

EXHIBIT 3

ILLINOIS DEPARTMENT OF FINANCIAL & PROFESSIONAL REGULATION
THE DIVISION OF FINANCIAL INSTITUTIONS

IN RE: PETITION OF COMMUNITY)
CURRENCY EXCHANGE ASSOCIATION)
OF ILLINOIS, INC. AND COMMUNITY)
CURRENCY EXCHANGE LICENSEES TO)
INCREASE THE MAXIMUM RATE FOR)
CASHING CHECKS)
_____)

APPENDICES TO THE
VERIFIED PETITION TO INCREASE THE MAXIMUM ALLOWABLE
CHECK-CASHING RATE FOR COMMUNITY CURRENCY EXCHANGES

Dean N. Panos
Carter H. Klein
JENNER & BLOCK LLP
353 North Clark Street
Chicago, IL 60654-3456
(312) 222-9350

February 10, 2017



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Tab 1

Verification of and Joinder of Currency Exchange Owners to Petition

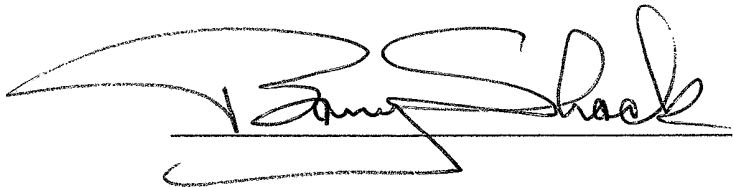
STATE OF ILLINOIS)
)
COUNTY OF Cook) SS:

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TO INCREASE THE MAXIMUM RATE)
FOR CASHING CHECKS)
_____)

VERIFICATION AND JOINDER

The undersigned, pursuant to 205 ILCS 405/19.3(B)(2)(c)(ii) and 38 Illinois Admin. Code §125.59, being duly sworn on oath, does depose and state that he/she: (i) is an owner, manager, officer or director of the community currency exchange(s) listed on Exhibit A to this Verification and Joinder (the "Joinder Currency Exchanges"); (ii) has the authority to execute and deliver this Verification and Joinder on behalf of the Joinder Currency Exchanges; (iii) has read the Verified Petition of the Community Currency Exchange Association of Illinois, Inc., and Currency Exchange Licensees to Increase the Maximum Rate for Cashing Checks (the "CCEA Petition"); (iv) states that the statements made therein are true and correct to the best of his/her knowledge; and (v) states that each of the Joinder Currency Exchanges joins in, agrees to be a party to and supports the CCEA Petition to be filed with the Department of Financial and Professional Regulation, Division of Financial Institutions for the Secretary to increase rates for check cashing by Illinois community currency exchanges.



Subscribed and Sworn to
before me this 2 of

[Seal]

February, 2017

Lisa M. Serrano
Notary Public



Aurora-New York Street CE Inc

1001 E New York St
Aurora, IL 60505
Tel 630-820-1781
Fax 630-820-2889
24 Hours

DFPR # 3174

Lansing 24 hr CE Inc

17250 S Torrence Ave
Lansing, IL 60438
Tel 708-895-7887
Fax 708-895-4175
24 Hours

DFPR # 3516

Melrose Park CE Inc

1380 Winston Plaza Dr
Melrose Park, IL 60160
Tel 708-681-3030
Fax 708-344-8067
24 Hours

DFPR # 3260

New Devon McCormick CE Inc

3310 W Devon Ave
Lincolnwood, IL 60712
Tel 847-673-3300
Fax 847-673-3375
M-F 8am-10pm
Sat 8am-6pm
Sun 10am-6pm

DFPR # 4103

LaSalle-Chicago 24 hour CE Inc

777 N LaSalle St
Chicago, IL 60610
Tel 312-642-0220
Fax 312-642-6175
24 Hours

DFPR # 3238

New Matteson 24 hr CE Inc

4453 W Lincoln Hwy
Matteson, IL 60443
Tel 708-481-8720
Fax 708-481-8726
Mon - Fri 7am-9pm
Sat 7am-6pm
Sun 10am-5pm

DFPR # 3667

Kedzie Irving 24 hour CE Inc

3158 W Irving Park Rd
Chicago, IL 60618
Tel 773-539-8991
Fax 773-539-7537
24 Hours

DFPR # 3525

Lawrence-Cumberland CE Inc

4821 N Cumberland Ave
Norridge, IL 60706
Tel 708-456-7404
Fax 708-456-0324
M-F 8am-10pm
Sat 8am-6pm
Sun 10am-6pm

DFPR # 2895

Thatcher Woods CE Inc

8263 W Belmont Ave
River Grove, IL 60171
Tel 708-453-1120
Fax 708-453-3639
24 Hours

DFPR # 2745

Vincennes & 79th CE Inc

353 W 79th St
Chicago, IL 60620
Tel 773-483-6735
Fax 773-483-2905
24 Hours

DFPR # 2169

STATE OF ILLINOIS)
) SS:
COUNTY OF Cook)

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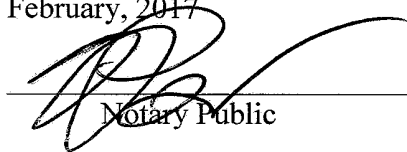
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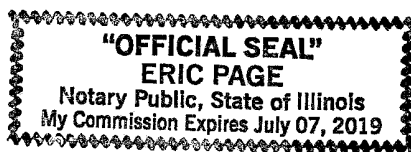
Subscribed and Sworn to
before me this 6 of

[Seal]

February, 2017



Notary Public



R & L MANAGEMENT CO., INC.

CONTACT: RICHARD BARR/847.612.1783

CURRENCY EXCHANGE NAME / ADDRESS	DFI LICENSE #
BELVIDERE-GREENBAY CURRENCY EXCH., INC. 2856 BELVIDERE ROAD WAUKEGAN, ILLINOIS 60085 847 360-8100 P 847 360-8185 F	3015
WASHINGTON-LEWIS CURRENCY EXCHANGE, INC. 1815-A WASHINGTON STREET WAUKEGAN, ILLINIOS 60085 847 249-8500 P 847 249-8502 F	4135
NEW GRAND & GREENBAY CURRENCY EXCH., INC. 3200 W. GRAND AVENUE WAUKEGAN, ILLINOIS 60085 847 782-9776 P 847 782-9782 F	4053
MONTROSE KIMBALL CHECK CASHERS, INC, 3354 W. MONTROSE AVENUE CHICAGO, ILLINOIS 60618 773 478-6636 P 773 478-5330 F	4174
47TH & HALSTED CHECK CASHERS, INC. 4651 SOUTH HALSTED STREET CHICAGO, ILLINOIS 60609 773 373-0416 P 773 373-3792 F	2807
NEW OLYMPIA PLAZA CURRENCY EXCHANGE, INC. 157 W. JOE ORR ROAD CHICAGO HEIGHTS, ILLINOIS 60411 708 755-7922 P 708 755-7207 F	4056
63RD & KEDZIE CURRENCY EXCHANGE, INC. 3148 WEST 63 RD STREET CHICAGO, ILLINOIS 60629 773 737-6267 P 773 737-1557 F	4057
NEW 75TH & COTTAGE CURRENCY EXCH., INC. 801 EAST 75 TH STREET CHICAGO, ILLINOIS 60619 773 783-4300 P 773 783-4258 F	3805
75TH & STONY ISLAND CURRENCY EXCH., INC. 1611 EAST 75TH STREET CHICAGO, ILLINOIS 60649 773 684-5821 P 773 684-6023 F	3455

71ST & WENTWORTH CURRENCY EXC., INC.	3454
7057 SOUTH WENTWORTH AVENUE CHICAGO, ILLINOIS 60621 773 783-1515 P 773 783-1549 F	
75TH & EXCHANGE CHECK CASHERS, INC.	4190
2640 EAST 75TH STREET CHICAGO, ILLINOIS 60649 773 721-8400 P 773 721-9853 F	
69TH & HALSTED CHECK CASHERS, INC.	4188
6903 SOUTH HALSTED STREET CHICAGO, ILLINOIS 60621 773 224-5459 P 773 224-4207 F	
67TH & STONY CHECK CASHERS, INC.	4189
6714 SOUTH STONY ISLAND AVENUE CHICAGO, ILLINOIS 60649 773 363-0207 P 773 363-8711 F	
LINCOLNWAY CHECK CASHERS, INC.	2743
403 LINCOLN HIGHWAY CHICAGO HEIGHTS, ILLINOIS 60411 708 755-3730 P 708 755-3735 F	
NEW BLUE ISLAND CURRENCY EXCHANGE, INC.	4085
12956 SOUTH WESTERN AVENUE BLUE ISLAND, ILLINOIS 60406 708 388-0358 P 708 388-0315 F	
CHICAGO HEIGHTS CHECK CASHERS, INC.	4137
1720 CHICAGO ROAD CHICAGO HEIGHTS, ILLINOIS 60411 708 754-3645 P 708 754-2357 F	

HARLEM & MILWAUKEE CURRENCY EXCHANGE, INC. 7505 NORTH MILWAUKEE AVENUE NILES, ILLINOIS 60714 847 647-8366 P 847 647-0289 F	4146
31ST & WALLACE CURRENCY EXCHANGE, INC. 3101 SOUTH WALLACE CHICAGO, ILLINOIS 60616 312 225-7885 P 312 225-9697 F	2942
NEW FOX LAKE CURRENCY EXCHANGE, INC. 43 SOUTH RT. 12 FOX LAKE, ILLINOIS 60020 847 587-5414 P 847 587-9838 F	3984
NEW MC HENRY CURRENCY EXCHANGE, INC. 4405 WEST ELM STREET (RT. 120) MC HENRY, ILLINOIS 60050 815 344-0010 P 815 344-4976 F	3558
WILSON BROADWAY CURRENCY EXCHANGE, INC. 4559 NORTH BROADWAY CHICAGO, ILLINOIS 60640 773 561-0026 P 773 561-0623 F	3580
159TH & KEDZIE CURRENCY EXCHANGE, INC. 3200 WEST 159 TH STREET MARKHAM, ILLINOIS 60428 708 331-2711 P 708 331-7850 F	3602
WOODSTOCK CURRENCY EXCHANGE #2, INC. 108 NORTH EASTWOOD DRIVE WOODSTOCK, ILLINOIS 60098 815 338-2828 P 815 338-7366 F	3704
ROCKFORD'S BEST CURRENCY EXCHANGE, INC. 4215 E. STATE STREET #208 ROCKFORD, ILLINOIS 61108 815 227-5558 P 815 227-5596 F	3821
NEW GRANVILLE BROADWAY CURRENCY EXCH., INC. 6165 NORTH BROADWAY CHICAGO, ILLINOIS 60660 773 262-2351 P 773 262-8388 F	3079
ANTIOCH CURRECNY EXCHANGE, INC. 320 WEST RTE. 173 ANTIOCH, ILLINOIS 60002 847 395-5700 P 847 395-8247 F	4192

31ST & MORGAN CHECK CASHERS, INC. 906 WEST 31ST STREET CHICAGO, ILLINOIS 60608 312 225-7591 P 312 225-7159 F	2350
NEW ARLINGTON HEIGHTS CURR.EXCH., INC. 200 ARLINGTON PLACE 118 EAST WING STREEET ARLINGTON HEIGHTS, ILLINOIS 60004-1408 847 255-2266 P 847 255-2297 F	3295
WESTERN & LAKE CHECK CASHERS, LLC 149 NORTH WESTERN AVENUE CHICAGO, ILLINOIS 60612 312 421-1500 P 312 421-2390 F	4187
NEW CHICAGO STATE CURRENCY EXCHANGE, INC. 8 SOUTH STATE ELGIN, ILLINOIS 60123 847 695-6500 P 847 695-8405 F	3499
MADISON HARLEM CURRENCY EXCHANGE, INC. 1147 WEST MADISON STREET OAK PARK, ILLINOIS 60304 708 366-2885 P 708 366-8785 F	3637
ROLLING MEADOWS CURRENCY EXCHANGE, INC. 3340 KIRCHOFF ROLLING MEADOWS, ILLINOIS 60008 847 255-6699 P 847 255-6784 F	3725
LINCOLN AVENUE CHECK CASHERS, INC. 4101 NORTH LINCOLN AVENUE CHICAGO, ILLINOIS 60618 773 549-5000 P 773 327-5810 F	4183
147TH & CICERO CURRENCY EXCHANGE, INC. 14655 SOUTH CICERO AVENUE MIDLOTHIAN, ILLINOIS 60445-3184 708 385-2233 P 708 385-5577 F	3916
147TH & PULASKI CURRENCY EXCHANGE, INC. 14755 SOUTH PULASKI AVENUE MIDLOTHIAN, ILLINOIS 60445-3405 708 388-3540 P 708 388-6416 F	3826

NEW NORTH & AUSTIN CURRENCY EXCH., INC.

4097

5953 WEST NORTH AVENUE

CHICAGO, ILLINOIS 60639

773 889-8388 P

773 889-8487 F

KIMBALL & NORTH CURRENCY EXCHANGE, INC.

4027

3401 WEST NORTH AVENUE

CHICAGO, ILLINOIS 60647-4940

773 227-4844 P

773 227-1670 F

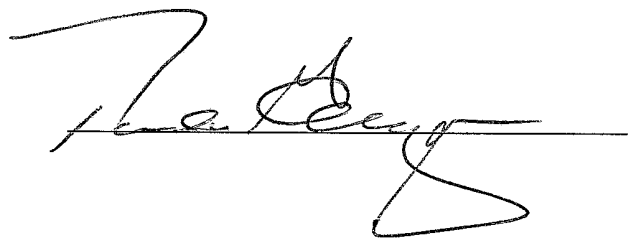
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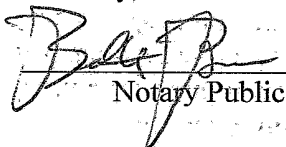
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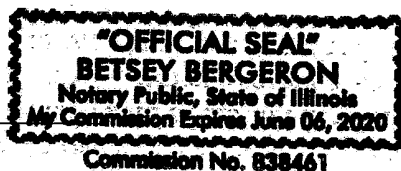


Exhibit A

List of Currency Exchanges Joining in CCEA Verified Petition for Rate Increase¹

Contact person:

Paul Gagerman

847-564-2732

List of locations attached.

¹ Include name(s) of currency exchange(s), location(s), contact number, phone number, fax number and IDFPR License No.
Use extra pages if necessary.

Tab 1

Madison Austin C.E.	New Milwaukee Kimball C.E.	Garfield Dan Ryan C.E.	Irving Elston C.E.
2 West Madison	2814 N. Milwaukee Ave.	148 W. Garfield Blvd.	3619-23 W. Irving Park Rd.
Oak Park, IL 60302	Chicago, IL 60618	Chicago, IL 60609	Chicago, IL 60618
708-386-0573	773-227-1477	773-268-8400	773-463-5986
708-386-8500	773-227-5721	773-268-4673	773-463-2470
2755	4052	3247	4063
New 35th & Indiana C.E.	Milwaukee California C.E.	110th & Halsted C.E.	47th & Michigan C.E.
126 E. 35th Street	2301 N. Milwaukee Ave.	11057 S. Halsted Street	4700 S. Michigan Ave.
Chicago, IL 60616	Chicago, IL 60647	Chicago, IL 60628	Chicago, IL 60615
312-225-6722	773-772-2392	773-785-7404	773-924-2500
312-225-6872	773-772-4971	773-785-3178	773-924-4157
2691	3723	1759	2867
95th & State C.E.	New Chicago Rush C.E.	Madison Pulaski C.E.	North & Pulaski C.E.
33 W. 95th Street	62 E. Chicago Ave.	3938 Madison Street	4009 W. North Ave.
Chicago, IL 60619	Chicago, IL 60611	Chicago, IL 60624	Chicago, IL 60639
773-785-1117	312-944-4643	773-722-6100	773-772-6100
773-785-0515	312-944-7481	773-722-1968	773-252-4234
4173	3543	1622	2600
47th & Calumet C.E.	New Calumet City C.E.	63rd & Morgan C.E.	Halsted & 119th C.E.
310 E. 47th Street	592 Burnham Ave.	6301 S. Morgan	11932 S. Halsted
Chicago, IL 60653	Calumet City, IL 60409	Chicago, IL 60621	Chicago, IL 60628
773-268-9494	708-862-7934	773-471-4900	773-785-3141
773-268-1938	708-862-7056	773-471-2319	773-785-2952
2179	3976	3794	4098
18th & Blue Island C.E.	87th & Commerical	103rd & Halsted C.E.	Garfield Halsted C.E.
1825 S. Blue Island Ave.	8701 S. Commercial Avenue	801 W. 103rd Street	756 W. Garfield Blvd.
Chicago, IL 60608	Chicago, IL 60617	Chicago, IL 60643	Chicago, IL 60609
312-666-9670	773-721-0242	773-233-6068	773-597-1000
312-666-7003	773-721-4381	773-881-7921	773-597-1003
			4107
71st & Jeffery C.E.	79th & Jeffery C.E.	Division & Clark C.E.	Garfield Park C.E.
7100 S. Jeffery	1955 E. 79th Street	113 W. Division Street	2848 W Madison Street
Chicago, IL 60649	Chicago, IL 60649	Chicago, IL 60610	Chicago, IL 60612
773-684-7744	773-374-3206	312-642-5580	773-722-2211
773-684-7772	773-374-2422	312-642-5658	773-638-1333
4028	4147	3765	4106
63rd & King Drive C.E.	Broadway Irving CC	Diversey Pulaski CC	
6321 S. King Dr.	4001 N. Broadway	2739 N. Pulaski	
Chicago, IL 60637	Chicago, IL 60613	Chicago, IL 60639	
773-493-2769	773-537-2100	773-252-1267	
773-493-2770	773-537-2101	773-252-8523	
4178	4151	4191	

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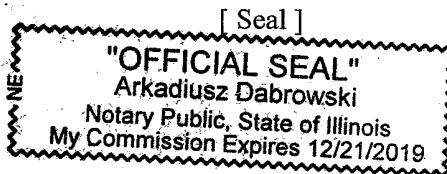
_____ *[Signature]*

Subscribed and Sworn to
before me this 3rd of

February, 2017

[Signature]

Notary Public



Tab 1

STORE	ADDRESS	CITY	ST	ZIP	PHONE	FAX	IDFPR
111th & Michigan Currency Exchange, Inc	11055 S Michigan	Chicago	IL	60628	773-264-2433	773-264-9761	4122
16th & Pulaski Currency Exchange, Inc.	1559 S Pulaski	Chicago	IL	60623	773-762-3597	773-762-4701	3721
26th & Austin Currency Exchange, Inc.	2542 S Austin	Cicero	IL	60804	708-780-6274	708-780-6488	3731
31st & Pulaski Currency Exchange, Inc.	3101 S Pulaski	Chicago	IL	60623	773-247-9090	773-247-9592	3937
43rd & Ashland Currency Exchange, Inc.	4303 S. Ashland	Chicago	IL	60609	773-247-4422	773-247-8636	3981
43rd & Pulaski Currency Exchange, Inc.	4328 S Pulaski	Chicago	IL	60632	773-247-4450	773-247-4456	3779
55th & California Currency Exchange, Inc.	5453 S California	Chicago	IL	60629	773-776-6800	773-776-1278	3899
55th & Pulaski Currency Exchange, Inc	5501 S Pulaski	Chicago	IL	60629	773-735-4300	773-735-4595	3439
62nd & Western Currency Exchange, Inc	6152 S Western	Chicago	IL	60629	773-776-4500	773-776-8410	4033
63rd & Ashland Currency Exchange, Inc	6240 S Ashland	Chicago	IL	60636	773-737-2260	773-737-3074	2919
63rd & Pulaski Currency Exchange, Inc	4021 W 63rd Street	Chicago	IL	60629	773-767-7636	773-767-9055	3911
67th & Pulaski Currency Exchange, Inc	6701 S Pulaski	Chicago	IL	60629	773-585-8980	773-526-5335	3951
81st & Cicero Currency Exchange, Inc.	8063 S Cicero	Chicago	IL	60652	773-767-2965	773-767-9879	4128
87th & Kedzie Currency Exchange, Inc	3218 W 87th ST	Chicago	IL	60652	773-434-1781	773-434-1783	3199
95th & Ashland Currency Exchange, Inc	9459 S Ashland	Chicago	IL	60620	773-238-8900	773-238-0061	2453
95th & Kedzie Currency Exchange, Inc	3149 W 95th St	Evergreen Park	IL	60805	708-424-7474	708-424-3146	4017
Archer & 63rd Currency Exchange, Inc	7655 1/2 63rd	Summit	IL	60501	708-458-1552	708-458-0189	3511
Austin & Archer Currency Exchange, Inc	6177 S Archer	Chicago	IL	60638	773-735-7494	773-735-8767	3712
Belmont & Central Currency Exchange, Inc	5559 W Belmont	Chicago	IL	60641	773-685-0202	773-685-0748	2989
California & 63rd Currency Exchange, Inc	2756 W 63rd St	Chicago	IL	60629	773-778-3838	773-778-4551	3655
California & Division Currency Exchange, Inc	2745 W Division	Chicago	IL	60622	773-486-4416	773-486-4025	3374
Central & Milwaukee Currency Exchange, Inc.	5306 N. Milwaukee	Chicago	IL	60603	773-763-6934	773-763-7284	4018
Central Chicago Currency Exchange, Inc	5601 Chicago	Chicago	IL	60651	773-378-8903	773-378-8904	3836
Cermak & Central Currency Exchange, Inc	5608 W Cermak	Cicero	IL	60804	708-863-6500	708-863-6594	3403
Cermak Ridgeland Currency Exchange, Inc	6348 W Cermak	Berwyn	IL	60402	708-484-8440	708-484-8445	4165
Cermak-Cicero Currency Exchange, Inc	4801 W Cermak	Cicero	IL	60804	708-652-0998	708-652-1024	2670
Chicago Laramie Currency Exchange, Inc	5135 W Chicago	Chicago	IL	60651	773-287-1438	773-287-5227	3780
Chicago-Cicero Currency Exchange, Inc	759 N Cicero	Chicago	IL	60644	773-261-6849	773-261-3543	2641
Cicero-Archer Currency Exchange, Inc	5354 1/2 S. Archer	Chicago	IL	60632	773-735-4420	773-735-7701	3766
Continental Currency Exchange, Inc	2241 S Pulaski	Chicago	IL	60623	773-522-0990	773-522-4680	3011
Cottage & 83rd Currency Exchange, Inc	8258 S Cottage	Chicago	IL	60619	773-487-0400	773-487-5641	3833
Devon Clark Currency Exchange, Inc	6301 N Clark	Chicago	IL	60660	773-743-3400	773-743-6630	3311
Devon Western Currency Exchange, Inc	2400 W Devon	Chicago	IL	60659	773-274-2600	773-274-2655	2889
Homewood Currency Exchange, Inc	807 Maple	Homewood	IL	60430	708-799-5505	708-799-7372	3884
Howard Paulina Currency Exchange, Inc	1660 W Howard	Chicago	IL	60626	773-764-0773	773-764-1070	3603
Kedzie Chicago Currency Exchange, Inc.	901 N Kedzie	Chicago	IL	60651	773-533-3225	773-533-4934	4121
Kedzie Elston Currency Exchange, Inc	3510 N Kedzie	Chicago	IL	60618	773-588-8709	773-588-3479	3505
Laramie Diversey Currency Exchange, Inc	5200 W Diversey	Chicago	IL	60641	773-282-4814	773-282-1503	3341
Madison & 17th Currency Exchange, Inc	1700 Madison	Maywood	IL	60153	708-344-5860	708-344-0791	3835
Madison & 5th Currency Exchange, Inc	1000 S 5th Ave	Maywood	IL	60153	708-343-2525	708-343-0338	2355
Montrose Central Currency Exchange, Inc	4354 b N Central	Chicago	IL	60634	773-545-4456	773-545-7916	4016
New 51st Western Currency Exchange, Inc	5100 S Western	Chicago	IL	60609	773-476-1221	773-476-3761	3490
New Lincoln Foster Currency Exchange, Inc	5204 N Lincoln	Chicago	IL	60625	773-561-8659	773-561-2202	2967
Ogden Pulaski Currency Exchange, Inc.	3160 W Ogden	Chicago	IL	60623	773-762-5873	773-762-8894	4156
Pulaski & Chicago Currency Exchange, Inc.	801 N. Pulaski	Chicago	IL	60651	773-278-8100	773-278-2671	4081
Roosevelt & Central Currency Exchange, Inc	5619 W Roosevelt	Cicero	IL	60804	708-863-4300	708-863-8565	3802
Sawyer & 47th Currency Exchange, Inc	3224 W 47th St	Chicago	IL	60632	773-927-3900	773-927-3965	3503
Skokie Currency Exchange, Inc.	4924 W Dempster	Skokie	IL	60077	847-933-1333	847-933-1348	3216
Western & 71st Currency Exchange, Inc.	7056 S Western	Chicago	IL	60636	773-476-2721	773-476-2853	3484

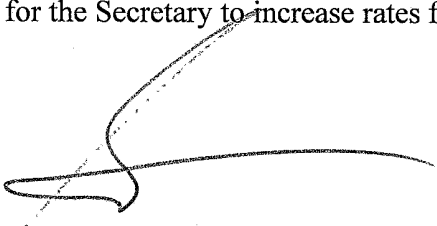
STATE OF ILLINOIS)
) SS:
COUNTY OF Cook)

**ILLINOIS DEPARTMENT OF FINANCIAL & PROFESSIONAL REGULATION
THE DIVISION OF FINANCIAL INSTITUTIONS**

IN RE: PETITION OF COMMUNITY)
CURRENCY EXCHANGE ASSOCIATION)
OF ILLINOIS, INC. AND COMMUNITY)
CURRENCY EXCHANGE LICENSEES)
TO INCREASE THE MAXIMUM RATE)
FOR CASHING CHECKS)
_____)

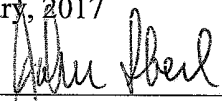
VERIFICATION AND JOINDER

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Subscribed and Sworn to
before me this 6 of

February, 2017



Notary Public

[Seal]



Exhibit A

List of Currency Exchanges Joining in CCEA Verified Petition for Rate Increase¹

NEW DAMEN-GRAND. C.E
2003 W. GRAND AVE.
CHICAGO IL. 60612
312-829-2460 OFFICE
312-829-3638 F
312-218-1955 CELL.
AFPR # 2225

¹ Include name(s) of currency exchange(s), location(s), contact number, phone number, fax number and IDFP License No.
Use extra pages if necessary.

STATE OF ILLINOIS)
) SS:
COUNTY OF Cook)

**ILLINOIS DEPARTMENT OF FINANCIAL & PROFESSIONAL REGULATION
THE DIVISION OF FINANCIAL INSTITUTIONS**

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_____ 

Subscribed and Sworn to
before me this 2 of

February, 2017

_____ 
Notary Public

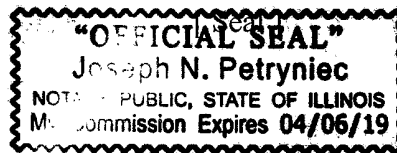


Exhibit A

List of Currency Exchanges Joining in CCEA Verified Petition for Rate Increase

STORE	STREET	CITY	STATE	ZIP	CONTACT NUMBER	PHONE	FAX	IDPR LIC. NO.
Algonquin Busse Currency Exchange, Inc.	1725 W Algonquin Road	Mt. Prospect	IL	60056	847-299-3100	(847) 228-0625	(847) 228-0659	2663
Army Trail Currency Exchange, Inc.	724 W Army Trail Road	Carol Stream	IL	60188	847-299-3100	(630) 213-3188	(630) 213-3197	2979
Bloomingtondale Currency Exchange, Inc.	163 E. Army Trail Road	Glendale Heights	IL	60139	847-299-3100	(630) 351-0850	(630) 351-8557	2333
Carol Stream Currency Exchange, Inc.	329 S Schmale Road	Carol Stream	IL	60188	847-299-3100	(630) 665-7470	(630) 665-0387	3775
Centex Currency Exchange, Inc.	1660 Greenleaf	Elk Grove Village	IL	60007	847-299-3100	(847) 981-0405	(847) 981-0079	2253
Crystal Lake Currency Exchange, Inc.	3 Crystal Lake Plaza	Crystal Lake	IL	60014	847-299-3100	(815) 455-1690	(815) 455-2851	2390
Elgin East Currency Exchange, Inc.	401 Dundee Avenue	Elgin	IL	60120	847-299-3100	(847) 888-1400	(847) 741-6245	3177
Elgin South Currency Exchange, Inc.	300 S Mclean Blvd., Unit O	Elgin	IL	60123	847-299-3100	(847) 695-1766	(847) 695-1778	2986
Elmhurst Road Currency Exchange, Inc.	1698 S Elmhurst Road, Suite 106	Mt. Prospect	IL	60056	847-299-3100	(847) 593-0005	(847) 593-1469	3630
Fox Valley Currency Exchange, Inc.	376 S Route 59, Suite 104	Naperville	IL	60540	847-299-3100	(630) 961-5955	(630) 961-2075	3337
Glen Ellyn Currency Exchange, Inc.	531 Roosevelt Road	Glen Ellyn	IL	60137	847-299-3100	(630) 790-3383	(630) 790-8157	2765
Grand Plaza Currency Exchange, Inc.	2633 N Mannheim Road	Franklin Park	IL	60131	847-299-3100	(847) 455-5667	(847) 455-0211	3154
Green Meadow Currency Exchange, Inc.	429 W Lake Street	Addison	IL	60101	847-299-3100	(630) 543-5363	(630) 543-1216	3500
Hanover Park Currency Exchange, Inc.	1018 S Barrington Road	Streamwood	IL	60107	847-299-3100	(630) 837-6661	(630) 837-4288	3087
Hoffman Estates Currency Exchange, Inc.	1334 North Roselle Road	Schaumburg	IL	60195	847-299-3100	(847) 885-3311	(847) 885-9755	3105
Lee Street Currency Exchange, Inc.	1528 S Lee Street	Des Plaines	IL	60018	847-299-3100	(847) 299-3730	(847) 299-3832	2469
Meadowdale Currency Exchange, Inc.	150 S Kennedy Drive, Unit 20	Carpentersville	IL	60110	847-299-3100	(847) 426-5021	(847) 426-7218	3003
Naperville Currency Exchange, Inc.	1163 E Ogdan Avenue, Suite 703	Naperville	IL	60563	847-299-3100	(630) 369-2991	(630) 369-5198	2467
New 75th & Janes Currency Exchange, Inc.	7530 Janes Avenue	Woodridge	IL	60517	847-299-3100	(630) 910-5510	(630) 910-7739	3630
New Oswego Currency Exchange, Inc.	340 Douglas Road	Oswego	IL	60543	847-299-3100	(630) 896-2600	(630) 896-2747	3316
Palwaukee Currency Exchange, Inc.	690 Milwaukee Avenue	Prospect Heights	IL	60070	847-299-3100	(847) 537-7575	(847) 537-8385	2457
Randall Road Currency Exchange, Inc.	160 N Randall Road	Lake in the Hills	IL	60156	847-299-3100	(847) 854-3046	(847) 854-3048	3372
Schaumburg Currency Exchange, Inc.	1019 S Roselle Road	Schaumburg	IL	60193	847-299-3100	(847) 985-1666	(847) 985-9125	2366
Streamwood Currency Exchange, Inc.	225 E Irving Park Road	Streamwood	IL	60107	847-299-3100	(630) 837-1313	(630) 837-4890	1422
Tri-City Currency Exchange, Inc.	615 S Randall Road, Unit 7	St. Charles	IL	60174	847-299-3100	(630) 584-2160	(630) 584-1370	3088
Villa Oaks Currency Exchange, Inc.	133 W Roosevelt Road, Suite E	Villa Park	IL	60181	847-299-3100	(630) 889-1802	(630) 889-1807	3599
West Chicago Currency Exchange, Inc.	141 W Roosevelt Road	West Chicago	IL	60185	847-299-3100	(630) 293-0773	(630) 293-1325	2645
Westmont Currency Exchange, Inc.	6601 S. Cass Ave., Unit E	Westmont	IL	60559	847-299-3100	(630) 968-8025	(630) 968-2267	1720

STATE OF ILLINOIS)
) SS:
COUNTY OF Cook)

**ILLINOIS DEPARTMENT OF FINANCIAL & PROFESSIONAL REGULATION
THE DIVISION OF FINANCIAL INSTITUTIONS**

IN RE: PETITION OF COMMUNITY)
CURRENCY EXCHANGE ASSOCIATION)
OF ILLINOIS, INC. AND COMMUNITY)
CURRENCY EXCHANGE LICENSEES)
TO INCREASE THE MAXIMUM RATE)
FOR CASHING CHECKS)
_____)

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[Handwritten Signature]

Subscribed and Sworn to
before me this 1__ of

February, 2017

[Handwritten Signature]
Notary Public

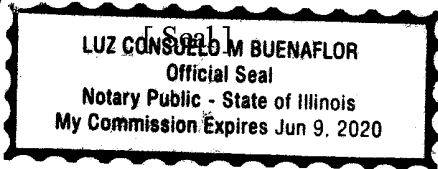


Exhibit A

List of Curre

<u>License #</u>	<u>Currency Name</u>	<u>Address</u>	<u>Phone</u>	<u>Fax</u>
2814	Howard Western Currency Exchange	7537 N Western - Chicago, IL 60645	(773) 973-2800	(773) 973-1402
3550	Broadway Foster Currency Exchange	5153 N Braodway - Chicago, IL 60640	(773) 561-3136	(773) 561-7265
2763	Diversey Southport Currency Exchange	1356 W Diversey Pkwy - Chicago, IL 60614	(773) 248-6224	(773) 248-1312
2908	Armitage Racine Currency Exchange	1164 W Armitage Ave - Chicago, IL 60614	(773) 549-0079	(773) 549-1064
3061	Economy Currency Exchange	721 W Armitage Ave - Chicago, IL 60614	(312) 266-8040	(312) 266-9833
3710	Ashland Division Currency Exchange	1545 W Division St - Chicago, IL 60642	(773) 276-5460	(773) 276-1820
2782	New Pulaski Fullerton Currency Exchange	4001 W Fullerton Ave - Chicago, IL 60639	(773) 772-0638	(773) 772-3393
3574	Irving Cicero Currency Exchange	4814 W Irving Park Rd - Chicago, iL 60641	(773) 286-4142	(773) 286-4282
1690	Roosevelt Western Currency Exchange	1143 S Western Ave - Chicago, IL 60612	(312) 666-7909	(312) 666-1813
3006	New Archer Halsted Currency Exchange	2514 S Halsted St - Chicago, IL 60608	(312) 842-0233	(312) 842-2177
3375	New Fairfield Currency Exchange	2560 W Cermak Rd - Chicago, IL 60608	(773) 247-5888	(773) 247-9074
4181	New Commons Currency Exchange II	811 E Rollins Rd - Round Lake Beach, IL 60073	(847) 223-3232	(847) 223-7348
4179	New Zion Currency Exchange II	2384 N Sheridan Rd - Zion, IL 60099	(847) 872-2212	(847) 872-0051
4176	New Orland Park Currency Exchange II	15010 S LaGrange Rd - Orland Park, IL 60462	(708) 460-8700	(708) 460-7698
4180	Ashland & Archer Currency Exchange II	3170 S Ashland Ave - Chicago, iL 60608	(773) 523-9266	(773) 523-6985
4166	King Plaza Currency Exchange II	3610 Avenue of the Cities - Moline, IL 61265	(309) 736-1704	(309) 736-1729

ncy Exchanges Joining in CCEA Verified Petition for Rate Increase¹

¹ Include name(s) of currency exchange(s), location(s), contact number, phone number, fax number and IDFPFR License No. Use extra pages if necessary.

STATE OF ILLINOIS)
) SS:
COUNTY OF Cook)

**ILLINOIS DEPARTMENT OF FINANCIAL & PROFESSIONAL REGULATION
THE DIVISION OF FINANCIAL INSTITUTIONS**

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CURRENCY EXCHANGE ASSOCIATION)
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President, PLS Financial Services

Subscribed and Sworn to
before me this 7 of

[Seal]

February, 2017

Adrianna Maya
Notary Public

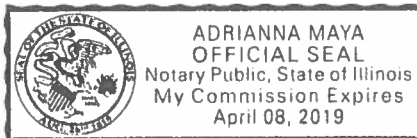


Exhibit A

List of Currency Exchanges Joining in CCEA Verified Petition for Rate Increase¹

IDFPR License Number	Store	Address	City	State	Contact Phone	Fax
CE0003 399	PLS CHECK CASHERS - CLARK & LUNT INC	7000 N. Clark Street	CHICAGO	IL	773.764.8600	773.764.1328
CE0003 471	PLS CHECK CASHERS - AURORA INC	30 N. Lake Street	AURORA	IL	630.892.2150	630.892.5546
CE0003 472	PLS CHECK CASHERS - AURORA & LAKE INC	305 W. Indian Trail Suite E	AURORA	IL	630.896.1300	630.896.9667
CE0003 554	PLS Check Cashers - Dempster & Dodge, Inc.	1830 W. Dempster	Evanston	IL	847.491.1400	847.491.1405
CE0003 643	PLS Check Cashers - North & Laramie, Inc.	5200 W. North Avenue	Chicago	IL	773.237.1306	773.237.6250
CE0003 646	PLS Check Cashers - Cermak & Damen, Inc.	1958 W. Cermak	Chicago	IL	773.254.5400	773.247.7435
CE0003 652	PLS CHECK CASHERS-CAL & TOUHY CE INC	7201 N. California Ave.	CHICAGO	IL	773.761.2899	773.761.0508
CE0003 708	PLS Check Cashers - Armitage Kostner, Inc.	4400 West Armitage Ave.	Chicago	IL	773.342.0955	773.342.2087
CE0003 774	PLS Check Cashers - Roosevelt & Austin, Inc.	5947 West Roosevelt Ave.	Cicero	IL	708.656.8585	708.656.0402
CE0003 782	PLS CHECK CASHERS-ADDISON & WESTERN INC	3601 N. Western Ave.	CHICAGO	IL	773.528.8105	773.528.5810

¹ Include name(s) of currency exchange(s), location(s), contact number, phone number, fax number and IDFPR License No. Use extra pages if necessary.

Tab 1

CE0003 864	PLS Check Cashers - Calumet Park, Inc.	1431 West Obama Dr.	Calumet Park	IL	708.385.2 931	
CE0003 869	PLS Check Cashers - Ashland & 47th, Inc.	4655 S. Ashland	Chicago	IL	773.523.2 111	773.523.8 265
CE0003 890	PLS CHECK CASHERS - KOSTNER & DIVERSEY, INC.	4400 West Diversey Ave.	CHICAGO	IL	773.489.1 552	773.49.15 58
CE0003 913	PLS CHECK CASHERS - NORTH & CICERO INC	1617 N. Cicero	CHICAGO	IL	773.276.6 688	773.276.7 921
CE0003 924	PLS CHECK CASHERS - 175TH & KEDZIE INC	3175 W.175th St.	HAZELCR EST	IL	708.957.5 660	708.957.1 257
CE0003 931	PLS Check Cashers - 26th & Pulaski, Inc.	4004 West Pulaski	Chicago	IL	773.522.2 525	773.522.8 738
CE0003 962	PLS CHECK CASHERS-47TH & WESTERN CE INC	2400 West 47th St.	CHICAGO	IL	773.346.1 100	773.346.1 105
CE0004 065	PLS CHECK CASHERS- 43RD & ARCHER INC	4134 S. Archer Ave.	CHICAGO	IL	773.523.4 466	773.523.9 092
CE0003 980	PLS CHECK CASHERS-95TH & WESTERN INC	2507 West 95th St.	EVERGRE EN PARK	IL	708.425.0 118	708.425.1 708
CE0003 863	PLS Check Cashers - Roosevelt & Jefferson, Inc.	570 West Roosevelt Ave.	Chicago	IL	312.360.0 904	312.360.1 312

Tab 2

1985 IDFPR Statement of Findings on CCEA Petition for Rate Increase



STATE OF ILLINOIS
DEPARTMENT OF FINANCIAL INSTITUTIONS

State of Illinois Center
100 West Randolph • Suite 15-700
Chicago, Illinois 60601

JAMES R. THOMPSON
GOVERNOR

MICHAEL E. FRYZEL
DIRECTOR

JOANNE MITCHELL
ASSISTANT DIRECTOR

STATEMENT OF FINDINGS BY THE DIRECTOR OF THE
ILLINOIS DEPARTMENT OF FINANCIAL INSTITUTIONS
IN RESPONDING TO THE REQUEST MADE BY THE
COMMUNITY AND AMBULATORY CURRENCY EXCHANGE
INDUSTRY FOR AN INCREASE IN THE
MAXIMUM RATE CHARGED FOR CHECK CASHING

OCTOBER 15, 1985

Administrative Division
217/782-2831

Consumer Credit Division
217/782-3752

Credit Union Division
217/782-2833

Unclaimed Property Division
217/782-6892

STATEMENT OF FINDINGS BY THE DIRECTOR OF THE DEPARTMENT OF FINANCIAL
INSTITUTIONS IN RESPONDING TO THE REQUEST MADE BY THE COMMUNITY AND
AMBULATORY CURRENCY EXCHANGE INDUSTRY FOR AN INCREASE IN THE
MAXIMUM RATE CHARGED FOR CHECK CASHING

Pursuant to Part 125 "The Practices and Procedures to be Followed in the Formulation and Issuance of Schedules of Maximum Rates For Check Cashing and the Writing of Money Orders of Community and Ambulatory Currency Exchanges" ("Practice and Procedures") effective April 16, 1980 amended July 30, 1985, the following is a statement of findings made by the Director of the Department of Financial Institutions ("The Director") in responding to a request made by the Community and Ambulatory Currency Exchange Industry ("The Industry") for an increase in the maximum rate for check-cashing. The initial letter of request from "the Industry" to the Director dated June 5, 1985 is attached to and made part of these findings as Director's Findings Exhibit A.

Section 4838 of the Currency Exchange Act (CEA), Ill. Rev. Stat. Ch. 17, paragraph 4801, et seq. as amended, sets forth the mandate of the Illinois General Assembly to the Department of Financial Institutions ("The Department") to determine reasonable maximum rates to be charged for check-cashing and the writing of money orders by community and ambulatory currency exchanges in the State of Illinois.

In conferring this rate-making authority to the Department in 1979, the legislature expressly found that currency exchanges provide "important and vital services to Illinois citizens and that these services are provided in communities in which banking services are generally unavailable."

The legislature further found that the customers of currency exchanges "must be protected from being charged unreasonable and unconscionable rates for cashing checks and purchasing money orders."

In 1980, after public hearings were held in which testimony was solicited from community groups, consumers, currency exchange owners/operators, representatives from the Illinois Community Currency Exchange Association and attorneys on equitable rates, the Department adopted the first maximum rates schedule for check-cashing and sale of money orders.

As with the first ratemaking session, it is the Department's goal to effectuate the legislature's intent in delegating the ratemaking authority thereof by setting a maximum rate which will protect the consumer and at the same time allow for a viable currency exchange industry.

Part 125.30 requires the Director to set forth his findings regarding the criteria established in Part 125.30(b) of "Practice and Procedures" and the information upon which such findings are based. The criteria set forth in Part 125.30(b) are the legislated criteria contained in Section 4838 of the "CEA". Both Section 4838 and Part 125.30(b) require the Director to take into account the following criteria in determining the maximum rate schedules:

1. Rates charged in the past for the cashing of checks and the issuance of money orders by community and ambulatory currency exchanges;
2. Rates charged by banks or other business entities for rendering the same or similar services and the factors upon which those rates are based;
3. The income, cost and expense of the operation of currency exchanges;
4. Rates charged by currency exchanges or other similar entities located in other states for the same or similar services and the factors upon which those rates are based;
5. Rates charged by the United States Postal Service for the issuing of money orders and the factors upon which those rates are based;
6. A reasonable profit for a currency exchange operation.

In responding to the request from "the Industry" to increase the maximum rate for cashing checks from 1.1% of the check amount plus a seventy-five cent transaction fee to 1.25% of the check amount plus a one-dollar transaction fee, "the Director" considered the legislative finding and statement of intent as set forth in Section 4838 of the Currency Exchange Act as well as the criteria set forth in this Section and Parts 125.30(c) and 125.30(d) of "Practice and Procedures". Based upon the public hearings held in Chicago and Springfield on August 21 and August 22, 1985 respectively written submissions of interested parties both prior to the hearings and as rebuttal after the hearings, the information available to "the Director" under "Practice and Procedures" and the entire administrative record, as more fully set forth hereafter, "the Director"

finds that the maximum rate for check-cashing as established effective January 1, 1981 should be increased to 1.20% plus 90 cents. "The Director" will initiate rulemaking to modify Part 130.30 of the "Schedules Of Maximum Rates To Be Charged For Check Cashing and Writing Of Money Orders By Community and Ambulatory Currency Exchanges." Said rulemaking will be conducted pursuant to the Illinois Administrative Procedures Act, Ill. Rev. Stat., Ch. 127, par. 1005 et seq.

In support of this increase, "the Director's" Findings are broken down into three major areas:

- A. Consideration regarding the six (6) criteria listed in Section 4838 of the Currency Exchange Act.
- B. Legal considerations.
- C. Summary.

Al. RATES CHARGED IN THE PAST FOR THE CASHING OF CHECKS AND THE ISSUANCE OF MONEY ORDERS BY COMMUNITY AND AMBULATORY CURRENCY EXCHANGES

In considering the first criterion, the Department reviewed data which it obtained from currency exchange annual reports, examinations and generally recognized technical facts within the Department's specialized knowledge relating to community and ambulatory currency exchanges. Other relevant data was obtained through submissions of interested parties during the rate-making process.

On January 1, 1981, almost two years after the initial rate-setting legislation was introduced, the first maximum rate for check cashing for Illinois currency exchanges became effective. This maximum rate, 1.1% of the check plus 75 cents, has now been in effect for almost five years.

The maximum rate is not the only restriction levied on currency exchanges with respect to rates. Part 130.50 of "Schedules Of Maximum Rates To Be Charged For Check Cashing And Writing Of Money Orders By Community And Ambulatory Currency Exchanges" reads as follows:
Section 130.50 Disclosure Requirements - Check Cashing and Money Orders

- a) Charging by means of brackets - Definition. Charging by means of brackets is a method of establishing fees for cashing checks or issuing money orders whereby a community or ambulatory currency exchange establishes a set fee to be charged uniformly for cashing all checks or issuing all money orders within a certain range of stated face amounts.

1 Practice and Procedures 125.30(c)(1)(C)

- b) Checks - \$500.00 or less. For all checks of the face amount of \$500.00 or less, each community and ambulatory currency exchange must post and display to the public the fees to be charged for cashing said checks by means of brackets as defined in Subsection (a) above, provided that no fee charged within any bracket shall exceed the maximum rate as set forth in Section 130.30(a), and provided further that all fees and brackets for all checks of the face amount of \$500.00 or less must be fully and completely stated without resort to language such as "repeat" or its equivalent.
- c) Checks in Excess of \$500.00. For all checks of face amounts in excess of \$500.00, community or ambulatory currency exchanges need not, but may, post and display to the public the fees to be charged by means of brackets as set forth in (a) and (b) above. They must post and display to the public a statement setting forth the rate of fees to be charged for cashing checks in excess of their posted and displayed bracketed fees, and such posting and display must be done without resort to language such as "repeat" or its equivalent. In no event shall the rate or fee to be charged exceed the maximum rate for cashing checks as set in Section 130.30(a).

These sections require each currency exchange to form brackets for check cashing fees between \$.01 and \$500.00 inclusive with the maximum fee being 1.1% + \$.75 of the low point of the bracket. For those checks in excess of \$500.00, the currency exchange is not mandated to form brackets, however, a rate must be posted which will not exceed 1.1% + \$.75 of the face value of the check.

Prior to the initiation of Part 130, currency exchanges were permitted to utilize a "repeat" concept which allowed them to list less brackets. Under this concept of "repeat" a currency exchange could maximize its profits by repeating the applicable rate. An example of this would be the following:

RATE CHART

\$.01 - \$100	-	\$.85
100.01 - 200	-	.90
200.01 - 300	-	.95
Over 300	-	Repeat

A \$400.00 check would cost \$1.80 (85¢ + 95¢) using this methodology. Part 130.50 now prohibits currency exchanges from using this "repeat" concept.

As will be explained in criterion six (6) of these Findings, the currency exchange only yields the maximum fee at the low point of the bracket. Although currency exchanges have the option to set the interval of each bracket as small as they desire, \$1.00 intervals would not be cost effective and would also be extremely ambiguous to the customers.

As part of the mandated annual examination and inspection of each licensee, Department examiners record all rates being charged. This is done both to ensure licensees are charging legal amounts and to monitor changes in the industry pertaining to rates being charged.

A review of the data accumulated from January 1, 1981 through the present may be summarized as follows:

1. During this five-year period most currency exchanges have gradually increased their rates.
2. Increases appear to be based on the economy of the business, competition and inflation.
3. Some currency exchange owners choose not to charge the maximum rate in certain brackets because it requires "odd cents" to be collected. "Odd cents" create confusion for the customer and more of a likelihood for error in currency exchange staff giving change.
4. Over 65% of all licensees are charging the maximum rate in three or more brackets.

"The Director" finds that the concept of setting a maximum rate which gives flexibility to the individual licensee is a sound one. This flexibility encourages competition which in turn will stabilize rates and benefit the consumer. In setting a new maximum rate, "the Director" will set a rate which will allow for continued flexibility, and with the belief that movement to a new maximum will continue to be gradual.

2. RATES CHARGED BY BANKS AND OTHER BUSINESS ENTITIES RENDERING THE SAME OR SIMILAR SERVICES

In considering the second criterion, the Department reviewed data it obtained from a survey conducted on banks and savings and loans located in Illinois, information it gathered on other business entities which render check cashing services, various records on file at the Department, generally recognized technical facts within the Department's specialized knowledge relating to community and ambulatory currency exchanges² and the Illinois Legislative Investigating Commission Report to the Illinois General Assembly, March 1977. Other relevant data was obtained through the submissions of interested parties during the rate-making process.

A survey of Illinois banks and savings and loans was conducted by the Department during the summer of 1985. A blank copy of the survey form used is attached to and made part of these findings as Director's Findings Exhibit B. The full survey including the summary sheet is known as Department Exhibit 14A, introduced for the record during the ratemaking public hearing held in Chicago on August 21, 1985 (TR 178).³ Solely for the purpose of the survey,

² Part 125 Section 30(c)(1)C

³ Solely is emphasized here because although testimony by the Department during the August 21, 1985 Public Ratemaking Hearings clearly states that these divisions were not and are not now used by the Department for anything but this survey (Tran P 176, 177, 178). Both the City of Chicago and the Industry have chosen to give them meaning never intended by the Department using them to make points in other areas in their respective briefs.

The Department divided Illinois into areas, sections and subsections to ensure all areas in which currency exchanges operate were represented in the sampling. The City of Chicago was divided into subsections based on natural boundaries.⁴ Cook County was divided into five areas and the balance of Illinois divided by county. For each Chicago subsection and for the cities in suburban Cook County in which currency exchanges operate, two banks and two savings and loans were contacted. For the balance of the state one bank and one savings and loan was contacted in cities where currency exchanges operate. All banks and savings and loans were randomly selected from the Illinois Bank Directory and the Directory of Illinois Savings and Loans. Contact was made either in person or via telephone by Department staff and a bank or savings and loans official. Of 146 banks and savings and loans contacted, 131 provided input into the survey. The Department does not contend that this survey is all inclusive but rather a representative sampling of banks and savings and loans doing business in areas where currency exchanges exist.⁵

Relevant information gathered from this survey may be summarized in the following points:

1. Of the 131 respondents, approximately 46% are charging more than the currency exchange maximum rate for check cashing for non-customers, 53% less than the maximum rate for non-customers and approximately 1% the same rates as currency exchanges.
- 4 Natural boundaries, as defined by the Department in connection with currency exchanges are major highways, rivers, lakes, divided streets, railroads, viaducts, parks, main streets.
- 5 It is the Departments contention that because of deregulation in the banking industry, it would be impossible to conduct an all inclusive survey without contacting every bank and savings and loan in the State.

2. Of the 131 respondents, in answer to the question, "do you cash public aid or general assistance checks?", approximately 10% answered to the affirmative.
3. Of 131 respondents only .76% cash out-of-town checks for non-account holders.
4. Check cashing fees for bank customers ranged from 25¢ to \$1.00 per hundred. For non-customers, 50¢ to 2% of the face amount of the check.
5. Of banks and savings and loans contacted that do cash public aid or general assistance checks for non-account holders, the following was requested of the customer:
 - A) Three (3) ID's. - Required Drivers license, another picture ID and a major credit card.
 - B) Officer approval.
 - C) Verification of the check.
 - D) Ceiling limit of \$500.00.
 - E) Thumb print.
6. Return check fees assessed by respondents from a low of \$1.00 to a high of \$20.00.
7. Policies on fees, or criteria banks used to determine how to levy fees to cash checks is diversified.

The Department also obtained and was provided with information indicating that banks and savings and loans are not comparable to currency exchanges in the way revenues and profits are generated.

Banks and savings and loans derive income from loaning money and charging interest for the use of money. To attract customers, these financial institutions pay interest for savings accounts and offer free or low cost checking services.

An investigation was also conducted of other business entities which cash checks for a fee. Three large chain stores, Dominick's, Jewel and Sears were contacted as well as numerous smaller establishments within various communities.

The Department does not contend that this investigation is all inclusive⁶ but rather a representative sampling. The full investigation on other business entities is known as Department of Financial Institutions Exhibit 14B, introduced for the record during the Ratemaking Hearing held August 21, 1985 (TR 179). An additional investigation was conducted on August 29, 1985, in an attempt to clear up some confusion with respect to check-cashing policy for Dominick's and Jewel.

Relevant information gathered from these investigations may be summarized in the following points:

1. Jewel and Dominick's, large grocery store chains, cash personal, payroll and government checks for customers who have the respective store's check cashing cards.

⁶ Many neighborhood establishments cash checks as a courtesy to their customers. A complete sampling would have to include every store in the State.

The fees for both are as follows:

<u>Check Amount</u>	<u>Fee</u>
Up to \$100.00	\$.25
\$100.01 - \$200.00	\$.50
\$200.01 and above	\$1.00

2. The check cashing fee schedule for both Jewel and Dominick's was increased in February and March of 1985 respectively. In a letter to their customers explaining the reason for the increases both stores cited "increasing costs for processing checks." Costs increased from a flat 25¢ to a graduated rate.
3. Both Jewel's and Dominick's corporate office personnel stated that an individual did not need to have a bank account to obtain a store card. Valid ID as well as proof of residency was usually adequate for card issuance.
4. Sears only cashes checks for customers having a Sears Credit card. Their fee is \$1.00 per hundred dollar check.
5. Smaller business entities rates varied. The variables which entered into setting the rates was arbitrary. Most cashed checks only for customers making a purchase.
6. Some business entities have graduated rates. Two examples of these are: Dino's Finer Foods in Elgin and International Foods in Chicago. Dino's Finer Foods was charging the following rates for check cashing:

\$ 1.00 to 99.00	\$.50
100.00 to 199.00	1.00
200.00 to 299.00	1.50
300.00 to 399.00	2.00
400.00 to 499.00	2.50
500.00 to 599.00	3.00

Personal Checks \$1.25

International Foods cashes checks for its registered customers and charges the following rates:

\$ 1.00 to 25.00	\$.15
25.00 to 50.00	.25
50.00 to 75.00	.50
75.00 to 100.00	.85
100.00 to 125.00	1.00
125.00 to 150.00	1.25
150.00 to 175.00	1.50
175.00 to 200.00	1.75
200.00 to 225.00	2.00
225.00 to 250.00	2.25
250.00 to 300.00	2.50
300.00 to 350.00	3.00
350.00 to 400.00	4.00
400.00 to 450.00	4.50
450.00 to 500.00	5.00
500.00 to 550.00	6.00
550.00 to 600.00	7.00

No checks over \$ 600.00

\$15.00 charge for returned checks.

With respect to other business entities, "the Director" is in agreement with the position put forth in the post hearing rebuttal submission of the Currency Exchange Association. In their rebuttal brief they state:

"To the extent that other business entities provide a check cashing service, The service is a loss leader and profits are ^{made} from other services. In considering rates charged by groceries, Jewel and Dominick's just recently increased their rates for check cashing, and second, that profits of grocery stores are generated by the goods sold rather than cashing checks."⁷

This position was also stated by the Illinois Legislative Investigating Commission in their March 1977 Report to the Illinois General Assembly.

"It is true that currency exchanges charge higher rates to cash checks and issue money orders than a food store or a bank. It is also true that many middle-class Americans avoid paying currency exchange fees by maintaining a "no charge" checking account with a bank. But this comparison is not justified. The costs that the customer pays for these services at banks and food stores are hidden.

It costs major food chains, for example, hundreds of thousands of dollars a year, in employee man-hours, bad check losses, and overhead, in order to cash checks and issue money orders. The food stores do not simply absorb these losses, they are translated into higher food prices. Banks, too, do not offer "no charge" checking accounts without making up for handling costs in other areas of the bank's operation.

By contrast, all currency exchange charges are starkly evident. There is no way they can hide how much they charge to cash a check. Because of these differences, it is not possible to validly compare a bank or a food store with a currency exchange."

In conclusion, the rates charged by banks and other business entities rendering check cashing services are in some instances lower than the rates charged by currency exchanges. "The Director" found, however, the above described differences are more than offset by the more extensive

⁷ Post Hearing Rebuttal Submission of the Community Currency Exchange Association of Illinois and Various Community Currency Exchanges, pages 22, 23.

nature of the services offered by currency exchanges and the underlying justifications for the fees charged by bank, savings and loans and other business entities. "The Director" found further that in 1984 check cashing represented 68.68% of the total gross income of a currency exchange, making it their primary service and source of revenue. For banks, savings and loans and other business entities check cashing serves only as an accommodation to customers and not a revenue maker.

3. THE INCOME COSTS AND EXPENSE OF THE OPERATION OF A CURRENCY EXCHANGE

In considering this third criterion, the Department utilized Annual Reports submitted for the years 1980 - 1984. The submission of Annual Reports is mandated under Section 4832 of the Currency Exchange Act (C.E.A.). In the reports, each licensee presents a balance sheet and income statement for the period October 1 through September 30. The Department also utilized generally recognized technical facts within the Department's specialized knowledge relating to community and ambulatory currency exchanges and various other material on file with the Department.

For the purpose of consistency with the 1980 procedures utilized by the Department in the initial formulation of maximum rates, the analysis was conducted by using the average revenues and expenses.

As indicated on these annual reports, the average total income has increased from \$95,952.87 in 1980 to \$112,172.80 in 1984. This represents a 16.90% increase in total income. For the same period of time, the average total expenses of a community currency exchange (1980-1984) have also increased from \$81,132.03 to \$101,565.65 or a 25.19% increase. Not accounting for inflation, it is evident that over this five (5) year period, the total average expenses of a community currency exchange have increased at a rate faster than has the total average income.

A closer analysis of specific income and expense items from 1980 through 1984 revealed the following:

A. INCOME:

1. Check Cashing Fees

The average check cashing fees from September 1980 through September 1984 have increased 22.31%. In 1980, average check cashing fees represented 65.64% of total average income as compared to 68.68% in 1984. This increase in check cashing fees may be attributed to the fact that some of the currency exchanges which were not charging the maximum rate in 1980 have increased their rates throughout the five-year period.

This is not to infer that a currency exchange can always maximize profits by raising rates to the maximum. An increase to a bracket which the currency exchange does limited volume will not significantly increase revenues. To assume that an equal volume of checks are cashed within each bracket would be erroneous. Also, one must consider that when rates increase, volume may drop since the customer may elect to frequent a different currency exchange.

