

ILLINOIS DEPARTMENT OF FINANCIAL AND 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

I. Procedural History

On February 10, 2017, the Community Currency Exchange Association of Illinois, Inc. (the “Association”), through its counsel, Jenner & Block LLP, and along with the non-member currency exchange owners (collectively referred to as “Petitioners”), submitted a verified petition (the “Petition”) (Exhibit 2) to the Illinois Department of Financial and Professional Regulation (“Department”), Division of Financial Institutions (“Division”), to increase the check-cashing rate cap which may be charged by community currency exchanges in Illinois. On this same date, the Petitioners also submitted the “Appendices to the Verified Petition to Increase the Maximum Allowable Check-Cashing Rate for Currency Exchanges” (“Appendix”) (Exhibit 3) in favor of a check-cashing rate cap increase. Accordingly, Petitioners requested that pursuant to Section 19.3 of the Currency Exchange Act, 205 ILCS 405/1, *et seq.* (the “Act”), the Secretary of the Department convene public hearings to consider and to authorize an increase in the existing check-cashing rate cap from 2.25% to 2.50% for cashing checks up to \$1,250.00¹, and an increase in the existing check-cashing rate cap from 2.25% to 3.00% for cashing checks of \$1,250.01 or more.

The Secretary, on March 10, 2017, accepted the Petition (Exhibit 4) and, pursuant to the Act and the administrative rules, designated the Director of the Division (the “Director”) to schedule hearings to be held in Chicago and Springfield. Notice of these hearings was published in the Chicago Sun-Times and Springfield State Journal-Register newspapers (Exhibits 6 and 7), as well as posted on the Department’s website, <http://www.idfpr.com/> (Exhibit 5).

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. Admin. Code 125.30(f)(2). The

¹ Checks cashed by currency exchanges of \$100 or less would still carry a \$1.00 charge in addition to the percentage charge. The Association is not requesting the \$1.00 charge be increased.

Association and the Woodstock Institute provided notice of their intent to testify at the Chicago hearing (Exhibits 8 and 10 respectively). As the Division did not receive any requests to testify at the Springfield hearing, the Director cancelled that hearing.

On April 21, 2017, the Petitioners filed their list of witnesses who would testify at the rate hearing (Exhibit 8). The Petitioners also submitted an analysis of the financial condition of the Illinois currency exchange industry, prepared by its expert, Navigant Consulting (Exhibit 9). No other submissions were provided to the Division prior to the hearing.

The Division held the Chicago hearing on May 9, 2017, in the Michael A. Bilandic Building. The Petitioners and the Woodstock Institute provided testimony during the hearing. A panel consisting of Division employees, presided over by the Director, sought to obtain clarification of certain points elicited during the parties' testimony. In accordance with administrative rules, 38 Ill. Admin. Code 125.30(h), on May 19, 2017, the Petitioners subsequently submitted a document entitled "Post-Hearing 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 and address arguments presented by the Woodstock Institute at the hearing. On May 19, 2017, the Woodstock Institute also submitted a document entitled "Submission of Dory Rand, President of Woodstock Institute to the Director of the Division of Financial Institutions, Illinois Department of Financial and Professional Regulation."

II. Analysis

Currency exchanges are regulated by the Division. Section 19.3 of the Act provides that the Director shall set the check-cashing rate cap for currency exchanges. 205 ILCS 405/19.3. When delegating this power to the Director, 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.

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 check-cashing rate cap, the Director must balance his mandate to protect consumers of currency exchanges with the preservation of the currency exchange industry's financial stability in an effort to ensure that currency exchanges can continue to provide check-cashing services to Illinois citizens. In doing so, the General Assembly instructed the Director to consider the following six factors when setting new check-cashing rate caps:

- 1) Rates charged in the past for the cashing of checks 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) A reasonable profit for a currency exchange operation.
- 6) Rates charged by the United States Postal Services for the issuing of money orders and the factors upon which those rates are based.²

205 ILCS 405/19.3(B)(1).

² The Petition does not seek an increase in the allowable rates for issuing money orders; thus, this factor will not be considered in the Division's overall analysis of the Petition.

