

**Testimony of Commissioner Lorelei Salas
New York City Department of Consumer Affairs**

**Before the
New York City Council Committee on Consumer Affairs and Business Licensing**

**Hearing on
Fiscal Year 2019 Preliminary Budget**

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Introduction

Good morning Chair Espinal and members of the Committee on Consumer Affairs and Business Licensing. My name is Lorelei Salas and I am the Commissioner of the Department of Consumer Affairs (DCA). I am joined today by several of my colleagues from DCA. I would like to take this opportunity to congratulate both the new and returning members of this important committee. Chair Espinal and Council Member Koslowitz, I look forward to continuing our successful partnership in the new session. Council Members Chin, Koo, and Lander, I look forward to working with all of you to protect consumers and workers and educate businesses in your districts and across New York City.

DCA's mission is to protect and enhance the daily economic lives of New Yorkers to create thriving communities. We do this by licensing more than 81,000 businesses across more than 50 industries and enforcing key consumer protection, licensing, and workplace laws that apply to countless more. Today, I will share with you some of DCA's major successes for New Yorkers over the past year and show you where the agency plans to go in 2018.

In last year's testimony, I shared the story of Rhoda Branche, a New Yorker who came to DCA for help when she was taken advantage of by a used car dealer. We were able to get Rhoda \$4,800 in restitution, which helped her repair the car she needed to get to work and take care of her family. This year, I'd like to start with the story of thousands of small business owners across New York-striving to succeed in what they know is the greatest city on Earth in the face of high rents, high expenses, and what feels like lots of rules to follow. DCA enforces some of those rules, and we wanted to find a way to help small businesses understand and comply with the law, while preserving and enforcing all the protections it affords consumers and workers. Here's what we came up with.

Video will be shown at this point in the testimony.

Business Education

The Visiting Inspector Program (VIP) is an exciting new initiative to educate small businesses about City laws and rules through free, no-fine inspections. Under VIP, new brick-and-mortar licensees can schedule these inspections within three months of receiving their license. At a VIP inspection, a senior DCA inspector will educate the business about how to comply with the laws and rules DCA enforces and identify any potential violations for the business to fix before their

first official inspection. VIP inspections are conducted in the business' language of choice. More than 3,500 businesses- from tobacco retail dealers to sidewalk cafes to retail laundries- receive a new license from DCA each year. VIP helps these small businesses understand the law and fix problems before they receive fines. This program is an important part of Mayor de Blasio's continuing commitment to reduce fines on small businesses and, as you just heard, the reviews are good so far.

In addition to VIP, DCA continues to improve and expand our efforts to educate businesses about their obligations through direct outreach and engagement. In 2017, DCA held open houses for cigarette retail dealer and laundry businesses affected by recent changes in the law. These events gave businesses the chance to talk directly to DCA staff about how new requirements would affect their business and submit questions for the agency to answer. More than 260 businesses attended these sessions, which were held across the five boroughs and included live interpretation into languages other than English.

Over the past year, DCA's outreach team conducted 21 Business Education Days, during which we visited almost 1,800 businesses. When DCA holds a Business Education Day, we invite the local Council Member, merchant associations or Business Improvement Districts, as well as representatives from the Departments of Small Business Services and Sanitation. These events educate businesses about DCA's laws and rules while strengthening the relationships between the agency and the neighborhood business communities that are crucial for promoting a culture of compliance.

Of course, DCA knows that education isn't a one-way street. People who live, work, shop, and own businesses in a community know best what challenges and opportunities exist there. That's why we've made it a priority to listen to business owners and create new venues for them to talk to DCA in a friendly, informal setting. Last fall, DCA held a Small Business Roundtable in Sunset Park with business owners, community leaders, and merchant associations as part of Mayor de Blasio's City Hall in Your Borough series in Brooklyn. The event was a unique opportunity for business owners to bring their challenges and suggestions directly to me. I deeply appreciated the attendees' thoughtful feedback on how the City could better support businesses like theirs and was impressed by the sense of responsibility they felt for the wellbeing of consumers and workers in their community. The event was such a success that we decided to expand the program to other neighborhoods and last month I held another roundtable for businesses in Southeast Queens in partnership with Council Member I. Daneek Miller. I look forward to holding more roundtables in other communities across the city.

Approach and Accomplishments

Over the past year, DCA has taken aggressive action to protect consumers and workers and hold businesses who wrong them accountable. When I testified before you last year, I identified predatory lending by used car dealers as a major problem for consumers like Rhoda Branche and a primary target for DCA. I am proud to say that DCA and the Council have worked together to notch several important accomplishments in this area. Thanks to our partnership, used car buyers

in New York City now have important new protections that are among the strongest anywhere in the nation.