The increase in check cashing fees may also be a result of the dollar amount of the check increasing. Any increase in the dollar of the check will directly affect the fee collected via the percentage variable of the maximum rate. As addressed by the Illinois Community Currency Exchange Association in its rebuttal, the average check has increased from \$189.00 in 1980 to \$240.00 in 1984.⁸

⁸ Post Hearing Rebuttal Submission of the Community Currency Exchange Association of Illinois, Inc. and Various Community Currency Exchanges, Coghlan, Joyce, Kukanos, Keleher and Urbut September 13, 1985, Page 6.

Another possible reason for the increase in check cashing fees may be a result of the currency exchange reducing the interval size of the check cashing brackets which in effect will maximize the fees generated from each check within the specific bracket.

B. EXPENSES:

1. Bank Charges - Checks/Other.

From September 1980 through September 1984, the average bank charges relating to checks have increased in excess of 76%.

In 1980, this expense was approximately 5.49% of the average total expenses as compared to 7.74% in 1984. Comparing this to the average total income revealed that this expense was 4.64% in 1980 and 7.01% in 1984.

2. Employee Payroll:

This average expense item has increased 35.64% from 1980-1984. In 1980 this expense was 24.19% of the average total expenses compared to 26.21% in 1984. As a percentage of income, employee payroll was 20.45% in 1980 as compared to 23.73% in 1984.

3. Employee Benefits:

This average expense item has increased 50.77% from 1980-1984. For the same period of time, employee benefits increased from 1.24% in 1980 to 1.49% in 1984, when compared to average total expenses. This expense item increased from 1.04% of average total income in 1980 to 1.35% in 1984.

4. Telephone and Telegraph Expense:

This average expense item has increased 40.17% from 1980-1984. Within this same time period, when computed as a percentage of the average total expenses, telephone and telegraph expense has increased from 1.04% to 1.17%. When compared to average total income, this average expense has increased from .88% to 1.05%.

5. Rent Expense:

This average expense item has increased 44.64% from 1980-1984. Within this same period of time, as compared to the average total expenses, this item has increased from 5.02% to 5.80%. When analyzed to average total income, rent expense increased from 4.24% to 5.25%.

6. Security and Alarm Expense:

This average expense item has increased 48.57% from 1980-1984. As a percentage of the average total expense, this item has increased from 1.27% to 1.51%. As a percentage of average total income Security and Alarm expense has increased from 1.07% to 1.36%.

7. Utilities Expense:

This average expense item has increased 52.28% from 1980-1984. As a percentage of average total expense, this item has increased from 1.82% to 2.22%. As a percentage of average total of income, utilities expense has increased from 1.54% to 2.01%.

8. Interest Expense:

This average expense item has increased 88.91% from 1980-1984. As a percentage of the average total expense, this item has increased from 1.75% to 2.63%. As a percentage average, total income interest expense has increased from 1.48% to 2.39%.

The City of Chicago has inferred that this expense may be utilized by the stockholders/owners to siphon funds out of the currency exchange to reduce their profits. As will be described in criterion six (6) of this presentation regarding reasonable profits, there would be little or no advantage for the owner/stockholder to pay himself/herself interest payments since these revenues would be taxed to the individuals.

9. Officer(s)/Owner(s) Salaries:

This average expense item has increased 138.70% from 1980-1984.

The Illinois Community Currency Association has inferred that this should not be included in total expenses. However, it would appear that if the officer/owner is an active employee of the currency, then this would be an expense of the currency exchange.

As a percentage of average total expense, this item has increased from 4.96% to 9.45%. As a percentage of average total income, Officer(s)/Owners Salaries have increased from 4.19% to 8.56%.

10. Management Fees:

The Illinois Community Currency Exchange Association has contended that this expense should be deducted from total expense when comparing the increase in total expense.

9 Public Hearings, August 21, 1985, Trans. Pages 125 and 156.

10 Community Currency Exchange Association Exhibit No. 1, submitted at the Public Hearings, August 21, 1985, Trans. Page 30

11 Community Currency Exchange Association Exhibit No. 1, submitted at the Public Hearings August 21, 1985, Trans. Page 30.

The exact terminology as stated on the annual report is Management Fees for Working Officers/Owners. If the individual was not working at the currency exchange, then an additional employee may have to be hired, which would increase employee salaries and benefits. Also, management fees may be utilized to pay a management company which in return will pay certain expenses of the currency exchange.

This average expense item has decreased 54.43% from 1980-1984. As a percentage of average total expenses, this item has decreased 17.31% to 6.30%. As a percentage of average total income, management fees have decreased from 14.63% to 5.70%.

C. Profits:

From September 1980 through September 1984, the average profits have decreased 28.43%.

A closer analysis of these percentages indicate the following:

1. Adjusted Expenses not including owners/officers salaries and management fees, have increased 35.67%.
2. Revenue Increased 16.90%.

CONCLUSION

In analyzing the described data, the Director concludes that there has been an increase in 9 out of 10 average expense items from 1980-1984. In each of these items, as the percentage increased, so did its percentage of average total expenses and average total income. This would appear to support that expenses have become a greater percentage of income, thus reducing profits. Additionally, the Director finds that expenses have increased at a rate faster than have revenues. This holds true in calculating expenses both with management fees and officers/owners salaries when considered as expenses, and by the exclusion of these two items. Furthermore, the Director finds that the maximum rates to be set must take into account annual inflation, as set forth in criterion six (6).

A portion of Owner(s)/Officer(s) Salaries and Management fees must be considered an element of the total expenses of a currency exchange. It is the owner/officer who maintains the ultimate responsibility to ensure the profitability and financial stability of the currency exchange.

The Director finds that an increase in the maximum rate for check cashing is warranted, as it will allow Illinois currency exchanges to recover their operating costs and expenses and to realize a reasonable profit.

4. RATES CHARGED BY CURRENCY EXCHANGES OR OTHER SIMILAR ENTITIES LOCATED
IN OTHER STATES FOR THE SAME OR SIMILAR SERVICES AND THE FACTORS UPON
WHICH THOSE RATES ARE BASED

In considering the fourth criterion, the Department reviewed data it obtained from a survey conducted in March 1983 of all the States in the United States and the District of Columbia with respect to whether or not they had check-cashing businesses or similar entities, other materials on file with the Department, personal telephone calls with the regulating agencies in New York and New Jersey, generally recognized technical facts within the Department's specialized knowledge relating to community and ambulatory currency exchanges and the Illinois Legislative Investigating Commission, Report to the Illinois General Assembly, March 1977.

Other relevant data was obtained through the submission of interested parties during the Ratemaking process.

A survey of the States was conducted by the Department in March of 1983 in order to ascertain whether or not currency exchanges and/or similar entities existed within these states and if they did, whether or not they were regulated. A copy of the initial letter to the States and a chart summarizing the data obtained is attached to and made part of these findings as Director's Findings Exhibit C.

The survey revealed that approximately half the respondents had some type of check cashing entities and of this half a small number were regulated. Specifically, out of 50 states and the District of Columbia, the Department received 43 responses. Of the 43 respondents, twenty-two (22) had check cashing entities; of the 22, only seven (7) had regulation of any kind. These states are: California, Illinois, Indiana, Delaware, New York, New Jersey and Wisconsin. Of the seven (7) regulated states, only four (4) had regulated rates, Delaware, Illinois, New York and New Jersey.

The only common denominator relating to all twenty-two (22) states, appeared to be that they all cash checks. Of the seven regulated states, Illinois has the most restrictive regulatory scheme and is the only state where currency exchanges are considered to be Financial Institutions with "the Director" having liquidation and Receivership powers.

Rates being charged in states other than Illinois, New York and New Jersey appear to be based upon amounts that will yield the highest profit to the owner as well as what the market will bear. Department Exhibit 16A submitted at the August 21, 1985 public hearing lists several rates currently being charged for check cashing entities in states without regulated rates. An analysis of this list, while not all inclusive, indicates that most rates are higher than those in the regulated states.

12 California had regulated rates in the early 1980's. They have since been deregulated.

13 Copies of enacting legislation for most states on file with Department of Financial Institutions.

14 Research done on this issue by Illinois Attorney General's Office and the Department of Financial Institutions with regard to Cash Currency Exchange et al litigation.

For the four (4) rate regulated states, the following are the mandated maximum rates:

DELAWARE

Chapter 27, Title 5 of the Delaware Banking Code provides in part:

§ 2742. Limitation on fees and charges for cashing checks or money orders

The licensee shall not charge or collect in fees or charges for cashing a check, draft or money order a sum to exceed one-half of 1% thereof, or 25 cents, whichever is greater. In every location and upon every mobile unit licensed under this chapter, there shall be conspicuously posted and at all times displayed, a schedule of fees and charges permitted under this chapter. (Code 1983, § 2408G; Del. Laws, c287, §1; 5 Del. C. 1953, § 2742.)

With respect to Delaware, it must be noted that there are no licensed businesses whose primary services are check cashing. Supermarkets, liquor stores and other retail establishments must get check cashing licenses and adhere to the mandated rate if they wish to cash checks. For this reason, Delaware will not be considered for further comparison purposes.

ILLINOIS

Part 130 Schedules of Maximum Rates to be charged for Check Cashing and Writing of Money Orders by Community and Ambulatory Currency Exchanges states in part:

Section 130.30 Maximum Rate - Check Cashing

- a) The Maximum Rate. The Maximum rate to be charged by community and ambulatory currency exchanges for cashing any check shall not exceed an amount equal to 1.1% of the face amount of the check plus a service charge of seventy-five cents (\$.75).
- b) Prohibition. No community or ambulatory currency exchange may charge a fee for cashing any check in excess of the maximum rate as set forth in (a) above.

NEW JERSEY

New Jersey Code Annotated 17:15 A-17 sets forth the rate currently effective in New Jersey. That statute provides, in part:

The licensee shall not charge or collect in fees, charges, or otherwise, for cashing a check, draft or money order drawn on a bank or other financial institution located in this State a sum or sums exceeding 1% thereof, otherwise, for cashing a check, draft, or money order drawn on any other bank of financial institution a sum or sums exceeding 1 1/2% thereof, or \$0.50, whichever is greater.

NEW YORK

Section 372 of the New York Banking Act sets forth the rate for New York check-cashers and provides in relevant part:

The licensee shall not charge or collect in fees or charges for cashing a check, draft or money order a sum or sums to exceed (a) three quarters of one percent thereof or (b) thirty cents, whichever is greater.

Effective October, 1979, New York allowed an additional 10 cents verification fee per item. In 1983, Section 372 was amended to authorize the Superintendent of Banking to set maximum rates for cashing checks, drafts and money orders. However, to date the above statutory rate remains in effect.

The laws show that the maximum rates for check cashing in New York and New Jersey are lower than the current maximum rate in Illinois. The Department looked at some additional variables in order to ascertain how New York and New Jersey businesses can remain profitable with these lower rates

and if any conclusion could be reached that Illinois rates should not be increased because Illinois entities are operating less efficiently than New York and New Jersey check cashers.

In making a comparison of the New York, New Jersey and Illinois currency exchange/check casher activity for 1984, the Department verified the informational chart presented in the Post Hearing Rebuttal Submission by the Community Currency Association, Page 27.

	<u>NEW JERSEY</u>	<u>NEW YORK</u>	<u>ILLINOIS</u>
Total number of licensed check-cashers	61	345	640
Total number of checks cashed	3,080,944	27,977,791	18,580,378
Total dollar volume of checks cashed	\$ 742,194,576	\$7,089,868,368	N/A
Average number of checks cashed by each check-casher	50,507	81,095	29,032
Total fees collected for cashing checks	\$ 6,227,544	\$ 46,089,781	\$ 49,302,582
Average check-cashing fees collected per licensee	\$ 102,090.88	\$ 133,594.00	\$ 77,055

In analyzing the activity chart for the three states, the following conclusions were reached:

1. Illinois has twice as many currency exchanges/check cashers as New York and ten times as many as New Jersey.

¹⁵ Verification made with New Jersey's Dennis Breuel of the Department of Banking and New York's John Low from the Department of Banking.

2. Although Illinois has a much larger number of businesses, comparatively the volume of checks cashed by New York and New Jersey entities is overwhelmingly greater.
3. The average check cashing fee collected per licensee is far greater for the entities operating in New York and New Jersey. Specifically, the average New York business generates 73% more check cashing revenues than does the average Illinois business. The average New Jersey business generates approximately 32% more check cashing revenues than does the average Illinois business.
4. Although New York and New Jersey have lower maximum rates, they yield substantially greater check cashing fees than the current Illinois maximum rate yields.

The Department did not look at this chart in a vacuum, however, as additional factors play a major role and must be considered in viewing the New York and New Jersey check cashing operations versus those in Illinois.

Section 4804, 4805, 4806, 4807 and 4816 of the "CEA" states the following with respect to limitations of services Illinois currency exchanges may offer:

4804. Power of Community currency exchange

3. No community or ambulatory currency exchange shall be permitted to accept money or evidences of money as a deposit to be returned to the depositor or upon the depositor's order; and no community or ambulatory currency exchange shall be permitted to act as bailee or agent for persons, firms, partnerships, associations or corporations to hold money or evidences there of or the proceeds of evidence of money upon request and direction of such owner or owners; provided that nothing contained herein shall prevent a community or an ambulatory currency exchange from obtaining state automobile and vehicle licenses for a fee or service charge, or from rendering a photostat service, or from rendering a notary service either by the proprietor of the currency exchange or any one of its employees, authorized by the State of Illinois to act as notary public, or from selling travelers cheques obtained by the currency exchange from a banking institution under a trust receipt, or from issuing money orders or from accepting for payment utility bills. Any community or ambulatory currency exchange may enter into an agreement with an utility and other companies to act as its agent for the acceptance of payment of utility and other companies' bills without charge to the utility customer and acting under such agreement, may receipt for payments in the names of the utility and other companies.

Any community or ambulatory currency exchange may also receive payment of utility and other companies' bills for remittance to companies with which it has not such agency agreement and may charge a fee for such service, but may not, in such cases, receipt for such payment in the names of the utility and other companies. However, funds received by currency exchanges for remittance to utility and other companies with which the currency exchange has no agency agreement shall be forwarded to the appropriate utility and other companies by the currency exchange before the end of the next business day.

Amended by P.A. 80-445 § 1, eff. Oct. 1, 1977.

4805. Income tax Service

3.1. Nothing in this Act shall prevent a currency exchange from rendering State or Federal Income tax service; nor shall the rendering of such services be considered a violation of this Act if such service be rendered either by the proprietor or any of his employees.

Added by Laws 1949, p. 336, § 1, eff. Aug. 3, 1949.

4806. Food stamps - Distribution

3.2. Community currency exchanges and ambulatory currency exchanges may engage in the distribution of food stamps in accordance with such regulations as made by the Director.

Added by P.A. 80-439, § 1, eff. Oct. 1, 1977.

4807. Additional public services

3.3. Nothing in this Act shall prevent the Director from authorizing currency exchange to render additional services to the public if the services are consistent with the provisions of this Act, are within its meaning, are in the best interest of the public, and benefit the general welfare.

Added by P.A. 80-1101, § 1, eff. July 1, 1978.

4816. No tokens to be issued

9. No community or ambulatory currency shall issue tokens to be used in lieu of money for the purchase of goods or services from any enterprise, except that currency exchanges may engage in the distribution of food stamps as authorized by Section 3.3.

Amended by P.A. 80-439, § 1, eff. Oct. 1, 1977

Section 4815 of the "CEA" states the following with respect to the business being conducted as a separate entity:

4815. Exchange to be conducted as separate unit.

8. A community or an ambulatory currency exchange shall not be conducted as a department of another business. It must be an entity, financed and conducted as a separate business unit. This shall not prevent a community or an ambulatory currency exchange from leasing a part of the premises of another business for the conduct of this business on the same premises; provided, that no community currency exchange shall be conducted on the same premises with a business with a business whose chief source of revenue is derived from the sale of alcoholic liquor for consumption on the premises; provided further, that no community currency exchange hereafter licensed for the first time shall share any room with any other business, trade or profession nor shall it occupy any room from which there is direct access to a room occupied by any other business, trade or profession.
Amended by Laws 1951.

In other words, these Sections of the "CEA" LIMIT Illinois licensees in what services they can provide, PROHIBIT them from selling anything at retail and EXCLUDE them from allowing any other business, trade or profession to share their respective premises.

This is not the case in New York and New Jersey. Phone calls with the various regulators in these states confirmed the Department's interpretation of their respective laws regarding how their check cashers operate.

Both New York and New Jersey check cashers are permitted to sell at retail. Many check cashers have sundry sections in which items such as newspapers, cigars, cigarettes, candy, gum, etc., are sold. Many New York and New Jersey check cashers, although having separate books, and records, share facilities and/or conduct another business in the same premises. It is not unusual to see a check casher/jewelry store or check casher/pawn broker operating together in these two states. Check cashers in New York and New Jersey may also be found in booths inside liquor store or packaged goods

stores as they are called in these states. Illinois law specifically
16
prohibits any community currency exchange from conducting business on the
same premises with a business whose chief source of revenue is derived from
the sale of alcoholic liquor for consumption on the premises.
17

In New York and New Jersey, check cashers are also allowed to sell the
highly profitable lottery tickets. In Illinois, this service was twice
requested by "the industry" and twice turned down by the Department because
it was felt that the selling of lottery tickets is not in the best interest
of the public and would not benefit the general welfare.
18

The importance of having the ability to sell retail goods and share
facilities with other businesses gives the New York and New Jersey check
cashers the opportunity to make additional revenues while cutting costs
through dual occupancy. These variables can help explain how these
entities with lower maximum check cashing rates can still be so highly
profitable. There is no comparison between the profits that can be re-
cognized from retail sales and lottery tickets versus the profits from sale
of CIA tokens or monthly passes and disbursement of food stamp envelopes.

16 There is one Illinois licensee operating within a liquor store. This licensee
was in business prior to the inception of the Act.

17 Illinois Currency Exchange Act, Section 4815.

18 Illinois Currency Exchange Act, Section 4807.

Finally, in considering this criterion, the Department also looked into patterns of ownership; an issue brought up in all the submissions to the Department. It was found that the concept of chain ownership is not unique to Illinois. In both regulated and non-regulated states, one can find numbers of currency exchanges/check cashers owned by the same individual(s). Whatever effect then, if any, having a chain operation may have in Illinois the effect should hold true for the other states. Therefore, check cashers under common ownership in other non-regulated states would accrue the same, if any, benefits as those under common ownership in Illinois.

Based on all the data reviewed and considered, "the Director" finds that an increase in the maximum rate for check cashing is justified when comparing the current maximum rate with those allowed in other states for similar services. Although the maximum is currently higher in Illinois than the two (2) other rate regulated states, the limited nature and type of the services Illinois currency exchanges offer and the more restrictive operating guidelines they must follow, prohibit them from recognizing profits and/or minimizing costs as do their New York and New Jersey counterparts.

Because of these above described restrictions and prohibitions, which are currently limiting to "the Industry" a rate increase is the only relief Illinois currency exchanges may now seek in order to substantially increase their profits and remain viable entities.

5. RATES CHARGED BY THE UNITED STATES POSTAL SERVICE FOR THE ISSUING OF MONEY ORDERS AND THE FACTORS UPON WHICH THOSE RATES ARE BASED

The Director does not find this criterion relevant as a request was not made to increase the maximum rate for sale of money orders.

6. A REASONABLE PROFIT FOR A CURRENCY EXCHANGE OPERATION

In considering this sixth criterion, the Department utilized rebuttal briefs, computer print-outs of the annual reports and accounting texts. The Department also utilized generally recognized technical facts within the Department's specialized knowledge relating to community and ambulatory currency exchanges and various other material on file with the Department.

As indicated by the City of Chicago ("City") there are numerous ways to measure profitability of which Return on Equity and Return on Assets are two such methods.

The "City's" calculation of Return on Equity is as follows:

$$\frac{\text{Net Income} + \text{Owner(s)/Officer(s) Salaries} + \text{Management Fees}}{\text{Net Worth}}^{19}$$

This calculation would only be proper if one would consider owner(s)/officer(s) salaries and management fees not part of the expense. If as suggested in Number 3 of the Director's Findings a portion of such is an expense, then that portion would have to be applied to the following formula:

$$\frac{\text{Net Income}}{\text{Average Owner's Equity}}^{20}$$

¹⁹ Post Hearing Rebuttal, Brief of the City of Chicago, September 13, 1985 Page 16.

²⁰ Principles of Accounting, Needles/Anderson/Caldwell, 1985

By adding net income to the owners salaries and management fees as suggested by the "City", there would be a dramatic increase in the percentage of return. Although these funds may be available to the owners/stockholders, they are indeed an expense incurred by the business. In several instances the owner/stockholder is an active employee of the business, whereupon, such salary is warranted. If the owner/stockholder was not working at the currency exchange an additional individual would have to be employed, thus increasing employee payroll expenses. The "City" has also failed to accurately express the denominator of this formula in that average equity must be utilized.

As for management fees, many of such are paid to a management company for a specific expense of the currency exchange. This fee may also be an expense to income for working officers/owners to manage the operation of the currency exchange.

The "City's" formula for Return on Assets is as follows:

$$\frac{\text{Net Income} + \text{Owner(s)/Officer(s) Salaries} + \text{Management Fees}^{21}}{\text{Total Assets}}$$

As previously explained this formula is only proper if owner(s)/officer(s) salaries and management fees are not considered an element of total expenses.

As suggested in Number 3 of the Director's Findings if a portion of such is allocated as an expense, the following formula would apply:

$$\frac{\text{Net Income}}{\text{Average Assets}}^{22}$$

²¹ Post Hearing Rebuttal, Brief of the City of Chicago, September 13, 1985 Page 16.

²² Principles of Accounting, Needles/Anderson/Caldwell, 1985

This formula is a derivative of the profit margin and asset turnover ratios, both of which are function of sales. It would be evident that such a formula may not be pertinent to community currency exchanges since the assets do not directly generate revenue.

A ratio of this nature would not be used in other service oriented business such as attorneys, doctors, accountants, etc.

The "City" also asserts that the Consumer Price Index (CPI) is not a valid instrument to measure inflation since this index measures the increase in clothing, food, housing, etc.²³

There are basically two alternatives which the entity can do with earned profits:

1. Leave in retained earnings for future expenditures or to minimize bank charges which have increased in excess of 76% since 1980.
2. Distribute to the owners/stockholders. If this method is utilized, then the CPI is pertinent since these individuals are subject to the CPI criteria as detailed by the "City" (housing, food, clothing).

An analysis of total income and total expenses compared to the CPI indicates the following:

<u>CPI to Previous Year</u>	<u>Income to Previous Year</u>	<u>Expenses to Previous Year</u>
1981 + 10.4%	+ 8.51%	+ 13.94%
1982 + 6.1%	+ 2.70%	+ 4.44%
1983 + 3.2%	+ 4.45%	+ 2.34%
1984 + 4.3%	+ .44%	+ 2.79%

²³ Post Hearing Rebuttal, Brief of the City of Chicago, September 13, 1985, Page 16.

Based on this comparison there does not appear to be a direct correlation of the percentage increase of total income and total expenses to that of the CPI, other than when the CPI increases so does the total income and total expenses. This would suggest that these items as a whole do not pertain to the CPI. This does not infer that the profits of the currency exchange are not affected by the index since the owners/stockholders are personally affected.

A closer analysis of check cashing fees compared to the CPI indicates the following:

<u>CPI to Previous Year</u>		<u>Check Cashing Fees to Previous Year</u>	
1981	+ 10.4%		+ 11.80%
1982	+ 6.1%		+ 4.17%
1983	+ 3.2%		+ 4.11%
1984	+ 4.3%		+ .88%

Again there appears to be no direct correlation between check cashing fees and the CPI. This does not imply that inflation does not have an affect on the dollar amount of the check which in turn increases the fees collected.

This process will result in the smaller brackets being less frequently utilized since the smaller dollar amount-checks will be fewer. Conversely, the higher brackets will become more of a concern since these will be the bracket which pertain to the checks.

It is also the "City's" contention that profits are siphoned from the currency exchange via high interest loans and/or through auto expense. As addressed by the Community Currency Exchange Association, there would be

no benefit to loan funds to the currency exchange to receive interest payments, since the profits/losses are taxed on the individual and not the business entity.²⁴ The likely reason for the owner/stockholder to lend money to the currency exchange is to provide the necessary capital to purchase the business and/or minimize their bank charges. The majority of loans made by the bank for the purpose of a currency exchange are done so in the individual's name. This would hold the individual(s) personally liable for the loan.

Therefore, a proper accounting procedure to record this transaction would be as a loan payable due to stockholder or as Paid in Capital. Also as a result of legislation recently enacted by Congress, there are now strict limitations imposed on businesses prior to claiming auto expense. This negates any future "siphoning" in this category.

This is not to imply that currency exchanges cannot increase gross revenues without a rate increase. As presented by Illinois Community Currency Exchange Association, the average check cashed by a currency exchange was \$189.00 in 1980 compared to approximately \$240.00 in 1984.²⁵ Based on this increase in the dollar amount of the check a currency exchange charging the maximum rate in 1980 would receive \$2.82 compared to a 1984 maximum fee of \$3.39. This is an overall increase of 20.21%. Although all currency exchanges are not charging the maximum rate, there is a range which could conceivably increase revenues without a rate increase.

²⁴ Most currency exchanges are corporations, partnerships or sole proprietorship with the corporations being sub-chapter S.

²⁵ Post Hearing Rebuttal Submission of the Community Currency Exchange Association of Illinois, Inc. and Various Community Currency Exchanges Joyce, Kukankos, Keleher, and Urbut, September 13, 1985, Page 6.

The important factor in this calculation is that the currency exchanges are mandated in the Department's Rules and Regulations to form brackets from \$.01 through and including \$500.00. This only permits the charging of the maximum rate at the low point of each bracket. The optimum condition to generate the highest legal rate would be for the currency exchange to form \$1.00 brackets. This, however, would not be cost effective as the rate chart would have to be several times its current size. Having such a chart would also be ambiguous to the public which would defeat one of the purposes of rate regulation.

Since 1980, the average revenue earned from check cashing fees has increased 22.31%. This would also include those currency exchanges not charging the maximum rate in 1980 and later increasing their fees.

In September 1980, the average currency exchange reported profits of \$14,820.82 as opposed to \$10,607.15 in September, 1984. This is a 28.43% decrease in profits not adjusting for inflation, which would suggest that the increase in the dollar amount of the check alone does not compensate for the increase expenses for the currency exchange.

As suggested by the Illinois Community Currency Exchange Association, the CPI has increased 26.05% from 1980 through 1984.²⁶ Utilizing this percentage to the 1980 profit of \$14,820.82, it can be inferred that in today's dollars, the profit should be \$18,682. This would infer that the average profits of a currency exchange from 1980 through 1984, adjusting for inflation, have resulted in a 43% reduction in buying power.

²⁶Community Currency Exchange Association Exhibit No. 1, submitted at the Public Hearings, August 21, 1985, Trans. Page 30.

The Currency Exchange Association contends that approximately 34% of their surveyed members are not charging the maximum rate in three or more brackets and that those who are charging the maximum rate did not increase these rates all at the same time.²⁷ It was through a five (5) year time period that individual currency exchanges increased their rates.

Although all currency exchanges are not charging the maximum rates in all brackets, this is not enough justification to deny a rate increase. If a currency exchange currently charges the maximum rate in the brackets most frequently utilized and not in the other brackets, an increase to the brackets less frequently utilized would not significantly increase check cashing revenues.

The current maximum rates compared to the requested rate increase will yield the percentage increases as shown on the following page.

²⁷ Post-hearing rebuttal submission of the Community Currency Exchange Association of Illinois, Inc. and Various Community Currency Exchanges. Joyce, Kukankos, Keleher, and Urbut, September 13, 1985, Page 32.

<u>CHECK SIZE</u>	<u>1.1% +</u> <u>\$.75</u>	<u>1.25% +</u> <u>\$1.00</u>	<u>% INCREASE</u>
\$.01 - \$ 19.99	\$.75	\$1.00	33.33%
20.00 - 39.99	.97	1.25	28.87%
40.00 - 59.99	1.19	1.50	26.05%
60.00 - 79.99	1.41	1.75	24.11%
80.00 - 99.99	1.63	2.00	22.70%
100.00 - 119.99	1.85	2.25	21.62%
120.00 - 139.99	2.07	2.50	20.77%
140.00 - 159.99	2.29	2.75	20.09%
160.00 - 179.99	2.51	3.00	19.52%
180.00 - 199.99	2.73	3.25	19.05%
200.00 - 219.99	2.95	3.50	18.64%
220.00 - 239.99	3.17	3.75	18.30%
240.00 - 259.99	3.39	4.00	17.99%
260.00 - 279.99	3.61	4.25	17.73%
280.00 - 299.99	3.83	4.50	17.49%
300.00 - 319.99	4.05	4.75	17.28%
320.00 - 339.99	4.27	5.00	17.10%
340.00 - 359.99	4.49	5.25	16.93%
360.00 - 379.99	4.71	5.50	16.77%
380.00 - 399.99	4.93	5.75	16.63%
400.00 - 419.99	5.15	6.00	16.50%
420.00 - 439.99	5.37	6.25	16.39%
440.00 - 459.99	5.59	6.50	16.28%
460.00 - 479.99	5.81	6.75	16.18%
480.00 - 499.99	6.03	7.00	16.09%
500.00 -	6.25	7.25	16.00%

A closer analysis of these rates indicate a minimum of 13.64% increase in the range of the maximum allowable percentage and 33.33% increase in the range for the handling fee. These calculated percentages do not take into consideration any increase in the dollar amount of the checks being cashed which will also increase the maximum allowable percentage proportionately. However, as expressed earlier, the lower bracket will become less frequently utilized.

These increase percentages would allow currency exchanges to gradually raise their rates over a period of years which could protect profits in inflationary times. As can be evidenced by \$20 brackets, the percentage increase over the current maximum rates becomes lower as the size of the brackets increase.

An analysis of the 33.33% increase in the handling charge would approximately equate to the following percentage increase over a given period of time:

1 year period	33.33% per year
2 year period	+15.47% per year
3 year period	+10.06% per year
4 year period	+ 7.46% per year
5 year period	+ 5.92% per year

An analysis of the 1.25% maximum allowable percentage would approximately equate to the following percentage increase over a given period of time:

1 year period	13.64% per year
2 year period	+6.60% per year
3 year period	+4.35% per year
4 year period	+3.25% per year
5 year period	+2.59% per year

These yields do not include any increases to the dollar amount of the checks being cashed.

The following schedules (A-1 through A-6) demonstrate the percentage increase over the current maximum rate under the following circumstances:

1. Increase in the maximum allowable percentage with no increase in the handling charge.
2. Increase in handling charge alone.
3. Increase in the maximum allowable percentage and an increase in the handling charge.

In the instances where only the percentage rate increases, the percentage deviation from the current maximum rate also increases (A-1 and A-2). In all of the other schedules the percentage increase from the current maximum rate decreases as the dollar amount of the brackets increase.

<u>CHECK SIZE</u>	<u>1.1% +</u> <u>\$.75</u>	<u>1.20% +</u> <u>\$.75</u>	<u>% INCREASE</u>
\$.01 - \$ 19.99	\$.75	\$.75	-0-
20.00 - 39.99	.97	.99	2.06%
40.00 - 59.99	1.19	1.23	3.36%
60.00 - 79.99	1.41	1.47	4.26%
80.00 - 99.99	1.63	1.71	4.91%
100.00 - 119.99	1.85	1.95	5.41%
120.00 - 139.99	2.07	2.19	5.80%
140.00 - 159.99	2.29	2.43	6.11%
160.00 - 179.99	2.51	2.67	6.37%
180.00 - 199.99	2.73	2.91	6.59%
200.00 - 219.99	2.95	3.15	6.78%
220.00 - 239.99	3.17	3.39	6.94%
240.00 - 259.99	3.39	3.63	7.08%
260.00 - 279.99	3.61	3.87	7.20%
280.00 - 299.99	3.83	4.11	7.31%
300.00 - 319.99	4.05	4.35	7.41%
320.00 - 339.99	4.27	4.59	7.49%
340.00 - 359.99	4.49	4.83	7.57%
360.00 - 379.99	4.71	5.07	7.64%
380.00 - 399.99	4.93	5.31	7.71%
400.00 - 419.99	5.15	5.55	7.77%
420.00 - 439.99	5.37	5.79	7.82%
440.00 - 459.99	5.59	6.03	7.87%
460.00 - 479.99	5.81	6.27	7.92%
480.00 - 499.99	6.03	6.51	7.96%
500.00 -	6.25	6.75	8.00%

SCHEDULE A-2

<u>CHECK SIZE</u>	<u>1.1% +</u> <u>\$.75</u>	<u>1.25% +</u> <u>\$.75</u>	<u>% INCREASE</u>
\$.01 - \$ 19.99	\$.75	\$.75	-0-
20.00 - 39.99	.97	1.00	3.09%
40.00 - 59.99	1.19	1.25	5.04%
60.00 - 79.99	1.41	1.50	6.38%
80.00 - 99.99	1.63	1.75	7.36%
100.00 - 119.99	1.85	2.00	8.11%
120.00 - 139.99	2.07	2.25	8.70%
140.00 - 159.99	2.29	2.50	9.17%
160.00 - 179.99	2.51	2.75	9.56%
180.00 - 199.99	2.73	3.00	9.89%
200.00 - 219.99	2.95	3.25	10.17%
220.00 - 239.99	3.17	3.50	10.41%
240.00 - 259.99	3.39	3.75	10.62%
260.00 - 279.99	3.61	4.00	10.80%
280.00 - 299.99	3.83	4.25	10.97%
300.00 - 319.99	4.05	4.50	11.11%
320.00 - 339.99	4.27	4.75	11.24%
340.00 - 359.99	4.49	5.00	11.36%
360.00 - 379.99	4.71	5.25	11.46%
380.00 - 399.99	4.93	5.50	11.56%
400.00 - 419.99	5.15	5.75	11.65%
420.00 - 439.99	5.37	6.00	11.73%
440.00 - 459.99	5.59	6.25	11.81%
460.00 - 479.99	5.81	6.50	11.88%
480.00 - 499.99	6.03	6.75	11.94%
500.00 -	6.25	7.00	12.00%

SCHEDULE A-3

<u>CHECK SIZE</u>	<u>1.1% + \$.75</u>	<u>1.15% + \$.90</u>	<u>% INCREASE</u>
\$.01 - \$ 19.99	\$.75	\$.90	20.00%
20.00 - 39.99	.97	1.13	16.49%
40.00 - 59.99	1.19	1.36	14.29%
60.00 - 79.99	1.41	1.59	12.77%
80.00 - 99.99	1.63	1.82	11.66%
100.00 - 119.99	1.85	2.05	10.81%
120.00 - 139.99	2.07	2.28	10.14%
140.00 - 159.99	2.29	2.51	9.61%
160.00 - 179.99	2.51	2.74	9.16%
180.00 - 199.99	2.73	2.97	8.79%
200.00 - 219.99	2.95	3.20	8.47%
220.00 - 239.99	3.17	3.43	8.20%
240.00 - 259.99	3.39	3.66	7.96%
260.00 - 279.99	3.61	3.89	7.76%
280.00 - 299.99	3.83	4.12	7.57%
300.00 - 319.99	4.05	4.35	7.41%
320.00 - 339.99	4.27	4.58	7.26%
340.00 - 359.99	4.49	4.81	7.13%
360.00 - 379.99	4.71	5.04	7.01%
380.00 - 399.99	4.93	5.27	6.90%
400.00 - 419.99	5.15	5.50	6.80%
420.00 - 439.99	5.37	5.73	6.70%
440.00 - 459.99	5.59	5.96	6.62%
460.00 - 479.99	5.81	6.19	6.54%
480.00 - 499.99	6.03	6.42	6.47%
500.00 -	6.25	6.65	6.40%

SCHEDULE A-4

<u>CHECK SIZE</u>	<u>1.1% +</u> <u>\$.75</u>	<u>1.20% +</u> <u>\$.90</u>	<u>% INCREASE</u>
\$.01 - \$ 19.99	\$.75	\$.90	20.00%
20.00 - 39.99	.97	1.14	17.53%
40.00 - 59.99	1.19	1.38	15.97%
60.00 - 79.99	1.41	1.62	14.89%
80.00 - 99.99	1.63	1.86	14.11%
100.00 - 119.99	1.85	2.10	13.51%
120.00 - 139.99	2.07	2.34	13.04%
140.00 - 159.99	2.29	2.58	12.66%
160.00 - 179.99	2.51	2.82	12.35%
180.00 - 199.99	2.73	3.06	12.09%
200.00 - 219.99	2.95	3.30	11.86%
220.00 - 239.99	3.17	3.54	11.67%
240.00 - 259.99	3.39	3.78	11.50%
260.00 - 279.99	3.61	4.02	11.36%
280.00 - 299.99	3.83	4.26	11.23%
300.00 - 319.99	4.05	4.50	11.11%
320.00 - 339.99	4.27	4.74	11.01%
340.00 - 359.99	4.49	4.98	10.91%
360.00 - 379.99	4.71	5.22	10.83%
380.00 - 399.99	4.93	5.46	10.75%
400.00 - 419.99	5.15	5.70	10.68%
420.00 - 439.99	5.37	5.94	10.61%
440.00 - 459.99	5.59	6.18	10.55%
460.00 - 479.99	5.81	6.42	10.50%
480.00 - 499.99	6.03	6.66	10.45%
500.00 -	6.25	6.90	10.40%

SCHEDULE A-5

<u>CHECK SIZE</u>	<u>1.12</u> <u>+</u> <u>\$.75</u>	<u>1.25%</u> <u>+</u> <u>\$.90</u>	<u>%</u> <u>INCREASE</u>
\$.01 - \$ 19.99	\$.75	\$.90	20.00%
20.00 - 39.99	.97	1.15	18.56%
40.00 - 59.99	1.19	1.40	17.65%
60.00 - 79.99	1.41	1.65	17.02%
80.00 - 99.99	1.63	1.90	16.56%
100.00 - 119.99	1.85	2.15	16.22%
120.00 - 139.99	2.07	2.40	15.94%
140.00 - 159.99	2.29	2.65	15.72%
160.00 - 179.99	2.51	2.90	15.54%
180.00 - 199.99	2.73	3.15	15.38%
200.00 - 219.99	2.95	3.40	15.25%
220.00 - 239.99	3.17	3.65	15.14%
240.00 - 259.99	3.39	3.90	15.04%
260.00 - 279.99	3.61	4.15	14.96%
280.00 - 299.99	3.83	4.40	14.88%
300.00 - 319.99	4.05	4.65	14.81%
320.00 - 339.99	4.27	4.90	14.75%
340.00 - 359.99	4.49	5.15	14.70%
360.00 - 379.99	4.71	5.40	14.65%
380.00 - 399.99	4.93	5.65	14.60%
400.00 - 419.99	5.15	5.90	14.56%
420.00 - 439.99	5.37	6.15	14.53%
440.00 - 459.99	5.59	6.40	14.49%
460.00 - 479.99	5.81	6.65	14.46%
480.00 - 499.99	6.03	6.90	14.43%
500.00 -	6.25	7.15	14.40%

SCHEDULE A-0

<u>CHECK SIZE</u>	<u>1.1X + \$.75</u>	<u>1.25X + \$1.00</u>	<u>% INCREASE</u>
\$.01 - \$ 19.99	\$.75	\$1.00	33.33%
20.00 - 39.99	.97	1.25	28.87%
40.00 - 59.99	1.19	1.50	26.05%
60.00 - 79.99	1.41	1.75	24.11%
80.00 - 99.99	1.63	2.00	22.70%
100.00 - 119.99	1.85	2.25	21.62%
120.00 - 139.99	2.07	2.50	20.77%
140.00 - 159.99	2.29	2.75	20.09%
160.00 - 179.99	2.51	3.00	19.52%
180.00 - 199.99	2.73	3.25	19.05%
200.00 - 219.99	2.95	3.50	18.64%
220.00 - 239.99	3.17	3.75	18.30%
240.00 - 259.99	3.39	4.00	17.99%
260.00 - 279.99	3.61	4.25	17.73%
280.00 - 299.99	3.83	4.50	17.49%
300.00 - 319.99	4.05	4.75	17.28%
320.00 - 339.99	4.27	5.00	17.10%
340.00 - 359.99	4.49	5.25	16.93%
360.00 - 379.99	4.71	5.50	16.77%
380.00 - 399.99	4.93	5.75	16.63%
400.00 - 419.99	5.15	6.00	16.50%
420.00 - 439.99	5.37	6.25	16.39%
440.00 - 459.99	5.59	6.50	16.28%
460.00 - 479.99	5.81	6.75	16.18%
480.00 - 499.99	6.03	7.00	16.09%
500.00 -	6.25	7.25	16.00%

In all the presented schedules (A-1 through A-6) the percentage increase is only indicative to any increase over the current maximum rate and does not take into account any increase in the dollar amount of the checks being cashed. This also does not reflect those currency exchanges not charging the maximum rate at the current time. Within these two exceptions the range of increase will be higher than that which has been presented.

In the pure sense, by the fact that the dollar amount of the checks cashed will increase through inflation, it might appear that there would be no need for an increase in the maximum allowable percentage because any percentage increase to the dollar amount of the check would also increase the fees collected through the percentage variable by a like percent.

This concept is unacceptable however, because the percentage increase of expenses has been greater over the past five (5) years than has been total revenues; specifically from September 30, 1980 through September 30, 1984 revenues have increased 16.90% and expenses have increased 25.19%. Therefore, an increase in the maximum allowable percentage is warranted.

The following analysis is indicative of the annual percentage increase to the handling charge.

Increasing to \$1.00: (PROPOSED RATE)

		<u>Yield</u>
1 year period	33.33% per year	33.33%
2 year period	+15.47% per year	
3 year period	+10.06% per year	
4 year period	+ 7.46% per year	
5 year period	+ 5.92% per year	

Increasing to \$.80:

		<u>Yield</u>
1 year period	6.67% per year	6.67%
2 year period	+3.28% per year	
3 year period	+2.18% per year	
4 year period	+1.63% per year	
5 year period	+1.30% per year	

Increasing to \$.85:

		<u>Yield</u>
1 year period	13.33% per year	13.33%
2 year period	+6.46% per year	
3 year period	+4.26% per year	
4 year period	+3.18% per year	
5 year period	+2.53% per year	

Increasing to \$.90:

		<u>Yield</u>
1 year period	20.00% per year	20.00%
2 year period	+9.54% per year	
3 year period	+6.27% per year	
4 year period	+4.66% per year	
5 year period	+3.71% per year	

Increasing to \$.95:

		<u>Yield</u>
1-year period	26.67% per year	26.67%
2 year period	+12.55% per year	
3 year period	+ 8.20% per year	
4 year period	+ 6.09% per year	
5 year period	+ 4.84% per year	

The following analysis is indicative of an increase to the maximum allowable percentage variable.

Increasing to 1.25%: (PROPOSED RATE)

		<u>Yield</u>
1 year period	13.64% per year	13.64%
2 year period	+6.60% per year	
3 year period	+4.35% per year	
4 year period	+3.25% per year	
5 year period	+2.59% per year	

Increasing to 1.15%:

		<u>Yield</u>
1 year period	4.55% per year	4.55%
2 year period	+2.25% per year	
3 year period	+1.49% per year	
4 year period	+1.12% per year	
5 year period	+ .89% per year	

Increasing to 1.20%:

		<u>Yield</u>
1 year period	9.09% per year	9.09%
2 year period	+4.45% per year	
3 year period	+2.94% per year	
4 year period	+2.20% per year	
5 year period	+1.76% per year	

CONCLUSION

The Director finds that inflation will have an impact on today's profits, thus relevant to reasonable profit. Although the CPI as a whole may not be pertinent to the business operations of a currency exchange, there are elements contained within that are relevant. Housing and transportation may be compared to rent and armored car services, both of which are expenses of a currency exchange. Additionally, any profits distributed to the owner(s)/stockholders are directly affected by the CPI since these individuals are personally subject to this index.

Accepting the premise of annual inflation and that expenses have increased at a rate faster than the percentage rate of revenue, the Director finds that a maximum rate increase to 1.20% plus a \$.90 handling fee with a minimum allowable fee of \$.90 is justified. It should be noted that this rate is a maximum rate and does not mandate that each currency exchange set their rates at the maximum. There must be sufficient latitude for each currency exchange to adjust for any future inflation.

Over a five (5) year period, this new rate allows for approximately an 1.76% annual increase in the maximum percentage variable. This variable will also proportionately increase as the dollar amount of the checks being cashed increases.

The increase in the handling fee to \$.90 will allow each currency exchange to increase this variable approximately 3.71% annually.

It is the Director's findings that these new rates will ensure the currency exchange reasonable profits taking into consideration inflation, expenses and revenues, all which are pertinent to the operation of an Illinois Community Currency Exchange.

B. LEGAL CONSIDERATIONS

- B1. Motion by the City of Chicago to Dismiss the Proceedings
- B2. Motion by the City of Chicago to Dismiss Petition of Thillens, Inc.
- B3. Dual Rate Structures

B1. MOTION BY THE CITY OF CHICAGO TO DISMISS THE PROCEEDINGS

The City of Chicago (hereafter referred to as the City), filed a motion to dismiss the proceedings started by the filing of the Petition by the Community Currency Exchange Association of Illinois, Inc. The City's challenge is to the "Director's Findings that the petition made an initial showing that an increase... is warranted." The City then lists its objections.

The first objection concerned lack of verification. The signators of the petition filed supplemental affidavits which cured that technical defect. These supplemental petitions are attached to these findings as Director's Findings Exhibit D.

The City next states the petition fails to present any allegations in regards to ambulatory currency exchanges. That is not true as the petition discusses the dramatic increases in payrolls (salaries, health insurance, workman's compensation) and bank charges. The ambulatory currency exchanges would be affected by these increased charges as well as the community currency exchange.

There was also reference to the ambulatory currency exchanges in that the petition requested an increase in the rate charged by the Industry and not just community currency exchanges. As to the question of signatures, the signature requirements of Section 4838(B)(2)(c)(ii) were met by the petition filed. There is no requirement that community and ambulatory currency exchanges petition only for themselves or that if one petitions for an increase for the industry, both must sign. There were sufficient signatures on the petition for the requirements of statute.

The rest of the City's motion concerns the sufficiency of the (facts) raised by the petition as to the need of an increase. The City is confusing the initial finding by the Director on the petition and the finding the Director makes after the hearing process has taken place.

The petition filed by the Community Currency Exchange Association was filed under Section 125.40. All that was requested is a statement of petitioner's reasons for requesting the promulgation, amendment, revision, modification or repeal, Section 125.40(B)(2)(c). The granting of the petition by the Director initiates rule making proceedings...Once the Director makes a determination to grant the petitions, all he is doing is initiating the rule making proceedings (Section 125.40(c)). It is during the rule making proceedings when evidence must be submitted by the petitioner either in writing or orally at the public hearings. After all evidence is thus submitted, the Director then makes a finding using the statutory criteria of Ill. Rev. Stat. Ch. 17, Sec. 4838(B)(1) and Section 125.30 of Ill. Admin. Procedures.

For the above stated reasons, the motion by the City to dismiss the proceeding is denied.

B2. MOTION BY THE CITY OF CHICAGO TO DISMISS PETITION OF THILLENS, INC.

The City of Chicago has filed a motion to dismiss or reject the petition for maximum rate increase by Thillens, Inc., an ambulatory currency exchange. The major point of their motion is the timing of the filing by Thillens.

Thillens, filed a petition on August 2, 1985. Since this Department held hearings on August 21, 1985, this would have been insufficient notification under the requirements of the Illinois Administrative Procedure Act for purposes of notice (Ill. Rev. Stat. 127, Sec. 1005.01). If Thillens had been the only member of the Currency Exchange Industry to request a rate increase, this would be a valid objection. However, the petition filed by the Community Currency Exchange Association of Illinois, Inc. on June 5, 1985, stated:

"As the result of hearings held early in 1980, your office implemented the State Legislature's directive to establish maximum rates for our industry. After considerable deliberatin, following exhaustive hearings, the rate for cashing checks was set and a ceiling of 1.1% plus 75¢ was imposed. It is our purpose, at this time, to petition for an increase."

The use of the word "industry" in this petition was taken by this Department to mean both the ambulatory and community currency exchanges, as the rates in effect under Rule 130.30 for cashing checks are the same for both types of currency exchanges.

The Department's intent to consider the petition filed by the Community Currency Exchange Association of Illinois, as a request for an increase in the rates for both community and ambulatory currency exchanges, is seen in the public notice published in the Illinois Register on July 5, 1985. These notices were sent to each currency exchange and were posted in public buildings and referred to both ambulatory and community currency exchanges. A copy of the notice is attached to these findings as Director's Finding Exhibit E.

The Department considered the filing of a Petition by Thillens as a showing of support and agreement for the previously filed petition by the Community Currency Exchange Association as evidenced by the Department not doing a separate publishing in the Illinois Register.

The other points of the City's motion to dismiss concerned the sufficiency of the petition to show a need for an increase. Since these points were addressed in the discussion of the City's motion to dismiss the proceedings initiated by the Community Currency Exchange Association for an increase, they will not be repeated.

Since the clear and natural import of the language used by the Community Currency Exchange Association's petition for a rate increase included the ambulatory currency exchanges and there was a sufficient basis stated for granting the petitions and holding hearings, the City of Chicago's motion to dismiss will be denied.

83. DUAL RATE STRUCTURES

A major issue raised during the Public Hearings was a request that a dual rate structure be established by "the Director" which would require currency exchanges to charge one rate for recipients of government subsidy checks and a separate rate for other checks.

A dual rate structure is beyond the scope of the Department's authority and, in any event, for reasons previously set forth, is not appropriate after applying the legislatively mandated criteria.

The authority the Department has to establish maximum rates is statutory.

Section 4838 of the Act States:

(A) The General Assembly hereby finds and declares: community currency exchanges and ambulatory currency exchanges provide important and vital services to Illinois citizens. In so doing, they transact extensive business involving check cashing and the writing of money orders in communities in which banking services are generally unavailable. Customers of currency exchanges who receive these services must be protected from being charged unreasonable and unconscionable rates for cashing checks and purchasing money orders. The Illinois Department of Financial Institutions has the responsibility for regulating the operations of currency exchanges and has the expertise to determine reasonable maximum rates to be charged for check cashing and money order purchases. Therefore, it is in the public interest, convenience, welfare and good to have the Department establish reasonable maximum rate schedules

for check cashing and the issuance of money orders and to require community and ambulatory currency exchanges to prominently display to the public the fees charged for all services.

(B) The Director shall, by rules adopted in accordance with the Illinois Administrative Procedure Act, expeditiously formulate and issue schedules of reasonable maximum rates which can be charged for check cashing and writing of money orders by community currency exchanges and ambulatory currency exchanges.

(1) In determining the maximum rate schedules for the purposes of this Section, the Director shall take into account:

(a) Rates charged in the past for the cashing of checks and the issuance of money orders by community and ambulatory currency exchanges.

(b) Rates charged by banks or other business entities for rendering the same or similar services and the factors upon which those rates are based.

(c) The income, cost and expense of the operation of currency exchanges.

(d) Rates charged by currency exchanges or other similar entities located in other states for the same or similar services and the factors upon which those rates are based.

(e) Rates charged by the United States Postal Service for the issuing of money orders and the factors upon which those rates are based.

(f) A reasonable profit for a currency exchange operation.

(2)(a) The schedule of reasonable maximum rates established pursuant to this Section may be modified by the Director from time pursuant to rules adopted in accordance with the Illinois Administrative Procedure Act.

(b) Upon the filing of a verified petition setting forth allegations demonstrating reasonable cause to believe that the schedule of maximum rates previously issued and promulgated should be adjusted, the Director shall expeditiously:

(i) Reject the petition if it fails to demonstrate reasonable cause to believe that an adjustment is necessary; or

(ii) Conduct such hearings, in accordance with this Section, as may be necessary to determine whether the petition should be granted in whole or in part.

(c) No petition may be filed pursuant to subparagraph (a) of paragraph (2) of subsection (B) unless:

(i) At least nine months have expired since the last promulgation of schedules of maximum rates; and

(ii) At least one-fourth of all community currency exchange licensees join in a petition or, in the case of ambulatory currency exchanges, a licensee or licensees authorized to serve at least 100 locations join in a petition.

(3) Any currency exchange may charge lower fees than those of the applicable maximum fee schedule after filing with the Director a schedule of fees it proposes to use.

Amended by P.A. 81-964, § 1, eff. Sept. 22, 1979.

There is no disagreement that the purpose of the power granted the Department is to protect all consumers from being charged unreasonable and unconscionable rates, by the setting of maximum rates in accordance with the criteria. However, no where in the statute is there authority for distinguishing among types of checks in setting rates or for permitting lower rates to be charged to lower income groups.

What is of major importance is the statutory delegation given the Department. As seen in the Act, it is a specific delegation to: A.) set maximum rates and B.) do so using specific guidelines. The Department can do no more.

Thyngsen vs. Callahan, 74 Ill. 2d 404, 385 NE2d699 (1979) held the original statute granting the power to set maximum rates unconstitutional, since the Act did not set forth what guidelines would be used. The Court ruled that the legislature could delegate the power to set rules, but that guidelines must first be set. The Court stated the purpose of establishing guidelines is:

"They tend to insure that the legislature does not abdicate to the agency the legislature's primary responsibility to determine, from among the policy alternatives, those objectives the legislation is meant to achieve." (Thyngsen vs. Callahan) (ID)

The requirement that agencies only exercise that authority specifically delegated by statute and that any delegation of power which gives too much discretion to an agency is unconstitutional was first stated in McDougall vs. Lueder, 389 Ill. 141, 58NE2d899 (1945).

All of this leads to the conclusion that the Department has authority to set a maximum rate which currency exchanges may charge but may not establish a dual rate structure. For the Department to entertain such a structure would call for it to exceed the authority given it by statute, which is improper for this Agency to do. See American Steel Foundries vs. Gordon, 404 Ill. 174, 180-81, 88 NE2D 465 (1949).

As a matter of fact, the legislative history of the Currency Exchange Act specifically shows the legislature's intent not to establish a dual rate structure.

Two bills were presented to the Governor in 1977 House Bill 783 and Senate Bill 440. Then Senator Harold Washington explained the difference between the two bills:

Senator Washington:

"Mr. President, this is another bill which gives the Director of Financial Institutions the power to set maximum fees for community and ambulatory currency exchanges. We passed out Senate Bill 440, which is now on the Governor's desk. And it was felt that two versions should reach his desk and let him make the decision. This bill differs from 440 in that it permits different rates to be set for a community currency exchange as against ambulatory currency exchanges and it permits a differential of rates between ordinary checks and public welfare checks. I know of no opposition to it. I ask your support." (Proceedings of the Illinois Senate, June 22, 1977, p. 341. Emphasis supplied.)


Senate Bill 440 was signed into law by the Governor and was found unconstitutional for not providing criteria to be used in the rate making Thyngsen vs. Callahan (supra). Senate Bill 1412 was passed which included the criteria found in the current Section 19.3. What is of importance is that Senate Bill 1412 like Senate Bill 440 did not contain the language of House Bill 783 which authorized a different rate for the cashing of Public Aid checks. This shows a clear legislative intent that there will be only one rate.

It is also inappropriate to compare currency exchanges to the way utilities classify the rates charge for various services. Utilities are given the right by statute to classify its service to its users according to amount used, time when used, purpose of use and other relevant factors. Citizens Utilities vs. Illinois Commerce Commission 50 Ill. 2d 35, 276 NE 2d330 (1971). Currency Exchanges have not been given the right to classify their rates according to users.

Therefore, the Department is without legal authority to establish a dual rate structure for currency exchanges.

SUMMARY

Based upon the six (6) criteria listed in Section 4838 of the Illinois Currency Exchange Act, Ill. Rev. Stat., Ch. 17, para. 4801 et seq., the public hearings, the written submission of interested parties, the information available to "the Director" under the "Practice and Procedures" and the entire administrative record, "the Director" finds that the maximum rate for check-cashing as established effective January 1, 1981 should be increased from 1.1% of the face amount of the check plus 75 cents to 1.20% of the face amount of the check plus 90 cents. Further, "the Director" will initiate rulemaking to modify Part 130.30 of the "Schedules Of Maximum Rates To Be Charged For Check Cashing and Writing Of Money Orders By Community and Ambulatory Currency Exchanges" within thirty days after the signing of "the Director's" Findings.

MICHAEL E. FRYZEL

Director

Department of Financial Institutions

Tab 3

1993 IDFPB Statement of Findings on CCEA Petition for Rate Increase

STATEMENT OF FINDINGS BY THE DIRECTOR OF THE
ILLINOIS DEPARTMENT OF FINANCIAL INSTITUTIONS
IN DECIDING THE ISSUES PRESENTED AT THE
CURRENCY EXCHANGE RATE HEARINGS OF 1992.

Section 4838 of the Illinois Currency Exchange Act (Act), Ill. Rev. Stat., Ch. 17, Par. 4801, et. seq., sets forth the mandate of the Illinois General Assembly to the Illinois Department of Financial Institutions (Department) to determine reasonable maximum rates to be charged for check cashing and the sale of money orders by community and ambulatory currency exchanges in the State of Illinois. In conferring this rate making authority to the Department, the legislature found that the customers of currency exchanges "must be protected from being charged unreasonable and unconscionable rates for cashing checks and purchasing money orders." Ill. Rev. Stat., Ch. 17, Par. 4838 (1991).

The legislature further found that currency exchanges provide "important and vital services to Illinois citizens and that these services are provided in communities in which banking services are generally unavailable." Moreover, the legislature found that it is in the public interest to promote the community currency exchange industry and ensure the financial stability thereof. Ill. Rev. Stat., Ch. 17, Par. 4809.

In 1980, after public hearings were held in which testimony was solicited on equitable rates from community groups, consumers, currency exchange owners/operators, representatives from the Illinois Community Currency Exchange Association and attorneys, the Department adopted the first maximum rates schedule for check cashing and sale of money orders. The maximum rate for all checks was set at 1.1% of the value of the check plus seventy-five cents (\$.75).

In 1985, the Director of the Department (Director) held hearings pursuant to a petition filed by the Currency Exchange Association (the Industry) to determine the maximum rates. The Director made a finding at that time that the rates should be increased to 1.2% of the value of the check plus ninety cents (\$.90).

As with the past rate making sessions, it is the Department's goal to effectuate the legislature's intent in delegating the rate making authority thereof by setting a maximum rate which will protect the consumer and, yet, allow for a viable currency exchange industry.

In setting the maximum rates, the legislature requires that the Director take into account the following criteria as stated in Paragraph 4838 of the Act:

1. Rates charged in the past for the cashing of checks and the issuance of money orders by community and ambulatory currency exchanges;
2. Rates charged by banks or other business entities for rendering the same or similar services and the factors upon which those rates are based;
3. The income, cost and expense of the operation of currency exchanges;
4. Rates charged by currency exchanges or other similar entities located in other states for the same or similar services and the factors upon which those rates are based;
5. Rates charged by the United States Postal Service for issuing of money orders and the factors upon which those rates are based;
6. A reasonable profit for a currency exchange operation.

On July 10, 1991, the Industry petitioned the Director to increase the maximum rate for cashing checks from 1.2% plus ninety cents (\$.90) to 2.1% plus one dollar (\$1.00). The Petition was denied on August 23, 1991, because it failed to demonstrate reasonable cause to believe such an adjustment was necessary.

On March 6, 1992, a petition to decrease the fees for cashing Public Aid Benefit Checks was filed by various non-profit corporations and individuals (Petition to Decrease Fees). The Petition to Decrease Fees requested that the maximum rate be reduced to ninety cents (\$.90) for each Public Aid Benefit Check. The petition was denied on the basis that the petitioners lacked standing to file such a petition.

However, the Director was cognizant of the concerns raised by each petition. Realizing that the issues raised were important to the citizens of the State of Illinois, the Director decided that the best interests of the customers of currency exchanges would be served by holding public hearings and fully evaluating the evidence presented.

The Department did, in fact, hold public hearings on August 19, 1992, August 25, 1992, and September 30, 1992.

