

# 2010 REPORT ON CHECK CASHER AND BASIC BANKING FEES



Deval L. Patrick, Governor



**Division of Banks**

Better businesses. Smarter consumers.

Barbara Anthony, Undersecretary  
Steven Antonakes, Commissioner

# **2010 REPORT ON CHECK CASHER AND BASIC BANKING FEES**

## **Introduction**

This report analyzes the costs to cash checks at Massachusetts licensed check cashers and compares these costs to those charged by state and nationally chartered banks that offer a Basic Checking Account developed by the Massachusetts Community and Banking Council.

The report is presented in four sections. The first section outlines the features of the Basic Banking for Massachusetts program. The second section presents a direct comparison of fees charged to utilize the services of a check casher and fees charged by a Basic Checking Account. The third section compares the fees charged by check cashers in 2009 and 1999. The fourth section summarizes the findings of the study. Appendix A provides an overview of the Commonwealth of Massachusetts Division of Banks (the Division), the agency responsible for the licensing and supervision of check cashers and the chartering and supervision of state-chartered banks. Appendix B provides information relative to the check cashing industry, including summaries of the regulatory and application processes.

## **I. Basic Banking for Massachusetts**

The Massachusetts Community and Banking Council was founded in 1990 as a collaborative endeavor of the Massachusetts Bankers Association and community representatives to encourage investment in the Commonwealth's low and moderate income communities.

In May 1994, the Massachusetts Community and Banking Council established its voluntary Basic Banking for Massachusetts program. The purpose of the program is to encourage Massachusetts banks to establish low cost checking and savings accounts which would permit individuals typically unable to afford these services to establish banking relationships.

The Basic Checking Account features a maximum monthly charge of \$3. This account allows a minimum of 15 free withdrawals, including at least 8 checks, per month. The Basic Savings Account features a maximum of \$10 to open, a deposit requirement of no more than \$10 to waive monthly fees, and a maximum monthly charge of \$1.

Currently, over 120 banks in Massachusetts, which includes over 75 percent of the Commonwealth's state chartered banks, participate in the Basic Banking for Massachusetts program. As a result, the Basic Banking for Massachusetts program is available in the majority of cities and towns throughout the Commonwealth as it includes over 60 percent of all bank branch locations. Communities where the Basic Banking for Massachusetts program is not available tend to be rural communities, many of which are in the western portion of Massachusetts. In most cases, however, nearby banks participate in the Basic Banking for Massachusetts program. A listing of banks participating in the Basic Banking for Massachusetts program can be obtained by calling the Massachusetts Community and Banking Council at (857) 350-4916 or by going to: [http://www.mcbc.info/basic\\_participating](http://www.mcbc.info/basic_participating).

Bank participation in the Basic Banking for Massachusetts program is also a favorable consideration in the Division's assessment of a state-chartered bank's record of meeting the credit and banking service needs of low and moderate income individuals and neighborhoods under M.G.L. c.167, §14, the Commonwealth's Community Reinvestment Act.

## II. Cost Comparison – Check Cashers vs. Basic Banking Checking Account

Based on rate information collected from 43 state licensed check cashers and the parameters set forth in the Basic Banking for Massachusetts program, a review was conducted to compare the fees a consumer would pay to utilize the services of a check casher, as opposed to that of a Basic Checking Account. Information comparing the convenience of location or hours of operation of check cashers and banks is not included in this study.

Table One summarizes the average percentages charged by licensed check cashers to cash payroll, insurance, government, lottery, personal, drafts, and money orders. Average percentages charged are provided for checks with face values of less than \$100, \$100-\$500, \$500-\$1000, and more than \$1,000. The average percentages charged range from a low of 2.39% for payroll of \$100-\$500 to a high of 6.83% for personal checks less than \$100.

