

**FINAL REPORT OF THE  
JOINT SUBCOMMITTEE STUDYING**

**The Availability of Affordable  
Banking Services to Low- and  
Moderate-Income Consumers,  
Bank Policies on Cashing  
Government Checks for  
Nondepositors, and The  
Emergence of Unregulated  
Check-Cashing Businesses  
in Virginia**

**TO THE GOVERNOR AND  
THE GENERAL ASSEMBLY OF VIRGINIA**



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Table of Contents

I. *Executive Summary*..... pg. 1

    A. *Authority for Study*..... pg. 1

    B. *Overview*..... pg. 2

    C. *Study Participants and Their Perspectives*.. pg. 3

    D. *Summary of Subcommittee Findings and  
        Recommendations*..... pg. 5

II. *The Subcommittee's Deliberations*..... pg. 8

    A. *The Availability and Affordability of  
        Low-Cost Checking Accounts*..... pg. 8

    B. *Bank Policies on Cashing Checks for  
        Nondepositors*..... pg. 12

    C. *Identification Needed by Banks to Reduce  
        Fraud and Minimize Losses*..... pg. 14

    D. *Fees and Practices of Check-Cashing  
        Businesses*..... pg. 16

    E. *Electronic Alternatives to Check-Based  
        Public Benefits Delivery Systems*..... pg. 18

    F. *Financial Illiteracy: A Potential Barrier  
        to Banking System Participation*..... pg. 20

III. *Legislative Action*..... pg. 21

IV. *Conclusion*..... pg. 21

V. *Index to Appendices*..... pg. 23

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**REPORT OF THE JOINT SUBCOMMITTEE  
STUDYING THE AVAILABILITY OF AFFORDABLE BANKING SERVICES  
TO LOW- AND MODERATE-INCOME CONSUMERS,  
BANK POLICIES ON CASHING GOVERNMENT CHECKS  
FOR NONDEPOSITORS, AND THE EMERGENCE OF  
UNREGULATED CHECK-CASHING BUSINESSES IN VIRGINIA.**

to

**The Governor and the General Assembly of Virginia  
Richmond, Virginia**

**To: The Honorable L. Douglas Wilder, Governor of Virginia,  
and  
The General Assembly of Virginia**

**I. Executive Summary**

**A. Authority for Study**

Senate Joint Resolution 226 (SJR 226) of 1989 (Appendix A) established a joint subcommittee (the Subcommittee) to study the availability of banking services to lower income groups; threshold identification requirements for banking services and its impact on low- and moderate-income consumers; and the unregulated check-cashing industry.

The seven-member Subcommittee was comprised of three members of the Senate Committee on Commerce and Labor appointed by the Senate Committee on Privileges and Elections, and four members of the House Committee on Corporations, Insurance and Banking appointed by the Speaker of the House.

Senator Robert C. Scott served as Chairman of the Subcommittee. Other members appointed to serve from the Senate were Richard J. Holland and J. Granger Macfarlane.

Delegate Gladys B. Keating served as the Subcommittee's Vice-Chairman. Other members appointed to serve from the House of Delegates were V. Thomas Forehand, Jr., George H. Heilig, Jr., and William T. Wilson.

Arlen Kent Bolstad, Esq., Mark C. Pratt, Research Analyst, and C. William Crammé III, Esq., all of the Division of Legislative Services, served as legal and research staff to the Subcommittee. Tom Gilman, Chief Senate Committee Clerk, provided administrative assistance to the Subcommittee.



## **B. Overview**

**1. Summary of the issues and the Subcommittee's work.** The Subcommittee examined four issues:

- 1. The availability of affordable checking accounts from Virginia banks and savings institutions;**
- 2. Bank policies on cashing government checks for nondepositors;**
- 3. Identification of individuals needed by banks to reduce fraud and minimize losses; and**
- 4. Fees and practices of check-cashing businesses.**

The Subcommittee held its first meeting in Richmond on June 23, 1989. An initial staff report summarizing the study issues and available background materials was presented; testimony was received from key interest groups, including representatives from consumer groups, financial institutions' trade associations, a state check-cashers association, and low-income service organizations such as the Virginia Poverty Law Center.

The Subcommittee subsequently convened public hearings in Chesapeake, Roanoke, and Alexandria. Two final meetings were held in Richmond to receive summary reports from interest groups, review all recommendations received during the study, and establish study findings and final Subcommittee recommendations to the Governor and the General Assembly.

**2. Study focus; policy considerations.** A significant segment of the Commonwealth's population does not participate in the banking system. That is, they do not own checking or savings accounts, and they do not use financial institutions to pay their bills or manage their financial affairs. A high percentage of individuals and families outside the banking system are in the lower income groups.

These observations raise three questions--one of policy and two of fact. First, the questions of fact: Whether basic banking services are currently available and accessible to individuals in the Commonwealth with low and moderate incomes. Second, whether individuals in this economic group remain outside the banking system because of structural barriers in the banking system or simply as a matter of preference or choice.

The question of policy is simply whether the Commonwealth should require banks and savings institutions to provide discounted or free financial services to this or any income group to encourage their participation in the banking system. A related question is whether financial institutions alone or all citizens of the Commonwealth should bear the direct and indirect costs of providing such services.

3. **Federal activity.** During the 101st Congress, two bills were introduced in the United States Senate requiring federally insured financial institutions to provide certain financial services to lower income groups. First, S-906 would require these institutions to cash nondepositors' government checks; cashing fees would be limited to amounts sufficient to recover costs. S-907 would require federally insured institutions to offer low-cost, basic transaction ("lifeline") checking accounts. At this writing, both bills are before the Senate's Committee on Banking, Housing and Urban Affairs. Companion bills, HR-3180 and HR-3181, were introduced in the U.S. House of Representatives and are presently before the House Committee on Banking, Finance, and Urban Affairs.

4. **Sister-state activity.** Massachusetts financial institutions are obligated to cash federal and state pension checks, Social Security checks, and Supplemental Security Income checks, without charge, for those who register at the cashing bank. Illinois banks must offer a basic banking account to those age 65 and older. Minnesota requires financial institutions to offer a basic, low-cost checking account to those whose family income is below the federal poverty line. Connecticut law directs banks to cash public assistance checks, without charge, and indemnifies them against fraud-related losses. New York, Connecticut, Illinois, and New Jersey license check-cashing stores and set limits on cashing fees.

### **C. Study Participants and Their Perspectives**

The study resolution is addressed to "low- and moderate-income consumers." However, the study focused almost exclusively on the financial services needs of poverty-line groups--primarily those who receive public assistance through Aid to Families with Dependent Children, general relief, food stamps, Supplemental Security Income, and other state and federal programs.

1. **Consumer group contentions.** This study was advocated by the Virginia Citizens Consumer Council (VCCC) and other consumer groups who maintained that a significant number of low- and moderate-income consumers do not participate in the banking system because certain banking practices and policies discourage checking account ownership by members of this economic class.

VCCC representatives cited prohibitive balance requirements (opening and monthly), discriminatory identification requirements, steep monthly maintenance charges, and stiff returned-check charges as several explanations for the general lack of banking account ownership by this group. The VCCC surveyed a number of lower income consumers to gather information about that group's participation in and attitudes toward the banking system. The survey was conducted while this study was underway. A VCCC report summarizing the survey's results was submitted to the Subcommittee (Appendix B).

The VCCC also maintained that many Virginia financial institutions refuse to cash government public assistance checks for nondepositors or will do so only if paid sizeable cashing fees. These practices, they suggested, relegate many lower income individuals--particularly public benefits recipients--to the services of commercial check cashers, who charge excessive fees. Additionally, the VCCC suggested that the fees and practices of check-cashing stores were such that state regulation by the State Corporation Commission was warranted.

Finally, the VCCC reported, many financial institutions require forms of identification to open an account or cash a check that members of low- and moderate-income groups are unlikely to have: credit cards, bank cards, employee I.D.s, and driver's licenses. Moreover, they said, many banks are unwilling to rely on the nondriver photo I.D. issued by the Department of Motor Vehicles and reportedly used by many in this income group as a primary, if not sole, source of identification. Thus, the VCCC suggested, low-income individuals are caught in a double bind: they are unable to obtain the I.D.s preferred; the I.D. they have is deemed unreliable.

**2. Financial institutions' responses.** Representatives from Virginia's financial institutions and thrifts responded to the broad range of concerns raised by the VCCC. They declared that the Commonwealth's financial institutions are responsive to the banking needs of lower income groups within their respective communities. They informed the Subcommittee of the widespread availability of lower cost checking accounts from financial institutions across the Commonwealth.

Officers from banking institutions of various sizes presented an array of information about basic, limited-transaction accounts currently available, check-cashing policies, identification requirements, and statewide banking education programs sponsored by the Virginia Bankers Association (VBA). A survey of the VBA's members to determine prevailing fees and charges associated with a variety of checking accounts was also compiled and presented to the Subcommittee (Appendix C).

**3. Check-cashers' responses.** The Virginia Check Cashers Association (the Association), a trade organization representing check-cashing businesses in the Commonwealth, informed the Subcommittee about that industry's organization, costs of operation, and fee structure. They emphasized a competitive fee structure, the absence of any widespread dissatisfaction with their services, and the voluntary nature of their business. They stated that the Association, through self-regulation, was capable of establishing uniform trade practices within the industry. Their position paper is Appendix D.

**4. State agencies' input.** The Department of Social Services (DSS) provided information about its identification program that makes a photo I.D. card available to all recipients of Aid to Families with Dependent Children (ADC) and other DSS benefits. The I.D.'s purpose is to help program recipients cash their benefits checks. The Department of Motor Vehicles (DMV) also provided its perspective on the question of the overall reliability of identification cards issued by the DMV -- particularly that of the nondriver, or so-called "walking," I.D. Acknowledging some difficulties with fraud, DMV representatives said that the agency is working hard to improve its issuance program.

**5. Technological advances and alternatives.** Members of the financial community also focused on new developments in electronic banking technology, suggesting that direct deposit of public assistance checks would alleviate the cashing difficulties reported by the VCCC. At the same time, banks would be freed from their concern about check fraud, since checks are eliminated.

In addition, electronic disbursement of public benefits through automated teller machines (ATMs) and retailer point-of-sale (POS) terminals was described to the Subcommittee by a Texas-based company presently providing this service in Maryland. Electronic Benefit Transfer (EBT) system proponents suggest that this is the wave of the future, pointing out its potential for significant cost savings through paper check elimination.

6. Low-income consumer education and other education programs. The Virginia Cooperative Extension Service was represented at the Subcommittee meetings on a number of occasions. The Subcommittee was informed about a highly organized program using volunteers to provide financial counseling to families experiencing difficulties managing their finances. Additionally, the Subcommittee was addressed by a representative of the Young Bankers section of the Virginia Bankers Association. The Subcommittee learned about their volunteer program to provide consumer education about banking services to community groups and to students in the public school system.

#### D. Summary of Subcommittee Findings and Recommendations

After hearing the testimony presented by citizens and interest group representatives, and following its review of evidence received through surveys, position papers, and independent staff research, the Subcommittee made the following findings and recommendations:

##### 1. FINDINGS: The availability of affordable checking accounts from Virginia banks and savings institutions:

a. Lower-cost checking accounts are offered by some of the Commonwealth's larger banks and community banks. The fees charged and services provided are suitable for persons with limited banking needs.

b. Lower-cost checking accounts and other discounted banking services, whether generally offered or limited to special groups such as senior citizens, require more publicity to ensure their accessibility to the groups most likely to benefit from them.

c. Provided that the low-cost checking accounts presently offered remain on the market, and provided further that current pilot programs are implemented to their widest extent, the market is providing adequate banking accounts for lower income groups; government intervention to mandate such accounts is not necessary at this time.

#### Recommendations

a. Encourage all Virginia financial institutions to publicize all low-cost checking accounts currently available in the market (Appendix G).

b. Encourage the Department of Social Services to inform ADC and other DSS benefits recipients that low-cost checking accounts are currently available from financial institutions (Appendix H).

c. Encourage the State Corporation Commission's Bureau of Financial Institutions to prepare and publish an annual consumers' guide to checking accounts in Virginia (Appendix I).

**2. FINDINGS: Bank policies on cashing government checks for nondepositors.**

a. Many, but not all, Virginia financial institutions cash government checks for nondepositors. Most charge a flat or percentage fee for the service.

b. Many public assistance check recipients utilize financial institutions to cash their assistance checks.

c. Public assistance check recipients can cash their checks at the issuing bank's branches, regardless of their depositor status and without any charge.

**Recommendations**

a. Encourage the Department of Social Services to advise its benefits recipients of the availability of banks that will cash their assistance checks, particularly the issuing banks that cannot charge for the service (Appendix H).

b. Encourage the Department of Social Services and the State Corporation Commission's Bureau of Financial Institutions to study the feasibility of requiring all financial institutions with state funds on deposit to cash nondepositors' public assistance checks, without charge, and with state indemnification against fraud-related losses (Appendix J).

**3. FINDINGS: Identification of individuals needed by banks to reduce fraud and minimize losses.**

a. Financial institutions depend on reliable forms of identification when opening new accounts and cashing checks.

b. Many low- and moderate-income individuals, particularly those on public assistance, are unlikely to possess preferred forms of identification, such as credit cards, employee I.D.s, and bank cards. Some may not have driver's licenses.

c. The DMV nondriver I.D. may be the only photo I.D. available to a significant number of lower income individuals. It is deemed unreliable by many financial institutions because of its reputed association with fraud.

d. Recipients of ADC benefits should utilize the DSS photo I.D. in order to ensure efficient cashing of their benefits checks.

### Recommendations

a. The Department of Social Services is encouraged to advise ADC and other DSS benefits recipients of the availability of the DSS photo I.D. through inserts placed in benefit check mailing envelopes (Appendix H).

b. The Department of Motor Vehicles is encouraged to develop a plan of action to improve the reliability of its nondriver photo I.D. (Appendix K).

#### 4. FINDINGS: Fees and practices of check-cashing businesses.

a. Check-cashing stores furnish essential financial services to many, including those without checking accounts.

b. Regulation of this industry should not be undertaken by the State Corporation Commission unless self-regulation is shown to be ineffective.

c. The Subcommittee received no evidence that firmly established any pattern of illegal, unethical, or exploitative business practices prevalent in the check-cashing industry.

d. Irregularities in posting and calculating charging fees can be addressed through the Virginia Consumer Protection Act. However, an entire regulatory scheme is not deemed necessary at this time.

e. The newly formed Virginia Check Cashers Association promised the development of trade standards for its membership and the Association should be given an opportunity to carry out its plan of self-regulation.

### Recommendations

Regulation of this industry should remain an open issue. The check-cashing industry should be reviewed in one year's time to ensure that self-regulation is accomplishing uniformity in trade practices among the Association's membership.

#### 5. FINDINGS: Alternatives to check-based public benefits delivery systems.

a. Concerns about check-cashing for public assistance recipients, the related problem of adequate identification needed by such recipients to cash checks, and the overall concerns about fraud on banks are tied principally to the use of paper checks.

b. Direct deposit and electronic benefit transfer (EBT) systems may present solutions to cashing problems while ultimately providing cost savings to the Commonwealth.

### Recommendations

a. The Subcommittee recommends that the Department of Social Services be directed to evaluate both direct deposit and electronic benefits transfer systems to determine whether either or both should be implemented in the DSS public assistance benefits delivery system (Appendix L).

b. The Subcommittee also suggested that the Department of Social Services confer with agency representatives from the Maryland Department of Human Resources about the structure and operation of the EBT system operational in Baltimore and the one planned for statewide implementation in the spring of 1990.

**6. FINDINGS. Financial illiteracy as a potential barrier to participation in the banking system.**

After reviewing the testimony received on this issue, the Subcommittee found that the volunteer programs currently providing economic information and training to consumers throughout the Commonwealth are helpful and commendable. These efforts should and must continue, particularly those of the Young Bankers section of the VBA and the Virginia Cooperative Extension Service. In addition, members of the Subcommittee suggested that consumer and economic education belong in the public schools curriculum and that instruction in personal finances and money management should begin in the primary grades and continue through grade twelve.

**Recommendations**

a. The Department of Education should incorporate basic business math, economic principles, banking skills, and financial management into the content of required and elective school curricular offerings at all levels (Appendix M).

b. The Virginia Cooperative Extension Service should expand its personal financial counseling program by making it available through more extension offices (Appendix N).

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**II. The Subcommittee's Deliberations**

**A. The Availability and Affordability of Low-Cost Checking Accounts**

1. Consumer group contentions. The VCCC maintained that basic banking accounts are not generally accessible to lower income groups throughout the Commonwealth. The VCCC defined a "basic" checking account as one that permits at least ten withdrawals (by check or otherwise) per month, has monthly service charges not exceeding \$3.00, and does not limit account customers to automated teller machine (ATM) transactions.

