

**Financial Institutions &  
Insurance Committee**

**SB 5484**

**Brief Description:** Monitoring and reporting on check cashers and sellers.

**Sponsors:** Senators Fairley, Kline, Shin and Rasmussen.

**Brief Summary of Bill**

- Requires check cashers and sellers to provide any data required by the Department of Financial Institutions (DFI).
- Requires the DFI to provide an annual report to the legislature detailing statistics and trends of licensees. The report must include data adequate to obtain an accurate understanding of the practices, demographics, legal compliance, and profitability of all licensed check cashers and sellers.

**Hearing Date:** 3/29/05

**Staff:** Jon Hedegard (786-7127).

**Background:**

The business of check cashing and selling is regulated by the Department of Financial Institutions (DFI) under the Check Cashers and Sellers Act (Act). A common practice is the issuance of what have become known as "payday loans." "Payday loan" refers to a type of short-term, high interest, unsecured loan that is typically offered to consumers by a business outlet offering check cashing services. The Act contains provisions for the licensing and regulation of businesses offering services related to check cashing and the selling of money orders, drafts, checks, and other commercial paper.

In a typical payday loan transaction, the consumer writes the lender a post dated check and, in return, the lender provides a lesser amount of cash to the consumer after subtracting interest and fees. Following this initial transaction, the lender holds the check for a specified period, during which the consumer has the option of either redeeming the check by paying the face amount to the lender or allowing the lender to cash the check after the loan period has expired.

Under the Act, licensees must maintain business books, accounts, and records as the DFI may require. The books and accounts must be maintained for at least two years after a transaction. The DFI also has statutory authority to examine books, accounts, records, and files, or other

information of licensees and persons that the agency has reason to believe is engaging in the business governed by Chapter 31.45 RCW. The Act also contains a provision requiring licensees file financial statements within 105 days of the calendar or fiscal year. The DFI is required to adopt rules prescribing the form and content of the reports. The DFI may require additional reporting "as is necessary for the director to ensure compliance" with Chapter 31.45 RCW.

**Summary of Bill:**

Licensed check cashers and sellers are must provide data required by the DFI to monitor the check cashing and selling industry and report to the Legislature.

The DFI must provide an annual report to the Legislature by December 1st of each year, beginning in 2005. The report must detail statistics and trends of licensees and include data adequate to obtain an accurate understanding of:

- the practices;
- demographics;
- legal compliance; and
- profitability of all licensed check cashers and sellers.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date:** The bill takes effect 90 days after adjournment of session in which bill is passed.