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Education is key to getting people to use banks more

Teresa Dixon Murray, Plain Dealer Reporter

If fringe finance companies are so expensive, how could we get people to use them less? Banks and credit unions should offer products such as \$500 loans and check-cashing for

people without checking accounts,

said Chi Chi Wu, an attorney with the National Consumer Law Center in Boston.

Yet, payday lenders and check-cashers "are fulfilling a demand that's not being met by the traditional bank," said investment analyst Richard Eckert of Roth Capital Partners in California.

Only a handful of banks nationally are stepping up. One is Cleveland-based KeyBank. At five inner-city branches, Key a year ago started offering check-cashing at 1.9 percent, as well as small loans, a program to help people get checking accounts and free classes on topics like credit, budgeting, mortgages and investing.

The five branches have exploded, with more than 1,000 new customers, said Edna Sawady, chief operating officer of Key's community banking. The venture is profitable years ahead of schedule. So Key is expanding the effort to 15 more branches.

Consumer advocates want more regulation of fringe industries that don't have to play by the same rules as everyone else. Critics call for dramatically lower caps on interest rates and fees, more disclosure of finance charges and longer periods to repay payday loans.

Perhaps the biggest part of the solution lies with financial education and consumers taking responsibility to learn more about money, said Jay Seaton, president of Consumer Credit Counseling of Northeast Ohio.

Some adults go to payday lenders or rent-to-own stores because they think it's normal or they don't know they have smarter options.

Children and adults alike need to be more educated about finances, Seaton said, particularly about the importance of saving and the problems of debt. Schools should teach more about money, and adults should teach themselves or find a free community workshop or class, he said.

Many nonprofit agencies, libraries, colleges and banks offer free financial education. Emphasis on this has increased in Greater Cleveland in the last four years since the start

of Cleveland Saves, a nonprofit coalition. It offers free financial classes and free savings accounts through major banks.

To learn more about money:

Cleveland Saves:

216-781-8090, www.clevelandsaves.org <www.clevelandsaves.org> .

Consumer Credit Counseling Service of Northeast Ohio:

216-781-8624, www.cccservices.com <www.cccservices.com> .

Volunteer Income Tax Assistance: Free tax prep sponsored by the IRS, 800-829-1040 or

www.tax-coalition.org <www.tax-coalition.org> .

www.OhioFinancialEducationDirectory.org

<www.OhioFinancialEducationDirectory.org> : A listing of area financial education providers.

www.bankrate.com <www.bankrate.com> : The single best place to learn about everything from saving to loan options to current interest rates.

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