

REMARKS DELIVERED AT
CHARLOTTE SAVES
COMMUNITY PARTNERSHIP LUNCHEON

Joseph A. Smith, Jr.
North Carolina Commissioner of Banks
Charlotte, NC

January 24, 2006

It's a pleasure to be with you today. Thank you for inviting me.

Promotion of saving is an important matter of national concern. As you are no doubt aware, the current overall savings rate in America is negative. While the lack of savings is a problem for people at all income levels in America today, it is a particular burden to our low wage working people. It is this group about whom I would like to speak with you.

A sizable portion of North Carolina's workforce is low wage or working poor. According to the United States Census Bureau, over 1 million North Carolina households are low-wage households. It is no exaggeration to say that what affects our low-wage working people affects North Carolina in a significant way.

The lot of the working poor is not an easy one. Many live hand to mouth. For most, unanticipated expenses, illness or car trouble can be devastating. Lack of a financial cushion makes them particularly vulnerable to such events and handicaps them when they try to get and hold jobs. In

addition, a large number of these people are “underbanked” and, accordingly, get a substantial part of their financial services from non-bank financial institutions, where they pay a high price for services. These “fringe” financial services can be abusive and do not help the working poor build either credit or wealth.

We should care about the working poor for a number of reasons. As a matter of morality, the plight of people from whose work we benefit but who cannot support themselves should concern us. As a matter of social policy, the distress of the working poor raises claims on the welfare system and creates large and growing social costs that we all pay sooner or later. As a political matter, reinforcement of the American dream of upward mobility through work, thrift and personal integrity strengthens our institutions, both governmental and financial. As an economic matter, improving the lot of the working poor contributes to our productivity.

It is easy enough to descry the plight of the working poor. What are we going to do to make their circumstance better? Let me suggest one approach that will draw ever so slightly on your imagination:

Imagine a circumstance where an employer of low wage workers (think hospital, fast food restaurant, convenience store) direct deposits its payroll into the bank accounts of its employees. The pay is available to the employees through a low cost demand account that is accessed by a card rather than by checks. The employees get financial education at the work site before or after hours and get free tax preparation at the site. Giving its employees access to the federal EITC allows the employer to insure that they get a \$2 per hour raise at tax time. The financial literacy training makes it less likely that financial problems will affect productivity or morale.

This daydream of mine can be a reality if employers, banks, nonprofits and government work together to make it happen. After all, everyone wins in this scenario: employers benefit from happier, more productive employees; banks can serve more

customers (including employers) at a reasonable cost; and employees gain financial citizenship that enables them to participate fully in our economy. I am glad to say that representatives of all of those stakeholders – including stakeholders here in the Charlotte area -- are interested in such an approach, and I have hopes that one or more test sites for this effort will be established this year.

We have the tools available to bring working poor people into the banking system in a way that makes saving an option for them and gives them a chance at the American dream. All that's needed now is a little elbow grease. Stay tuned: good news is coming.

Thank you for your attention.