

FINAL BILL REPORT

HB 1487

C 355 L 91
Synopsis As Enacted

Brief Description: Regulating check cashers and sellers.

By Representatives Dellwo, Zellinsky, R. Johnson,
R. Meyers, Mielke, Broback, Winsley, Inslee, Anderson,
Scott, Dorn, Silver, Jacobsen and Paris.

House Committee on Financial Institutions & Insurance
Senate Committee on Financial Institutions & Insurance

Background: More than 11 Washington companies operate check cashing businesses. A few of these companies do business at several locations. In addition to cashing checks, many of these companies lend money and issue checks, such as money orders.

Check cashing companies engaged in lending activities take advantage of the state statute governing pawnbrokers and obtain an interest rate far in excess of state usury limits. Their legal justification for their interest rate is that a personal check or similar instrument constitutes personal property within the meaning of the pawnbroker statute, thus allowing the check casher to take a post-dated check and to loan money secured by the check at pawnbroker rates.

Most check cashing companies that sell checks act as an agent for a major check company such as American Express. Some check cashing companies act as agents for other companies who forward cash such as Western Union. As agents for these companies, the check cashing companies are not relying upon their own assets to pay these checks. However, some businesses, whether calling themselves check cashing companies or not, issue checks drawn upon their own business account. A customer purchasing a check drawn upon a business's own account risks having the check later dishonored for insufficient funds.

No state statute specifically governs the activities of check sellers; nor does Washington regulate check cashing companies.

Summary: Check cashers and sellers must obtain a license to do business in Washington. Check cashers and sellers are defined as organizations that, for compensation, engage in

the business of cashing or selling checks, drafts, money orders, or other commercial paper serving the same purpose.

The act does not apply to financial institutions or to other organizations that cash checks as a convenience, as a minor part of its business, and not for profit; to the issuance or sale of checks by companies with a net worth of more than three million dollars; or to the issuance or sale of checks by agents of companies with a net worth of more than \$5 million.

A check seller is required as a condition of licensure, to obtain and maintain a fidelity bond for officers and employees in an amount determined by the supervisor. The check seller may deposit security in lieu of a bond.

The supervisor may deny a license if the applicant or a substantial stockholder of the applicant has been convicted of certain crimes or had a prior license revoked in the twelve months preceding the new application.

Except for pawnbrokers, no licensee may lend money or credit, or engage in the business of discounting notes or checks on the same premises as the check cashing and selling business.

No licensee may cash post-dated checks unless the check is a government or payroll check payable on the next banking day, nor may a licensee hold a check for later deposit.

No licensee may engage in false or deceptive advertising and no licensee may advertise the fact that they are regulated by the supervisor of banking.

Each licensee must comply with federal currency transaction reporting laws.

A violation of the act constitutes a misdemeanor offense and is subject to the Consumer Protection Act.

The pawnbroker statute is amended to prohibit pawnbrokers from engaging in the business of cashing and selling checks unless such activity conforms to the requirements of the check cashing and selling act.

Votes on Final Passage:

House	98	0	
Senate	48	0	(Senate amended)
House	94	0	(House concurred)

Effective: January 1, 1992