In October, Mayor de Blasio signed Local Laws 197 and 198. These laws, introduced by Chair Espinal and former Council Member Dan Garodnick, expand protections for consumers who buy used cars and combat predatory sales and financing practices in the used car industry. During the development of these bills, which started with a public hearing I co-led with Chair Espinal in 2016, DCA heard from many consumers that they were rushed into purchases and loans they later regretted using high-pressure sales tactics. Because of these laws, many consumers will, for the first time, be offered the option to review and think over a contract for a reasonable period of time before taking the car home. Common predatory practices, like price-packing contracts by slipping in expensive add-ons or accessories, are now prohibited. The passage of these laws is a major accomplishment for consumers and I commend the committee for its hard work and wise judgment in making that happen.

Public awareness is an important tool in DCA's efforts to protect consumers. Our multipronged approach to educating the public about predatory lending in the used car industry included a steady flow of press announcements about enforcement and legislative milestones and a campaign to arm current and prospective used car owners with the knowledge they need to avoid predatory practices. DCA's multilingual campaign ads ran on targeted bus shelters, telephone kiosks, and LinkNYC towers, as well as in community and ethnic newspapers, on radio, and online. DCA's robust public awareness efforts are proof of our commitment to educating consumers and workers across all media and in ways that are accessible to every community.

DCA's Office of the General Counsel also scored major victories for consumers in court and at the negotiating table. In March, we announced charges against the used car dealership Major World, a case that is still underway at the Office of Administrative Trials and Hearings. In November, we announced a settlement agreement with three financing companies that engaged in deceptive and unlawful trade practices in connection with subprime auto loans offered through used car dealerships. That settlement secured more than \$300,000 for 50 consumers who were given high interest loans and opened the door for more consumers to come forward and claim restitution. When DCA learned that the group A New Beginning for Immigrant Rights and its President, Carlos Davila, were charging immigrant New Yorkers up to \$200 for an identification card they falsely claimed would protect buyers from immigration enforcement agents, we took action. Our case against Mr. Davila and his group charges them with engaging in deceptive and illegal practices to profit from the fear and desperation of immigrant consumers. Cases like these send a strong message: businesses who scam, deceive, or steer consumers into predatory loans will be held to account.

DCA is also committed to educating consumers and working families about their rights, helpful resources available to them, and the steps they can take to protect themselves from harm. DCA regularly develops multilingual educational materials covering key issues and laws, and we actively pursue paid and earned media opportunities to educate New Yorkers about their rights as consumers and workers, the services DCA provides, and the best ways to protect themselves from predatory conduct. For example, last year DCA used funding provided by the Council to partner

with the Department of Housing Preservation and Development to provide financial counseling for New Yorkers seeking to apply for affordable housing. When the Equifax data breach was revealed, we alerted consumers to steps they could take to protect their identities. We warned immigrant New Yorkers about predatory providers that lure people in with false promises of an easy “ten year visa,” without disclosing that applicants must satisfy several strict conditions and place themselves in deportation proceedings to qualify for the benefit.

Our focus on predatory lending and protecting the most vulnerable New Yorkers helped us to learn more about the challenges confronting consumers and workers. One of our major initiatives was a series of presentations to educate the public about predatory lending and provide strategies for identifying and avoiding it. DCA reached almost 4,000 New Yorkers through 95 community-centered presentations across the city. At these events, which took place at neighborhood gatherings, places of worship, and community board meetings, we had the opportunity to hear directly from consumers and workers about what was affecting them, their friends, their families, and their communities.

Through these events and others, we’ve heard a lot from consumers and workers. Fast food and retail workers told us how unpredictable schedules make it hard to save and plan for the future. Clients at our Financial Empowerment Centers told us how unstable costs and income make it hard to get a handle on household finances and drive families to turn to costly alternative financial services to make ends meet. We started thinking about what we heard and how we could tie the stories people told us about the challenges they face into broader issues and economic forces. After a while, we began to notice a theme that resonated in both the personal stories of New Yorkers and emerging economic research: income volatility.

