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THE MARYLAND HOUSE OF DELEGATES ANNAPOLIS, MARYLAND 21401

Testimony in Support of HB1196 - Financial Institutions - Check Cashing Services - Licensing

The purpose of this bill is to ensure that all businesses offering check cashing services are licensed or registered with the State of Maryland.

Right now, predatory unlicensed check cashing businesses are penalizing poor and low-income communities around our State.

Individuals living in poverty should not pay more for cashing their checks because they do not have access to a licensed/registered check cashing business or a more traditional financial institution. This bill will level the playing field and ensure that all check cashing businesses are either licensed or registered, and in compliance with State law.

Currently, certain businesses that cash checks do not have to be licensed if they charge no more than a 1.5% fee.

This exemption has created confusion as customers have no knowledge that some businesses are licensed and others are not. Unlicensed check cashers do not have to post rates or keep records, which means there are no consumer protections for those using unlicensed check cashers.

These individuals likely have no idea that they shouldn't be charged more than a 1.5% fee and have no knowledge of how to file a complaint if they are charged an exorbitant rate.

DLLR estimates that 772 businesses are providing check cashing services in Maryland. Only 273 are licensed with DLLR, which means that about 500 check cashing businesses are operating without a state license.

Our original bill from last year would have required any business who cashed a check to obtain a license.

We received concerns about that bill imposing an unnecessary cost on businesses who sparingly cash checks for friends and colleagues at their business. We added a registration option in an attempt to appease this concern. This year, we are proposing that a business may register in lieu of licensing, if they meet the following requirements:

- o Charge a fee of no more than 1.5%,
- o Cash ten (10) or fewer checks per month,
- o Register as a Money Service Business with the U.S. Treasury Dept. as "check cashier,"
- o Transactions are conducted on the interior of the business,
- o Check cashing services are not advertised in any manner,
- o A receipt is provided to the customer, and

o They complete and submit a registration form to DLLR

With the implementation of HB1196, any business who cashes a check in the State of Maryland must either be a licensed check cashing service, or register as a check cashing service with DLLR.

HB1196 will also enhance consumer protections for those using check cashing businesses by requiring licensed or registered check cashers to prominently display the phone number of the DLLR Commissioner of Financial Regulation, as well as a brochure documenting check cashing service regulations.

I respectfully request a favorable recommendation on HB1196.