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H.B. 5313 and H.B. 5315 -- Check cashing fees

Banks Committee Public Hearing -- February 17, 2009
Testimony of Raphael L. Podolsky

Recommended Committee action: NO ACTION

The maximum fee which can be charged by a check cashing service for cashing a check, as set by Banking Commissioner regulations, is 2% of the amount of the check. Prior to 2005, the maximum amount of a private check which could be cashed by such a service was for \$2,500, so that the a fee for such a check could never exceed \$50. In 2005, however, the private check maximum was increased to \$6,000, effectively allowing check cashers to receive as much as \$120 for the cashing of a single private check. At the same time, the statutes were amended to impose a minimum fee of \$1, thereby allowing check cashers to raise their fees for the cashing of small checks (those under \$50). Moreover, check cashing services are subject to no dollar maximum on the amount of a tax refund check, a payroll check drawn on a business account, an insurance payment check, a bank-certified check, or many other checks viewed by the statute as unlikely to bounce. The check casher can charge a 2% fee on them as well, even though the risk of a bounced check is very low.

H.B. 5315 now seeks to increase check cashing fees on all checks by 25% – from 2% of the amount of the check to 2.5% of the amount of the check. A \$2,000 tax refund check will cost \$50 to cash. A \$1,200 payroll check will cost \$30. The \$6,000 maximum private check will jump from \$120 to \$150.

In addition, H.B. 5313 proposes to raise the maximum private check that can be cashed from \$6,000 to \$15,000. When combined with the rise in the maximum check percentage, this translates to a fee of up to \$375 on a single check.

The fees allowed by Banking Commissioner regulation are adequate, and the check cashing statute should not be changed.