The VCCC submitted the results of its 1988 survey of six large Virginia banks to the Subcommittee. The survey reportedly found that five of the six banks surveyed provided basic, non-interest-bearing checking accounts with an average monthly maintenance charge of \$3.50.

Three banks permitted six checks per month without any additional charge, one permitted twelve, and another, five. The VCCC also told the Subcommittee that the majority of banks furnishing genuine, low-cost accounts were the smaller, community banks serving limited geographic areas in the Commonwealth.

The VCCC also stated that the lower cost accounts offered are not well publicized; that banks are unlikely to advertise or promote them. Moreover, the VCCC suggested that banks rarely inform new customers that lower cost accounts are available. Additionally, the VCCC suggested that while many discounted banking services are offered to senior citizens, regular account customers who qualify for discounted seniors accounts are rarely apprised of this opportunity.

While the study was underway, the VCCC surveyed a number of lower income consumers to explore this group's attitudes toward the banking industry and banking account ownership. The survey (Appendix B) reportedly found that (a) based on national averages, Virginia consumers receiving public benefits are less likely to have checking accounts than their counterparts in other states and (b) families without checking accounts tend to be larger, poorer, younger, and less educated than those within this income group who reportedly owned banking accounts.

The VCCC survey also reported that the primary reasons why these lower income consumers do not have checking accounts are (a) inability to save enough to open one, (b) unaffordable fees, (c) difficulty in managing a checkbook, and (d) a fear of bounced check charges. These consumers reported that they pay their bills with cash and money orders; many pay their bills in person.

The VCCC concluded that lower income consumers do not deliberately stay outside the banking system. Instead, the banking system is structurally oriented toward upper income consumers willing to exchange high average and monthly account balance requirements for interest on their deposited funds, and other inducements. Such an orientation, however, leaves little room for lower income consumers who cannot qualify for such services and must be satisfied with accounts that exact hefty account maintenance charges each month.

The VCCC contended that banking account ownership by members of this economic group becomes possible only when "no frills" accounts that encourage account ownership are widely offered. In a way, this consumer group argued, lower income consumers merely seek the same objective as their wealthier counterparts: banking services and fees commensurate with their economic circumstances.

The VCCC also suggested that the availability of all lower cost accounts--whether meeting the VCCC's ideal or not--should be widely publicized. They proposed that the State Corporation Commission's Bureau of Financial Institutions prepare an annual compilation of checking accounts available throughout the Commonwealth and publish it as a consumer's guide to checking accounts.



**2. Responses from the banking community.** The Virginia Bankers Association (VBA) was a key participant in the study, furnishing a number of witnesses and, like the VCCC, providing significant policy input. VBA representatives stated that most of Virginia's banks offer a low-cost basic checking account, charging monthly fees ranging from zero to \$3. They noted that many individuals may have no banking accounts for reasons tied to resource levels, privacy, education, and other miscellaneous reasons. However, they said, the price and pricing of banking services were the least likely explanations for low banking participation by this group.

After the study began, The VBA surveyed its membership to determine representative costs and fees associated with checking accounts in the Commonwealth. The VCCC participated in formulating the survey questions. Of 163 banking organizations, 126 responded to the questionnaire; survey results were reported to the Subcommittee (Appendix C).

According to the VBA's survey, banks offering lower cost, basic checking accounts required an average minimum opening balance of \$31.67; charged, on average, a monthly maintenance fee of \$3.04; and did not require minimum monthly balances to avoid additional fees. The VBA did not report how many checks were permitted each month by such accounts but noted that the range in the marketplace seems to be anywhere from a low of six to a high of twelve, with an average of approximately eight.

Bank officers from banks across the Commonwealth testified about the lower cost accounts their institutions offered. A Sovran bank officer said that Sovran, one of the Commonwealth's larger banks with 281 facilities statewide, offers a low-cost account that, for a \$3 monthly maintenance charge, permits its owner to write five free checks per month, without charge and without minimum monthly balance requirements. Permitted ATM use is unlimited. Account owners pay a 50¢ per-check service charge for each check exceeding the free check limit. Thus, if an account owner wrote ten checks in one month, fees and charges for that banking cycle would total \$5.50.

Dominion Bank, with 186 facilities statewide, reported that it is currently test-marketing a "basic" account in the Northern Virginia area that requires a \$2.50-per-month maintenance fee and permits an account holder ten checks per month without additional charge. Like Sovran's, the account requires no minimum monthly balance. One community bank, the First National Bank of Blacksburg, reported that it offers a basic checking account that features unlimited check-writing privileges and no minimum monthly balance requirement, all for a \$3-per-month maintenance fee.

First American Bank, with 103 facilities in the Commonwealth, reported that it offers, statewide, a basic account that, for a \$3 maintenance fee, permits an account customer to write six checks and access the account through ATM machines six times without any additional charge. Additional checks or ATM usages are assessed 50¢ and 25¢, respectively.

3. **Senior Citizens and others comment.** Representatives from the American Association of Retired Persons (AARP) and the League of Older Americans (LOA) appeared before the Subcommittee. They noted that senior citizens are frequently offered low-cost or free checking accounts and are provided a variety of free banking services. Thus, low-income senior citizens have access to a wide array of discounted banking services. However, they noted, many of these accounts receive little or no publicity from the institutions that offer them. Publicity, more so than availability, was a concern to them. Some bank representatives appearing before the Subcommittee conceded that publicity about such accounts was frequently limited to printed brochures available in bank branch lobbies.

4. **Findings and recommendations.** The Subcommittee reviewed all of the testimony and other evidence received on the issue of availability and affordability of low-cost checking accounts and made the following findings and recommendations:

#### Findings

a. Lower-cost checking accounts are offered by some of the Commonwealth's larger banks and community banks. The fees charged and services provided are suitable for persons with limited banking needs.

b. Lower-cost checking accounts and other discounted banking services, whether generally offered or limited to special groups such as senior citizens, require more publicity to ensure their accessibility to the groups most likely to benefit from them.

c. Provided that the lower-cost checking accounts presently offered remain on the market, and provided further that current pilot programs are implemented to their widest extent, the market is providing adequate banking accounts for lower income groups, and government intervention to mandate such accounts is not necessary at this time.

#### Recommendations

a. Encourage all Virginia financial institutions to publicize all low-cost checking accounts currently available in the market (Appendix G).

b. Encourage the Department of Social Services to inform ADC and other DSS benefits recipients that low-cost checking accounts are presently available (Appendix H).

c. Encourage the State Corporation Commission's Bureau of Financial Institutions to prepare and publish an annual consumers' guide to checking accounts in Virginia (Appendix I).

## **B. Bank Policies on Cashing Government Checks for Nondepositors**

**1. Consumer group contentions.** VCCC representatives asserted that the majority of the Commonwealth's larger banks will not cash government checks for nondepositors. Those that do, they said, charge too much for this service. As a matter of policy, the VCCC argued, scarce revenue dollars funding public assistance programs should be utilized for food and other essentials--not cashing fees.

They suggested that financial institutions are underpinned, ultimately, by the same taxpayers who fund the public assistance programs. Thus, they contend, financial institutions should cash ADC and other public assistance checks as a matter of course and obligation. Moreover, they noted, when financial institutions refuse to cash public assistance checks for nondepositors, these benefits recipients are forced to find expensive, alternate cashing sources. Check-cashing stores, they said, charge large fees to cash public assistance checks; other stores were said to require merchandise purchases as a precondition to cashing public assistance checks.

A representative from the Consumer Federation of America provided the Subcommittee a different angle on this issue. Check-cashing at a bank, she said, is a significant first step in a process intended to bring lower income consumers into the financial services mainstream. It is a matter of orientation and exposure. Once in the bank lobby, nondepositors can be urged to consider the benefits of a depository account. But, she concluded, many individuals from within this group are intimidated by banks; they need to become comfortable with the environment. Once that is achieved, further banking participation through account ownership is realistically possible. When banks offer to cash nondepositors' checks, they are setting this process in motion.

**2. The bankers respond.** VBA representatives observed that most of their members prefer to cash checks for those who maintain accounts with them. An ongoing relationship provides financial institutions some assurance that the paper instrument tendered for cash is presented in good faith and that there is no intent to defraud the institution. This essential comfort level is achieved through an account relationship.

The VBA survey (Appendix C) also inquired about bank policies concerning cashing checks for nondepositors. Of the 126 banking organizations responding, 94 (75%) said they cash checks for nondepositors, and 62 said they charge a fee for the service, averaging \$1.86. A small number charge a percentage fee.

Sovran bank representatives advised the Subcommittee that it charges nondepositors \$3 to cash their government checks, upon presentation of acceptable identification. A community bank, the Bank of Southside Virginia, reported that it charges two percent of a check's face amount to cash a nondepositor's check. First American Bank, one of the Commonwealth's larger banks, will not cash checks for nondepositors. Sovran reported that it costs \$1.10, on average, to cash a nondepositor's government check. The figure is a statewide average covering teller time and "back room" processing costs but not covering incremental staffing and other costs associated with the transaction.

The VBA also pointed out that banks issuing public assistance checks must, as a matter of legal obligation under the Virginia Uniform Commercial Code, cash checks drawn on them, without charge, regardless of the payee's relationship with the bank, or lack of one. Sovran Bank, for example, is legally obligated to cash each one of the 50,000+ ADC checks it issues each month on the Commonwealth's behalf, without charge.

Cancelled ADC checks furnished the Subcommittee an opportunity to find out where low-income participants in a sizeable public assistance program cashed their checks. Consequently, the Subcommittee's staff was directed to conduct a random sample of Sovran's cancelled ADC checks for this purpose. The Subcommittee staff sampled Sovran's cancelled ADC checks issued in February and June of 1989. Large sample sizes reduced the February sampling error to +/- five percent, and +/- three percent in June.

The survey report (Appendix F) showed that almost fifty percent of urban-area ADC recipients cashed their checks at banks, the majority of them at Sovran bank branches. In non-urban areas, banks cashed over seventy-five percent of the ADC checks sampled. Check-cashers cashed about seven percent of the checks in both samples.

The Subcommittee also discussed programs undertaken in other states to help public assistance recipients cash their benefits checks. In Connecticut, for example, financial institutions are required to cash public assistance checks, without charge. If state-prescribed procedures are followed, however, the state will indemnify them from fraud-related losses incurred when complying with this law.

The Subcommittee staff communicated with the Connecticut Department of Banking, the Connecticut Department of Income Maintenance (counterpart to Virginia's Department of Social Services), and Connecticut's banking trade organizations to determine the program's success since its January 1989 implementation. According to the agency contacts, the program is progressing smoothly. Connecticut's Department of Income Maintenance reported that there has been no perceptible increase in the number of checks cashed fraudulently since the program's inception. The Connecticut Savings & Loan League president advised the Subcommittee staff in September 1989 that the League had received no complaints about this program from any of its members.

The VBA maintained that the best solution to check-cashing difficulties is account ownership. They challenged the Subcommittee to compare the costs of a lower cost banking account with the necessary costs of paying a check-casher to cash a public benefits check. Check-cashers and some merchants frequently charge as much, or more, to cash one government check than a low-cost checking account costs for a month of service, VBA representatives said. A \$365 ADC check typically costs its recipient two percent of its face value (\$7.30) to cash at some check-cashing stores. Add to that, they said, the cost of money orders lower-income individuals usually incur to pay their bills, and the cost advantages of a checking account are readily apparent.

**3. Findings and recommendations.** After hearing the testimony and reviewing all other evidence submitted on this issue, the Subcommittee made the following recommendations and findings:

#### Findings

- a. Many, but not all, Virginia financial institutions cash government checks for nondepositors. Most charge a flat or percentage fee for the service.
- b. Many public assistance check recipients utilize financial institutions to cash their assistance checks.
- c. Public assistance check recipients can cash their checks at the issuing bank's branches, regardless of their depositor status and without any charge.

#### Recommendations

- a. Encourage the Department of Social Services to advise its benefits recipients of the availability of banks that will cash their assistance checks, particularly the issuing banks that cannot charge for the service (Appendix H).
- b. Encourage the Department of Social Services and the State Corporation Commission's Bureau of Financial Institutions to study the feasibility of requiring all financial institutions with state funds on deposit to cash nondepositors' public assistance checks, without charge, and with state indemnification against fraud-related losses (Appendix J).

#### C. Identification Needed by Banks to Reduce Fraud and Minimize Losses

1. Consumer group contentions. The VCCC maintained that the identification cards required by many financial institutions to open accounts or cash checks are frequently ones that individuals in lower income groups are unlikely to have. For example, individuals receiving public assistance are unlikely to have the credit cards, employee I.D.s, or bank cards that financial institutions prefer.

Additionally, the VCCC asserted, individuals unable to afford automobiles are unlikely to have driver's licenses, the most widely used form of identification. The DMV's nondriver photo I.D. may not be a suitable substitute, because many banks are unwilling to rely on it. Moreover, when banks refuse to honor that I.D., a low-income individual's ability to furnish any I.D. may be exhausted. The cumulative effect, consumer groups said, is a barrier between lower income consumers and the banking services they require.

2. Responses. The VBA's representatives emphasized the significant role that adequate and reliable identification serves in verifying the identity of a prospective banking customer. Reliable identification is the first line of defense against fraud, particularly when cashing checks and opening new accounts. They cautioned the Subcommittee that the DMV's driver's license and nondriver photo I.D.s are frequently obtained by individuals, using phony documentation, for the express purpose of perpetrating fraud against banks.

A DMV representative appearing before the Subcommittee acknowledged that fraud is a genuine concern at the agency but reported that DMV personnel are focusing on this problem and taking steps to address it through training and other measures.

A Department of Social Services representative advised the Subcommittee that its photo I.D. is extremely reliable since it is issued only to public assistance recipients who have been screened and determined eligible for benefits under a DSS program--usually ADC program participants. However, while a large number of such I.D.s have been issued, none of the 50,000+ ADC recipients are actually required to have them under state or federal law. The I.D. program was developed in 1987 as a cooperative effort with Sovran Bank, which became the Department of Social Service's issuing bank in 1986.

3. Findings and recommendations. The Subcommittee received testimony and other evidence on the identification issue and made the following findings and recommendation:

#### Findings

a. Financial institutions depend on reliable forms of for identification cashing checks and opening new accounts.

b. Many low- and moderate-income individuals, particularly those on public assistance, are unlikely to possess preferred forms of identification, such as credit cards, employee I.D.s, and bank cards. Some may not have driver's licenses.

c. The DMV nondriver I.D. may be the only photo I.D. available to a significant number of lower income individuals. It is deemed unreliable by many financial institutions because of its reputed association with fraud.

d. Recipients of ADC benefits should utilize the DSS photo I.D. in order to ensure efficient cashing of their benefit checks.

#### Recommendations

a. The Department of Social Services is encouraged to advise ADC and other DSS benefits recipients of the availability of the DSS photo I.D. through inserts placed in benefit check mailing envelopes (Appendix H).

b. The Department of Motor Vehicles is encouraged to develop a plan of action to improve the reliability of its nondriver photo I.D. (Appendix K).

#### D. Fees and Practices of Check-Cashing Businesses

1. The industry position. Representatives from the Virginia Check Cashers Association, a trade association representing most of the check-cashers in the Commonwealth, appeared before the Subcommittee. They testified that their membership is comprised of owners of small businesses who provide the service of check cashing for a fee. They stated that theirs is a business of convenience; that check-cashing businesses are, for some, an alternative to financial institutions--regularly or on an occasional basis. Comparing their services to those furnished by convenience stores (e.g., 7-11s), they maintained that their customers are willing to pay a little more for more convenient and accessible service. These businesses also sell money orders, and many have wire transfer capabilities.

Association representatives said that individuals without bank accounts use check-cashers to cash government or payroll checks. Others using their services are individuals or small businesses with checking accounts who, on an occasional basis, need ready access to cash and thus are unable to wait for a check to "clear" before funds from it are available. Some cash checks there because they lack the identification required by banks.

Finally, the Association's representatives stated that check-cashing is a competitive business. They maintained that their fees for cashing government checks are reasonable. In the case of ADC checks, 2 percent of the face amount was said to be a typical fee for the service. Consequently, services and fees are set by the marketplace; if cashing fees are too high, the availability of other cashing sources will bring the fees down or the business will lose its customer base. More importantly, they said, the heavy reliance of check-cashing businesses on repeat customers ensures fair prices through the natural process of competition.

The Association suggested that self-regulation was appropriate at this time and that the Association was developing a business code for use by its members with the intent that the Association would monitor compliance among its membership. Additionally, they said that an Association-sponsored hotline would soon be in place to take customer complaints.