Based upon the public hearings held in Chicago and Springfield, written submissions of interested parties both prior to the hearings and as rebuttal after the hearings, and the information available to the Department under the Act and Administrative Code, I find as follows:

The State of Illinois has established the Direct Delivery System of Public Aid Benefit Checks to currency exchanges. The system has the effect of encouraging the recipients to cash their checks at the currency exchange. Surveys by interested parties have established that seventy percent (70%) to eighty percent (80%) of Public Aid Benefit Checks delivered to the currency exchanges are cashed at that exchange.

While the Direct Delivery System has merit and serves the purpose of reducing forgery and theft, it also creates a captive market for the currency exchanges. A recipient is unlikely to travel elsewhere to cash a Public Aid Benefit Check according to statistics cited above. For some recipients, it is economically impossible or infeasible to pay for transportation to travel from the currency exchange to a grocery store or bank to cash the check.

In the enactment of new maximum rate schedules, I have attempted to ease the burden of Public Aid recipients by establishing a bifurcated system. For that reason, the rate for cashing Public Aid Benefit Checks is hereby reduced to one percent (1%) of the value of the check plus fifty cents (\$0.50).

This new schedule will result in substantial savings to the average Public Aid recipient. Under the previous maximum rate schedule, the average Public Aid recipient received a check for \$272.38. The maximum fee which could have been charged to such a customer was 1.2% of \$272.38 plus ninety cents (\$0.90) for a total charge of \$4.16. Under the new schedule, the same customer could be charged a maximum fee of \$3.22. Thus, a customer would save \$0.94 per month (\$11.28/year) for a savings of twenty-three percent (23%).

For an average family with children receiving aid through Direct Delivery, the savings is also substantial. The average check amount for families with dependent children was \$348.65. Under the previous maximum rate of 1.2% plus 90 cents, the family paid \$5.08 to cash the check. Under this new rate, that family will pay only \$3.98 to cash the check. The new fee schedule will save that family \$1.10 a month or \$13.20 a year which represents a savings of twenty-three percent (23%) for that family.

The new rate schedule will result in a total savings to all Public Aid recipients who cash their Public Aid Benefit Checks at currency exchanges of more than two million five hundred thousand dollars (\$2,500,000) per year.

At the same time, the Department recognizes that it is the Department's responsibility to ensure that the currency exchange industry remains viable. Therefore, the Department will restructure the rates schedule for checks other than Public Aid Benefit Checks--those not delivered through the Direct Delivery System. The rates for these checks will be as follows: 1.4% of the value of the check plus ninety cents (\$.90).

The effective date of the new rate schedule is January 1, 1994.

The Department will initiate rulemaking to modify Part 130.30 of the "Schedules Of Maximum Rates To Be Charged For Check Cashing and Writing of Money Orders By Community and Ambulatory Currency Exchanges" in accordance with this decision. Said rulemaking will be conducted pursuant to the Illinois Administrative Procedure Act, Ill. Rev. Stat., Ch. 127, par. 1005 et seq.

As further support of these findings, this decision is divided into three sections:

- I. Consideration regarding the six (6) criteria listed in Section 4838 of the Act.
- II. Legal Considerations.
- III. Summary.

I.

EVALUATION OF CRITERIA SET FORTH IN PARAGRAPH 4838 OF ACT

A. RATES CHARGED IN THE PAST FOR THE CASHING OF CHECKS AND ISSUANCE OF MONEY ORDERS BY COMMUNITY AND AMBULATORY CURRENCY EXCHANGES

In considering the first criterion, the Director reviewed data which it obtained from currency exchange annual reports, examinations and generally recognized technical facts within

the Department's specialized knowledge relating to community and ambulatory currency exchange exchanges.¹ Other relevant data was obtained through submissions of interested parties during the rate making process.

On January 1, 1981, almost two (2) years after the initial rate setting legislation was introduced, the first maximum rate for check cashing for Illinois currency exchanges became effective. This maximum rate of 1.1% of the value of the check plus seventy-five cents (\$.75), was in effect until 1986 when the current maximum rate was increased to 1.2% plus ninety cents (\$.90).

However, the Illinois Administrative Code, Title 18, Sec. 125.30(c)(1)(C) requires each currency exchange to form brackets for check cashing fees between one cent (\$.01) and five hundred dollars (\$500.00) inclusive with the maximum fee being 1.2% plus ninety cents (\$.90) of the low point of the bracket. For those checks in excess of five hundred dollars (\$500.00), the currency exchange is not mandated to form brackets. The currency exchange must post the rates.

The currency exchange only yields the maximum fee at the low point of the bracket. Although currency exchanges have the option to set the interval of each bracket as small as they desire, one dollar (\$1.00) intervals would not be cost effective and would also be extremely ambiguous to the customers. For this reason a decrease or increase must be analyzed in light of the new rates yielding less than the percentage rate as stated.

B. RATES CHARGED BY BANKS AND OTHER BUSINESS ENTITIES RENDERING THE SAME OR SIMILAR SERVICES

In considering the second criterion, the Department reviewed data it obtained from a survey conducted on banks and savings and loans located in Illinois, information obtained on other business entities which render check cashing services, various records on file at the Department, and generally recognized technical facts within the Department's specialized knowledge relating to community and ambulatory currency exchanges. Other relevant data was obtained through the submissions of interested parties during the rate making process.

In May, 1992, the Department surveyed two (2) banks, two (2) savings and loans associations and two (2) grocers in each of six (6) zones in the City of Chicago.²

¹ Ill. Administrative Code, Title 18, Sec. 125.30(c)(1)(C)

² Exhibit 72 of Currency Exchange Hearings, Department of Financial Institutions, 1992.

In August, 1992, the Department surveyed ten (10) savings and loan associations and ten (10) banks from the counties of Will, Lake, DuPage, and suburban Cook.³

In August, 1992, the Department surveyed five (5) savings and loan associations, and five (5) banks from outside the counties of Cook, Will, DuPage and Lake.⁴

In June and August, 1992, the Department surveyed seven (7) grocery stores, including Dominick's and Jewel Food Stores, in various communities.⁵

All of the banks and savings and loan associations were randomly chosen by the Department. All of the grocers, with the exception of Jewel and Dominick's, were randomly selected.

Relevant information gathered by the Department may be summarized as follows:

- 1) Of the twenty-seven (27) banks contacted, five (5) banks, or nineteen percent (19%) of the Respondents, cash Public Aid and U.S. Government Payroll checks for non-customers. Four (4) of the banks charge a rate ranging from .6% to one percent (1%) of the check's face amount or a flat fee of one dollar and fifty cents (\$1.50) to five dollars (\$5.00).
- 2) Of the twenty-seven (27) savings and loan associations contacted, none offer check cashing services for Public Aid or government payroll checks for non-customers.
- 3) Of the nineteen (19) food stores contacted, nine (9) or forty-seven percent (47%), will cash Public Aid and U.S. Government checks without a purchase. Six (6) of those stores charge a rate ranging from .25% to one percent (1%) of the face amount or a flat fee of twenty-five cents (\$.25 cents) to four dollars (\$4.00) for cashing the check.

The Industry also submitted information regarding the rates charged by banks, savings and loan associations and grocers. The relevant information submitted as evidence is summarized as follows:

³ Exhibit 73 of Currency Exchange Hearings, Department of Financial Institutions, 1992.

⁴ Exhibit 74 of Currency Exchange Hearings, Department of Financial Institutions, 1992.

⁵ Exhibit 75 of Currency Exchange Hearings, Department of Financial Institutions, 1992.

- 1) Of the one hundred twenty-two (122) banks surveyed, sixty-five (65) or fifty-two percent (52%) cash checks for non-account holders but charge a fee for cashing those checks. The fee ranges from a one dollar (\$1.00) flat fee to fifteen dollars (\$15.00) for government checks up to a face value of five hundred dollars (\$500.00).

The Industry submitted a telephone survey of randomly selected grocers for check cashing rates conducted in May, 1992. The relevant information gathered is as follows:

- 1) Of the forty-five (45) grocers surveyed, twenty-five (25) reported not cashing checks of any kind or cashing checks only in accordance with a purchase.
- 2) Five (5) grocers reported cashing personal and payroll checks for no fee.
- 3) Fifteen (15) grocers cashed other checks within the fee structure of the Check Cashing Act, which limits charges by grocers to no more than fifty cents (\$.50 cents) or one percent (1%) of the face amount of the check, whichever is greater.

The Industry also conducted a survey in June, 1992, and submitted it. The relevant information is as follows:

- 1) Thirty-four (34) of the fifty (50) grocers surveyed stated that they do not cash checks of any sort.
- 2) Eleven (11) grocers would cash checks for "no charge" but would limit check cashing to regular customers, would cash only certain types of checks, or would only cash checks in conjunction with a purchase.
- 3) Four (4) grocers would cash checks for fifty cents (\$.50 cents) or one percent (1%) of the face amount, whichever is greater.

The Director considered rates charged by banks and other business entities for cashing checks and found that there are major differences between these entities which prevent generally reliable comparisons. Banks generate profits by collecting deposits at one rate of interest and lending that money at a higher rate of interest. The cashing of checks is not the primary service offered by these entities. In fact, check cashing is offered as an ancillary service to its customers and is not intended to produce a profit for the bank. Banks that offer "no charge" checking make-up for the losses in the terms it offers depositors, fees on accounts, and interest rates offered to borrowers.

Grocers are prevented by the Illinois Check Cashing Act from charging more than fifty cents (\$.50 cents) or one percent (1%) of the face value of the check, whichever is greater. Grocers that cash checks can absorb any losses resulting from this service by raising the prices of other goods.

In conclusion, banks and other business entities do offer lower rates for cashing checks than do currency exchanges. However, banks, savings and loan associations and grocers offer check cashing as an accommodation to customers and not as a profit center.

C. THE INCOME COSTS AND EXPENSE OF THE OPERATION OF A CURRENCY EXCHANGE

In considering the third criterion, the Department utilized the consolidated income statements of all Illinois currency exchanges for the years 1986-1991. The Department provided all interested parties with the average total income and average figures of all currency exchanges. The average total income was established by adding the total income of all licensed Illinois currency exchanges, as reported to the Department and dividing that number by the number of currency exchanges. The same formula was used to find the average total expenses of the currency exchanges. Some of this information was used by various witnesses to support their positions.

In 1984, the check cashing fees represented 68.68% of the total income. In 1986 and 1987 the check cashing fees represented 66.7% of the total income. In 1988, the check cashing fees represented 67.5%. In 1989, the check cashing fees represented 68.5% of all income. In 1990, the fees represented 68.4%. In 1991, the check cashing fees represented sixty-eight percent (68%) of all income. One reason for the increase in the amount of check cashing fees was due to the increase in the average face value of the checks cashed from two hundred thirty-nine dollars and seventy-seven cents (\$239.77) in 1985 to two hundred eight-six dollars and seventy-seven cents (\$286.77) in 1992.

The average currency exchange cashed 33,462 checks. This average resulted from dividing the total number of checks cashed at all currency exchanges by the total number of currency exchanges. The Department used 23,624,102 as the number of checks as reported in the annual reports of each licensee and 706 as the number of currency exchanges.

The average total income has increased from \$138,255.00 in 1986 to \$168,265.00 in 1991. The average total expenses have increased from \$123,228.00 in 1986 to \$151,098.00 in 1991.

The Department analyzed the income and expenses based on averages because there was no evidence presented as to any particular single currency exchange. For that reason, the Department used averages and apply facts to the "average" currency exchange.

In addition to income from cashing checks, currency exchanges receive other income from the sale of license plates and stickers, preparation of income tax returns, notarizing documents and processing utility company payments. Moreover, other income producing services for currency exchanges approved since the 1985 rate hearings include participation in Refund Anticipation Loan programs, Visa/Mastercard Cash Advance programs, payment of cable television bills, buying and selling of foreign currency, American Express MoneyGrams, facsimile transmission, Mail Box Service and obtaining Chicago Police Automobile Accident Reports.

D. RATES CHARGED BY CURRENCY EXCHANGES OR OTHER SIMILAR ENTITIES LOCATED IN OTHER STATES FOR THE SAME OR SIMILAR SERVICES AND THE WHICH FACTORS UPON THOSE RATES ARE BASED

The Department surveyed other States and found as follows:

New York

The maximum rates for cashing a check are 0.9% or fifty cents (\$.50), whichever is greater.

Minnesota

For Governmental checks up to five hundred dollars (\$500.00), the maximum rate is 2.5% or one dollar (\$1.00), whichever is greater. First-time customers can be charged five percent (5%) of the face amount of the check.

For cashing all other checks, the rate is three percent (3%) or one dollar (\$1.00), whichever is greater. Similarly first-time customers can be charged five percent (5%) of the face amount of the check.

Connecticut

For checks drawn by the State and payable within the State to a Public Aid recipient, the rate is one percent (1%).

For all other checks, the rate is two percent (2%).

Georgia

For State Public Aid checks and Social Security checks, the rate is three percent (3%) or five dollars (\$5.00), whichever is greater.

For personal checks or money orders, the rate is ten percent (10%) or five dollars (\$5.00), whichever is greater.

For all other checks, the rate is five percent (5%) or five dollars (\$5.00), whichever is greater.

New Jersey

For checks drawn on a depository in New Jersey, the rate is one percent (1%) or fifty cents (\$.50), whichever is greater.

Delaware

The State of Delaware has a maximum rate of one percent (1%) or four dollars (\$4.00), whichever is greater. The State only has six (6) currency exchanges.

The Industry introduced evidence that New York had only four hundred seventy (470) licensed locations, while Illinois has seven hundred and six (706) locations. Thus, even though New York has lower rates, the total fees are greater for the individual currency exchange.

In New Jersey, the lesser number of licensees, eighty-six (86), allows the individual locations to collect more in check cashing fees.

E. RATES CHARGED BY THE UNITED STATES POSTAL SERVICE FOR THE ISSUING OF MONEY ORDERS AND THE FACTORS UPON WHICH THOSE RATES ARE BASED

Despite an opportunity to do so, no individual or group petitioned the Department for an increase or decrease of the rate for the sale of money orders. Likewise, during the Currency Exchange Hearings, no evidence was introduced regarding the rate for sale of money orders.

The rate for sale of money orders should not be changed because the evidence in the record does not create a reasonable basis for such a modification.

F. A REASONABLE PROFIT FOR A CURRENCY EXCHANGE LOCATION

At the Currency Exchange Rate Hearings the various parties introduced contradictory evidence regarding what constitutes a

reasonable profit for an average currency exchange, the basis for the suggested reasonable profit, and how to calculate a reasonable profit.

Associate Professor of Finance, John Binder, from the University of Illinois at Chicago, testified in favor of reducing the maximum allowable rate for cashing government benefit checks. Professor Binder calculated the return on equity and assets for Illinois currency exchanges and compared those figures to the return on equity and assets for national banks and non-financial corporations. Return on equity measures the return earned by equity holders on their investment in the business. The return on assets measures the return on all assets of the business.

Return
on
Equity
Return
on
Assets

According to Professor Binder's testimony, for the years 1988 through 1991, currency exchanges had a 104.25% return on equity and an 11.60% return on assets. In comparison, national banks had a 9.10% return on equity and .54% return on assets. Domestic non-financial corporations had an 11.98% return on equity and a 5.28% return on assets. In fact, these figures indicate that the return on equity for currency exchanges is eight (8) times greater than that of non-financial corporations and ten (10) times greater than banks.

Binder argued that with a decrease in the rate for Public Aid Benefit Checks to a flat ninety cents (\$.90) per check, currency exchange income for all currency exchanges would have been \$9,853,158.87 less. Using the reduced fee of ninety cents (\$.90) per check, Binder recalculated the average currency exchange's return on equity to be 41.11% and on assets to be 4.74% in 1991. Binder reaches the conclusion that the rate reduction will therefore not deny the currency exchanges a reasonable profit.

Although it is interesting, the analysis by Binder should carry little, if any, weight. Professor Binder made no attempt to use an appropriate peer group for his comparative analysis. An appropriate peer group should provide the same services, similar services or have similar operating and financing characteristics. The assets of non-financial companies, banks, and currency exchanges are different. *

A bank's assets are primarily cash and loans from which it receives revenue. Currency exchanges do not make loans and rely on the ability to have substantial liquidity to cash checks.

A non-financial company's assets consist of inventory, accounts receivable, property and equipment. Currency exchanges do not have inventory and accounts receivable. The average currency exchange's assets are cash and the depreciated value of equipment and property.

The Industry also submitted figures and facts in support of its contention that the maximum rate should be increased. Professor Haskel Benishay of the Kellogg Graduate School of Management, evaluated Professor Binder's testimony and disagreed with its premise and calculations. Professor Benishay argues that currency exchange's profits, as a service industry, should be based on comparisons of profit margins percentages (profit divided by revenue) rather than return on equity and assets.

Benishay argued that Binder should have considered loans made to the currency exchanges by its owners as equity. As an example, Benishay cites the perceived error by illustration:

Binder's View

Benishay's View

Earnings 10,000
Equity 5,000 = 200%

Earnings 10,000
Equity (total investment) 100,000 = 10%

Benishay argues that to ignore the owner's total investment allows a gross exaggeration of the return on equity.

The Industry has suggested that a fair way to measure a reasonable profit margin for service industries is as a percentage of revenue. Accordingly, published statistics of the Internal Revenue Service for service businesses reflect that the average service industry company's net income as a percentage of revenue has risen from 24.98% in 1984 to 32.57% in 1989. According to the Industry's written submission, the weighted average for this period is 30.23%. Currency exchanges in Illinois had a net income of 15% as a percentage of revenue in 1991.

This reasoning, however, is flawed by the Industry's use of different years in comparing other service industries to currency exchanges. For instance, the above analysis compares the year 1991 for currency exchanges with the years 1984 through 1989 for service industries. Not only has the Industry failed to analyze the same years in support of its argument, it has considered 1984 and 1985, years which are prior to the last rate hearing. It also failed to analyze the last two (2) years.

In addition, the Industry submitted evidence to support its argument that the average check cashing revenue has not kept pace with inflation. The Industry provided figures comparing the income, expenses, and net income of the average currency

exchange and inflated the data to 1991. The written submission indicates that although income increased from an average of \$138,255 in 1986 to \$168,265 in 1991, it should have risen to \$175,115 to keep pace with inflation. Accordingly, check cashing fees revenue should have increased to \$116,903 in that period. The net income should have increased to \$19,054 per store from \$15,027. The actual net income, according to the submission was \$17,167.

Similarly, this submission by the Industry is flawed. For example, the Industry altered the figures by subtracting \$981,933 from the total currency exchange income. That unilateral subtraction, without any similar decrease in expenses is unwarranted. The effect of this alteration is an erroneous calculation of net income. If the \$981,933 is added back to the net income, the actual average net income per store is \$18,557.

Moreover, the Industry submitted evidence which supports the contention that if the 1986 data was inflated by the increase in the Consumer Price Index from 1986 to 1991 there would be a need for an increase in check cashing fees in order to increase the average currency exchange's net income. However, the analysis was erroneous because the Industry uses 629 stores in one sample and compares it to figures based on 706 stores in another sample. The additional submission whereby 1987 figures are compared to 1991 is irrelevant because it excludes the first year of the last rate adjustment.

The Department has analyzed the effect of inflation on the check cashing revenue in the following chart:⁶

Historical Mean Average Check Cashing Revenue

Year	Average	Inflation Rate % (Reporting Yr. Midpoint)	Inflation Adjusted to 1991
1980*	\$ 62,982	1980 - 1991 = 74.2	\$109,715
1984	77,035	1984 - 1991 = 34.2	103,381
1986**	92,297	1986 - 1991 = 26.7	116,940
1987	97,765	1987 - 1991 = 17.5	119,567
1990	112,233	1990 - 1991 = 4.3	117,059
1991	114,528		

⁶ Exhibit 1 - Reporting Year Midpoint
 example $\frac{6/91 + 6/90}{2} = \frac{137.1}{131.7} = +4.3\%$

* Rate went into effect 1-1-81; 1.1% of Face + \$.75
 ** Rate went into effect 7-1-86; 1.2% of Face + \$.90

As indicated above, comparing reporting year 1986 to reporting year 1991 we see inflation has risen 26.7%. However, check cashing revenue had risen during the same period from \$92,297 to \$114,528, an increase of only 24.1%. Comparing 1987 to 1991, we note a still higher loss to inflation; while comparing 1990 to 1991, with the relatively low inflation, we noted check cashing revenue continued to lag behind inflation.

Finally the Department calculated the effect of the new maximum rates on the average currency exchange's profitability.

As indicated above, in 1991 the average currency exchange received 5,398 Public Aid Benefit Checks (PA Checks) and cashed a total of 33,462 checks. The average Direct Delivery check amount is \$272.38. The average amount of all checks is \$283.28. Professor Binder has indicated somewhat less than seventy percent (70%) of Direct Delivery checks are cashed in exchanges, whereas the Industry says eighty percent (80%). Therefore, the Department calculated the effect of the new rates using a seventy percent (70%) model and eighty percent (80%) model.

Using 70% Model

# of PA Checks Delivered	5,398
70% of PA Checks Cashed	3,779
Total Checks Cashed	33,462

The average PA Check amount is \$272.38. Under the new rate, the new allowable maximum fee is \$3.22. By multiplying the total estimated number of PA Checks (3,779) by the fee for cashing these checks (\$3.22), the Department computed the check cashing revenue from PA Checks for the average store to be \$12,168.

# of PA Checks	3,779
Average PA Fee	<u>3.22</u>
Total	\$12,168

It is important to note that the rate increase granted in 1985 did not go into effect until July 1, 1986. Further, even if all rates were immediately raised, most of the 1986 year would not capture those rates.

To compute the check cashing income from non-PA Checks for the average store, the Department multiplied the total number of non-PA Checks (29,683) by the average amount of such checks (\$284.67). This total (\$8,449,860) was multiplied by the new rate of 1.4¢ plus ninety cents (\$.90) per check.

# of Non-PA Checks		29,683
Aver. Amt. of Non-PA Check		<u>x284.67</u>
	Sub-Total	8,449,860
New Max Rate		<u>x.014</u>
		118,298
Plus 90¢ Per Check		<u>+26.715</u>
	Total	\$145,013

The Department then added the income from non-PA Checks (\$145,013) with the income from PA Checks (\$12,168) to find the total maximum check cashing income of \$157,181.

Total Non-PA Check Cashing Income	145,013
Plus PA Check Cashing Income	<u>+12,168</u>
Total Check Cashing Income	\$157,181

However, due to the effect of mandatory bracketing of fees, this figure must be reduced by the bracketing factor of .796. Therefore, the total figure of \$157,181 was multiplied by .796 to reach the true income figure of \$125,116 or only a 9.2¢ increase per average store.⁸

Total Check Cashing Income	157,181
Bracketing Factor	<u>x .796</u>
Total Average Income/Store	\$125,116

Using 80% Model

The same methodology was used in analyzing a model using eighty percent (80%) of the PA Checks cashed at the average currency exchange.

⁸ We note that the mean average check cashing revenue in 1991 was \$114,528 and not \$143,865. The revenue was decreased to \$114,528 because all checks under \$500 are bracketed and not all exchanges charge the maximum fee in every bracket. Thus, the revenue was reduced by the following factor:

$$\frac{114,528}{143,865} = .796$$

Number of PA Checks Delivered	5,398
80% of PA Checks Cashed	4,318
Total Checks Cashed	33,462

# PA Checks	4,318
New Maximum Rate	<u>X 3.22</u>
Total PA Checks Cashing Revenue	13,904

# Non-PA Checks	29,144
Aver. Amt. of Non-PA Checks	<u>X 284.89</u>
Subtotal	8,302,834
New Maximum Rate	<u>X .014</u>
Subtotal	116,240
Plus 90¢ per Check	<u>26,230</u>
Total non-PA Check Cashing Revenue	142,470

Total non-PA Check Cashing Revenue	142,470
Plus PA Check Income	<u>13,904</u>
Total Check Cashing Income	156,374

Total Check Cashing Income	156,374
Bracketing Factor	<u>X .796</u>
Total Aver. Revenue/Store	124,474
Subtract 1991 Revenue	- <u>114,528</u>
Total Increase	\$9,946

Using the eighty percent (80%) model, the new maximum rates will result in a 8.7% increase for the average currency exchange.

The increase of 8.7% to 9.2% of revenue for the average currency exchange is needed to offset the losses due to inflation and allow for a modest margin of growth and reasonable profit.

II.

LEGAL CONSIDERATIONS

A DIFFERENTIAL RATE SYSTEM WHEREBY A MAXIMUM RATE FOR PUBLIC AID BENEFIT CHECKS AND A MAXIMUM RATE FOR ALL OTHER CHECKS IS ESTABLISHED.

During the hearing, the Director was asked to create differential rate schedules for check cashing in which Public Aid Benefit Checks would be cashed at a lower maximum rate than

other checks. Most of the witnesses in support of this proposal indicated that the maximum rate for Public Aid Benefit Checks should be ninety cents (\$.90).

I find that it is in the power of the Department to enact differential rate schedules wherein the maximum fee for Public Aid Benefit Checks would be less than the maximum fee for other checks.

While it is clear that the Act does not expressly authorize differential rates, it is equally clear that a fundamental principle of administrative law is that an express power granted to an agency includes implied powers to do all that is necessary and proper to carry out the objectives of the agency. The Lake County Board of Review v. Property Tax Appeal Board, 119 Ill. 2d 419, 519 N.E. 2d 459 (1988). The Act grants the Department the power to set maximum rate schedules, (in the plural), for cashing check services. The Department is also granted the power to use its expertise to decide the maximum rates.

I have reviewed the legislative history and find that the legislative history, in fact, supports a differential rate schedule. Three legislative bills, Senate Bills 440 and 231 and House Bill 783 were all passed by the General Assembly. Senate Bill 440 did not distinguish between Public Aid Benefit Checks and other checks. The other bills did have such a distinction. However, Senate Bill 440 granted the Department more flexibility. Senate Bill 440 provided that the Department could establish fees for checks and the issuance of money orders. The Governor signed Senate Bill 440 rather than the other bills because it granted more authority to the Department.

Further, in 1979 the Act was amended in response to the Supreme Court's decision in Thygesen v. Callahan, 74 Ill. 2d 404, 385 N.E. 2d 699 (1979), which held that the Act's provision authorizing the Director to formulate and issue schedules of rates was an unconstitutional delegation of legislative power because the Act had not set forth guidelines for the Department to follow in setting rates.

The legislature's failure in 1979 to provide express authority for the establishment of differential rates did not indicate that the legislature did not intend for the Department to have the power to institute such rates. The amendment to the Act in 1979, however, provided guidelines for the Department in accordance with the Thygesen decision. The Thygesen decision clearly stated that guidelines had to be established in order to be constitutionally sound. The reason the Act was not amended to include differential rates is that the 1977 Act allowed maximum rate schedules and the Thygesen case never required that section to be amended.

Since the 1979 amendment to the Act, the expressed purpose of Paragraph 4838 has been to protect the customers of currency exchanges from being charged unconscionable rates for check cashing. Thus, as a result of Thygesen and the amendatory language of 1979, there are two (2) limitations to the exercise of the Department's power in setting maximum rates.

First, the Department must take into account the statutory guidelines in setting maximum rates. I have examined the evidence in accordance with the statutory guidelines. The rates as enumerated herein are in accordance with those guidelines.

Second, the rates must be reasonable. I find that in the evidence presented establishes a reasonable basis for making a distinction between the maximum fees to be charged for Public Aid Benefit Checks and all other checks. Customers with Public Aid Benefit Checks and other customers are not similarly situated.

The risk of loss on Public Aid Benefit Checks is less than the risk of loss on other checks. The Direct Delivery System provides the currency exchange owner with the check and causes the customer to provide accurate identification to receive the check. The risk of loss to the currency exchange is infinitesimal. Of the total number of Public Aid Benefit Checks distributed in 1991, only .000073% of the checks were forged and only .000029% were forged at currency exchanges. In addition, because each Public Aid Benefit Check is guaranteed by the full faith and credit of the State of Illinois, none of the checks were returned for insufficient funds.

Finally, through the Direct Delivery System, customers cashing Public Aid Benefit Checks are a captive audience, who must go to the currency exchange to receive their checks. These differences in the customers, the checks and the Direct Delivery System, and the risk of loss, form a reasonable basis to enact different rates for different checks.

III.

SUMMARY

In considering the statutory criteria in setting maximum rates in accordance with the Currency Exchange Act, based upon the Public hearings held in Chicago and Springfield, written submissions of interested parties both prior to the hearings

and as rebuttal after the hearings, and the information available to the Department under the Act and Administrative Code, it is here ordered as follows:

1. Public Aid Benefit Checks shall be cashed at a maximum rate of one percent (1%) of the face amount plus fifty cents (\$.50).
2. All other checks shall be cashed at a maximum rate of 1.4% plus ninety cents (\$.90). However, currency exchanges may charge less than the maximum.
3. The fees shall be charged in accordance with Section 130.50 of the Ill. Administrative Code which mandates that bracketing of rates be instituted. (Ill. Adm. Code, Title 18, Sec. 130.50).
4. The effective date of the new rate schedule is January 1, 1994.
5. The Department will initiate rulemaking to modify Part 130.30 of the "Schedules of Maximum Rates To Be Charged For Check Cashing And Writing of Money Orders By Community and Ambulatory Currency Exchanges" in accordance with this decision. Said rulemaking will be conducted pursuant to the Illinois Administrative Procedures Act, Ill. Rev. Stat. Ch. 127 Par. 1005 et seq.

Tab 4

1996 IDFPR Statement of Findings on CCEA Petition for Rate Increase

**STATEMENT OF FINDINGS BY THE DIRECTOR OF THE
ILLINOIS DEPARTMENT OF FINANCIAL INSTITUTIONS
IN DECIDING THE ISSUES PRESENTED AT THE
CURRENCY EXCHANGE RATE HEARINGS OF 1995.**

Section 19.3 of the Illinois Currency Exchange Act (Act), 205 ILCS 405/1 et seq., authorizes the Illinois Department of Financial Institutions (Department) to determine reasonable maximum rates to be charged for check-cashing and the sale of money orders by community and ambulatory currency exchanges in the State of Illinois. In conferring this rate-making authority to the Department, the legislature found that the customers of currency exchanges "must be protected from being charged unreasonable and unconscionable rates for cashing checks and purchasing money orders." 205 ILCS 405/19.3 (1992).

The legislature further found that currency exchanges provide "important and vital services to Illinois citizens and that these services are provided in communities in which banking services are generally unavailable." Moreover, the legislature found that it is in the public interest to promote the community currency exchange industry and ensure the financial stability thereof. 205 ILCS 405/4.1 (1992).

In 1980, after public hearings were held in which testimony was solicited on equitable rates from community groups, consumers, currency exchange owners/operators, representatives from the Illinois Community Currency Exchange Association and attorneys, the Department adopted the first maximum rate schedule for check-cashing and sale of money orders. The maximum rate for all checks was set at 1.1% of the value of the check plus seventy-five cents (\$.75).

In 1985, the Director of the Department (Director) held hearings pursuant to a petition filed by the Community Currency Exchange Association (the Industry) to determine the maximum rate. The Director made a finding at that time that the rate should be increased to 1.2% of the face value of the check plus ninety cents (\$.90).

In 1992, the Director held hearings on the issue of whether the current check-cashing rate should be increased. Based upon the evidence presented at the hearings, the Director approved a bifurcated rate system in which the maximum rate for cashing direct delivery Public Aid checks was set at 1% of the face amount of the check plus fifty cents (\$.50). The maximum rate for all other checks was set at a rate of 1.4% plus ninety cents (\$.90).

In accordance with the Illinois Administrative Procedure Act, 5 ILCS 100/1-1 et seq., the Department initiated rulemaking to modify section 130.30 of the "Schedules of

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Maximum Rates to be Charged for Check Cashing and Writing of Money Orders by Community and Ambulatory Currency Exchanges." The Joint Committee on Administrative Rules (JCAR) issued a filing prohibition to the rule change and thus precluded the Department from changing the rate based on the type of check. As a result, the maximum rate for the check-cashing fee remained at the same level as those established in 1986.

On February 21, 1995, the Industry petitioned the Director to increase the maximum rate for cashing checks from 1.2% of the face value of the check plus ninety cents (\$.90). The petitioners proposed the following schedule of maximum check-cashing rates:

Rate		Check Amount
1.4% plus \$.90	-	\$ 0.00 - \$ 300.00
2.25 %	-	\$ 300.01 - \$1,000.00
2.50%	-	\$1,000.01 - and above.

On May 4, 1995, the Director granted the Industry's petition to hold hearings regarding the increasing of the maximum check-cashing rate.

The Department held public hearings on July 12, 1995, in Chicago, and July 20, 1995, in Springfield. At those hearings, oral and written evidence was submitted.

As with past rate-making hearings, it is the Department's goal to effectuate the legislature's intent by setting a maximum rate which will protect the consumer yet, allow for a viable currency exchange industry.

In setting the maximum rates, Paragraph 405/19.3 of the Act requires that the Director take into account the following criteria:

1. Rates charged in the past for the cashing of checks and the issuance of money orders by community and ambulatory currency exchanges;
2. Rates charged by banks or other business entities for rendering the same or similar services and the factors upon which those rates are based;
3. The income, cost and expense of the operation of currency exchanges;
4. Rates charged by currency exchanges or other similar entities located in other states for the same or similar services and the factors upon which those rates are based;

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5. Rates charged by the United States Postal Service for issuing money orders and the factors upon which those rates are based;
6. A reasonable profit for a currency exchange operation.

Based upon the statutory criteria, public hearings held by the Department, written and oral submissions and the information available to the Department under the Act and Administrative Code, I find as follows:

The current rate of 1.2% plus ninety cents (\$.90) no longer allows Illinois currency exchanges to remain viable and financially stable.

The last rate increase for the check-cashing fee occurred in 1986. Since that time, the revenue and expenses of the average currency exchange have not increased at the same rate. Expenses, which are largely fixed cost, rose by a greater rate than the Consumer Price Index (CPI); whereas the growth in revenue did not keep pace with inflation. The following chart demonstrates the difference in growth between expenses and revenue.¹

Growth Trends for the Average

Currency Exchange in Nominal Dollars

1987 through 1994

Year	Revenue	Yearly % Change	Expenses	Yearly % Change	Net Income	Yearly % Change
1987	\$145,048		\$126,758		\$18,290	
1988	147,928	2.0%	132,997	4.9%	14,931	(18.4%)
1989	153,785	4.0%	144,437	8.6%	9,348	(37.4%)
1990	164,646	7.1%	147,492	2.1%	17,154	83.5%
1991	169,656	3.0%	151,098	2.4%	17,167	8.2%
1992	179,588	5.9%	161,857	7.1%	17,732	(4.5%)
1993	180,702	0.6%	164,182	1.4%	16,520	(6.8%)
1994	189,924	5.1%	170,178	3.7%	19,746	19.5%
Percentage Change						
1987 - 1994		30.9%		34.3%		8.0%
Percentage Change in CPI						
1987 - 1994				31.7%		

¹ Exhibit 8 and 13 of the Currency Exchange Rate Hearings, Department of Financial Institutions, 1995.

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However, the Department is cognizant of the hardship imposed on public aid recipients who cash their benefit checks at currency exchanges. As previously stated, the Department in the past has attempted to lower the rates for cashing direct delivery public aid warrants. Due to the filing prohibition by JCAR, the Department could not enact a new schedule of rates which differentiated between public aid warrants and other checks.

In an effort to effectuate the Department's policy that the fee for cashing direct delivery public aid warrants should be lower, the Department initiated discussions with the Industry and the Illinois Department of Public Aid (IDPA). The Department is attempting to reach an agreement with the Industry and IDPA in which the fee for cashing direct delivery public aid warrants cashed at a currency exchange would be 1.1¢ of the face value of the check plus ninety cents (\$.90).³ Thus, a public aid recipient who receives a check for \$300 will see an approximate 7¢ reduction in the fee charged by currency exchanges to cash the benefit checks.

The effective date of the new maximum rate schedule is January 1, 1997. The Department will initiate rulemaking to modify part 130.30 of the "Schedules of Maximum Rates to be Charged for Check Cashing and Writing Money Orders by Community and Ambulatory Currency Exchanges" in accordance with this decision. The rulemaking will be conducted pursuant to the Illinois Administrative Procedure Act, 5 ILCS 100/1-1 et seq.

As further support of these findings, this decision is divided into two sections:

- I. Consideration of the six (6) criteria listed in Section 19.3 of the Act.
- II. Summary

³ The reduction in the fee to cash direct delivery public aid warrants would be accomplished through an amendment to the existing contract with IDPA and the Industry.

The reduction in the fee to cash direct delivery public aid warrants is the first time in any state where the fee to cash a check is reduced.

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I.

CONSIDERATION OF THE SIX (6) CRITERIA LISTED IN SECTION 19.3 OF THE ACT:**A. RATES CHARGED IN THE PAST FOR THE CASHING OF CHECKS AND ISSUANCE OF MONEY ORDERS BY COMMUNITY AND AMBULATORY CURRENCY EXCHANGES.**

In considering the first criterion, the Department reviewed information obtained from the currency exchanges' annual reports, examinations and generally recognized technical facts within the Department's specialized knowledge relating to community and ambulatory currency exchanges.⁴ Other relevant data was obtained through submissions of interested parties during the rate-making process.

On January 1, 1981, two (2) years after the initial rate setting legislation was introduced, the first maximum rate for check-cashing for Illinois currency exchanges became effective. This maximum rate of 1.1% of the face value of the check plus seventy-five cents (\$.75) was in effect until 1986 when the current maximum rate was increased to 1.2% plus ninety cents (\$.90).

However, the Illinois Administrative Code, Title 18, Sec. 125.30(c)(1)(C) requires each currency exchange to form brackets for check-cashing fees between one cent (\$.01) and five hundred dollars (\$500.00) inclusive, with the maximum fee being 1.2% plus ninety cents (\$.90) of the low point of the bracket. For those checks in excess of five hundred dollars (\$500.00), the currency exchange is not mandated to form brackets. The currency exchange must also post the schedule of fees.

A currency exchange only yields the maximum fee at the low point of the bracket. Although currency exchanges have the option to set the interval of each bracket, one dollar (\$1.00) intervals would not be cost effective and would be extremely ambiguous to the customers. For this reason a decrease or increase in the check-cashing rate must be analyzed in light of the new rates yielding less than the percentage rate as stated.

⁴ Ill. Administrative Code, Title 18, Sec. 125.30(c)(1)(C)

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**B. RATES CHARGED BY BANKS AND OTHER BUSINESS ENTITIES
RENDERING THE SAME OR SIMILAR SERVICES**

In considering the second criterion, the Department reviewed information from a survey conducted on banks and savings and loans located in Illinois, information obtained on other business entities which render check-cashing services, various documents on file at the Department, and technical knowledge relating to community currency exchanges in the Department's possession. Other relevant data was obtained through the submissions of interested parties during the rate-making process.

In June and July 1995, the Department surveyed thirteen (13) banks, fourteen (14) retail stores, and five (5) savings and loan associations.⁵ Of the thirteen (13) banks surveyed, seven (7) banks would cash a check without charging a fee if the check is drawn on that bank. Two (2) banks would not cash checks for non-customers. Three (3) banks cashed checks with a fee ranging from \$2.50 to \$5.00 and the last bank charged \$1.00 per each \$100 of the check.

Three (3) of the five (5) savings and loans would cash checks for non-customers if the checks are drawn on their institution. The other two (2) savings and loans would not cash checks for non-customers.

Four (4) of the fourteen (14) retail stores would not cash checks for anyone. Seven (7) of the retail stores cashed checks for a certain amount over the purchase amount. The same seven (7) stores also cashed checks for a fee that ranged from a flat \$5.00 fee to a scheduled rate based on the amount of the checks, ranging from twenty-five cents (\$.25) to twelve dollars (\$12.00). Two (2) of the stores did not charge for cashing checks and one (1) would only cash checks for customers it recognized.

The Industry submitted a survey regarding fees charged by banks and other businesses. The Industry contacted thirty (30) banks and twenty-six (26) grocery stores.⁶

Only four (4) of the thirty (30) banks surveyed by the Industry cashed checks for non-customers. One (1) bank charged a flat fee of \$2.50, one (1) charged 1% of the amount of the check and two (2) charged \$1.00 to \$2.00 per \$100 of the face amount of the check.

⁵ Exhibit 11 of the Currency Exchange Rate Hearings Department of Financial Institutions, 1995.

⁶ Exhibit 7 of the Currency Exchange Rate Hearings, Department of Financial Institutions, 1995.

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Only six (6) of the twenty-six (26) grocery stores cashed checks for customers. The rates varied from ten cents (\$.10) for a fifty dollar (\$50.00) check to one dollar and ninety cents (\$1.90) for every one hundred dollars (\$100.00) of the check amount.

In reaching the decision herein, the Director considered the rates charged by banks and other businesses, however, the differences between currency exchanges and these businesses prevent a reliable comparison. The cashing of checks is not the primary service offered by these entities. Banks and savings and loans generate profits by collecting deposits at one rate of interest and making loans at a higher rate of interest. Grocery stores sell food and other goods to generate profits. The cashing of checks for these entities is not intended to produce profits and is offered merely as an accommodation to its customers.

Furthermore, grocers are prevented by the Illinois Check Cashing Act from charging more than fifty cents (\$.50) or 1% of the face value of the check, whichever is greater.⁷

In conclusion, while banks and other business entities may offer lower fees for cashing checks than do currency exchanges, it is an ancillary service offered to customers. The cost of cashing the checks can be absorbed by profits from other services. Furthermore, individuals without established banking relationships are often unable to take advantage of the bank's fees.

C. THE INCOME COSTS AND EXPENSES OF THE OPERATION OF A CURRENCY EXCHANGE

In considering the third criterion, the Department utilized the consolidated income statements of all Illinois currency exchanges for the years 1986 through 1994.⁸

The average total income was established by adding the total income of all licensed Illinois currency exchanges, and dividing that number by the total number of currency exchanges. The same formula was used to find the average total expenses.⁹

⁷ Illinois Check Cashing Act, 815 ILCS 315/5 (1992).

⁸ Exhibit 13 of the Currency Exchange Rate Hearings, Department of Financial Institutions, 1995.

⁹ The Department analyzed the income and expenses based on averages because there was no evidence presented as to any particular single currency exchange. For that reason, the Department used averages and applied facts to the "average" currency exchange.

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As previously stated, the growth in revenue of currency exchanges has not kept pace with the growth in the CPI (inflation) while expenses have grown at a faster rate.¹⁰

Net income in nominal dollars increased \$1,456 or 8.0% between 1987 and 1994. When the net income is adjusted to constant dollars, the profits of currency exchanges actually decreased \$4,338 or 18%.¹¹

Currency exchanges derive revenue from a number of services, including check-cashing, selling money orders, payment of utility bills, money transmission, and processing of state licenses and titles. An analysis of the revenue from check-cashing indicates that the revenue from providing this service is lower than in 1987. The following chart illustrates the sources of revenue from the service provided in constant dollars.¹²

**Analysis of Revenue per Store
1987 through 1994
(\$ in 000s)**

	1987	1988	1989	1990	1991	1992	1993	1994
Check Cashing Fees:								
Nominal Dollars	\$37.8	\$39.9	\$103.7	\$112.2	\$114.5	\$120.7	\$121.0	\$126.5
Percentage Change		2.3%	5.8%	6.2%	2.0%	3.4%	0.3%	7.3%
Change From 1987		2.3%	1.1%	14.8%	17.2%	23.5%	23.8%	29.4%
Constant Dollars	\$128.7	\$124.0	\$124.3	\$126.2	\$123.6	\$126.6	\$123.2	\$126.5
All Other Revenues:								
Nominal Dollars	\$47.3	\$48.3	\$48.1	\$52.4	\$54.7	\$58.9	\$59.7	\$63.4
Percentage Change		1.6%	0.1%	9.0%	2.3%	9.6%	1.3%	8.3%
Change from 1987		1.6%	1.7%	10.9%	16.6%	24.6%	26.2%	34.0%
Constant Dollars	\$62.3	\$52.2	\$41.9	\$56.3	\$31.3	\$61.8	\$60.8	\$63.4
Total Revenues:								
Nominal Dollars	\$145.0	\$147.9	\$153.8	\$164.6	\$169.3	\$179.6	\$180.7	\$189.9
Yearly % Change		2.0%	4.0%	7.1%	2.2%	6.73%	0.62%	7.74%
Change from 1987		2.0%	6.0%	13.3%	17.0%	23.8%	24.6%	30.9%
Constant Dollars	\$191.0	\$183.7	\$180.8	\$183.0	\$181.6	\$188.4	\$184.0	\$189.9

In 1984, check-cashing fees represented 68.68% of the total income for currency exchanges. Those fees were generated by the 1981 maximum rate of 1.1% plus seventy-five cents (\$.75). In 1990, the fees for check-cashing declined to 68.2% of total income. By 1994, the percentage of income derived from check-cashing declined to 66.6%.

¹⁰ See Charts on Page 3 and 4 herein.

¹¹ Exhibit 8 of the Currency Exchange Rate Hearing, Department of Financial Institutions, 1995.

¹² Exhibit 8 of the Currency Exchange Rate Hearing, Department of Financial Institutions, 1995.

In order for currency exchanges to replace the lost revenue from cashing checks, the currency exchanges added other services such as sale of license plates and stickers, preparation of income tax returns, notarizing documents and processing utility company payments. Moreover, other income producing services for currency exchanges approved since the 1985 rate hearings include participation in refund anticipation loan programs, Visa/Mastercard cash advance programs, payment of cable television bills, buying and selling of foreign currency, American Express MoneyGrams, facsimile transmission, mail box service and obtaining Chicago Police automobile accident reports.

While revenue has declined, expenses have grown at a faster rate than the CPI. The following charts analyze the growth in expenses per store,¹³ and expenses as a percentage of total income.¹⁴

**Analysis of Total Expenses Per Store
1987 through 1994
(\$ in 000s)**

	1987	1988	1989	1990	1991	1992	1993	1994
Nominal Dollars	\$126.8	\$133.0	\$144.4	\$147.3	\$151.1	\$161.9	\$164.2	\$170.2
Percentage Change: Year-to-year 1987 - 1994		4.9%	8.6%	2.1%	2.4%	7.1%	1.4%	3.7%
1987-1994 CPI Inflation								31.7%
Constant Dollars	\$166.9	\$168.3	\$169.8	\$165.8	\$163.1	\$169.8	\$167.3	\$170.2

**Total Expenses as a Percentage of Total Revenue
1987 through 1994**

	1987	1988	1989	1990	1991	1992	1993	1994
Total Expenses	87.8%	89.9%	93.0%	89.6%	89.1%	90.1%	90.9%	89.6%
Change as Percentage of Revenue: Year-to-year 1987 through 1994		2.5%	4.0%	(4.3%)	(0.4%)	1.0%	0.8%	(1.3%)

¹³ Exhibit 8, Currency Exchange Rate Hearings, Department of Financial Institutions, 1995.

¹⁴ Exhibit 8, Currency Exchange Rate Hearings, Department of Financial Institutions, 1995.

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D. RATES CHARGED BY CURRENCY EXCHANGES OR OTHER SIMILAR ENTITIES LOCATED IN OTHER STATES FOR THE SAME OR SIMILAR SERVICES AND THE FACTORS UPON WHICH THOSE RATES ARE BASED

The Department surveyed the rates charged by currency exchanges or other similar entities located in other states and found as follows:¹⁵

1. California - 3% or \$3.00 whichever is greater for payroll or government checks (with proper I.D.); 3.5% or \$3.00 whichever is greater for payroll checks or government checks (without proper I.D.).

A check casher may charge a fee of no more than \$10.00 to set up an initial account and issue an optional I.D. card.

2. Connecticut - 1% for checks drawn by the state of Connecticut and payable within Connecticut to a recipient of public assistance; (b) 2% for all other checks, drafts or money orders.

3. Delaware - 2% or \$4.00, whichever is greater, for all checks.

4. Florida - 3% (with I.D.) or 4% (without I.D.) or \$5.00, whichever is greater, for state public assistance checks and federal social security checks; 10% or \$5.00, whichever is greater, for personal checks and money orders; 5% (with I.D.) or 6% (without I.D.) or \$5.00, whichever is greater, for all other checks.

5. Georgia - 3% or \$5.00, whichever is greater, for state public assistance and federal social security benefits; 10% or \$5.00, whichever is greater for personal checks and money orders; 5% or \$5.00, whichever is greater, for all other checks or drafts.

6. Indiana - 10% or \$5.00, whichever is greater, for all checks.

7. Minnesota - for cashing checks issued by a government entity in an amount up to \$500, the greater of 2.5% of the face value, or \$1, except that it is permissible to charge a first time customer up to 5% of the face; for all other government checks and payroll checks, the greater of 3% of the face value, or \$1, except that it is permissible to charge a first-time customer up to 6% of the face.

¹⁵ Exhibit 12, Currency Exchange Rate Hearings, Department of Financial Institutions, 1995.

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8. New Jersey - 1% or \$.90, whichever is greater, for public aid checks; 1.5% or \$.90, whichever is greater for social security checks; 2% or \$.90, whichever is greater, for all other checks.
9. New York - 1.1% the face value for all checks.
10. Ohio - 3% for checks issued by the state of Ohio or the United States government.
11. Rhode Island - the greater of 3% or \$5.00, for state public assistance and federal social security benefits; the greater of 10% or \$5.00 for personal checks; the greater of 5% or \$5.00 for all other checks.

In addition to the above listed states. The states, of Michigan, Wisconsin, Missouri, Iowa, and Kentucky do not regulate the fees charged by currency exchanges.

Every state that regulates the maximum fee for cashing checks, except New York, allows higher rates than those allowed in Illinois. However, the Department recognized in the past that New York issues only 407 licenses compared to the 709 issued in Illinois, thus the average licensee earns a much greater amount of check-cashing revenue in New York.

E. RATES CHANGED BY THE UNITED STATES POSTAL SERVICE FOR THE ISSUING OF MONEY ORDERS AND THE FACTORS UPON WHICH THOSE RATES ARE BASED

The Department did not receive a petition for a change in the rate for the sale of money orders. Similarly, during the currency exchange hearings, no evidence was introduced regarding the rate for the sale of money orders. Therefore, the rate for the sale of money orders will not be modified.

F. A REASONABLE PROFIT FOR A CURRENCY EXCHANGE LOCATION

By definition, net income (profit) is the difference between revenue and expenses. As revenue has failed to keep pace with inflation, a currency exchange's profit in nominal dollars expressed as a percentage of total revenue (ROR) has declined from 12.6% in 1987 to 10.4% in 1994. However, when the profit (net income) is adjusted for inflation, the net income decreased 18% over that same time period as revealed by the following chart:¹⁶

¹⁶ Exhibit 8 and 14, Currency Exchange Rate Hearings, Department of Financial Institutions, 1995.

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Nominal vs. Inflation-Adjusted Results
1997 through 1994

	1997	1994	% Change 1997-1994
Actual Results in Nominal \$			
Check Cashing Revenues	\$97,769	\$126,543	29.4%
Other Revenues	47,383	63,389	34.0%
Total Revenues	145,048	189,924	30.9%
Total Expenses	126,738	179,178	24.3%
Net Income	\$18,290	\$19,746	8.0%
Return on Revenues Net Income/Total Revenues	12.61%	10.40%	
CPI Growth			32.0%
Actual Results in Constant 1994 \$			
CPI Adjustment Factor	1.131673	1.00000	
Check Cashing Revenues	\$128,733	\$126,543	-1.7%
Other Revenues	67,260	63,389	-6.8%
Total Revenues	190,993	189,924	-0.6%
Total Expenses	169,908	179,178	5.0%
Net Income	\$21,084	\$19,746	-6.3%

These figures represent a industry aggregate not individual store returns. An analysis of a per currency exchange's ROR showed that the ROR is 5.9%¹⁷ The disparity in the weighted average (aggregate) versus the per store ROR is caused by the disproportionate impact by the largest currency exchanges on the aggregate results.¹⁸

The per store analysis further found that 29% of the licensed currency exchanges are losing money and 17% are making less than the average ROR of 5.9%.¹⁹

¹⁷ Exhibit 8, Currency Exchange Rate Hearings, Department of Financial Institutions, 1995.

¹⁸ Exhibit 8, Currency Exchange Rate Hearings, Department of Financial Institutions, 1995.

¹⁹ Exhibit 8, Currency Exchange Rate Hearings, Department of Financial Institutions, 1995.

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Finally, a ROR analysis was performed on a broad sample of service businesses for the period from 1987 and 1992. That analysis revealed that the ROR for other service businesses was 33.3% compared to 10.4% for the currency exchange industry.²⁰

Thus, the currency exchange are not receiving a reasonable profit with the current rate.

The new rate will enable currency exchanges to remain viable and receive a reasonable profit. However, it is anticipated that competition will cause a gradual phase-in of the maximum rate.

II. SUMMARY

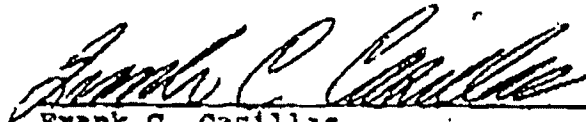
In considering the statutory criteria in setting maximum rates in accordance with the Act, based upon the public hearings held in Chicago and Springfield, written and oral submissions, and the information available to the Department under the Act and Administrative Code, it is hereby ordered as follows:

1. All checks \$500 or less in value shall be cashed at a rate no greater than the maximum rate of 1.4% of the face amount of the check plus ninety cents (\$.90).
2. All checks greater than \$500 shall be cashed at a rate no greater than the maximum rate of 1.85% of the face amount of the check.
3. The effective date of the new rate schedule is January 1, 1997.

²⁰Exhibit 8, Currency Exchange Rate Hearings, Department of Financial Institutions, 1995.

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4. The Department will initiate rulemaking to modify part 130.30 of the "Schedules of Maximum Rates to be charged for check cashing and writing of Money Orders by Community and Ambulatory Currency Exchanges" in accordance with this decision. Said rulemaking will be conducted pursuant to the Illinois Administrative Procedure Act, 5 ILCS 100/1-1 et seq.

Entered on this 21 day of March 1996

Frank C. Casillas
Director
Illinois Department of Financial
Institutions

Tab 5

2007 IDFPR Statement of Findings on CCEA Petition for Rate Increase

**ILLINOIS DEPARTMENT OF FINANCIAL & PROFESSIONAL REGULATION
DIVISION OF FINANCIAL INSTITUTIONS**

In re: Petition of)
Community Currency)
Exchange Association of)
Illinois, Inc. and Community)
Currency Exchange)
Licensees to Increase)
The Maximum Rate for)
Cashing Checks)

**STATEMENT OF FINDINGS OF THE ACTING DIRECTOR OF
THE DIVISION OF FINANCIAL INSTITUTIONS**

**STATEMENT OF FINDINGS OF THE ACTING DIRECTOR OF
THE DIVISION OF FINANCIAL INSTITUTIONS**

On November 9, 2006, the Community Currency Exchange Association and non-member currency exchanges initiated these proceedings to ask the Illinois Department of Financial and Professional Regulation, Division of Financial Institutions, to increase the maximum rate Illinois currency exchanges are allowed to charge for cashing checks. After a hearing and review of the evidence presented by all interested parties, the Department has determined that the maximum allowable rate should be increased as follows:

<u>Rate</u>	<u>Check Amount¹</u>
1.4% + \$1.00	\$100.00 or less
2.25%	\$100.01 or more

I. Procedural History

On November 9, 2006, the Community Currency Exchange Association and non-member currency exchanges ("Petitioners") submitted a verified petition to the Illinois Department of Financial & Professional Regulation, Division of Financial Institutions, to increase the maximum allowable rates that Illinois currency exchanges can charge when they cash checks.¹ The Acting Director of the Division of Financial Institutions ("DFI"

¹ In 2004, pursuant to Executive order 2004-6, the Department of Financial Institutions was consolidated with three other regulatory agencies into the Department of Financial and Professional Regulation. At that time, the Department of Financial Institutions became one of the divisions of the Department of Financial and Professional Regulation. The executive order established that the statutory obligations of the predecessor agencies became responsibilities of the new regulatory super-agency. Therefore, in this Statement of Findings, references within statutes to the Department of Financial Institutions will be

or "Division") allowed the petition and, pursuant to provisions in the administrative rules implementing the Currency Exchange Act, scheduled hearings to be held in Springfield and Chicago, publishing notice of these hearings in the *Chicago Tribune* and *State Journal-Register*. See 205 ILCS 405/0.1 to /30; 38 Ill. Adm. Code 125.10 to .100. Notice of these hearings was also published on the website of the Illinois Department of Financial and Professional Regulation ("IDFPR" or "Department"), www.idfpr.com.

In the notice of hearing, individuals wishing to present testimony or evidence at one of the hearings were advised that they must provide notice to the Division at least five days prior to the hearing, in accordance with administrative rules. 38 Ill. Adm. Code 125.30(f)(2). The Community Currency Exchange Association and non-member currency exchanges, and the Office of the Lieutenant Governor both provided notice of their intent to testify at the Chicago hearing. As no individuals expressed an intention to testify at the Springfield hearing, the Acting Director of the Division cancelled that hearing.

On March 9, 2007, the Petitioners filed the "Submission of the Community Currency Exchange Association and Community Currency Exchange Licensees to Increase the Maximum Allowable Check-Cashing Rate for Community Currency Exchanges." The submission consisted of a 19-page argument in favor of a rate increase, and eight attached exhibits. The Petitioners also submitted an analysis of the financial condition of the Illinois currency exchange industry, prepared by its expert, Navigant Consulting. The submissions were also posted on the official website of the Department. No other submissions were provided to the Division.

substituted with references to the Department of Financial and Professional Regulation, Division of Financial Institutions, which will referred to throughout as "Division" or "DFI."

The Division held the Chicago hearing on March 26, 2007 in the James R. Thompson Center. The Petitioners and the Office of the Lieutenant Governor provided testimony during that hearing. The Currency Exchange Association submitted additional exhibits to the Division during the hearing. Also, a panel made up of Division employees, presided over by the Acting Director, sought to obtain clarification of certain points during its testimony. In accordance with administrative rules, 38 Ill. Adm. Code 125.30(h), the Petitioners subsequently submitted a document entitled, "Rebuttal Submission of the Community Currency Exchange Association of Illinois, Inc. and Community Currency Exchange Licensees In Support of Their Petition to Increase the Maximum Allowable Check-Cashing Rate" to more fully respond to the Division's expressed concerns.

II. Analysis

Currency exchanges are regulated by the Division of Financial Institutions, which is part of the Illinois Department of Financial and Professional Regulation. Section 19.3 of the Currency Exchange Act provides that the Division of Financial Institutions shall set the maximum rate currency exchanges are allowed to charge for cashing checks. 205 ILCS 405/19.3. When delegating this power to the Division, the General Assembly specifically stated the following:

The General Assembly hereby finds and declares: community currency exchanges and ambulatory currency exchanges provide important and vital services to Illinois citizens. In so doing, they transact extensive business involving check cashing and the writing of money orders in communities in which banking services are generally unavailable. Customers of currency exchanges who receive these services must be protected from being charged

unreasonable and unconscionable rates for cashing checks and purchasing money orders. 205 ILCS 405/19.3(A).

Moreover, the General Assembly has clearly stated that "it is in the public interest to promote and foster the community currency exchange business and to insure the financial stability thereof." 205 ILCS 405/4.1. Therefore, in setting a maximum rate, the Division must balance its mandate to protect consumers of currency exchanges with the profit interests of currency exchanges to ensure that currency exchanges can continue to provide check-cashing services to Illinois citizens.

The General Assembly directed the Division to consider six factors when setting rates for check cashing:

- (a) Rates charged in the past for the cashing of checks and the issuance of money orders by community and ambulatory currency exchanges.
- (b) Rates charged by banks or other business entities for rendering the same or similar services and the factors upon which those rates are based.
- (c) The income, cost and expense of the operation of currency exchanges.
- (d) Rates charged by currency exchanges or other similar entities located in other states for the same or similar services and the factors upon which those rates are based.
- (e) Rates charged by the United States Postal Service for the issuing of money orders and the factors upon which those rates are based.
- (f) A reasonable profit for a currency exchange operation.
205 ILCS 405/19.3(B)(1).