*Table One: Average Percentage Charged By Massachusetts Licensed Check Cashers by Different Check Type and Amount*

	<b>Percentage Charged for Checks &lt;\$100</b>	<b>Percentage Charged for Checks \$100-\$500</b>	<b>Percentage Charged for Checks of \$500-\$1000</b>	<b>Percentage Charged for Checks &gt;\$1,000</b>
<b>Payroll</b>	3.05	2.39	2.40	2.56
<b>Insurance</b>	3.27	2.72	2.70	2.85
<b>Government</b>	3.17	2.55	2.57	2.75
<b>Lottery</b>	2.95	2.61	2.56	2.67
<b>Personal</b>	6.83	6.08	6.08	6.10
<b>Drafts</b>	3.21	2.78	2.66	2.82
<b>Money Orders</b>	3.70	3.05	2.93	3.11

**Chart One: Average Percentage Charged By Massachusetts Licensed Check Cashers by Different Check Type and Amount**

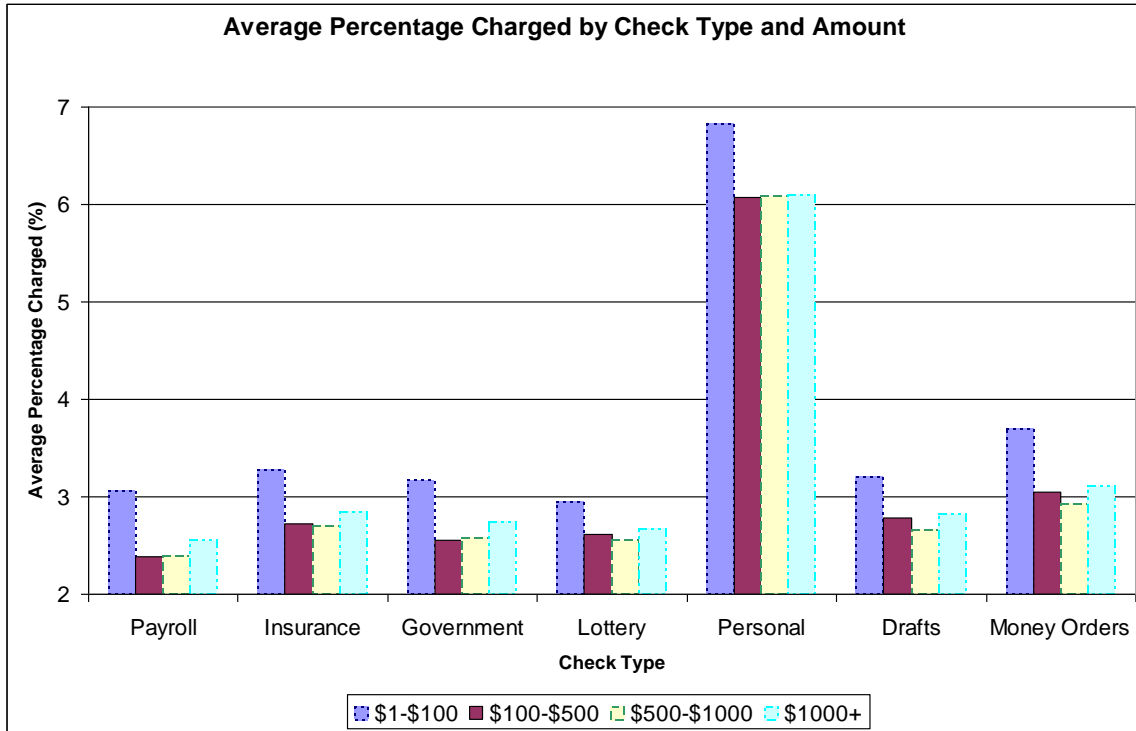


Table Two presents a comparison of fees a consumer would pay utilizing a Massachusetts licensed check casher, as opposed to a Basic Checking Account. Information is provided for individuals with net annual income ranging from \$2,600 to \$52,000. In all cases, consumers utilizing Massachusetts licensed check cashers would pay considerably more in fees than if they were using a Basic Checking Account. On a monthly basis, consumers would pay 4 to 40 times the maximum fees charged to maintain a Basic Checking Account. Annual fees paid to check cashers would range from \$139.62 to \$1,424.36 to cash weekly payroll checks and write money orders. A summary of this information is also presented in Chart Two.