2. Consumer group position. The VCCC and others maintained that check-cashers should be regulated by the State Corporation Commission. Such regulation, they urged, is necessitated by unfair business practices which, they said, commonly include charging excessive fees to cash ADC and other government checks and inadequate posting of fees and charges. They suggested that a recent federal indictment of several individuals associated with a Tidewater-area check-cashing business on money laundering charges is some evidence of the character and nature of this business.

The VCCC and others also stated that many lower income individuals do not elect to use check-cashing stores but are compelled to use them as a result of banking prices and practices that discourage banking account ownership by members of this group. Consequently, the VCCC urged the Subcommittee to recommend legislation (a) regulating the check-cashing industry and (b) setting maximum cashing fees chargeable by check-cashing stores.

3. Staff survey. The Subcommittee staff surveyed cashed ADC checks issued in February and June of 1989 (Appendix F). The survey showed that check-cashing stores cashed approximately seven percent of ADC checks issued to recipients in the urban areas of Richmond, Tidewater, and the Northern Virginia suburbs of Washington D.C.

4. Bureau of Financial Institutions input. The Subcommittee requested the State Corporation Commission to analyze the check-cashing regulatory schemes of other states, provide guidelines for regulating check-cashers in Virginia, and suggest a statutory scheme for such regulation. The statutory scheme was requested for the sole purpose of providing guidance to the Subcommittee in the event it recommended regulation of this industry. The SCC's Bureau of Financial Institutions prepared a model statute patterned after some utilized in other states (Appendix E).

5. Findings and recommendations. After reviewing the testimony and other evidence received about the check-cashing issue, the Subcommittee made the following findings and recommendations:

#### Findings

a. Check-cashing stores furnish necessary financial services to many, including those without checking accounts.

b. Regulation of this industry should not be undertaken by the State Corporation Commission unless self-regulation is shown to be ineffective.

c. The Subcommittee received no evidence that firmly established any pattern of illegal, unethical, or exploitative business practices prevalent in the check-cashing industry.

d. Irregularities in posting and calculating charging fees, if any, can be addressed through the Virginia Consumer Protection Act. However, an entire regulatory scheme is not deemed necessary at this time.

e. The newly formed Virginia Check Cashers Association promised the development of trade standards for its membership and the Association should be given an opportunity to carry out its plan of self-regulation.

#### Recommendations

Regulation of this industry should remain an open issue. The check-cashing industry should be reviewed in one year's time to ensure that self-regulation is accomplishing uniformity in trade practices among the Association's membership.



## **E. Electronic Alternatives to Check-Based Public Benefits Delivery Systems**

At the core of this study lies the process of converting paper checks to cash. The Subcommittee's recommendation that DSS recipients acquire the DSS photo I.D., the recommended study of mandatory cashing of public benefits checks, and other recommendations all stem from the use of paper checks.

The Virginia Bankers Association suggested that the Subcommittee consider the benefits of electronic funds transfers, or "direct deposit," in distributing public assistance benefits. According to a Department of Social Services representative, direct deposit is not currently offered to the 50,000+ ADC recipients or any other DSS program participants.

1. Direct deposit. In a typical direct deposit system, funds are transferred electronically from a payor's banking account to the payee's banking account. Since the funds are never converted into a paper medium and then back to useable account funds, the transfer is direct--hence "direct deposit." The federal government offers direct deposit to social security and other federal benefits recipients. VCCC representatives stated that direct deposit should be made available to public benefits recipients but should not be mandatory.

2. Electronic Benefits Transfer systems. The Subcommittee also discussed Electronic Benefits Transfer (EBT) systems that deliver public benefits through financial institutions' ATM terminals and through point-of-sale (POS) terminals located at key retailers, such as community supermarkets.

A representative from ACS/Transfirst, a Dallas, Texas, company, informed the Subcommittee that the Maryland Department of Human Resources (Maryland's counterpart to the Virginia Department of Social Services) will be delivering all ADC benefits, food stamps, SSI and other public benefits through a statewide EBT system commencing in the spring of 1990. No paper checks will be used in this system. Currently, this Maryland agency is delivering public assistance benefits to a large segment of Baltimore ADC and food stamp recipients through an EBT system. The Baltimore pilot program was developed and is administered by ACS/Transfirst. The statewide system will be administered by the same company.

EBT systems depend on the same computer technology that facilitates consumer banking via ATM terminals. State agencies furnish a system administrator, such as ACS/Transfirst, all relevant data about the public benefits program (such as ADC), its beneficiaries, and other pertinent data. This information is loaded into the administering firm's central processing unit. The administrator establishes electronic accounts for the program's benefits recipients that are accessible through electronic banking networks, such as the MOST or CIRRUS systems, with ATM cards distributed to the recipients.

In a typical system, program recipients can access their accounts from any financial institution's ATM machines that are tied into the electronic banking network chosen by the agency. Additionally, in some systems, like the Baltimore pilot project administered by ACS/Transfirst, recipients can also access their accounts from POS terminals placed in supermarkets and other retailing establishments. This design feature is usually incorporated when food stamps are part of the EBT system package. Thus, in one transaction, an EBT system recipient could pay for groceries with electronic food stamp credits and then receive cash from his electronic ADC benefits account.

The ACS/Transfirst representative acknowledged that some consumer groups have expressed concern about public benefits recipients' abilities to successfully use an EBT system. However, she noted, the Baltimore program utilized an intensive orientation program to familiarize recipients with the system, including practice training on actual ATM machines, and has, consequently, achieved a high satisfaction rate among the program's participants.

Department of Social Services comment. A DSS representative advised the Subcommittee that DSS believes that EBT systems have tremendous potential in the distribution of public benefits. He suggested that the Subcommittee recommend to the General Assembly that it enact legislation requiring the DSS to develop a plan for public benefits distribution through EBT systems. Additionally, he suggested that direct deposit be evaluated at the same time. This study would be conducted in conjunction with the Department of the Treasury, the Department of Accounts, and the Department of Information Technology.

**3. Findings and recommendations.** After reviewing testimony and documentation received on this issue, the Subcommittee made the following findings and recommendations:

#### Findings

a. Concerns about check-cashing for public assistance recipients together with the related problem of adequate identification needed by such recipients to cash checks and the overall concerns about fraud on banks are tied principally to the use of paper checks.

b. Direct deposit and EBT systems may present solutions to cashing problems while ultimately providing cost savings to the Commonwealth.

#### Recommendations

a. The Subcommittee recommended that the Department of Social Services be directed to evaluate both direct deposit and EBT systems to determine whether either or both should be implemented in the DSS public assistance benefits delivery system (Appendix L).

b. The Subcommittee also suggested that the Department of Social Services confer with agency representatives from the Maryland Department of Human Resources about the structure and operation of the EBT system operational in Baltimore and the system planned for statewide implementation in the spring of 1990.

F. Financial Illiteracy: a Potential Barrier to Banking System Participation

1. Banking representatives state the problem. VBA representatives and other financial industry witnesses pointed out that many individuals in lower income groups may lack the essential math and verbal skills required to manage a checking account. Such deficiencies may, alone, represent one of the largest obstacles to participation in the banking system, they suggested.

2. Virginia cooperative education programs. The Subcommittee received testimony from representatives of the Virginia Cooperative Extension Service, who described a successful financial counseling program for low- and moderate-income families, sponsored by the Extension Service. During 1989, program volunteers counseled over 300 families who were experiencing financial management problems. Many program participants have acquired essential financial skills such as checking account management. Others have learned to become better consumers of credit, banking and other financial services. Currently offered through twelve extension units, this two-year-old program is slated for expansion to additional areas of the Commonwealth in January 1990.

3. Senior citizens comment. The American Association of Retired Persons (AARP) and the League of Older Americans (LOA) furnished another perspective on this issue and others in the study. Many older Virginians are on fixed incomes and thus fall within the study's focus on individuals with lower and moderate incomes. The LOA's representative noted that individuals in lower socioeconomic groups frequently have difficulty understanding the banking systems. Educational efforts are needed, he suggested, to expose such individuals to the banking system and bring them into it.

4. VBA Young Bankers section economic education programs. The Virginia Bankers Association told the Subcommittee about its statewide education program implemented by its Young Bankers section. This section has a "personal economics" program that in 1988-1989 made presentations about banking services to 152,000 individuals across the state. These presentations were made by 800 participating members to students in primary and secondary schools and colleges, as well as to adults in community and civic groups. The section also works with the Virginia Department of Education and Virginia Tech. According to its president, the Young Bankers section is dedicated to becoming the Commonwealth's leading force in consumer economic education.

5. Findings and recommendations. After reviewing the testimony received on this issue, the Subcommittee found that the volunteer programs currently providing economic information and training to consumers throughout the Commonwealth are helpful and commendable. These efforts should and must continue, particularly those of the Young Bankers section of the VBA and the Virginia Cooperative Extension Service. In addition, members of the Subcommittee suggested the incorporation of consumer and economic education into the public school curriculum. It was generally agreed that personal finance and money management classroom training should begin in the primary grades and continue through grade twelve.

### Recommendations

a. The Department of Education should incorporate basic business math, economic principles, banking skills, and financial management into the content of required and elective school curricular offerings at all levels (Appendix M).

b. The Virginia Cooperative Extension Service should expand its personal financial counseling program by making it available through more extension offices (Appendix N).

### III. Legislative Action

Senate Joint Resolution 62, incorporating the substance of the Subcommittee's recommendations detailed in Appendices G, H, J, K, M and N, was approved by both chambers of the General Assembly during its 1990 session. The 1990 General Assembly also approved Senate Bill 338. This bill reflects the Subcommittee's recommendations (See, Appendix L) and directs the Department of Social Services to evaluate direct deposit and electronics funds transfer systems and to develop plans for their implementation in delivering DSS benefits. The Department is required to report its findings to the General Assembly in its 1991 session. Copies of SJR-62 and SB-338 are provided in Appendix O to this report.

### IV. Conclusion

The Subcommittee welcomed the opportunity to explore the issues presented by this study. The Subcommittee perceived a general consensus among the interested parties that individuals from low- and moderate-income groups should be encouraged to participate in the banking system. There was also general agreement that such participation will be achieved, if at all, through personal finance education, and through the availability of banking products that invite use by members of this group. The legislation proposed by this Subcommittee advance these premises.

The Subcommittee also previewed what promises to be the future in public benefits delivery: electronic benefits transfer systems. Maryland's commitment to this system suggests a tremendous potential for innovative solutions to problems generated by paper check use--the very problems that generated this study.

While technological advances may promise solutions for tomorrow, the study issues under consideration require attention today. Consumer education and information are the catalysts. To that end, the private and public cooperation promised the Subcommittee by all sides should be continually encouraged and reviewed.

Respectfully submitted,

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## V. Appendices

<u>Appendix A</u>	SJR-226 Study Resolution
<u>Appendix B</u>	VCCC Survey of low- and moderate-income consumers
<u>Appendix C</u>	VBA Survey Report: banking fees and charges
<u>Appendix D</u>	Virginia Check Cashers Association position paper
<u>Appendix E</u>	SCC/Bureau of Financial Institutions report to Subcommittee: regulation of check-cashers.
<u>Appendix F</u>	Subcommittee Staff surveys: cashed ADC checks.
<u>Appendix G</u>	<u>Resolution:</u> Banks encouraged to publicize lower-cost checking accounts
<u>Appendix H</u>	<u>Resolution:</u> Department of Social Services encouraged to provide certain information to ADC recipients re: low-cost financial services.
<u>Appendix I</u>	<u>Resolution:</u> State Corporation Commission/Bureau of Financial Institutions encouraged to publish consumer's guide to checking accounts.
<u>Appendix J</u>	<u>Resolution:</u> SCC and DSS encouraged to study mandatory cashing of public assistance checks.
<u>Appendix K</u>	<u>Resolution:</u> Department of Motor Vehicles encouraged to improve reliability of nondriver photo I.D..
<u>Appendix L</u>	<u>§ 1 bill proposal:</u> DSS directed to study electronic benefits transfers systems and direct deposit.
<u>Appendix M</u>	<u>Resolution:</u> Department of Education encouraged to incorporate consumer finance into core curriculum.
<u>Appendix N</u>	<u>Resolution:</u> Virginia Cooperative Extension Service encouraged to expand financial counseling program for low- and moderate-income families.
<u>Appendix O</u>	Senate Joint Resolution 62 (1990). Senate Bill 338 (1990).

# 1989 SESSION

Appendix A

## SENATE JOINT RESOLUTION NO. 226

*Establishing a joint subcommittee to study the availability of affordable banking services to low and moderate income consumers, bank policies on cashing government checks for nondepositors, and the emergence of unregulated check-cashing businesses in Virginia.*

Agreed to by the Senate, February 24, 1989

Agreed to by the House of Delegates, February 23, 1989

WHEREAS, low and moderate income consumers need access to bank services for financial safety, an affordable means of cashing checks, and a low-cost method of paying bills; and

WHEREAS, seventeen percent of all families, seventy-five percent of families receiving Aid to Families with Dependent Children and fifty percent of those receiving Supplemental Security Income do not have banking accounts; and

WHEREAS, low-income consumers cite the costs involved and insufficient identification as reasons for not maintaining checking accounts; and

WHEREAS, the majority of Virginia banks do not cash government checks for nondepositors; and

WHEREAS, banks are concerned about the accurate identification of individuals to reduce fraud and loss in the provision of services; and

WHEREAS, commercial check-cashing businesses which charge from one and four-tenths percent to ten percent of the face value of checks have recently emerged in urban areas of Virginia; and

WHEREAS, tax-supported benefits to Virginia citizens are adversely impacted when recipients have difficulty converting checks to cash; now, therefore, be it

RESOLVED by the Senate, the House of Delegates concurring, That a joint subcommittee is established to study the availability of affordable banking services to low and moderate income consumers, bank policies on cashing government checks for nondepositors, and the emergence of unregulated check-cashing businesses in Virginia. The joint subcommittee shall (i) determine the availability of affordable checking accounts from Virginia banks and savings institutions; (ii) review bank policies on cashing government checks for nondepositors; (iii) ascertain the fees and practices of check-cashing businesses; and (iv) assess the requirement for adequate identification of individuals needed by banks to reduce fraud and minimize losses.

The joint subcommittee shall hold public hearings as needed around the Commonwealth to receive views from the following groups: low-income consumers; public assistance recipients; recipients of checks from the Social Security Administration; consumer organizations; organizations representing the poor, disabled and elderly; state and federal agencies which issue assistance checks; and financial institutions.

The joint subcommittee shall be composed of seven members to be appointed as follows: three members of the Senate Committee on Commerce and Labor, to be appointed by the Senate Committee on Privileges and Elections and four members of the House Committee on Corporations, Insurance and Banking, to be appointed by the Speaker of the House.

The Bureau of Financial Institutions of the State Corporation Commission shall provide technical assistance, and all other state agencies shall provide assistance upon request as the joint subcommittee may deem appropriate.

The joint subcommittee shall complete its work in time to submit its findings and recommendations to the Governor and the 1990 Session of the General Assembly as provided in the procedures of the Division of Legislative Automated Systems for processing legislative documents.

The indirect cost of this study are estimated to be \$13,465; the direct costs of this study shall not exceed \$6,300.



# Virginia Citizens Consumer Council

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## VCCC BASIC BANKING CONSUMER SURVEY

September 29, 1989

### Purpose of Survey

The Virginia Citizens Consumer Council conducted a survey to collect information on how low and moderate income consumers in Virginia use banking services and how they manage their finances without checking accounts. We wanted to learn whether Virginia data tracked national figures reported by the General Accounting Office to Congress in its October 1988 report: Banking: Government Check-Cashing Issues.

VCCC is participating in a legislative study of banking issues being conducted this year in Virginia by the Joint Subcommittee Studying the Availability of Affordable Banking Services to Low and Moderate Income Consumers (SJR 226). The study focuses on the availability of affordable checking accounts, bank policies on cashing checks for nondepositors, identification requirements to use banking services, and the fees and practices of check-cashing businesses.

The Virginia Citizens Consumer Council is a statewide membership consumer advocacy organization that represents consumer interests on legislative and regulatory issues. VCCC places a high priority on maintaining access to basic banking services for everyone in the community as banks are deregulated and receive expanded powers to enter new markets and lines of business.

### Methodology

The survey was administered in individual interviews with 308 consumers at a total of twenty-nine sites across the state, including nine legal services offices, five area agencies on aging, two community action programs, nine Cooperative Extension Service Expanded Food and Nutrition Programs, two military financial counseling services, and two church groups. The consumers were selected at random and were either the head of household or managed the family finances. Consumers came from all regions of the state. Data was collected in July and August, 1989, and was computer tabulated and sorted. This project was supported by a State and Local Grant of the Consumer Federation of America.