Income Volatility

DCA hopes to be able to use the tools at our disposal to help New Yorkers cope with, and overcome, income volatility. Your income is volatile if the amount you take home increases or decreases by 25 percent or more from one month to the next. A volatile income can make it hard for families to plan and save for the future and presents a host of other challenges. Families with volatile incomes are more likely to experience food insecurity, delay important spending like bill payments, and use alternative financial services. The hardship and unpredictability that come with a constantly shifting income can make it impossible for a family to feel safe, stable, and secure. Without a sense of how much money is coming in each month, families can’t budget or plan for their futures. Income volatility is a big problem with many causes and many potential solutions. In order to address it, DCA will need the assistance of partners, experts, stakeholders, and New Yorkers themselves.

In the year ahead, helping New Yorkers experiencing income volatility will be a critical element of DCA’s decision making process. We want to ask ourselves whether, and how, we can integrate methods for reducing income volatility into all parts of DCA’s existing work and develop new programs and initiatives helpful to New Yorkers experiencing income volatility. In some cases, we’ve found that executing and expanding on what we already do is the best way to combat income

volatility. That is certainly the case with DCA's popular NYC Free Tax Prep program. I will let some of the New Yorkers who are using the program this year tell you about their experiences.

Video will be shown at this point in the testimony.

Office of Financial Empowerment

Since 2015, when the de Blasio administration made its first investment in the program, more than 425,000 returns have been filed quickly, safely, and without charge using NYC Free Tax Prep services. These services have brought more than \$500 million in refunds and tax preparer fee savings to hard working New Yorkers. This important program is just one piece of DCA's Office of Financial Empowerment (OFE)'s approach to helping New Yorkers with low or volatile incomes. OFE also develops and offers innovative programs and services to increase access to high-quality, low-cost financial education and counseling, and safe and affordable mainstream banking. With the help of our community partners, OFE maintains more than 20 Financial Empowerment Centers across the five boroughs. OFE's Financial Empowerment Centers help New Yorkers tackle debt, save for the future, open a bank account, improve credit, and take charge of their financial futures. In 2017, OFE's financial counseling programs provided almost 15,500 free, one-on-one financial counseling sessions to almost 9,300 New Yorkers. Earlier this year, Mayor de Blasio announced the launch of EmpoweredNYC, a new initiative to strengthen the health of New Yorkers with disabilities by testing, adopting, and promoting new financial empowerment strategies focused on the specific needs of individuals with disabilities living across the five boroughs.

OFE also leverages its in-house expertise and partnerships with outside experts and advocates to produce research and analysis on the issues that matter most to the financial health of new Yorkers. In December, DCA released *Student Loan Borrowing Across NYC Neighborhoods*, the first neighborhood-level examination of student loan outcomes in New York City. The report found that although New Yorkers, on average, have student loan delinquency and default rates that are slightly lower than the national average, certain neighborhoods experience significantly higher rates despite low overall loan balances. OFE launched targeted student loan clinics in these neighborhoods in January, a key illustration of how OFE's research and analysis can drive issue conversations forward and spur the development of creative initiatives to help New Yorkers in the ways they need most. Also in December, we released *How Neighborhoods Help New Yorkers Get Ahead*, a report of findings from the Collaborative for Neighborhood Financial Health, a partnership between OFE, the New Economy Project, and the Bedford-Stuyvesant Restoration Corporation aimed at understanding how neighborhoods impact residents' financial health and stability. The report made key findings about how the resources, services, and opportunities a neighborhood provides can shape the financial futures of its residents. We look forward to using these data to inform further research and targeted initiatives to pioneer new approaches for helping residents and neighborhoods thrive financially. This thoughtful, strategic approach also guides the work of DCA's other divisions, including the Office of Labor Policy and Standards.

Office of Labor Policy and Standards

Over the past year, DCA's Office of Labor Policy and Standards (OLPS) has overseen the implementation of groundbreaking new policies and continued to enforce the key municipal labor laws New Yorkers depend on. In October, months of ground laying work by OLPS, which included conducting outreach to over 1,000 fast food and retail businesses and providing training to about 150 fast food franchise owners to help them prepare for implementation, culminated in Mayor de Blasio's Fair Workweek package of laws going into effect. Because of these laws, and the outreach, education, and enforcement work done by OLPS, thousands of fast food and retail workers across New York City will benefit from more stable schedules that allow them to save, plan for their futures, and spend more time with their families. This stability will, in turn, help to smooth income volatility and the problems it causes for these workers. By successfully implementing progressive solutions like the Fair Workweek laws in one of the biggest and busiest cities on earth, DCA's Office of Labor Policy and Standards continues to build on New York's historic role as a laboratory for innovative policies. OLPS' work implementing and enforcing these laws furthers its mission to spur the creation of a new generation of minimum labor standards that will focus on protecting vulnerable workers.