A. Consideration of Statutory Criteria

In considering these factors, the Division must rely upon documents submitted to DFI pursuant to Section 16 of the Currency Exchange Act ("Act") by community currency exchanges; audit or examination reports of currency exchanges prepared by DFI pursuant to Section 16 of the Act; and "generally recognized technical facts" within

DFI's knowledge and expertise that relate to community currency exchanges. 38 Ill. Adm. Code 125.30(c). Additionally, the Division should consider the oral and written submissions of interested parties. *Id.* Each of the six factors shall be considered in turn.

1. Rates charged in the past for the cashing of checks and the issuance of money orders by community and ambulatory currency exchanges.

In 1979, the General Assembly authorized the Director of the then-Department of Financial Institutions to set maximum rate schedules for cashing checks. The first maximum rate schedule was established in 1981, and the rate schedule has been periodically amended since that time.

In 1981, after a hearing, DFI's Director established the maximum allowable rate at 1.1% of the check amount, plus a \$0.75 transaction fee.

In 1985, DFI again conducted a ratemaking hearing after receiving a verified petition from the industry. At that time, the maximum allowable rate was set at 1.2% of the amount of the check, plus a \$0.90 transaction fee. This rate became effective on July 1, 1986.

In 1995, the industry again petitioned for an increase in the maximum allowable rate. After a public hearing, the Director of DFI established the maximum rate for check cashing at 1.4% of the amount of the check, plus a transaction fee of \$0.90 if the check was for an amount of \$500 or less. If the check was for an amount that exceeded \$500, the check-cashing fee was set at 1.85% of the face amount of the check. This rate became effective on January 1, 1997, and remains the rate today.

2. Rates charged by banks or other business entities for rendering the same or similar services and the factors upon which those rates are based.

The second factor to be considered is the rate charged by other entities that cash checks. However, as previous directors of this division have noted, no clear comparison can be drawn here. *See e.g.*, 1996 Statement of Findings, at p. 8 (“[T]he differences between currency exchanges and these businesses prevent a reliable comparison.”). Many banks have ceased cashing checks for non-customers. Other business entities that cash checks (e.g., grocery stores) do so as an ancillary service to the main operations; as such, the check-cashing fee is determined in the context of the overall business.

Illinois banks are not statutorily required to cash checks for non-customers, and the rate for cashing checks, if that service is provided, is not set by regulators. The Petitioners conducted a survey of bank practices in 2006 to provide DFI with an analysis of bank check-cashing services. Petitioners’ survey reveals the following relevant data:

- Twenty-seven banks throughout Illinois were contacted.
- Twenty-five of the twenty-seven banks did not cash checks for non-customers.
- One of the banks that did cash checks for non-customers charged a \$3.00 fee (irrespective of the amount of the check), and the bank limited check cashing to checks that did not exceed \$1000.
- The other bank that cashed checks for non-customers charged 2% of the face amount for check cashing.

The Division independently verified the Petitioners’ analysis.

Other businesses may cash checks, when such check cashing is incidental to the business of the merchant. However, when a retail establishment provides check cashing services, it may not charge more than \$0.50 or 1% of the face value of the check, whichever is greater. 815 ILCS 315/2.

Petitioners surveyed 23 grocery stores in Illinois and produced the following results:

- Only 14 of 23 stores cashed checks for customers.
- Twelve of these 14 grocers require a purchase from the store to cash a check, although minimum purchase requirements vary.
- Four of these 14 stores limited the amount of the check they would cash.
- Four other stores required a particular store's valued customer card to cash a check.
- Eleven of the 14 grocers charge no fee for check-cashing.
- Three of the 14 grocers charged a fee ranging from \$0.25 to \$1.50.

The Division independently verified the Petitioners' analysis.

3. The income, cost and expense of the operation of currency exchanges.

Changes in the ways we transact our financial business have affected the economic vitality of the currency exchange industry. Division records show that the number of operating currency exchanges in Illinois has declined over the last five years, which Petitioners assert can be attributed to decreased profits generated by the industry. Division records corroborate Petitioners' analysis. See Exhibit A.

The Petitioners provided the Division with a financial analysis of the Illinois currency exchange industry for the period of 1999-2005. This analysis reveals that net income of the average store has declined over the last six years. After adjustments for inflation, net income over this period declined 21.5%.

The Petitioners also assert that costs have risen during this time period. After passage of the U.S. Patriot Act, currency exchanges were required to implement

additional safeguards to combat money laundering. These measures increased annual costs, further cutting into the income of the currency exchange.

4. Rates charged by currency exchanges or other similar entities located in other states for the same or similar services and the factors upon which those rates are based.

According to the Petitioners, twenty-four other states have established maximum check-cashing rates, and all but two of those states have rates that exceed the rates in Illinois. Thirteen states and Washington, DC can charge up to 10% of the face amount of the check that is being cashed. Ten additional states that regulate check cashing have not established a maximum rate for cashing checks. Eighteen states do not regulate the check-cashing industry. See Exhibit B, prepared by Petitioners, for a breakdown of check-cashing rates in other states. Petitioners assert that the rate for cashing checks in these states far exceeds the rate being charged in Illinois. The Division independently verified check-cashing rates of other states.

5. Rates charged by the United States Postal Service for the issuing of money orders and the factors upon which those rates are based.

The U.S. Postal Service does not cash checks; it does, however, issue money orders. This petition does not seek an increase in the allowable rates for issuing money orders and this factor is therefore not discussed here.

6. Reasonable Profit for A Currency Exchange.

Petitioners advance a number of pieces of data to support their assertion that Illinois currency exchanges no longer make a reasonable profit and, therefore, an increase in the maximum allowable rate for cashing checks is needed. The Lieutenant Governor, through his counsel and Senior Policy Advisor, appeared to argue that the rates at which currency exchanges would cash checks do not need to be as high as the Petitioners would

like, because they do not need to make as great of a profit as they would like. See Transcript of Hearing, at 52 ("This isn't just about profits for the industry."). The Office of the Lieutenant Governor's repeated references to "running a business" and "capitalism" would appear to concede that currency exchanges are entitled to make a profit. The struggle here is over whether the income generated by currency exchanges results in a *reasonable* profit.

According to the Petitioners' testimony, "a reasonable profit is one that compensates a business owner or investor commensurate with the risks which that owner or investor subjects their capital." The Petitioners assert that 40% of the currency exchanges whose financial statements were analyzed for the purposes of this petition did not report any profit at all. The Division's independent analysis of the 2005 annual reports for the entire currency exchange population confirms this assertion.

The petitioner's expert testified that over the period of 1999 to 2005 the average currency exchange experienced a decrease of net income of 1.7% per year. When that figure is adjusted for inflation, currency exchanges have experienced a loss in profit of 4% annually. Division records for the six-year period corroborate that the currency exchange industry is experiencing a significant downshift in profit. Petitioners also assert that 67% of their revenue comes from check cashing, making the rate that can be charged for cashing checks a significant factor in their overall profit. The Division's own records indicate that a significant portion of the currency exchange industry's income can be attributed to fees earned by check cashing.

B. Conclusion

Based on our consideration of the six statutory criteria, we conclude that the maximum allowable rate for check cashing should be increased. The last increase in rates occurred more than ten years ago. Surveys show that banks and other business entities are cashing checks for non-customers with less frequency, and when they do cash checks, they charge amounts that are in line with or greater than the rates that currency exchanges are allowed to charge. And the rates that Illinois currency exchanges can charge for cashing checks is far below the rate that currency exchanges in almost every other state can charge.

Petitioners have also presented compelling evidence with respect to their financial situation. It is undeniable that income and profits of currency exchanges have decreased in recent years. Nearly half of the businesses operating in this industry are experiencing no profit at all. The Division's own records reflect this downward movement in income. Opponents to the rate increase do not refute this. Adjusting rates upward could increase income of currency exchanges and help to stabilize profitability of the industry. It is the conclusion of this Division that the current rate structure is not reasonable, if we desire to keep this industry viable.

III. Maximum Rate Schedules

The Office of the Lieutenant Governor has asked that no rate increase be given. The Petitioners have asked the Division to implement the following check cashing rate schedule:

<u>Rate</u>	<u>Check Amount</u>
1.4% + \$1.00 + annual CPI adjustment	\$0 - \$100.00
2.75% + annual CPI adjustment	\$100.01 and above

A. Analysis

The Division has concluded that the following is the maximum allowable rate schedule:

<u>Rate</u>	<u>Check Amount</u>
1.4% + \$1.00	\$100.00 or less
2.25%	\$100.01 or more

Each factor considered in setting this rate schedule will be addressed separately below.

1. CPI adjustment

Petitioners have asked the Division to consider adding an automatic adjustment to the rate based on the Consumer Price Index (CPI). After careful analysis, the Division has decided for both legal and public policy reasons not to tie the rate schedule to the CPI.

An automatic CPI adjustment would be contrary to the legislative intent of the Currency Exchange Act. Section 19.3(A) of the Act makes it clear that the Division of Financial Institutions is an integral part of the rate-making process. The legislation specifically states, "The Illinois Department of Financial Institutions has the responsibility for regulating the operations of currency exchanges and has the expertise to determine reasonable maximum rates to be charged for check cashing and money order purchases. Therefore, it is in the public interest, convenience, welfare and good to have

the Department establish reasonable maximum rate schedules for check cashing and the issuance of money orders[.]” To attach the rate to the CPI would mean that check-cashing rates would change without the oversight of the Division. This contravenes the intent of the legislature.

Even assuming that the law permits the Division to establish by rule an annual CPI adjustment, the Division considers such a move to be contrary to the public interest. An annual CPI adjustment would save the industry and the state the time and expense of the multi-step rate-making process that the rules currently require. This process, however, best ensures that the public is given adequate time to consider a proposed rate increase and to make whatever comments it deems appropriate. Because many members of the public rely on currency exchanges for their financial needs, the Division has decided not to adopt a rule that would shut the public out of the rate-making process.

We reject the Petitioners’ contention that this Division should adopt the practice established last year in New York that allows currency exchange rates to be tied to the CPI. *See* N.Y. Comp. Codes R. & Regs. Tit. 3, § 400.12(b). Petitioner’s characterization of New York’s action is not entirely correct. In New York, a CPI adjustment takes effect, if ever, only after the Superintendent notifies legislative leaders of the change. N.Y. Banking Law § 372(3); NY. St. Reg. June 24, 2004, at 4 (noting that the Banking Law mandates that the Superintendent notify legislative leaders at least 30 days before the maximum fee becomes effective). Moreover, the Superintendent retains the authority to set a different maximum fee if he or she finds that such a fee is “necessary and appropriate.” N.Y. Comp. Codes R. & Regs. Tit. 3, § 400.12(b). Thus, in New York the

CPI helps guide the Superintendent in establishing the maximum check-cashing rates, but it does not operate to automatically adjust the rate.

The legal differences between the rate-making procedures in New York and Illinois also make the New York model less appropriate for Illinois. In New York, the Superintendent of Banks has "virtually unchecked authority to set the maximum check cashing fees by regulation." NY. St. Reg. June 24, 2004, at 4 (referring to the conclusion of the banking department's legal division). Moreover, the regulatory and rule-making process in New York is not overseen by the legislature. See N.Y. State A.P.A. § 202. In Illinois, the Currency Exchange Act requires that rates be set "by rules adopted in accordance with the Illinois Administrative Procedure Act," 205 ILCS 405/19.3(B), and under the Illinois Administrative Procedure Act (APA), 5 ILCS 100, a legislative committee, the Joint Committee on Administrative Rules, has the power to block proposed rules that constitute a "serious threat to the public interest, safety, or welfare." 5 ILCS 100/5-115. Establishing an automatic annual CPI adjustment to the maximum rate for check-cashing would strip JCAR of jurisdiction to review future CPI-based rate adjustments, which is precisely contrary to setting rates via administrative rule-making. One might argue that this is precisely the point of establishing a CPI adjustment, i.e., to make rates responsive solely to economic forces. The current statutory framework for rate-making in Illinois, however, does not permit such action, and an amendment to this framework could be accomplished only by amending the Currency Exchange Act, the APA, or both.

In general, the state should proceed with restraint when trying to legislate economic forces. CPI adjustments that are enforced by an external entity, e.g., the

government, are sometimes appropriate to correct economic imbalances, particularly when those imbalances are a harm to the public. For example, while inflation quickly becomes apparent in higher retail prices, it more slowly (if ever) becomes reflected in higher wages. The currency exchange industry faces less risk than workers in this regard. The fact that the maximum check-cashing rate is a *percentage* of the face value of the check means that the effects of inflation on business expenses will be at least partially offset by the effects of inflation on revenue, namely, by the fact that the face value of checks will also become more inflated, resulting in the collection of more fees.² Thus, the industry's purported need for an automatic CPI adjustment is outweighed by the consumer's need for more, not less, protection from inflation.

2. The Rates

The Petitioners proposed specific rates that they would like the Division to adopt as the new maximum allowable rates. The Petitioners have asserted that the Illinois check cashing rates are among the lowest of all states that regulate this industry, and they further assert that increasing the rates to reach the levels they are requesting will only raise Illinois' rates above that charged in three other states: New Jersey, Delaware, and Connecticut. The Division specifically requested from the Petitioners an analysis to establish how they concluded that their proposed rates were appropriate. The Division has examined the rebuttal submission from the Petitioners, but it has still not seen a satisfactory analysis. Therefore, the Division has had to rely upon its own financial analyses in establishing an appropriate rate schedule.

² The Division recognizes that if wages stagnate then the face value of payroll checks will also stagnate, which would mean the currency exchanges would not experience inflated revenue for cashing payroll checks. Inflationary forces would be exerted on other types of checks, however (e.g., social security benefits).

The Division agrees with the Petitioner that it is appropriate to set the rate at the first tier (for checks \$100 or less) at 1.4% + \$1.00. Currency exchanges incur costs every time they cash a check presented to them. The direct costs are labor and banking fees. When the maximum allowable rate that can be charged is a straight percentage of the face value of the check, currency exchanges often lose money when they cash a check that is a low denomination. Yet, it would go against public policy to create a system that would actually discourage a currency exchange from cashing checks for small amounts. For checks of small denominations, it is therefore necessary to allow a fixed transaction fee (\$1.00) that does not fluctuate depending on the face value of the check.

For example, suppose a senior citizen living on a fixed income received notice that she had been overcharged for her medication, and that notice was accompanied by a check for \$20.00. The senior might bring that check to a currency exchange to be cashed. If the currency exchange could only charge 1.40% of the face value of that check (\$20), the currency exchange would only be able to charge \$0.28. It is unlikely the currency exchange would be able to recoup the costs associated with processing that check. This creates a disincentive for the currency exchange to cash checks for small amounts, but if the currency exchange will not cash the check, this consumer might be left with no other way to redeem her \$20.00 check.

The Division has rejected the Petitioner's contention, however, that it is necessary to set the rate charged for checks that exceed \$100 at 2.75%. While the Division believes that a rate hike is necessary in order to ensure that currency exchanges continue to earn a profit, raising the maximum allowable rate to 2.25% would ensure that currency exchanges earn the profit the Petitioners' own experts concluded would be appropriate.

In their Rebuttal Submission, Petitioners state:

As stated in Navigant Consulting's written submission and in Mr. Ford's testimony, in Mr. Ford's opinion, a reasonable rate of return on revenue for Illinois currency exchanges ranges from 11.8% to 28.7% with the mid point of that range being 20.3%. (Rebuttal Submission, at 2.)

In making the analysis the Division used the various rates to analyze a number of scenarios to approximate the effect different rate structures would have on industry profitability and individual store profitability. Using the selected rates (1.4% + \$1.00 for checks of \$100 or less / 2.25% for checks that exceed \$100), and with all other factors constant, the average increase in check cashing costs to consumers was approximately 23%. See Exhibit C for a summary of the Division's calculations. This 23% increase in check cashing revenue was then applied to industry aggregate data to demonstrate the projected effect on industry aggregate rate of return on revenue, which is approximately 21%. See Exhibit D. This rate of return on revenue of 23% falls squarely within the range the Petitioners themselves asserted was a reasonable rate of return on revenue.

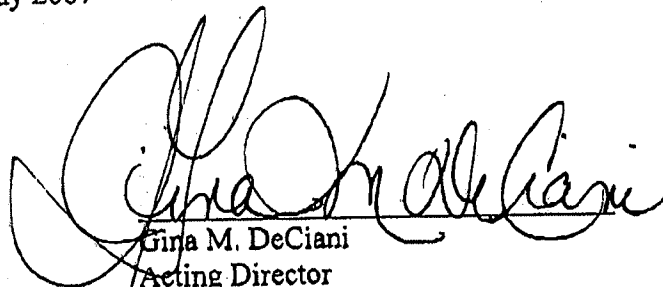
The industry's expert also testified that approximately 40% of the licensees in the sample studied were not profitable. A review of 2005 Annual Report data appears to substantiate the expert's opinion. The same method used with the aggregate data was applied to store by store data to evaluate the impact the rate increase would have on individual stores, especially on those stores whose profitability was questionable. It is projected that the rate increase, if fully implemented, will allow 149 stores to regain profitability. See Exhibit E.

B. Decision

Therefore, pursuant to administrative rule, 38 Ill. Adm. Code 125.100(1)(3), the Acting Director of this Division will file a proposed rule within 30 days to set the maximum allowable rate for check cashing as follows:

<u>Rate</u>	<u>Check Amount</u>
1.4% + \$1.00	\$100.00 or less
2.25%	\$100.01 or more

Entered this 16th day of May 2007



Gina M. DeCiani
Acting Director
Department of Financial and Professional Regulation
Division of Financial Institutions

Currency Exchange Industry Profitability Analysis Calendar Years Ending 1999 through 2005

	1999	2000	2001	2002	2003	2004	2005	Average 1999-2005	% of Revenue
Revenue:									
Check Cashing Fees	\$ 114,072,787.00	\$ 124,652,032.00	\$ 125,958,473.00	\$ 126,588,747.00	\$ 129,294,259.00	\$ 127,523,413.00	\$ 125,507,715.00	\$ 124,799,632.29	67.98%
Money Order Fees	\$ 12,492,227.00	\$ 13,128,143.00	\$ 13,434,694.00	\$ 13,539,894.00	\$ 13,082,883.00	\$ 11,959,315.00	\$ 11,280,446.00	\$ 12,708,228.86	6.92%
License Platf/City Sticker Fees	\$ 17,045,523.00	\$ 17,684,070.00	\$ 18,290,084.00	\$ 17,682,672.00	\$ 18,025,429.00	\$ 18,345,302.00	\$ 19,219,560.00	\$ 18,040,377.14	9.82%
Utilities Fees	\$ 4,805,348.00	\$ 5,532,684.00	\$ 6,570,856.00	\$ 7,086,358.00	\$ 7,340,024.00	\$ 7,263,382.00	\$ 7,626,316.00	\$ 6,603,567.14	3.60%
Other Revenue	\$ 21,282,805.00	\$ 22,877,731.00	\$ 21,043,017.00	\$ 19,805,778.00	\$ 22,254,560.00	\$ 21,438,452.00	\$ 21,740,930.00	\$ 21,489,039.00	11.76%
Revenue Adj	\$ 105.00	\$ 17.00	\$ 5,653.00	\$ 1.00	\$ 6,187.00	\$ 387.00	\$ 3.00	\$ 1,770.43	0.00%
Total Revenue	\$ 169,678,795.00	\$ 183,854,677.00	\$ 185,302,819.00	\$ 184,713,449.00	\$ 189,998,117.00	\$ 186,570,250.00	\$ 185,374,970.00	\$ 183,841,868.14	100.00%
Expense:									
Total Expense	\$ 152,570,862.00	\$ 161,028,086.00	\$ 168,612,523.00	\$ 168,215,921.00	\$ 175,230,465.00	\$ 178,611,280.00	\$ 171,179,788.00	\$ 167,921,274.86	91.44%
Net Income	\$ 17,107,933.00	\$ 22,826,592.00	\$ 16,690,296.00	\$ 16,497,528.00	\$ 14,767,652.00	\$ 7,958,970.00	\$ 14,195,182.00	\$ 15,720,593.29	8.56%

EXHIBIT
A

**Comparison of Maximum Rates in
Other Regulated States for Cashing a \$400 Commerical Check**

	STATE	MAXIMUM RATE	MAXIMUM FEE
1.	Arizona	No limit	
2.	California	No limit	
3.	Kentucky	No limit	
4.	Massachusetts	No limit	
5.	Minnesota	No limit	
6.	Nevada	No limit	
7.	New York	No limit	
8.	Ohio	No limit	
9.	Pennsylvania	No limit	
10.	Utah	No limit	
11.	Virginia	No limit	
12.	Washington	No limit	
13.	Wisconsin	No limit	
14.	Indiana	10%	\$40.00
15.	Louisiana	10%	\$40.00
16.	South Carolina	7%	\$28.00
17.	Washington D.C.	7%	\$28.00
18.	Arkansas	6%	\$24.00
19.	Florida	5%	\$20.00
20.	Georgia	5%	\$20.00
21.	Hawaii	5%	\$20.00
22.	Maine	5%	\$20.00
23.	Mississippi	5%	\$20.00
24.	North Carolina	5%	\$20.00
25.	Rhode Island	5%	\$20.00
26.	Tennessee	5%	\$20.00
27.	Vermont	5%	\$20.00
28.	Maryland	4%	\$16.00
	Illinois (proposed)	2.75%	\$11.00
29.	Connecticut	2%	\$8.00
30.	Delaware	2%	\$8.00
31.	New Jersey	2%	\$8.00
32.	Illinois (current)	1.4% + \$.90	\$6.50
33.	West Virginia	1%	\$4.00

EXHIBIT

B

Rate Comparison Current vs. DFI Proposed

From	To	Current Fee	DFI Proposed Fee	Monetary Increase	% Increase in Fee
\$1.00	\$4.99	\$0.91	\$1.01	\$0.10	10.94%
\$5.00	\$9.99	\$0.97	\$1.07	\$0.10	10.31%
\$10.00	\$14.99	\$1.04	\$1.14	\$0.10	9.62%
\$15.00	\$19.99	\$1.11	\$1.21	\$0.10	9.01%
\$20.00	\$24.99	\$1.18	\$1.28	\$0.10	8.47%
\$25.00	\$29.99	\$1.25	\$1.35	\$0.10	8.00%
\$30.00	\$34.99	\$1.32	\$1.42	\$0.10	7.58%
\$35.00	\$39.99	\$1.39	\$1.49	\$0.10	7.19%
\$40.00	\$44.99	\$1.46	\$1.56	\$0.10	6.85%
\$45.00	\$49.99	\$1.53	\$1.63	\$0.10	6.54%
\$50.00	\$54.99	\$1.60	\$1.70	\$0.10	6.25%
\$55.00	\$59.99	\$1.67	\$1.77	\$0.10	5.99%
\$60.00	\$64.99	\$1.74	\$1.84	\$0.10	5.75%
\$65.00	\$69.99	\$1.81	\$1.91	\$0.10	5.52%
\$70.00	\$74.99	\$1.88	\$1.98	\$0.10	5.32%
\$75.00	\$79.99	\$1.95	\$2.05	\$0.10	5.13%
\$80.00	\$84.99	\$2.02	\$2.12	\$0.10	4.95%
\$85.00	\$89.99	\$2.09	\$2.19	\$0.10	4.78%
\$90.00	\$94.99	\$2.16	\$2.26	\$0.10	4.63%
\$95.00	\$99.99	\$2.23	\$2.33	\$0.10	4.48%
\$100.01	\$104.99	\$2.30	\$2.25	-\$0.05	-2.17%
\$150.01	\$154.99	\$3.00	\$3.38	\$0.38	12.50%
\$200.01	\$204.99	\$3.70	\$4.50	\$0.80	21.62%
\$250.01	\$254.99	\$4.40	\$5.63	\$1.23	27.84%
\$300.01	\$304.99	\$5.10	\$6.75	\$1.65	32.35%
\$350.01	\$354.99	\$5.80	\$7.88	\$2.08	35.78%
\$400.01	\$404.99	\$6.50	\$9.00	\$2.50	38.46%
\$450.01	\$454.99	\$7.20	\$10.13	\$2.93	40.63%
\$500.01	\$505.00	\$9.25	\$11.25	\$2.00	21.62%
\$505.01	\$510.00	\$9.34	\$11.36	\$2.02	21.62%
\$600.01	\$605.00	\$11.10	\$13.50	\$2.40	21.62%
\$700.01	\$705.00	\$12.95	\$15.75	\$2.80	21.62%
\$800.01	\$805.00	\$14.80	\$18.00	\$3.20	21.62%
\$900.01	\$905.00	\$16.65	\$20.25	\$3.60	21.62%
\$1,000.01	\$1,005.00	\$18.50	\$22.50	\$4.00	21.62%
\$1,100.01	\$1,105.00	\$20.35	\$24.75	\$4.40	21.62%
\$1,200.01	\$1,205.00	\$22.20	\$27.00	\$4.80	21.62%
\$1,300.01	\$1,305.00	\$24.05	\$29.25	\$5.20	21.62%
\$1,400.01	\$1,405.00	\$25.90	\$31.50	\$5.60	21.62%
\$1,495.01	\$1,500.00	\$27.66	\$33.64	\$5.98	21.62%

Average Increase in Cost Across Brackets

22.92%

*The Current Fee is based on the maximum allowable rate effective January 1, 1997 and remains in effect today.
The DFI Proposed fee is based on the rate being recommended for rulemaking as the maximum allowable rate.

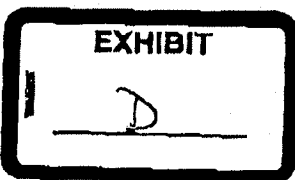
EXHIBIT

c

Currency Exchange Industry Profitability Analysis CYE 1999 through 2005 Based on a 23% Increase in Check Cashing Revenue

	1999	2000	2001	2002	2003	2004	2005 Average	1999-2005 Revenue	% of
Revenue:									
Check Cashing Fees	\$ 114,072,787.00	\$ 124,652,032.00	\$ 125,958,473.00	\$ 126,598,747.00	\$ 129,294,259.00	\$ 127,523,413.00	\$ 124,799,622.29	125,507,715.00	58.77%
Incremental/Increase 23%	\$ 26,236,741.01	\$ 28,669,967.36	\$ 26,970,448.79	\$ 28,115,411.81	\$ 29,737,679.57	\$ 29,330,364.99	\$ 28,866,774.45	28,866,774.45	13.52%
Money Order Fees	\$ 12,492,227.00	\$ 13,128,143.00	\$ 13,434,694.00	\$ 13,539,894.00	\$ 13,082,063.00	\$ 11,999,315.00	\$ 11,280,446.00	11,280,446.00	5.98%
License PlatelCity Sticker Fees	\$ 17,045,523.00	\$ 17,664,070.00	\$ 18,290,084.00	\$ 17,692,672.00	\$ 18,025,429.00	\$ 18,345,302.00	\$ 19,219,560.00	19,219,560.00	8.50%
Utilities	\$ 4,805,348.00	\$ 5,532,684.00	\$ 6,570,858.00	\$ 7,086,358.00	\$ 7,340,024.00	\$ 7,263,382.00	\$ 7,626,316.00	7,626,316.00	3.11%
Other Revenue	\$ 21,262,805.00	\$ 22,877,731.00	\$ 21,043,017.00	\$ 19,805,778.00	\$ 22,254,560.00	\$ 21,438,452.00	\$ 21,740,930.00	21,740,930.00	10.12%
Revenue Adj	\$ 105.00	\$ 17.00	\$ 5,693.00	\$ 1.00	\$ 6,167.00	\$ 387.00	\$ 3.00	3.00	0.00%
Total Revenue	\$ 195,915,536.01	\$ 212,524,644.36	\$ 214,273,267.79	\$ 213,828,860.81	\$ 219,735,796.57	\$ 215,900,634.99	\$ 214,241,744.45	\$ 212,345,763.57	100.00%
Expense:									
Total Expense	\$ 152,570,862.00	\$ 161,028,085.00	\$ 168,612,523.00	\$ 168,215,921.00	\$ 175,230,465.00	\$ 178,611,280.00	\$ 171,179,788.00	\$ 167,921,274.85	79.05%
Net Income w/ Rate Increase	\$ 43,344,674.01	\$ 51,496,559.36	\$ 45,660,744.79	\$ 45,612,939.81	\$ 44,505,331.57	\$ 37,289,354.99	\$ 43,061,956.45	\$ 44,424,508.71	20.92%
Net Income	\$ 17,107,933.00	\$ 22,826,592.00	\$ 16,690,296.00	\$ 16,497,528.00	\$ 14,767,652.00	\$ 7,958,970.00	\$ 14,195,182.00	\$ 15,720,593.29	7.40%
Change in Net Income	\$ 26,236,741.01	\$ 28,669,967.36	\$ 28,970,448.79	\$ 29,115,411.81	\$ 29,737,679.57	\$ 29,330,384.99	\$ 28,866,774.45	\$ 28,702,915.43	13.52%

Note: CYE means Calendar Year Ending

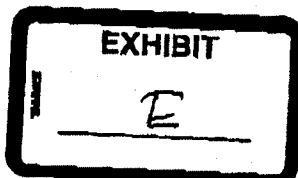


Summary Analysis of Impact of Rate Increase on Individual Currency Exchanges

	CYE 2005 data adjusted to reflect effect of		
	CYE 2005 proposed rate increase		Change
Net Income greater than 0	376	525	149
Net Income less than or equal to 0	266	117	-149
% profitable	58.57%	81.78%	23.21%
% unprofitable	41.43%	18.22%	-23.21%

149 stores or 23.21% are projected to regain profitability as a result of the rate increase

Note: CYE means Calendar Year Ending



Tab 6

Compiled Financial Data for All Currency Exchanges Reported to IDFPR

TRANSACTION DATA										
	2008	2009	2010	2011	2012	2013	2014	2015		
Total Number of Exchanges Included in Report	580	535	508	484	488	447	419	421		
Total Year End Active Licensee's	557	514	485	462	432	424	406	N/A		
Total Number of Checks Cashed	18,346,107	14,774,361	17,065,359	13,001,494	12,913,549	10,601,473	9,780,868	10,999,544		
Total Dollar Amount of Checks Cashed	8,328,062,756	7,483,083,164	6,729,468,021	6,699,570,170	6,275,558,497	4,988,166,967	4,773,709,331	4,576,376,414		
Total Number of Money Orders Issued	14,923,963	52,874,233	26,599,842	11,558,309	11,101,581	9,845,216	9,618,351	11,315,743		
Total Dollar Amount of Money Orders Sold	4,360,339,206	4,632,987,526	3,758,584,718	4,100,071,981	3,445,619,995	3,086,423,754	3,023,282,987	2,932,246,378		
REVENUE										
Check Cashing Fees	130,443,602	105,915,712	100,179,059	93,665,180	85,253,613	79,137,344	75,530,525	73,299,270		
Money Order Fees	8,908,100	7,891,067	7,261,381	6,392,682	5,944,594	5,645,444	5,562,410	5,365,258		
License Plate & City Sticker Fees	20,314,859	20,023,924	20,184,775	19,936,592	19,907,409	22,297,702	24,390,085	22,009,646		
Utilities	8,526,021	8,673,743	8,559,740	8,419,688	8,449,280	8,305,383	8,111,355	8,727,344		
Other Revenue	27,944,051	25,811,835	24,332,347	27,479,729	31,983,730	29,329,378	31,320,724	37,146,866		
Revenue - Adjustments	176	235,580	195	313	(3)	61,491	483	N/A		
Adjustments - Reconciliation	0	(139,292)	1,862	0	1	89	(3)	(1,994,326)		
Total Revenue	199,136,809	168,412,569	160,519,359	155,894,184	151,538,624	144,776,831	144,915,579	144,554,058		
EXPENSES										
Employee Payroll	61,911,286	56,733,852	51,387,437	49,765,767	48,448,658	47,382,775	46,969,662	48,555,847		
Employee Benefits	2,473,524	2,091,107	2,046,953	2,083,355	2,019,303	1,818,703	1,833,228	1,815,172		
Payroll Taxes	4,681,200	4,298,771	4,159,871	4,166,380	4,030,769	3,772,068	3,760,136	4,199,792		
Bank Charges - Money Orders	1,709,256	1,480,268	1,722,477	1,123,644	1,069,789	766,791	623,090	463,462		
Bank Charges - Check & Other Services	9,106,074	8,521,041	8,374,783	8,226,475	8,087,755	8,385,057	8,276,344	9,373,769		
Armored Car	3,192,228	3,016,159	2,313,138	1,855,955	1,668,882	1,474,580	1,406,138	1,363,439		
Telephone & Telegram	3,329,497	3,056,326	2,685,337	2,511,689	2,374,312	2,277,607	2,069,575	1,913,334		
Collection & Bad Debt	9,819,298	6,034,231	6,340,925	4,828,507	4,949,168	4,659,961	4,356,257	4,955,897		
Rent	15,666,955	14,642,750	13,982,483	13,377,338	12,821,447	12,718,120	12,442,773	12,847,452		
Equipment Including Leasing Cost	88,414	61,353	80,827	30,529	367,866	104,596	170,772	157,996		
Depreciation	4,423,767	4,626,575	3,734,601	4,761,563	3,108,559	2,786,617	2,505,981	2,575,613		
Maintenance	5,064,170	4,995,908	4,713,163	4,466,669	3,985,645	4,264,023	4,733,955	5,061,579		
Depreciation (Auto)	101,293	96,985	140,402	108,472	48,915	46,251	10,377	14,715		
Amortization (Leasehold Improvements)	1,359,999	1,880,370	1,055,180	1,087,557	826,498	691,112	783,765	699,502		
Depreciation (Building)	39,023	41,653	51,187	26,947	34,777	24,519	22,697	22,697		
Postage	141,289	140,007	124,463	125,272	169,808	130,534	82,927	35,917		
Supplies	5,142,703	4,378,513	3,909,136	3,288,201	3,040,947	3,230,136	3,141,223	3,272,833		
Security & Alarm	2,394,093	2,210,541	1,947,490	1,825,790	1,797,929	1,744,040	1,745,797	1,669,270		
Utilities	3,708,504	3,491,409	3,436,992	3,106,192	2,582,128	2,547,422	2,687,283	2,546,293		
Automobile	1,370,175	1,181,771	946,387	863,712	663,130	573,930	480,916	469,088		
Cash Difference	2,966,511	2,040,233	1,940,318	1,869,280	1,865,501	1,924,518	1,239,968	1,414,680		
Blanket Bond	1,902,563	1,621,029	1,455,997	1,277,110	1,137,776	988,904	891,220	743,239		
Surety Bond	605,236	655,980	523,000	505,239	502,342	600,577	374,223	332,295		
Other Insurance	3,318,967	3,107,005	2,914,722	2,633,844	2,486,916	2,207,025	2,144,064	2,201,266		
Income Taxes (Federal, State)	166,180	208,895	280,567	249,649	155,198	392,936	191,584	141,234		
Other Taxes	297,121	603,439	617,549	1,240,258	854,082	852,902	811,175	768,302		
Legal & Accounting Fees	3,975,432	3,650,989	3,352,996	3,329,603	3,071,414	2,961,195	2,813,330	2,714,243		
Association Dues	988,616	1,163,599	988,999	970,049	933,710	789,249	677,585	728,547		
State License	395,584	394,867	251,824	227,747	177,489	178,383	270,258	229,919		
Interest	3,248,448	2,237,060	2,260,113	2,972,489	1,634,695	1,512,403	1,581,164	1,581,164		
Advertising	3,130,613	1,886,887	1,871,984	1,861,239	1,612,436	1,521,226	76,416	61,357		
Contributions	146,010	85,349	110,999	83,059	117,527	64,576	76,416	61,357		
License Service	1,345,967	1,317,720	1,335,810	1,739,320	1,667,386	2,090,967	2,108,095	2,109,433		
Miscellaneous	9,579,665	7,220,694	7,232,958	8,180,367	10,000,077	7,873,666	7,116,214	6,937,074		
Officer(s)/Owner(s) Salaries	5,944,561	5,534,732	4,714,682	4,856,647	3,995,434	3,807,080	4,205,142	3,475,198		
Management Fee for Working Officer(s)/Owner(s)	11,770,764	8,643,186	8,644,540	9,740,752	7,972,629	11,503,730	12,173,842	16,168,688		
Expenses - Adjustments	(8)	51	(197)	8	76	53	N/A	N/A		
Adjustment - Reconciliation	(91,465)	(136,995)	1	1	(1,673)	296	381	0		
Total Expenses	185,414,413	163,214,290	151,750,034	149,366,675	140,966,027	138,751,223	136,457,263	142,344,416		
Net Income (Loss) (Line 6 - Line 43)	10,581,415	5,198,277	8,769,124	6,527,511	10,570,756	6,025,817	8,692,515	4,203,368		
Net Income Adjustment - Reconciliation	140,981	2	201	(2)	1,841	(209)	(234,199)	(1,994,326)		
FINAL Net Income (Loss) (Line 6 - Line 43)	10,581,415	5,198,277	8,769,124	6,527,511	10,570,756	6,025,817	8,692,515	4,203,968		

**TABLES OF FINANCIAL INFORMATION AND COMMENTS ON
CURRENCY EXCHANGE PERFORMANCE 2008-2015**

TABLE A

A. Number of Currency Exchanges Still in Business:

2008	580
2009	535
2010	506
2011	484
2012	488
2013	447
2014	419
2015	421
2016	393 (Dec. 2016)

Shows:

1. Steady decline
2. Significant decline (159 stores/27% decline)
3. Said another way, there were almost 38% more currency exchanges operating in 2008 than there were in 2015.
4. Shows decline of 187 stores from 2008 through the end of 2016. That is a decline of over 32%.
5. Stated another way, there were 47.5% more currency exchanges in business in 2008 than there are today.

TABLE B

B. Total Number of Checks Cashed Each Year by All Currency Exchanges:

2008	18,346,107
2009	14,774,361
2010	17,065,339
2011	13,001,494
2012	12,913,549
2013	10,601,473
2014	9,780,858
2015	10,999,544

Shows:

1. Shows big decline in number of checks cashed -- 7,346,563 or over 40%
2. Said another way, there was 67% more checks cashed in 2008 than there were in 2015.
3. Check cashing is the largest component by far of revenue per store.

TABLE C

C. Aggregate Check Cashing Revenue:

2008	\$130,443,602
2009	\$105,915,712
2010	\$100,179,059
2011	\$ 93,665,180
2012	\$ 85,253,613
2013	\$ 79,137,344
2014	\$ 75,530,525
2015	\$ 73,299,270

Shows:

1. Check cashing revenues for the industry has declined significantly
2. Check cashing revenues have declined steadily
3. Check cashing revenues have declined by \$57,144,332
4. Check cashing revenues have declined by almost 43%
5. Said another way, check cashing revenues were almost 78% more in 2007 than they were in 2015.

TABLE D

D. Check Cashing Revenue Per Currency Exchange:

2008	\$224,902
2009	\$197,973
2010	\$197,982
2011	\$193,523
2012	\$174,699
2013	\$177,041
2014	\$180,264
2015	\$174,108

Shows:

1. Despite consolidation in the industry, check cashing revenues per store have not increased; they are in decline.
2. In fact they have declined by \$50,794 per store.
3. Check cashing revenues per store in 2008 were over 29% greater per store than they were in 2015.

TABLE E**E. Total Dollar Amount of Checks Cashed:**

2008	\$8,328,062,756
2009	\$7,483,083,164
2010	\$6,729,468,021
2011	\$6,699,570,170
2012	\$6,275,558,497
2013	\$4,988,166,967
2014	\$4,773,709,331
2015	\$4,576,376,414

Shows:

1. A significant decline in the check cashing dollar volume.
2. Check cashing dollar volume decreased by \$3.75 billion over the eight-year period shown.
3. Check cashing dollar volume decreased by over 45% over the eight-year period
4. Said another way, the dollar volume of checks cashed in 2007 was over 80% higher than the dollar volume of checks cashed eight years later in 2015.

TABLE F

F. Average Check Size:

2008	\$454
2009	\$506
2010	\$394
2011	\$515
2012	\$486
2013	\$471
2014	\$488
2015	\$416

Shows:

1. Confirms the information in Table G below that the CE revenue per check has not changed much over the 8-year period.

TABLE G**G. Check Cashing Revenue Per Check:**

2008	\$7.11
2009	\$7.17
2010	\$5.87
2011	\$7.20
2012	\$6.60
2013	\$7.46
2014	\$7.72
2015	\$6.66

Shows:

1. As might be expected since rates and average check size as shown in Table G have not increased in the 8-year period under review, currency exchange revenue per check has not increased but has remained fairly constant.

TABLE H**H. Total Revenue Per Currency Exchange:**

2008	\$338,167
2009	\$314,790
2010	\$317,232
2011	\$322,095
2012	\$310,530
2013	\$323,886
2014	\$345,861
2015	\$343,359

Shows:

1. Despite consolidation in the industry and new sources of revenue, revenue per store has been fairly stagnant over the 8-year period under review.
2. This means a loss of revenue to the industry as a whole as the number of CE's has significantly decreased as shown in Table A.
3. This also means a loss of net income per currency exchange since expenses per currency exchange have not decreased, but rather have increased over the same 8-year period.

TABLE I**I. Total Expenses for All Currency Exchanges:**

2008	\$185,414,413
2009	\$163,214,290
2010	\$151,750,674
2011	\$149,366,675
2012	\$140,966,027
2013	\$138,751,223
2014	\$136,457,263
2015	\$142,344,416

Shows:

1. Total expenses for the industry have decreased with the decrease in the number of store.
2. The decrease in total expenses for the Industry was 22% over the 8-year period reviewed.
3. As shown on Table A however, the decrease in the number of currency exchanges was more dramatic – 27% over the 8-year period and 32% from 2008 through 2016.
4. That means that expenses per currency exchange store actually increased, as shown on the next Table -- Table J.

TABLE J

J. Expenses Per Currency Exchange (I ÷ A)

2008	\$319,680
2009	\$305,073
2010	\$299,903
2011	\$308,609
2012	\$288,865
2013	\$310,405
2014	\$325,674
2015	\$338,110

Shows:

1. Expenses per store have increased over the 8-year period (by about 5.75%).
2. This fact contributes to the decrease of net revenues per store.

TABLE K**K. Net Revenue for All Currency Exchanges**

2008	\$10,581,415
2009	\$ 5,198,277
2010	\$ 8,769,124
2011	\$ 6,527,511
2012	\$10,570,756
2013	\$ 6,025,817
2014	\$ 8,692,515
2015	\$ 4,203,968

Shows:

1. A significant decrease of earnings for the currency exchange industry over the 8-year period.
2. The industry earnings are \$6,397,447 less in 2015 than they were in 2008.
3. This is a 60% decline in earnings for the industry over this period
4. Said another way, aggregate earnings for the currency exchange industry in Illinois were an astounding 150% higher in 2008 than they were just eight years later in 2015.

TABLE L**L. Net Revenue Per Currency Exchange (K ÷ A)**

2008	\$18,244
2009	\$ 9,716
2010	\$17,330
2011	\$13,486
2012	\$21,661
2013	\$13,480
2014	\$20,746
2015	\$ 9,985

Shows

1. Stores are producing very low earnings.
2. Earnings per store are \$8,258 less per store in 2015 than they were in 2008
3. That is a 45% decline in net earnings per store.
4. Said another way, earnings per store were almost 83% higher in 2008 than they were eight years later.
5. The reduction in the already low level of store earnings is significant.

TABLE M**M. Net Revenues Plus Owner-Officer Salaries for All Currency Exchanges and Per Currency Exchange**

	Net Revenues	Officer/Owners' Salaries	Totals/All CE's	Per CE (C ÷ No. of CE's)
	A	B	C	D
2008	\$10,581,415	\$5,944,561	\$16,525,976	\$28,493
2009	\$ 5,198,277	\$5,534,732	\$10,733,009	\$20,062
2010	\$ 8,769,124	\$4,714,682	\$13,483,806	\$26,648
2011	\$ 6,527,511	\$4,856,647	\$11,384,158	\$23,521
2012	\$10,570,756	\$3,996,434	\$14,567,190	\$29,851
2013	\$ 6,025,817	\$3,807,060	\$ 9,832,877	\$21,997
2014	\$ 8,692,515	\$4,205,142	\$12,897,657	\$30,782
2015	\$ 4,203,968	\$3,475,198	\$ 7,679,166	\$18,240

1. Table M shows a fairly steady decline in net revenues and officer/owner salaries for all currency exchanges in the eight year period 2008-2015.
2. Table M also shows a dramatic decline in the total of net revenues and owner/officer salaries combined per currency exchange.
3. The last column shows that even after counting both net revenue and owner/officer salaries, and taking into account the decline in the number of currency exchanges, return on investment and sweat equity come out to fairly low numbers.

Tab 7

Check Cashing Charges Allowed by Other States



FINANCIAL SERVICE CENTERS OF AMERICA, INC.

Summary of State Check Cashing Laws - Updated August 2013

STATE	STATUTORY CITATION	PERMISSIBLE CHECK CASHING FEES			LICENSE OR REGISTRATION REQUIRED	NOTABLE EXEMPTIONS TO REGULATION	
		Public Assistance / Social Security Checks / Other Government Issued Checks	Personal	Other Checks (e.g. Payroll) and Money Orders			Statutorily Authorized Account Set-up / Membership Fee
Arizona	Ariz. Rev. Stat. §44-1361	3% of the face amount of the payment instrument or \$5, whichever is greater, for cashing any payment instrument issued by an agency of the United States or of Arizona or any political subdivision of the United States or of Arizona.	No cap.		None.	A license or registration is not required.	Check casher means any person who engages in the business of cashing payment instruments more than 10 times in any calendar year and who receives compensation of at least \$500 during any 30 day period for cashing payment instruments.
California	Cal. Civ. Code §1789.30	3% with valid identification for government checks, or 3.5% without identification, or \$3, whichever is greater.	12% of the face value of a personal check.	3% with valid identification for payroll checks, or 3.5% without identification, or \$3, whichever is greater.	Permitted to charge an amount not greater than \$10 to set up an initial account and issue an optional identification card.	A permit is required.	The law does not apply to a retail seller engaged primarily in the business of selling consumer goods, including consumables, to retail buyers that cash checks or issue money orders for a fee not exceeding \$2 as a service to its customers that is incidental to its main purpose or business.
Connecticut	Conn. Gen. Stat. §36a-580	1% for state drawn checks payable within the state to recipients of public assistance.	2% or \$1, whichever is greater.		None.	A license is required.	The law does not apply to businesses that do not charge more than .50¢ for cashing a check, draft or other instrument.
Delaware	Del. Code Ann. Tit. 5 §2701	2%, or \$4, whichever is greater, for cashing a check, draft or money order.			None.	A license is required.	The law does not apply when checks, drafts or money orders are cashed by any person as an incident to the conduct of any other lawful business where not more than 10¢ is charged for cashing each check, draft or money order.
Florida	Fla. Stat Ann. §560.303	3% or \$5, whichever is greater, if payment instrument is for state public assistance or social security.	10% or \$5, whichever is greater, for personal checks.	5% of the face amount of the payment instrument, or \$5, whichever is greater; 10% or \$5, whichever is greater for money orders.	Direct costs of verification, not to exceed \$5, as established by rule.	A license is required.	The law does not apply to persons engaged in the cashing of payment instruments that have an aggregate face value of less than \$2,000 per person per day and that are incidental to the retail sale of goods or services whose compensation for cashing payment instruments at each site does not exceed 5% of the total gross income from the retail sale of goods or services by such person during the last 60 days.
Georgia	GA. Code Ann. §7-1-700	3% or \$5, whichever is greater, for state public assistance or social security payable to the bearer of the check.	10% or \$5, whichever is greater, for personal checks.	5% of the face amount of the check or draft or \$5, whichever is greater; 10% or \$5, whichever is greater for money orders.	None.	A license is required.	A business may register (rather than be licensed) as a check casher if it engages in cashing checks, money orders, or other drafts for a fee limited to the greater of \$2 or 2% of the face amount of the check, whichever is greater. A registered casher of checks is not permitted to advertise its check cashing services.

Tab 7

STATE	STATUTORY CITATION	PERMISSIBLE CHECK CASHING FEES				LICENSE OR REGISTRATION REQUIRED	NOTABLE EXEMPTIONS TO REGULATION
		Public Assistance / Social Security Checks / Other Government Issued Checks	Personal	Other Checks (e.g. Payroll) and Money Orders	Statutorily Authorized Account Set-up / Membership Fee		
Hawaii	Haw. Rev. Stat. §480F-1	3% of face amount of the check or \$5, whichever is greater, for state public assistance or social security payable to the bearer of the check.	10% or \$5, whichever is greater, for personal checks.	5% or \$5 of face amount, whichever is greater, for all other checks; 10% or \$5, whichever is greater for money orders.	Limit of \$10 to set up an initial account and issue an optional membership or identification card.	A license or registration is not required.	The law does not apply to any person who is principally engaged in the bona fide retail sale of goods or services, and who, either as incident to or independent of the retail sale or service, from time to time cashes items for a fee or other consideration, where not more than \$2, or 2% of the amount of the check, whichever is greater, is charged for the service.
Illinois	815 Ill. Comp. Stat. Ann. §315/2; 38 Ill Adm. Code 130.30	1.4% of face amount plus a service charge of \$1 on all checks \$100 or less; 2.25% on checks greater than \$100.	1.4% of face amount plus a service charge of \$1 on all checks \$100 or less; 2.25% on checks greater than \$100.	1.4% of face amount plus a service charge of \$1 on all checks \$100 or less; 2.25% on checks greater than \$100.	None.	A license is required.	A merchant may offer check cashing services, in the course of such business and only as an incident thereto, and may charge fees for each check cashed provided that the check cashing services are incidental to the main business of the merchant. The merchant cannot charge fees in excess of the greater of .50¢ or 1% of the face value of the check cashed.
Indiana	Ind. Code §28-8-5	5% of the face amount or \$5, whichever is greater.	10% of the face amount of a personal check or \$10, whichever is greater.	5% of the face amount or \$5, whichever is greater, for all other checks.	None.	A license is required.	The law does not apply to person principally engaged in the bona fide retail sale of goods or services if: (1) the person, either incidental to or independent of a retail sale of goods or services, from time to time cashes checks; and (2) the consideration charged for cashing checks does not exceed \$5.
Kentucky	Ky. Rev. Stat. Ann. §286.9-010	No cap; licensee must conspicuously display a schedule of all fees and charges for authorized services.			None.	A license is required.	The law does not apply to any person who cashes checks without receiving, directly or indirectly, any consideration or fee. The law also does not apply to any person principally engaged in the retail sale of goods or services who, either as an incident to or independently of a retail sale, from time to time cash checks for a fee or other consideration.
Louisiana	La. Rev. Stat. Ann. §6:1001	2% of the face amount of the check or \$5, whichever is greater, for government issued checks.	10% of the total amount of the check presented for cashing or \$5, whichever is greater, for all other checks or money orders.		None.	A license is required (a person may engage in business at more than one location with one license).	The law does not apply to a business that cashes a check, draft, money order, or traveler's check, or other commercial paper if the fee charged does not exceed \$2 and the currency exchange is incidental to the primary business.
Maine	Me. Rev. Stat. Ann. tit. 32, §6131	3% with identification, or 4% without identification, or \$5, whichever is greater, if state public assistance or social security.	10% or \$5, whichever is greater, for personal checks.	5% of the face amount of the payment instrument with identification, or 6% without identification, or \$5, whichever is greater; 10% or \$5, whichever is greater, for money orders.	None.	Registration is required.	The law does not apply to a person who is primarily engaged in the business of selling tangible personal property or services at retail and does not derive more than 5% of its income from check cashing.
Maryland	Md. Code Ann., Fin. Inst. §12-101	2% of the face amount of the payment instrument or \$3, whichever is greater, for government checks.	10% or \$5 of face amount of the payment instrument, whichever is greater, for personal checks.	4% of face amount of the payment instrument or \$5, whichever is greater, for all other payment instruments.	A licensee may charge a one-time membership fee not to exceed \$5.	A license is required.	The law does not apply to check cashing services where a fee of up to 1.5% of the face amount of the payment instrument is charged and that are incidental to the retail sale of goods or services by the person that is providing the check cashing services.
Massachusetts	Mass. Gen. Laws Ann. ch. 169A §1	No cap; schedule of fees and charges to be charged for the cashing of checks, drafts or money orders must be filed annually by each licensee with the commissioner.			None.	A license is required.	A license is required only if a person engages in cashing checks, drafts or money orders for consideration in excess of \$1 per item.
Minnesota	Minn. Stat. Ann. §53A.01	No cap; fees charged by licensees at each location for check cashing services must be filed with and approved by the Commissioner of Commerce.			None.	A license is required. A license cannot be issued if the proposed place of business is located within one-half mile of another licensed currency exchange business.	The law does not apply to a person who provides check cashing services incidental to the person's primary business if the charge for cashing a check or draft does not exceed \$1 or 1% of the value of the check or draft, whichever is greater.
Mississippi	Miss. Code Ann. §75-67-501 (sunset provision in effect until July 1, 2015)	3% or \$5, whichever is greater, for government checks.	10% or \$5, whichever is greater, for personal checks.	5% or \$5, whichever is greater, for all other checks or money orders.	None.	A license is required.	Any person principally engaged in the retail sale of goods or services who, either as an incident to or independently of a retail sale, may from time to time cash checks for a fee, not exceeding 3% of the face amount of the check or \$10, whichever is greater. The fee must be conspicuously posted for public view.

Nevada	Nev. Admin. Code §604A.010	No cap; customer must receive and sign a written fee notice prior to transaction.			Tab 7	None.	A license is required.	None.
New Jersey	N.J. Stat. Ann. §17:15A-31	1% or 90¢, whichever is greater, for public assistance checks; 1.5% or 90¢, whichever is greater, for social security checks.	2.21% or \$1, whichever is greater, of the face amount for checks drawn on a depository institution or other financial entity.		None.	A license is required. No office or mobile office can be located within 2,500 feet of an existing licensee.	None.	
New York	N.Y. McKinney's Bank Law §366; 3 NY ADC 400.12	1.95% of the amount of the check, draft or money order, or (b) \$1, whichever is greater (fee is subject to annual adjustment based on increase in regional consumer price index).	1.95% of the amount of the check, draft or money order, or (b) \$1, whichever is greater (fee is subject to annual adjustment based on increase in regional consumer price index); there is no fee limitation for the cashing of commercial checks.		None.	A license is required. No license shall be issued to an applicant for a license, at a location to be licensed which is closer than one thousand five hundred eighty-four feet (three-tenths of a mile) from an existing licensee.	The law does not apply when checks, drafts or money orders are cashed, other than by a licensee, without a consideration or charge; nor when checks, drafts or money orders are cashed, other than by a licensee, as an incident to the conduct of any other lawful business where not more than \$1 is charged for cashing each check.	
North Carolina	N.C. Gen. Stat. §53-275	3% of the face amount or \$5, whichever is greater, for all government checks.	10% or \$5, whichever is greater, for personal checks.	5% or \$5, whichever is greater, for all other checks or money orders.	None.	A license is required.	The law does not apply to any person or entity principally engaged in the bona fide retail sale of goods or services, who either as an incident to or independently of a retail sale or service and not holding itself out to be a check-cashing service, from time to time cashes checks, drafts, or money orders for a fee or other consideration, where not more than \$2 is charged for the service.	
Ohio	Ohio Rev. Code Ann. §1315.21	3% of the face amount for state and federal government checks.	No cap.	No cap.	None.	A license is required.	The law does not apply to a business that is primarily engaged in the business of selling tangible personal property or services at retail and does not derive more than 5% of the person's gross income from the cashing of checks.	
Oregon	OR. St. Ann. 697.500	\$5 or 2% of the face value of the payment instrument, whichever is greater, for federal/state government checks if the person cashing the payment instrument provides valid government-issued identification; \$5 or 2.5% of the face value of the payment instrument if without valid government-issued identification; \$5 or 3% of the face value of the payment instrument, whichever is greater, for government checks issued by other states with valid government-issued identification; \$5 or 3.5% of the face value of the payment instrument, whichever is greater, for government checks issued by other states if without valid government-issued identification; total amount charged for cashing any check cannot be more than \$100.00.	\$5 or 10% of the face value of the payment instrument, whichever is greater; total amount charged for cashing any check cannot be more than \$100.00.	\$5 or 3% of the face value of the payment instrument, whichever is greater, for payroll checks with valid government-issued identification; \$5 or 3.5% of the face value of the payment instrument, whichever is greater, if without valid government-issued identification; any other payment instrument, \$5 or 10% of the face value of the payment instrument, whichever is greater; total amount charged for cashing any check cannot be more than \$100.00.	None.	A license is required.	The law does not apply to a person engaged in the bona fide retail sale of goods or services and not purporting to be a check-cashing business that, as an incident of or independent of a retail sale or service, from time to time cashes payment instruments for a fee, service charge or other consideration but does not charge more than \$2 or 2% of the face value of the payment instrument, whichever is greater.	
Pennsylvania	Pa. Stat Ann. Tit. 63, § 2301	2.5% of the face amount of government assistance checks, if the payee submits valid identification.	10% for personal checks.	3% for payroll checks.	A fee not to exceed \$10 is permitted to cover the cost of investigating a new customer's credit.	A license is required.	None.	
Rhode Island	R.I. Gen. Laws §19-14.4-1	3% of the face amount of the check or \$5, whichever is greater, for state public assistance or social security checks.	10% or \$5, whichever is greater, for personal checks.	5% or \$5, whichever is greater, on all other checks.	None.	A license is required.	The law does not apply to persons engaged in the business of cashing checks where that business is incidental to the person's retail sale of goods or services and the person charges not more than .50¢ per check cashed.	
South Carolina	S.C. Code Ann. §34-41-10	2% of the face amount of the check or \$3, whichever is greater.	7% or \$5, whichever is greater.	2% of the face amount of the check or \$3, whichever is greater, for electronically printed payroll checks; 7% or \$5, whichever is greater, for all other checks, including handwritten payroll checks and money orders.	None.	A license is required (two levels: Level I and II). Level II cannot engage in payday advance transactions.	The law does not apply to any person or entity principally engaged in the bona fide retail sale of goods or services, who either as an incident to or independently of a retail sale or service and not holding itself out to be a Level I or Level II check-cashing service, from time to time cashes checks, drafts, or money orders without a fee or other consideration.	