Major Findings

- Consumers receiving public benefits are less likely to have checking accounts in Virginia than national averages.

Benefit Recipients Without Checking Accounts	GAO	VCCC
-Aid to Families With Dependent Children	75%	88%
-Social Security	14%	29%
-Supplemental Security Income	50%	67%

- Families without checking accounts compared to those with accounts are larger, younger, less likely to be college educated, more likely to be black and are slightly poorer.

- Half of the group With checking accounts are over 65 years.
- Three-fourths of the group Without checking accounts are in the 20 to 49 year range.
- Thirty-two percent of those With accounts attended or graduated from college/trade school, compared to 13% of those Without accounts.
- Over half of those Without checking accounts earn less than \$416 per month, compared to 20% of those With accounts.

- Both groups are equally likely to be employed (33%) but there are marked differences in other sources of income.

- Of those With checking accounts, 26% receive pensions and 52% receive Social Security.
- Of those Without checking accounts, 34% receive both Aid to Families with Dependent Children and Food Stamps. Only 15% receive Social Security.

- Both groups are roughly equal in having a drivers license or Department of Motor Vehicles Nondriver picture ID. There is a marked difference in possession of the second form of identification often required by banks to open accounts and cash checks.

Type of Identification	With CA	Without CA
-Bank Credit Cards	30%	2%
-Retail Credit Cards	29%	3%
-Job ID	9%	2%

- Over half those Without checking accounts have had an account in the past and dropped it because the account was too hard to manage (34%), no longer needed (24%), or too expensive (21%).
- Over half those With checking also have savings accounts, while only 16% of those Without checking have savings accounts. Half the total sample have no account relationship with financial institutions.

Findings: Consumers With Checking Accounts

(129 interviews/ 42% of the sample)

- Most have had their accounts more than five years and use banks and regular checking accounts. Almost half have accounts that require maintaining a balance to avoid fees which they incur on average four times a year. Over a third reported paying \$5 or more in account fees, while 41% did not know what their accounts cost in monthly fees.
- One-sixth have overdrawn their accounts in the last year. The majority overdraw once or twice a year.
- Although a fourth have used their banks' automated teller machines, 92% prefer to use the bank clerk to make deposits or withdrawals.
- Almost half use direct deposit.
- The most important factor in selecting a bank is convenient location, followed by affordable fees and good service.
- About one-third would change banks to get a lower-cost account at a nearby institution.
- Over three-fourths get their checks cashed at their own banks and almost nobody with a checking account pays to get their checks cashed elsewhere.

Findings: Consumers Without Checking Accounts

(179 interviews/ 58% of the sample)

- The primary reasons why these consumers do not have checking accounts are inability to save enough to open one, unaffordable fees, difficulty in managing the checkbook, and fear of bounced check charges. Only 13% said they don't need an account.
- About half cash their checks at banks/thrifts/credit unions, followed by 41% at stores. Seven percent use check-cashers. Cashing checks costs money. Twenty-one percent paid outright, while 45% have to spend part of their check to get it cashed at stores.

- Twenty-seven percent report that they sometimes or frequently have trouble cashing their checks.
- Keeping assets in cash is risky. Nine percent say they have been robbed of cash in the last two years.
- Consumers without checking accounts pay their bills in cash more often than with money orders and are more likely to go in person to pay their bills. They buy an average of three money orders a month, paying \$2.52 for them. Most buy money orders at stores and the post office.
- Consumers without checking accounts are very interested in free or low-cost accounts at nearby institutions. Forty-five percent say they would definitely open a basic account, while another 20% said maybe they would.
- There is even greater interest in using banks to cash checks. Over three-fourths want to use banks to cash checks. The difference in the group already cashing checks at banks and the group that wants to is roughly equal to the group reporting difficulty in getting checks cashed.

### Conclusions

- Lack of access to affordable banking services is a serious problem for low and moderate income consumers in Virginia.
- Low income consumers without accounts encounter additional costs, inconvenience and risk in getting checks cashed, paying bills and keeping cash safe.
- The reasons most often given for not having accounts match checking account requirements that banks can change to make their services more accessible to this sector of the community. These features include minimum deposits to open and maintain accounts, monthly fees, and overdrawn check charges. This study does not support assertions that low and moderate income consumers choose to remain outside the financial mainstream in order to keep their finances secret or because they do not like or trust banks.
- Arbitrary identification requirements are a barrier to use of checking accounts. Roughly three-fourths of those without accounts can show one form of picture identification, using a Virginia or out-of-state drivers license or a DMV ID, but they cannot show a credit card or job ID. The types of ID that low and moderate income consumers have do not match well with the types most often required by financial institutions.

- Consumers who have accounts have had them a long time. They do not appear to be utilizing the low-cost or free accounts already offered by some institutions. Banks offering no-frills accounts and free senior citizen accounts need to periodically inform their present customers of available options.
- Low and moderate income consumers who have checking accounts in this sample are not using commercial check-cashers as a matter of convenience to get their checks cashed. The proportion of consumers without checking accounts who use check-cashers is the same as the percentage of ADC checks cashed at check-cashers found in the Legislative Services examination of cashed ADC checks in Virginia.
- Young poor families are outside the financial mainstream in Virginia.

•For Further Information, Contact:

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(VCCC appreciates the voluntary assistance given by the many people who conducted interviews, shared their views, and gave technical advice in conducting the survey.)

## VCCC BASIC BANKING CONSUMER SURVEY

	<u>Total Sample</u>	<u>With Checking</u>	<u>Without Checkin</u>
	308	129	179
<u>Household Size</u>	2.8	2.4	3.2
<u>Age Distribution</u>			
Under 20 years	4%	1%	6%
20 to 49 years	58%	37%	74%
50 to 64 years	10%	12%	8%
65 and over	28%	50%	12%
<u>Education Level</u>			
Some grade school	16%	16%	15%
Completed grade sch.	10%	11%	10%
Some high school	27%	19%	33%
Completed high sch.	26%	22%	29%
Some college/trade	14%	16%	12%
Completed college trade school	7%	16%	1%
<u>Ethnic Background</u>			
Black	48%	38%	56%
White	42%	48%	39%
Other	10%	14%	5%
<u>Sex</u>			
Male	15%	19%	12%
Female	85%	81%	88%
<u>Poverty Level</u>			
Above poverty level	27%	30%	24%
Below poverty level	73%	70%	76%
<u>Before Tax Monthly Income</u>			
Less than \$416	40%	20%	54%
\$416 to \$833	33%	37%	31%
\$834 to \$1,666	19%	29%	12%
\$1667 to \$2,499	5%	8%	3%
\$2500 and up	4%	6%	0

Total Sample    With Checking    Without Checking

Sources of Income/Benefits

Wages (part and full)	33%	33%	33%
Pensions	12%	26%	2%
Unemployment comp.	1%	2%	0
Self-employed/Farm	.5%	0	1%
Social Security	31%	52%	15%
Aid to Families with Dependent Children	22%	6%	34%
Supplemental Security Income	9%	7%	10%
General Relief	3%	0	5%
Food Stamps	22%	7%	34%

Identification

Virginia Drivers Lic.	56%	57%	57%
Out-of-State D L	6%	7%	6%
DMV Non-Driver ID	10%	9%	10%
Bank Credit Card	14%	30%	2%
Retail Credit Card	14%	29%	3%
Job ID	5%	9%	2%
Military ID	6%	8%	5%
Dept. Soc. Ser.ADC ID	2%	0	3%
Senior Citizen ID	24%	46%	9%
Medicare Card	27%	45%	14%
Medicaid Card	23%	9%	33%
Birth Certificate	63%	70%	60%
Passport	3%	5%	2%
Immigration card	.5%	0	.6%

Prior Use of Checking Accounts

Had Checking in Past	71%	100%	54%
Why Account Dropped:			
Moved	15%	6%	15%
Don't Need	11%	1%	24%
Costs Too Much	10%	2%	21%
Hard to Manage	15%	1%	34%
Trouble Overdrawing	11%	2%	13%

<u>Currently Have Savings</u>	31%	53%	16%
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GAO Study    VCCC Study

ADC Recipients without Checking Accounts	75%	88%
Social Security Recipients w/o Checking	14%	29%
Supplemental Security Income Recipients Without Checking Accounts	50%	67%

CONSUMERS WITH CHECKING ACCOUNTS

Duration of Present Accounts

A year or less	13%
One to 5 years	22%
More than 5 years	65%

Where Consumers Have Accounts

Banks	81%
Thrifts	8%
Credit Unions	11%

Types of Checking Accounts

Free/Low Cost	14%
Regular Checking	66%
NOW Accounts	20%

Balance Requirements

Accounts with Minimum  
Balance To Avoid Fees 45%

Average Balance To  
Avoid Fees \$346

Average Frequency  
Fee Paid 4x/yr.

Monthly Fees (% reporting fee)

\$3 or less	10%
\$4	13%
\$5	18%
\$6 or more	18%
Don't Know Fee	41%

Overdrawn Accounts

Overdrawn in Last Yr.	16%
Frequency (% with charges)	
Monthly	10%
More than 2x/yr.	24%
Twice a year	33%
Once a year	33%

ATM Utilization

Have Used ATM	26%
Prefer Bank Clerk	92%
Prefer ATM	8%

Direct Deposit Use 48%

Reasons For Selecting Banks

Convenient Location	56%
Affordable Fees	22%
Good Service	12%
Convenient Hours	5%
Feel Welcome	3%
Other	2%

Consumers Who Would Change  
Banks For A Lower Cost Account  
In A Nearby Bank 36%

Check-Cashing By Consumers  
With Checking Accounts

Where have account	84%
Stores	20%
Friends/Relatives/ Landlords/Employers	4%
Check-Cashers	2%

Account Holders Who Pay To  
Cash Checks 2%

Average Cost 10% or 64¢

Account Holders Who Never Pay  
To Have Checks Cashed 91%

## CONSUMERS WITHOUT CHECKING ACCOUNTS

### Reasons For Not Having Accounts

→ Can't Save Enough to Open	46%
Can't Afford Fees	23%
→ Too Hard to Manage	18%
Can't Risk Overdrawing	14%
→ Don't Need One	13%
Feel Unwelcome in Bank	2%
Don't Trust Banks	2%
Don't Have Required ID	2%
Move Too Often	2%
Bank Too Far Away	2%
Banks Not Open Conven. Hrs.	1%
Don't Want Record of Money	.6%

### Where Checks Are Cashed

Banks/Thrifths/CU	53%
Stores	41%
Check-Cashers	7%
Friends/Relatives	5%
Landlord	3%
Employer	3%

Consumers Paying to Cash Checks 21%

Average Paid to Cash Checks  
14% of check or \$3.32 fee

Consumers Spending Part of  
Check to Cash At Stores 45%

Average Spent to Get Checks  
Cashed at Stores 17% or \$15.83

### Consumers Having Trouble Getting Checks Cashed

Never	68%
Sometimes	24%
Frequently	3%

### Consumers Robbed of Cash In The Last Two Years

9%

### How Consumers Pay Bills

Pay Cash	54%
Pay With Money Orders	46%
Pay In Person	64%
Pay By Mail	36%

### Use of Money Orders

Average Number/Month	3
Average Cost/Month	\$2.52

### Where Money Orders Purchased

Stores	38%
Post Office	26%
Check-Cashers	8%
Bank	6%

### Consumers Who Would Open A Free Or Low-Cost Account at Nearby Bank

Yes, Definitely	45%
Maybe	20%
Probably Not	9%
No	26%

### Consumers Who Would Cash Checks At Banks For Free Or Small Fee

Yes	77%
No	23%



COSTS TO CONSUMERS OF CHECK CASHING SERVICES IN VIRGINIA

December, 1989

Check Cashing Outlet	Payroll Ck \$320-Computerized		Social Security \$500		ADC \$369	Personal Check \$150	Returned Check Fee
	1st	Repeat	1st	Repeat	1st/Repeat		
Almost A Banc 15 Outlets in Tidewater/Northern Va.	\$12.80 4%	\$9.60 3%	\$15 3%	\$10 2%	\$ 7.38 2%	\$15 10%	\$15 or 10% of check
Anykind Check Cashing 3 outlets, Richmond	\$12.80 4%	\$9.60 3%	\$15 3%	\$10 2%	\$ 7.38 2%	\$15 10%	\$15 or 10% of check
Dominion Check Cashing 3 outlets, Tidewater	\$16 5%		\$15 3%		\$11.07 3%	\$15 10%	\$25
Virginia Check Cashers 4 outlets, Tidewater	\$ 8 2.5%		\$12.50 2.5%		\$ 9.23 2.5%	N/A	\$25
Richmond Check Cashers 1 outlet, Richmond	\$ 7.36 2.3%		\$17.50 3.5%		\$ 8.49 2.3%	N/A	?
Virginia Averages Weighted by No. Outlets	\$12.22	\$10	\$14.71	\$11.25	\$ 8.13	\$15	
CFA National Average 1987	5.31		\$ 8.47		\$ 6.24	\$ 6.77	
New York Regulated Rate	\$ 2.50		\$ 3.85		\$ 2.87	N/A	

\* Rates quoted for consumers with required ID. W/O ID, add 2% for Almost A Banc. W/O ID, Dominion charges 10%.

SJR 226/VCCC

BASIC CHECKING ACCOUNTS / LARGE VIRGINIA BANKS

Bank	Deposit To Open	Fee	# Cks	Extra Ck Fee	Unit Price Per Ck	Cost for 10 Cks	# IDs	Min. Print Order Cks	Bounced Ck Charge	
Central Fidelity	\$50	\$3	12	20¢/ck	25¢/ck	\$3	2	\$9.95	\$18	
Crestar	\$25	\$2.50	6	50¢/ck	42¢/ck	\$4.50	1	\$9.50	\$16	
Dominion Bank Northern Va.		\$2.50	10	75¢/ck	25¢/ck	\$2.50	1	\$9.11	\$18	
First American (Leesburg)	\$100	\$3	6	50¢/ck	50¢/ck	\$5	2		\$20	
First Virginia	No Basic Checking Account. Regular Checking fee is \$5.50 if balance below \$400.							2	\$10.52	\$20
Jefferson National	\$25	\$2.50	10	25¢/ck	25¢/ck	\$2.50	1	\$8.33	\$17	
Signet	\$200	\$5	Unlimited			\$5	1	\$9.27	\$20	
Sovran		\$3	5	50¢/ck	60¢/ck	\$5.50	2	\$8.80	\$18	

(Large banks have over \$1 billion in assets, 72% of branch offices and 80% of deposits.)

VCCC Basic Banking Consumer Survey

Low and Moderate Income Consumers Without Checking Accounts

Sometimes/Frequently Have Trouble Cashing Checks

Number in Household: 3.91                      Total Sample: 2.8  
Total W/O Checking: 3.2

Proportion below Federal  
Poverty line: 80%                      Total Sample: 73%  
Total W/O Checking: 76%

<u>Receive:</u>	Total Sample	W/O Checking
Social Security: 8%	31%	15%
ADC: 41%	22%	34%
SSI: 4%	9%	10%
General Relief: 2%	3%	5%
Food Stamps: 37%	22%	34%
Employed Full-Time: 27%	19%	22%
Employed Part and Full-Time: 43%	33%	33%
<u>Types of ID:</u>		
Va. Drivers License: 49%	56%	57%
Out-of-State DL: 4%	6%	6%
Bank Credit Card: 0	14%	2%
Retail Credit Card: 2%	14%	3%
Employee ID: 0	5%	2%
Birth Certificate: 61%	63%	60%
Passport: 2%	3%	2%
Green Card: 0	.5%	.6%
DMV Non-driver ID: 14%	10%	10%
Medicare Card: 8%	27%	14%
Medicaid Card: 33%	23%	33%
Senior Citizen ID: 2%	24%	9%
Military ID: 2%	6%	5%
Other: Dept. Soc. Ser. 0	2%	3%

# Virginia Bankers Association

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I'm Walter Ayers, Executive Vice President of the Virginia Bankers Association. Every commercial bank in the Commonwealth, from the smallest to the largest, is a member of our Association.

Our testimony today will consist of three parts. First of all, I will give a brief summary of our views relating to the questions pending before you. Secondly, I will share with you the results of a survey of banking practices in Virginia that we have recently completed. And, then thirdly, I will call on Andy Davies, Immediate Past President of the Young Bankers Section of the Virginia Bankers Association to briefly review with you some of the educational endeavors that we have underway that we think do assist in addressing some of the concerns that you have been discussing.

As you have held your regional hearings around the state, you have heard from a number of our bankers. I would simply like to give a wrap-up summary of our views today.