When OLPS was created, workers in New York City gained, for the first time, a dedicated voice in their City government. DCA takes its commitment to serve as a central resource for working New Yorkers to assert their rights under the law seriously. To deliver on that commitment, we needed to hear directly from New Yorkers about what issues were most pressing in their lives. In March 2017, OLPS brought together more than 100 home care workers, nannies, caregivers, and housecleaners for the first of several convenings to hear their stories and inform the work of the Paid Care Division. The next month, we convened a public hearing on the state of workers' rights in New York City. Through these forums, we heard from over 200 workers and organizations reflecting the rich diversity that makes our city such a unique and vibrant place. These stories documented some of the extraordinary challenges New Yorkers face just trying to make ends meet. These challenges included wage theft, hazardous conditions, abusive treatment by employers, and, of course, volatile wages and compensation. I am so appreciative of, and inspired by, all the people who bravely shared their stories with us at these events.

Thanks to the leadership of the City Council, and particularly those on this committee, the City's protections now extend beyond those workers who are in traditional employment situations. Freelancers- among them the writers, editors, artists, photographers, and other workers who make New York City a global capital of arts, entertainment, fashion and media- all too often face difficulty securing timely and complete payment of the money they've earned. Under the Freelance Isn't Free Act, freelancers in New York City now enjoy first of their kind protections that are not available anywhere else in the nation. Since the law went into effect in May of last year, OLPS has been hard at work educating freelancers about their rights, guiding them through the complaint process, and providing important information about how to pursue claims in court. To date, OLPS has assisted nearly 500 freelancers, 86 of whom have reported payment of a total of over \$180,000 in compensation after contacting DCA. We look forward to providing the Council with a complete picture of the Freelance Isn't Free Act's first year in the report we will submit later this spring.

Importantly, in addition to implementing new laws, educating employers, and expanding its advocacy on behalf of workers, OLPS continues to actively enforce key labor laws like paid sick leave and commuter benefits. To date, OLPS has obtained over \$7 million in restitution and penalties for almost 23,000 workers whose rights under the paid sick leave law were violated.

Protecting and Enhancing

Fulfilling our mission means protecting and enhancing the daily economic lives of all types of New Yorkers. Consumers, workers, and business are all key parts of the thriving neighborhoods and communities we aim to support. I've already described DCA's extensive outreach and education efforts, but that is only part of the story of the work we do to help consumers and businesses. DCA is constantly working to streamline the licensing process for businesses and improve the experience of interacting with the agency, both at the licensing window and in the field during an inspection. We are also always looking for ways to refine our consumer mediation process to help consumers and businesses resolve their disputes to mutual benefit.

I'm proud to report that DCA continues to meet or exceed our targets for customer service and mediation. Response times for consumer complaints and licensing requests are prompt- New Yorkers waited less than ten minutes for service at our licensing center last year, on average, while the agency processed almost 50,000 license or renewal applications. We are also in the process of reviewing our existing license applications and identifying places where we can simplify or eliminate paperwork. In fact, we've already reviewed and streamlined application or renewal packages for 43 of our license categories. DCA's Consumer Services division, which assists consumers by helping them work out disputes with businesses, resolved almost 1,500 complaints to the satisfaction of both consumers and businesses last year.

DCA is committed to deploying all the tools at our disposal to protect and enhance the daily economic lives of New Yorkers. Some of those tools have not been updated since they were created decades ago. In this day and age, technology and economic behavior change rapidly and government must work diligently to keep pace. The threats to consumers and workers have evolved, and DCA's tools should evolve to meet them. In this new session of the Council, I look forward to working with this committee to ensure that DCA has the tools we need to protect consumers and workers, hold predatory actors accountable, and promote a culture of compliance among New York City businesses.

Conclusion

Thank you for the opportunity to share some of DCA's successes and tell you about our path toward addressing income volatility and other issues affecting consumers and workers. As always, we look to the City Council as a close partner in these efforts. At DCA, we know that the metrics, indicators, and dollar figures we bring to the City Council are important, but that's not how we ultimately measure our success. Instead, we find our success in the stories of the New Yorkers we're able to help. The fast food worker who can start planning to finish her degree at night because her schedule is more stable. The struggling young person who learns how to manage his student loans, get his taxes in order, and finally begins to see a path toward taking charge of his financial future. The bodega owner who needs help understanding the law, not a violation for failing to

grasp it. To us, these stories are the measures of success. Thank you. I will be happy to answer any questions.