*Table Two: Fee Comparison of Check Cashers vs. Basic Banking Checking Account*

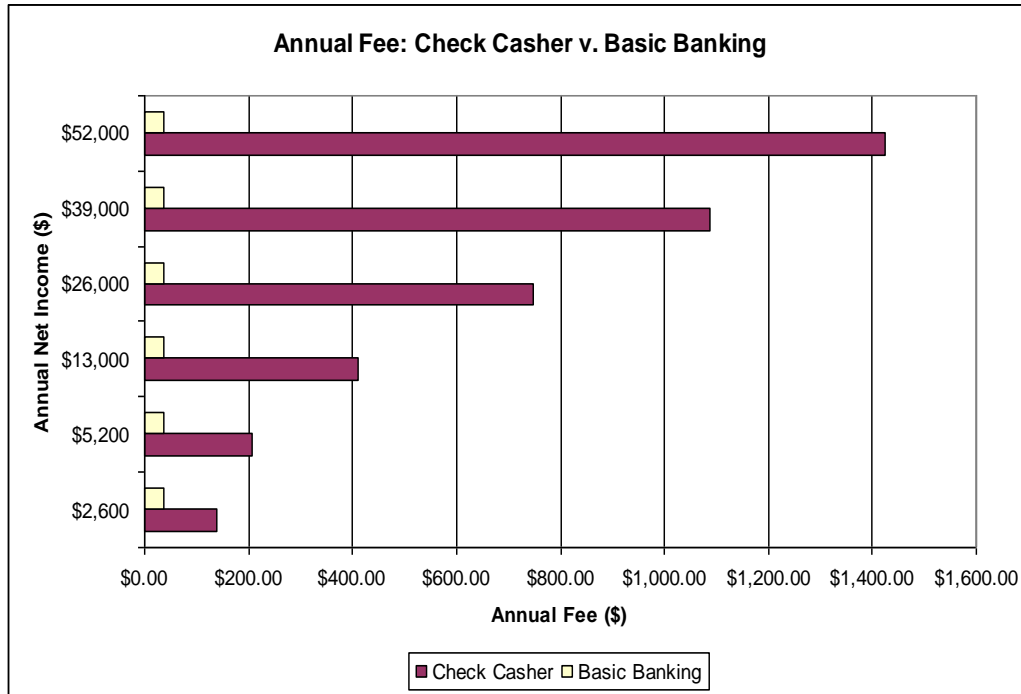
ANNUAL NET INCOME	CHECK CASHERS <sup>1</sup>		BASIC BANKING <sup>2</sup> PROGRAM	
	Monthly Fees	Annual Fees	Monthly Fees	Annual Fees
<b>\$2,600</b>	\$11.63	\$139.62	\$3.00	\$36.00
<b>\$5,200</b>	\$17.27	\$207.24	\$3.00	\$36.00
<b>\$13,000</b>	\$34.17	\$410.09	\$3.00	\$36.00
<b>\$26,000</b>	\$62.35	\$748.18	\$3.00	\$36.00
<b>\$39,000</b>	\$90.52	\$1,086.27	\$3.00	\$36.00
<b>\$52,000</b>	\$118.70	\$1,424.36	\$3.00	\$36.00

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<sup>1</sup> The monthly and annual fees to utilize check cashers were determined by using the average percentages paid to cash payroll checks as listed in Table One. These fees assume the weekly **cashing of payroll checks and the purchase of 8 money orders per month (comparable to the minimum allotment of 8 checks per month for Basic Checking) at an average cost of \$0.75 per money order. Fees charged to cash personal checks were not included in the above analysis.** It should be noted, however, that fees charged for cashing personal checks by Massachusetts licensed check cashers are, on average, 2.4 times greater than the fees charged to cash payroll checks.

<sup>2</sup> The fees listed for the Basic Banking for Massachusetts program refer to a checking account and assume the maximum allowable charge of \$3.00 per month.