We certainly acknowledge that there are low-income people who do not have a banking relationship. We suspect there are many reasons for this fact, the least of which may be price. Some low-income people have obviously decided they do not have enough resources and do not have enough routine monthly bills to require an account. Still others wish to guard the privacy of their financial situation. For others the barrier may be



social or educational. And finally, for some I would strongly suspect that the inability to provide sufficient identification is a barrier.

Whatever the reasons, there are some low-income people who have no banking relationships. A bank account, however, is just one of many things that, for various reasons, may be off limits to lower income people. I suspect, for example, that there were far more people than we would like to admit, who during the recent snow and ice storms, have gone to bed under bridges and in abandoned cars because they did not have a house to live in. Yet, government does not require that home builders or real estate agents give away a certain percentage of their houses or discount the price. Likewise, I would suspect that there are far more people than we might suspect that went to bed last night in a cold house because they could not afford adequate equipment to heat their house, or could not afford the energy to fuel the equipment if they had it. Yet, we do not require manufacturers to give away furnaces, nor do we require energy distributors to give away their energy sources. The number of people who got up this morning and hit the streets in clothing that would not keep them warm would probably be alarming to us all. But yet, we do not require clothing manufacturers or retailers to give away their clothing or discount their prices to the poor.

Instead, we view these as societal problems, and have set up programs through the government to assist where all of us collectively and jointly participate in supporting the

programs. While volunteerism is always promoted, we have not singled out certain segments of the private sector and assumed that it was the responsibility of that sector to solve the problems.

The point I make is we simply do not believe that there is a rationale for singling out the banking industry from all other segments of the private sector and assuming that the banking industry has some kind of unique and separate obligation to give away our products or discount our prices in a mandatory fashion to attempt to solve the problems that are endemic to the low-income sector of our society.

Lest you think that I am callous or uncaring, let me hasten to add that while we do not think there is rationale for singling out banking for a unique role in problem solving, we would agree that if this committee has compelling or strong evidence that our banks have been unjustly or immorally profiteering on the backs of poor people, there may be a need for you to act, as indeed would be the case with any industry that carried out such a practice. It would seem to me, then, that that is really the central question before you -- whether or not there is such evidence. That leads me to the second part of my presentation, which is the report on the survey that the VBA recently completed. I think the results of that survey will clearly demonstrate that our banks are being fair in the marketplace and that there is, in fact, absolutely no evidence that the banking industry of this state is unfairly or unjustly attempting to profiteer on the backs of those who are least

able to afford it.

Before getting into the results of the survey, however, let me say a few words about how this survey was conducted. Inasmuch as every bank in the state, from the smallest to the largest, is a member of our Association, the survey went to all 163 banking organizations in the state. We had a very high return rate of 126 surveys. These 126 surveys included all of the state's larger banks that have regional and/or statewide presence. Clearly, then, with 126 surveys, including all of the larger statewide banks, we are able to present, I believe, an accurate portrayal of banking practices in Virginia.

The second thing I would note about the survey before getting into the results, is the fact that we included in the survey questions submitted to us by the Virginia Citizens Consumer Council, as well as questions that we thought of ourselves. As a result, we have covered some areas that have not been a focus of your study or the concerns that you have expressed. In my comments, I will focus primarily on the parts of the survey that relate to your concerns. The main point that I wanted to report to you, however, was that we have cooperated with the Virginia Citizens Consumer Council in trying to insure that we covered all areas in which they had any potential interest. Moreover, we have permitted representatives of the Council to come to our office and examine the raw survey data to assure themselves that we are, in fact, accurately reporting to you what the surveys results were.

Let me now proceed in reviewing the highlights of the

survey results. (Survey tabulations are attached.)

You will note that the first question that we asked dealt with the minimum balance needed to open an account. I perceive that there has been some question as to whether or not banks were requiring such a high balance to open an account as to create a barrier that would prevent a low-income person from even considering having an account. The results of the survey clearly do not bear out such a concern. As you will note, the median amount required to open a regular checking account is only \$50.00 and the average \$49.85. In the case of those banks that have a so-called "low cost" or "basic" checking account, the median to open the account is \$25.00 and the average is \$31.67. There are 15 banks with basic banking accounts. These include such large banks as Sovran, Crestar, Signet, Central Fidelity, Dominion, First American and Jefferson National. I realize everything is a matter of one's perspective, but I would not consider these balances to be high threshold limits of the magnitude as to create a barrier to having a checking account.

Moving to page 2 of the survey, you will note that our second question dealt with the minimum average balance needed to avoid a fee. This question recognizes that there is a difference between the balance required to open the account and the balance required to avoid a fee. In the case of a regular checking account, the median balance required to avoid all fees is \$300.00, the average is \$382.00. In the case of those banks that have basic or low-cost checking accounts, there is no minimum balance requirement needed to avoid a fee, inasmuch as the fee



is automatically assessed each month, regardless of balance. The question on the third page is closely related to the question on the second page, and deals with the minimum daily balance needed to avoid a fee. Many banks do carry a dual requirement of an average monthly balance and a minimum daily balance. The minimum daily balance typically being a little less than the average monthly balance requirement. In this regard, the median minimum daily balance to avoid all fees is \$250.00 and the average is \$249.00. Again, in the case of those banks that have basic banking accounts, there is no balance requirement.

The balance requirements really need to be considered in context with the fourth survey question on page 4, that relating to the monthly fees charged for maintaining an account. You will note, for example, that the median fee for a regular checking account in the case of the individual who fails to maintain a minimum balance requirement is \$3.00 a month, the average fee is \$3.25 a month. In the case of the basic banking account, where a balance requirement is not a factor in any case, the median fee is \$3.00 a month, and the average fee is \$3.04 a month. If you are looking for the lowest cost checking alternative available statewide, another way to approach it would be to average the regular banking fees at those banks that do not have basic accounts with the basic fees at other banks, in which case you come up with a median fee of \$3.00 a month and an average fee of \$2.92 a month. The thing I would particularly note is the fact that the fee assessed for a regular checking account if one fails to meet minimum balance

requirements, is really only marginally higher than the monthly fee for a so-called low-cost or basic checking account.

The conclusions I draw from the survey data are as follows:

Consumer groups have testified before you that a reasonable fee for a checking account is in the \$3.00 a month range. I'm not prepared to say that they are necessarily right or necessarily wrong. Some of you may feel that \$3.00 is too high, some of you may feel that \$3.00 is not high enough, and I would simply observe that the marketplace seems to be working in terms of providing a range of fees that yields medians and averages of around \$3.00 a month. I would suggest that a fee of \$3.00 a month, in my mind's eye, is very fair. I say it is very fair because according to the Federal Reserve Functional Cost Analysis that is annually conducted on banks, the cost to the average bank to maintain a checking account is \$13.00 a month. Stated another way, a bank has to recover from the customer, either through fees or interest income or both, \$13.00 each month before they move that checking account into a profit position. It would, therefore, seem to me that a \$3.00 fee for a checking account in the face of a \$13.00 cost to the bank, would have to be viewed as a fair and reasonable assessment.

Now there was one question that we probably should have asked in the survey and failed to ask, and that is in the case of those banks that have basic checking accounts, how many free checks do they permit an individual to write each month? I think the Virginia Citizens Consumer Council has testified that

in their view, a basic banking account should authorize 10 free checks each month. Again, I'm not going to debate whether it should be 5, 8, 10, 12 or 15. I would simply say that the range in the marketplace seems to be anywhere from a low of 6 to a high of 12, with an average of about 8, well within the range of the definition consumer organizations support. Also, again I would note that for about the same fee one would pay for a basic banking account in many areas of the state, the individual could secure a regular checking account with unlimited checking opportunities.

In summary, on this part of our survey, it would seem to me that the data clearly indicates that our Virginia banks are not attempting to profiteer on the backs of the low-income, and are being most fair in the way that they price their products and services.

The other main question that you have focused upon is whether or not low-income individuals that do not have a banking relationship are able to get their state assistance checks cashed at a reasonable fee. As you will note on page 13 of our survey, 75% of our banks will cash non-customer checks. Of that 75%, 66% do charge a fee, the average fee being \$1.86 per check cashed. 97% of our banks report that they do give their local management the option of cashing non-customer checks. The banks that do cash non-customer checks include a number of our larger statewide banks, indicating that the availability of check-cashing opportunities would exist in every market.

There are several other points, however, that need to

be made beyond the data itself relating to the question of cashing of checks. The first point to be made is that even in the case of those banks that say they will cash non-customer government checks, typically they vest in a local branch manager, and to some extent even in the teller, some discretion on individual check situations. That discretion attempts to recognize that there may be local situations that require a different approach, or individuals who have habitually attempted to pass bad checks.

The second point I would make is the bank having a policy that says they will cash non-customer checks does not mean they will do so without requiring sufficient identification. For example, over 96% of the banks said they did require identification to cash a check, the average number of IDs required being 1.46. Clearly, then, lack of sufficient identification can be a potential barrier to one seeking to get a check cashed.

While a large percentage of our banks indicate they will cash non-customer government checks, we continue to believe that the real answer to the problem of cashing checks is for the individual to create an account relationship with the bank. Clearly, our banks would prefer to deal with individuals with whom they have an account relationship because it does take a substantial amount of risk out of the system. With an account relationship, the bank is dealing with a known quantity. Moreover, for roughly the same fee that many people would pay to get one check cashed, they can have all the privileges of a checking account, and have an unlimited opportunity to get their checks cashed free of charge. In certain circumstances

they may experience a one-day delay in the availability of funds. That is to say that if there is any concern about the proper identification of the person presenting the check, any concern about the history of that individual in terms of having previously passed bad checks, or any reason to believe that there may be a question as to whether or not the check is valid, the bank does have the option of imposing a delay of no more than one day in making the funds available. Stated another way, they could require the individual to deposit that check today and not write checks on that account or cash checks on that account until tomorrow. Again, however, the process of depositing and cashing the check would be free of charge.

Bottom line, then, we continue to believe that whether one is focusing on the fees that our banks charge for checking accounts, or the fees and procedures that our banks have for handling the cashing of checks, our banks are being fair and reasonable. We do not think that the survey data that we are reporting to you today in any way exhibits any evidence that our banks are attempting in any respect to unjustifiably, unfairly, or immorally profit on the backs of low-income individuals. We, therefore, do not believe that legislation relating to how banks price and structure their accounts is warranted or needed.

I would observe that there are some other practical reasons that we would suggest this committee should not pursue legislation dealing with the pricing and structuring of accounts.

The first reason is that the Comptroller of the Currency has issued a ruling that individual states cannot regulate the fees and charges of national banks. That's not to say you cannot pass law, and that's not to say that national banks in Virginia in the spirit of cooperation might not comply with that law. I simply point out that under the Comptroller's ruling, for a bank to comply with that law they would have to do so out of the spirit of cooperation rather than because it was a requirement. We would obviously rather not see our banks put into that kind of judgement call situation.

The second practical reason I would suggest to you that legislation is probably not the answer is that I do not believe there is any body of evidence that has been presented that it would do any good. Indeed, I noted with interest that the Banking Commissioner in Connecticut, where the state has passed an indemnification statute that requires banks to cash government checks free, recently testified in the Congress that to date that law had not resulted in any increase in the percentage of assistance checks being cashed at banks.

This would lead me to the conclusion that other remedies or steps should be pursued. The first remedy that should be pursued and the one that Andy Davies will address in terms of the banking side in a moment, is education. Clearly, I do believe that one of the barriers to people affording themselves of banking opportunities is lack of education or fear that they will not know how to approach the bank, access the account, use the account, balance their checkbook, and so forth. They, therefore

stay away from the bank, despite the fact, as our survey data would indicate, attractive banking opportunities and alternatives are already available to them.

I think the second area that continues to need exploration is direct deposit. As long as we have paper checks floating around, the risk associated with those checks is going to grow, as has indeed been the trend in recent years. The criminal element seems to become more savvy with each passing hour on how to capitalize on the system and take advantage of it. William Douglas of the Treasury Department just recently testified in Congress that for every one complaint received on direct deposit, they get 16 complaints about checks. He further testified that a check recipient's chances of having a check lost or stolen is 1500% greater than if a recipient receives his funds through direct deposit. He concluded that it costs the government 30¢ an item to distribute checks, compared to only 4¢ an item for direct deposit. In other words, direct deposit has a multitude of virtues that could work to the benefit of everybody in the system -- the state, the banks, and the low-income individuals who need the service.

A third alternative that should be pursued is an aggressive program to convince the large percentage of benefit recipients who do not now use the Social Services Department's photo I.D. card to obtain one. Low-income people often do not have drivers licenses, credit cards, etc. The Social Services Department photo I.D. card, complete with case number would seem an ideal alternative.

A fourth alternative that likely merits review are the laws dealing with using fraudulent I.D.s and fraudulent cashing of checks. Obviously, fraudulent acts are already against the law, but perhaps more severe penalties would help.

In conclusion, then, I would simply say that we do believe that our banks are offering reasonable account alternatives and check-cashing alternatives, and that no legislation regulating banks is needed. We do acknowledge, nevertheless, that there continues to be a problem in society with low-income individuals who for various reasons do not avail themselves of banking services. The alternatives we have suggested, perhaps with others you may think of, should be considered.

At this time, I would like to call on Andy Davies to discuss the one area that we feel that we in the banking community can do the most about and are attempting to do the most about, and that is education.



BASIC BANKING SURVEY

Question: What is the minimum balance to open an account?

Regular

- 1. Average \$ 49.85
- 2. Median \$ 50.00

Basic

- 1. Average \$ 31.67
- 2. Median \$ 25.00

Lowest Cost Checking

- 1. Average \$ 44.40
- 2. Median \$ 25.00

Senior

- 1. Average \$ 44.03
- 2. Median \$ 50.00

Student

- 1. Average \$ 44.36
- 2. Median \$ 50.00

State Sav.

- 1. Average \$ 81.39
- 2. Median \$ 25.00

NOW

- 1. Average \$489.99
- 2. Median \$400.00

**\*Note: Low cost checking is a combination of Basic checking and Regular checking at banks which do not have a Basic account.**

**Question: What is the minimum average balance needed to avoid a fee?**

**Regular**

- 1. Average       \$ 382.12
- 2. Median       \$ 300.00

**Basic**

- 1. Average       \$    N/A
- 2. Median       \$    N/A

**Senior**

- 1. Average       \$    0.01
- 2. Median       \$    0.00

**Student**

- 1. Average       \$    2.17
- 2. Median       \$    0.00

**State Sav.**

- 1. Average       \$ 102.31
- 2. Median       \$    0.00

**NOW**

- 1. Average       \$ 860.42
- 2. Median       \$ 500.00

**Question: What is the Minimum daily balance needed to avoid all fees?**

**Regular**

1. Average	\$	241.19
2. Median	\$	250.00

**Basic**

1. Average	\$	N/A
2. Median	\$	N/A

**Senior**

1. Average	\$	0.01
2. Median	\$	0.00

**Student**

1. Average	\$	5.88
2. Median	\$	0.00

**State Sav.**

1. Average	\$	57.03
2. Median	\$	0.00

**NOW**

1. Average	\$	700.40
2. Median	\$	500.00

**Question: What are the maximum monthly fees charged for the following types of accounts?**

**Regular**

- 1. Average \$ 3.25
- 2. Median \$ 3.00

**Basic**

- 1. Average \$ 3.04
- 2. Median \$ 3.00

**Lowest Cost Checking**

- 1. Average \$ 2.92
- 2. Median \$ 3.00

**Bas, Per Ch.**

- 1. Average \$ 0.51
- 2. Median \$ 0.50

**Senior**

- 1. Average \$ 0.01
- 2. Median \$ 0.00

**Student**

- 1. Average \$ 0.12
- 2. Median \$ 0.00

**State Sav.**

- 1. Average \$ 1.25
- 2. Median \$ 1.00

**NOW**

- 1. Average \$ 5.34
- 2. Median \$ 5.00

**Question: Is direct deposit allowed?**

<b>Regular</b>	Yes-100%
<b>Basic</b>	Yes-100%
<b>Lowest Cost Checking</b>	Yes-100%
<b>Senior</b>	Yes-100%
<b>Student</b>	Yes-100%
<b>State Sav.</b>	Yes-100%
<b>NOW</b>	Yes-100%

