

AT THE LAST MINUTE

FISCA TO FINCEN: STOP DISCRIMINATORY BANK DISCONTINUANCE**March Hearing Highlights Banks' "Discriminatory" Treatment**

At a March 8th hearing that Financial Service Centers of America (FiSCA) staff worked diligently to bring about, six members of FiSCA testified before the U.S. Treasury Department Financial Crimes Enforcement Network's (FinCEN) Bank Secrecy Act Advisory Group Nonbank Financial Institutions and Examinations Subcommittees.

The FiSCA members told the panel that blanket closures by banks of commercial accounts of money services businesses threatens the delivery of basic financial services in underserved communities.

Following the hearing FiSCA General Counsel Gerry Goldman sent a letter to U.S. Treasury Secretary John Snow requesting that the Treasury Department call on banks to observe a moratorium on account closures while FinCEN examines the issue and prepares recommendations.

"We are pleased the U.S. Treasury Department called this hearing. Hundreds of financial service centers employing thousands of Americans have had their business banking accounts and access to credit unfairly terminated without cause," said

Goldman. "The pace of bank discontinuation has escalated and is now approaching crisis levels in many areas. The government has to step in and protect consumers who need access to the services and products we provide."

"We believe that an immediate moratorium on the closure of financial service center business accounts should be declared," Goldman said. "A commercial bank relationship is the lifeblood of any business. We need to halt the bleeding that is taking place before more damage is done to the industry and to the consumers we serve."

In recent years, bank mergers have decreased the number of potential commercial banking service providers for check cashers, payday advance companies and other money service businesses. Additionally, some banks cited "business decisions" as the reason for terminating financial service center accounts. New federal anti-money laundering laws and the U.S. Patriot Act caused some regulators to classify a number of industries as "high risk" for money laundering. This has prompted additional banks to unfairly close the accounts of

financial service centers.

"Check cashers are good bank customers – even banks that are terminating our accounts will tell you that we are stable, profitable and law abiding businesses," said Joseph Doyle, Financial Service Centers of FL. "This trend is discriminatory and represents a form of redlining that the Community Reinvestment Act is meant to prohibit. It should be stopped"

"FiSCA members do a remarkable job of customer service. Studies by the industry, the government and independent organizations have all found high levels of consumer satisfaction with the quality service we provide, the convenience we offer and the value of the products and services we market," said Jerome Gagerman, Community Exchange Assoc. of IL. "Bank discontinuance is undermining a legal industry that plays a key role in the U.S. economy."

Other FiSCA speakers were Gerald Goldman, General Counsel, FiSCA; Joseph Coleman, Financial Service Centers of NY; Larry J. Slonina, NY Community Financial; and James Wells, Jr., MD Association of Financial service Centers, Inc.

FISCA TO TASTE BIG APPLE!

The 17th annual FiSCA National Conference and Exposition is slated for the Marriott Marquis in Times Square in New York City, Sept. 24-26, 2005.

According to Manny Levy, FiSCA Conference Chairman, "We are planning a spectacular conference in New York City. We're arranging for some dynamic business leaders and top industry experts to be on the program and I believe the energy and excitement of New York will help to make this one of our most successful conferences ever."

Manny continued, "We expect the FiSCA room block at the Marriott Marquis to sell out quickly, so if you're interested in attending the 2005 conference, you will need to book a room well in advance." More information about the Marriott Marquis is available by visiting www.marriott.com.

Reservations at the special FiSCA conference rate can be made by calling the hotel at 212-704-8700. Attendees must also register with FiSCA for the conference. Registration forms are available by visiting www.fisca.org.

Start planning now to attend this important FiSCA National Conference and Exposition in the heart of New York City!

FISCA SCHOLARSHIP PROGRAM ENTERS SIXTH YEAR

Outstanding high school seniors nationwide are eligible for more than \$50,000 in scholarships in FiSCA's 2005 Scholarship Program.

"Higher education is crucial to the success of young people today, yet rising college tuition costs make it virtually impossible for many worthy students to attend," according to Sanford Herman, FiSCA Scholarship Program Chairman. "Through the FiSCA Scholarship Program, we help deserving and dedicated students achieve their goals."

Since its inception in 1999, FiSCA has awarded over \$225,000 to more than 95 students across the country to help pay for college. Scholarship recipients are selected based on their academic achievement and leadership skills in their school and community. A number of past winners are expected to attend this year's ceremonies at FiSCA's Annual Conference and Exposition in New York City.

The FiSCA National Scholarship Program is funded by voluntary contributions from FiSCA members and vendors, and all high school seniors, including the children and other relatives of FiSCA customers, are eligible to participate in the program.