Tab 7

STATE	STATUTORY CITATION	PERMISSIBLE CHECK CASHING FEES			Statutorily Authorized Account Set-up/Membership Fee	LICENSE OR REGISTRATION REQUIRED	NOTABLE EXEMPTIONS TO REGULATION
		Public Assistance / Social Security Checks / Other Government Issued Checks	Personal	Other Checks (e.g. Payroll) and Money Orders			
Tennessee	TN Code Ann. §45-18-101	3% or \$2, whichever is greater of the face amount of the payment instrument, for public assistance or social security checks.	10% or \$5, whichever is greater, for personal checks.	5% or \$5, whichever is greater, for all other checks.	Licenses may charge a customer a one-time membership fee not to exceed \$10	A license is required.	The law does not apply to persons engaged in the cashing of payment instruments which is incidental to the retail sale of goods or services whose compensation for cashing payment instruments at each site does not exceed 5% of the gross receipts from the retail sale of goods or services by such person during its most recently completed fiscal year.
Utah	Utah Code Ann. §7-23-101	No cap; a check casher is required to post a complete schedule of all fees for cashing a check in a conspicuous location at its premises that can be viewed by a person cashing a check.			None.	Registration is required.	The law does not apply to a person that cashes a check in a transaction that is incidental to the retail sale of goods or services and for consideration that does not exceed the greater of: (i) 1% of the amount of the check; or (ii) \$1.
Vermont	Vt. Stat. Ann. Tit. 8, §2500	3% of the face amount or \$2, whichever is greater, for state public assistance or social security checks, if the customer cashing the payment instrument is the named payee.	10% or \$5, whichever is less, for personal checks.	5% or \$5, whichever is greater, for all other checks; 10% or \$5, whichever is less, for money orders.	Licenses may charge a customer a one-time membership fee not in excess of \$10	A license is required.	A seller of goods or services that cashes payment instruments incidental to or independent of a sale and does not charge for cashing the payment instrument a fee in excess of \$1 per instrument.
Virginia	Va. Code Ann. § 6.2-2100	No cap; registrant must file a statement of the fees charged at every location with the Commissioner. A notice stating the fees charged for cashing items must be conspicuously posted and displayed at all times.			None.	Registration is required.	The law does not apply to any person not holding himself/herself out to be a check cashing service, which is principally engaged in the bona fide retail sale of goods or services, who either as an incident to or independently of such retail sale or service, from time to time cashes items for a fee or other consideration, where not more than \$2 or 2% of the amount of the item, whichever is greater, is charged for the service.
Washington	Wash. Rev. Code Ann. §31.45.010	No cap; a schedule of the fees and the charges for the cashing of checks, drafts, money orders, or other commercial paper serving the same purpose shall be conspicuously and continuously posted in every licensed location.			None.	A license is required.	Director of Financial Institutions may grant a total or partial exemption to persons not primarily engaged in the business of cashing or selling checks upon concluding that such an exemption would not be detrimental to the public.
Washington, D.C.	DC Code Ann §26-301	2% of the face amount or \$3, for government issued checks.	10% of the face amount or \$5 for personal checks.	4% or \$5 of the face amount for payroll and all other checks; 10% of the face amount or \$5 for money orders.	A licensee may charge a customer a one-time membership fee not to exceed \$ 5.	A license is required.	The law does not apply to any person who cashes checks for no consideration or charge.
West Virginia	W. Va. Code Ann. §32A-3-1	1% of the face value cashed or \$1, whichever is greater.			None.	A license is required. Merchants deriving more than 5% of gross revenues from cashing checks must obtain the proper license from state Division of Banking.	A merchant primarily in the business of making retail consumer sales may offer check cashing services at its stores to accommodate its customers in the course of said business, and may collect a fee for the service, if the check cashing service and any fees charged are incidental to the main business of the merchant. Where a merchant derives more than 5% of gross revenues from cashing checks, the check cashing services are not considered incidental to the main business of the merchant, and the merchant is required to be licensed.
Wisconsin	Wis. Stat. Ann. §218.05	No cap.			None.	A license is required.	None.

The following states do not have a statutory or regulatory framework governing specifically check cashing services:

Alabama, Alaska, Arkansas, Colorado, Idaho, Iowa, Kansas, Michigan, Missouri, Montana, Nebraska, New Hampshire, New Mexico, North Dakota, Oklahoma, South Dakota, Texas and Wyoming.

DISCLAIMER: The Summary of State Check Cashing Laws has been compiled for information purposes for FISCA members only. To the best of our knowledge, this information is current, but FISCA cannot make assurances that there have not been changes. FISCA encourages the reader to obtain the advice of counsel with respect to the subject matter of this document.

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Tab 8

Noncustomer Check Cashing Charges Charged by 20 Top Banks

Why Cashing a Check at Someone Else's Bank May Leave You Feeling Robbed

[Katherine Muniz](#)

May 6th, 2016

When you receive a check, but don't have any way to deposit it, you have to go to the bank that issued the check if you want to cash it. However, it's going to cost you.

What are the fees at the top 20 banks?

We contacted the top 20 banks in the U.S. in order to determine their non-customer check-cashing fee policies, which we have compiled in a table below.

While some banks, like Capital One, Citibank and SunTrust maintain a policy of providing this service for free, other banks are profiting by charging anywhere from a percentage of the check to a \$10 fee.

Here are the fee policies of the top 20 U.S. banks (flat rates apply to business and personal checks unless otherwise specified) and how they changed in recent years:

Bank	Fee policy
Bank of America	\$6
BMO Harris Bank	\$10 (\$50 is the minimum amount you can cash)
BB&T	Free under \$50; Over \$50 a fee of \$8

Bank	Fee policy
Capital One	Free
Chase	\$6
BBVA Compass	\$7
Citibank	Free for checks under \$5,000
Fifth Third Bank	1% of the check amount (\$4 maximum)
HSBC Bank	Free for personal checks; \$3 for business checks under \$100 and \$5 for business checks of \$100 or more
KeyBank	\$7.50
M&T Bank	2% of the check amount (\$3 minimum)
PNC Bank	\$10
Regions Bank	Free under \$10, but above \$10, 1% of the check amount (\$2 minimum and \$20 maximum)
Citizens-Bank	\$7
SunTrust	Personal check is free; business check is \$7
TD Bank	\$7
Union Bank	\$5 fee for personal checks over \$100; \$5 for business checks over \$25

Bank	Fee policy
U.S. Bank	\$5
Wells Fargo	\$7.50

Every bank requires that you have two forms of government-issued ID (i.e. driver's license and U.S. passport) when you go into the branch to cash a check as a non-customer.

If you are trying to cash a check that is written to yourself and another person, remember that [these rules that apply](#) and it could cause more of a hassle to get your money.

Understanding how it works

Here's a simple scenario to show you how to deal with a cashing out a check as a non-customer:

1. Let's say you receive a Chase-issued check for \$100.
2. You personally bank at [Bank of America](#), but for whatever reason, can't make it to your bank's branch. You also need the money as soon as possible, so you decide to go to Chase to cash it.
3. When you arrive at Chase, you go to the counter and ask the teller to cash your check.
4. The teller tells you that since you are not a Chase member, you will, unfortunately, have to pay a \$6 fee for the cashing of your check.

Analyzing the data

Interestingly enough, compared to fees in 2013, some banks have increased their fees, while others have made their policy more affordable for the everyday consumers to cash, such as in the case of personal checks.

Bank of America, BBVA Compass and KeyBank are some of the big banks that have raised fees. Meanwhile, Fifth Third Bank and SunTrust have implemented lower fees for their check-cashing services.

What can you do if you don't have a bank account?

You may be wondering why anyone would ever go to a different bank to cash a check when their own bank provides the service for free.

As we illustrated in the above scenario, if you can't get to your bank, going to the bank of the issued check is your second resort. Or perhaps you don't have a bank account because of a bad banking history, which means you're on [ChexSystems](#).

Luckily, for people in this predicament, here are other ways to cash a check without a bank account. Keep in mind it's much more costly to cash checks without a bank account.

Tip: If you're tired of paying these types of fees because you're bankless, consider an online bank account. Here are the [best online bank](#) accounts to choose from. Also, here's our list of the [best second chance checking accounts](#).

Convenience stores and supermarkets

The nation's largest retailer, Walmart, offers check-cashing services that cost \$3 to cash checks of \$1,000 or less or \$6 for checks of over \$1,000 to \$5,000 (the maximum).

Also, some 7-Eleven locations have kiosks that will cash checks for a flat 0.99 percent fee. These are just two popular examples as cash-checking alternatives — you're local supermarket or convenience store may provide similar services.

Check-cashing stores

You may have noticed some local check-cashing stores. They'll cash your checks as you'd expect, but it may be more expensive than the other options — usually as a percentage fee or a percentage fee plus a flat fee.

Prepaid accounts

Today, there are many prepaid accounts that are capable of accepting mobile check deposits. Prepaid accounts are easier to obtain than checking accounts, so you can get one to cash checks on a regular basis.

Different types of payable instruments take different times to clear when you deposit them. [We performed an actual test](#) to compare the deposit speeds of personal checks, cashier's checks and money orders.

How to avoid frustrations if you're looking into the fee policies of banks

If you decide to do your own investigating because you have a check issued by a bank that isn't listed, we recommend calling the actual branch instead of the customer service

number (though sometimes that's difficult when bank branch numbers aren't listed online).

Branch members are much more familiar with the policies of daily transactions that occur at their branch locations, and as such, are better equipped to inform you about routine protocol. Customer service representatives are likely to ask you to hold while they look up the answer in their database, which isn't likely to be wrong, but may mean a longer wait time for you (though not drastically). Also, call well ahead of the branch's closing time, or you may be turned away.

Though many banks charge check cashing fees, depending on which bank you go to, you might be able to talk to someone and get the fee lowered or waived.

<https://www.mybanktracker.com/news/check-cashing-fees-top-banks>

Tab 9

Central Bank Illinois Check Cashing Account Related Charges

Tab 9

Home | Locations | Rates | About Us | Contact Us



Wishing You
Warm Holiday
Wishes



personal accounts | business accounts | loans | trust | calculators | additional services

December 20, 2016

Fee Schedule

This is a fee schedule of published services. If you have any questions regarding any of this content or questions about a service that is not listed, please contact us.

<ul style="list-style-type: none"> Account Closed Early Fee (Open less than 90 days) 	15.89
<ul style="list-style-type: none"> Account Reopen Fee (If closed in last 90 days) 	12.89
<ul style="list-style-type: none"> Account Research 	30.00 per hour
<ul style="list-style-type: none"> Reconciling Assistance 	20.00 minimum
<ul style="list-style-type: none"> ATM/Debit Card Replacement 	15.00
<ul style="list-style-type: none"> Check Cashing Non-Customers 	15.89
<ul style="list-style-type: none"> Check Printing 	Price depends on style
<ul style="list-style-type: none"> Coin Counting Non-Customers 	3.89 min. or 3% of Total
<ul style="list-style-type: none"> Decedent Report (\$35 maximum) 	6.50 per account
<ul style="list-style-type: none"> Deposited Checks Returned Unpaid 	5.89 (includes other items)
<ul style="list-style-type: none"> Dormant Fee 	5.00 per month
<ul style="list-style-type: none"> Faxes 	3.89 sending 1.89 receiving
<ul style="list-style-type: none"> Foreign Checks Deposited 	8.89 Canadian Checks 40.00 All other foreign checks***
Funds Transfer <ul style="list-style-type: none"> Employee Assisted by Telephone Online @ www.central-bank.com 24-Hour Telephone Banking 	2.89 FREE FREE
Image Copies <ul style="list-style-type: none"> First Two More than Two 	FREE 2.89 each
<ul style="list-style-type: none"> Indemnity Bond Fee (lost negotiable instrument) 	25.00
<ul style="list-style-type: none"> IRA Transfer - outgoing 	25.00

	7.50 Tab 9
<ul style="list-style-type: none"> License Renewal 	
License Title Correction/Transfer	50.89
Medallion Guarantee	
<ul style="list-style-type: none"> Central Bank Customer ONLY 	25.00
<ul style="list-style-type: none"> Return Item Fee Non-Sufficient Funds Fee Overdraft Privilege Fee 	*31.89 per item *31.89 per item (\$95.67 daily max) *31.89 per item (\$95.67 daily max)
Official Checks	
<ul style="list-style-type: none"> Money Orders & Cashier's Checks 	3.89
<ul style="list-style-type: none"> Photocopies 	.25
<ul style="list-style-type: none"> Safe Deposit Boxes Replace Lost Key Drill Box Open Late Rent Payment 	**22.89 to 82.89 price range 15.89 25.00 plus cost 1.89 per month
<ul style="list-style-type: none"> Account Transfer-OD Protection 	7.89
<ul style="list-style-type: none"> Statement - Addl. Account holder 	5.89
<ul style="list-style-type: none"> Statement Reprint 	5.89
<ul style="list-style-type: none"> Statement Reprint with Images 	8.89
<ul style="list-style-type: none"> Statement - Special Stmt. Cut Off 	10.89 each
Stop Payment	
<ul style="list-style-type: none"> with all check information without all check or ACH information 	24.89 each 37.89 each
<ul style="list-style-type: none"> Tax Levy/Garnishment/Citations Processing 	55.89
Wire Transfers	
<ul style="list-style-type: none"> Incoming-Domestic Incoming-Foreign/International Outgoing-Domestic Outgoing-Foreign/Internal 	4.89 14.89 29.89 65.89

*May be created by check, in person withdrawal, ATM withdrawal or other electronic means.

**Receive a discount with automatic payment.

***Subject to additional foreign bank charges

Tab 10

First Illinois Bank & Trust Checking Account Related Charges

STARTNEW CHECKING ACCOUNT

Minimum balance to open the account - You must deposit \$50.00 to open this account.

Fees:

A maintenance fee of \$9.95 will be charged each monthly statement cycle.

Additional Terms:

A \$3.00 direct deposit reward will be credited to your account each statement cycle in which you have a direct deposit. Transfers from another First Mid-Illinois Bank & Trust Account are not counted as Direct Deposits.

SUMMER SAVINGS CLUB ACCOUNT

Rate Information - You will be paid the disclosed interest rate for at least 30 calendar days. We will never decrease this rate unless we first give you at least 30 days notice in writing.

Compounding and crediting frequency - Interest will not be compounded. Interest will be credited to your account at maturity.

Effect of closing an account - If you close your account before interest is credited, you will not receive the accrued interest.

Minimum balance to open the account - You must deposit \$1.00 to open this account.

Daily balance computation method - We use the daily balance method to calculate the interest on your account. This method applies a daily periodic rate to the principal in the account each day.

Accrual of interest on noncash deposits - Interest begins to accrue on the business day you deposit noncash items (for example, checks).

Transaction limitations:

If a withdrawal is made from this account before the account reaches maturity, then this account will be closed, and accrued interest will not be paid.

Additional Terms:

Payout of this account must go to a First Mid-Illinois Bank & Trust deposit account.

RETAIL SAVINGS ACCOUNT

Rate Information - Your interest rate and annual percentage yield may change. **Frequency of rate changes** - We may change the interest rate on your account at any time.

Determination of rate - At our discretion, we may change the interest rate on your account.

Compounding and crediting frequency - Interest will be compounded every month. Interest will be credited to your account every month.

Effect of closing an account - If you close your account before interest is credited, you will not receive the accrued interest.

Minimum balance to open the account - You must deposit \$100.00 to open this account.

Minimum balance to avoid imposition of fees - A maintenance fee of \$1.00 will be imposed every statement cycle if the balance in the account falls below \$100.00 any day of the cycle.

Daily balance computation method - We use the daily balance method to calculate the interest on your account. This method applies a daily periodic rate to the principal in the account each day.

Accrual of interest on noncash deposits - Interest begins to accrue on the business day you deposit noncash items (for example, checks).

Transaction limitations:

Transfers from a Retail Savings Account to another account or to third parties by preauthorized, automatic, telephone, or computer transfer or by check, draft, debit card, or similar order to third parties are limited to six per calendar month.

Fees:

A withdrawal fee of \$0.50 will be charged for each debit transaction (withdrawal-in person or ATM, automatic transfer or payment out of this account) in excess of four during a monthly cycle.

Effective 04-06-2015

BANKING SERVICES & FEE SCHEDULE

The following fees may be assessed against your account and the following transaction limitations, if any, apply to your account.

ATM/DEBIT CARD

Shared Network Fee (per transaction).....\$1.00
 This fee will be assessed for each withdrawal performed at an ATM not operated by First Mid-Illinois Bank & Trust. This fee is charged for checking and savings account withdrawals regardless of balance maintained, and is in addition to other fees that may apply to your account. (Waived for Classic and Premier Checking Members)

Card Re-Issue Fee (per card).....\$10.00

Cash Withdrawal Dollar Limit.....\$510.00

ABANDON PROPERTY FEE (Escheat).....\$50.00

ACCOUNT ACTIVITY PRINTOUT.....\$2.00

ACCOUNT BALANCING ASSISTANCE

Per Hour.....\$10.00

Minimum.....\$5.00

ACCOUNT CLOSED WITHIN 90 DAYS OF OPENING.....\$20.00

ACCOUNT RESEARCH

Per Hour (1 hour minimum).....\$25.00

5 or less pages (per page).....\$4.00

6 or more pages (per page).....\$0.25

Check Image Copy (per item).....\$1.00

AUTOMATIC TRANSFER TO COVER OVERDRAFT.....\$1.00

CASHIER'S CHECKS.....\$8.00

Classic and Premier Checking.....FREE

CHECK CASHING - Non-Customer

5% of the check amount, with a minimum of \$10.00 (for all checks except Social Security, SSI, and disability checks).

Social Security, SSI and disability checks: \$0-\$500 = \$5.00 Over \$500 = \$10.00

CHECK PRINTING.....Price varies based on style of check ordered

In-House Printed Checks (per sheet).....\$1.00

COIN COUNTING - Non-Customer......5%

Minimum.....\$2.00

COLLECTION FEES

Per Item.....\$30.00

DORMANT ACCOUNT FEE

Per Month your account remains in dormant status.....\$1.00

Your checking account is dormant if for 12 months you have made no deposits or withdrawals to the account.

Your savings account is dormant if for 24 months you have made no deposits or withdrawals to the account.

FAX	\$2.00
FOREIGN CURRENCY	
Minimum of \$150 (US)	\$10.00
FOREIGN DRAFTS	\$25.00
GARNISHMENTS/LEVIES	\$50.00
MONEY ORDERS	\$5.00
Classic and Premier Checking	FREE
NIGHT DEPOSITORY SERVICE	
Large Bag with Lock	\$35.00
Zipper Bag	\$5.00
OVERDRAFT / NON-SUFFICIENT FUNDS (each item)	
Returned item for non-sufficient funds	\$29.95
Item paid when non-sufficient funds	\$29.95
Daily Overdraft Fee (Business only)	\$5.00
On the fifth consecutive day your business checking account has been overdrawn, you will be assessed an overdraft fee of \$5.00 for every day your account remains in overdrawn status.	
PHOTOCOPIES	\$.25
RETURN DEPOSIT ITEM FEE	
(Business Accounts Only - per item)	\$5.00
SIGNATURE GUARANTEE	\$5.00
SPECIAL STATEMENT CUTOFF	\$3.00
STOP PAYMENT	
Checks or ACH Payments	\$25.00
STORED VALUE CARDS:	
Gifts Cards:	
*VISA® (Per card instant issue load limits between \$10 - \$3,000)	\$4.00
Classic and Premier Checking	\$1.50
Reload Cards:	
*VISA® (Per card instant issue load limits between \$20 - \$3,000)	\$6.00
Classic and Premier Checking	\$4.50
Reload Fee (per reload)	\$3.50
Travel Cards:	
*VISA® (Per card instant issue load limits between \$100 - \$3,000)	\$9.50
Classic and Premier Checking	\$4.50
Reload Fee (per reload)	\$3.50
Companion Card	\$2.50
Youth Cards:	
*VISA® (Per card instant issue load limits between \$20 - \$3,000)	\$6.00
Classic and Premier Checking	\$4.50
Reload Fee (per reload)	\$3.50
*Other Fees may apply - please refer to your terms and conditions associated with your card.	
<i>All cards not available at all locations</i>	
TELEPHONE TRANSFERS BETWEEN ACCOUNTS	\$1.00
WIRE TRANSFERS (Customers Only)	
Incoming - Domestic & Foreign	FREE
Domestic Outgoing	\$20.00
Foreign Outgoing	\$75.00

YOUR ACCOUNT

These are the accounts you have opened or inquired about. Further details about these accounts are inside this brochure. If the figures are not filled in, please see the insert that is with this disclosure or your periodic statement.

- BASIC CHECKING ACCOUNT**
- INTEREST CHECKING ACCOUNT**

Rate Information:

- **Tier 1** - If your daily balance is \$10,000.00 or more, the interest rate paid on the entire balance in your account will be _____% with an annual percentage yield of _____%.
- **Tier 2** - If your daily balance is more than \$2,500.00, but less than \$10,000.00, the interest rate paid on the entire balance in your account will be _____% with an annual percentage yield of _____%.
- **Tier 3** - If your daily balance is \$2,500.00 or less, the interest rate paid on the entire balance in your account will be _____% with an annual percentage yield of _____%.

- RETAIL PRIME FIRST TRANSFER ACCOUNT**

Rate Information:

- **Tier 1** - If your daily balance is \$100,000.00 or more, the interest rate paid on the entire balance in your account will be _____% with an annual percentage yield of _____%.
- **Tier 2** - If your daily balance is more than \$49,999.99, but less than \$100,000.00, the interest rate paid on the entire balance in your account will be _____% with an annual percentage yield of _____%.
- **Tier 3** - If your daily balance is more than \$15,000.00, but less than \$50,000.00, the interest rate paid on the entire balance in your account will be _____% with an annual percentage yield of _____%.
- **Tier 4** - If your daily balance is \$15,000.00 or less, the interest rate paid on the entire balance in your account will be _____% with an annual percentage yield of _____%.

Tab 11

MB Financial Bank Checking Account Related Charges



Personal Banking Customer Fee Schedule


Effective June 1, 2016

Fees are per occurrence unless
otherwise stated.

Changed in fees are in **bold**.



www.mbfinancial.com
1.888.i bank mb (1.888.422.6562)

Member 
FDIC

Fees

ATM/debit card replacement	\$10.00
ATM/debit card replacement rush order	\$40.00
ATM-non proprietary transactions (those of other bank-owned ATMs) after 2 transactions (withdrawal, inquiry or transfer) per month	
STAR (domestic)	\$3.00 per transaction
CIRRUS (domestic/international)	\$3.00 per transaction
ATM balance inquiry non-proprietary	\$1.00
ATM Freedom - applies to personal checking accounts each calendar month that an average balance of \$5,000 or more is maintained. Non-MB ATM fees for withdrawals and inquiries, plus any fees the ATM owner charges, will be refunded, limited to a maximum refund of \$20 per calendar month. The refund will post in the following statement cycle.	
Canadian check deposited	\$10.00 + exchange rate
Cashier's check (sold to customer only)	\$10.00
Check-cashing (non customer)	
\$1-\$500	\$7.50
\$501-\$1500	\$10.00
over \$1500	\$15.00
Checks deposited, returned unpaid	\$15.00
Check printing (see personal banker)	Varies
Collection – incoming (deducted from remittance)	\$30.00
Collection – outgoing (charged at time item is sent)	\$30.00
Collection item drawn on foreign bank	\$30 + exchange rate
Copy of cancelled check	\$5.00
Copy of statement	\$3.00
Deposit locked bag	\$30.00
Dormant fee	\$7.00 per month
checking accounts with no activity over 12 consecutive months	
savings accounts with no activity over 18 consecutive months	
Gift card — MB MasterCard®	\$3.00
Hold statements	\$5.00 per month
Immigration letter	\$15.00
IRA transfer	\$50.00
Legal documents – garnishments, levies and citations (per occurrence)	\$175.00
Money market excess withdrawal fee (after 6 withdrawals per statement cycle)	\$25 per withdrawal
Money order (sold to customer only)	\$5.00
Municipal bond collection	\$50.00
Municipal coupon collection (per envelope)	\$15.00
Municipal coupon collection – returned (per envelope)	\$30.00

Non-sufficient Funds (NSF/OD) or Uncollected Funds (UCF) Fees Paid or Returned	\$37.00
These fees occur when you do not have sufficient available funds to pay an item. We define the available balance as the current balance minus any pending debit card purchases, automatic payments, processing checks, or other debits in your account. We limit the number of NSF or UCF fees to 5 per day per account. We will not charge you an NSF or UCF fee if your account is overdrawn for \$10.00 or less.	
Overdraft-continuous daily OD fee	\$6.50
A continuous daily overdraft fee is charged if your account is in overdraft status for 2 or more consecutive calendar days. That fee will begin on the second calendar day. It will be charged each consecutive calendar day your account remains in an overdraft status for up to 16 calendar days.	
Target balance transfer fee	\$10.00
If you have set up a target balance transfer on your account, we will automatically move money from your designated MB account to your MB checking account to maintain the target balance. The \$10.00 fee applies for each day we make a transfer.	
Paper statement fee (applies only to Basic, Classic, High Five, Red and Signature Checking, Small Business Express and Small Business Checking)	
	\$3.00/per month
Research/reconciliation & subpoenas - (1/2 hour minimum)	\$85.00 per hour and \$35/page
Returned mail	\$5.00/ per month
Rolled coin (purchase)	\$20 per roll
Safe deposit box rental late fee	\$25.00
Safe deposit key deposit	\$25.00
Safe deposit drilling fee	\$175.00
Safe deposit drilling cancellation	\$40.00
Safe deposit lost key	\$30.00
Savings account excess withdrawal fee (after first 4 withdrawals per month)	\$5.00 per withdrawal
Special statement processing per occurrence	\$10.00
Stop payment request	\$36.00
Temporary checks (each)	\$2.00
Transfer between accounts - internally assisted	\$5.00
Transfer by ACH-foreign outgoing	\$7.50
Transfer by wire – incoming (customer only)	\$15.00
Transfer by wire – outgoing (customer only)	\$30.00
Transfer by wire – foreign incoming (customer only)	\$20.00
Transfer by wire – foreign outgoing (customer only)	Fee quoted at time of transaction
Verification of deposit	\$15.00
Wire trace/research	\$45.00
Wire email/fax notification	\$20.00 per month

Tab 12

Restrictions and Limits on Checks Cashed by Banks for Noncustomers

Community Currency Exchange of Illinois, Inc.

Bank Survey Results

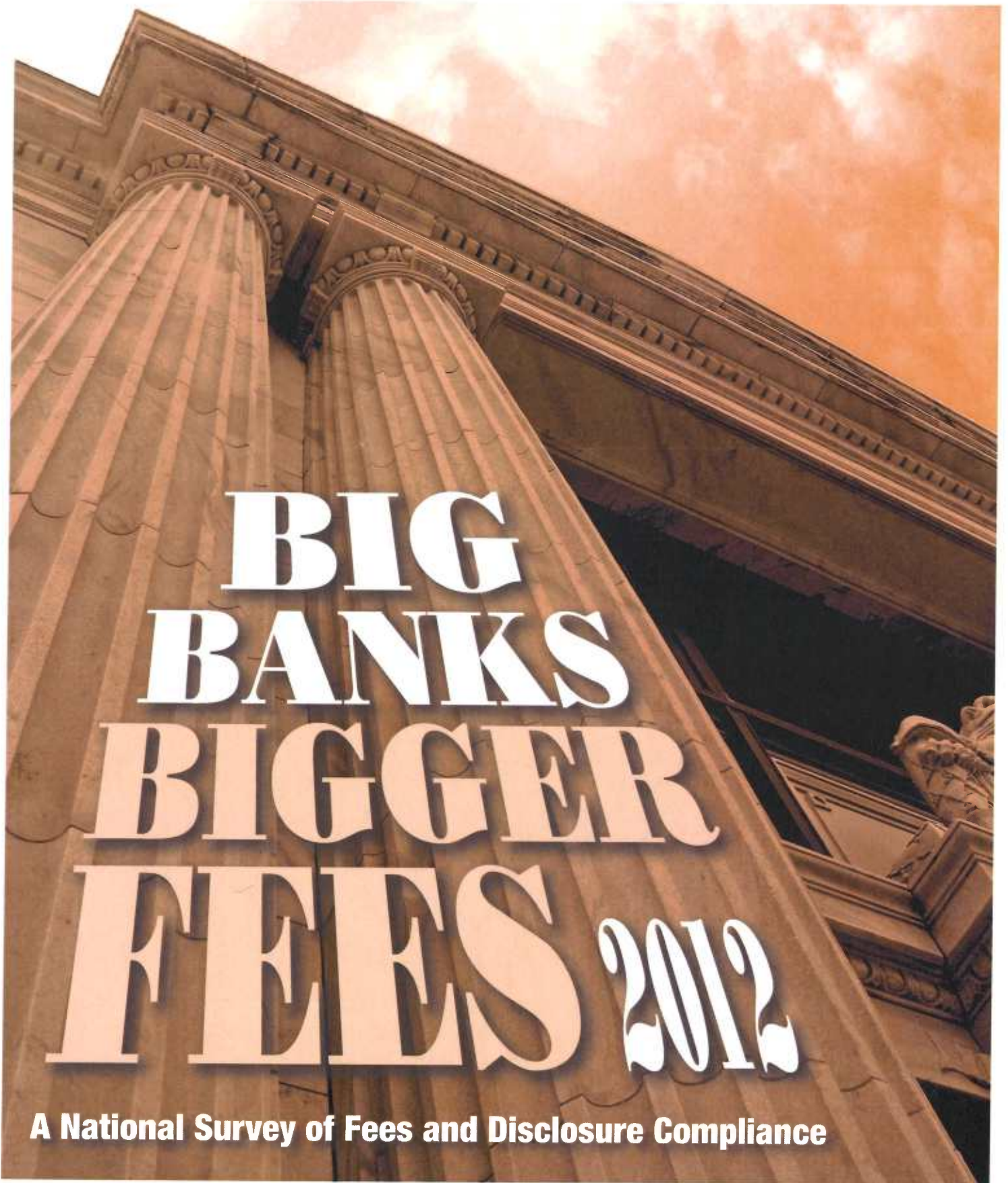
No.	Bank	Address	City	Phone Number	Cash	
					Non-Customer Checks ¹	Restrictions/ Check Limits
1	Chase	4809 S Ashland Ave	Chicago	(773) 247-1551	On-us Checks	\$2,500
2	Chase	3200 S Chicago Rd, Ste A	S. Chicago Heights	(708) 754-7152	On-us Checks	No Limit
3	Chase	401 E State St	Rockford	(815) 987-2424	On-us Checks	\$2,000
4	Chase	501 15th St	Moline	(309) 757-8462	On-us Checks	No Limit
5	Chase	2801 Greenbriar	Springfield	(217) 787-9378	On-us Checks	\$2,500
6	US Bank	600 W 37th St	Chicago	(773) 376-4808	On-us Checks	No Limit
7	US Bank	2600 E Sauk Trl	Sauk Village	(708) 758-0094	On-us Checks	No Limit
8	US Bank	1107 E State St	Rockford	(815) 987-2200	On-us Checks	No Limit
9	US Bank	4701 22nd Ave	Moline	(309) 762-1334	On-us Checks	No Limit
10	US Bank	2501 S Veterans Pkwy	Springfield	(217) 862-7311	On-us Checks	No Limit
11	US Bank	1050 Camp Jackson Rd	Cahokia	(618) 337-1555	On-us Checks	No Limit
12	Bank of America	4200 S Ashland Ave	Chicago	(773) 847-6748	On-us Checks	No Limit
13	Bank of America	18460 Governors Hwy	Homewood	(708) 957-4200	On-us Checks	No Limit
14	Bank of America	6958 Spring Creek Rd	Rockford	(815) 877-6530	On-us Checks	No Limit
15	Bank of America	248 Harvard Dr	Edwardsville	(618) 659-4018	On-us Checks	No Limit
16	BMO Harris	5401 S Wentworth Ave #13	Chicago	(773) 548-5948	On-us Checks	\$3,000
17	BMO Harris	1630 Chicago Road	Chicago Heights	(708) 755-9063	On-us Checks	No Limit
18	BMO Harris	501 Seventh St	Rockford	(815) 969-1500	On-us Checks	No Limit
19	BMO Harris	#2 Carlyle Plaza Dr.	Belleville	(618) 233-9288	On-us Checks	\$3,000
20	Fifth Third	1950 West 33rd Street	Chicago	(773) 650-1408	Yes	No Limit
21	Fifth Third	3307 Chicago Road	S. Chicago Heights	(708) 756-2815	Yes	No Limit
22	Fifth Third	3936 West Riverside Blvd	Rockford	(815) 964-7287	Yes	No Limit
23	First Midwest	3220 West 26th Street	Chicago	(773) 804-3492	On-us Checks	No Limit
24	First Midwest	1030 Dixie Highway	Chicago Heights	(708) 754-2500	On-us Checks	\$5,000
25	First Midwest	2222 41st Street	Moline	(309) 797-7500	On-us Checks	No Limit
26	MB Financial ²	1542 W. 47th Street	Chicago	(888) 422-6562	On-us Checks	Undisclosed
27	MB Financial ²	18301 S Halsted Street	Glenwood	(888) 422-6562	On-us Checks	Undisclosed
28	MB Financial ²	2607 Lincoln Highway	St. Charles	(888) 422-6562	On-us Checks	Undisclosed
29	First American Bank	1650 Louis Avenue	Elk Grove Village	(847) 427-5000	On-us Checks & Limited Payroll	Undisclosed
30	First Bank & Trust	55 Shuman Boulevard	Naperville	(630) 348-2300	On-us Checks	\$3,500

Notes:

- 1) The banks which will cash "On-us Checks" will not cash government issued checks.
- 2) Telephone numbers for individual MB Financial branches were unavailable. The MB Financial representative confirmed the check cashing policies presented are applicable for all branches.

Tab 13

Illinois PIRG Education Report on Illinois Bank Charges



BIG BANKS BIGGER FEES 2012

A National Survey of Fees and Disclosure Compliance

Big Banks, Bigger Fees 2012

A National Survey of Fees and Disclosure Compliance

Illinois PIRG Education Fund

Written by Edmund Mierzwinski, Federal Consumer Program Director with the U.S. PIRG Education Fund, and the staff and students of the state and student PIRGs. Additional research by my DC interns, Kelsey Perkins and Caitlin Kelmar.

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Big Banks, Bigger Fees 2012

I. Executive Summary

Since Congress largely deregulated consumer deposit (checking and savings) accounts beginning in the early 1980s, the state PIRGs have tracked bank deposit account fee changes and documented the banks' long-term strategy to raise fees, invent new fees and make it harder to avoid fees.¹

Over the last six months, state PIRG staff conducted inquiries at 250 bank and 116 credit union branches in 17 states and the District of Columbia and reviewed bank fees online in these and 7 other states. This report, "Big Banks, Bigger Fees: A National Survey of Fees and Disclosure Compliance," examines the following questions:

- How easy is it for consumers to shop around? Are banks complying with the Truth In Savings Act, which requires disclosure of a schedule of account fees to prospective customers?
- Can consumers still find free or low-cost checking accounts or has free checking ended?
- What can the Consumer Financial Protection Bureau (CFPB) and other regulators do to help improve transparency in the financial marketplace?

The CFPB writes the consumer law rules for all banks and supervises or examines compliance of the largest banks (over \$10 billion in deposits). For the purpose of this report, we call those "big banks" and others "small banks."

Key Findings:

- Only 48% of bank branches visited provided researchers with fee schedules as required by law on their first request. After two or more requests, eventually a total of 72% complied with the law.
- More than 1 in 10 (12%) branches never complied and refused to provide fee information at all, claimed that they didn't have it or that it was only available if you applied for an account or told researchers to "go online." Another 16% only provided partial information.
- Researchers found a wide variety of free or low-cost checking options, with 63% of small banks and 60% of credit unions providing totally free checking. Although the biggest banks have recently tightened requirements to obtain totally free checking (available at only 24% of big bank branches), it is still available at more than half of big banks with a regular direct deposit (59%).
- The survey found that small banks had lower average checking account fees, overdraft fees and foreign or off-us ATM fees, as well as lower balance requirements to avoid checking fees, than big banks.
- In a surprising finding, fully one-quarter of small banks are no longer charging their regular checking account customers so-called "off-us" ATM fees through a variety of regional and national ATM networks, including Plus, Smartpass, Presto, the SUM network and others. Additionally, others are providing at least 2-4 off-us transactions monthly at no charge. These practices undercut one of the presumed major benefits of an account at a big bank—access to large no-cost ATM networks. Some small banks are also reimbursing several or all surcharges paid monthly (surcharges are the fees

Big Banks, Bigger Fees 2012

imposed by the off-us ATM owner). Conversely, only two big banks (6%) waived off-us ATM fees on basic checking accounts and one of those only did in one of its markets.

- While more than half of big banks (62%) posted their full fee schedules on the web, versus less than one-third of small banks (29%), finding the fees was often a scavenger hunt. Many banks, especially big banks, placed fees in massive, clunky PDF files. Some banks even hid fee schedule links in footnotes or, worse, in their “site maps,” with no link available from the “compare checking accounts” page or any other pages.

Recommendations:

For Regulators (A more detailed list occurs later in the report):

The Consumer Financial Protection Bureau has an important opportunity to make markets work better for consumers and good actors in the marketplace; it should make bank account fee disclosures more transparent by enforcing the current law and improving the law’s disclosure requirements.

- The CFPB should both enforce and extend the requirements of the Truth In Savings Act to the Internet. It should require that banks post fees in a searchable web format (e.g., xml or similar), to encourage the establishment of local online shopping guides by community groups.
- The CFPB should require that the most important savings and checking disclosures required by the Act be provided prominently in a tabular format, such as the simple disclosure being widely promoted by the Pew Charitable Trusts. It has already been adopted by at least 9 banks and several credit unions.²

For Consumers (A more detailed list occurs later in the report):

- Review your bank statements and count your fees. In addition to ATM surcharges, you may be paying your own bank an “off-us” ATM fee that only appears on your statement, whenever you use another owner’s ATM.
- Examine how many fees you pay. Watch for a la carte fees you can avoid, for example, by only using online check images or statements. Use available text alerts to warn you of low balances that could result in overdrafts. Shop around. Look for better accounts. Bank at a credit union, not at a bank. Credit unions are member-owned, lower-cost alternatives to banks and often offer the same variety of services. It is easier to qualify for membership than most consumers think. Certainly, consider banking at a small bank, not a big bank. Consider moving your money by voting with your feet.

Big Banks, Bigger Fees 2012

II. Introduction

Over the last dozen years or more, bank efforts to raise fee income have been bolstered by pliant regulators, who looked the other way while banks piled new fees onto deposit accounts and engaged in deceptive practices to earn more in fees. Regulators encouraged tens of billions of dollars in overdraft fee income by classifying “overdraft protection” products as “account features,” not loans.

Avoiding higher bank fees by shopping for a bank account is not easy. The lack of enforcement has even extended to the laws requiring simple disclosures, so consumers cannot shop around. This is not a new problem. In response to growing complaints about deceptive advertising following the 1980s deregulation, Congress had enacted the 1991 Truth in Savings Act.³ That law was intended to make it easier to shop around; by requiring banks to publish all deposit account-related fees in a schedule and making that schedule available to prospective customers.

Yet, in 2008, the U.S. Government Accountability Office (GAO) used methodology developed in a 2001 PIRG report to do its own secret shopper survey. GAO found that 22% of bank branches visited failed to give prospective customers access to detailed bank fee disclosures on request, in violation of the Truth in Savings Act.⁴

More recently, policymakers issued strong responses to growing public anger about financial practices, such as those that resulted in a nationwide economic collapse, by enacting a series of reforms. In addition to major reforms intended to make the financial system safer following the 2008 financial collapse brought on by risky Wall Street actions and fueled by predatory mortgage lending, policymakers have taken three direct steps in response to unfair consumer fee practices.

- In 2009, Congress enacted long-sought credit card reforms, the Credit CARD Act, in response to growing complaints about “gotcha” fee practices on credit cards.
- In 2010, Federal Reserve Board-led rules took effect, limiting some of the worst aspects of “standard overdraft protection” products.
- In 2010, Congress enacted comprehensive Wall Street reform legislation. A centerpiece of the Wall Street Reform and Consumer Protection Act was the establishment of the landmark Consumer Financial Protection Bureau (CFPB), which is the first federal financial agency with only one job, protecting consumers. In July 2011, the CFPB took over as the nation’s chief regulator over all financial products sold by banks and non-banks (payday lenders, private student lenders, mortgage companies, credit bureaus, etc.). While safety regulators supervise banks with deposits of less than \$10 billion, the CFPB supervises compliance by the biggest banks. All banks must comply with the CFPB’s rules.

The banks vehemently opposed all these reforms⁵. For years, the bankers have predicted that if Congress or regulators added consumer protections, that fees would skyrocket and free checking accounts would end.⁶ This report finds otherwise. Further, beginning in 2011, as banks attempted to raise fees indiscriminately, consumers began to vote with their feet.

Big Banks, Bigger Fees 2012

III. Why Consumers Need Better Tools To Shop Around For Bank Accounts

Banks count on the lack of easy-to-find fee information and the difficulty of shopping around as a way to keep fees high. In addition, the lack of regulatory enforcement of the disclosure laws is exacerbated by the high “switching costs” involved in getting a new bank account (information-gathering time, submitting to credit checks, changing account numbers on automated transactions, etc.), allowing them to raise fees and helping them hold on to a captive customer base.

Improving fee disclosures will lower those “switching costs.” Until then, for many consumers, the lack of information makes it easier to stick with their old bank.

Twenty-one years ago, in 1991, the PIRG-backed Truth In Savings Act supposedly made it easier to shop around. The law attempted to accomplish four main goals:

1. The law requires banks to pay interest on all the money in a consumer’s account, and calculate and disclose it accurately as an Annual Percentage Yield (APY). Banks may require a minimum balance to earn interest or avoid fees, but interest must be paid on all the money in a consumer’s account, not reduced either by not paying interest on reserves held by regulators or not paying interest on the amount below any minimum.
2. The law prohibits misleading use of the term “free.” Banks cannot use “free-asterisk” gimmicks – a free account can have no monthly maintenance fees. An account that allows fees to be avoided by meeting a balance requirement cannot be advertised as free (with an asterisk pointing to the fee if the balance is not met). **The law does not restrict other fees imposed on so-called “free” accounts, such as fees for overdrafts, ATM or debit card usage or return of checks or check images.**
3. The law requires that all account-related fees be compiled in a fee schedule.
4. The law requires that schedule to be made available to prospective customers on request.

We did not examine compliance with item (1). We found that nearly all banks are in compliance with item (2). We found widespread violations of items (3) and (4).

In 2001, a previous U.S. PIRG Big Banks, Bigger Fees report had shown that banks were not complying with these disclosure requirements. At that time, U.S. PIRG sent a letter requesting enforcement action to Chairman Alan Greenspan of the Federal Reserve Board.⁷ It was ignored. Here is an excerpt:

Banks’ insufficient responses on Fee Schedules

Arizona: “At first vague response, then teller said she didn't think they had anything like that and gave me a brochure with no fees listed on it. The teller gave me a verbal list of fees.”

Maine “Handed me information but it wasn't about fees - they admitted not all fees were there.”

Illinois: “First person insisted I could open a free checking account with no fees and didn't give me any info, but someone else gave me the schedule after at least 4 requests.”

Big Banks, Bigger Fees 2012

We have experimented with numerous methods of data collection over the years to obtain the broadest coverage of banks in our surveys. We originally conducted telephone surveys, but found two problems with that approach. First, each year, banks became more and more reticent to answer so many questions and second, many banks were wary that we were actually competitors conducting market research. So, we began sending volunteers to bank branches seeking copies of checking account brochures and Truth In Savings fee schedules. Each year, we find more banks refuse to provide detailed fee schedules to a consumer who specifically asks for one. Virtually no banks place Truth In Savings fee brochures on their brochure racks[...] At most branches, shoppers are forced to wait in line to speak not with a teller but an official behind the desk if they seek detailed fee information.

Although Chairman Greenspan never replied to our letter, in 2008, Congressional auditors at the non-partisan U.S. Government Accountability Office (GAO) confirmed our results by doing their own “Secret Shopper” study, referencing our previous report and methodology. In response, the bank regulators issued guidance inferring enforcement of the law, although the findings of this report are similar to those of GAO and show that the enforcement by current regulators is still not working.

In addition, that paper-based law has been outpaced by the potential of the Internet. You can easily search on the web for information about PAC donations, the price of televisions, or movie rankings, but there are few aggregator sites where bank fees can be compared. The few that exist are limited to 2 or 3 fees and to a few banks in a market.

Nor do most banks provide decent explanations of their fees on their own sites. Most prominently they compare only a few basic features of the accounts. While fee schedules are sometimes available, they are often buried in links at the bottom of long pages, or links in site maps, and then only downloadable as ponderous multi-megabyte PDF files. At least one bank surveyed had its fees in a “secured” PDF—no printing allowed.

What the GAO found in 2008

Excerpt from its report⁸: *Our visits to 185 branches of depository institutions nationwide suggest that consumers shopping for accounts may find it difficult to obtain account terms and conditions and disclosures of fees upon request prior to opening an account. Similarly, our review of the Web sites of the banks, thrifts, and credit unions we visited suggests that this information may also not be readily available on the Internet. We were unable to obtain, upon request, a comprehensive list of all checking and savings account fees at 40 of the branches (22 percent) that we visited. Similarly, we were unable to obtain the account terms and*

Banks' insufficient responses on Fee Schedules

Maine (different bank):

“Said they didn't have it, called manager, still said they didn't have one. I mentioned it's the law, they felt bad, said they would get them.”

Pennsylvania: “First person was confused, then request was denied, then I was presented fees verbally, then they said they didn't have one and I should try online.”

Big Banks, Bigger Fees 2012

conditions, including information on when deposited funds became available and how overdrafts were handled, for checking and savings accounts at 61 of the branches (33 percent). The results are consistent with those reported by a consumer group [U.S. PIRG] that conducted a similar exercise in 2001.

Regulator Response

In response, here is what the chief national bank regulator, known as the Office of the Comptroller of the Currency (OCC), issued as an examination guideline to its enforcement staff (examiners) in 2010:

OCC Guidelines: Disclosures upon request (section 230.4(a)(2))

A depository institution must provide full account disclosures, including complete fee schedules, to a consumer upon request. Institutions must comply with all requests for this information, whether or not the requestor is an existing customer or a prospective customer.

Page 90, Comptroller's Handbook⁹

Things are changing. Consumers are voting with their feet. This survey found, anecdotally, that most banks, large or small, now have a prominent "Switch to Us" kit on their websites. A nascent "Move Your Money" campaign in 2011 was aided by a misstep by one of the nation's largest banks. In the fall of 2011, as the bank faced a perfect storm of losses on the investment and mortgage sides, Bank of America attempted to fix things by raising fees on retail bank customers.¹⁰ The bank proposed, then swiftly withdrew, a monthly \$5 fee simply for having a debit card. CEO Brian Moynihan admitted on an investor call that the consumer backlash and the number of consumers who switched banks surprised bank officials.¹¹

IV. Results of the U.S. PIRG Survey: Compliance with Truth In Savings Fee Disclosures

State PIRG staff visited 250 bank branches and 116 credit union branches in 17 states and the District of Columbia to determine compliance with the Truth In Savings Act requirement that "prospective customers" have the right to "complete" fee schedules.

Fewer than half (48%) of branches complied easily with this legal request; more than one in ten (12%) refused to comply at all. A total of only 72% provided correct information eventually, many only after repeated requests for information. While this is an improvement from 2011, fully one-quarter of bank branches refused to provide correct information required by law.

COMPLIANCE WITH FEE DISCLOSURE REQUESTS AT BRANCH VISITS				
	ALL BANK BRANCHES (250)	BIG BANK BRANCHES (113)	SMALL BANK BRANCHES (137)	CREDIT UNION BRANCHES (116)
TOTAL YES FIRST REQUEST				
ALL FEES	48%	42%	52%	64%
TOTAL YES EVENTUALLY	72%	68%	74%	79%
TOTAL PARTIAL / WRONG INFO	16%	19%	15%	6%
TOTAL NEVER	12%	13%	11%	15%
	100%	100%	100%	100%

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Researchers were persistent and reviewed the materials while standing there, and made second and third asks when fee schedules were obviously missing from materials received (researchers were routinely handed large packets, containing several irrelevant brochures and booklets, and told to go).

Back at the office, we then reviewed in detail the material from each bank to determine whether it was complete. Even though surveyors were persistent, after detailed examination more than 1 in 10 banks (12%) refused any information and another 16% that told surveyors they were providing the fee schedule either only provided general checking brochures containing no or limited information, or provided other information we hadn't asked for, such as sales pitches for overdraft protection, mortgage or credit card brochures, privacy policies, and long, small-print deposit account contracts (legal terms, but no fee schedules). Some falsely insisted the information was only available after the consumer filled out an application.

The Truth In Savings Act requires full disclosure of all fees related to an account, such as overdraft fees, off-us ATM fees, statement mailing fees and account-closing fees.

1. Covered fees. The following are types of fees that must be disclosed:

- i. Maintenance fees, such as monthly service fees*
- ii. Fees to open or to close an account*
- iii. Fees related to deposits or withdrawals, such as fees for use of the institution's ATMs*
- iv. Fees for special services, such as stop-payment fees, fees for balance inquiries or verification of deposits, fees associated with checks returned unpaid, and fees for regularly sending to consumers checks that otherwise would be held by the institution*

Official Staff Commentary¹²

The act requires that these fees be provided in a fee schedule. It was clear from the comments noted by researchers that some bank personnel were not well-trained in what exactly a fee schedule is: many could not find them; or were "differently trained" to respond to such questions by making a hard-sell for a new account. Often, the practice seemed to be that a consumer who asked had to sit down with a more senior "closer," to use car sales vernacular. In addition to a variety of versions of "No," such as "look online" or "you need to open an account" and other outright refusals the sidebar boxes include some of the other responses from researchers.

Banks' insufficient responses on Fee Schedules

DC: "Representative claimed there are no other fees and no other fee literature. Said she did not have a "fee schedule". I asked multiple times and she said this is all there was."

Georgia: "Asked several times for fee schedule, got checking brochure only."

Massachusetts: "Sat me down with a representative, explained they were paperless and had no fees. Lots of pressure to sign up."

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Banks Told Us “Look Online,” And We Tried

To test the hypothesis that many branch staff extolled, “look online for what you want,” we did. When we looked online to verify the fee data obtained in-person for the report, as well as at additional banks, we found inadequate disclosures online. First, we found that many sites had no detailed online fee schedules. Some banks didn’t even list basic fees for accounts.

Further, many banks that did disclose fees listed some fees on one HTML page and others on multiple pop-ups (often not easy to print) or in long PDF documents, where fees and all legal account contract disclosures were packaged together. Even some short PDF documents often ranged up to several megabytes in size due to poor design. Some detailed online fee brochures were not always up-to-date; researchers were also required to search for and download “addendums” and “updates.”

ALL FEES ON THE WEB?		
	Total All Fees	%
Big Banks	21	62%
Small Banks	46	29%
All Banks	67	34%
<small>The total survey (195 banks) included 34 different big banks and 161 different small banks located in 24 states and DC. Some of these had branches surveyed more than once for in-person responses.</small>		

Online researchers scrutinized all portions of websites. Some banks included fees in an obvious “download full fee schedule here” link on the “compare checking accounts” page. Others required researchers to scrutinize footnotes – often in non-contrasting type, for links, also in non-contrasting type. Some banks had no actual links to fee schedules, except in archaic “site maps.” For big banks, researchers had to type zip codes and delete cookies to ensure that fees were downloaded for the proper state or market within the state (very few of these “on-the-fly” PDFs actually included the printed name of the state or market).

Some websites, especially those of larger banks, generated massive state-specific documents similar to their ponderous printed account brochures. These documents contained a few pages of account fees, but also additional account contractual information.

These documents ranged as large as 1 megabyte and/or 86 pages or more.

Many banks had no information. Some banks had incomplete information. Many merely included suggestions to consumers to “call this number for detailed fees.” Other banks said, “see fee schedule,” but had no links to one. Other web pages urged consumers to “visit a branch” for details.

Some banks required consumers to take other complex steps before fee schedules even became available on the web. For example a few required the consumer to first read an electronic disclosure disclaimer agreement; several required a consumer to drill-down into the “open an account today” menu before allowing the consumer to generate a fee schedule.

Big Banks, Bigger Fees 2012

Conversely, a few banks doing business in several states, for example, U.S. Bank, SunTrust and Bank of the West, include simple easy-to-find online pages with lists of fee schedules for the states where they do business. Fee schedules for their entire “footprint” could be obtained easily.

In addition several banks have agreed to provide individual account terms in easy to read 2-3 page disclosures originally developed by the Pew Charitable Trusts and based on the original “Schumer Box” credit card disclosures. The PIRG-backed Pew model disclosure has been adopted by at least 9 banks – including Bank of America, Chase, Wells Fargo, TD Bank and others, as well as by several credit unions.¹³ Others should follow immediately.

V. Results of the U.S. PIRG Survey: Bank Fee Findings

Despite the difficulty in obtaining full fee schedules in person (as required by law) or on the Internet, we found that free checking remains widely available at small banks and credit unions. While the biggest banks are raising fees and eliminating free checking, most continue to offer free checking with direct deposit.

Overall, free checking was available at more than half the bank branches visited (56%); an additional 23% offered free checking with a regular automated direct deposit. The free accounts are widely available at small and regional banks, and credit unions, a finding that has also been obtained by others, including one reporter who said recently, “reports of the death of free checking have been greatly exaggerated.”¹⁴

PIRG 2012: FREE CHECKING AND DIRECT DEPOSIT (DD) AT BANKS IN 24 STATES AND DC						
Total Surveyed At Branch or Online		Free Cks	Free w/ DD	Free %	Free DD %	Total w/ Free or DD Free Checking
Big Banks	34	8	20	24%	59%	82%
Small Banks	161	101	25	63%	16%	78%
All Banks	195	109	45	56%	23%	79%
FREE CHECKING AND DIRECT DEPOSIT (DD) AT CREDIT UNIONS						
	Total	Free Cks	Free w/ DD	Free %	Free DD %	Total w/ Free or DD Free Checking
Credit Unions	116	70	11	60%	9%	70%

Big Banks, Bigger Fees 2012

It has been widely reported that the biggest banks are raising their fees significantly or otherwise making it harder to avoid fees and this was generally confirmed in our research.

Bank of America: The bank continues to experiment with more expensive accounts in the states of Arizona, Georgia and Massachusetts, under a so-called pilot program to test fee increases. In these states, as it did last year, classic checking now requires a \$5,000 balance or a \$2000 direct deposit to avoid a \$15/month fee. In most other states, consumers can avoid a \$12 monthly fee with a \$1500 balance or a monthly \$250 direct deposit. The bank is, however, offering a free e-checking account in the 3 states (no teller visits and no paper statements, else a \$12 penalty fee). Bank of America has also discontinued lower cost student accounts for new customers.

Citibank: Citibank now requires both a monthly direct deposit and at least one “automatic bill pay” to avoid fees in regular checking. While a variety of banks offer a confusing array of fee avoidance choices, such as “OR make 5 qualifying transactions including 3 signature debits,” Citibank is tethering fee avoidance to both a large direct deposit AND an automatic bill pay.

Analysis of Other Significant Fees:

An ATM off-us (or “foreign”) fee is a fee your own bank charges you to use another owner’s ATM. The fee only appears on your statements and is in addition to any surcharge that may be imposed by the ATM owner. The survey found that fully one-quarter of small banks are no longer charging their regular checking account customers so-called “off-us” ATM fees through a variety of regional and national ATM networks, including Plus, Smartpass, Presto, the SUM network and others. Additionally, other small banks are providing at least 2-4 off-us transactions monthly at no charge before charging for additional transactions. Some small banks are also reimbursing several or all surcharges paid monthly (surcharges are the fees imposed by the off-us ATM owner).

PIRG 2012: NO OFF-US OR FOREIGN ATM FEES		
	Total	%
Big Banks	2	6%
Small Banks	40	25%
All Banks	42	22%

These no-ATM fee practices undercut one of the presumed major benefits of an account at a big bank—access to large no-cost ATM networks. Conversely to the one-quarter of small banks offering free ATM use on large networks, only two of 35 big banks (6%) waived off-us ATM fees on basic checking accounts and one of those only did so in one of its markets.

Big Banks, Bigger Fees 2012

Comparing Other Common Fees

We also compared other commonly imposed fees. Big banks had bigger fees. It is also important to note that small banks had lower balances to avoid fees.

PIRG 2012: COMPARISON OF MEDIAN AND AVERAGE BANK FEES COMMONLY CHARGED							
		REG CHECK BALANCE TO OPEN	REG CHECK MONTHLY FEE	BALANCE TO AVOID	OFF-US ATM FEE	FIRST OCCURRENCE OVERDRAFT FEE	FEE PER-DAY FOR OVERDRAFT TRANSFER FROM SAVINGS
MEDIAN FEES	BIG	\$50	\$10	\$1,500	\$2	\$35	\$10
	SMALL	\$75	\$8	\$600	\$1	\$32	\$7
	ALL	\$50	\$8	\$1,000	\$2	\$32	\$10
AVERAGE FEES	BIG	\$117.43	\$9.58	\$1,590.00	\$2.02	\$33.22	\$10.40
	SMALL	\$88.66	\$7.88	\$796.88	\$1.03	\$31.61	\$7.36
	ALL	\$94.04	\$8.44	\$1,068.49	\$1.23	\$31.92	\$8.04

As a result of new overdraft lending rules and regulator guidance, banks are doing a better job of disclosing overdraft practices. The core of those rules is a requirement that overdraft protection fees cannot be imposed on debit card point-of-sale or ATM machine overdrafts unless a consumer first opts-in. Consumers should opt-out. Daily fees for alternative overdraft protection transfers from savings start as low as \$3.

Some banks are disclosing a lower overdraft fee for the first few overdrafts in a year. Those with a continuing overdraft charge for unpaid negative balances are disclosing them. Some banks are disclosing daily overdraft fee limits, although the limits are not necessarily sustainable. A few allow as much as \$98-\$210/day in multiple overdraft fees per/day. Although we do not report this result, some banks are reporting that no overdrafts will be charged for *de minimis* overdrafts, such as \$5 or less. This exception is one that was recommended in a November 2010 FDIC automated overdraft supervisory guidance. The FDIC also recommends that after 6 automated overdrafts in a year, banks contact the consumer by phone or in-person to discuss line of credit transfers or transfers from savings as better alternatives than automatic overdraft protection.¹⁵ The FDIC has taken these actions not only to help consumers avoid a cycle of high-cost debt, but to compel regulated institutions to mitigate “reputational” and “safety and soundness and compliance risks, and avoid violations of related laws and regulations.”

Big Banks, Bigger Fees 2012

VI. Recommendations for Regulators

For the Consumer Financial Protection Bureau (consumerfinance.gov) and other regulators:

The new Consumer Financial Protection Bureau has an opportunity to make fees more transparent. It should enforce the existing law requiring bank branches to provide prospective customers detailed fee schedules on request, and it should improve the availability and readability of required disclosures.

The CFPB should explicitly extend the requirements of the Truth In Savings Act of 1991 (Regulation DD) to the Internet. The law requires only paper disclosures provided in-person or by mail.

- a. The CFPB should require that banks post fees on the Internet in a searchable machine-readable semantic web format (e.g., XML, RDF or similar), which would encourage the establishment of local online bank shopping guides by community groups. We have aggregator sites that make online comparisons of everything from movie ratings and consumer electronic appliances to political campaign donations, why not online comparisons of bank fees? Greater transparency will stimulate greater competition and choice.
- b. The CFPB should require that the most important savings and checking account disclosures required by the Truth In Savings Act be simplified and provided to consumers more prominently in a tabular format both on paper and on the Internet, as a PIRG-backed campaign by the Pew Charitable Trusts recommends.
- c. The CFPB should reinstate a former Federal Reserve annual report on bank fees. The report was originally required by the now-sunset requirement of Section 1002 of the Financial Institutions Reform, Recovery and Enforcement Act of 1989. The Federal Reserve successfully lobbied to eliminate the report, which had required it to conduct an annual study of services and fees of depository institutions. An improved report should compare actual institutions (the Fed surveys were anonymous and aggregate), reviewed on a local basis, and made more generally available.
- d. The CFPB should take advantage of web and social networking tools to provide consumers with additional information on bank and credit union comparison-shopping.
- e. Some institutions continue to put ATM “off-us” transactions and other access device (ATM card) usage fees in their long, narrative Electronic Fund Transfer Act (15 U.S.C. 1693 *et seq.*) Regulation E disclosures only. The CFPB should make explicit that all ATM/debit card fees, also **including non-customer ATM surcharges**, be included in the schedule accompanying Truth In Savings Act disclosures. Only a few banks surveyed disclosed non-customer ATM surcharges.
- f. The CFPB should investigate institutions that continue to say “No fee*” or “Totally Free Checking*” in prominent disclosures, only to include a footnote “if balance met” for actual fees. One bank, North Shore (WI), continues to offer a “Better-Than-Free” account, which is free with direct deposit, but otherwise requires a balance to avoid fees.
- g. The CFPB should aggressively expand on and extend FDIC best practice guidelines on overdraft fees to all banks. The Office of the Comptroller of the Currency (OCC), which is under new, more consumer-friendly management and supervises smaller nationally chartered banks, should follow suit. The FDIC (which insures all banks but only supervises smaller non-Federal Reserve member state-chartered banks), has issued guidance making it clear that reliance on overdraft fee income is improper. The FDIC limits the practice of high-to-low check re-ordering, which is intended to make more debits “bounce” and increase fee income. The FDIC also enforces its

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rules against deceptive marketing of opt-in overdraft protection schemes. In September 2011 comments¹⁶ to the FDIC by the Center for Responsive Lending, U.S. PIRG and other leading groups made the following points:

We enthusiastically support several aspects of the FDIC's proposed guidance, most notably 1) the agency's recognition that more than six overdraft fees within a 12-month period constitutes excessive or chronic use; 2) its instruction that banks stop manipulating the order in which they post transactions to maximize fees; and 3) its instruction that banks not steer frequent overdrafters into high-cost programs while "obscuring" lower-cost alternatives. We also strongly support the FDIC's caution that such steering raises fair lending concerns and will be "closely scrutinized."