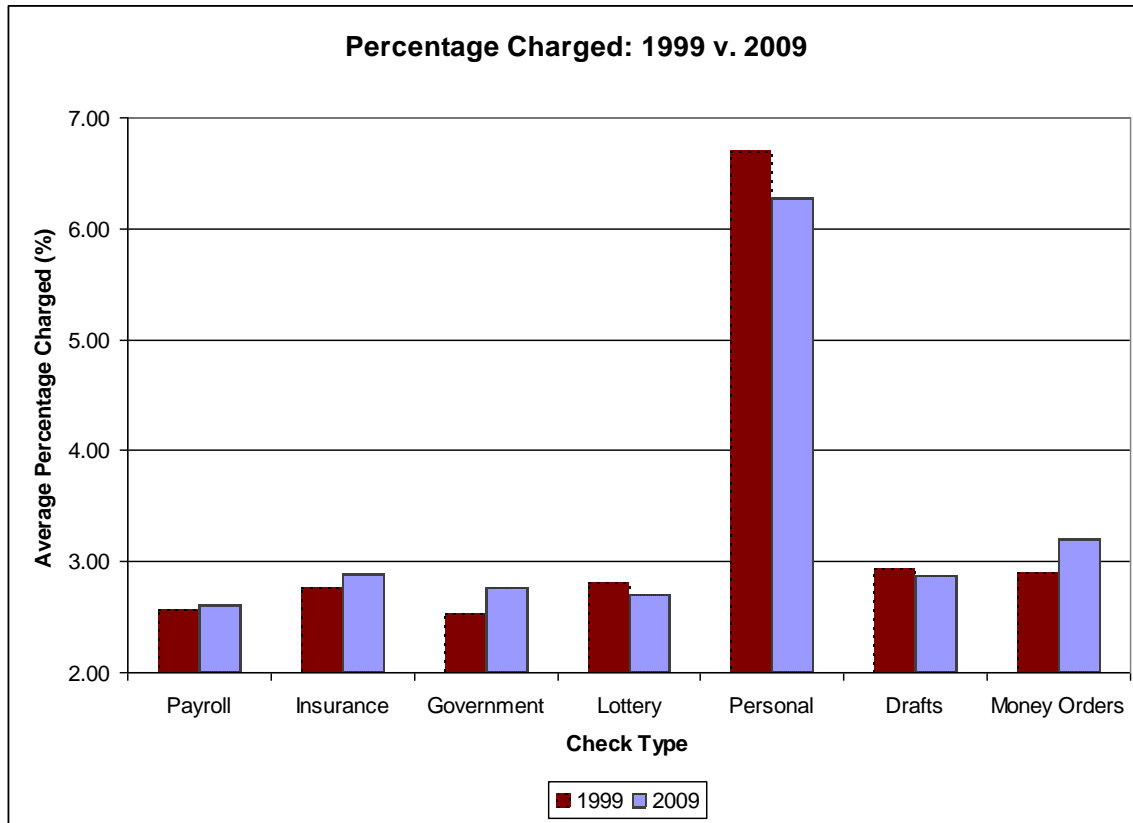
**Chart Two: Fee Comparison of Check Cashers vs. Basic Banking Checking Account**



### III. Check Casher Fees - 2009 vs. 1999

Licensed check cashers are required to file a complete schedule of check cashing fees and charges with the Division on an annual basis. Chart Three compares the rates charged during 1999 versus the rates charged in 2009. The rate to cash personal checks decreased significantly (by an average of 6.4%) between 1999 and 2009. There was a modest decrease in fees related to lottery and draft checks. However, these decreasing rates are tempered by an increase in the fees to cash insurance, government checks, and money orders.

**Chart Three: Check Cashier Fees- 1999 vs. 2009**



#### **IV. Summary**

Consumers utilizing check cashers for check cashing services will spend considerably more than they would if they had a Basic Checking Account. This study demonstrates that, on average, consumers will pay 4 to 40 times per month the maximum fees charged to maintain a Basic Checking Account to cash weekly payroll checks and write money orders.

The Basic Banking for Massachusetts program is available throughout the Commonwealth. In addition, the Basic Banking Massachusetts program is available within close proximity of most check casher locations in the Commonwealth. Fees charged for the Basic Checking Accounts are relatively low. Moreover, a Basic Checking Account does not require the account holder to maintain a minimum balance.

Another significant advantage of the Basic Checking Account, is that it will foster the development of a banking relationship. This type of relationship is essential in that it can be used to lay the groundwork for establishing a future credit relationship. This will assist in creating greater lending opportunities and increasing the access to credit and other banking services to consumers throughout the Commonwealth.

In addition to the advantages of the Basic Checking Account, Massachusetts law reflected in M.G.L. c. 167, §46 requires banks doing business in the Commonwealth to cash government benefit checks, such as social security checks, without imposing a check cashing fee regardless

of whether the recipient maintains a bank account at such bank. The Division recently completed [enforcement actions](#) involving six Massachusetts check cashers resulting in the termination of arrangements between these check cashers and out of state banks for the direct deposit of social security benefit checks where substantial portions of these benefit checks were assessed monthly fees by the bank and check casher thus significantly and needlessly reducing the benefit amount due the recipient. These arrangements were unfair to consumers and in contravention of the public policy expressed in Massachusetts law.

