
Government of the District of Columbia



Department of Insurance, Securities and Banking

Testimony of
Gennet Purcell
Commissioner

A Public Hearing

on the

Bill 18-516
Financial Protection Amendment Act of 2009

Committee on Public Services and Consumer Affairs
Muriel Bowser, Chairperson
Council of the District of Columbia

June 2, 2010
10:00 a.m.

John A. Wilson Building
1350 Pennsylvania Avenue, NW, Room 500
Washington, DC 20004

Good morning Chairperson Bowser, Members of the Committee on Public Services and Consumer Affairs, and Committee staff. I am Gennet Purcell, Commissioner of the Department of Insurance, Securities and Banking (“DISB” or “Department”) and I appreciate the opportunity to present testimony today on Bill 18-516, the Financial Protection Amendment Act of 2009 (“Bill”)

In summary, the Bill is an effort to amend two existing laws. The Bill amends the Check Cashers Act of 1998 to reduce the maximum fee that could be charged to cash a check in the District. The legislation also would amend the Money Transmitters Act of 2000 to require the disclosure of fees and other information as well as a receipt for money transmission transactions. Both of these amendments are intended to enhance consumer protection in the District, particularly for those consumers who are under-banked and, therefore, rely most heavily on check cashers and money transmitters to conduct their financial transactions. Currently, DISB currently regulates check cashers and money transmitters.

The amendment to the Check Casher Act would establish a maximum check cashing fee limit of the greater of 2 percent of the amount of the check, or \$4.00, regardless of the type of check. This is a reduction from the current limits contained in the Check Cashers Act of 1998 that permit fees up to 5 percent of a government or payroll check, 7 percent of an insurance check, and 10 percent of a personal check or money order, or \$4 whichever is greater. The proposed reduction to a maximum fee would “level the playing field” for all check cashers and provide uniformity to customers across the

City regardless of the type of check cashed or the location of the check cashier.

At present, the Department licenses about 90 check cashers that are authorized to operate from about 120 locations in the District. With the exception of a few multi-state operators, the majority of these check cashers are owners and operators of small local businesses like convenience stores, laundry mats, and liquor stores. In the course of working with these check cashers, most of them state that check cashing is only an ancillary service to their primary businesses and that they do not charge the maximum fees permitted because competition among them pushes down rates. Some of the licensees only charge as low as 1 percent.

I would like to note the District is working to reduce the number of residents that are forced to rely on non-banking institutions. For example, our Department worked with the Office of the Deputy Mayor for Economic Development and others to launch the Bank on DC program which is aimed at assisting the unbanked and under banked in the District to access mainstream financial services and thereby reduce their dependence on check cashers.

The other purpose of the Bill is to amend the Money Transmitters Act. Specifically, the Bill would establish the following new requirements concerning the receipt that must be provided to the customer at the time the transaction is initiated:

1. the receipt must state the amount of the money transfer and the fees charged;

2. if a foreign currency rate of exchange is fixed in advance, the receipt must include the rate of exchange and the length of time the payment will be made at that rate; and
3. if a foreign currency rate of exchange is not fixed in advance, the receipt must indicate that the rate of exchange will be determined when the recipient receives the funds.

The Department supports these proposed requirements that are intended to provide the money transmission customer with more detailed information to confirm the amount of the transaction, the fees charged, and the exchange rate provisions. These disclosures also would provide consumers with confirmation of the terms of the transaction and eliminate any confusion that might result from a transaction that is initiated in one currency, usually dollars, and paid out in the currency of another government. These new safeguards should be particularly helpful to the large number of District residents with strong family ties to a foreign country that make a significant number of money transfers to their families.

In closing, the Department is supportive of the legislation and the important improvements to consumer protection that are proposed. Thank you again for the opportunity to testify and I am available to respond to any questions or requests you might have now or during your further deliberations on the Bill.