For the National Credit Union Administration (ncua.gov):

Credit unions generally have fewer and lower fees than banks, but their account disclosures are even murkier than most bank disclosures. The NCUA should, with advice from the CFPB, issue model guidelines on fee disclosures and require credit unions to explain the basic terms of their accounts in a better way. Because of the difficulty of comparing all credit union fees with bank fees, this report does not compare all credit union fees to bank fees.

VII. Tips For Consumers (also available as a downloadable brochure)

Here are some detailed tips on how to reduce the amount of fees you pay your bank.

1. Choose to bank at a credit union instead of a bank. A credit union looks, smells and feels like a bank, and does most of what a bank does. It is different from a bank in that it is a not-for-profit organization, and it is owned by the member-depositors. Credit unions provide checking and savings accounts, credit cards, loans and mortgages, money market accounts, and certificates of deposit (CD's). Average interest rates for loans are lower at credit unions than banks, and average rates for deposits are higher. That is a better deal both ways. Most offer free checking with no minimum balance. Credit union deposits are insured just like banks'.

The biggest disadvantage of credit unions is that they don't have many branches, and rarely operate in more than one state. Many credit unions absorb the consumer's cost of using out-of-network ATMs (and if not, at least at other credit union ATMs), so you won't pay more to access an ATM out of your area. If you need to transfer money to accounts in other states (like if you have kids in college), a large bank might be better. Also, credit unions are less likely to have the latest in banking technology- iPhone check depositing, telephonic alerts—although they are catching up rapidly.

Check with the National Credit Union Association (ncua.gov) to find out how to join a credit union in your area or go to findacreditunion.com.

2. Choose a local or regional bank. Smaller banks tend to be more consumer-oriented and many have better rates than the mega-banks. They don't have ATMs all over the world, but if you spend most of your time within a hundred miles of home, you don't need the extensive branch network of a big bank.

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3. Look for “free checking” options. Totally free checking used to be easy to find anywhere, and while it’s not going away it’s not ubiquitous either. You may be able to get free checking if you have your paycheck direct deposited into your account, and you can certainly get it if you keep a minimum balance. Look for checking accounts with a low minimum balance requirement. If you are keeping your savings in a regular savings account, consider using that balance to meet the minimum balance requirement for a free checking account. Savings account interest rates are pitifully low, so you’re hardly losing by putting the money in a no-interest checking account, and you’ll save on the monthly fees. Some banks/credit unions offer free checking for seniors or students.

4. Pay attention to ATM and debit fees. As long as you use your bank’s/credit union’s ATM terminals it won’t cost you anything, but if you use another bank’s or other owner’s ATMs you may have to pay two fees: an “off-us” fee to your bank and a surcharge to the other owner. Some banks and credit unions may waive all or part of these fees, but often only on premium accounts. Watch out for annual fees on ATM cards.

5. What about bounced check/debit overdraft protection? Banks made a lot of money on debit card overdrafts. Now they have to ask you if you want to opt-in to “standard overdraft protection,” which in most cases is your worst choice. It means you’ll pay \$25 or more if you use your debit card for more than is in your account. Many banks and credit unions have a much cheaper overdraft protection system. Either you can have a savings account where any overdrafts are automatically transferred (we report on these fees on savings transfers) or you can link your checking account to your credit card or get an automatic “line of credit” loan at moderate interest rates, and pay it back within a few weeks. A loan of \$50 for five weeks at 20% interest will only cost you about one buck!

6. Bank electronically. Some banks charge less if you have your statements “sent” to you electronically, or if you don’t have your checks returned to you. Some charge for seeing a real live teller. If you are comfortable banking online, you can save.

7. Check out Internet banks. There are banks that have no brick-and-mortar offices and advertise lower fees. Be sure to check these out if you are comfortable banking on the Internet and not ever dealing face-to-face with a person.

8. Choose the least expensive plans. Banks will typically have more than one type of checking account. The more expensive account will have more services (interest paid, more no-cost transactions), but require a higher minimum balance. If you only write a few checks per month, you won’t save much if the check-processing or check-printing fees are low. See which account works best with your lifestyle.

9. Don’t just choose the interest-bearing checking account. Interest rates are so low that it may not be worth getting interest at all. As an example (fees and rates may have changed): Bank of America’s FirstChoice Gold™ with Tiered Interest Checking pays 0.08% if you keep a minimum balance of \$10,000. That is only \$8 per year! You could instead use \$8500 of that \$10,000 to buy a certificate of deposit (CD) from Discover Bank at 1.3% and have a minimum balance of \$1500 with B of A’s MyAccess Checking, no monthly service charge, and earn over \$100 peryear in interest from the CD.

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10. Direct deposit your paycheck. Most banks charge lower fees to depositors who have their paychecks deposited directly into the account. This costs nothing and will save you money.

11. Sign up for alerts. Some banks will send a text message to your phone or an email to tell you what your available balance is or when your balance drops below a limit you set. That way you can avoid bounced checks or debt card overdrafts. You can also set up alerts on your credit card to tell you when your payment is due or if you are close to your credit limit. Many banks/credit unions offer such alerts free of charge.

12. Combine bank accounts. If you have more than one type of bank account/product (checking, savings, CD, investment account), ask your banker if the amounts can be combined and counted toward your required minimum balance.

13. Read your mail. New regulations require banks to notify you of new fees. Banks will be trying all sorts of new ways to make money this year, including changing the terms of what you've already got. What might look like junk mail could be a notification.

14. Ask how to avoid fees. In this new banking environment, banks are introducing all sorts of programs to encourage people to bank with them. Ask about how you can lower your fees – online bill paying, direct deposit of paychecks, savings accounts, and using your debit card are just some of the possibilities.

15. Who's got your mortgage? You may get the best deal on account fees from the bank carrying your mortgage or your car loan. Ask your banker.

16. Watch for new debit card fees. Some banks do charge monthly fees for debit cards, often waiving these fees if there is enough activity on the card. Check what the deal is with your bank.

17. Make noise. Sometimes you can get a better deal at a bank just by asking for it. The new rules are going to make banking more competitive, so banks will be willing to work harder to hang onto customers.

18. Comparison shop. There are several online sites where you can compare banks (bankrate.com, moneyrates.com, findabetterbank.com, bankfox.com, mybanktracker.com). Unfortunately, these often don't include credit unions. Use them as a start. Then, call around or check the websites of your local banks and credit unions. You may be surprised to see the number of different rates, plans, and choices there are.

19. Move your money (vote with your feet). But be careful. As our PIRG Bank Fee Tips note, "Before You Vote With Your Feet, Be Ready With A Checklist." After shopping around and picking a new bank or credit union, you'll need to open the new account and close the old one in stages. Before you close your old account, you need to make sure all your old checks have cleared, and that the new account is up and running correctly before you change your direct deposits and direct payments of bills. Money-Rates.com and Consumers Union/Consumer Reports (consumersunion.org) have detailed checklists to help consumers make the switch.

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VIII. Conclusion

Over the first decade of this century, previous bank regulators failed to protect the public from unsafe or unfair financial practices. These practices contributed to the magnitude of the economic collapse of 2008.

The establishment by Congress in 2010 of the Consumer Financial Protection Bureau (CFPB) offers consumers their best hope of improved transparency of bank fee information that will make it easier to shop around and get the best deals. That transparency will also encourage more banks to compete on the basis of price and product benefits.

According to the CFPB website, consumerfinance.gov:

The central mission of the Consumer Financial Protection Bureau (CFPB) is to make markets for consumer financial products and services work for Americans—whether they are applying for a mortgage, choosing among credit cards, or using any number of other consumer financial products.

A critical first step for the bureau to make those markets work will be to improve the transparency of deposit accounts so consumers can shop around.

APPENDIX (following Endnotes) Bank Fees By State

Endnotes

¹ See, for example, “Big Banks, Bigger Fees” (1999, 2008 and 2011), Double ATM Fees, Triple Trouble (2001), The Campus Credit Card Trap (1998 and 2008).

² See the webpage for the Pew Safe Checking in the Electronic Age campaign, available at <http://www.pewstates.org/projects/safe-checking-in-the-electronic-age-328780>.

³ The Truth in Savings Act (*Regulation DD* (12 CFR 230)) was incorporated into the Federal Deposit Insurance Corporation Improvement Act of 1991 (Public Law 102-242). FDICIA was the second of two major laws, the first was the Financial Institutions Reform, Recovery and Enforcement Act of 1991 (FIRREA, Public Law 101-73), responding to an earlier financial crisis brought on by the reckless savings and loan practices of the 1980s.

⁴ “Bank Fees: Federal Banking Regulators Could Better Ensure That Consumers Have Required Disclosure Documents Prior to Opening Checking or Savings Accounts,” U.S. Government Accountability Office (GAO), January 2008, GAO-08-281, available at <http://www.gao.gov/products/GAO-08-281>

⁵ For example, see *Rising Bank Fees are Setting Records*, *USA Today* (Oct. 27, 2008), available at http://www.usatoday.com/money/industries/banking/2008-10-26-atms-fees-checks-banks_N.htm.

“The high fees come at a time when banks are struggling to unload bad mortgage loans.” Also see *Is Free Checking on its Way Out?* *CNNMoney.com* (July 2, 2009), available at <http://moremoney.blogs.money.cnn.com/2009/07/02/is-free-checking-on-its-way-out/>. Also see *Banks Boost Customer Fees to Record Highs*, *Wall Street Journal* (Nov. 12, 2008), available at <http://online.wsj.com/article/SB122645109077719219.html>:

“Banks are responding to the troubled economy by jacking up fees on their checking accounts to record amounts.”

⁶ The banks are seeking repeal or court reversal of a modest Federal Reserve rule implementing the Wall Street Reform and Consumer Protection Act’s separate “Durbin amendment” provision limiting “interchange” fees that card networks charge merchants for accepting debit cards. The bulk of the fees, which average around 1.7% of debit transactions, are passed along to

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the consumer's bank. The banks claim that revenue from the fees offsets other checking costs and must be recovered. PIRG has long supported reform of the interchange markets, which are broken. Merchants cannot negotiate the fees; that means all retail customers pay more at the store and more at the pump, even if they pay cash.

⁷ Letter from Edmund Mierzwinski, U.S. PIRG to Alan Greenspan, Chairman, Federal Reserve Board of 7 November 2001, available at <http://www.stopatmfees.com/bigbanks2001/PDFs/greenspanltr.pdf>

⁸ "Bank Fees: Federal Banking Regulators Could Better Ensure That Consumers Have Required Disclosure Documents Prior to Opening Checking or Savings Accounts," U.S. Government Accountability Office (GAO), January 2008, GAO-08-281, available at <http://www.gao.gov/products/GAO-08-281>

⁹ Depository Services, Comptroller's Handbook, August 2010, OCC, available at <http://www.occ.gov/static/publications/handbook/deperv.pdf>

¹⁰ The bank also attempted to blame Congress and the PIRG-supported "Durbin amendment," which lowered anti-competitive interchange fees imposed on merchants accepting debit cards by big banks. Interchange fees from small banks or prepaid cards were not affected.

¹¹ Kirsten Valle Pittman, "Bank of America reverses loss, posts \$1.6 billion gain," The Charlotte Observer, 20 January 2012, available at <http://www.charlotteobserver.com/2012/01/20/v-print/2941218/bofa-reverses-loss-posts-16b-gain.html>

¹² Supplement I to Part 230—Official Staff Interpretations, Regulation DD, Truth In Savings Act, available at <http://bit.ly/gx7B8t>

¹³ See The webpage for the Pew Safe Checking in the Electronic Age campaign, available at <http://www.pewstates.org/projects/safe-checking-in-the-electronic-age-328780>.

¹⁴ A financial reporter had similar results recently. See Jonathan Epstein, "Check It Out," Buffalo News, March 14, 2011 story, available at <http://www.buffalonews.com/business/moneysmart/article366488.ece> Excerpt: "Major national and large regional banks like Bank of America Corp. and HSBC Bank USA are eliminating free checking accounts, spurred by the loss of significant fee income because of new laws and regulations. But such accounts are alive and well at community banks, credit unions, and even big banks like M&T Bank Corp. and First Niagara Financial Group." We note also that many banks now offer better free checking options than the terms of accounts required by law (New Jersey Checking Account) or regulation (New York) that were passed in the early 1990s when free checking was not as available.

¹⁵ The FDIC Overdraft Program Supervisory Guidance of 24 November 2010 is available at <http://www.fdic.gov/news/news/press/2010/pr10257.html>

¹⁶ U.S. PIRG joined the Center for Responsible Lending and several other leading consumer groups in detailed comments to the FDIC in September 2010. Available at http://www.responsiblelending.org/overdraft-loans/policy-legislation/regulators/comment-to-fdic-on-overdraft_20100927.html

Appendix: KEY TO STATE DATA CHART THAT FOLLOWS

Big Banks, Bigger Fees 2012:

A National Survey of Bank Fees and Disclosures Policies

A PIRG Report: November 2012

Methodology: Over the last spring and summer PIRG staff and students surveyed 250 bank and 116 credit union branches 17 states and the District of Columbia. Branches of 152 different banks and 116 credit unions were surveyed. Researchers posing as prospective customers requested account information, specifically including full account fee schedules. The Truth In Savings Act requires that these detailed schedules be made available to prospective customers. The purpose of this report was to determine compliance with this fee disclosure requirement and offer consumers a comparative chart of bank fees. In addition, PIRG reviewed the websites of a total of 195 different banks (including these) in 24 states and the District of Columbia. In both the in-person and online instances, we asked states to select at least 5 of the 10 largest banks by deposits (according to the FDIC) in that state; and to select at least 5 other smaller banks.

The chart following this appendix lists the results by state.

About the fee disclosures: The fee disclosures we report in this appendix are for informational purposes and subject to change. Since not every bank provided full fee schedules, we attempted to update missing data on the Internet. But not every bank discloses full information on the web (the Truth In Savings Act does not specifically require web disclosure.) The absence of a fee does not necessarily mean it is not charged. The listing of a fee does not mean it is charged to every account, only to the accounts we list. We attempted to list the lowest cost full service checking accounts where a consumer could avoid all maintenance fees, either because the account was listed as free, or fees could be avoided through the use of direct deposit or a reasonable balance requirement. Other accounts may fit your circumstances better.

Seniors/Students: Many banks provide you with better deals (in a few states by law), but the variety of accounts makes it difficult to summarize. Ask.

Shop Around: Check the bank's web site. Check other websites that track local bank fees, such as mybanktracker.com, findabetterbank.com and bankrate.com/funnel/checking-account.

KEY TO THE BANK AND CREDIT UNION FEE DATA IN THE FOLLOWING CHART

Credit Unions: We surveyed credit unions in some only for their compliance with fee disclosure rules and whether they offered free checking. Many consumers are not aware that member-owned credit unions have very broad fields of membership. If one family member qualifies, usually all do. If your business is a vendor or otherwise does business with a company or agency with a credit union, you may be eligible to join. Many credit unions have branches and ATM networks. Finally, once a member, always a member, even if you move on.

KEY TO THE COLUMNS IN THE CHART OF BANK FEES BY STATE

Fee Disclosure Compliance: If we visited the branch (X), did the bank provide full (Y) or partial information on the first, second or third (or later) requests, or did it refuse or never provide it? Were all fees on the web (Y), or only some (N)?

Free Checking: Y or Y* means the bank offers a free checking account. Free checking accounts can have no monthly maintenance fees, including any associated with a balance. Free checking accounts can be subject to statement mailing fees, ATM fees, bounced check and other fees. Y* means a condition may be described in the Notes column.

Free w/ Direct Deposit: Y or Y* means you can avoid fees with a regular automated direct deposit. Many banks are setting minimums, such as "at least one \$500 direct deposit" (e.g., a combination of two deposits totaling \$500 is not allowed).

Balance To Open Account: In addition to a minimum opening deposit ranging from \$0-500, most banks require an application that includes checking a credit report and complying with federal anti-money laundering "Know Your Customer" rules. Note that some banks now have higher-priced "second chance" accounts if your credit report shows unacceptable bounced check activity and disqualifies you. You have a right to look at all credit reports and dispute them.

Monthly Fee Regular Checking: We define regular checking as checking that can be free either with a direct deposit or a balance requirement or some other requirement (we do not include "basic" checking, which is an account that may always have a fee. So the monthly fee is charged if you don't meet the direct deposit or minimum balance to avoid fees requirements. Note that you can reduce this fee by agreeing to receive all statements on line, or not receiving check images with your statements, or through other choices.

Balance To Waive Fee: At some banks this is a minimum balance at any time during the month, at others it is an average (and some banks require you to meet both, although we only list one). Ask when opening the account. An average is easier to meet, but some banks have very low minimums. Some banks may also have additional ways to avoid fees, such as making five signature transactions on debit cards, having 5-10 activities of any sort on the account, etc. Shop.

Off-Us ATM Fees: This is the fee you pay your own bank to use another owner's ATM. It is disclosed only on your statement. The fee the other owner charges, called a surcharge or convenience fee, is disclosed on the ATM screen and on your ATM receipt.

NOTES ATM FEE/Checking: Some banks and credit unions waive a certain number of "Off-Us" fees, or don't charge them when you use certain regional and even national networks such as Moneypass or Presto or Star or the SUM or Co-op surcharge free networks as opposed to the Plus or Cirrus networks (owned by Visa and Mastercard). Some banks and credit unions may also reimburse surcharges. We also note if a bank charges annual fees for certain debit cards. We do not report whether a bank charges fees for PIN (not signature) transactions at merchants. Many banks collect a variety of fees for other ATM activity, such as issuing "mini-statements."

Overdraft Fees First Violation: Under new rules, some banks are offering overdraft fee tiers. For more violations, you pay higher fees (see "Overdraft Notes" for higher penalties for additional overdrafts).

Continuing Overdraft Fee: This is the fee charged when an overdraft is not cleared up by a deposit.

Overdraft Continues After # days: This refers to when a Continuing Overdraft Fee is imposed (either daily beginning that day) or every # days. Some banks are not particularly clear about it. Ask.

Overdraft Notes: We list any higher fees for repeat violations and also describe whether the bank has announced a cap on the number of fees it charges in any day.

Statement Savings: This is generally the easiest savings account to qualify for, but also the lowest-earning. We list the minimum to open, the minimum to avoid fees and the fee, if any, if the minimum is not met. Banks also have varying fees, required by law, for excessive transactions in savings accounts. Overdraft transfers to checking from savings count against this limit.

Closing Account Early: Many banks charge a fee if you close an account within a certain number of months after it is opened. This is most harmful to students and others who move around. If the bank provided you with rewards to open an account, it may also seek to claw back those rewards, which can be significant (\$50-100 in some cases).

Returned Deposit Item (DIR): This is a fee imposed when a check you deposit from someone else (not one you write) is returned due to insufficient funds. Massachusetts imposes limits on this fee, applicable to state chartered banks.

Transfer Fee To Avoid OD (overdrafts): We list the daily transfer fee, for days when the service is used. This fee is for account transfer or line of credit products you have formally applied for, not to be confused with “courtesy” or “standard” overdraft programs the bank makes available that you may have consented (opted-in) to allow. The transfer fees (around \$10-12/day even for multiple occurrences on the same day) are substantially lower than overdraft protection fees (about \$35/occurrence).

More On Overdraft: Regulators have issued new rules concerning “overdraft protection” schemes, which banks and credit unions had previously provided automatically as so-called “features” of accounts. They charge a typical “courtesy” overdraft fee of about \$35 or but “cover” your overdrafts (allow transaction). Now, under the rules, unless you have affirmatively said yes, and opted-in to that program, you can no longer overdraft your debit card at a merchant or ATM machine. Your card will simply be declined and you will not pay a fee. If you have opted-in to any form of “Courtesy Overdraft Protection” (variously called “standard”), you should opt-out. A much better way to avoid bounced checks and debits is to apply for an overdraft Line of Credit (LOC) or a savings account or credit card transfer to cover your overdrafts. Ask for information at your bank or credit union. Note that if you opt-out of courtesy overdraft schemes, both checks and automatic electronic withdrawals (to pay recurring bills) can still result in overdrafts. If you don’t opt-out, the law sets no limit on the amount of overdraft fees at point of sale and ATMs a bank or credit union can impose. You have the right to reverse your opt-in at any time. Use it.

**A BLANK ITEM DOES NOT NECESSARILY MEAN THAT THE BANK DOES NOT CHARGE THAT FEE,
ONLY THAT IT WASN'T DISCLOSED. ALL FEES SUBJECT TO CHANGE AT ANY TIME.**

PIRG's Big Banks' Bigger Fees 2012

Demographic Information		Page 1 of 3 Across		Fee Disclosure Compliance						
ST	Bank Branch Name	BANK SIZE (000), Banks > \$10,000,000 are Big Banks, others are Small Banks.	The Street and City are listed only for branches we visited in person. We visited some branches of the same bank more than once.	Did we visit the branch?	1st Req	2nd Req	3rd Req	Never/ Refused	Full (Y) or Partial (P)	All Fees On Web?
IL	Amalgamated Bank of Chic	\$691,978	1 W. Monroe	Chicago	X				P	N
IL	American Chartered Bank	\$2,084,721	932 W. Randolph St.	Chicago	X		X		Y	Y
IL	Bank of America	\$1,062,273,625	2 N. Riverside Plaza	Chicago	X	X			Y	Y
IL	Chase Bank	\$1,162,998,000	550 W. Adams St.	Chicago	X				Y	Y
IL	Chicago Comm (Metro Ban	\$76,251	51 W. Jackson Blvd.	Chicago	X				Y	N
IL	Citibank	\$950,510,000	500 W. Madison St.	Chicago	X		X		P	Y
IL	First American Bank	\$2,307,220	33 W. Monroe St.	Chicago	X				Y	Y
IL	First Bank and Trust	\$582,948	820 Church St.	Evanston	X				Y	Y
IL	North Community Bank	\$867,073	1401 W. Belmont Ave.	Chicago	X				P	N
IL	Parkway Bank and Trust	\$1,974,466	39 N. Morgan St.	Chicago	X				P	Y
IL	Republic Bank of Chicago	\$1,157,970	120 W. Madison St.	Chicago	X				P	N
IL	Standard Bank	\$1,922,938	3434 N. Southport Ave.	Chicago	X			X	N	Y
IL	State Bank of Countryside	\$649,061	3323 N. Clark St.	Chicago	X				Y	Y
IL	Urban Partnership Bank	\$1,180,664	7054 S. Jeffery Blvd.	Chicago	X				Y	N
IL	US Bank	\$245,043,009	209 S. LaSalle St.	Chicago	X				Y	Y
IL	Wells Fargo Bank	\$921,071,000	2289 W. Howard St.	Evanston	X		X		P	Y

See separate detailed key. A blank means we couldn't find a fee, but there may one. All fees are subject to change and may not apply in other markets. See PIRG Bank Fee Tips.

PIRG's Big Banks' Bigger Fees 2012

Demographic:		Free and Regular Checking Fees							Page 2 of 3 Across	
ST	Bank Branch Name	Does the bank offer free checking ?	Does it offer it free w/ Direct Deposit?	Reg or Free Check Balance to Open	Reg Check Monthly Fee	Reg Check Balance To Waive Fee	Fee for using Off- us ATM	NOTES (if Y* under free or DD checking) and other info on ATM fees		
IL	Amalgamated Bank of Chic	Y*		\$100			\$0.00	40 cents/check > 14/month		
IL	American Chartered Bank	Y					\$2.00	2/month free		
IL	Bank of America		Y	\$25	\$12.00	\$1,500	\$2.00			
IL	Chase Bank		Y	\$25	\$12.00	\$1,500	\$2.00			
IL	Chicago Comm (Metro Ban	Y		\$100			\$2.00	3 /free month		
IL	Citibank		Y*		\$10.00	\$1,500	\$2.00	DD + 1 qualifying bill pay required for free		
IL	First American Bank	Y		\$100			\$3.00			
IL	First Bank and Trust				\$8.00	\$500	\$0.00	up to 8 surcharges/month refunded		
IL	North Community Bank	Y		\$100			\$1.50	3 free/month		
IL	Parkway Bank and Trust	Y					\$3.00			
IL	Republic Bank of Chicago	Y		\$25						
IL	Standard Bank		Y	\$100	\$7.00	\$500	\$1.00	2 free/month		
IL	State Bank of Countryside	Y		\$5			\$2.00	8/month free		
IL	Urban Partnership Bank		Y	\$100	\$7.50	\$500	\$0.00	fees may be charged by the ATM owner		
IL	US Bank		Y	\$25	\$8.95	\$1,500	\$2.50			
IL	Wells Fargo Bank		Y	\$100	\$9.00	\$1,500	\$2.50			

These are the most common fees associated with checking accounts. A regular checking account is one where fees can be avoided by maintaining a balance. Some banks offer other, additional ways to avoid fees. We did not include limited accounts with a fee each month, unless it could be avoided with direct deposit.

See separate detailed key. A blank means we couldn't find a fee, but there may one. All fees are subject to change and may not apply in other markets. See PIRG Bank Fee Tips.

PIRG's Big Banks' Bigger Fees 2012

Demographic		Overdraft Fees, Savings Miscellaneous Fees										Page 3 of 3 Across	
ST	Bank Branch Name	Overdraft Fee First Violation	Continuing Overdraft Fee	Overdraft Continues after # Days	Overdraft Notes Including Higher Fees, Daily Limits	To Open	To Avoid Fee	Monthly Fee	Close Early Fee	Close Early (Less Than # Months)	Returned Deposited Check Item (DIR)	Daily Transfer from Savings Fee To Avoid OD	Some banks may escalate the transfer fee for repeated use; others may also have an annual fee.
IL	Amalgamated Bank of Chic					\$250	\$250	\$4.00					
IL	American Chartered Bank	\$32.00	\$9.00/day	3	max 4/day; no fee if overdi	\$50	\$50	\$0.00			\$12.00	\$10.00	
IL	Bank of America	\$35.00	\$35.00	5	max 4/day	\$25	\$300	\$5.00	\$0.00		\$12.00	\$10.00	
IL	Chase Bank	\$34.00	\$15.00	5	max 3/day	\$25	\$300	\$4.00			\$12.00	\$10.00	
IL	Chicago Comm (Metro Ban	\$32.00	\$6.00	1		\$100	\$200	\$3.00	\$25.00	6	\$10.00		
IL	Citibank	\$34.00			max 4/day	\$100	\$500	\$4.50	\$25.00	3	\$10.00	\$10.00	
IL	First American Bank	\$39.50	\$5.00	5	max 6/day	\$100	\$250	\$5.00	\$25.00	6	\$5.00	\$10.00	
IL	First Bank and Trust	\$28.00	\$5.00	5		\$200	\$200	\$2.00	\$10.00	6	\$6.00		
IL	North Community Bank					\$100	\$200	\$3.00					
IL	Parkway Bank and Trust	\$40.00	\$15.00/day	4		\$100	\$100		\$50.00	6	\$10.00	\$5.00	
IL	Republic Bank of Chicago					\$25	\$25	\$3.00					
IL	Standard Bank	\$32.90	\$8.00	5		\$100	\$200	\$5.00	\$20.00	6	\$10.00	\$5.00	
IL	State Bank of Countryside	\$35.00	\$5.00	5		\$100	\$300	\$4.00	\$30.00	3		\$5.00	
IL	Urban Partnership Bank					\$50	\$250	\$5.00					
IL	US Bank	\$35.00	\$25/weekly	7	max 6/day	\$25	\$300.00 d	\$4.00	\$25.00	6	\$19.00	\$10.00	
IL	Wells Fargo Bank	\$35.00	\$0.00		max 4/day	\$100	\$300	\$5.00			\$12.00	\$12.50	

See separate detailed key. A blank means we couldn't find a fee, but there may be one. All fees are subject to change and may not apply in other markets. See PIRG Bank Fee Tips.

PIRG's Big Banks' Bigger Fees 2012

ST	Credit Union Name	Street	City	Did we visit the branch?	1st Req	2nd Req	3rd Req	Never / Refused	Full (Y) or Partial (P) or Never (N)	Free Check?	Free w. Direct Deposit?
IL	Chicago Municipal Employees Credit Union	33 N. LaSalle St.	Chicago	X				X	N		Y
IL	First National Employees Credit Union	230 W. Monroe St.	Chicago	X	X				Y		
IL	Great Lakes Credit Union	230 S. LaSalle St.	Chicago	X				X	N		Y, \$500.00+
IL	US Employees Credit Union	610 S. Canal St. Suite #240	Chicago	X	X				Y	Y	

For Credit Unions, we looked at whether they complied with our in-person fee disclosure requests (on the first or later requests (X)), whether the credit union provided full (Y) or partial (P) information or whether it never complied (N). We also looked at whether the credit union offered free checking or free checking with direct deposit. In an upcoming report, we will look at credit union fees online and other credit union fees.

Tab 14

Consumer Financial Protection Board White Paper on Overdraft Fees

JUNE 2013

CFPB Study of Overdraft Programs

A white paper of initial data findings



Consumer Financial
Protection Bureau

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Executive Summary

In February 2012, the Consumer Financial Protection Bureau (CFPB) initiated a broad inquiry into financial institutions' overdraft programs for consumer checking accounts. This effort included a public Request for Information (RFI) and a detailed study of overdraft programs at a small set of large banks that are supervised by the CFPB. These banks provide a significant portion of all U.S. consumer checking accounts. Through the CFPB's supervision program, these banks have provided institution-level information about their overdraft programs and accounts during 2010 and 2011.

Many of the concerns that motivated the CFPB's inquiry are not new. In response to growing costs to consumers, federal agencies have addressed these issues in different ways at different times, which industry has recognized.^a Our review is intended to provide the factual basis to inform efforts to develop more uniform treatment of these issues across financial institutions.

This paper summarizes initial findings from our inquiry. It draws principally on the institution-level information received from banks participating in the study, as well as responses to the RFI and other industry sources. These findings indicate that overdraft programs can be costly for the consumers who use them, and that both consumer outcomes and policies related to overdraft programs can vary considerably across banks. Specifically:

- **Costly service:** The banks in the study used different methodologies for measuring the incidence of accounts that incurred overdraft and non-sufficient funds (NSF) fees. The percentage of accounts experiencing at least one overdraft or NSF transaction in 2011 was 27% for study banks that tracked all incidences for all

^a See American Bankers Association letter to Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency, Federal Reserve Board of Governors, and CFPB (August 24, 2011), available at <http://www.aba.com/aba/documents/news/OverdraftLetter82511.pdf>.

accounts opened at any time during 2011 and 20% for study banks utilizing other methods. The average overdraft- and NSF-related fees paid by all study bank accounts that had one or more overdraft transactions in 2011 was \$225 and varied by as much as \$201 between study banks.

- **Heavy overdrafters:** A small percentage of consumer checking accounts incur a substantial number of overdrafts. The proportion of consumer checking accounts with at least one overdraft or NSF that were heavy overdrafters (defined for purposes of this paper as consumers incurring more than 10 non-sufficient funds or overdraft transactions during 2011) was 27.8% for study banks that tracked all incidences for all accounts opened at any time during 2011 and 13.5% for other study banks.
- **Involuntary account closures:** Some banks close consumer checking accounts at significant rates, mostly due to unpaid negative balances. Study banks involuntarily closed 6.0% of consumer checking accounts that were open or opened during 2011. Involuntary closure rates varied widely; the study bank with the highest involuntary rate closed 14 times more of its accounts in 2011 than the bank with the lowest involuntary closure rate. While not all negative balances are caused by overdraft, the majority of negative balance incidents result when consumers overdraw their accounts.
- **Implementation of the opt-in requirement on overdraft coverage of ATM and POS debit card transactions:** A 2009 Federal Reserve Board amendment to Regulation E (subsequently recodified by the CFPB) requires accountholders to provide affirmative consent (opt in) for overdraft coverage of automated teller machine (ATM) and non-recurring point of sale (POS) debit card transactions before banks can charge for paying such transactions. This change became effective for new accounts on July 1, 2010, and for existing accounts on August 15, 2010. The share of accounts that had opted in to ATM/POS debit card coverage at the end of 2011 varied by 18 percentage points across study banks. Opt-in rates among the study banks of accounts that were opened during 2011 were generally higher than for existing accounts and varied dramatically, ranging from single-digit percentages to more than 40%.
- **Overdrafters who did and did not opt in:** Consumers' overdraft experiences before and after the implementation of the opt-in requirement provide some insight

into the impact of the new opt-in requirement. While a majority of accounts that were the heaviest overdrafters (with more than 10 overdraft or NSF transactions in the first half of 2010) did not opt in, these accountholders opted in at a higher rate than accounts overall (44.7% compared to 15.2% of all accountholders among the sample of banks). While both heavy overdrafters who did and did not opt in experienced a reduction in fees per account in the second half of 2010, the reduction in fees for those who did not opt in was \$347 greater, on average, than for those who did opt in.

- **Variations in overdraft-related practices and policies:** Numerous bank policies can affect when a transaction might overdraw a consumer's account and whether or not the consumer would be charged a fee. These include, among others:
 - when banks provide funds availability on deposits;
 - how banks treat holds on funds in connection with debit card transaction authorizations;
 - what transaction posting orders banks use;
 - how banks set overdraft coverage limits (the amounts by which consumers are permitted to overdraw their accounts) and at what levels;
 - whether banks offer waivers or delays in assessing overdraft fees to accounts for *de minimis* transactions or short negative balance periods; and
 - whether and how banks charge additional fees for extended or sustained negative balances.

In addition, several other bank policies may influence consumer outcomes with respect to overdraft programs including how banks promote enrollment in automatic transfers from linked deposit accounts or credit lines to avoid overdrafts, how banks screen new account applicants, and other policies influencing the characteristics of accountholders across banks.

These practices and policies, among others, varied significantly (and in some cases, dramatically) among study banks. For example, the percentage of accounts enrolled in overdraft protection programs involving automatic transfers from linked personal deposit accounts

ranged by close to 40 percentage points across study banks. Likewise, study banks used a variety of transaction posting orders and employed a range of methods for setting overdraft coverage limits.

In announcing the launch of this study, CFPB Director Cordray observed that “overdrafts can provide consumers with needed access to funds.” Nothing in this report implies that banks and credit unions should be precluded from offering overdraft coverage. Moreover, our study notes progress in some areas in recent years in protecting consumers from harm. Nonetheless, our findings with respect to the number of consumers who are incurring heavy overdraft fees or account closures and the wide variations across institutions indicate that certain practices and procedures merit further analysis to determine whether they are causing the kind of consumer harm that the federal consumer protections laws are designed to prevent.

1. Introduction

In February 2012, the Consumer Financial Protection Bureau (CFPB) launched an inquiry into overdraft practices and their effect on consumers. In announcing that inquiry, CFPB Director Richard Cordray observed that “Overdrafts can provide consumers with access to funds, but the growing costs of overdraft practices have the capacity to inflict serious economic harm.”¹

Director Cordray went on to note that there have been a number of changes in overdraft practices in recent years, some as a result of new regulatory requirements, some in response to litigation, and some undertaken voluntarily by banks, thrifts, and credit unions (collectively referred to in this paper as “financial institutions” or “institutions”). Director Cordray explained that as an agency committed to evidence-based decision-making, the CFPB needed “to know the facts and figures about all of this, and more, in order to carry out our role of protecting consumers.”²

The CFPB’s analysis of overdraft programs^b relies on two principal sources of data: (1) responses to a Request for Information (RFI) published in the Federal Register³ in February 2012; and (2) aggregate, institution-level information data from a sample of large banks regarding those banks’ overdraft programs coupled with detailed, de-identified account and transactional information from random samples of consumer checking accounts at these same banks.^c

^b The descriptions of overdraft programs provided in this paper reflect market research and do not imply that the CFPB has necessarily approved or critiqued any particular aspects of the features or operation of these products from a regulatory or supervisory standpoint.

^c None of the data contain personally identifiable information about consumers.

The study banks are large banks covered by the CFPB’s supervisory authority and do not include credit unions, thrifts, or banks with total assets under \$10 billion. In addition to these sources, the study includes information that the CFPB gathered from, and republishes with the permission of, subscription data services. It also includes publicly available information (including program terms and policies), and information voluntarily shared with the CFPB for publication by industry vendors.

The CFPB's Request for Information generated responses from financial institutions, consumers, industry associations, and consumer advocates on overdraft program practices and outcomes for consumers. The RFI supplements the large bank study by providing information about smaller institutions through the responses these institutions and their trade associations submitted. The large banks that provided overdraft program and transactional data for the study (referred to in this paper as "study banks"), while not representative of the market as a whole, collectively hold a substantial percentage of domestic checking deposits. These banks also maintain a large share of all U.S. depository institution branch offices and provide accounts in all 50 states.⁴

In this paper, we begin to address the issues raised by overdraft programs through analysis of the institution-level information provided by the study banks and the information we received in response to the RFI. As each of the study banks is subject to the CFPB's supervisory authority, we present our analyses in a manner that preserves the confidentiality of the supervisory information upon which these analyses rely. Future analyses will draw from de-identified account-level and transaction-level data to further our study of overdraft programs.

Section 2 describes the market and regulatory context for this paper focusing on changes over time in checking account use, overdraft programs, and related regulations. Section 3 presents aggregated information about consumer outcomes with respect to overdraft incidence, fees, and account closure provided by the study banks. Section 4 explores the potential impact of changes to Regulation E, which requires a consumer's affirmative opt-in before an institution can charge a fee for overdraft coverage on specific types of transactions. Section 5 describes the institutional operating policies and variations in pricing and overdraft program configurations that can influence consumers' outcomes with respect to overdraft programs. Finally, Section 6 summarizes the key findings of this report and notes issues for further research and analysis.

2. Market and Regulatory Context of Overdraft Programs

Overdraft programs on checking accounts have evolved from a manual courtesy program to an automated feature that today generates a significant share of financial institutions' revenue from deposit accounts. Some financial institutions market overdraft programs as a service that saves customers the embarrassment and cost of rejected payments. In recent years, consumer advocates and financial regulators have scrutinized some overdraft program practices as potentially harmful to consumers, and regulators have raised safety and soundness as well as consumer protection concerns.⁵ The published supervisory expectations of the various prudential regulators are not necessarily aligned and may be creating an unlevel playing field among depository institutions.

Consumer Checking Account Overdrafts and Overdraft Programs: Consumers can trigger overdraft program coverage when they attempt to spend or withdraw funds from their checking accounts in an amount exceeding the accounts' available funds.^d The financial institution can then choose to either pay or reject the transaction. These decisions, once made manually at the discretion of each institution's managers, have become largely automated. Some automated overdraft programs incorporate a variety of information such as a customer's average account balance, deposit volumes, or account tenure to determine whether the institution will pay the transaction when customer funds are otherwise insufficient (*i.e.*, into overdraft). Transactions that an institution decides to pay into overdraft ("overdrafts" or "overdraft

^d Institutions use a wide range of factors to calculate consumer account balances and to determine whether to authorize or post an attempted transaction. These factors are discussed in Section 5: Overdraft Program Policies and Practices across Institutions.

transactions”) may then incur an overdraft fee. Transactions initiated by check or ACH that the institution rejects usually generate a non-sufficient funds (NSF) fee; in contrast, institutions generally do not charge an NSF fee when declining a debit card authorization inquiry at a merchant or ATM.^e

With respect to transactions that are paid into overdraft and generate a fee, institutions generally charge overdraft fees in fixed amounts rather than in proportion to the size of the payment being made. The same is true with respect to NSF fees charged on transactions that are rejected.^f Some will additionally charge an extended or sustained overdraft fee if the account holder does not make a deposit to bring the account back to a positive balance within a specified period of time after incurring an overdraft.

The Evolution of Checking Account Use and Automation of Overdraft Approval:

Checking accounts are the product most consumers use to receive and deposit funds, withdraw cash, and make payments for everyday expenses and loan payments. Over the last several decades, the mechanisms available to consumers to withdraw funds or make payments from checking accounts have expanded and grown more complex.^g Those changes have also created more opportunities to overdraw an account held with an institution that offers overdraft coverage.

Beginning in the mid-1970s, the advent of ATMs made it possible for consumers to withdraw cash from their accounts without visiting a branch teller line and to do so 24/7. The advent of regional, national, and global ATM networks made it possible to make cash withdrawals all over the world.

Many institutions subsequently expanded transactional capabilities by replacing ATM-only cards with debit cards that could also be used to make electronic payments to merchants and service providers from checking accounts. Debit card transaction volumes have grown quickly as the networks that enable these transactions have broadened. Acceptance by grocery stores, gas stations, and other retailers helped to drive the popularity of “online” or “PIN debit” payments

^e See Section 4.1 for a discussion of NSF fees and declined debit card authorizations.

^f The per-item charges for NSF and overdraft transactions also tend to be identical at each institution.

^g These expanded transactional capabilities, such as ATMs, are available to consumers through other types of accounts, including savings accounts. Our analysis to-date and this paper, however, focus exclusively on overdrafts related to consumer checking accounts.

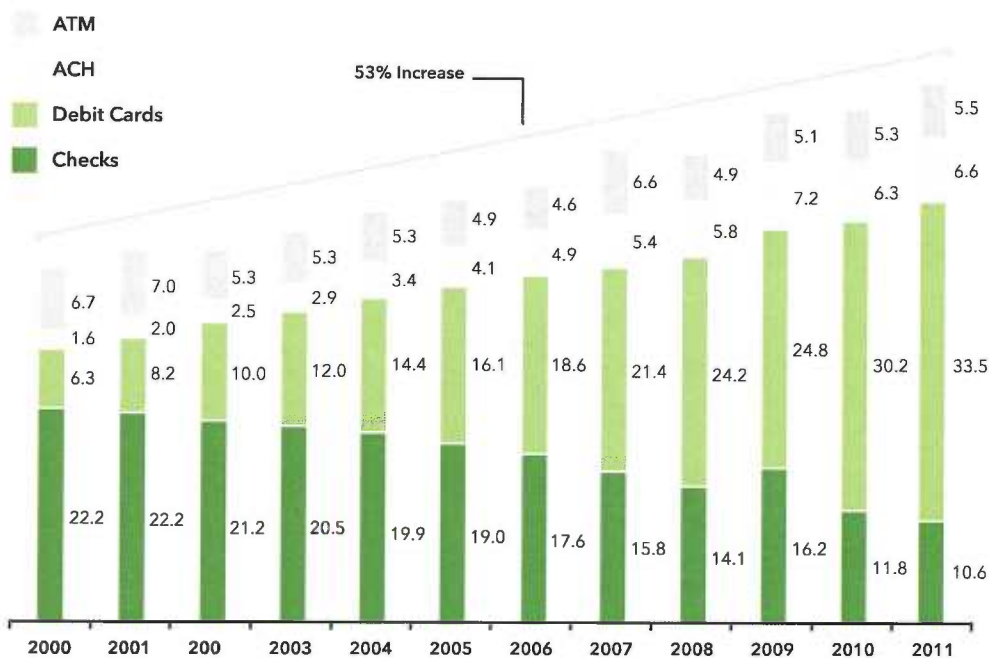
across regional and global ATM networks. By 1996, “offline” or “signature debit” transaction volumes overtook PIN debit payment volumes.⁶ These debit cards offered broader merchant acceptance, including at Internet retailers. In 2006, debit card payment transaction volumes in the U.S. exceeded both check and credit card payments, and from 2006 to 2011, the total volume of U.S. consumer debit card transactions nearly doubled.⁷

Spurred by the advent of online banking and both automated and online bill payment, consumers’ use of automated clearinghouse (ACH) networks to make electronic payments from checking accounts has also grown rapidly. Some ACH payments are “pushed”—*i.e.*, initiated by consumers through their institutions’ online or mobile banking applications—while others are “pulled” by merchants or billers that have obtained the consumer’s authorization to do so.^h Consumers may authorize ACH payments to be made on a one-time or a recurring basis.

The growth in the variety of payment mechanisms tied to checking accounts helped drive increases in payment volumes and significantly expanded the types of payments to which overdraft coverage could be applied. From 2000 to 2011, the average number of monthly consumer noncash payments (including ATM withdrawals) per U.S. household increased by over 50%, from approximately 37 to 56 (see Figure 1 below). The expanded payment facilities provided consumers with new sources of convenience. At the same time, these new methods of payment increased product complexity and may have compounded the difficulty some consumers face in managing checking accounts.

^h Additionally, merchants and financial institutions can convert checks to ACH transactions.

FIGURE 1: AVERAGE MONTHLY NUMBER OF CONSUMER CHECKING ACCOUNT PAYMENTS PER HOUSEHOLD (U.S.)



Sources: Nilson, Dove, Mercator, Census Bureau, GAO, CFPB Estimates

In the past, institutions determined whether or not to cover payments when customer funds were insufficient through manual or ad hoc programs in which decisions were made on a check-by-check basis when checks that consumers had written were presented for payment. However, with the advent of electronic transactions (*i.e.*, ATM withdrawals and debit card purchases) that require real-time authorization decisions, financial institutions faced the question of whether to refuse to authorize any electronic transaction for which there were insufficient funds or create an automated system of authorizing such transactions into overdraft.

In choosing the latter course, financial institutions established the concept of overdraft limits, or amounts by which the institution would allow payments to overdraw a consumer’s account without being declined authorization or returned. These limits may be static or dynamic and

may or may not vary by customer.ⁱ Regardless, institutions authorize and pay or “cover” the overdraft payments up to each account’s limit amount and return payments (or refuse to authorize electronic transactions) that would cause the account’s negative balance to exceed the limit amount. Overdraft coverage limits effectively constitute the amount an institution is willing to advance to a consumer on future deposits in return for paying per-item overdraft fees.

Today, automation of overdraft programs is common across the industry. The Federal Deposit Insurance Corporation (FDIC) found in a 2011 survey⁸ that 70% of institutions with assets of \$38 billion or more, 54% of midsized institutions, and 32% of banks with assets less than \$1 billion employ automated overdraft programs.^j A recent survey conducted in response to the CFPB’s RFI by a bank trade association to which 575 member institutions responded suggests that overdraft automation is also common at community banks, where 71% of institutions with assets over \$250 million report using some degree of overdraft automation (although an equal percentage of institutions with assets under \$100 million report having only ad hoc programs).⁹

Fee Income from Overdraft and NSF Transactions: NSF and overdraft revenues constitute a substantial share of total revenues generated by consumer checking accounts and contribute significantly to overall revenue, especially for institutions that rely most heavily on their consumer lines of business. Analysis suggests that industry revenues from NSF and overdraft fees from consumer checking accounts have increased significantly over the past several decades.

Depository institutions combine consumer checking account NSF and overdraft fee revenues with other deposit account service charges and fee income in their public reports of condition and income (Call Reports). Service charges on deposits reported by banks and thrifts, which totaled \$34.2 billion in 2012, can include dozens of types of fees levied against consumers, small businesses, large corporations, and other types of customers.¹⁰ In the call report that credit unions submit to the National Credit Union Administration (NCUA), NSF and overdraft fees are combined into an even broader category that also includes fees earned on non-deposit services. The NCUA reported that fee income earned by credit unions totaled \$7.4 billion in 2012.¹¹

ⁱ See Section 5 for greater detail on overdraft limits.

^j The FDIC survey requested information about the availability of automated overdraft programs for the institutions’ “most basic or entry level account.” Note that the FDIC, in its report, defined automated programs as having “little to no discretion given to bank employees, and no case-by-case bank employee decision-making with respect to an individual customer or item.”

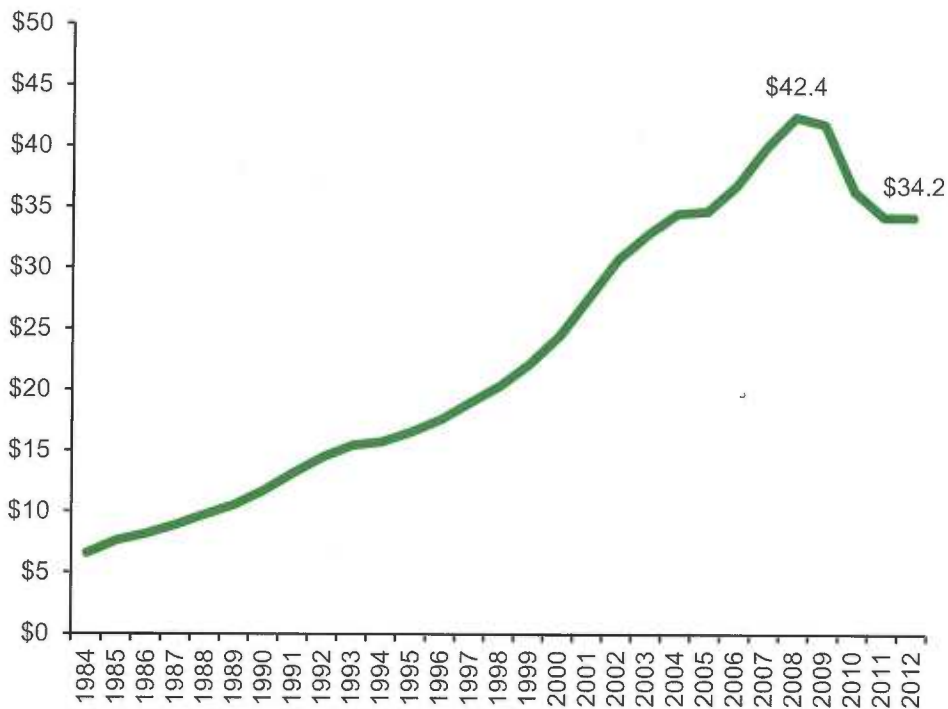
According to information supplied to the CFPB by the study banks, overdraft and NSF-related fees from consumer checking accounts constituted 61% of consumer and 37% of total deposit account service charges earned by these banks in 2011. While the composition of fee revenues varied considerably among study banks, if aggregate study bank fee revenue ratios could be extrapolated to all FDIC-insured institutions, this would imply the banking industry earned roughly \$12.6 billion in consumer NSF and overdraft fees in 2011. However, there is reason to believe that such an extrapolation would understate total industry overdraft revenue. For example, several non-study banks that provide information about their overdraft fee income in public documents report overdraft and NSF revenue ranging from 41% to 56% of total deposit account service charges in 2012.¹² Additionally, an industry analyst who conducts an annual survey of a large number of institutions reports that in 2012 overdraft and NSF fees totaled \$32 billion—a figure that would represent fully 77% of the deposit account services charges and fee income reflected in bank and credit union Call Reports.¹³

The differences between these estimates may in part be attributable to the differences between different types of financial institutions. The study banks, while representing a large share of consumer deposits, are banks serving large commercial clients as well as consumers. Smaller institutions are generally less likely to provide deposit services to large corporate clients and thus are likely to have a larger percent of their deposit service charges attributable to consumer accounts, and more specifically, to overdraft and NSF fees. For example, the FDIC estimated in a study of bank overdraft programs that among a non-random sample of banks within its supervisory jurisdiction, 74.0% of deposit account service charges in 2007 were attributable to overdraft and NSF fees.¹⁴ Similarly, a bank trade association's survey of community banks found that overdraft and NSF revenue represented 62% of deposit account service charges and 27.5% of net income after taxes for its member respondents.¹⁵ Furthermore, an industry vendor that services 1,800 predominantly small institutions has reported to the CFPB that NSF and overdraft revenues accounted for 78% of its community bank and thrift clients' deposit service charges and 51% of its credit union clients' fee income in 2012. The same vendor reports that 6.9% of its bank and thrift clients' 2012 operating revenues (net interest income plus noninterest income) came from NSF and overdraft revenues. The firm measures the corresponding ratio to be 11.6% for its credit union clients.¹⁶

Given these multiple data points, it is not currently possible to determine with precision the dollar volume of overdraft and NSF fees that consumers are paying. What is clear, however, is that these fees represent a sizable share of the revenue from consumer checking accounts—as noted, 61% for the study banks and a likely even higher percentage for community banks.

For similar reasons, there is some uncertainty as to the trends with respect to this source of income. Public reports show that from 1984 through 2012, aggregate deposit service charges reported by banks and thrifts insured by the FDIC grew from \$6.6 billion to \$34.2 billion.¹⁷ Bank and thrift service charges on deposit accounts declined since peaking at over \$42 billion in 2008; however, despite this drop-off, charges still grew at an average annual rate of 6.1% (3.1% inflation-adjusted) over the 28 years available in the FDIC's Quarterly Banking Profile (see Figure 2 below). Credit union fee income, meanwhile, experienced no similar recent decline and grew by over 15% from 2007 to 2012.¹⁸

FIGURE 2: SERVICE CHARGES ON DEPOSIT ACCOUNTS FOR FDIC-INSURED INSTITUTIONS, 1984-2012



Source: FDIC Quarterly Banking Profile Q4 2012

The growth in overall deposit service charges occurred at a time when banks were generally migrating away from charging monthly fees on checking accounts but parallels the increased use of automated overdraft programs by financial institutions (as described above) and increases in the number of transactions—particularly debit card and ATM transactions—covered by automated overdraft programs. The FDIC found in its study of bank overdraft programs that 41% of all NSF and overdraft transactions occurring in 2006 at banks with automated overdraft programs were related to use of debit cards at the point of sale.¹⁹

The growth in overall deposit service charges likewise has paralleled an increase in per-transaction fees and implementation of extended or sustained overdraft fees. An aggregator of financial services pricing information that conducts an annual survey of checking account fees determined that the average overdraft fee increased from \$21.57 in 1998 to \$31.26 in 2012.²⁰

The industry analyst who estimates 2012 overdraft revenue at \$32 billion also reports estimates that suggest increases in overdraft revenues contributed to the increases in deposit account service charges described above. Specifically, the analyst has estimated that overdraft fees grew from \$19.9 billion in 1990 to \$37.1 billion in 2009, before declining to \$31.6 billion in 2011, then rising slightly to \$32.0 billion in 2012.²¹ This generally parallels the overall trend with respect to deposit service charges.

In summary, evidence from multiple sources suggests that a substantial portion of the observed growth in deposit account service charges stems from growth in consumer checking account NSF and overdraft revenues.

Costs to Institutions from Overdraft Programs: The costs institutions bear to provide overdraft programs can be difficult to separate from operational costs related to providing consumer checking accounts, in general. The CFPB's study banks and several financial institutions that responded to the CFPB's RFI, however, identified charged off account balances as the single largest cost associated with overdraft programs.

Most charge-offs occur when consumers are unable or perhaps unwilling to repay negative account balances that result from institutions covering overdraft transactions and imposing fees. Charge-off losses generally amount to a fraction of total institutional operational costs. At the study banks, charge-off totals are also small relative to the fee revenue these banks earned through their overdraft programs. Charged-off account principal balances, which are generally primarily due to overdraft programs, represented 14.4% of the net overdraft fees (not including NSF fees) charged at study banks in 2011.

Risks to Consumers: Consumer advocates, among others, have raised concerns about the transparency of overdraft program disclosures, rising costs, and the degree to which financial

institution practices influence overdraft fee incidence.^k In addition, multiple class action lawsuits have challenged industry practices with respect to transaction ordering and other policies that have allegedly increased the incidence of overdrafts and fees.^l Financial institutions generally assert that consumers derive value from these practices. Some cases have settled, while others are ongoing.

As part of the FDIC's study of bank overdraft programs published in 2008, it obtained account-level data from a non-random sample of 39 banks that collectively held \$332 billion in assets. Among the banks studied, 26% of consumer accounts had overdraft or NSF transactions in the year for which data were collected. Close to 12% of consumers had one to four overdraft or NSF transactions in a year, and 5% had five to nine transactions. Although heavy users made up a small percentage of account holders, they paid the vast majority of overdraft fees. Nine percent of account holders incurred 10 or more overdraft or NSF transactions and accounted for 84% of all overdraft and NSF fees charged.²²

The FDIC's study found that account holders in low-income areas were somewhat more likely than other account holders in the sample to incur overdrafts or NSFs; they were also more likely to be among the account holders that incurred high numbers of overdrafts or NSFs. Young adults were also more likely to experience overdrafts or NSFs than account holders in other age groups.²³ Thus, the study raised concerns that consumers from potentially vulnerable groups may shoulder a disproportionate share of NSF and overdraft fees and checking account costs.^m

In a more recent FDIC study of unbanked and underbanked households, the FDIC found that unbanked households who chose not to have an account cited unexpected fees such as overdraft charges as one of the reasons for remaining unbanked.²⁴

^k See, e.g., Pew Charitable Trusts, *Still Risky: An Update on the Safety and Transparency of Checking Accounts* (2012); National Consumer Law Center, *Restoring the Wisdom of the Common Law: Applying the Historical Rule Against Contractual Penalty Damages to Bank Overdraft Fees* (2013); Leslie Parrish, Center for Responsible Lending, *Overdraft Explosion: Bank fees for overdrafts increase 35% in two years* 5 (Oct. 6, 2009).

^l See, e.g., *Gutierrez v. Wells Fargo Bank*, 704 F.3d 712 (9th Cir. 2012), *on remand* 2013 U.S. Dist. LEXIS 69287 (N.D. Cal. May 14, 2013). Several other banks have settled lawsuits and several others are still pending, most notably in multi-district litigation in Florida. See *In re: Checking Account Overdraft Litigation*, No. 1:09-MD-02036-JLK (S.D. Fla.).

^m Some industry trade associations and other respondents to the CFPB's RFI dispute this and claim there is evidence that vulnerable populations do not shoulder a disproportionate share of overdrafts and overdraft fees.

Regulatory Interventions Relating to Overdrafts: The overall growth in fees, and the costs they impose on a small number of heavy overdraft users noted above, contributed to increased scrutiny of overdraft programs by regulators. The FDIC, Office of Thrift Supervision (OTS), Office of the Comptroller of the Currency (OCC), Board of Governors of the Federal Reserve (the Board), and NCUA recommended changes to institutions' overdraft practices through supervisory guidance, including joint and agency-specific guidance issued in 2005.²⁵

To further address concerns about heavy overdraft use by consumers, and with the anticipation that "improvements in the disclosures provided to consumers could aid them in understanding the costs associated with overdrawing their accounts and promote better account management,"²⁶ the Board amended Regulation DD (which implements the Truth in Savings Act) in 2005 to address certain overdraft disclosures for "promoted overdraft programs" (effective July 2006.) Then again in 2009, the Board amended Regulation DD to require new disclosures about overdraft fees and account balances (effective January 2010).²⁷ Nearly concurrently with the latter amendment, the Board amended Regulation E (which implements the Electronic Fund Transfer Act) to require that consumers provide affirmative consent for overdraft coverage of ATM withdrawals and non-recurring debit card transactions (generally at the point of sale or POS) before institutions can charge overdraft fees on such transactions. This amendment was effective as of January 2010, with a mandatory compliance date of July 1, 2010 for new customers and August 15, 2010 for existing customers.²⁸

Continuing concerns about consumer protection and institutional safety and soundness stemming from overdraft programs were reflected in final guidance issued by the FDIC in 2010, proposed guidance from the OTS in 2010, and proposed guidance from the OCC in 2011 (which the OCC recently withdrew).²⁹ The only extant supervisory guidance is that issued by the FDIC which applies only to institutions supervised by the FDIC.

Overdraft programs have undergone significant change since the FDIC study discussed above, for various reasons including, in some instances, in response to regulatory efforts and litigation. The remainder of this paper reports initial findings and observations from the CFPB's study to understand the current features of overdraft programs and related policies, their impacts on consumers, and the further impacts of recent regulatory guidance and rulemaking.

3. Consumer Overdraft Incidence, Fees, and Related Account Closure

This section presents institution-level data on several consumer outcomes related to overdraft activity at the study banks. While differences in account or consumer characteristics across banksⁿ may contribute to some differences observed in the outcomes described here, differences in each bank's overdraft programs and policies likely are also responsible for some of the variances in consumer outcomes.

