



Maryland Consumer Rights Coalition

**Testimony to the House Economic Matters Committee
HB 1196: Financial Institutions – Check Cashing Services-Licensing
Position: Favorable**

February 19, 2020

Dereck E. Davis, Chair, House Economic Matters Committee
House Office Building Room 231
Annapolis, MD 21401
Cc: Members, Economic Matters

Honorable Chair Davis and Members of the Committee:

MCRC is a statewide coalition of individuals and organizations that advances economic inclusion and financial justice through research, consumer education, direct service, and advocacy. Our 8,500 supporters include consumer advocates, practitioners, and low-income and working families throughout Maryland. I write today in support of HB 1196.

Where banking deserts flourish, alternative financial services, including check cashers, take root and thrive. The majority of consumers that use check-cashing services are unbanked or underbanked – meaning they don't have a bank account, or they have one that is under-utilized. In Maryland, 4.8%¹ of households are unbanked, while 23.9% of Marylanders are underbanked (exceeding the U.S. average of 20%²). In 2016, there were 421 check cashers in Maryland located in predominately low-income communities and communities of color.

Check cashers not only cash checks (for which they charge between 1-2% of the cost of the check – and \$1 for checks under \$100), they may also sell bus transfers, transmit money via wire transfer, and pay consumer's utility bills. While the check-cashing fees don't sound like a large sum, for low-income individuals, these charges add up. If an individual earns \$35,000 a year and pays a 2% fee on 26 checks over the course of the year, they are paying around \$700 just for getting a check cashed.

Fees are assessed separately for each of the services outside of the check-cashing. For many consumers, the fees for these services are high. Check cashers are a high-cost alternative to banks but at a bank, consumers funds are protected, earn interest, and provide the ability for consumers to build credit, learn how to manage their money, and access less costly credit.

¹ <http://scorecard.prosperitynow.org/2016/measure/unbanked-households>

² <http://scorecard.prosperitynow.org/2016/measure/underbanked-households>



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House Bill 1196 helps protect consumers by:

1. Repealing the exemption from licensure
2. Requiring certain check cashing entities to register with OCFR
3. Requiring check cashing locations to post consumer protection information, and the number for OCFR in case they need to file a complaint

HB 1196 helps support needed financial awareness and capabilities education for Marylanders, provides clearly marked disclosures, and makes the complaint process clear for those using check-cashing services.

For all these reasons, we support HB 1196 and urge a favorable report.

Best,

Marceline White
Executive Director