  
12 financial service providers.

13 “Financial institution” means a bank, insurance company, credit  
14 union, savings and loan association, investment trust or other  
15 organization held out to the public as a place of deposit of funds or  
16 medium of savings or collective investment.

17 “Unbanked” means persons without a checking or savings  
18 account at an insured financial institution.

19 “Underbanked” means persons that have a checking or savings  
20 account at an insured institution but rely on alternative financial  
21 services. Specifically, underbanked persons have used non-bank  
22 money orders, non-bank check-cashing services, non-bank  
23 remittances, payday loans, rent-to-own services, pawn shop loans,  
24 refund anticipation loans, or auto title loans at least once in the last  
25 12 months.

26

27 2. a. The Unbanked and Underbanked Consumers Study  
28 Commission is established in, but not of, the Department of  
29 Banking and Insurance. The commission shall be independent of  
30 any supervision or control by the department except as expressly  
31 authorized under this act.

32 b. The study commission shall consist of nine members:

33 (1) The Governor shall appoint five members. Of the five  
34 members appointed by the Governor, one shall be upon the  
35 recommendation of the United Ways in New Jersey, one shall be  
36 upon the recommendation of the New Jersey Bankers Association,  
37 one shall be upon the recommendation of the New Jersey Credit  
38 Union League, one shall be upon the recommendation of the New  
39 Jersey Coalition for Financial Education, and one shall be an  
40 academic specializing in consumer financial management and  
41 protection upon the recommendation of the President of Rutgers,  
42 The State University of New Jersey;

43 (2) the Mayor of Camden or the mayor’s designee;

44 (3) the Mayor of Paterson or the mayor’s designee;

45 (4) the Mayor of Newark or the mayor’s designee; and

46 (5) the Commissioner of Banking and Insurance or the  
47 commissioner’s designee.

- 1 c. Any vacancy in the membership of the commission shall be  
2 filled in the same manner as the original appointment.
- 3 d. Members of the commission shall be appointed within 60  
4 days after the effective date of this act, and shall hold their initial  
5 organization meeting as soon as practicable, but no later than 30  
6 days following the appointment of a majority of its authorized  
7 membership. At the initial organizational meeting, the members  
8 shall elect a chairperson and vice-chairperson from among the  
9 members of the study commission by a majority vote. The vice-  
10 chairperson shall also serve as secretary and shall be responsible for  
11 keeping all records of the committee. The commission may  
12 formulate and adopt rules of procedure and operation in furtherance  
13 of its responsibilities.
- 14 e. A majority of all the authorized members of the study  
15 commission shall constitute a quorum, and no action of the study  
16 commission shall be taken without the affirmative vote of a  
17 majority of all the authorized members of the study commission,  
18 except for the election of the chairperson and vice-chairperson at  
19 the initial organizational meeting pursuant to subsection d. of this  
20 section.
- 21 f. Members of the study commission shall serve without  
22 compensation, but shall be entitled to reimbursement for all  
23 necessary expenses incurred in the performance of their duties.
- 24 g. Excluding the organizational meeting, the commission shall  
25 hold not less than four meetings.
- 26 h. The Department of Banking and Insurance shall provide  
27 primary staff support to the study commission.  
28
- 29 3. The purpose of the Unbanked and Underbanked Consumers  
30 Study Commission is to evaluate the inclusiveness of the banking  
31 system in New Jersey and review access to credit enhancement  
32 services for unbanked and underbanked New Jerseyans. The  
33 objectives of the committee shall include, but are not limited to, the  
34 following:
- 35 (1) evaluate how to create better access to financial services in  
36 this State, including use of financial service centers and check  
37 cashers;
- 38 (2) review changes, if any, needed to address predatory banking  
39 practices in New Jersey;
- 40 (3) examine the availability of banking locations in underserved  
41 areas, including a review of the banking development districts;
- 42 (4) evaluate potential business models and regulatory economic  
43 incentives that could serve to transition and graduate consumers  
44 from sub-prime to prime credit scores resulting in increased chances  
45 for consumers to accumulate wealth;
- 46 (5) assess whether lending processes are understandable, fair,  
47 and efficient and what would constitute optimum disclosures to