For more information on the Basic Banking for Massachusetts program, go to the MCBC website at: [http://www.mcbc.info/basic\\_banking](http://www.mcbc.info/basic_banking).



## **Appendix A: Profile of the Division of Banks**

The Division of Banks' (the "Division") mission is to advance the public interest with the highest level of integrity and innovation by ensuring a sound, competitive, and accessible banking and financial services environment. The Division's 160 managers, examiners, and support staff are responsible for conducting financial safety and soundness, consumer compliance, community reinvestment act compliance, information technology, and trust examinations of Massachusetts state-chartered banks and credit unions. Accordingly, the Division plays a key role in maintaining depositor confidence in the state's banking system and fostering a positive impact on the Commonwealth's economy.

The Division is also charged with the licensing and examining of over 800 non-bank financial entities and over 3,800 individuals engaged in mortgage lending and brokering; and the licensing and supervision of an additional 3,500 non-bank financial entities, including check cashers, small loan companies, finance companies, and debt collectors.

## **Appendix B: The Massachusetts Check Cashing Industry**

In May 1994, the Massachusetts Legislature mandated that any person or entity engaged in cashing checks, drafts, or money orders for a fee in excess of \$1.00 per item must be licensed by the Division. M.G.L. c. 169A is implemented through Regulation 209 CMR 45.00 which outlines the policies and procedures for the licensing and regulation of check cashers.

An applicant for a license as a check casher must submit a written application to the Division. This application must include supporting documentation reflecting the financial responsibility and condition, character and fitness, and business experience of the applicants; a demonstration of public need for a check cashing establishment; and any other information that the Commissioner of Banks may deem necessary to properly evaluate the application. A public hearing is held on each initial application in the city or town where the check casher proposes to operate in order to ensure public input in the application process.

An applicant must demonstrate and maintain a net worth of no less than \$25,000 and must submit audited or reviewed financial statements. An applicant must possess a solid and reputable character, demonstrate a satisfactory credit history, and must not have a criminal record. In demonstrating public need for a check cashing establishment, an applicant must conduct a market survey which identifies the location of any banks, credit unions, or other non depository check cashing establishments within the area; their proximity to the proposed check cashing establishment; and their hours of operation and criteria for cashing checks. The market survey should also include demographic and census tract information for the area.

State law does not set or limit the fees for cashing checks. Check cashers, however, are required to post a schedule of fees and charges in a clear and conspicuous place within each location where it conducts business. The schedule must identify the percentage that will be charged to cash both a specific type of check (e.g. payroll, insurance, government, personal, money order,

etc.) as well as a particular dollar amount or range. The posting must be within the immediate area where the item is to be cashed. The posting requirement is designed to permit comparison shopping of fees among Massachusetts licensed check cashers.

Check cashers are also required to provide to each individual cashing a check, draft, or money order a receipt of the transaction which specifies the name, license type, and license number of the check casher; the amount of the item cashed; the fee charged; the total amount received by the customer; and the date of the transaction.

In addition, check cashers are also required to file a complete schedule of check cashing fees and charges with the Division by July 1st of each year. Any changes in check cashing fees or charges, or hours of operation which occur between filing periods, must be immediately filed in writing with the Commissioner.

In addition to posting a schedule of fees and charges, check cashers are required to prominently post in its place of business the license issued by the Commissioner. Check cashers must also post within its place of business, in a clear and conspicuous manner, a notice which contains the name of the licensed person or corporation; the name, address, and telephone number of the manager or other designated person who should receive inquiries or complaints; and a statement which provides how a customer may file a complaint with the Division. Massachusetts licensed check cashers are examined on a biennial basis by the Division to verify compliance with M.G.L. c. 169A and its implementing regulations.

# FOR ADDITIONAL INFORMATION

OFFICE OF CONSUMER AFFAIRS AND BUSINESS REGULATION

[www.MASS.GOV/CONSUMER](http://www.MASS.GOV/CONSUMER)

617-973-8787 or 888-283-3757

DIVISION OF BANKS

[WWW.MASS.GOV/DOB](http://WWW.MASS.GOV/DOB)

Consumer Hotline

617-956-1500