FiSCA National Scholarship Program applications are available nationwide at FiSCA member locations. Candidates can also apply via the Internet at <http://www.fisca.org/schol.htm>. The deadline to submit an application is June 17, 2005.





development policy, said the idea of a check casher supported savings program was a good one and that FiSCA's proactive involvement in such a program was encouraging.

Bill Siegel, former FiSCA chairman and the head of FiSCA's savings card committee, said support for the program among FiSCA members and industry leaders is very strong.

"FiSCA board members and staff have worked tirelessly to prepare this innovative product for launching," Siegel said. "We know how badly this product is needed and what a tremendous gap this will fill in meeting the needs of our consumers and America's under-banked and unbanked."

"So far, the feedback has been extremely positive and we look forward to working closely with the industry, regulators, elected officials and consumer groups as we bring this product to consumers," Siegel continued.

The savings account program will be offered to new and current Netspend debit cardholders who originated their accounts through a FiSCA check cashing location. Cardholders can enroll in the program online or through a

customer service agent, linking their Netspend All-Access debit card to a segregated, interest-bearing and FDIC-insured savings account.

"The FiSCA/Netspend savings program is a win-win-win situation," according to Gary Dachis. "Consumers get much-needed access to savings accounts, FiSCA members can enhance an already innovative product line, and regulators and consumer-advocacy groups get a product they've been calling for and can get behind."

How does the program work? Once the account is created, consumers can load savings via transfers from their debit account. Account holders can also set up automatic, recurring savings deposits through their debit accounts to encourage and facilitate easy savings. Funds can be transferred between accounts via the web, IVR (Interactive Voice Response) systems, ATM's (for a \$0.50 fee), customer service or through automatically recurring transfers.

Transfers out of the savings account must be done through the connected debit accounts and withdrawals will be limited to six per month. All transfers to and from the savings account will be free and no inactivity fee will be assessed. In addition, there will be no minimum balance required to open an account and no monthly minimum balances.

"This new savings component will fit seamlessly into our existing Netspend All-Access debit card product," said Roy Sosa, president and founder of Netspend. "The processing mechanics are really nothing new. But the concept of a debit card savings account is both creative and groundbreaking."

FiSCA and Netspend anticipate launching the national savings program within months and have begun planning multiple kick off events and a national marketing campaign.

FiSCA TEAMS WITH NETSPEND TO BRING CONSUMERS DEBIT CARD SAVINGS PROGRAM

The Financial Service Centers of America (FiSCA) and Netspend Corporation of Austin, Texas, are partnering to bring FiSCA members and their customers a unique savings program based on an interest-bearing, federally insured deposit account attached to a prepaid debit card.

The new savings program will provide financial service centers' customers with a simple, secure and convenient savings vehicle, giving millions of unbanked or under-banked consumers a savings fund to assist them towards long-term financial empowerment.

Gary A. Dachis, FiSCA's Chairman, said the savings program will be rolled out to FiSCA's national membership later this spring following a brief and targeted pilot program.

"We are very excited about the launch of this new consumer savings program and look forward to working closely with an industry innovator like Netspend," Dachis said. "FiSCA's exclusive savings card will be unique in the industry and could help millions of Americans save money for a new house, a new car, or for their child's college education. This is truly an historical moment for the association, the industry and the American consumer."

The FiSCA savings card concept has received early praise from industry members and regulators alike. Michael S. Barr, former U.S. Department of the Treasury deputy assistant secretary for community

FiSCA MEMBERS BENEFITS PACKAGE ON THE WAY!

On January 10, 2005, FiSCA's Board of Directors approved a FiSCA Sponsored Association Health Program. This member-only benefit will be offered through Health Benefits Professionals & Association Health Programs (HBP-AHP) of Overland Park, Kansas. The Program will include health insurance, life insurance, long-term care insurance, cancer coverage, disability, dental insurance...and more.

FiSCA members will have the opportunity

to join clients of HBP-AHP, serving over 85 associations with up to a million members. They offer all national "A" rated insurance companies. Members will be able to obtain enhanced benefits for themselves, their families, and their employees – both full, and part-time!

The program will be offered in the late spring of 2005. FiSCA members will receive information in the mail and will also be able to learn more at www.fisca.org.



CONTRIBUTING TO OUR COMMUNITIES

ACE Cash Express, Inc. supports charities nationwide. Each year, ACE donates one percent of their previous fiscal year's net income to worthwhile causes in communities all across the country. ACE's customers and employees also provide generous funding to help children, promote education and foster financial literacy. During 2004, ACE provided over \$208,000 to various charities across the country.