Although we cannot determine the degree to which the study banks' policies and types of customers are similar to or different from those of other institutions, these banks hold a significant share of domestic checking deposits and thus affect meaningful numbers of consumers nationally. In this section we examine the incidence of overdraft activity and related fees for consumer checking accounts^o at the study banks, and highlight the differences in these outcomes for consumers across study banks. We also summarize involuntary account closures, which can be a negative outcome associated with overdrafting. Generally, analyses in this section reflect the aggregation of or comparison across all study banks. However, some noted

ⁿ For example, the analyses presented here reflect the entire portfolio of consumer checking accounts at the study banks, which include different proportions of accounts that are inactive (*i.e.*, that consumers do not use for their transactional needs). Inactive accounts do not generate overdrafts because there are no transactions on the account. Other differences such as consumers' account balances or volumes of deposits and payment transactions will likely influence their overdraft-related outcomes as well.

^o Our study is limited to consumer checking accounts. It is possible that a consumer account could be used for a business purpose (for example, some small business owners may use their personal accounts for their business needs as well); however, these users likely constitute a negligible portion of all consumer accounts. Some institutions, including study banks, may enable overdrafts on other types of deposit accounts such as savings accounts. The CFPB's analyses do not include NSF and overdraft transactions on these types of accounts.

analyses here and elsewhere in the paper draw from different subsets of study banks due to inconsistencies in bank measurement and reporting. Later sections of this paper describe how certain regulatory changes, institution policies, and overdraft program pricing and features may have influenced these consumer outcomes.

The CFPB plans analysis of de-identified account-level data obtained from random samples of each bank's customers. The samples comprise approximately 1.5 million accounts and one billion transactions and will enable us to apply a consistent methodology in measuring overdraft incidence, overdraft costs, and other metrics reported here and that are based on the computations supplied by the study banks. Analyses of that account-level data thus may result in adjustments to some of the findings derived from the aggregate-level data set forth in this report.

3.1 Overdraft and NSF Incidence

In 2011, 27.7% of consumer accounts experienced NSF or overdraft activity across several study banks that measured NSF/OD incidence for accounts open at any point during the year.^p These were accounts that had items paid, resulting in a negative account balance, or returned due to insufficient funds (overdraft or NSF, respectively, collectively referred to as “NSF/OD items” in this paper).^q The study banks included in this analysis reported the total number of NSF/OD items incurred by accounts that were open at any point in 2011, including those items for which a fee was not charged.^r One in five consumer accounts (20.1%) at these banks incurred between one and 10 NSF/OD items in 2011, and 7.7% of accounts (i.e., 27.8% of the accounts with at least

^p The FDIC's 2008 study of bank overdraft programs found that 26% of accounts at the banks in the sample experienced one or more overdraft items. These findings are not comparable because each study drew from different samples of institutions, which likely differ in institutions' overdraft programs or customer bases. In addition, the FDIC's analysis examined accounts that were opened before the year of analysis, whereas the information reported to the CFPB by the study banks includes accounts that opened and/or closed in the course of a year. See FDIC Study of Bank Overdraft Programs (Nov. 2008), available at http://www.fdic.gov/bank/analytical/overdraft/FDIC138_Report_Final_v508.pdf.

^q The aggregated information presented here includes data collected using different measurement methodologies. While we have accounted for these differences, further analysis with the account-level data will enable us to refine these figures.

^r Fees may be waived due to a variety of policies including daily fee caps, *de minimis* thresholds, or others. See Section 5 for an enumeration of these policies.

one overdraft or NSF incident) were heavy users of overdraft, incurring more than 10 NSF/OD items.^s The distribution of NSF/OD items varied across the study banks included in this analysis, with the share of accounts with one or more NSF/OD items varying by close to 7 percentage points. The share of accounts that heavily used overdraft varied by 3.4 percentage points across different banks.

At other study banks, where NSF and overdraft incidence was measured differently, 21.5% of consumer accounts experienced NSF or overdraft items in 2011.^t Just under one in five (18.6%) accounts incurred between one and 10 NSF/OD items at these study banks in 2011. While 2.9% of accounts (or 13.5% of the accounts with at least one overdraft or NSF incident) at these banks had more than 10 NSF/OD items in 2011, the share of these accounts varied by 4.4 percentage points across different banks. Accounts incurring more than 10 NSF/OD items were more than four times as common at the bank in this analysis with the highest share of such accounts as at the bank with the lowest share of such accounts.^u

3.2 Overdraft and NSF Fees

Accountholders that incurred one or more NSF or overdraft fees paid an average of \$225 in such fees in 2011 at the study banks that measured fees across all accounts incurring NSF/OD items in 2011.^v The NSF/OD fees paid by accountholders that incurred one or more NSF/OD fees during 2011 varied widely by bank. At the two study banks with the lowest average NSF/OD fees per account, accounts with at least one NSF/OD item paid on average \$147 in NSF/OD fees in 2011. In contrast, such accounts at the two banks with the highest averages paid an average of

^s This may understate the prevalence of overdraft experiences among consumers because the calculations were made by the banks based upon all accounts that were open at any time during 2011, including accounts that were open for only part of the year and accounts that were inactive for part or all of the year. Further analysis with the study's account-level data will examine the distribution of overdraft items among different segments of accounts, such as accounts that were active for the full year.

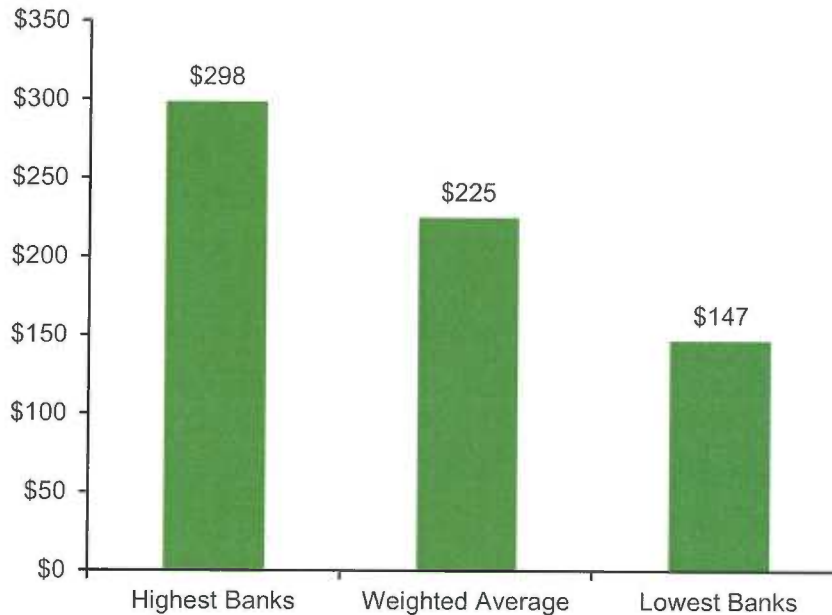
^t Several of these banks measure incidence in 2011 for accounts open at the end of 2011 only, and several also include only items for which a fee was charged.

^u Again, the aggregated information presented here includes data collected using different measurement methodologies. While we have accounted for these differences, further analysis with the account-level data will enable us to refine these figures.

^v These fees include fees on overdraft items and NSF items at each bank. Extended overdraft fees are also included for those banks that charge such fees.

\$298. The difference in NSF/OD fees paid per account between the bank with the highest fees per account and the bank with the lowest fees per account was \$201. The chart below displays the range of average NSF/OD fees charged to accounts with at least one NSF/OD transaction that were open at any point in 2011 at the study banks.

FIGURE 3: AVERAGE NSF/OD FEES PER ACCOUNT INCURRING FEES AT SELECT STUDY BANKS IN 2011^w



In addition, several study banks measured NSF and overdraft fees incurred throughout 2011 for accounts that were open as of the end of the year (in contrast to fees incurred by accounts open at any point during the year shown above). Average NSF/OD fees for accounts that measured costs in this way were \$301 at these banks and ranged by more than \$120, from under \$250 to over \$350.

^w Figure 3 displays an unweighted average of the two study banks with the highest fees per account (“Highest Banks”) and of the two study banks with the lowest fees per account (“Lowest Banks”). The “Weighted Average” bar displays the average across all study banks included in the analysis, weighted by each bank’s number of accounts at the end of 2011.

3.3 Account Closure

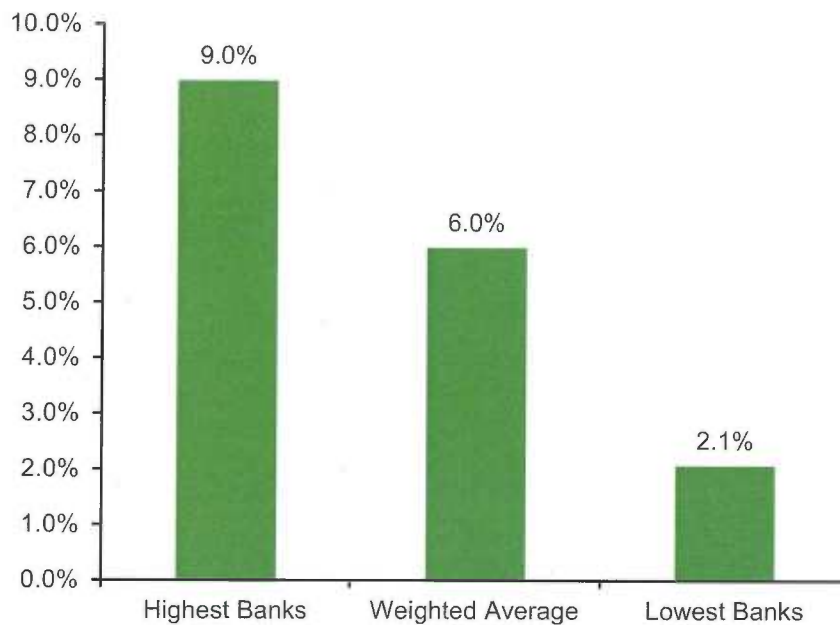
The negative balances caused by using overdraft programs can lead to a financial institution closing a consumer's account.^x Institutions vary in their policies for involuntary account closure but will close an account after a period of time has elapsed with an account's balance remaining negative and the institution has taken a charge off in the amount of the uncollected balance. Involuntary account closure is a serious outcome for consumers because it may prevent them from being able to open checking accounts at other institutions.^y In 2011, 6.0% of accounts that were open at the beginning of 2011 or were opened during the year at the study banks resulted in involuntary closures.^z Most study banks reported that charge offs due negative account balances represent the majority of involuntary account closures.

Involuntary account closure is much more common at some banks than others. The highest involuntary account closure rate observed in the study was 14 times the involuntary closure rate at the bank with the lowest rate.

^x Involuntary closures also can occur due to fraudulent use of an account or account takeover, due to a consumer's inability or unwillingness to repay negative balances caused by other fees charged by the bank or by returned deposited items (against which the institution has permitted payments or withdrawals), or for other reasons. Similarly, accounts can be involuntarily closed when other credit accounts held by the depositor at the institution are past due and (where permitted) the institution exercises right of offset to collect against the outstanding credit balance.

^y Many financial institutions report to consumer reporting agencies when they close a checking account involuntarily due to negative balance or fraud. Institutions use the reports generated by the consumer reporting agencies to screen applicants for checking accounts and may decide to deny an application based on a recent history of involuntary account closure appearing on such a report.

^z Study banks may differ in their policies for designating accounts as involuntarily closed. This figure refers to accounts that were closed involuntarily by the banks and does not include accounts that were closed at the request of consumers.

FIGURE 4: INVOLUNTARY ACCOUNT CLOSURE RATES IN 2011 AT STUDY BANKS^{aa}

The great majority of involuntary account closures at the study banks are due to negative balances that accountholders are unable or perhaps unwilling to repay, and many of these closures are associated with the use of overdraft (although other unpaid fees or returned deposits may also contribute to some negative balances). Bank policies or other factors that affect the incidence of overdrafts may therefore influence the rate of involuntary account closure at a bank. Indeed, the study banks with a higher share of heavy users of overdraft (those who experienced more than 10 NSF/OD transactions in 2011) among its accountholders generally also had higher rates of involuntary account closure. Study banks with the highest shares of accounts that were heavy users of overdraft tended to have the highest rates of involuntary closure. Conversely, banks with the lowest shares of heavy users of overdraft tended to have the lowest rates of involuntarily closure.

^{aa} Figure 4 displays an unweighted average of the two study banks with the highest involuntary closure rate (“Highest Banks”) and of the two study banks with the lowest involuntary closure rate (“Lowest Banks”). The “Weighted Average” bar displays the average across all study banks included in the analysis, weighted by each bank’s number of accounts at the end of 2011.

However, consumers who heavily use overdraft programs may not be the same consumers whose accounts are involuntarily closed. Heavy users of overdraft programs may frequently incur NSF/OD items but quickly bring their account balances positive, which would prevent involuntary closure. In contrast, a single overdraft item may cause an institution to close the account if a consumer does not pay the overdraft item and fee after an extended period of time. Future analyses using account-level data will examine the overdraft behavior of consumers whose accounts are charged off to understand the relationship between use of overdraft programs and account closure.

3.4 Paid vs. Returned Overdraft Items

An important consumer outcome of any overdraft program is the percentage of negative transactions that are paid (*i.e.*, result in overdrafts) or returned unpaid (*i.e.*, were NSFs).^{bb} Paying overdraft transactions may confer some benefit (in exchange for the associated fees and other costs) to consumers by helping them make timely payments and avoid late penalty fees and/or interest charges from a merchant or biller. In contrast, returning an item generally confers little benefit to the consumer (other than perhaps deterring future overdrafting and any subsequent consequences) and can result in an NSF fee as well as additional related fees, such as a returned check fee charged by the institution to whom the check was presented or a late fee charged by the entity to whom payment was due. At the median, study banks paid into overdraft 83% of transactions that exceeded the available balance in 2011 and returned 17%.

^{bb} Declined ATM and POS transactions are generally not considered returned items.

4. Overdraft Use Following the 2010 Opt-In Requirement Under Regulation E

In 2009, the Board amended Regulation E to require institutions to obtain the affirmative consent of consumers before charging overdraft fees on ATM and non-recurring point of sale (“POS”) debit card transactions.³⁰ This section explores opt-in rates^{cc} among different consumers (including heavy users of overdraft) and across banks. It then compares outcomes for consumers who did and did not opt in to ATM/POS debit card coverage and examines the change in overdraft items and fees experienced by consumers who did and did not opt in to attempt to understand how overdraft use changed after the implementation of changes to Regulation E.

^{cc} Throughout this paper, our discussion of opt-in rates and overdraft programs is limited to checking accounts only, although related regulations (Regulation E and Regulation DD) apply to other types of accounts as well. Regulations E and DD have been recodified by the CFPB.

Some institutions enable consumers to affirmatively opt out of all fee-based overdraft coverage—that is, on any type of transaction, including checks and ACH. This option is not frequently advertised, however, and many institutions that offer this option will charge an NSF fee on check and ACH transactions that are returned due to insufficient funds. In addition, among those institutions that offer checking products without an opt-in option for ATM and POS overdraft coverage, some institutions also will not pay check or ACH transactions in the absence of sufficient available funds. Again, such institutions may charge an NSF fee on check and ACH transactions when such items are rejected. Some of these accounts are “second chance” products for consumers with prior histories of account charge offs, designed to limit credit risk posed by these accountholders to the institutions. These products are also intended to prevent consumers from incurring NSF fees as well as overdraft charges by restricting check writing. A 2011 survey of institutions supervised by the FDIC found that 44% of institutions with assets of \$38 billion or more offered second chance products, while 32% of mid-sized institutions and 20% of community banks did so. 2011 FDIC Survey of Banks’ Efforts to Serve the Unbanked and Underbanked, p.16 (Dec. 2011).

4.1 Overview of Regulatory Changes

As previously noted, when a consumer accesses his or her account through an ATM or debit card, the institution must determine whether to authorize the transaction in real time. With the advent of automated overdraft systems and pre-set overdraft coverage limits, many institutions elected to authorize these transactions although the consumer did not have sufficient available funds. These authorizations typically resulted in overdraft charges.

In 2009, the Board amended Regulation E to regulate this practice.³¹ Beginning on July 1, 2010 (August 15, 2010 for existing accountholders), institutions wishing to offer and charge for overdraft coverage on ATM or POS debit card transactions have been required to obtain affirmative consent from consumers to receive fee-based overdraft coverage for these transactions; the amendment treats no coverage as the default so that a consumer who did not provide affirmative consent is deemed to have not opted in.

While an institution may authorize ATM and POS transactions that result in a negative balance on accounts that have not opted in at its discretion, the institution may not assess overdraft fees for paying these transactions. Consequently, institutions typically decline ATM and debit card transactions on accounts not opted in that would otherwise result in an overdraft or increase the outstanding negative balance of an account.^{dd} The study banks all reported that they do not assess NSF fees for declining these transactions.

4.2 Variations in Implementation Approaches

In the wake of the amendments to Regulation E, institutions that were charging their customers for ATM and POS debit overdrafts and that desired to continue to do so were required to invite their customers to opt in. Many institutions did just that. However, other institutions chose other paths.

^{dd} In the preamble to the Regulation E amendment, the Board raised concerns under the FTC Act in the event that a financial institution charged an NSF fee for declining these attempted transactions. Electronic Fund Transfers, Regulation E (Final rule), 74 Fed. Reg. 59033, 59041 (Nov. 17, 2009).

For example, 41% of community banks surveyed by a community bank trade association report that they will not authorize ATM/POS debit card transactions unless there are sufficient available funds in the consumer's account to cover the transaction.³² Other institutions enable consumers to opt in solely for POS debit card transactions, while a third category of institutions permits customers to opt in only for ATM transactions. In addition, some institutions allow their customers to opt in to overdraft coverage on ATM withdrawals on a per-transaction basis, but only at the bank's own ATMs. At these institutions, when an ATM withdrawal will overdraw an account, the consumer receives one or more on-screen warnings that he or she may be charged a fee if he or she proceeds with the transaction.

4.3 Opt-In Rates

How the opt-in requirement under Regulation E affected the total overdraft and NSF fees charged to consumers is related to whether consumers chose to opt in. Opt-in rates reported publicly by industry trade associations have varied considerably. For example, one bank trade association reported an aggregate Regulation E opt-in rate of 16% across 18 member institutions that offer ATM or POS overdraft coverage.³³ In contrast, a community bank association's survey found an average opt-in rate of approximately 60% among its members^{cc} that allowed customers to opt in.³⁴ The CFPB's study provides an opportunity to observe opt-in rates for accounts comprising a large (though not necessarily representative) share of the U.S. banking population.^{ff}

Opt-In Rates Across All Accounts: The weighted average portfolio opt-in rate — *i.e.*, the percentage of all consumer checking accounts affirmatively opted in for fee-based ATM/POS debit card overdraft coverage— among the study banks at the end of 2011 was 16.1%. If a bank did not offer opt-in, their accounts were excluded from this calculation.^{gg}

^{cc} Fifty-nine percent of the institutions participating in the community bank association's survey offer coverage for ATM and POS debit card transactions.

^{ff} The CFPB's study observed opt-in rates at the end of 2010 and the end of 2011. The opt-in rates reported here reflect this time period and may have changed since the study data were collected.

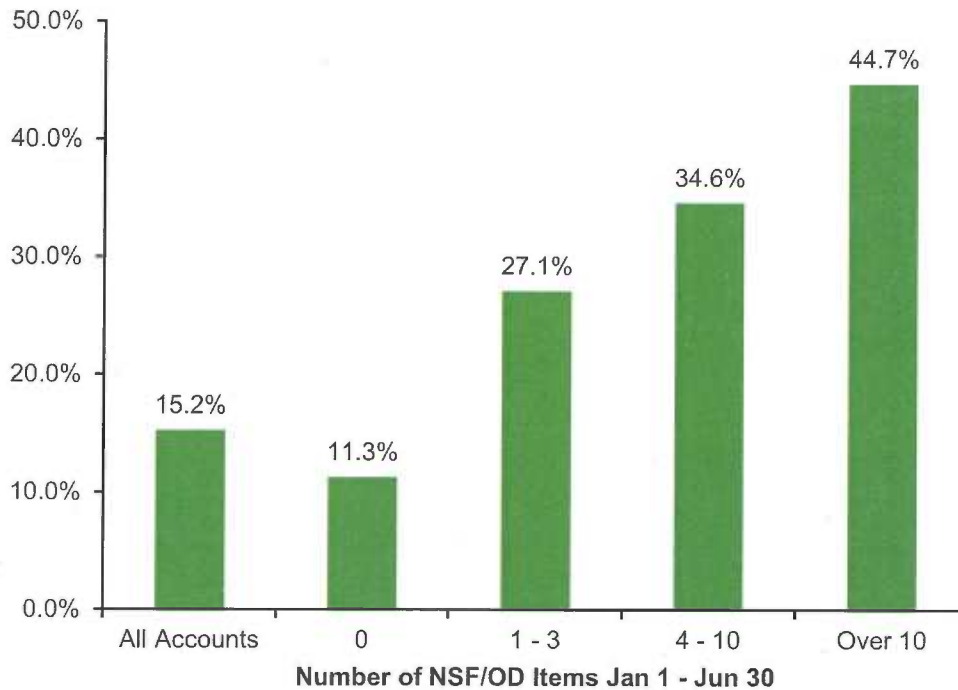
^{gg} However, several study banks that do allow opt-in preclude certain accountholders, usually by product, from opting in. These consumer accounts are included in the opt-in rate measurements, which thus may be understated.

Opt-In Rates for New Accounts: As of the end of 2011, the weighted average opt-in rate among study banks offering the option to opt in was 22.3% for accounts that were opened during 2011. At most banks in the study, opt-in rates for accounts opened after the effective date of the Regulation E amendment tended to be higher than opt-in rates for accounts that had been opened previously. This is likely because bank personnel are able to secure an election from the customer as part of the account opening process, usually in-person at a branch. In contrast, existing customers had to be solicited to opt in through statements and various marketing channels and would be considered not opted in by default if they did not respond.

Highest Opt-In Rates for Accounts with Prior Heavy Overdraft History: Data collected by the CFPB from study banks indicates that consumers' likelihood of opting in when the opt-in requirement took effect appears related to their prior usage of overdraft programs. Figure 5 below shows that 44.7% of accounts that had more than 10 NSF/OD items during the first six months of 2010 elected to opt in by the end of 2010.^{hh} In contrast, only 11% of accounts with no NSF or overdraft transactions from January through June of 2010 chose to opt in when given the opportunity to do so. The consumer's decision to opt in could be influenced by a bank's approach to marketing ATM and POS debit card overdraft coverage, a consumer's preferences to have these types of transactions authorized, or the interaction of these or other factors.

^{hh} To measure the opt-in rate of accounts by their overdraft use, we used data from a different time period than for the opt-in rates described for recently opened and portfolio accounts. Therefore, the overall opt-in rate of 15.2% at the end of 2010 displayed here differs from the overall opt-in rate of 21.4% that we observed at the end of 2011.

FIGURE 5: PERCENTAGE OF ACCOUNTS THAT HAD OPTED IN TO ATM/POS DEBIT CARD OVERDRAFT COVERAGE AS OF DECEMBER 2010 BY NUMBER OF NSF/OD ITEMS IN FIRST HALF OF 2010 AT SELECT STUDY BANKSⁱⁱ



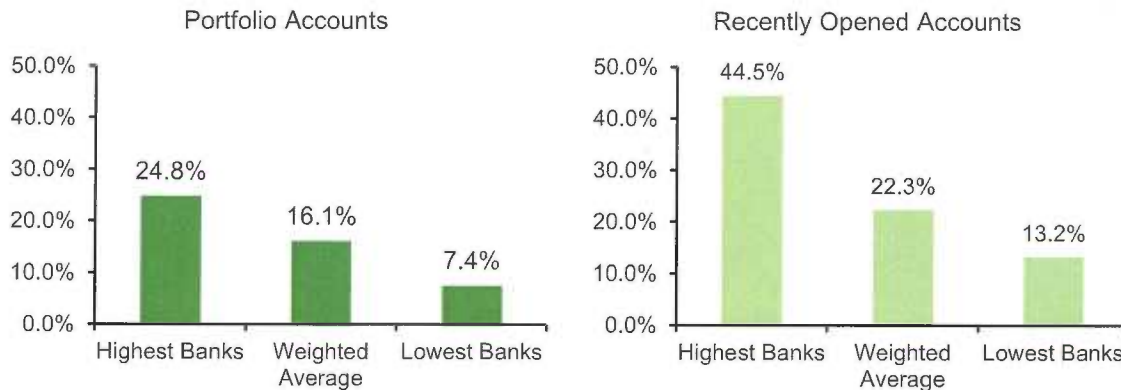
4.4 Variations in Opt-In Rates by Bank

Portfolio and New Account Opt-In Rates: Opt-in rates ranged by nearly 20 percentage points among the study banks' portfolios of accounts as of the end of 2011. Figure 6 displays the range of opt-in rates for new accounts and for all accounts at banks in the CFPB's study. The opt-in rate for accounts opened during 2011 ranged from single-digit percentages to over 40% across the study banks. The opt-in rate for new accounts at the bank with the highest opt-in rate for these accounts was nearly 8 times the opt-in rate at the bank with the lowest rate. Opt-in

ⁱⁱ Over four-fifths—*i.e.*, 81.0%—of accounts in this analysis had 0 NSF/OD items between January 1 and June 30, 2010; 10.3% of accounts had 1 to 3 NSF/OD items during this time period, and 5.6% and 3.1% had 4 to 10 and over 10 NSF/OD items, respectively.

rates for new accounts have increased since the end of 2011 and, for some study banks, surpassed 50% in 2012.

FIGURE 6: PERCENTAGE OF ACCOUNTS THAT HAD OPTED IN TO ATM/POS DEBIT CARD OVERDRAFT COVERAGE AS OF DECEMBER 2011 AT SELECT STUDY BANKS^{jj}

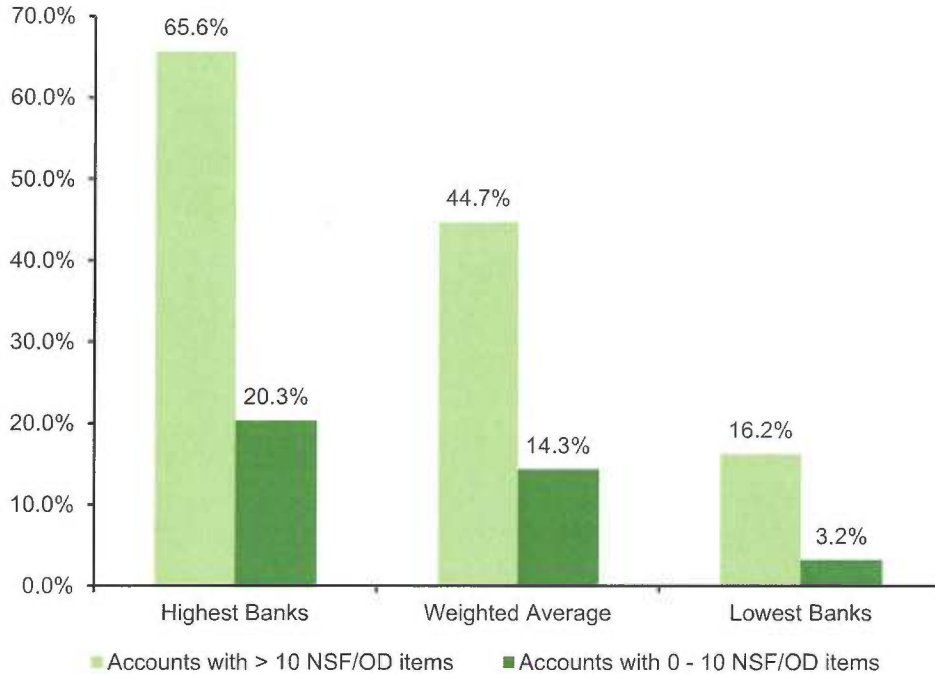


Heavy Overdrafter Opt-In Rates: Opt-in rates at the end of 2010 at banks in the CFPB’s study were highest among accountholders that incurred more than 10 NSF/OD items in the first half of 2010^{kk}; however, opt-in rates for heavy overdrafters varied considerably across study banks (see Figure 7 below). The bank with the highest opt-in rate among heavy overdrafters had an opt-in rate 55 percentage points higher than the bank with the lowest opt-in rate among heavy overdrafters, and its opt-in rate for these accounts was more than 4 times its opt-in rate for accounts that had 10 or fewer NSF/OD items in the first half of 2010.

^{jj} Figure 6 displays unweighted averages of the two study banks with the highest opt-in rate (“Highest Banks”) and of the two study banks with the lowest opt-in rate (“Lowest Banks”) for both recently opened and portfolio accounts. The “Weighted Average” bars display the average across all study banks included in the analysis, weighted by each bank’s number of accounts at the end of 2011.

^{kk} Consumers that incur fewer than 10 NSF/OD items may still incur substantial fees and thus may be considered by some to be heavy overdrafters. For purposes of the discussions in this paper we have set 10 items as the threshold constituting heavy overdraft incidence.

FIGURE 7: PERCENTAGE OF ACCOUNTS THAT HAD OPTED IN TO ATM/POS DEBIT CARD OVERDRAFT COVERAGE AS OF THE END OF 2010, BY NSF/OD ITEMS IN THE FIRST HALF OF 2010 AT SELECT STUDY BANKS^{II}



4.5 The Impacts of Opting In and Not Opting In

Variation in Consumer Outcomes by Opt-In Status: The following section describes the effect of opting in to ATM/POS debit card overdraft coverage on some of the consumer outcomes described in Section 3. In particular, this paper compares fees paid per account and involuntary account closure rates for accounts that do and do not opt in. Future analysis of

^{II} Figure 7 displays unweighted averages of the two study banks with the highest heavy overdrafter opt-in rate (“Highest Banks”) and of the two study banks with the lowest heavy overdrafter opt-in rate (“Lowest Banks”). The “Weighted Average” displays averages across all study banks included in the analysis, weighted by each bank’s number of accounts at the end of 2010.

transaction-level data will enable comparisons between those who did and did not opt in for other outcomes, including overdraft incidence, concentration of frequent overdrafters, and the ratio of paid and returned items.^{mmm}

Total overdraft and NSF fees assessed on all accounts open during 2011—including those with and without overdraft or NSF items in 2011—across the study banks in this analysis averaged \$70 per account in 2011.ⁿⁿ Average fees diverge widely by opt-in status, in part because opting in means that more of a consumer's transactions have the possibility of incurring overdraft fees (whereas study banks do not assess overdraft or NSF fees for declined ATM and POS transactions for accounts that are not opted in), and because consumers who have more transactions against a negative account balance are also more likely to opt in, as shown above in Figure 5. Accountholders that chose to opt in to ATM/POS debit card coverage incurred \$196 in overdraft or NSF fees on average in 2011, while those who did not opt in experienced \$28 in fees on average (again, these figures include accounts that did and did not incur any overdraft or NSF fees).

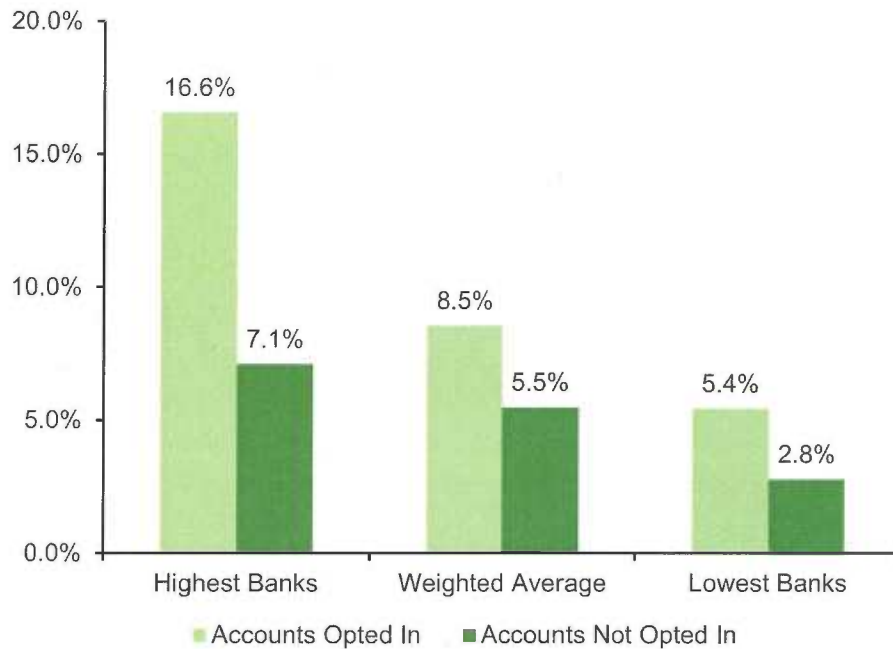
Opted-in accounts had higher rates of involuntary closure than accounts that had not opted in at each of the study banks. Overall, 8.5% of opt-in accounts at the study banks were involuntarily closed in 2011, while 5.5% of accounts not opted in experienced involuntary closure. Involuntary closure rates were more than 2.5 times as high for opt-in accounts as for accounts that had not opted in at several study banks.

While involuntary closure rates were consistently higher for opted-in accounts than accounts not opted in across study banks, involuntary closure rates varied widely between study banks both for accounts opted in and not opted in. The bank with the highest involuntary account closure rate of opted-in accounts closed 6.6 times more such accounts than the bank with the lowest involuntary closure rate for these accounts.

^{mmm} We assessed changes in overdraft frequency and fees paid for some consumers after the implementation of Regulation E to assess the impacts of opting in versus not doing so. These results are presented in this paper. The transaction-level data obtained by the CFPB from the study banks will enable similar analyses for other differences between those who did and did not opt in.

ⁿⁿ In contrast, the average fees per account of \$225 discussed in Section 3.2 reflects only those accounts that had overdraft or NSF activity in 2011. Future analysis will assess similar comparisons between accounts opted in and not opted in.

FIGURE 8: INVOLUNTARY ACCOUNT CLOSURE RATES IN 2011 BY ATM/POS DEBIT CARD COVERAGE STATUS AT SELECT STUDY BANKS^{oo}



Reduction in Overdraft Items for Accounts That Did Not Opt In: To understand how the changes to Regulation E to require opt-in may have affected consumers^{pp} in the year of implementation, we examined overdraft usage and fees at the study banks during the first and second half of 2010, which closely approximates the periods before and after the implementation of the opt-in requirement under Regulation E.^{qq} To measure differences between these two periods, we limit this analysis to consumer checking accounts that were open

^{oo} Figure 8 displays unweighted averages of the two study banks with the highest involuntary closure rate among accounts opted in (“Highest Banks”) and of the two study banks with the lowest involuntary closure rate among accounts opted in (“Lowest Banks”). The “Weighted Average” bars display averages across all study banks included in the analysis, weighted by each bank’s number of accounts at the end of 2011.

^{pp} The analyses in this section focuses on overdraft and NSF items and fees and does not incorporate any changes that may have occurred in other fees at the study banks or in consumers’ use of other financial products that offer short-term liquidity.

^{qq} To the extent that the study banks may have complied with the Regulation E election requirements before the mandatory compliance date, or to the extent that consumers elected to opt in after the mandatory compliance date but before the end of 2010, this analysis may understate the potential reduction in fees associated with not opting in.

for the entirety of 2010.⁵⁴ The findings described here therefore do not incorporate the overdraft activity of accounts that opened or closed partway through the year, including those that were closed as a result of overdraft activity.

Several changes other than the changes to Regulation E may have also influenced consumers' experiences with overdraft programs throughout 2010. These other changes may include new disclosure requirements pursuant to amendments to Regulation DD described earlier that became effective in January 2010. In addition, some institutions implemented changes to their overdraft programs in 2010 (in response to legal, consumer protection, risk management, and other concerns), such as by setting fee caps or *de minimis* negative balance or transaction amounts (below which fees are waived). Other factors that may influence overdraft usage also vary over time, such as seasonal changes in income and spending or macroeconomic changes.

The influence of regulatory changes and other external factors described above is likely different for consumers who previously overdrafted with great frequency than for consumers who overdrafted only occasionally or not at all. Consequently, we segmented accounts in this analysis by the number of NSF/OD items the accounts incurred in the first half of 2010. Within these segments of accounts, we compared outcomes between consumers who did and did not opt in to ATM/POS debit card overdraft coverage to try to home in on the effects of changes to Regulation E.

Figure 9 shows the change in the number of overdraft and NSF items from the first to the second half of 2010 for consumers whose accounts were open for the full year.⁵⁵ Consumers who had experienced overdraft or NSF items in the first half of 2010 and did not opt in to debit card coverage saw significant declines in the number of overdraft items they experienced in the second half of the year. The decline in overdraft items was greatest for the heaviest overdrafters who did not opt in, defined as consumers with more than 10 NSF/OD items between January 1 and June 30, 2010. These consumers experienced an average of 21.5 overdraft items during the

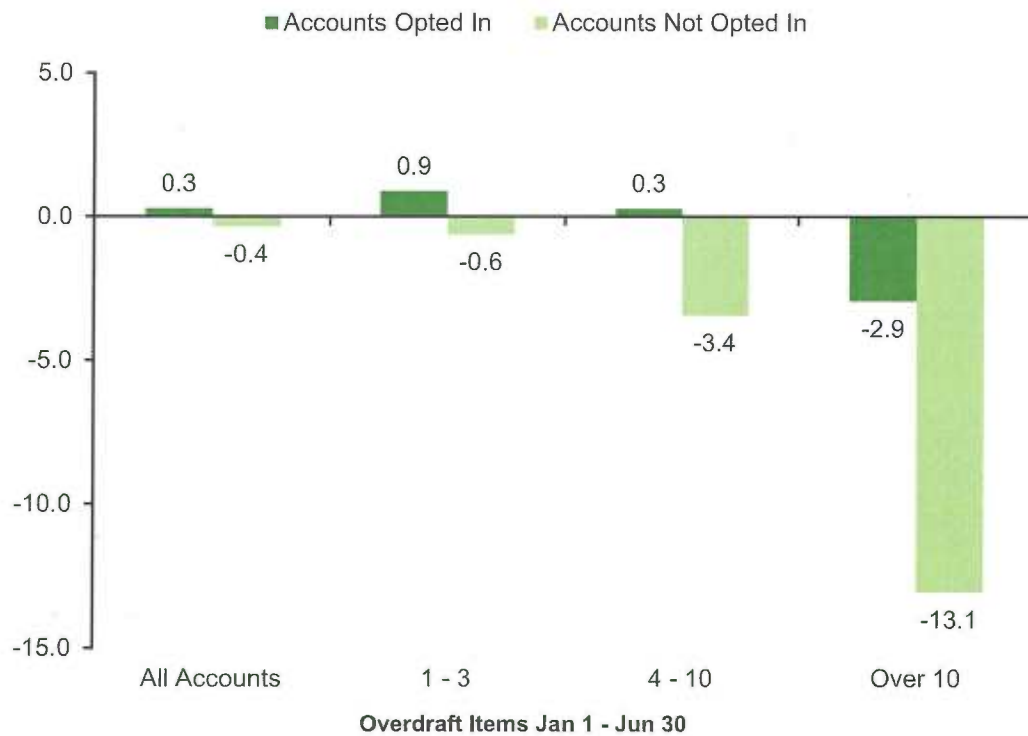
⁵⁴ The analysis suggests no significant changes between the first half of the year and the second half in terms of average monthly deposits or debit card activity.

⁵⁵ These figures describe average changes in overdraft items across all accounts by debit card coverage status, which includes accounts that experienced no overdraft or NSF items. See Figure 5 for opt-in rates by account segment and the percentage of accounts in each segment.

first half of 2010, and subsequently saw the number of overdraft items they experienced in the second half of the year drop by 13.1 items.

In contrast, consumers who had more than 10 NSF/OD items in the first half of the year and opted in to overdraft coverage on ATM/POS debit card transactions experienced a reduction of 2.9 NSF/OD items. Consumers with 1 to 10 NSF/OD items in the first half of 2010 who opted in experienced slightly more NSF/OD items in the second half of the year.

FIGURE 9: AGGREGATED CHANGE IN NUMBER OF OVERDRAFT AND NSF ITEMS PER ACCOUNT BY CONSUMERS' PRIOR OVERDRAFT INCIDENCE AT SELECT STUDY BANKS – FIRST HALF OF 2010 VS. SECOND HALF^{tt}

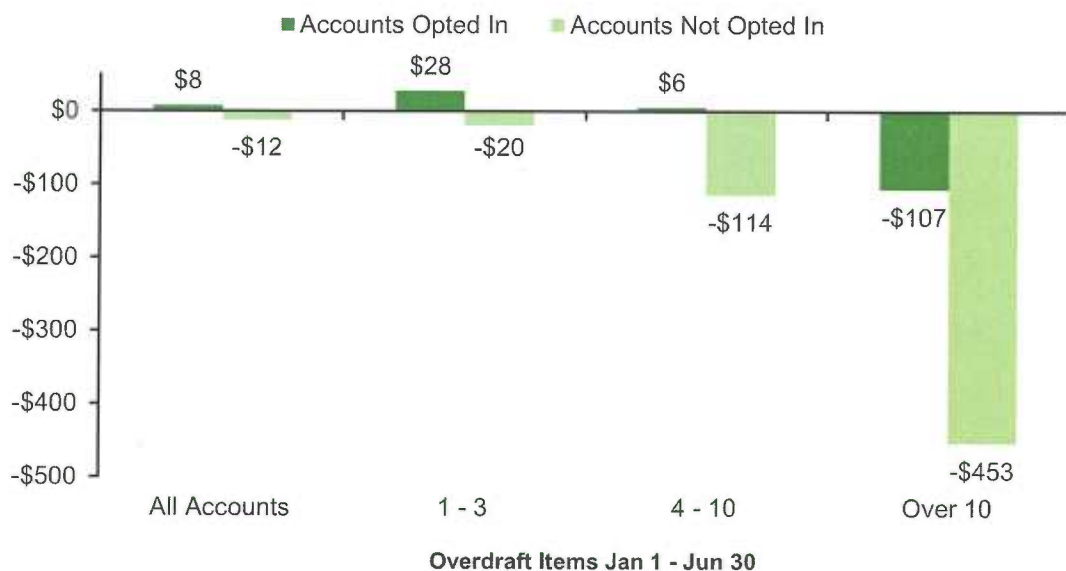


^{tt} The aggregated information presented here includes data collected using different measurement methodologies. While we have accounted for these differences, further analysis with the account-level data will enable us to refine these figures.

Reduction in NSF/OD Fees for Accounts That Did Not Opt In: The reductions in overdraft and NSF items that consumers experienced after the implementation of changes to Regulation E translated into lower overdraft and NSF fees. Accounts that did not opt in experienced a 45% drop in fees in the second half of 2010, while opt-in accounts saw an 8% increase in fees.

Consumers who had heavily used overdraft programs in the first half of 2010 who did not opt in experienced the greatest reduction in overdraft and NSF fees on these same accounts. The fees on these consumers' accounts dropped by 63%, or over \$450 per account, on average, in the second half of 2010.^{uu}

FIGURE 10: AGGREGATED CHANGE IN OVERDRAFT AND NSF FEES PER ACCOUNT BY CONSUMERS' PRIOR OVERDRAFT INCIDENCE – FIRST HALF OF 2010 VS. SECOND HALF^{vv}



^{uu} As noted earlier, the analyses in this section focuses on overdraft and NSF items and fees and does not incorporate any changes that may have occurred in other fees at the study banks or in consumers' use of other financial products that offer short-term liquidity.

^{vv} The aggregated information presented here includes data collected using different measurement methodologies. While we have accounted for these differences, further analysis with the account-level data will enable us to refine these figures.

Some of the reduction in overdraft items and fees experienced by consumers with very high previous overdraft use may reflect “regression to the mean.” That is, some consumers may have been in the highest usage category because they had experienced an unusually high number – for them – of overdrafts in the first half of 2010. The differences in the changes in overdraft and NSF activity between accounts opted in and accounts not opted in may therefore provide a better indicator of the opt-in requirement’s effect. This difference in changes could be described as the “net reduction” in overdraft activity for these accounts.^{ww} Table 1 below shows that the consumers with the most overdraft activity realized the highest net savings from not opting in after the opt-in requirement took effect. These consumers saved an average of \$347 or 49% in NSF/OD fees, on net, in the second half of 2010.

TABLE 1: CHANGE IN OVERDRAFT AND NSF FEES PER ACCOUNT IN 2010 AFTER THE IMPLEMENTATION OF CHANGES TO REGULATION E AT SELECT STUDY BANKS

Change in Overdraft and NSF Fees per Account	All Accounts*	Number of NSF/OD Items Per Account**		
		1 - 3	4 - 10	> 10
Accounts Opted In	\$8	\$28	\$6	-\$107
Accounts Not Opted In	-\$12	-\$20	-\$114	-\$453
Difference (Net Reduction)	-\$20	-\$47	-\$120	-\$347

* All accounts include accounts with no NSF/OD items.

** Number of NSF/OD Items per Account January 1 to June 30, 2010

4.6 Variation in the Changes in NSF/OD Incidence

The degree to which overdraft and NSF activity dropped after the changes to Regulation E varied across study banks. Heavy users of overdraft programs who did not opt in saw, on

^{ww} These differences could overstate the effect of the opt-in requirement if consumers who thought they were more likely to overdraft in the future were also more likely to opt in to overdraft coverage.

average, great reductions in NSF/OD fees in the second half of 2010; however, the reduction in fees for these consumers ranged by close to twenty percentage points across different banks.

Fees dropped for heavy overdrafters that chose to opt in at each bank as well, and these consumers also experienced a range of outcomes across study banks after the implementation of changes to Regulation E. At the study banks with the greatest drop in fees for opt-in accounts, these accounts experienced a 19.5% reduction in their NSF/OD fees between the first and second half of 2010. Opt-in accounts at the study banks with the smallest drop in fees for such accounts experienced a 3.3% reduction. These different reductions in fees for heavy overdrafters who opted in may reflect differences across banks in their overdraft program configurations or other policies that influenced the incidence of overdrafts (in addition to the differences in consumers across banks and other factors discussed earlier). The following section describes these policies and their variations across banks.

5. Overdraft Policies and Practices across Institutions

The range of consumer outcomes across study banks discussed in Section 3 may reflect in part the different proportions of consumers at each bank that opted in to ATM/POS debit card overdraft coverage. Section 4 illustrated how the decision whether to opt in may influence consumer outcomes, including the outcomes of consumers who previously incurred overdrafts. The wide variation in opt-in rates across banks, even among heavy overdrafters who demonstrated the highest propensity to opt in, suggests a number of factors may influence opt-in rates.

Several findings in Section 4 indicate that other factors besides the differences across banks in opt-in rates also affect consumer outcomes. In particular, differences across study banks in the share of consumers who were heavy overdrafters prior to the implementation of Regulation E's opt-in requirement, and in closure rates and fee reductions for consumers with the same Regulation E election, suggest that other factors play a role in the variations in consumer outcomes across banks.

This section details processing policies, overdraft program features and pricing, and other practices that may affect the outcomes that consumers experience and that vary across banks.^{xx} Future analyses will evaluate how these policies may contribute to the consumer outcomes outlined in Section 3.

^{xx} Other policies not discussed in this section may also impact the consumer outcomes analyzed in this paper. For example, differences in charge off policies across the study banks may contribute to some of the differences in involuntary closure rates.

5.1 Calculating Available Funds

To determine whether a consumer's transactions cause his or her account balance to become negative, depository institutions calculate an account's available funds. Institutions' information and accounting systems use a set of rules to determine when newly deposited items are deemed to increase the available funds be available in an account and when a payment or debit transaction is deemed to reduce the available funds in the account. When a consumer makes a check deposit into his or her account, there will often be a delay before the deposited check clears and the bank receives funds from the bank on which the item is drawn. Similarly, when a consumer writes a check, uses a debit card, or authorizes an ACH payment, there can be a delay between the time the consumer initiates the payment and the time the item is settled by the institution and funds are disbursed to cover the transaction.

Authorization, Settlement and Available Balance: When a consumer attempts a debit card purchase or ATM withdrawal, the consumer's financial institution receives an instantaneous request to authorize the transaction.

Some authorized transactions, such as PIN-based debit card and ATM transactions, nearly always settle the same business day they are authorized. Other authorized transactions, most notably signature-based debit card transactions, may not be presented for settlement for a day or two after authorization. Many institutions, upon authorizing a transaction, will then make an entry (referred to as "memo posting") that reduces the funds deemed to be available to the consumer.^{yy} This enables these institutions to take these transactions into consideration in determining whether to authorize subsequent electronic transactions during the course of the day. Generally, available funds are reduced by the amount of the authorized transaction. However, for certain types of transactions where the amount authorized is often different than the amount that will settle – for example, gasoline purchases – institutions may reduce the available funds by the full authorization amount (which could exceed that actual purchase amount), reduce the available funds by an amount that may be substantially less than the purchase amount (such as \$1), or elect not to make any reduction in available funds.

^{yy} As discussed in further detail below, "memo posting" is used by institutions that post transactions in batch, generally in a nightly processing cycle. Some institutions post transactions in real time, in which event there is no need to memo post these items.

Funds Availability on Deposits Policies: Institutions are bound by the Expedited Funds Availability Act to provide at least the first \$200 of certain checks deposited in person at the start of the next business day, or on the second business day for deposits made at proprietary ATMs.³⁵ An institution can choose to “hold” any amount on certain checks exceeding \$200 (*i.e.*, a “hold” is placed on that part of the deposit) and not credit the account until the hold is released. In most cases, holds will not extend longer than five business days, but institutions generally release funds much sooner. Some of the study banks report that they make the total check amount available immediately for many deposits, while other banks reported doing so in their nightly processing of transactions on the day the deposit is made (provided that the deposit is made prior to the cutoff time for the nightly processing, which varies among banks). Regulation CC, which implements the Expedited Funds Availability Act, similarly requires that funds from ACH deposits be made available to consumers on the next business day from when they are received. Most institutions generally make ACH deposits available as they are received.^{zz}

Institutions may make some exceptions to their general funds availability policies. Regulation CC permits institutions to place longer holds on deposits to new accounts or to accounts with repeated overdrafts, on deposits that are of large amounts, and when re-depositing checks that have been returned or that raise “reasonable cause to doubt collectability.”³⁶ These exceptions may add to the variation in funds availability between institutions and result in differences in when an account will be deemed to have insufficient funds to cover a payment.^{aaa} To the extent institutions elect to make funds available earlier than required by law, these availability policies provide consumers with higher available balances at an earlier point in time and thus may result in more cleared items and potentially fewer overdraft or NSF charges to consumer accounts.

^{zz} The FDIC’s Survey of Banks’ Efforts to Serve the Unbanked and Underbanked found that some institutions provide more generous funds availability on deposits than Regulation CC requires. For example, 29% of respondents with less than \$1 billion in assets reported that funds for a \$2,500 check deposited with a teller or via an ATM “would ordinarily be available...on the same business day” as the check was received. *See* 2011 FDIC Survey of Banks’ Efforts to Serve the Unbanked and Underbanked, p.16 (Dec. 2011).

^{aaa} In March 2011, the Board proposed amending Regulation CC to shorten “exception” hold periods on deposited funds and make certain other changes. *See* Availability of Funds and Collection of Checks (Proposed Rule), 76 Fed. Reg. 16862 (Mar. 25, 2011). The Expedited Funds Availability Act provides that that the Board, jointly with the Director of the Bureau of Consumer Financial Protection, shall, by regulation, reduce the time periods “to as short a time as possible and equal to the period of time achievable under the improved check clearing system for a receiving depository institution to reasonably expect to learn of the nonpayment of most items for each category of checks.” *See* Expedited Funds Availability Act, 12 U.S.C. § 4002(d)(2).

5.2 Transaction Processing and Posting Orders

Nightly Batch Processing: Most financial institutions engage in a process of posting transactions (credits and debits) to the account after the close of business each day. The nightly posting process modifies an account's ledger balance by adding credits (funds made available from deposits and other positive adjustments, such as interest credits) and subtracting debits already paid out (withdrawals and wires) or considered paid out (PIN debit transactions), debits eligible to be settled (checks or ACH items presented for payment), or otherwise deemed final by the institution (other charges or negative adjustments). An account's ledger balance is the balance after each transaction has settled for the account. Most institutions only post credit and debit items on weekday nights (excluding holidays); thus, weekday nights are frequently the only times when an account's ledger balance is adjusted. Consequently, at many institutions, regardless of what account activity has occurred during a weekday or over a weekend, the account ledger balance remains unchanged from its ending position in the last weekday night's posting process until the completion of the next weekday night's posting process.^{bbb}

Posting Order: The treatment of debit authorizations and funds availability policies together with an institution's cutoff time for processing transactions^{ccc} determine the day on which, and the amount by which, a transaction will affect the amount of funds available in an account to cover other payments. Posting orders determine the sequence in which these calculations are made in a given day.

Financial institutions determine the order in which they process debit and credit transactions. Differences in the order in which various transactions are processed can affect the balances in an account after each transaction, including when in the sequence an account balance becomes insufficient to cover remaining items and when it becomes negative as a result of an overdraft.

^{bbb} Preliminary analysis of transactional data from banks in the CFPB's overdraft study shows that a disproportionate number of payment transactions, including overdraft and NSF transactions, are posted on Mondays. This reflects the large number of transactions that may be initiated by consumers after Friday's cutoff and during weekend days. Because nightly posting is a batch process, institutions must define a point at which all subsequent transactions will be considered too late for the night's workload. Transactions received after this "cutoff time" are held for the next business day's nightly process. Cutoff times may vary by institution and by branch or collection of branches within a single institution.

^{ccc} See previous footnote for explanation of cutoff times.

The earlier in a sequence that an account becomes negative, the more overdraft or NSF transactions may occur.

Credits-Before-Debits: All institutions that described their posting orders in response to the CFPB’s RFI and all study banks generally post deposits and other credits in accordance with the institution’s funds availability policy before debit transactions (primarily payments) during nightly processing.^{ddd} Posting credits before debits, in comparison with alternative posting methods, increases the likelihood a consumer will have sufficient funds to cover debits that are processed in the nightly batch and therefore reduces the likelihood that a consumer will incur an overdraft or NSF fee.

Ordering Debits by Type: After posting deposits and other credits during nightly processing, institutions post debits in orders that vary significantly from one institution to another. Some institutions commingle all remaining debits including check, ACH, and settled ATM and POS items together for processing in a single batch. Others first categorize debits by different transaction types and process them in a sequence of sub-batches.^{ccc} Institutions following this latter approach may, for example, separate and process bank-initiated and pre-authorized (“cash-out”) transactions first. Bank-initiated transactions typically include returned deposits and accounting adjustments (*e.g.*, to correct errors made in prior postings). At some institutions, these may also include overdraft and NSF fees assessed on items processed the prior business day.^{fff} Cash-out items are non-revocable transactions already authorized by the institution and generally include teller window and ATM cash withdrawals, cashiers’ checks, and wires. Although institutions are also liable for previously authorized POS debit card transactions, these are frequently processed separately. Among institutions that process in sub-batches, policies vary widely in the industry and also among the study banks regarding what types of debits are grouped into sub-batches and the sequence of the sub-batches. The order in which sub-batches are processed can affect which items – and how many – incur overdraft or

^{ddd} The observed credits before debits industry “standard” applies to nightly processing only and pertains only to transactions received on the same calendar date.

^{ccc} Individual sub-batches may contain transactions of a single type or commingle multiple types of transactions as explained below.

^{fff} Institutions also initiate monthly maintenance and other types of fees; however, these fees are generally not posted before customer-initiated transactions.

NSF fees when an account with a positive balance does not have sufficient funds to pay all of the debits in all of the batches.

Ordering Debits by Transaction Size: Some institutions may use additional or alternative approaches to order items within a batch (if all debits are batched together) or within sub-batches (if debits are processed by type). Posting smaller items before larger items (“low-to-high” processing) increases the probability that more items will be paid and fewer items will be assessed NSF or overdraft fees. Conversely, larger items may exhaust available funds earlier when posted before smaller items (*i.e.*, in a “high-to-low” manner) and increase the likelihood that more items will take the balance negative or post when it has already become negative. Some institutions vary how they order transactions by size within different sub-batches (*i.e.*, the same institution may order within one sub-batch low-to-high and within another sub-batch high-to-low).

Ordering debit transactions by size can have very different impacts, depending on whether the debits are commingled or grouped into sub-batches by transaction type. For example, if an institution processes cash-out and POS debit card transactions before check and ACH payments, it effectively processes smaller payments first because cash withdrawals and debit card POS payments are, on average, smaller than check and ACH payments,^{ggg} even if transactions within each sub-batch are ordered from largest to smallest.

Chronological and Serial Ordering: Some transactions, such as POS debits and ATM transactions, carry a date- and time-stamp. Some institutions choose to use this information to separate and post these items chronologically. Similarly, some institutions process checks by check number and incoming ACH debits (including checks that were converted into ACH transactions by the merchants to whom the checks were written or the banks at which the checks were deposited) in the order in which they are received during the day.^{hhh}

^{ggg} Debit card transactions—whether executed across a PIN or signature network—tend to be smaller than checks and ACH payments. According to Nilson, the average industry-wide debit card transaction in 2010 was \$37, while checks averaged \$85 and ACH \$113. See The Nilson Report #985 (Dec. 2011).

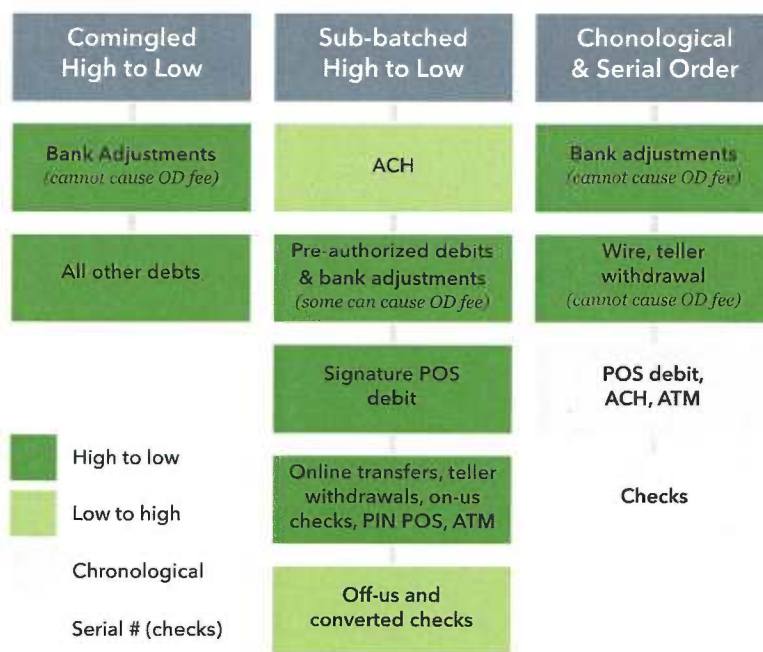
^{hhh} Others may use the time that a payee deposited or cashed a check as a timestamp for the check writer, or will use the timestamp on a teller withdrawal if the institution has an online teller platform.

ACH transactions are received in batches, and these batches may contain both credit and debit transactions. Institutions generally receive multiple batches per day.

Wide Variation in Debit Posting Orders: Generally, the CFPB has found that debit posting orders vary considerably from institution to institution. No two participants in the study follow identical posting order policies, and financial institutions responding to the CFPB’s RFI described widely varying posting order policies as well.

Figure 11 below illustrates a range of possible ordering approaches. The “Commingled High-to-Low” approach has been adopted by a number of banks. The “Sub-Batched High-to-Low” example shows separation of debit items by transaction type and combines different methods for ordering transactions within batches. The “Chronological & Serial Order” example depicts a policy in which bank adjustments and cash-out items are ordered from highest to lowest amount, followed by all time-stamped debits ordered chronologically, and then by checks ordered by check number. In each of the methodologies, NSF and overdraft fees are assessed after the transactions post, either that night or the next morning.

