

Paving a road to reform

BOB SRYGLEY SPECIAL TO THE DEMOCRAT-GAZETTE

Nearly two years ago, with broad support, the Arkansas General Assembly passed the Arkansas Check-Cashers Act, which imposed strict professional standards on the check-cashing industry in Arkansas.

The act requires check-cashing companies to register with the state, limits fees that can be charged in check-cashing transactions and outlines a detailed list of consumer protection mandates.

Skeptics questioned the reasons our association would work so hard in support of such a tough measure. To the Arkansas Check Cashers Association, the reasons were simple: We wanted to pass a law that would hold our members up to the highest professional standards while upholding the trust and confidence of our customers.

Without the check-cashing industry, thousands of Arkansans with an emergency need for funds to pay rent, auto repairs, health care for a sick family member or for another pressing financial need would have no place to turn other than to banks--and in truly dire situations, to pawn shops. However, banks do not profit from lending small amounts of money for short periods of time and are not set up to service this unique need. Pawning precious heirlooms or household appliances is often an embarrassing alternative. Our services allow Arkansans to preserve their belongings and their dignity.

Because of the increased need for convenience in financial transactions, the check-cashing industry has grown in recent years. The typical check-cashing customer is between the ages of 21 and 45 and earns between \$25,000 and \$30,000 annually. They typically hold full-time jobs and must have an active checking account with a positive balance.

The fastest growing segment of our industry is among middle-class, suburban-dwelling families. To better serve this growing number of customers, the Arkansas Check Cashers Association instituted many reforms in the check-cashing industry through the passage of the Arkansas Check-Cashers Act.

Under the act, each check-cashing operation in Arkansas must register with the Department of Finance and Administration, and all fees charged by our stores are regulated by the state. The maximum advance that can be granted at a check-cashing business is \$400; the maximum one-time fee for holding a

check is \$10; and the maximum processing fee allowed for is 10 percent of the face amount of the check. Furthermore, no check casher may have more than one deferred presentment check outstanding at any time from a customer at any location. This type of rollover transaction is strictly prohibited in Arkansas, protecting the consumer from the danger of becoming entangled in multiple payment contracts and increased financial difficulty.

Even in the face of our efforts to improve our industry, there are those who would place obstacles in the way of our road to reform. They contend that small amounts of money are loaned by check cashers at a high annual percentage rate, or APR. However, our transactions are not loans in either the legal or figurative sense. Furthermore, APR is a false measure of the check-cashing transaction, because APR is designed to measure long-term loans.

Most people use a check-cashing service for a few days or weeks, not years. When a short-term fee is converted into APR, the transaction is taken out of its true context and the fees appear exaggerated. We are confident that most Arkansans will see through the smoke and mirrors and agree that it is never wise to compare apples and oranges.

Thousands of Arkansas customers have used check-cashing services with no complaint. Have there been problems in the past? Yes--before the passage of the Arkansas Check-Cashers Act. That is why our industry has adopted numerous reforms and has supported the General Assembly's efforts to give them the full force of law.

Earlier this year, our industry revoked the membership of its largest member-company because of that company's refusal to abide by these new guidelines. We have worked hard to regain the trust of the people of Arkansas, and we will work even harder to protect the progress we've made.

Will problems continue from time to time? We certainly hope not. But if they do, we have set up an efficient way to effectively respond and protect our customers. With the passage of the Arkansas Check-Cashers Act, unscrupulous operations cannot and will not stay in business.

Bob Srygley of Monticello is president of the Arkansas Check Cashers Association, which represents more than 220 licensed stores in Arkansas.