**Question: What are current interest rates for the following?**

**State Sav.**

- 1. Average 5.33%
- 2. Median 5.25%

**NOW**

- 1. Average 5.22%
- 2. Median 5.25%

**Question: Do interest rates change if balance is not maintained?**

**State Sav.**

NO  
88%

**NOW**

NO  
69%

**Question: What is the age to qualify?**

**Senior**

- 1. Average 61.86
- 2. Median 62
- 3. % Banks Offering Act. 70%

**Student**

- 1. Average 21.78
- 2. Median 22
- 3. % Banks Offering Act. 45%

**Question: Are ATM withdrawals available on the following accounts?**

**Regular** YES  
41.13%

**Basic** YES  
86.67%

**Lowest Cost Checking** YES  
41.13%

**Senior** YES  
50%

**Student** YES  
49.09%

**State Sav.** YES  
42.86%

**NOW** YES  
42.15%

**Question: Are there any ATM withdrawal limits?**

**Regular**

- |            |      |
|------------|------|
| 1. Average | None |
| 2. Median  | None |

**Basic**

- |            |      |
|------------|------|
| 1. Average | None |
| 2. Median  | None |

**Lowest Cost Checking**

- |            |      |
|------------|------|
| 1. Average | None |
| 2. Median  | None |

**Senior**

- |            |      |
|------------|------|
| 1. Average | None |
| 2. Median  | None |

**Student**

- |            |      |
|------------|------|
| 1. Average | None |
| 2. Median  | None |

**State Sav.**

- |            |      |
|------------|------|
| 1. Average | None |
| 2. Median  | None |

**NOW**

- |            |      |
|------------|------|
| 1. Average | None |
| 2. Median  | None |



**Question: What are ATM Fees for accessing an account using a banks own system?**

**Regular**

1. Average	\$ 0.07
2. Median	\$ 0.00

**Basic**

1. Average	\$ 0.00
2. Median	\$ 0.00

**Lowest Cost Checking**

1. Average	\$ 0.07
2. Median	\$ 0.00

**Senior**

1. Average	\$ 0.08
2. Median	\$ 0.00

**Student**

1. Average	\$ 0.10
2. Median	\$ 0.00

**State Sav.**

1. Average	\$ 0.13
2. Median	\$ 0.00

**NOW**

1. Average	\$ 0.07
2. Median	\$ 0.00

**Question: Are Checks Truncated?**

<b><u>Regular</u></b>	YES
1. Average	5.70%
<b><u>Basic</u></b>	YES
1. Average	53.3%
<b><u>Lowest Cost Checking</u></b>	YES
1. Average	10.48%
<b><u>Senior</u></b>	YES
1. Average	8.14%
<b><u>Student</u></b>	YES
1. Average	7.27%
<b><u>State Sav.</u></b>	YES
1. Average	21.4%
<b><u>NOW</u></b>	YES
1. Average	5.79%

**Question: How many I.D.'s are required when opening an account?**

**Regular**

- |            |      |
|------------|------|
| 1. Average | 1.36 |
| 2. Median  | 1.00 |

**Basic**

- |            |      |
|------------|------|
| 1. Average | 1.42 |
| 2. Median  | 1.00 |

**Lowest Cost Checking**

- |            |      |
|------------|------|
| 1. Average | 1.36 |
| 2. Median  | 1.00 |

**Senior**

- |            |      |
|------------|------|
| 1. Average | 1.32 |
| 2. Median  | 1.00 |

**Student**

- |            |      |
|------------|------|
| 1. Average | 1.32 |
| 2. Median  | 1.00 |

**State Sav.**

- |            |      |
|------------|------|
| 1. Average | 1.38 |
| 2. Median  | 1.00 |

**NOW**

- |            |      |
|------------|------|
| 1. Average | 1.36 |
| 2. Median  | 1.00 |

**Question: What type of I.D.'s are accepted?**

<b><u>Va. Driver</u></b>	YES
% Accepted	100%
<b><u>Other Driver</u></b>	YES
% Accepted	84.35%
<b><u>DMV ID</u></b>	YES
% Accepted	44.35%
<b><u>Emp. ID</u></b>	YES
% Accepted	33.04%
<b><u>Credit Card</u></b>	YES
% Accepted	26.96%
<b><u>Ret. Card</u></b>	YES
% Accepted	11.30%
<b><u>Birth Cert.</u></b>	YES
% Accepted	36.52%
<b><u>Other</u></b>	YES
% Accepted	26.96%

**Note: Other: Social Security Card, Military ID, Passport, Check Reporting Service**

**Question: Is a certain type of ID mandatory to open an account?**

Yes - 59.38%

**Question: If so, which type is required?**

Picture ID or Drivers License

**Question: What are the average fees to cash checks for non customers?**

<u>Will Cash for Non Customers</u>	<u>Charge Fee</u>	<u>Avg. Fee</u>	<u>% Fee</u>
75.40%	66.32%	\$ 1.86	0.92%

**Are giving Management the Option to Cash Checks**

97%

**Question: What type of not drawn on the bank checks are cashed?**

<u>All</u>	<u>Com. Pay</u>	<u>Hand. Pay</u>	<u>Local Gov.</u>	<u>St. Gov.</u>	<u>SS Ch.</u>	<u>Military</u>
29.47%	44.21%	30.53%	69.47%	68.42%	67.37%	52.63%

<u>Local Per.</u>	<u>Nonloc. Per.</u>
18.95%	2.11%

**\*NOTE: To determine total % for a specific category, add the column with the all column.**

**Question: Are I.D.'s required to cash checks, and if so, how many?**

**1. Require ID** 96.84%

**2. How Many** 1.46

**Question: What types of ID are accepted?**

<u>All ID Cards</u>	<u>Va. Drivers</u>	<u>Retail</u>	<u>Out-of-State Dr.</u>	<u>Birth</u>	<u>DMV ID</u>	<u>Bank Credit</u>
1.05%	98.95%	15.79%	73.68%	22.11%	53.68%	28.42%
<u>Emp. ID</u>	<u>Other</u>					
41.05%	14.74%					

**Question: What is the cost for 200 plain checks?**

- 1. Average        \$8.45
- 2. Median        \$8.35

**Question: What is the fee for returned checks?**

- 1. Average        \$14.85
- 2. Median        \$15.00

**Question: When is this fee charged on returned checks?**

- 1. Average        1.35
- 2. Median        1

**Question: How many return checks a day are handled per bank?**

- 1. Average        214.19
- 2. Median        30

**Question: What is the fee for return Dep.?**

- 1. Average        \$1.83
- 2. Median        \$0.00

**Question: What is the fee for stop payment?**

- 1. Average        \$11.87
- 2. Median        \$12.00

**Question: How do you notify your customers of an overdraft?**

90% by Mail

8% by Phone

2% Combination

**Question: When do you notify your customers of an overdraft?**

100%

First Business  
Day

**Question: How do you advertise your transaction accounts?**

<u>All</u>	<u>Brochure</u>	<u>N/A</u>	<u>Newspaper</u>	<u>Radio</u>	<u>Total</u>
18.40%	26.40%	15.20%	20.80%	19.20%	100%



STATEMENT TO THE JOINT SUBCOMMITTEE EXAMINING AFFORDABLE  
BANKING SERVICES FOR LOWER AND MODERATE INCOME CONSUMERS  
PURSUANT TO SENATE JOINT RESOLUTION 226 OF  
THE 1989 GENERAL ASSEMBLY

PREPARED BY  
R. TRACY RAWLE  
PRESIDENT  
THE VIRGINIA CHECK CASHERS ASSOCIATION, INC.

## I. INTRODUCTION

My name is Tracy Rawle. I presently serve as President of The Virginia Check Cashers Association, Inc. The following information is intended to give a more clear understanding of the check cashing business.

For many years, most checks cashed in Virginia were cashed by banks, grocery stores, drug stores, convenience stores, etc. There is now an additional alternative for the consumer of Virginia, the check cashing company.

Check cashing is not a new business, in fact check cashing centers have existed in various parts of the country for some 50 years. The check cashing business in Virginia, however, is a relatively new business.

The check cashing industry was born in Virginia out of a need to respond to consumer demands to turn their negotiable instruments into cash quickly, conveniently, and in a friendly "no hassle" manner.

## II. THE CHECK CASHING INDUSTRY TODAY

Today there are 34 check cashing centers in the state of Virginia providing a valuable alternative to banks, grocery stores, and the other check cashing alternatives. Please let me re-emphasize "ALTERNATIVE". The consumer of Virginia still has the same options that existed before organized check cashing centers were opened. In Richmond alone, for example, there are over 200 places to cash an AFDC check. Only 5 of these are check cashing centers.

Check cashing centers are open long hours, weekends, and on many holidays. They do not push on to the consumer many hassles that other check cashing alternatives have, such as: a minimum purchase of goods, minimum balances, strict i.d. requirements, putting a hold on consumer funds, limited funds for check cashing, long lines, and short inconvenient hours. Check cashing centers provide a necessary and desirable option for the consumer of Virginia.

The check cashing company appeals to a wide range of consumers with a variety of reasons for using to service. The following are examples of consumers who choose to use a check cashing center:

A. The consumer without a bank account who needs to cash a government or payroll check. There are various reasons why

some consumers choose not to have a bank account. Many individuals simply do not want the hassles that come with maintaining a bank account, such as: balancing the account, account errors, the worry and expense of bouncing checks (between paying returned item charges to the payee and the bank, returned item charges can cost as much as \$40.00 per check), and in most cases banks will not cash a check unless their balance is at least equivalent to the amount of the check. Many consumers without a bank account will also purchase money orders at a check cashing center to meet their financial obligations, at a cost far less than other alternatives. Check cashing centers in Virginia charge from free to 50¢ to make money orders, compared to 80¢ to \$2.00 at most other alternatives.

B. The consumer who has a bank account who is looking for a convenient place to cash a government, payroll, or personal check, in addition to his bank. For this consumer, check cashing centers are to banks what 7-11 stores are to supermarkets.

C. The consumer who would be considered high risk because they do not have what would be considered "proper i.d." or they have a large or high risk check. Generally an organized check cashing center is the only alternative that caters to this consumer because of the knowledge and expertise needed. In many cases, if it were not for a check cashing center this person would be unable to cash the check without considerable time and effort.

D. The small business owner or individual who needs instant availability of funds to meet commitments, and cannot afford the hold the bank will place on his funds.

Although there are a variety of reasons why people choose to use a check cashing center, most reasons tie into the fact that this is a fast, friendly, convenient, and needed service being offered at a fair price.

The vast majority of checks being cashed by check cashing centers in Virginia are payroll checks. Government assistant checks, including federal, state, and local, account for an average of only 4% of the total number of checks cashed.

### III. ECONOMICS

The check cashing business carries with it many expenses and risks. The following are examples of some of the costs involved in cashing checks, and variables that effect fees that are charged:

A. Rent: Most check cashing centers in Virginia are located in high traffic, convenient locations, and therefore pay high rent.

B. Labor: Check cashing is a labor intensive business because an adequate staff must be maintained to provide quick and convenient service. Most check cashing centers in Virginia also cash high risk items, that in many cases require labor intensive verification, that other check cashing alternatives would not cash.

Check cashing is a profession, requiring special skill and knowledge. Because of the risk and variables involved in cashing checks, and particularly high risk items, it generally takes 7-10 months to develop a teller. This also is a big expense.

C. Bad check loss: It must be remembered that the entire risk from the check being returned for any reason are borne entirely by the check casher, by becoming the endorsers and guarantors on all the checks they cash. Check cashers do not have the luxury of cushion that a bank has by putting a hold on consumer funds until a check has cleared, or debiting a consumers account when a check is returned. Bad checks are a big expense to a check casher. Even government checks, that are thought by many to be risk free, are actually quite risky. False affidavits of forgery are very common, and in many cases check cashers loose money on checks that are cashed for the correct payee. In addition, government checks can be returned up to 6½ years after encashment. The following are examples of various types of checks, and reasons why they can be returned:

1. Government checks: forged endorsement (but in many cases cashed for the correct payee), payment stopped.

2. Computerized payroll: forged endorsement, payment stopped, insufficient funds, uncollected funds, closed account.

3. Handwritten payroll: forged endorsement, payment stopped, insufficient funds, uncollected funds, closed account, and forged signatures.

4. Personal checks: all of the above.

5. Money orders: forged endorsement, and payment stopped.

6. Cashiers check: forged endorsement, and payment stopped.

7. Insurance checks: forged endorsement, and payment stopped.

\*All of the above checks can also be returned as an altered item, or for a stale or post date.

D. Bank and money expenses: Providing all the money to turn checks into cash does not come to the check casher without considerable expense, i.e., the cost of borrowing cash, credit lines, high bank charges including a fee for each strap of bills or each roll of coin received (for the check cashers own money), and the cost of cash delivery.

Check cashing centers also have the ever present risk of robbery, theft, and life threatening situations. Certainly other retail businesses also have this risk, but none would have the high exposure that a check cashing center has.

E. Standard cost of doing business: The check casher also has the standard cost of doing business, including: insurance, leases, taxes, equipment maintenance, telephone (in many cases telephone expenses for a check casher equal or exceed the cost of rent), etc. Not to mention the extremely high original capital investment to start the business.

F. Location and volume: The location of a check cashing center is a big economic factor that must be considered. Some individuals have tried to make a comparison between different states of fees charged to cash checks, and particularly comparing New York, a fee regulated state, with other states. They say, for example, "if check cashing centers in New York can cash checks for (x-amount), check cashing centers here should be able to also". Such individuals fail to see or understand a host of variables that effect the cost of doing business. The fee charged to cash a check in one state, has nothing to do, and cannot be fairly compared to what is charged in another state. For example, the average amount of a check in New York is 30% higher than the average in Virginia, and the average volume of checks cashed per location in New York is 69% higher than in Virginia. Not only is the average volume of checks cashed in New York 69% higher than Virginia, the checks being cashed in New York are primarily low risk items. Virginia check cashing centers, on the other hand, are much more full service, and most cash all types of checks. Not only does this effect your labor, it also contributes to a much higher returned item rate. Obviously, for an example, it is a much higher risk, takes more time, and entails more expense to cash an out of state personal check, than a computerized payroll check.

Besides check cashing, the auxillary services contribute to even widening the gap. New York check cashers do triple the money order revenue that Virginia check cashers do. Check cashing centers in New York receive considerable revenue by distributing welfare payments and food stamps. The city pays them \$1.95 for each welfare payment that is distributed, and \$1.95 for each supply of food stamps.

The state also protects the territory of each check cashing center by not allowing a check cashing center to locate by another if it would cause "destructive competition".

If check cashing centers in New York cash 69% more checks than Virginia check cashers, checks are an average of 30% larger, money order revenue is triple, New York check cashers receive considerable revenue from distributing welfare payments and food stamps, and they are guaranteed a territory, obviously comparing the two states is not comparing apples to apples.

It is interesting to note that 99% of the check cashing centers in the State of New York are located in New York City, and in densely populated areas in close proximity to the city. Other cities such as Syracuse, Rochester, and Albany, for example, have a combined population of 2,444,000, and do not account for one check cashing center. Even these cities in New York that have no check cashing centers have a population density of  $4\frac{1}{2}$  times the average of cities in Virginia that have check cashing centers. Some areas in New York City have 44 times the population density than that of cities in Virginia that have check cashing centers.

Mr. Les Bender of the New York Banking Department commented on why check cashing centers do not exist in most areas in the State of New York outside of New York City: "The current check cashing rates are set very low in New York based on the high volume of checks that are cashed. Cities that are not as densely populated would not be attractive to a businessman. With the current check cashing rates, if you didn't have a very large volume you would not cover your overhead".

The costs of doing business obviously vary. They vary from location to location, city to city, and state to state. But this is no different than any other business. For example, most full service restaurants could not charge the same as Roy Rodgers for a roast beef sandwich. Even though the cost of the roast beef and the bun might be close to the same at both establishments, the other variables (rent, labor, insurance, volume of business, debt service, utilities, etc), would make it impossible to charge the same price. The same variables can even make it impossible for two full service restaurants to charge the same price for the same product.

#### IV. SUMMARY

The check cashing center provides a valuable service to a wide range of consumers by cashing checks quickly, conveniently, and in a friendly manner. They treat their customers as valued patrons, recognizing that if they don't the customer can choose other alternatives.

Most people who use a check cashing center have abandoned using a bank, grocery store, or one of the other alternatives, in favor of using their check cashing company.

The fees charged to cash checks are arrived at in a competitive environment, and are settled upon based on the cost of doing business. The consumers that are using a check cashing center are using the service out of choice, and obviously feel the value exceeds the cost.

On behalf of the check cashers of the State of Virginia I wish to thank you for the opportunity to submit this statement. We are prepared to respond to any questions you might have.

By: Tracy Rawle  
President  
The Virginia Check Cashers  
Association, Inc.

**CHAPTER 17**

**CHECK CASHER ACT**

**§ 6.1-450. Short title.** -- This chapter may be cited as the Check Casher Act.

**§ 6.1-451. Definitions.** -- As used in this chapter, the following words and terms shall have the following meanings unless the context requires a different meaning:

"Check casher" means a person engaged in the business of cashing checks, drafts, or money orders for compensation.