Checksmart joins Cell Phones for Soldiers. Checksmart is a progressive sponsor and will serve as a cell phone collection center.

Cell Phones for Soldiers is designed to help buy calling cards to send to our soldiers serving in the Middle East. Started in April of 2004, **Cell Phones for Soldiers** has raised more than \$150,000.00 and has sent more than 4,000 prepaid calling cards to our troops.

Illinois Small Loan Association (ISLA) awards scholarships. Four graduating high school seniors received scholarships totaling \$10,000 from ISLA. The scholarships were awarded for academic excellence and community involvement.

United Check Cashing centers gearing up for the Second Annual Scholarship Program.

In the spring of 2004, United Check Cashing franchisees partnered with their franchiser, United Financial Services Group, and Travelers Express Company, Inc., to award deserving college-bound students with scholarship grants. The first year of this program was a resounding success, endowing \$1,500 grants to five deserving high school seniors in Pennsylvania, New Jersey and Texas. The funds were raised through contributions made by over 60 participating franchisees that contributed one penny for every Travelers Express MoneyGram money order sold over the course of a calendar quarter. MoneyGram International and United Financial Services Group then matched the franchisees' contributions, tripling the funds raised.

Thank you to all FiSCA members who responded to our call for submissions. Email your submissions to Kyle Kotary at kkotary@eric.mower.com. The deadline for submissions for the next issue is April 21.

KEEP AN EYE ON...

Prepaid Cards. More and more state and local governments are turning to nationally branded prepaid debit cards as payment vehicles. Like businesses and other organizations, states are looking to use debit cards to reduce the costs and overhead associated with distributing paper checks. Visa USA reports that 13 states are distributing its prepaid cards for child-support programs. Some industry experts predict that soon all 50 states will embrace nationally branded, signature-based prepaid cards.

STATE ASSOCIATION SPOTLIGHT

COMMUNITY CURRENCY EXCHANGE ASSOCIATION OF ILLINOIS

Since its creation in 1937, the Community Currency Exchange Association (CCEA) of Illinois has made community involvement and charitable giving a top priority. The result: a nearly 70-year legacy of public service.

So when the December 26th Tsunami hit Southeast Asia, what did the Association do? They launched a statewide campaign to collect



monies at all 620+ Currency Exchanges in Illinois to support the relief effort.

John Iberl, President of the Association, said, "The devastating size and scale of the tsunami disaster made it a moral imperative to be

involved. CCEA has a history of giving back to our communities, and our members are well known for their generous giving. This is one more way we can reach out and make a positive difference in people's lives."

Due to their long-term presence in the most affected areas and their stellar reputation, CARE was selected to be the recipient of all funds donated and collected by CCEA through the end of February.

The Association sent out collection canisters and window signs asking all those who frequent the 620 currency exchange locations to "leave their change behind" for the CARE tsunami relief efforts.

CARE is one of the world's leading humanitarian organizations fighting global poverty. Their integrated projects include emergency relief, community rehabilitation and long-term solutions to poverty. CARE has decades of experience in the hardest hit countries, and will stay on after the initial emergency has passed, working alongside families throughout the region to overcome poverty.

Matthew Kurtzman contributed to this article.

STATE ROUNDUP

ARKANSAS

Arkansas Attorney General Mike Beebe has begun investigations into out-of-state payday lending companies with ties to several Arkansas check cashing and payday-lending companies for possibly violating the Arkansas constitutional usury limit. He also said he has filed lawsuits against two Arkansas payday lenders that provide Internet services.

CALIFORNIA

The California Financial Service Providers (CFSP) has chosen the Esmeralda in the Palm Springs area as the site for their 2005 convention. The convention's theme is "Expand Our Knowledge." CFSP has extended the convention a day beginning on Sunday evening, April 24, and concluding Wednesday morning, April 27. For information, visit <http://cfsonline.com>; call CFSP at 1-800-775-5220; or e-mail CFSPoffice@aol.com.

Bank of America has reached a settlement of a California class action lawsuit over its \$5 check cashing fee. The suit was brought last April on behalf of California employers who claimed that the bank's check cashing fee, charged to employees, could place employers in violation of the California Labor Code. Under the terms of the settlement, the Bank is offering 12 months of direct deposit payroll services at no charge for a promotional period. A similar lawsuit is pending against Wells Fargo & Co.

FLORIDA

FSCF has been busy developing a legal library, improving its dishonored check notification program and launching a new website (www.fscfl.com). FSCF was also very active in the last election cycle, publicly endorsing candidates at the state and federal level.

