

SB 939

March 1, 2020

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Position: Favorable with amendments

I am the current Executive Director of the MAFSC and submit this testimony on behalf of myself, personally, and the Board of Directors of the MAFSC. Our association members include stand-alone check cashing stores along with mixed use businesses, such as liquor stores, convenience stores, food market and gas station.

The current check cashing statute exempts a business from licensing requirements if it charges no more than a 1.5% fee to cash any check AND check cashing is “incidental” to the sale of other goods and services. There are several problems with this current two-tiered system.

For one, it provides for robust consumer protection if a check is cashed at a licensed business but then allows another business to offer the same exact service without any consumer protections. Consumers have no way of knowing that some check cashers are licensed and some are not or of the difference between them. Whereas licensed check cashers have to post rates, keep stringent records and submit to audits by the state’s Financial Regulation division to ensure compliance with the current state statute, the exempt check casher has no requirements whatsoever and no routine oversight. The consumer has no way of knowing that they should not be charged more than 1.5% and are therefore exposed to being overcharged.

Secondly, the lack of any application for the exemption allows a business to simply offer check cashing without any approval process. Do these exempt check cashers know that their fees are capped at 1.5%? How many don’t know and are inadvertently overcharging? How many are aware of the 1.5% cap and charge more

knowing that there is no oversight of their operations? This self-certification of the exemption from licensing even prevents Financial Regulation from being able to readily and accurately identify the businesses operating under the current exemption.

Last year, Del. Washington introduced a bill to remove the licensing exemption and to require licensing for all businesses offering check cashing. During the House hearing last year there was some concerns expressed about liquor stores, convenience stores and other mixed-use businesses that offer check cashing only as an accommodation to their customers having to be fully licensed for check cashing.

While I still believe, and it is the position of the MAFSC, that all check cashing services should be uniformly licensed and regulated, SB939 provides accommodation to the 'incidental' check casher while addressing the inherent problems with the current statute. If a business meets certain conditions, they will be able to register in lieu of licensing. By registering, a business would be aware of their fee rate cap. Additionally, our state's financial regulator will finally know who is offering check cashing in the state and under what conditions. The registered business would have to post their rates, give a receipt, along with notice of how to contact Financial Regulation with any comments or complaints. Surely, there can be no objection to this most fundamental form of consumer protection. SB939 would exempt the registered check casher from 15 sections of the current statute that applies to licensed check cashers. Of particular note, registered check cashers would not have to comply with the burdensome record retention requirements that licensed check cashers are subject to.

The only part of SB939 that MAFSC does not support are the sections that require the posting of the statutory maximum rates and a 'shop around' brochure. The former is redundant as §12-118(A)(1) of the current statute requires a licensee to post notice of their fees. Such notice is reviewed by Financial Regulation when they conduct onsite audits and must comply with the statute. Posting the statutory maximum rates provides no additional useful information to the consumer and may lead to confusion as most rates charged are less than the statutory maximums.

This however is only a minor objection as opposed to the requirement to provide notice to our customers that they “can also shop around for alternatives to cash your check...” MAFSC is stringently this proposed requirement. Our businesses compete in the marketplace for customers just as any other business. What other business must provide notice to their customers, in their place of business, suggesting that they “shop around” to obtain the services offered through another provider. We are licensed, regulated and our fees are restricted by statute. Consumers are protected. This proposed ‘shop around’ brochure is unreasonable and unnecessary.

In summary, I, and the Board of Directors of MAFSC, strongly support SB939, excepting the proposed ‘shop around’ which is strongly opposed.