

How Two States Are Leveraging Their Unique Powers to Boost Financial Empowerment

For two decades, cities and counties have been advancing municipal financial empowerment efforts, leveraging the unique powers of government to help residents build financial stability. Increasingly, states also have begun exploring their own unique levers.

As the federal government has stepped back from local support, state governments have made exciting inroads to support residents' financial stability. In New York, Governor Kathy Hochul and the Department of Financial Services issued innovative guidance around low-cost banking, deploying creative ways to modernize and advance banking access through regulatory infrastructure. And in Colorado, Attorney General Phil Weiser oversaw the establishment of a state Office of Financial Empowerment to centralize and expand collaborative financial empowerment initiatives and consumer financial protection awareness.

NEW YORK

New York State has long been a strong player in the affordable banking field. In 1994, legislators passed a law requiring all state-chartered financial institutions to offer low- or no-cost banking accounts. This legislation marked a pivotal moment, highlighting states' critical abilities to bring more consumers into the financial mainstream; three other states have since passed similar basic banking requirements.

While the legislation was innovative for its time, codifying initial terms defining low- and no-cost banking products, those terms soon became outdated. In particular, the Dodd-Frank Wall Street Reform and Consumer Protection Act changed the market landscape with the introduction of [Regulation E](#), which prohibited financial institutions from charging overdraft fees on ATM and debit card transactions unless consumers affirmatively opted in. The sweeping changes to financial regulation brought about by Dodd-Frank were exciting, but as they changed the market, it meant New York's affordable banking legislation could go further.

The New York Department of Financial Services (DFS) set out to better utilize its state banking consumer supports, identifying a nimble approach that didn't require the significant lift of new legislation. In 2022, piggybacking off the CFE Fund's [Bank On](#) movement, DFS put forth [new guidance](#) that the state's affordable banking law requirements could instead be satisfied by offering a Bank On certified account. Not only did this move allow DFS to update their guidance without having to pass a new law, it gave them the opportunity to keep that guidance timely thanks to the 2-year Bank On Standards reissuance cadence. To date, 24 New York State-chartered financial institutions now offer Bank On certified accounts. Other states similarly are beginning to leverage state charter authority to encourage banks and credit unions to offer safe and affordable banking. For example, Maryland Governor Wes Moore recently signed a [new banking law](#) that includes a Maryland Opportunity Accounts provision, which will reward state-chartered financial institutions that offer low-cost checking accounts and accounts with other features inspired directly by the Bank On National Account Standards. This provision financially incentivizes institutions to offer safe, low-cost accounts by providing a credit toward their state assessment fees.



“ Especially in the current political climate, NYDFS can be bit more nimble than our federal counterparts, responding to the particular needs of certain financial institutions and certain communities, and translating those needs quickly into action.”

—SAMANTHA DARCHE, DEPUTY SUPERINTENDENT, CONSUMER EXAMINATIONS UNIT, NEW YORK DEPARTMENT OF FINANCIAL SERVICES

COLORADO

When Colorado leaders saw momentum building around financial empowerment efforts among nonprofits, public agencies, and financial institutions, they recognized an opportunity to establish a state-led office that could unite these diverse partners, promote collaboration, and identify systemic issues requiring coordinated, community-driven solutions.

A group of nonprofit and community leaders, philanthropic partners, and advocates mobilized state policymakers to legislatively create the nation's first state-level Office of Financial Empowerment (OFE) in 2021. By enshrining the OFE in statute, leaders intended to ensure continuity remained even through changes in political leadership. Overseen by the Colorado Attorney General, housed within the Colorado Department of Law, the OFE reports annually to the state legislature.

"Our priorities focus on building partnerships and engaging community leaders who support Coloradans facing the greatest barriers to financial stability and economic mobility," said OFE Director Rebecca Laurie, who stepped into the role earlier this year.

OFE identifies challenges in affordability, access to safe financial products, credit building, and debt management -- insights that shape the office's policy priorities and strategic initiatives. As a two-person office, OFE relies on strong collaboration with other state departments, the State Treasurer's Office, financial regulators and institutions, community and educational organizations, and a council of statewide thought leaders to help advance its goals.

Laurie noted that being housed within the Colorado Department of Law also strengthens connections to the Attorney General's broader consumer protection and community engagement work, such as its Stop Fraud Colorado program.

One of OFE's first major initiatives was launching Bank On Colorado and engaging financial institutions on the benefits of Bank On certified accounts. The office also developed the Colorado Financial Coaching Community, which offers monthly professional development opportunities and trainings for financial coaches and counselors who serve a wide range of communities and individuals across the state.

Additionally, OFE helped scale the impact of statewide financial counseling and coaching services by distributing a total of \$3 million in grants, funded through a portion of DOL's legal settlements, directly to community organizations.

OFE also supports the exchange of financial empowerment best practices and helps connect people with trusted providers, including municipally-led Financial Empowerment Centers in Denver; Pueblo, which serves a region of rural southern Colorado; and the first tri-county Financial Empowerment Center in the nation, serving a rural, rugged Rocky Mountain corridor. In only five years, this collaborative framework has demonstrated what state-led financial empowerment work can achieve.

“ This model has provided the runway to amplify and scale financial empowerment and expand consumer financial protection awareness in ways that weren't possible before.”

—REBECCA LAURIE, DIRECTOR, COLORADO OFFICE OF FINANCIAL EMPOWERMENT

To learn more about statewide opportunities for financial empowerment, contact the CFE Fund at info@cfefund.org.



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