FIGURE 11: ILLUSTRATIVE APPROACHES TO POSTING DEBITS BY TRANSACTION TYPE, SIZE, AND TIMING



There are many additional combinations of methodologies for batching transactions, sequencing sub-batches, and ordering items within sub-batches.

Intraday Processing and Other Processing Variations that Impact Posting Order:

Some institutions post items on an intraday basis or outside of nightly processing. Institutions typically receive multiple batches of ACH transactions during a business day. These batches include both debits and credits.ⁱⁱⁱ Some study banks process ACH transactions as they are received during the business day in lieu of or in addition to (for the day's final batch) processing these transactions at night with all other credits and debits. Some institutions that post transactions on an intraday basis effectively defer items that would otherwise result in an intraday overdraft to the end of the day to determine whether these items can be covered with later-arriving credits. Other institutions similarly process teller withdrawals and PIN network transactions intraday as they occur. The processing of transactions at the time of execution is called "real-time processing."

Additionally, some banks that process solely at night may distinguish items that occurred after the cutoff time on the previous day from current day items in their processing. For example, these institutions may prioritize and first process prior day credits, then prior day debits, current day credits, and finally current day debits. This practice and intraday and real-time processing all cause some debits to post before credits. Thus, these processing approaches may cause consumers to incur more NSF or overdraft transactions; however, some institutions implement end-of-day adjustments that effectively post credits before debits.

5.3 Overdraft Coverage Limits and Making Pay/Return Decisions

Once an institution determines that an account has insufficient funds to cover a check or ACH payment, it must decide whether to pay the item or return it.ⁱⁱⁱ This decision is similar to the decision to authorize or decline a transaction that a consumer attempts at an ATM or point of sale but occurs during the posting process instead of in real time throughout the day. A paid check or ACH overdraft item can result in an overdraft fee. A returned check or ACH item can

ⁱⁱⁱ ACH debits include checks converted to ACH transactions at points of sale.

^{jjj} As discussed below, most institutions allow consumers the opportunity to link their checking account to another deposit or credit account at the bank. Where a consumer elects to do so, the pay/return decisions are made only after funds in the linked deposit account, or the credit limit on the linked credit account, have been exhausted.

result in an NSF fee (typically of the same amount as an overdraft fee).^{kkk} Institutions employ a number of different practices and policies when making these pay/return decisions.

As automated processes are necessary for institutions that choose to authorize or decline ATM and POS transactions that will overdraw an account, many institutions—including study banks—use these same processes to make pay-return decisions for check and ACH transactions. These institutions generally run programs that assign to each account a limit as to the amount of overdraft coverage the institution is willing to extend. For accounts that have opted in to ATM and POS debit overdraft coverage, when a request for authorization is received that exceeds the available funds, the bank will determine whether to authorize the transaction by reviewing it against the assigned overdraft coverage limit. Similarly, in nightly (or intra-day) posting, the bank will review potential NSF and overdraft items against the assigned overdraft coverage limit.^{lll} Items processed during nightly (and intra-day) posting will generally be paid up to the coverage limit; once the account's limit is reached, subsequent items will be returned unpaid.

The order in which items are posted may affect not only the number of overdraft fees assessed but also the likelihood of particular items being returned and potentially assessed NSF fees. The frequency with which this occurs may be ascertainable through our future analysis of the account-level data from the study banks.

Setting Overdraft Coverage Limits: Generally, institutions that set overdraft coverage limits assign a single limit to each account and use that account limit for making decisions regarding check and ACH transactions during nightly processing as well as for authorizing ATM and POS debit card transactions for those accounts opted in for overdraft coverage on these items.

Overdraft coverage limits may be static (*i.e.*, the institution assigns an unchanging limit to each customer) or dynamic (*i.e.*, the limits are calculated and may vary for each account and over time). Static limits vary among institutions that employ them, and may range from under \$100

^{kkk} ATM and POS debit card transactions are excluded because they are authorized at the time the consumer conducts the transaction and typically declined when rejected; thus, these items do not get presented for pay/return decisioning.

^{lll} For example, if an account has insufficient funds to pay one or more items and an institution has determined it will provide up to \$500 of overdraft coverage on the account, the institution's automated process will pay items that take the account balance negative by as much as \$500.

to well over \$1,000. Some institutions employ different static limits for different checking account products, while others assign the same limit to all customers.

Dynamic limits, in contrast, vary by account and may change periodically as an accountholder's usage or relationship to the institution changes. Many institutions set dynamic limits based on a "matrix" or set of formulas that weigh various account and accountholder characteristics in an attempt to manage more precisely account credit risk, overdraft program revenues, and customer retention. These characteristics commonly include account tenure, average balance, overdraft history, and deposit patterns as well as other relationships the accountholder may have with the institution.

Limits assigned to accounts at institutions using dynamic overdraft limits may change over time as an accountholder's usage patterns and relationship to the institution change. Thus the distribution of limits assigned to accounts by an institution may change based on changes in policy, customer behavior, and market conditions that affect both, and banks report periodically evaluating and adjusting their algorithms for setting dynamic coverage limits. While many large institutions use dynamic limits, the more frequent performance monitoring that dynamic models require may strain resources at smaller institutions. Perhaps as a result, many smaller institutions maintain static limits.

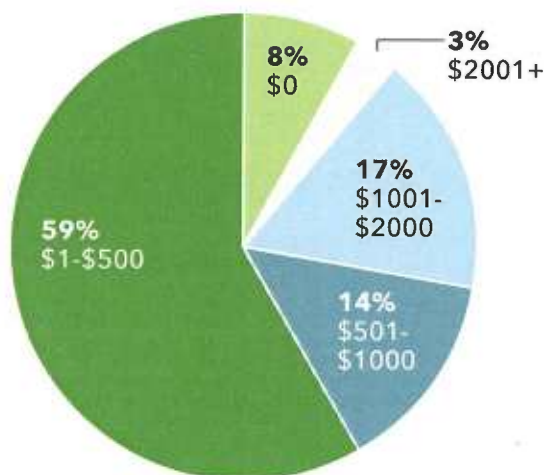
Institutions that use dynamic limits generally do not communicate these limits to accountholders. This is true for all study banks that use dynamic limits. Some institutions that use static limits communicate these limits to accountholders.

Distribution of Overdraft Coverage Limit Amounts: For consumers who have opted in to ATM and POS debit card overdraft coverage, the size or amount of the overdraft coverage limit assigned to a consumer's account will determine the point at which the institution ceases to authorize such transactions. Thus, for accounts opted in for overdraft coverage on ATM and POS debit card transactions, lower overdraft coverage limits generally result in more declined attempts and fewer approvals, and consequently, fewer overdrafts as a result of these types of transactions. The size of the overdraft coverage limit will also affect the point at which the bank commences to return check and ACH items. Thus, for these types of payments, lower overdraft coverage limits generally result in more NSF transactions and fewer overdraft transactions.

Figure 12 depicts the aggregated distribution of coverage limits of study banks as of June 2012. Close to 60% of accounts had overdraft limits ranging from \$1 to \$500; for many study banks, these limits fall below the maximum limit that the banks' prescribe. Approximately 8% of

accounts—including but not necessarily limited to new accounts, second chance accounts, accounts deemed to present high risks of not repaying negative balances, and accounts receiving protected (*e.g.*, garnished) funds—were accorded no overdraft coverage. Most study banks indicated that they cap their coverage limits between \$1,500 and \$2,500, and several reported that they had recalibrated their matrices since 2010, lowering their maximum calculated overdraft coverage limit by \$2,000 or more.

FIGURE 12: OVERDRAFT COVERAGE LIMITS FOR ACCOUNTS AT STUDY BANKS, JUNE 2012



Variations in Overdraft Limits by Bank: Average coverage limits, and the range of limits among banks with dynamic limits, varied by study bank. Most study banks quoted average coverage limits ranging between \$500 and \$1,000. Some, including banks with dynamic overdraft limits, assign the same limit to most accounts. Most study banks, however, assigned a greater diversity of overdraft limits, with higher maximum coverage amounts and accounts assigned limits across the range between the maximum and \$0. These variations in policies with respect to setting overdraft coverage amounts stem from differences in the factors used to calculate dynamic limits and willingness to tolerate exceptions, such as manually assigned overdraft limits for legacy accounts.

Manual Overrides: Most institutions with automated overdraft programs make at least some pay/return decisions manually. Institutions with such hybrid pay/return processes flag some of the automated decisions for review by staff with manual override authority. These reviewers apply institutional guidelines that incorporate customer service and fraud detection

considerations to decide whether to pay or return potential overdraft items. The institutions monitor these manual overrides and measure performance relative to fee income, credit losses, and customer attrition.

Additionally, study banks reported that they may “hard code” high overdraft coverage limits—for example, at \$5,000 or more—and override their standard overdraft limits for small numbers of relatively low risk consumer accounts. Similarly, upon suspicion of fraudulent transactions, some study banks may temporarily restrict an account’s overdraft limit to \$0.

5.4 Charge/No-Charge Decisions, Waivers, and Refunds

Once a decision is made to pay an item for which there are insufficient available funds, the institution then must determine whether to charge an overdraft fee with respect to that item. Similarly, once a decision is made to return an item for which there are insufficient available funds, the institution must determine whether to charge an NSF fee with respect to that item.

Variations in Per-Item Fees: Most institutions charge the same amount for an NSF item as they do for an overdraft item and generally do not vary the fees based upon the size or nature of the item. Data obtained from a research firm that actively obtains and tracks information on deposit account fee schedules at hundreds of institutions^{mmmm} indicates that the median NSF and overdraft fees among the 33 largest institutions it monitors—all of whom were in the top 50 in terms of U.S. deposit market shareⁿⁿⁿ—were both \$34 in 2012. The 10th percentile NSF/overdraft fee of these same institutions was \$25 in 2012, while the 90th percentile fees were both \$36.³⁷

Data from the same research firm suggests fees are lower at many smaller institutions. The median NSF and median overdraft fee across nearly 800 smaller banks and credit unions (outside of the nation’s 50 largest depositories) were both \$30 in 2012. However, per-item fees ranged across this sample from a low of \$10 to a high of \$45.³⁸

^{mmmm} Including at least the top five institutions ranked by deposit market share in each of the 50 states.

ⁿⁿⁿ Per analysis of FDIC data as of June 30, 2012.

Some institutions adjust the fee amount based upon the volume of incidents incurred on the account, a practice called “tiering.”^{ooo} Nine of the 33 largest banks monitored by the research firm utilized tiered NSF/OD fee structures in 2012, and the research firm has indicated that tiering was more prevalent across the industry a few years ago than it is today. Separately, some institutions charge a reduced fee or automatically waive the first fee incurred by a new account, or the first fee incurred by any account in a new calendar year. Separately still, some institutions charge a lower fee on overdraft items below a set dollar amount. Other institutions assess reduced fees on accounts designated for special populations, such as students or military personnel.

Fee Waiver Policies, Including Fee Caps, *De Minimis* Waivers, and Forgiveness Periods: Twenty-four of the 33 largest institutions monitored by the same research firm in 2012 capped the number of NSF and overdraft fees an account may be assessed per day, and the median cap among these 27 institutions was five total items. Notably, these caps ranged considerably among even this sample of institutions. The institution with the lowest cap limited the number of overdraft and NSF fees that can be charged in a day to a total of two, while the institutions with the highest allowed a combined total of as many as 12 overdraft and NSF fees in a given day.

Institutions may implement *de minimis* policies on a per-transaction or net-balance basis. The former approach prevents overdraft fees on small-dollar items. The latter method restricts overdraft fees when a balance is driven only nominally negative by the sum of items posted that day.^{ppp} Net balance thresholds are more common across the CFPB’s study banks than per-transaction thresholds. Twenty-one of the largest 33 institutions tracked by the research firm had *de minimis* policies in 2012, and the median threshold was \$5 (includes both per transaction and net balance thresholds). The median threshold was \$5 in 2012 for smaller institutions monitored by the research firm, as well.

Institutions may employ additional means of limiting overdraft fees. For example, one or more institutions offer forgiveness periods following a day in which an account has gone negative during which consumers can make compensating deposits (subject to these banks’ funds

^{ooo} Institutions that tier generally assess a higher fee for second and subsequent NSF and overdraft incidents. The median and percentile NSF and overdraft fee figures quoted are for first incidents only.

^{ppp} In layman’s terms, *de minimis* thresholds prevent instances in which a consumer may be charged a \$35 fee overdrawing his or her account while buying a \$3 cup of coffee.

availability rules) and avoid being charged an overdraft fee. In general, a forgiveness period allows a consumer time after an overdraft has occurred to deposit sufficient available funds (or provide time for a payroll or other automatic deposit to post) to bring the consumer's account balance positive. If the consumer sufficiently raises his or her balance within the forgiveness period, the assessed overdraft fees would be waived.

Sustained or Extended Overdraft Fees: Some institutions charge a fee for accounts that remain at a negative balance beyond a specified period of time. These “sustained” or “extended” overdraft fees typically do not depend upon the number of items that caused an account to overdraft. Instead, these fees are assessed on a one-time or periodic basis when an account's balance has remained negative for a specified period of time after one or more overdrafts have occurred. Twenty-one of the top 33 institutions in the research firm's database charged a sustained or extended overdraft fee in 2012.³⁹

The frequency of these fees range from daily to weekly or one-time fees assessed while an account's balance remains negative. Institutions generally wait between two and 10 calendar days before assessing fees. Among large banks monitored by the research firm in 2012, an account with a negative balance that was repaid on day five may have been charged between \$5 and \$38.50 for sustaining a negative balance. An account that remained overdrawn for 20 days could have been assessed fees ranging from \$15 to \$140. This wide range of fee assessments generally holds true for any overdrawn balance exceeding an institution's *de minimis* threshold.

5.5 Linked Account Overdraft Protection, Alerts, and Other Programs to Limit Overdrafts

Most institutions — including all study banks — provide some form of overdraft protection that enables consumers to avoid overdrawing their accounts and incurring NSF or overdraft fees. These largely involve linking a checking account to a savings account, a line of credit, or a credit card account from which funds are transferred automatically to cover payments when the checking account balance is too low to cover them. Institutions generally charge fees for these overdraft protection transfers.

Linked Account Overdraft Protection: The research firm referenced in Section 5.4⁴⁰ determined that in 2012, 90% of the institutions the firm monitored offered some sort of linked

credit line for overdraft protection.^{qqq} Linkable credit products may include dedicated overdraft lines of credit—*i.e.*, lines that are only accessible by overdrawing the associated checking accounts—as well as multipurpose personal lines of credit, credit cards, and home equity lines of credit. Use of such linked credit accounts to cover overdrafts results in finance or interest charges to the consumer, rather than fixed overdraft fees.

Deposit accounts, including savings accounts or additional checking accounts, can also be linked to a checking account for overdraft protection. Banks in the CFPB's study generally offered some mix of multiple linkable account options, including both deposit and credit options.

Most institutions assess a fee in at least some circumstances when funds from a linked account are automatically transferred for overdraft protection.^{trr} Twenty-eight of the 33 largest institutions monitored by the research firm in 2012 charged a transfer fee, with these fees ranging from \$3 to \$20 per transfer; the median fee among this population was \$10. Less than three-quarters of the smaller institutions monitored by the same research firm assess a transfer fee, and for these institutions, the median fee was comparatively less at \$5.⁴¹ Many institutions with *de minimis* thresholds for assessing overdraft fees apply these same thresholds when determining whether or not to assess a linked account transfer fee.

Linked accounts may have other costs associated with them. For example, some institutions charge an annual or monthly fee on lines of credit. Credit products also carry an interest rate that is applied to outstanding balances. Linkable deposit accounts may be subject to monthly maintenance requirements and fees, as may some of the consumer checking accounts to which they are linked. Some banks in the CFPB's study offer free (no minimum balance) linkable savings accounts, while others require a minimum balance or monthly fee.

Some institutions only transfer funds when the transferred sum is sufficient to cover the sum of all overdrafts. Others may transfer enough to cover a portion of the overdrawn balance even if there are insufficient funds in a linked deposit account, or insufficient available credit in a linked

^{qqq} The research firm's penetration figures closely resemble the FDIC's own findings in their 2011 Survey of Banks' Efforts to serve the Unbanked and Underbanked; *i.e.*, 92% of banks with assets above \$38 billion, 94% of banks with assets between \$1 billion and \$38 billion, and 85% of banks with assets less than \$1 billion reported having linked-account programs to the FDIC. See 2011 FDIC Survey of Banks' Efforts to Serve the Unbanked and Underbanked, p.16 (Dec. 2011).

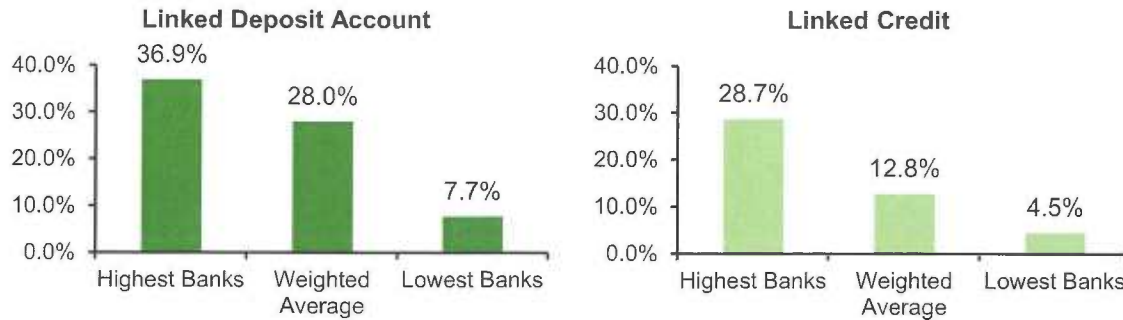
^{trr} Some institutions waive these fees when the service is linked to certain types of accounts.

credit account, to cover the full overdrawn balance. When the available funds or credit from linked accounts are depleted, institutions may charge a fee for the overdraft or NSF transactions that may subsequently occur. Thus, consumers may incur both transfer fees and overdraft fees in the same day.

Institutions also differ in how much money is swept when an automatic overdraft transfer is initiated. Some institutions transfer the exact amount needed to reset the account balance to \$0, while others transfer in \$50 or \$100 increments. In addition, some institutions implement a minimum transfer amount, and these amounts may vary. Rounding up the transfer amount may help to cover additional payments and prevent additional overdraft occurrences or additional transfer fees. On the other hand, transferring an exact amount avoids finance charges (in the case of lines of credit) in excess of what the consumer requires. Some institutions utilize both approaches by rounding up for transfers from linked deposit accounts but moving only the exact amount when transferring from a linked credit account.

Penetration of Linked Account Overdraft Protection: Among the study banks, the share of consumer checking accounts linked to other deposit accounts for overdraft protection in 2011 ranged by 37.5 percentage points. The weighted average percentage of accounts linked to another deposit account for overdraft protection at the end of 2011 was 28.0%. The percentage of open accounts linked to a credit account was lower at 12.8%, with penetration rates ranging by 24.8 percentage points across different banks in 2011. The charts below shows linked account penetration at the study banks by linked account type. Among other things, the variation in take-up rates among study banks reflects different strategies for promoting such services to accountholders, the length of time different banks have been offering the service, and possibly differences in customer behavioral characteristics and preferences across banks.

FIGURE 13: ACCOUNTS WITH LINKED ACCOUNT OVERDRAFT PROTECTION AT STUDY BANKS IN 2011^{sss}



Online and Text Alerts: Consumers who use online or mobile banking and are at risk of overdrawing their accounts may sign up for services that some institutions introduced to help them recognize or be notified when their account balances are low. An industry research firm estimates that 61% of adult internet users used online banking services in 2011,⁴² and survey findings from the Board indicated that 68% of consumers with a bank account and regular internet access used online banking in the year prior to March 2012.⁴³ Penetration of online banking use varies considerably among study banks, however, and some study banks estimated that over half of their consumer checking account holders were actively banking online as of the end of 2011.^{ttt}

Use of text alerts appears to remain moderately low and varies by institution. Some institutions do not currently offer text alerts while others have only recently introduced the services. Several small institution respondents to the CFPB's RFI that do not provide alerts indicated cost to be their primary reason for not doing so. Among study banks offering the service, the percentage of open accounts enrolled to receive low balance text alerts at the end of 2011 ranged by over 25

^{sss} Figure 13 displays unweighted averages of the two study banks with the highest linked account rate ("Highest Banks") and of the two study banks with the lowest linked account rate ("Lowest Banks"). The "Weighted Average" bars display the averages across all study banks included in the analysis, weighted by each bank's number of accounts at the end of 2011.

^{ttt} "Actively banking online" is defined to be using within the past 30 days. Note that penetration rates are often difficult to compare across institutions due to measurement challenges; some accounts have multiple user IDs (*e.g.*, joint accounts with separate account holder credentials) and some user IDs pertain to multiple accounts (*e.g.*, a customer with multiple checking accounts).

percentage points.^{uuu} As with linked account overdraft protection, among other things, the variation in take-up rates among study banks may reflect different strategies for promoting such services to accountholders, the length of time different banks have been offering the service, and differences in customer behavioral characteristics and preferences across banks.^{vvv}

Multiple study banks and RFI respondents assert that provision of alerts and online banking does not always lead to significant changes in overdraft behavior and that many consumers overdraft despite monitoring their accounts frequently.

5.6 Accountholder Behavioral Characteristics and Screening Policies

While many of the differences between banks with respect to overdrafts—such as in consumers’ incidence of overdrafts and related costs, election of overdraft coverage on ATM and debit card transactions, and enrollment in overdraft protection programs—stem from differences in banks’ overdraft-related policies and practices, these differences in outcomes may also reflect differences in the behavioral characteristics of the banks’ accountholders. Institutions influence the mix of consumers they attract through their marketing, distribution, product management, and risk management strategies and execution.

For example, institutions often target specific consumer segments when seeking to attract new customers. Likewise, institutions design and price products to appeal to and meet the needs of different types of consumers. The location of an institution’s service area and branch network can influence to a considerable extent the kinds of customers it most frequently serves. Different consumer segments are likely to bring different needs and preferences with respect to their use of checking accounts and their need or propensity to use overdraft coverage.

^{uuu} Again, precise measurement is difficult as some joint accountholders may subscribe to receive alerts for a single account.

^{vvv} Note that at many institutions, consumers may sign up for text alerts even if they retain paper statements.”

Institutions' policies for screening new account applicants for credit or charge-off risk and to qualify applicants for specific products^{www} may also play some role in determining the make-up of accountholders and their likely overdraft incidence, fees, and related account closures. Study banks varied considerably in whether and how they used consumer reporting agencies that track and report on past checking account histories and closures, or reports and credit scores from the national credit reporting companies, to screen for charge-off risk. Some study banks deny new accounts to applicants with a recent history of involuntary account closure and charge-off; others utilize credit scores in lieu of or in conjunction with involuntary account closure data to assess new checking account applicants; still others apply few or no credit risk criteria when screening new accountholders.^{xxx} These different approaches to account screening may result in differences in the consumers who hold accounts, and thus explain some portion of the differences across institutions in the numbers of customers who carry low balances or manage their accounts in ways that put them at risk of incurring overdrafts or of experiencing involuntary closures.

^{www} As noted earlier, some study banks offer consumers who do not qualify for standard checking account products safer, somewhat restrictive products that limit institutional (and consumer) exposure to credit risk.

^{xxx} Institutions must also comply with the Bank Secrecy Act and meet the Customer Identification Program requirements set out in Section 326 of the USA PATRIOT Act. The study banks also all reported screening for fraud risk and withholding accounts from consumers with prior involuntary closures due to fraudulent use of their accounts.

6. Conclusion, Open Questions, and Further Research Steps

As noted at the outset, in launching the CFPB's study of overdraft programs, CFPB Director Richard Cordray emphasized that the CFPB is "committed to being a data-driven agency" and therefore was seeking to learn "the facts and figures" about "actual consumer experiences and the consequences of different overdraft practices" as well as about "how well [consumers] are able to learn about the costs and risks of overdrafts."⁴⁴ The findings reported in this white paper begin to shed important light on consumer experiences with overdraft programs as well as institutional practices.

To begin with, it appears that the Board's "opt-in" amendments to Regulation E have made a material difference in the experience of some consumers. First, most accountholders at CFPB study banks did not opt in for overdraft coverage on ATM/POS debit card transactions. As of the end of 2011, the percentage of accounts opting in among study banks that offer this option were 16.1% for all accounts and 22.3% for accounts that were opened during 2011. Second, while heavy overdrafters demonstrated higher propensities to opt in than infrequent users of overdraft, most appeared not to have done so when first given the chance in 2010. Third, heavy users of overdraft who had not opted in as of the end of 2010 experienced a 63% reduction in their overdraft and NSF costs, on average, between the first half of 2010 and the second half of the same year.

But while the Regulation E amendments have had a material impact, and while institutions have made other changes with respect to overdraft practices, overdraft fees still represent a sizable portion of the fee revenue generated by consumer checking accounts—approximately 61% among the study banks. Overdraft and NSF fees also compose 37% of study banks' total deposit service charges and a recent trade association survey found that overdraft and NSF fees make up an even larger share—over 60%—of total deposit service charges among community banks.

Furthermore, the same trade association survey found overdraft and NSF fees to compose 27.5% of respondent net income after taxes.

Moreover, the concerns identified by the FDIC in its earlier study continue to persist: there remains a small but significant segment of consumers at the banks participating in this study who continue to incur a large number of overdraft and NSF fees. These consumers are paying substantial sums to access this instant liquidity and maintain their checking accounts. Accounts with more moderate overdraft use may also pay hundreds of dollars in fees per year.

A subset of consumers—who may or may not overlap with those that incur large numbers of overdraft and NSF fees—had their accounts closed involuntarily after overdrawing and sustaining negative account balances for an extended period of time. In 2011, 6.0% of accounts that were open at the beginning of the year or that were opened during the year at banks in the CFPB's study resulted in involuntary closures. Involuntary closure is of particular significance because consumers who have had their accounts involuntarily closed are likely to be rejected for new accounts at many institutions.

In addition to the high costs that many consumers are paying, what is most striking in the data is the variation in consumer experiences and outcomes that we have observed. This is true along a substantial number of the dimensions we have measured. For example:

- The proportion of consumer checking accounts that were heavy overdrafters (incurring more than 10 NSF or overdraft transactions in 2011) to all accounts with at least one overdraft or NSF transaction ranged by as much as 4.4 percentage points across study banks using similar measurement methodologies.
- The mean overdraft fees paid by accountholders who incurred at least one NSF/OD item in 2011 varied by over \$201 across the study banks.
- The highest involuntary account closure rate observed in the study was 14 times the involuntary closure rate at the bank with the lowest rate.
- The opt-in rate among accounts opened in 2011 varied from single-digit percentages to over 40% across study banks; opt-in rates among existing accounts ranged similarly, though to slightly less extremes. Among existing customers who were heavy overdrafters before Regulation E changes were implemented, opt-in rates varied by over 50 percentage points at the end of 2010.

- Among the study banks, the share of consumer checking accounts linked to other deposit accounts for overdraft protection in 2011 ranged by 37.5 percentage points; rates of use of linked credit account overdraft protection also ranged dramatically.

In theory, the variations in outcomes that we have observed could be attributable purely to differences among the customers served by the various banks and those customers' needs and preferences. Bank accountholder eligibility requirements and targeting practices may result in different consumer profiles among institutions.

However, it is likely that the variations we observe are attributable, at least in substantial part, to differences in other practices and policies among institutions. For example, at some institutions, only a small fraction of new accountholders elected to opt in. At others, a much greater percentage elected to do so. This suggests that institutions are describing or selling overdraft options differently to new customers. Similarly, the remarkable variation in opt-in rates among existing customers in 2010 who had been heavy overdrafters may reflect known differences in marketing approaches.

Even among those who have opted-in or opted out, we find wide variations in outcomes across the study banks. Our study shows that a large number of factors may determine whether an institution will deem the funds in an account insufficient to cover a payment or withdrawal, and whether it will assess a fee with respect to such an item. These include:

- The institution's funds availability policy;
- How the institution calculates a consumer's available balance;
- The institution's policies for setting overdraft limits;
- The institution's posting practices, including when posting occurs (real-time, intra-day, or at night), whether transactions are commingled or posted in sub-batches by transaction type, and the ordering of transactions within batches; and
- The institution's policies with respect to assessing fees, including caps on the number of fees, fee cushions or waivers on *de minimis* transaction amounts or balances, forgiveness periods, and extended overdraft fees.

These factors vary from institution to institution, are complex and interact in complex ways, and may influence the number of overdraft or NSF fees a consumer is charged. Frequently, several of

these factors are not disclosed to consumers (*e.g.*, overdraft coverage limits) or are disclosed in a technical manner that may not be readily understandable. Moreover, some consumers may incorrectly transpose a set of expectations regarding bank processes from one institution to the next. All of this raises questions about the degree to which even the most sophisticated consumer could readily anticipate and manage the cost of engaging in a series of transactions at one institution or compare the cost of overdrafting at different institutions.

Nothing in this report implies that banks and credit unions should be precluded from offering overdraft coverage. Additionally, our study notes progress in some areas in recent years in protecting consumers from harm. Nonetheless, our findings with respect to the number of consumers who are incurring heavy overdraft fees or account closures and the wide variations across institutions indicate that certain practices and procedures merit further analysis to determine whether they are causing the kind of consumer harm that the federal consumer protections laws are designed to prevent. The CFPB will continue its study of overdraft programs, including through analysis of account-level data, to examine the extent to which particular policies magnify risks to consumers. This analysis will help the CFPB assess whether further action is warranted to implement and enforce federal consumer protection law consistently so as to ensure that the market for consumer financial products and services is fair, transparent, and competitive and that consumers are empowered to take more control over their economic lives.

Glossary

ACH (ACH transaction) – An electronic fund transfer made between institutions across what is called the Automated Clearing House network. ACH is used for all kinds of fund transfer transactions, including direct deposit of paychecks and monthly debits for routine payments. Merchants often enable consumers to pay bills via ACH by providing an account number and bank routing number.

Alert (account alert) – Email or text message sent by an institution to an enrolled deposit account holder to notify of account or transaction status; for example, that the account's balance has dropped below a certain threshold or that a scheduled payment has been made.

ATM – Automated teller machine; enables account access, including balance inquiries, withdrawal of funds, deposits, or account transfers, typically with debit card and PIN credentials.

Authorization – Decision by the institution to pay or allow a debit card transaction. Generally distinct from transaction settlement. Authorizations typically reduce funds available to the consumer.

Automated Overdraft Program – A program in which a financial institution determines whether to authorize or decline items presented against insufficient funds via a computer algorithm and an overdraft coverage limit for each account. Overdraft coverage limits used in these programs may be dynamic (calculated) or static.

Available Balance (available funds) – The balance used to determine whether the account holds sufficient funds for an authorization; calculated by subtracting outstanding debit card authorizations and holds on deposited funds from the ledger balance.

Batch Processing (nightly batch processing or nightly processing) – End of day debiting of received authorizations, crediting of deposits, and debiting of transactions received

and presented for posting against the account ledger balance. This is the process in which pay/return decisions are made for check and ACH transactions.

Charge Off – Write-off of a past-due debt or negative balance deposit account. When an account is charged off, the account is closed and eligible for collections.

Charge/No Charge Decision – Decision by an institution whether to assess a fee on an NSF or overdraft item.

Commingled Debits – Mix of different types of debit (payment) transactions for the purpose of making pay/return decisions and posting to a deposit account general ledger. For example, an institution might mix ACH and check transactions, rather than posting all of the ACH transactions before posting the checks.

Cutoff Time – Point in time during a business day at which all subsequent transactions will be considered too late for the night's batch processing. Transactions received after the cutoff time are held for the next business day's nightly process.

De Minimis – Threshold that determines whether NSF/OD items are assessed a fee. Institutions may implement *de minimis* policies on a per-transaction or net-balance basis. The former approach prevents overdraft fees on small-dollar items. The latter method restricts overdraft fees when a balance is driven only nominally negative by a posted item.

Extended Overdraft Fee (sustained overdraft fee) – A fee assessed on accounts that remain at a negative balance beyond a specified period of time. These fees may be applied on a one-time or periodic basis after an overdraft has occurred and do not typically depend upon the number of items that caused an account to overdraft.

Fee Cap – Limit to the number of NSF and overdraft fees an account may be assessed per processing day. Often expressed as a threshold dollar amount but could be specified in terms of items.

Funds Availability Policy – Terms by which an institution agrees to enable depositors to access—*i.e.*, withdraw, make payments from, or transfer—deposits made to an account. The Federal Reserve Board's Regulation CC specifies minimum funds availability requirements for banks.

Forgiveness Period – Time allowed after an item is paid into overdraft during which consumers can make compensating deposits and avoid being charged an overdraft fee.

Hold (hold on deposit) – Designation of some or all of a deposit amount to be unavailable to a depositor to fund a withdrawal, payment, or transfer. Generally represented as a temporary debit and offset to a deposit amount credited to an account balance.

Hybrid Overdraft Program – Automated overdraft programs in which certain pay/return or charge/no charge decisions are subsequently reviewed and may be overridden by bank or credit union staff.

Intraday Processing – Posting of transactions to the ledger balance outside of nightly processing; usually as certain transactions are received.

Involuntary Account Closure – Termination of a customer account agreement initiated by the institution. Could include both credit and fraud charge offs.

Ledger Balance – The net sum of all cleared credit and settled debit transactions executed against an account.

Manual Overdraft Program – A program in which bank or credit union staff review and determine whether to pay or return each item presented against an account with insufficient funds. Manual overdraft programs do not enable timely decisions on ATM and POS debit card transactions; as a result, institutions with manual programs generally do not offer overdraft coverage on these transactions. Manual overdraft programs are often ad hoc as staff may not review every item presented against accounts with insufficient funds.

Memo Posting – Intraday accounting (debiting and crediting) of transactions and debit card authorizations to an account's available balance.

NSF (non-sufficient funds) – A debit transaction (payment or withdrawal) that if paid would exceed the account balance, and is instead returned unpaid by the institution.

NSF Fee – Fee an institution assesses for an NSF item.

Opt-in – Affirmative consent received for a consumer account to enable the institution to allow the account to overdraw via POS (non-recurring) debit card or ATM transactions. Such consent is required per Regulation E.

Overdraft – A debit transaction (payment or withdrawal) that exceeds the consumer's account balance and is paid (covered) by the institution.

Overdraft Coverage Limit – Amount by which an institution with an overdraft program is generally willing to let a consumer’s account go negative. Many institutions do not disclose coverage limit amounts to accountholders.

Overdraft Fee – Fee imposed by an institution for covering an overdraft item. Some institutions vary or tier overdraft fees based upon item amount or prior overdraft activity. Some overdraft items are not assessed fees due to waiver policies.

Linked Account Overdraft Protection – A service that allows a consumer to link a checking account to a savings account, another personal checking account, a line of credit, or a credit card account from which funds are automatically transferred for a fee to cover payments when the checking account balance is otherwise too low to cover them.

Pay/Return Decision – Decision by an institution whether to cover an overdraft or return an NSF when an item exceeds the consumer’s account balance.

PIN Debit – Debit card transaction in which a consumer uses a personal identification number for security purposes. PIN debit card transactions almost always settle the same business day they are authorized (or the next business day if executed on a non-business day).

POS Debit – A debit card transaction conducted at a merchant’s physical terminal or point of sale. A consumer may authorize a POS debit with a PIN or signature.

Posting Order – The sequence in which credit and debit items are presented (for making pay/return and charge/no charge decisions) during batch processing. For high-to-low posting order, an institution presents transactions from largest to smallest amounts; the reverse is true for low-to-high posting orders. Orders may also be chronological (based upon transaction date and time) or serial (by check number), as applicable.

Real-time Processing – Posting of credits and debits to the account ledger balance at the time these transactions are received or executed. Institutions may process in real-time transactions received intraday rather than during nightly batch processing.

Service Charges on Deposits – Federal banking agency Call Report (quarterly bank reporting of financial performance and status) line item that includes consumer NSF and overdraft fees. This line item also includes other fees charged against deposit accounts, including monthly maintenance fees, stop payment fees, fees for customers using foreign ATMs, etc., as well as charges to non-consumer deposit accounts.

Settlement (transaction settlement) – Disbursement between institutions, usually through debiting and crediting of institutional account balances, to cover individual customer payment transactions.

Signature Debit – Debit card transaction in which a consumer often signs his or her name to validate the transaction. Many terminals, including those at gas pumps or automatic fuel dispensers, do not require an actual customer signature. Signature debit card transactions generally settle one to two business days after authorization.

Transaction – Payment, withdrawal, deposit, or institution adjustment on a consumer checking account such as an interest credit or fee.

Transfer Fee (sweep fee)– A fee charged by an institution to automatically move funds from a linked account to a checking account to cover a debit transaction that exceeds the checking account balance.

Waiver – Absence of a fee charge for an NSF or overdraft item. May be the result of a fee cap, *de minimis* policy, forgiveness period, other policy, or manual override.

Notes

¹ Richard Cordray, Director, CFPB, Remarks at the CFPB Roundtable on Overdraft Practices (Feb. 22, 2012), *available at* <http://www.consumerfinance.gov/speeches/prepared-remarks-by-richard-cordray-at-the-cfpb-roundtable-on-overdraft-practices>.

² *Id.*

³ *See* Impacts of Overdraft Programs on Consumers, 77 Fed. Reg. 12031 (Feb. 28, 2012), *available at* <http://www.gpo.gov/fdsys/pkg/FR-2012-02-28/pdf/2012-4576.pdf>.

⁴ Bureau analysis of FDIC and NCUA data obtained through SNL Financial LC.

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Tab 15

Bankrate.com Checking Survey for NSF Fees

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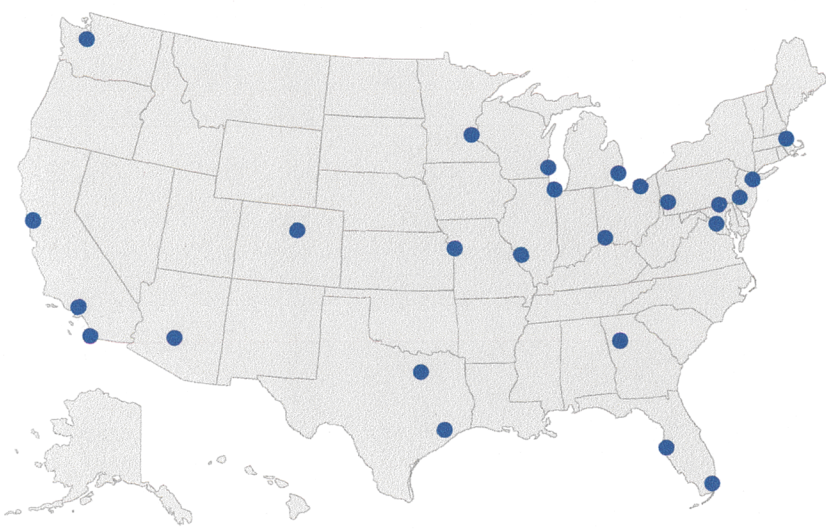
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2016 Bankrate checking account survey

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Bankrate surveyed banks in the 25 largest U.S. cities to find the average fees associated with checking accounts in its annual checking account survey, which was conducted in July and August 2016.



Checking account fees

Market	Average NSF* fees	Average noncustomer withdrawal fee	Average out-of-network withdrawal fee
National average	\$33.04	\$2.90	\$1.67
Atlanta	\$33.42	\$2.90	\$2.15
Baltimore	\$34.80	\$2.70	\$1.69

CHECKING SAVING RATES AVERAGES

Product	Rate	Change	Last week
MMA and SAVINGS	0.53%	▼ 0.02	0.55%
\$10k MMA	0.51%	-- 0.00	0.51%
Interest Checking	0.31%	▲ 0.00	0.31%

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Tab 15

Market	Average NSF* fees	Average noncustomer withdrawal fee	Average out-of-network withdrawal fee
Boston	\$31.79	\$2.90	\$1.43
Chicago	\$31.70	\$2.75	\$1.75
Cincinnati	\$31.22	\$2.50	\$1.42
Cleveland	\$33.53	\$3.06	\$1.92
Dallas	\$32.88	\$3.00	\$1.22
Washington, D.C. (metro area)	\$33.40	\$2.94	\$1.82
Denver	\$33.65	\$3.00	\$1.88
Detroit	\$30.47	\$2.95	\$1.86
Houston	\$34.00	\$3.06	\$1.65
Kansas City, Missouri	\$33.95	\$2.65	\$1.82
Los Angeles	\$32.00	\$2.83	\$1.45
Miami	\$33.17	\$2.94	\$2.00
Milwaukee	\$34.79	\$3.10	\$1.54
Minneapolis	\$32.89	\$3.19	\$1.27
New York (metro area)	\$34.63	\$2.90	\$1.96
Philadelphia	\$35.20	\$2.90	\$1.43
Phoenix	\$34.05	\$3.25	\$1.82
Pittsburgh	\$34.05	\$2.83	\$1.85
San Diego	\$32.00	\$2.94	\$1.68
San Francisco	\$30.35	\$2.79	\$1.11
Seattle	\$31.20	\$2.94	\$1.46
St. Louis	\$32.89	\$2.72	\$1.67
Tampa, Florida	\$33.50	\$2.80	\$1.95



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The data come from a survey of 10 banks and thrifts in each of the 25 large U.S. markets from July 14 to Aug. 10, 2016. We asked the institutions about their terms on one noninterest account and one interest-bearing account, as well as on ATM and debit card fees.

*NSF = nonsufficient funds

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Tab 16

Summary of Check Cashing Survey for Grocery Stores and Big Box Retailers

Community Currency Exchange of Illinois, Inc.

Retailer Survey Results

No.	Store Name	Address	City	Phone No.	Check Cashing Services
1	Walmart	8331 S Stewart Ave	Chicago	(773) 358-9000	Yes
2	Walmart	8500 W Golf Rd	Niles	(847) 966-7904	Yes
3	Walmart	4700 135th St	Crestwood	(708) 489-5547	Yes
4	Walmart	5307 IL-251	Peru	(815) 224-2396	Yes
5	Walmart	8915 N Allen Rd	Peoria	(309) 693-0525	Yes
6	Walmart	3930 44th Avenue Dr	Moline	(309) 736-2270	Yes
7	Walmart	3902 W Riverside Blvd	Rockford	(815) 962-4071	Yes
8	Walmart	2189 75th St	Darien	(630) 434-0490	Yes
9	Target	1940 W 33rd St	Chicago	(773) 843-3250	No
10	Target	7300 W 191st St	Tinley Park	(815) 806-3210	No
11	Target	2099 Skokie Valley Rd	Highland Park	(847) 266-8022	No
12	Target	5601 Belleville Crossing St	Belleville	(618) 310-1901	No
13	Target	4370 Venture Dr	Peru	(815) 224-2442	No
14	Target	5001 N Big Hollow Rd	Peoria	(309) 691-9030	No
15	Target	900 42nd Ave Dr	Moline	(309) 764-7500	No
16	Target	6560 E State St	Rockford	(815) 227-9788	No
17	Target	2333 63rd St	Woodridge	(630) 434-0909	No
18	Meijer	15701 71st Court	Orland Park	(708) 342-9900	Yes
19	Meijer	950 Winston Plaza	Melrose Park	(708) 338-5600	Yes
20	Meijer	2500 S Philo Rd	Urbana	(217) 365-5200	Yes
21	Meijer	2013 McFarland Rd	Rockford	(815) 721-8600	Yes
22	Home Depot	1300 S. Clinton	Chicago	(312) 850-4836	No
23	Home Depot	621 Brook Forest Ave	Shorewood	(815) 725-6301	No
24	Home Depot	6930 Argus Dr	Rockford	(815) 391-8880	No
25	Home Depot	5501 Belleville Crossing	Belleville	(618) 239-3351	No
26	Home Depot	795 Veterans Pkwy	Normal	(309) 452-4031	No
27	Home Depot	4242 Venture Dr	Peru	(815) 224-2968	No
28	Jewel-Osco	1341 North Paulina	Chicago	(773) 342-3410	No
29	Jewel-Osco	890 N Western Ave	Lake Forest	(847) 735-8018	Yes
30	Jewel-Osco	12003 S Pulaski Rd	Alsip	(708) 371-3460	No
31	Jewel-Osco	303 Holmes Ave	Clarendon Hills	(630) 654-3455	No
32	Jewel-Osco	2010 1st Street A	Moline	(309) 797-0558	Yes
33	Jewel-Osco	1320 Sycamore Rd	DeKalb	(815) 758-5478	No
34	Mariano's	3857 South King Dr	Chicago	(773) 268-2839	No
35	Mariano's	1350 E Route 22	Lake Zurich	(847) 438-4003	No
36	Mariano's	4700 Gilbert Ave	Western Springs	(708) 246-6210	No
37	Save-A-Lot	4701 S Cottage Grove Ave	Chicago	(773) 548-1634	No
38	Save-A-Lot	4425 N Prospect Rd	Peoria	(309) 686-1349	No
39	Schnucks	1615 Camp Jackson Rd	East St. Louis	(618) 332-0060	No
40	Schnucks	200 N Vine St	Urbana	(217) 337-6016	No
41	Schnucks	1750 Bradford Ln	Normal	(309) 451-7100	No
42	Ruler Foods	2711 East Sangamon	Springfield	(217) 753-4290	Yes

Community Currency Exchange of Illinois, Inc.*Retailer Survey Results*

No.	Store Name	Address	City	Phone No.	Check Cashing Services
43	Ruler Foods	301 E Mckinley Rd	Ottawa	(217) 373-1450	Yes
44	Fairway Grocery	3705 25th St	Moline	(309) 797-1468	No
45	Hy-Vee	4218 Avenue of the Cities	Moline	(309) 762-0200	Yes

RANGE	Gross # of Checks	Gross Annual \$	% of Checks	Running Total	Remaining % of Checks
0.01 -- 1000	5,027,475	\$1,681,983,458.38	90.30%	90.30%	9.70%
1000.01 -- 1050	42,757	\$43,842,725.59	0.77%	91.07%	8.93%
1050.01 -- 1100	38,582	\$41,535,214.73	0.69%	91.76%	8.24%
1100.01 -- 1150	30,065	\$33,843,458.61	0.54%	92.30%	7.70%
1150.01 -- 1200	33,060	\$39,009,948.30	0.59%	92.90%	7.10%
1200.01 -- 1250	24,242	\$29,737,295.69	0.44%	93.33%	6.67%
1250.01 -- 1300	23,256	\$29,716,507.26	0.42%	93.75%	6.25%
1300.01 -- 1350	18,389	\$24,386,671.96	0.33%	94.08%	5.92%
1350.01 -- 1400	17,467	\$24,073,348.71	0.31%	94.39%	5.61%
1400.01 -- 1450	14,254	\$20,321,579.99	0.26%	94.65%	5.35%
1450.01 -- 1500	22,503	\$33,451,928.11	0.40%	95.05%	4.95%
1500.01 -- 1600	22,965	\$35,681,736.75	0.41%	95.47%	4.53%
1600.01 -- 1700	17,803	\$29,434,143.08	0.32%	95.79%	4.21%
1700.01 -- 1800	16,025	\$28,136,277.62	0.29%	96.07%	3.93%
1800.01 -- 1900	12,194	\$22,590,969.76	0.22%	96.29%	3.71%
1900.01 -- 2000	18,954	\$37,398,447.89	0.34%	96.63%	3.37%
2000.01 -- 2100	9,456	\$19,409,106.87	0.17%	96.80%	3.20%
2100.01 -- 2200	9,471	\$20,477,816.58	0.17%	96.97%	3.03%
2200.01 -- 2300	7,290	\$16,440,125.20	0.13%	97.10%	2.90%
2300.01 -- 2400	6,622	\$15,602,117.19	0.12%	97.22%	2.78%
2400.01 -- 2500	10,025	\$24,704,108.51	0.18%	97.40%	2.60%
2500.01 -- 2600	5,343	\$13,645,586.77	0.10%	97.50%	2.50%
2600.01 -- 2700	4,696	\$12,468,757.50	0.08%	97.58%	2.42%
2700.01 -- 2800	4,482	\$12,356,226.99	0.08%	97.66%	2.34%
2800.01 -- 2900	4,245	\$12,119,072.07	0.08%	97.74%	2.26%
2900.01 -- 3000	11,376	\$33,936,019.43	0.20%	97.94%	2.06%
3000.01 -- 3100	3,357	\$10,251,779.48	0.06%	98.00%	2.00%
3100.01 -- 3200	3,229	\$10,188,773.79	0.06%	98.06%	1.94%
3200.01 -- 3300	2,867	\$9,331,985.84	0.05%	98.11%	1.89%
3300.01 -- 3400	2,740	\$9,194,544.17	0.05%	98.16%	1.84%
3400.01 -- 3500	3,612	\$12,525,977.26	0.06%	98.23%	1.77%
3500.01 -- 3600	2,527	\$8,984,497.01	0.05%	98.27%	1.73%
3600.01 -- 3700	2,212	\$8,083,493.96	0.04%	98.31%	1.69%
3700.01 -- 3800	2,438	\$9,155,239.95	0.04%	98.36%	1.64%
3800.01 -- 3900	2,238	\$8,625,363.71	0.04%	98.40%	1.60%
3900.01 -- 4000	4,478	\$17,816,322.29	0.08%	98.48%	1.52%
4000.01 -- 4100	1,954	\$7,919,578.37	0.04%	98.51%	1.49%
4100.01 -- 4200	1,974	\$8,203,350.12	0.04%	98.55%	1.45%
4200.01 -- 4300	1,857	\$7,900,033.52	0.03%	98.58%	1.42%
4300.01 -- 4400	1,822	\$7,931,848.04	0.03%	98.61%	1.39%
4400.01 -- 4500	2,285	\$10,201,878.24	0.04%	98.66%	1.34%
4500.01 -- 4600	1,658	\$7,546,256.17	0.03%	98.69%	1.31%

4600.01 -- 4700	1,695	\$7,885,794.43	0.03%	98.72%	1.28%
4700.01 -- 4800	1,724	\$8,198,070.76	0.03%	98.75%	1.25%
4800.01 -- 4900	1,875	\$9,085,482.26	0.03%	98.78%	1.22%
4900.01 -- 5000	4,678	\$23,315,528.69	0.08%	98.86%	1.14%
5000.01 -- 6000	14,947	\$82,726,550.46	0.27%	99.13%	0.87%
6000.01 -- 7000	9,286	\$60,485,786.67	0.17%	99.30%	0.70%
7000.01 -- 8000	8,347	\$63,213,761.77	0.15%	99.45%	0.55%
8000.01 -- 9000	5,676	\$48,299,519.63	0.10%	99.55%	0.45%
9000.01 -- 10000	12,849	\$126,451,309.37	0.23%	99.78%	0.22%
10000.01 -- 11000	1,642	\$17,245,755.64	0.03%	99.81%	0.19%
11000.01 -- 12000	1,349	\$15,553,539.68	0.02%	99.84%	0.16%
12000.01 -- 13000	1,171	\$14,661,833.49	0.02%	99.86%	0.14%
13000.01 -- 14000	991	\$13,384,424.73	0.02%	99.87%	0.13%
14000.01 -- 15000	1,070	\$15,638,395.02	0.02%	99.89%	0.11%
15000.01 -- 16000	762	\$11,823,997.93	0.01%	99.91%	0.09%
16000.01 -- 17000	613	\$10,121,332.58	0.01%	99.92%	0.08%
17000.01 -- 18000	604	\$10,567,695.13	0.01%	99.93%	0.07%
18000.01 -- 19000	424	\$7,844,933.18	0.01%	99.94%	0.06%
19000.01 -- 20000	607	\$11,935,207.90	0.01%	99.95%	0.05%
20000.01 -- OVER	2,884	\$106,328,601.71	0.05%	100.00%	0.00%

Total # of Checks	5,567,439
Total \$ Amount	\$3,154,931,092.49
Average Check Amount	\$566.68

Tab 18

Impact of Proposed Rate Increase on Checks up to \$1250

**EFFECT OF REQUESTED RATE INCREASE ON BASE CHARGE
FOR CHECKS UP TO \$1250**

Check Amount	Current Baseline Charge (2.25%)	Petition Baseline Charge (2.50%)
\$50.00	\$1.13	\$1.25
\$100.00	\$2.25	\$2.50
\$150.00	\$3.38	\$3.75
\$200.00	\$4.50	\$5.00
\$250.00	\$5.63	\$6.25
\$300.00	\$6.75	\$7.50
\$350.00	\$7.88	\$8.75
\$400.00	\$9.00	\$10.00
\$450.00	\$10.13	\$11.25
\$500.00	\$11.25	\$12.50
\$550.00	\$12.38	\$13.75
\$600.00	\$13.50	\$15.00
\$650.00	\$14.63	\$16.25
\$700.00	\$15.75	\$17.50
\$750.00	\$16.88	\$18.75
\$800.00	\$18.00	\$20.00
\$850.00	\$19.13	\$21.25
\$900.00	\$20.25	\$22.50
\$950.00	\$21.38	\$23.75
\$1000.00	\$22.50	\$25.00
\$1050.00	\$23.63	\$26.25
\$1100.00	\$24.75	\$27.50
\$1150.00	\$25.88	\$28.75
\$1200.00	\$27.00	\$30.00
\$1250.00	\$28.13	\$31.25

Tab 19

Navigant Analysis of Reasonable Profit for Currency Exchanges

Community Currency Exchange Association of Illinois, Inc.
Return on Revenue for Nonfarm, Sole Proprietorship, Service Businesses: 2008 - 2014 and Comparison to Currency Exchange Return on Revenue

(Dollars in 000s)

	2008	2009	2010	2011	2012	2013	2014	2015
Internal Revenue Service SOI Data ¹:								
Finance and Insurance (NAICS 52) ^{2,5}								
Business Receipts	\$112,312,139	\$90,894,838	\$75,141,560	\$83,298,874	\$74,450,571	\$78,556,214	\$81,021,232	
Net Income ³	\$18,004,035	\$10,349,671	\$15,935,211	\$18,022,981	\$18,909,379	\$19,353,177	\$20,364,729	
Return on Revenue ⁴	16.0%	11.4%	21.2%	21.6%	25.4%	24.6%	25.1%	
Credit Intermediation and Related Activities (NAICS 522) ^{2,6}								
Business Receipts	\$3,166,910	\$2,951,452	\$2,711,768	\$3,198,163	\$3,316,291	\$2,732,771	\$2,716,778	
Net Income ³	\$229,170	\$451,870	\$554,126	\$439,831	\$513,309	\$431,649	\$479,969	
Return on Revenue ⁴	7.2%	15.3%	20.4%	13.8%	15.5%	15.8%	17.7%	
Currency Exchange Data ⁷:								
Total Revenue	\$196,137	\$168,413	\$160,519	\$155,894	\$151,539	\$144,777	\$144,916	\$144,554
Net Income ⁸	\$10,748	\$5,364	\$8,935	\$6,694	\$10,737	\$6,192	\$8,859	\$4,370
Return on Revenue ⁴	5.5%	3.2%	5.6%	4.3%	7.1%	4.3%	6.1%	3.0%
Average Pre-Tax Return on Revenue for All Years:								
Finance and Insurance	20.8%							
Credit Intermediation and related activities	15.1%							
Currency Exchanges ⁹	5.1%							

Notes:

- 1 Statistics of Income (SOI) Bulletins from Years 2008 - 2014 Published by the Department of The Treasury, Internal Revenue Service. Per the IRS, "the Sole Proprietorship study covers basic data, including business receipts, deductions, and net income reported by an individual taxpayer on Schedule C of Form 1040. The information is for nonfarm sole proprietorships and is broken down by industrial groups for analysis of the data.
- 2 Data from SOI Sole Proprietorship Returns Bulletins, Table 1, Nonfarm Sole Proprietorships: Business Receipts, Selected Deductions, Payroll, and Net Income by Industrial Sectors (Businesses with and without net income).
- 3 Net income less deficit (loss) before federal income tax yields profits.
- 4 Net Income divided by Revenue (Business Receipts).
- 5 Per the United State Census Bureau, Sector 52 comprises establishments primarily engaged in financial transactions (transactions involving the creation, liquidation, or change in ownership of financial assets) and/or in facilitating financial transactions. (<http://www.census.gov/cgi-bin/sssd/naics/naicsrch?code=52&search=2017%20NAICS%20Search>)
- 6 Per the United State Census Bureau, industries in the Credit Intermediation and Related Activities subsector group establishments that (1) lend funds raised from depositors; (2) lend funds raised from credit market borrowing; or (3) facilitate the lending of funds or issuance of credit by engaging in such activities as mortgage and loan brokerage, clearinghouse and reserve services, and check cashing services.
- 7 Based on aggregate data received from the Community Currency Exchange Association of Illinois.
- 8 Net Income plus Income Taxes (Federal, State) from aggregate data.
- 9 Currency exchange average return on revenue was 5.1% from 2008 to 2014. With the inclusion of 2015 financial information, the average return on revenue drops to 4.9% for the period 2008 to 2015.

Community Currency Exchange Association of Illinois, Inc.

Profit Before Taxes as Percentage of Sales by NAICS Codes ^{1,2}

NAICS Code	NAICS Code Description	4/1/08 - 3/31/09	4/1/09 - 3/31/10	4/1/10 - 3/31/11	4/1/11 - 3/31/12	4/1/12 - 3/31/13	4/1/13 - 3/31/14	Average	NAICS Definition
522210	Credit Card Issuing	11.7	9.7	24.7	24.9	N/A	N/A	17.8	Banks, credit card; Charge card issuing
522220	Sales Financing	15.2	13.2	17.2	20.3	19.8	19.1	17.5	Automobile financing; Equipment finance leasing; Leasing in combination with sales financing
522291	Consumer Lending	9.9	13.0	15.9	18.4	19.0	16.5	15.5	Consumer finance companies; Loan companies; Personal credit institutions; Small loan companies
522292	Real Estate Credit	8.9	15.3	14.0	12.9	21.3	15.6	14.7	Construction lending; Federal Land Banks; Mortgage companies; Real estate credit lending
522294	Secondary Market Financing	18.5	9.7	18.3	19.7	6.5	N/A	14.5	Collateralized mortgage obligation (CMO) issuing; Federal Home Loan Mortgage Corporation; Real estate mortgage investment conduits
522298	All Other Nondepository Credit Intermediation	12.9	16.5	16.7	18.2	20.9	20.2	17.6	Agricultural credit institutions; Commodity Credit Corporation; Industrial loan companies - nondepository; Pawnshops; Short-term inventory credit lending
522310	Mortgage and Nonmortgage Loan Broker	8.7	12.1	13.4	11.8	17.0	20.0	13.8	Brokerages - loan, mortgage; Brokers' offices, mortgage; Mortgage brokerages
522320	Financial Transactions Processing, Reserve, and Clearinghouse Activities	10.9	7.0	9.7	10.7	10.3	11.4	10.0	Automated clearinghouses; Automated Teller Machine; Clearinghouses - bank or check; Credit card processing services; Financial transactions processing (except central bank)
522390	Other Activities Related to Credit Intermediation	10.7	11.7	9.4	9.8	12.3	13.7	11.3	Check cashing services; Money order issuance services; Loan servicing; Travelers' check issuance services; Money transmission services; Payday lending services
	<i>Average for NAICS 522 ³</i>	11.9	12.0	15.5	16.3	15.9	16.6	14.7	
	<i>Currency Exchanges ³</i>	3.2	5.6	4.3	7.1	4.3	6.1	5.1	

Notes:

- 1 As provided in Risk Management Association's Annual Statement Studies.
- 2 Profit Before Taxes is provided in the Annual Statement Studies. The percentage is based upon national data for all regions and entity size.
- 3 The Average for NAICS 522 includes codes listed under NAICS, 5222 - Nondepository Credit Intermediation and 5223 - Activities Related to Credit Intermediation. Codes for 5221 - Depository Credit Intermediation were excluded, as well as 522293 - International Trade Financing, as these codes relate to depository institutions and international trade.
- 4 Based on aggregate data received from the Community Currency Exchange Association of Illinois.