"Commission" means the State Corporation Commission.

"Commissioner" means the Commissioner of the Bureau of Financial Institutions.

"Item" means a check, draft, or money order.

"License" means a license issued under this chapter.

"Licensee" means a person to whom one or more licenses have been issued under this chapter.

"Person" means any individual, firm, corporation, partnership, association, trust, or legal or commercial entity or group of individuals, however organized.

"Principal stockholder" means any person owning ten percent or more of the outstanding stock of a corporate check casher.

**§ 6.1-452. License requirement.** -- No person shall engage in business as a check casher on or after July 1, 1990, unless such person has first obtained a license under this chapter; however, a person engaged in such business on January 1, 1990, may continue to engage in such business if such person files an



application for a license on or before July 1, 1990, and has obtained a license on or before December 31, 1990.

**§ 6.1-453. Exempt persons.** -- This chapter shall not apply to persons cashing items as an incident to the conduct of another business for compensation not exceeding fifty cents per item, nor to any person authorized to engage in business as a bank, savings institution, or credit union under the laws of the United States, any state or territory of the United States, or the District of Columbia.

**§ 6.1-454. Application for license; form; content; fee.** --

A. An application for a license under this chapter shall be made in writing, under oath, and on a form provided by the Commissioner.

B. The application shall set forth:

1. The name and address of the applicant;
2. If the applicant is a firm or partnership, the name and address of each member of the firm or partnership;
3. If the applicant is a corporation, the name and address of each officer, director, registered agent, and each principal stockholder;
4. The addresses of the locations of the business to be licensed; and
5. Such other information concerning the financial responsibility, background, experience, and activities of the applicant and its members, officers, directors, and principal stockholders as the Commissioner may require.

C. The application shall be accompanied by a payment of a \$300 application fee, which fee shall not be refundable or abated in any event.

**§ 6.1-455. Bond required.** -- The application for a license shall also be accompanied by a bond filed with the Commissioner with corporate surety authorized to execute such bond in this Commonwealth, in the sum of \$25,000, or such greater sum as the Commissioner may require, the form of which shall be approved by the Commission. Such bond shall be continuously maintained thereafter in full force. Such bond shall be conditioned upon the applicant or licensee conducting his licensed business in conformity with this chapter and all applicable law. Any person who may be damaged by noncompliance of a licensee with any condition of such bond may proceed on such bond against the principal or surety thereon, or both, to recover damages. The aggregate liability under the bond shall not exceed the penal sum of the bond.

**§ 6.1-456. Liquid assets required.** -- Every licensee and applicant shall have and maintain liquid assets of at least \$25,000 for each business location, or such greater amount of liquid assets as the Commissioner may require.

**§ 6.1-457. Investigation of applications.** -- The Commissioner may make such investigations as he deems necessary to determine if the applicant has complied with all applicable provisions of law and regulations promulgated thereunder.

**§ 6.1-458. Qualifications.** -- Upon the filing and investigation of an application, and compliance by the applicant with the provisions of §§ 6.1-454, 6.1-455, and 6.1-456, the Commission shall issue and deliver to the applicant the license or licenses applied for to engage in business under this chapter at the locations specified in the application if it finds that the financial responsibility, character, reputation, experience, and general fitness of the applicant and its members, senior officers, directors, and principal stockholders are such as to warrant belief that the business will be operated efficiently and fairly, in the public interest, and in accordance with law. If the Commission fails to make such findings, no license shall be issued and the Commissioner shall notify the applicant of the denial and the reasons for such denial.

**§ 6.1-459. Licenses; places of business; changes.** --

A. Each license shall state the address or addresses at which business is to be conducted, and shall state fully the name of the licensee. Each license shall be prominently posted in each place of business of the licensee. Licenses shall not be transferable or assignable, by operation of law or otherwise. No licensee shall use any name other than the name set forth on the license issued by the Commission.

B. No licensee shall open an additional office without giving thirty days prior written notice to the Commissioner accompanied by payment of a \$150 processing fee. No licensee shall relocate any office without giving thirty days prior

written notice to the Commissioner accompanied by payment of a \$100 processing fee. In addition, every licensee shall give written notice to the Commissioner within ten days after the commencement of business at such additional or relocated office.

C. Every licensee shall give written notice to the Commissioner of the name, address, and position of each new senior officer, member, partner, director, and principal stockholder and provide such other information with respect to any such change as the Commissioner may require.

D. Every license shall remain in force until surrendered, revoked, or suspended. The surrender, revocation, or suspension of a license shall not affect any preexisting legal right or obligation of such check casher.

**§ 6.1-460. Retention of books, accounts, and records. --** Every person required to be licensed under this chapter shall maintain in its offices such books, accounts, and records as the Commissioner may reasonably require in order to determine whether such person is complying with the provisions of this chapter and rules and regulations adopted in furtherance thereof. Such books, accounts, and records shall be maintained apart and separate from any other business in which the person is engaged, and shall be retained for such period as the Commission may prescribe by regulation.

**§ 6.1-461. Annual report. --** Each person required to be licensed under this chapter shall annually, on or before March 25 file a written report with the Commissioner containing such

information as the Commissioner may require concerning his business and operations during the preceding calendar year as to each licensed place of business. Reports shall be made under oath and shall be in the form prescribed by the Commissioner, who shall make and publish annually an analysis and recapitulation of the reports.

**§ 6.1-462. Investigations; examinations.** -- The Commission may, by its designated officers and employees, as often as it deems necessary, investigate and examine the affairs, business, premises, and records of any person required to be licensed under this chapter insofar as they pertain to any business for which a license is required by this chapter. Examinations of licensees shall be conducted at least once in each two-year period. In the course of such investigations and examinations, the owners, members, officers, directors, partners, and employees of the person being investigated or examined shall, upon demand of the person making such investigation or examination, afford full access to all premises, books, records, and information which the person making such investigation or examination deems necessary. For the foregoing purposes, the person making such investigation or examination shall have authority to administer oaths, examine under oath all the aforementioned persons, and compel the production of papers and objects of all kinds.

**§ 6.1-463. Annual fees.** -- In order to defray the costs of their examination, supervision, and regulation, every licensee shall pay an annual fee calculated in accordance with a schedule

set by the Commission. In setting such schedule, the Commission shall take into account the volume of business of licensees, the number of offices operated by licensees, the actual costs of examinations, and other factors relating to supervision and regulation under this chapter. All such fees shall be assessed on or before April 25, 1990, for that calendar year, and on or before April 25 for every calendar year thereafter. All such fees shall be paid by licensees to the State Treasurer on or before May 25 following each assessment. Such fees shall not be abated by surrender, revocation, or suspension of any license.

**§ 6.1-464. Rules and regulations.** -- The Commission shall promulgate such rules and regulations as it deems appropriate to effect the purposes of this chapter. Before promulgating any such rules or regulations, the Commission shall give reasonable notice of the content thereof, and shall afford interested parties an opportunity to be heard, in accordance with the Rules of Practice and Procedure of the Commission.

O R

**§ 6.1-464. Rules and regulations.** -- A. The Commission shall promulgate such rules and regulations as it deems appropriate to effect the purposes of this chapter. Before promulgating any such rules or regulations, the Commission shall give reasonable notice of the content thereof, and shall afford interested parties an opportunity to be heard, in accordance with the Rules of Practice and Procedure of the Commission.

B. The Commission shall also promulgate regulations, on or before December 31, 1990, establishing maximum fees which

licensees may charge for cashing items. Before promulgating such regulations, the Commission shall take into consideration the following:

1. Maximum fees for cashing items established under the laws of other states;

2. Fees charged by persons exempt from this chapter for cashing items in this Commonwealth; and

3. Such other information as the Commission deems relevant.

C. Before promulgating regulations pursuant to subsection B., the Commission shall give reasonable notice of its intention to do so to all applicants and licensees, and cause like notice to be published once each week for two consecutive weeks in some newspaper having general circulation, or published, in the City of Richmond.

§ 6.1-465. Prohibited practices. -- No person required to be licensed under this chapter shall:

A. Engage in the business of making loans of money, credit, goods, or things; or discounting notes, bills of exchange, items, or other evidences of debt; or accepting deposits or bailments of money or items; or receiving money for transmission or transmitting money;

B. Cash post-dated items, other than government or payroll checks payable the next business day after cashing;

C. Cash items in face amount exceeding \$2,500;

D. Use, or cause to be published or disseminated, any advertisement or communication which:

1. Contains any false, misleading, or deceptive statement or representation;

2. Contains any reference to the fact that such person is regulated or supervised by the Commission; or

3. Identifies the person by any name other than the name set forth on the license issued by the Commission; or

E. Conduct the business for which a license is required by this chapter at any premises or location where another person is engaged in any business described in subsection A. of this section.

**§ 6.1-466. Suspension or revocation of license.** A. The Commission may suspend or revoke any license issued under this chapter upon any of the following grounds:

1. Any ground for denial of a license under this chapter;

2. Any violation of the provisions of this chapter, or regulations or rules promulgated by the Commission pursuant thereto, or a violation of any other law or regulation applicable to the conduct of the licensee's business;

3. Conviction of a felony or misdemeanor involving fraud, misrepresentation, or deceit;

4. Entry of a judgment against a licensee involving fraud, misrepresentation, or deceit;

5. Entry of a federal or state administrative order against such licensee for violation of any law or regulation applicable to the conduct of his business;



6. Refusal to permit an investigation or examination by the Commission;

7. Failure to pay any fee or assessment imposed by this chapter; or

8. Failure to comply with any order of the Commission.

B. For the purposes of this section, acts of any officer, director, member, partner, or principal stockholder shall be deemed acts of the licensee.

**§ 6.1-467. Cease and desist orders.** -- If the Commissioner determines that any person required to be licensed under this chapter has violated any provision of this chapter, or any regulation promulgated hereunder, he may, upon twenty-one days notice in writing, order such person to cease and desist from such violations and to comply with the provisions of this chapter. Such notice shall be sent by certified mail to the place of business of such person, and shall state the grounds for the contemplated action. Within fourteen days of mailing the notice, the person or persons named therein may file with the Clerk of the Commission a written request for a hearing by the Commission. In the event that such hearing is timely requested, the Commissioner shall not issue any order under this section, and a hearing shall be conducted by the Commission under Title 12.1 of this Code. The Commission may enforce compliance with any order issued under this section by imposition and collection of such fines or penalties as may be provided herein, or by Commission regulations.

**§ 6.1-468. Procedure for license suspensions or revocations.** -- The Commission shall not revoke or suspend any license issued under this chapter unless the licensee has been given twenty-one days written notice of the proposed revocation or suspension, and the licensee has been given an opportunity for a hearing. Such notice shall be sent by certified mail to a place of business of such licensee, and shall state with particularity the grounds for the proposed revocation or suspension. Within fourteen days of mailing the notice, the licensee may file with the Clerk of the Commission a written request for hearing. If a hearing is requested, the Commission shall not revoke or suspend the license unless or until findings are made at or after such hearing. The hearing shall be conducted in accordance with the provisions of Title 12.1 of this Code.

**§ 6.1-469. Fines and penalties.** -- In addition to the authority conferred under §§ 6.1-467 and 6.1-468, the Commission may impose a fine or penalty not exceeding \$1,000 upon any person required to be licensed hereunder who it determines, in proceedings commenced in accordance with the Rules of Practice and Procedure of the Commission, has violated any of the provisions of this chapter or regulations promulgated thereunder. For the purposes of this section, each separate violation shall be subject to the fine or penalty therein prescribed.

**§ 6.1-470. Criminal penalties.** -- Any person required to be licensed under this chapter who shall act as a check casher in this Commonwealth without having obtained a license shall be guilty of a Class 6 felony. For the purposes of this section, each transaction entered into involving the cashing of an item by such person shall constitute a separate offense.

A.D.C. Check Cashing Source Survey  
SJR-226

**Sampling Method:** Staff examined processed A.D.C. checks issued February 1, 1989 and June 1, 1989 to determine where these checks were cashed. Department of Social Services A.D.C. checks, drawn on SOVRAN Bank, are physically generated by the Financial Systems and Data Processing division of the Department of Accounts utilizing data furnished by the Department of Social Services. The checks are batch-printed in numerical sequences tied to regional distribution. It appears that approximately 50,000+ A.D.C. checks have been processed (distributed and cashed/deposited) each month in 1989.

Processed A.D.C. checks are returned by SOVRAN Bank to the Department of Treasury in batches corresponding to the dates on which they are physically received by SOVRAN via the Federal Reserve System. The checks are not re-sorted into their original numerical printing sequence by SOVRAN Bank employees or Department of Treasury staff at any time. Thus, cancelled A.D.C. checks mailed to and cashed in locales all around the state are randomly distributed throughout any given batch. The checks are stored at the Department of the Treasury in the same random order in which they are received.

Department of Treasury statistical records show that the overwhelming majority of all distributed A.D.C. checks are cashed within one week of their distribution. This information was important to Staff because we wanted a sample drawn from processed checks corresponding to a high-volume cashing period. At our request, Treasury staff furnished Staff a boxed batch of several thousand A.D.C. checks cashed during the period February 2 - 6, 1989. A Second box containing several thousand A.D.C. checks cashed during the period June 2 - 9 was also examined.

At Senator Scott's suggestion, a cold-weather month, February, was selected to factor in adverse conditions that might affect cashing source choices -- in the same fashion that weather affects voter turn-out. Conversely, adverse conditions were factored out by sampling a second month, June, in which more temperate weather prevails.

First, we broke each sample group into two, broad categories based on the recipients' addresses: 1) urban centers and cities with populations in excess of 25,000; and 2) cities with populations of less than 25,000, smaller towns, and rural areas. We treated municipalities within the Tidewater & Hampton Roads areas as one urban center; those within the Richmond metro area as another; and Northern Virginia's Washington D.C. suburbs as a third.

Next, within the broader categories, we segregated the checks into groups according to their cashing source. The February sample used only three sub-groups: 1) banks; 2) check-cashing stores; and 3) "other." While conducting the February sample, however, we discovered that large numbers of checks were cashed at SOVRAN branches and at supermarkets. Thus, when we did the June sample, we broke "banks" down further into "SOVRAN Branches" and "Other Banks;" we took "supermarkets/grocery stores" out of the "other" category made it a separate cashing source sub-grouping. The "other" group was reduced even further when we found that many checks in the June sample were cashed at convenience stores and furniture stores. We added two additional sub-groups to reflect these findings.

As stated above, there are approximately 50,000+ A.D.C. checks processed each month. Department of Treasury data shows that a total of 55,003 A.D.C. checks were processed in February 1989; 52,924 A.D.C. checks were processed June 1989 -- 51,515 within the June 1 - 9

peak-return period. Staff was advised by an economist within the Division of Legislative Services that a sample size of 400 provides statistically valid indicators of a 50,000 member group -- with a sampling error of +/- 5%. Increasing the sample size to 1000+ within the same group reduces the sampling error to +/- 3%. Our February sample size was 510; the June sample group was comprised of 1052 checks.

February Sample

**Comments.** Sample group: February 1, 1989 A.D.C. checks distributed state-wide. 510 checks examined within peak-return period February 2 - 6, 1989.

Urban Centers & Cities with 25,000+ populations

Cashing Source

<u>Banks (All)</u>	<u>Check-Cashers</u>	<u>Other*</u>
258	27	175

Cities with less than 25,000 population, towns, and rural areas

Cashing Source

<u>Banks (All)</u>	<u>Check-Cashers</u>	<u>Other*</u>
30	None	20

Totals for both groups

<u>Banks (All)</u>	<u>Check-Cashers</u>	<u>Other*</u>
288	27	195

\*"Other" includes furniture stores, drug stores, convenience stores, supermarkets and department stores such as Sears-Roebuck.

**Note:** The "Urban Centers," et al sample group is comprised, principally, of checks distributed to individuals in the Tidewater & Hampton Roads area and the Richmond metro area. The remainder included checks from Northern Virginia's Washington D.C. suburbs (very few) together with checks sent to recipients in Roanoke, Charlottesville, Lynchburg, and Danville. Most of the checks cashed at banks (288) were cashed at SOVRAN branches.

The "Cities with less than 25,000 population," et al group, included checks sent to individuals in Deerfield, Christiansburg, Pulaski, Fredericksburg, and similar-sized localities.

