

## ► Trying to create a level playing field for Financial Service Centers



Neil Goldstein,  
President of the  
Maryland Association of  
Financial Service Centers,  
and  
Gold's Check Cashing,  
Baltimore, MD

When it comes to check cashing, Maryland is a tale of two industries. There is the licensed financial service center industry that includes approximately 350 operators across the state, most of whom have between one and three stores. In addition, this category also includes Wal-Mart, Sam's Club and other "big box" retailers. Then, there are those companies exempt from licensing because they purportedly cash checks as a sideline, as a courtesy to their customers. However, according to Neil Goldstein, President of the Maryland Association of Financial Service Centers, many are as vested in the check cashing business as most licensed check cashers. While it is difficult to say with certainty, stores that provide such a service –

including liquor, convenience, and grocery stores – may outnumber those with licenses by five to one or more, according to Goldstein. What accounts for the fact that there are so many more unlicensed operators and that their precise number is unknown?

"Right now, Maryland has a two-tiered system when it comes to check cashing," explained Goldstein. "If you charge less than 1.5% to cash any check, you don't have to be licensed; if your rates are higher, then you're supposed to be licensed with the Department of Financial Regulations." Licensed operators can charge 2% to cash government checks, 4% to cash payroll checks, and 10% to cash personal checks.

"We have an honor system and, as you might expect, it can lead to abuse," continued Goldstein. "For one thing, many unlicensed operators, because of the lack of regulatory oversight, charge whatever fees they want to cash checks. There are stories of fees as high as 15%. In addition, customers have no idea that there is a two-tiered system. So, unless they use a licensed operator, they may not know the rate they are being charged to cash their checks until after the transaction is completed."

To address this situation, the Maryland association is working on a consumer protection reform measure that would help create a more level playing field. Under one draft proposal, every business that cashes a check would be required to register with the state and provide customers with a transaction receipt. In addition, all

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such businesses would be required to post signs indicating the rate they charge, whether they do so at the exempt maximum of 1.5% or at the state-approved licensed rates. The association may seek to amend the law in a future state legislative session.

#### MANAGING BANK DISCONTINUANCE

Like much of the rest of the country, the industry in Maryland is suffering from bank discontinuance. Following the closure of A&B Check Cashing, all banks in Maryland reexamined their MSB accounts. Many "discontinued" them and virtually

everyone else changed the conditions for retaining the accounts. "The industry is managing, but it is critical that no other banks cease serving our industry."

#### BUILDING BRIDGES TO NEW REGULATORS

While the industry has had its share of ups and downs with the banks, over the years it has enjoyed a solid relationship with its state regulators. However, last November a new Commissioner of Financial

Regulation, Sarah Bloom Raskin, was appointed. She did not have a great deal of familiarity with the industry. In response, Goldstein served as the industry's ambassador for this first introductory meeting. "I implemented a full education and advocacy campaign," Goldstein explained. It included providing an overview of both the industry and the customers who use it, and sharing with the commissioner the latest customer satisfaction survey and information on the National Savings Program and the FiSCA/PRBC initiative. "She was very inquisitive and open-minded, and I think we started building a solid relationship."

#### THE INDUSTRY'S FUTURE

Looking ahead, Goldstein sees a stable industry – one that must adapt to a changing marketplace. The industry must continue to offer new services to balance the overall decline in the number of checks being cashed. "For example, I have found offering the NetSpend prepaid debit Visa card helps customers who must direct deposit government support or payroll checks. NetSpend offers them a way to do that without opening up a bank account," explained Goldstein. "In addition, the Wal-Marts of the world will continue to offer a challenge, although they lack the personal touch and, as a rule, aren't located in the same areas as our members." ■

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