To capitalize on Florida's excellent demographics, big banks from across the country have rapidly acquired Florida's community banks in the past few years. Last year alone, 15 Florida-based banks were acquired. In the past five years, 71 banks there have been involved in mergers or acquisitions. Few of the buyers were midsize Florida banking companies. Out-of-state corporations, led by Bank of America, Wachovia, and SunTrust, dominated. In fact, those three now control more than 46% of Florida deposits - and the 11 largest banks in the state are based elsewhere.

IDAHO

Idaho lawmakers will consider new legislation this year that would formally legalize but also restrict so-called title loans, in which people put up their vehicles as collateral for loans with expensive interest rates. With a title loan, borrowers give their vehicle title to a lender, who then puts a lien on it. When the loan is repaid, the title is released back to the owner.

ILLINOIS

The Community Currency Exchange Association of Illinois has launched a new fresh-looking website. Check it out at www.mycurrencyexchange.com. (See State Association Spotlight for the Association's efforts in community involvement.)

MISSOURI

Missouri Attorney General Jay Nixon called for reform to the payday loan industry, citing a January 2005 report saying the businesses charged annual percentage rates of more than 400 percent on average. A Missouri Division of Finance's report found the number of payday loans has increased in recent years. The division issues its findings on payday loans every two years. The most recent survey, which covered Oct. 1, 2003 through Sept. 30, 2004, noted that payday loans had increased 30 percent from the division's previous report, which was released in January 2003. The survey also said that between Oct. 1, 2003 and Sept. 30, 2004, Missouri residents borrowed \$626 million from payday lenders.

NEW MEXICO

New Mexico is one of two states with no limitations on how much interest payday, title and tax refund anticipation lenders can charge. Nor does it regulate the number of such loans a consumer can obtain, or how many times the lender can roll over, or refinance, the loan. Two pieces of proposed legislation aim to change that. One would cap interest rates for such loans at 36 percent. Another would limit rollovers and total fees to twice the original loan amount and require short-term lenders to check whether customers have outstanding loans before providing another. The number of short-term cash lenders in New Mexico has exploded from about 23 to 520 in the past 10 years.

NEW YORK

The Financial Service Centers of New York have revamped their website (www.fscny.org). The association's recent efforts have included expanding the POB program with credit unions, and launching its FidoLink program, which will ensure members quickly receive return items.

In a letter to *American Banker* printed on January 21, 2005, New York Superintendent of Banks Diana Taylor said, "We know better than most how valuable they [check cashers] are to our economy and how essential the services they provide are to hundreds of thousands of New Yorkers. People who want and need to use check cashers should use check cashers."

The New York City Council moved to improve disclosures on payday loans. The Council's Committee on Consumer Affairs approved an initiative to enact city laws to help consumers understand the costs of payday loans.

PENNSYLVANIA

In December 2004, Pittsburgh's City Council approved a bill by Councilman William Peduto that would keep check-cashing outlets out of neighborhood business districts. The anti-check casher bill restricts check cashers from being open nine hours a day, bans them from being within 500 feet of residences, and prohibits security devices like bars or chains that can be seen from public streets or sidewalks.

TEXAS

West Texas Credit Union in El Paso is one of seven credit unions across the nation selected for a pilot program to develop alternatives to high-interest, short-term "payday" loans. The credit union recently received a \$25,000 grant from the JPMorgan Chase Foundation and the nonprofit National Federation of Community Development Credit Unions to participate in the program.

Texas is considering an electronic benefits transfer card that would combine smart card, magnetic stripe, biometrics, and possibly contactless technologies for use with state and federal assistance programs. The Texas Health and Human Services Commission has issued a request for information about hybrid cards. The goal is to produce a single card to reduce fraud, waste, and the costs of using different cards or paper coupons for various programs.

UTAH

The Utah State House unanimously approved a bill that would ban the practice of sending unsolicited checks to entice the public into signing up for a service. But the bill exempted payday loan and other small, regulated financial institutions, after it was amended on the House floor.

WASHINGTON

A new report on payday lending in Washington State indicates that payday loans grew by 84% from 2000 to 2003, representing more than \$1 billion in such loans. The report, released by Washington's Department of Financial Institutions, found the average loan was for \$378, the average fee was \$49.21, and the average term was 17.9 days. Approximately 194,000 consumers took out payday loans from those companies in that time. Nearly half of those people took out loans two to nine times a year, and 10 percent of the borrowers took out payday loans 20 or more times in 2003.

WISCONSIN

In 2004, Wisconsin saw 61 new payday lending outlets open, 18% more than a year earlier. Over the last 10 years, the number of places to get a payday loan in the state has increased from 17 to 399. In 2003, the latest year for which the statistic is available, payday lenders issued \$428 million in loans in Wisconsin.