## June Sample

**Comment. Sample Group: A.D.C. checks distributed state-wide, June 1, 1989.  
1052 checks drawn from 51,515 checks cashed June 1 - 9, 1989.**

### Urban Centers & Cities with 25,000+ populations

#### Cashing Source

<u>SOVRAN</u>	<u>Other Bk.</u>	<u>Ck.-cash.</u>	<u>Grocery</u>	<u>Conven.</u>	<u>Furn.</u>	<u>Other.</u>
287	30	75	123	99	51	85

### Cities with less than 25,000 population, towns, and rural areas

#### Cashing Source

<u>SOVRAN</u>	<u>Other Bk.</u>	<u>Ck.-cash.</u>	<u>Grocery</u>	<u>Conven.</u>	<u>Furn.</u>	<u>Other.</u>
94	132	None	50	None	None	26

#### Totals for both groups

<u>SOVRAN</u>	<u>Other Bk.</u>	<u>Ck.-cash.</u>	<u>Grocery</u>	<u>Conven.</u>	<u>Furn.</u>	<u>Other.</u>
381	162	75	173	99	51	111

#### Notes:

--Banks cashed 51% of all sample group checks (SOVRAN: 36%).

--Grocery stores, supermarkets, convenience and furniture stores and other sources: 41%.

--Check-Cashing stores cashed 7% of checks in the sample group.

--The "Urban center" sample group was comprised principally of checks sent to individuals in Northern Virginia's Washington D.C. suburbs, the Tidewater & Hampton Roads area and the Richmond metro area. This is consistent with the February sample.

--The "cities with less than 25,000 pop., towns and rural areas" group constituted 28 percent of the June sample (in contrast to about 10% in February) Canceled checks in this group came from the entire array of Virginia's geographic regions: Northern Virginia (including Occoquan and Triangle); Southwest Virginia (including Grundy, Abingdon and Coeburn); Southside Virginia (including Halifax, Lawrenceville and South Boston); Northern Neck (including Gloucester, West Point and Shacklesford); Shenandoah Valley (including Buena Vista, Waynesboro and Winchester); Piedmont (including Culpeper, Fredericksburg, and Big Island); Eastern Shore (including Exmore, Temperanceville and Mappsville); and Western Virginia (including Clifton Forge and Deerfield).

**Resolution encouraging all Virginia financial institutions to publicize the availability of low-cost checking accounts.**

**WHEREAS, the availability of banking services to individuals and families in low- and moderate-income groups is an issue of concern to this country and to the Commonwealth; and**

**WHEREAS, public benefits recipients frequently do not utilize the services of financial institutions for purposes of depositing assistance checks and managing their financial affairs; and**

**WHEREAS, public benefits recipients frequently incur monthly expenses to cash assistance checks and purchase money orders for bill paying that greatly exceed the monthly cost of maintaining a low-cost checking account; and**

**WHEREAS, low-cost, limited transaction checking accounts are widely available from financial institutions throughout the Commonwealth; now therefore, be it**

**RESOLVED, by the Senate, the House of Delegates concurring, that Virginia's financial institutions, including banks and savings and loans institutions, are encouraged to publicize the availability of low-cost checking accounts through means best suited to communicating this information to members of these income groups throughout the Commonwealth.**

**Resolution encouraging the Department of Social Services to notify ADC and other DSS public benefits recipients of the availability of low-cost checking accounts.**

**WHEREAS, the availability of banking services to individuals and families in low- and moderate-income groups is an issue of concern to this country and to the Commonwealth; and**

**WHEREAS, public benefits recipients frequently do not utilize the services of financial institutions for purposes of depositing assistance checks or managing their financial affairs; and**

**WHEREAS, public benefits recipients frequently incur monthly expenses to cash assistance checks and purchase money orders for bill paying that greatly exceed the monthly cost of maintaining a low-cost checking account; and**

**WHEREAS, it is in the interest of the Commonwealth to ensure that resources set aside for public benefits recipients are expended for their intended purposes to the maximum extent possible; and**

**WHEREAS, low-cost, limited transaction checking accounts are widely available from financial institutions throughout the Commonwealth; now therefore, be it**

**RESOLVED by the Senate, the House of Delegates concurring, That the Department of Social Services is strongly encouraged to provide the public benefits recipients it serves, periodic notice of (i) the general availability of low-cost checking accounts from Virginia financial institutions, together with information about the benefits of using such accounts; (ii) locations of financial institutions where such checks may be cashed; and (iii) the availability of Department of Social Service photo I.D. cards to assist them in cashing their public assistance checks. The Department is encouraged to furnish such notice by means of envelope inserts accompanying public assistance checks generated by the Department.**



Encouraging the State Corporation Commission to direct its Bureau of Financial Institutions to prepare and publish a consumers guide to checking accounts available at Virginia banks.

WHEREAS, the availability of basic, essential financial services to the citizens of the Commonwealth is a matter of utmost importance; and

WHEREAS, checking accounts are the fundamental financial service required by all citizens of the Commonwealth; and

WHEREAS, publicity of checking accounts available from financial institutions is presently dependent on the marketing and advertising plans of such financial institutions; and

WHEREAS, the citizens of the Commonwealth, particularly those on fixed incomes as well as those receiving public assistance, would benefit greatly from regular reports about checking accounts presently available on the market from Virginia's financial institutions, costs and expenses associated with each, and other terms and features; now therefore, be it

RESOLVED by the Senate, the House of Delegates concurring, that the State Corporation Commission is strongly encouraged to authorize its Bureau of Financial Institutions to prepare and publish, on an annual basis, a consumer's guide to checking accounts offered by the Commonwealth's financial institutions. The Bureau of Financial Institutions is strongly encouraged to include in such guide, information about (i) the terms of each checking account offered; (ii) costs, fees and expenses associated with each account; (iii) additional privileges, such as check-cashing, that accompany each account; and (iv) any additional information the Bureau believes would assist a consumer in comparing such accounts

**Encouraging the Bureau of Financial Institutions of the State Corporation Commission and the Department of Social Services to conduct a joint study examining the feasibility of requiring Virginia's financial institutions to cash public assistance checks, without charge.**

**WHEREAS, thousands of Virginians receive public assistance benefits each month at ever-increasing expense; and**

**WHEREAS, many of the low- and moderate-income individuals and families receiving public assistance do not have banking accounts and, consequently, pay fees to have their benefits checks cashed; and**

**WHEREAS, it is in the interest of the Commonwealth and its citizens to ensure that resources set aside for public benefits recipients are expended for their intended purposes to the maximum extent possible; now therefore, be it**

**RESOLVED by the Senate, the House of Delegates concurring, that the Bureau of Financial Institutions of the State Corporation Commission and the Department of Social Services are encouraged to conduct a joint study examining the feasibility of requiring all Virginia financial institutions to cash public assistance benefits checks, without charge, subject to the obligation of the Commonwealth to indemnify such institutions from fraud-related losses resulting therefrom.**

**Encouraging the Department of Motor Vehicles to develop a plan of action intended to improve the reliability of its nondriver photo I.D.**

**WHEREAS, the fraudulent acquisition, possession and use of identification cards issued by legitimate government sources is a matter of concern in the Commonwealth; and**

**WHEREAS, financial institutions and other businesses are increasingly unwilling to rely on identification cards issued by the Virginia Department of Motor Vehicles; and**

**WHEREAS, the reliability of Virginia Department of Motor Vehicles driver's licenses and nondriver photo identification cards is a matter of utmost importance; and**

**WHEREAS, many individuals with low- and moderate-incomes depend on the nondriver photo identification card as a primary, and frequently sole, source of identification; now, therefore, be it**

**RESOLVED by the Senate, the House of Delegates concurring, That the Virginia Department of Motor Vehicles is strongly encouraged to immediately develop a plan of action designed to improve the general reliability of identification cards it issues, with particular emphasis on the nondriver photo identification card.**

A Bill directing the Commissioner of Social Services to develop a plan for electronic alternatives to check-based public benefits delivery systems.

Be it enacted by the General Assembly of Virginia:

1. § 1. The Commissioner of Social Services shall conduct an evaluation of direct deposit and electronic benefits transfer systems for the program areas administered by the Commissioner. The Commissioner shall, upon completion of such evaluation, develop a proposed plan of implementation for each system in consultation with the Department of Information Technology, the Department of Accounts, and the Department of Treasury.

The Commissioner shall present its findings and proposed plans to the 1991 session of the General Assembly.

**Encouraging the Department of Education to incorporate basic financial skills into the school curriculum at all levels.**

**WHEREAS, a significant group of citizens in the Commonwealth lack skills essential to managing their personal finances; and**

**WHEREAS, members of this group are frequently unable to manage banking accounts, handle credit properly, or understand fundamental financial principles; and**

**WHEREAS, basic financial skills are key prerequisites to successful participation in the Commonwealth's economy; and**

**WHEREAS, educational programs emphasizing basic business math, economic principles, banking skills, and financial management are widely advocated by members of the business and education communities; now, therefore, be it**

**RESOLVED by the Senate, the House of Delegates concurring, that the Department of Education is strongly encouraged to incorporate basic business math, economic principles, banking skills, and financial management into the content of required and elective school curricular offerings at all levels.**

**Encouraging the Virginia Cooperative Extension Service to expand its personal finance education program for low- and moderate-income individuals.**

**WHEREAS, a significant group of citizens in the Commonwealth lack skills essential to managing their personal finances; and**

**WHEREAS, members of this group are frequently unable to manage banking accounts, handle credit properly, or understand fundamental financial principles; and**

**WHEREAS, basic financial skills are key prerequisites to successful participation in the Commonwealth's economy; and**

**WHEREAS, educational programs emphasizing basic banking and financial management skills are needed by adults who presently lack these skills; and**

**WHEREAS, the Virginia Cooperative Extension Service has achieved significant and encouraging results in its volunteer financial counseling program offered to families through twelve local extension units; now therefore, be it**

**RESOLVED by the Senate, the House of Delegates concurring, that the Virginia Cooperative Extension Service is strongly encouraged to continue its financial counseling program and to expand its availability through additional extension offices.**

## 1990 SESSION

1                                   **SENATE JOINT RESOLUTION NO. 62**  
2                                   **AMENDMENT IN THE NATURE OF A SUBSTITUTE**  
3                                   **(Proposed by the Senate Committee on Rules**  
4                                   **on February 9, 1990)**

5                                   **(Patron Prior to Substitute—Senator Scott)**

6   *Encouraging actions to increase the availability and accessibility of banking services to*  
7   *low- and moderate-income groups.*

8   WHEREAS, the availability of basic, essential financial services to the citizens of the  
9 Commonwealth is a matter of utmost importance; and

10 WHEREAS, many individuals with low incomes, particularly those receiving public  
11 assistance benefits, do not have banking accounts and, instead, pay fees to cash checks and  
12 purchase money orders that greatly exceed the cost of many lower-cost checking accounts  
13 available throughout the Commonwealth; and

14 WHEREAS, it is in the interest of the Commonwealth to ensure that resources set aside  
15 for public benefits recipients are expended for their intended purposes to the maximum  
16 extent possible; and

17 WHEREAS, lower-cost checking accounts are widely available throughout the  
18 Commonwealth and, therefore, publicizing the availability of such accounts would be  
19 potentially beneficial to public benefits recipients, individuals and families in lower income  
20 groups, and other consumers; and

21 WHEREAS, members of low- and moderate-income groups needing sufficient  
22 identification to open checking accounts and cash checks frequently rely on nondriver  
23 photo identification cards issued by the Virginia Department of Motor Vehicles as primary,  
24 and frequently sole, sources of identification; and

25 WHEREAS, Virginia financial institutions are often unwilling to rely on the Department  
26 of Motor Vehicles nondriver photo identification card because it is deemed unreliable due  
27 to reported association with fraudulent check-cashing schemes, thus creating difficulties for  
28 individuals who depend on this identification card; and

29 WHEREAS, many individuals from low- and moderate-income groups reportedly do not  
30 own banking accounts because they lack essential mathematics or language skills required  
31 to manage such accounts, and such deficiencies are manifested in difficulties handling  
32 credit and managing personal finances; and

33 WHEREAS, educational programs emphasizing basic business math, economic principles,  
34 banking skills, and personal financial management are needed in the public schools and in  
35 adult education settings; now; therefore, be it

36 RESOLVED by the Senate, the House of Delegates concurring, That Virginia's financial  
37 institutions are encouraged to publicize the availability of lower-cost checking accounts  
38 through means likely to communicate this information to members of low- and  
39 moderate-income groups; and, be it

40 RESOLVED FURTHER, That the State Corporation Commission is strongly encouraged  
41 to authorize its Bureau of Financial Institutions to prepare and publish an annual  
42 consumer's guide to checking accounts offered by financial institutions in the  
43 Commonwealth. The Bureau of Financial Institutions is strongly encouraged to include in  
44 such guide, information about (i) the terms of each checking account offered, (ii) costs,  
45 fees, and expenses associated with each account, (iii) additional privileges, such as  
46 check-cashing, that accompany each account, and (iv) any additional information the  
47 Bureau believes would assist a consumer in comparing such accounts; and, be it

48 RESOLVED FURTHER, That the Department of Social Services is strongly encouraged  
49 to provide periodic notice to the public assistance recipients it serves of (i) the general  
50 availability of low-cost checking accounts from Virginia financial institutions, together with  
51 information about the benefits of using such accounts, (ii) locations of financial institutions  
52 where public assistance checks can be cashed, and (iii) the availability of Department of  
53 Social Services photo identification cards to assist them in cashing their public assistance  
54 checks. The Department is encouraged to provide this notice through envelope inserts

1 accompanying public assistance checks; and, be it

2 RESOLVED FURTHER, That the Bureau of Financial Institutions of the State  
3 Corporation Commission and the Department of Social Services are encouraged to conduct  
4 a joint study examining the feasibility of requiring all Virginia financial institutions with  
5 Commonwealth funds on deposit to cash public assistance benefits checks, without charge,  
6 subject to the obligation of the Commonwealth to indemnify such institutions from  
7 fraud-related losses resulting therefrom; and, be it

8 RESOLVED FURTHER, That the Department of Motor Vehicles is strongly encouraged  
9 to immediately develop a plan of action to improve the general reliability of identification  
10 cards it issues, with particular emphasis on the nondriver photo identification card; and, be  
11 it

12 RESOLVED FURTHER, That the Virginia Polytechnic Institute and State University  
13 Cooperative Extension Service is strongly encouraged to continue its financial counseling  
14 program for low- and moderate-income families and to expand its availability to additional  
15 Cooperative Extension offices across the Commonwealth; and, be it

16 RESOLVED FINALLY, That the Department of Education is strongly encouraged to  
17 continue to include basic business math as well as courses that teach, economic principles,  
18 banking skills, and financial management in required and elective school curricular  
19 offerings at all levels.

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<b>Official Use By Clerks</b>	
<p><b>Agreed to By The Senate</b></p> <p>without amendment <input type="checkbox"/></p> <p>with amendment <input type="checkbox"/></p> <p>substitute <input type="checkbox"/></p> <p>substitute w/amdt <input type="checkbox"/></p>	<p style="text-align: center;"><b>Agreed to By</b></p> <p><b>The House of Delegates</b></p> <p>without amendment <input type="checkbox"/></p> <p>with amendment <input type="checkbox"/></p> <p>substitute <input type="checkbox"/></p> <p>substitute w/amdt <input type="checkbox"/></p>
Date: _____	Date: _____
Clerk of the Senate	Clerk of the House of Delegates



1990 SESSION

LD1982134

SENATE BILL NO. 338  
Offered January 23, 1990

A BILL directing the Commissioner of Social Services to develop a plan for electronic alternatives to check-based public benefits delivery systems.

Patrons—Scott, Macfarlane and Holland, R.J.; Delegates: Heilig, Forehand and Keating

Referred to the Committee on Rehabilitation and Social Services

Be it enacted by the General Assembly of Virginia:

- 1. § 1. The Commissioner of Social Services shall conduct an evaluation of direct deposit and electronic benefits transfer systems for the program areas administered by the Commissioner. The Commissioner shall, upon completion of such evaluation, develop a proposed plan of implementation [REDACTED] in consultation with the Department of Information Technology, the Department of Accounts, and the Department of Treasury. The Commissioner shall present its findings and proposed plans to the 1991 Session of the General Assembly.

Official Use By Clerks

Passed By The Senate  
 without amendment   
 with amendment   
 substitute   
 substitute w/amdt

Passed By  
 The House of Delegates  
 without amendment   
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 substitute   
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Date: \_\_\_\_\_

Date: \_\_\_\_\_

Clerk of the Senate

Clerk of the House of Delegates

AMENDMENT PROPOSED BY THE HOUSE OF DELEGATES

TO

SENATE BILL NO. 338

1. Page 1, engrossed, line 14, after

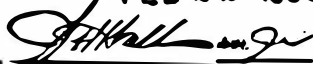
implementation

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for each system

Agreed to by the House of Delegates

FEB 22 1990



Clerk of the House of Delegates

Agreed to by the Senate

FEB 26 90



Clerk of the Senate