- 1 consumers so that consumers can understand and make reasoned  
2 decisions with regards to the products being offered;
- 3 (6) analyze the economic impact of requiring wider reporting and  
4 creditor consideration of payments for alternative credit-like  
5 accounts, including rent and utilities to major credit bureaus;
- 6 (7) evaluate the costs, potential benefits, and impact of providing  
7 free or reasonably priced financial counseling services through a  
8 State agency;
- 9 (8) develop strategies to work with financial institutions to offer  
10 basic checking accounts and other low interest, no minimum  
11 products;
- 12 (9) evaluate the Department of Banking and Insurance financial  
13 literacy program, including measures of its success and ways to  
14 improve the program; and
- 15 (10) consult with the academic community, federal and State  
16 agencies, and for-profit and non-profit entities for expertise and  
17 input concerning the objectives listed in paragraphs (1) through (9)  
18 of this subsection.

19  
20 4. The commission shall prepare and submit a report on its  
21 findings, conclusions, and recommendations to the Governor and,  
22 pursuant to section 2 of P.L.1991, c.164 (C.52:14-19.1), the  
23 Legislature, no later than the 365th day following its organizational  
24 meeting.

25  
26 5. This act shall take effect immediately and shall expire on the  
27 30th day after the study commission submits its final report.

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29  
30 STATEMENT

31  
32 This bill establishes the “Unbanked and Underbanked  
33 Consumers Study Commission” in, but not of, the Department of  
34 Banking and Insurance. The study commission will consist of nine  
35 members. Of the nine members, five will be appointed by the  
36 Governor upon the recommendation of the following organizations  
37 or entities: United Ways in New Jersey; the New Jersey Bankers  
38 Association; the New Jersey Credit Union League; the New Jersey  
39 Coalition for Financial Education; and the President of Rutgers, The  
40 State University of New Jersey. The additional four members will  
41 be the Mayors of Camden, Paterson, and Newark or their designee  
42 and the Commissioner of Banking and Insurance or their designee.

43 The purpose of the study commission is evaluating the  
44 inclusiveness of the banking system in New Jersey and reviewing  
45 access to credit enhancement services for unbanked and  
46 underbanked New Jerseyans.

47 The study commission would:

- 1 (1) evaluate how to create better access to financial services in  
2 this State;
  - 3 (2) review changes, if any, needed to address predatory banking  
4 practices in New Jersey;
  - 5 (3) examine the availability of banking locations in underserved  
6 areas;
  - 7 (4) evaluate potential business models and regulatory economic  
8 incentives that could serve to transition consumers from sub-prime  
9 to prime credit;
  - 10 (5) assess whether lending processes are understandable, fair,  
11 and efficient and what would constitute optimum disclosures to  
12 consumers so that consumers can understand the products being  
13 offered and make reasoned decisions;
  - 14 (6) analyze the economic impact of requiring wider reporting and  
15 creditor consideration of payments for alternative credit-like  
16 account;
  - 17 (7) evaluate the costs, potential benefits, and impact of providing  
18 free or reasonably priced financial counseling services through a  
19 State agency;
  - 20 (8) develop strategies to work with financial institutions to offer  
21 basic checking accounts and other low interest, no minimum  
22 products;
  - 23 (9) evaluate the Department of Banking and Insurance financial  
24 literacy program; and
  - 25 (10) consult with the academic community, federal and State  
26 agencies, and for-profit and non-profit entities for expertise and  
27 input on its work.
- 28 The bill directs the study commission to issue a final report of its  
29 findings, conclusions, and recommendations to the Governor and  
30 the Legislature no later than the 365th day after the commission  
31 organizes. The study commission would expire 30 days after  
32 submitting its final report.