In considering these factors, and pursuant to Section 16 of the Act, the Division must rely upon documents submitted by the community currency exchanges, audit or examination reports of currency exchanges prepared by the Division, and “generally recognized technical facts” within the Division’s knowledge and expertise that relate to community currency exchanges. Additionally, the Division should consider the oral and written submission of all interested parties.

38 Ill. Admin. Code 125.30(c). Each of the five relevant factors mentioned above will be considered in turn.

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

In 1979, the General Assembly authorized the Director to set check-cashing rate cap schedules. After a hearing in 1980, the first check-cashing rate cap schedule was established and took effect on January 1, 1981, at 1.1% of the check amount plus a \$0.75 transaction fee. The check-cashing rate cap schedule has been periodically amended since that time.

In 1985, after receiving a verified petition from the currency exchange industry, the Division conducted a ratemaking hearing and decided the check-cashing rate cap would be raised to 1.2% of the amount of the check, plus a \$0.90 transaction fee. This check-cashing rate cap became effective on July 1, 1986.

The currency exchange industry again petitioned the Director for an increase in the check-cashing rate cap in 1995. After the public hearings convened in 1996, the Director established the check-cashing rate cap at 1.4% of the face amount of the check plus a transaction fee of \$0.90 for all checks \$500 or less and 1.85% of the face amount of the check for all checks above \$500. This rate became effective on January 1, 1997.

On November 6, 2006, the currency exchange industry, led by the Association, filed a petition for a check-cashing rate cap increase at a base rate of \$1.00 per check, plus 1.4% of the

check amount for checks up to \$100 and 2.75% of the check amount for checks over \$100. In addition, the Association requested these check-cashing rate caps be adjusted annually upward based on increases in the Consumer Price Index (“CPI”). Following the hearings in 2007, it was determined that the CPI adjustment factor would not be adopted as it was contrary to the legislative intent and the public interest set forth in the Act. It was concluded that the check-cashing rate cap for Illinois currency exchanges would be set at 1.4% of the face amount of the check for checks \$100 or less, plus a \$1.00 transaction fee and 2.25% of the amount of checks above \$100. These check-cashing rate caps became effective December 21, 2007, and remain in effect today. A summary of the check-cashing rate caps charged by Illinois currency exchanges is shown in the table below. There has been a very gradual increase in the check-cashing rate caps over the 37 years that the Division has been regulating check-cashing rate caps; in the past ten years, the check-cashing rate caps have not changed.

Petition Date	Proposed/Requested Rate Increase	DFI Approved Rate	Effective Date of Rate Increase
1980-Initial Year		1.1% plus \$0.75 transaction fee	January 1, 1981
1985	1.25% plus \$1.00 transaction fee	1.2% plus \$0.90 transaction fee	July 1, 1986
1995	1.4% plus \$0.90 transaction fee for checks \$0.00-\$300.00 2.25% for checks \$300.01-\$1,000.00 2.50% for checks above \$1,000.00	1.4% plus \$0.90 transaction fee for checks \$500.00 or less 1.85% for checks \$500.00 and above	January 1, 1997
2006	1.4% plus \$1.00 transaction fee for checks up to \$100.00 2.75% for checks over \$100.00 Annual upward adjustment based on increases in the CPI	1.4% plus \$1.00 transaction fee for checks up to \$100.00 2.25% for checks above \$100.00 Annual CPI adjustment not adopted	December 21, 2007
2017	2.50% for checks up to \$1,250.00 3.00% for checks \$1,250.01 and up \$1.00 transaction fee still applies to checks \$100.00 or less		

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.

In both the Petition and its supporting documents provided in the Appendix, the Petitioners point out the check-cashing rates charged by banks in comparison to the check-cashing rates

charged by currency exchanges. The Association provided the Division with Appendix Tab 8, displaying the top 20 U.S. Banks, to determine their non-customer check-cashing policies, as well as Appendix Tabs 9-11 to demonstrate the policies of specific Illinois banks. A survey was taken of 30 banks within Illinois, comprised of both national banks with branches in Illinois and Illinois banks, with the results displayed in Appendix Tab 12:

- 27 banks surveyed only cashed checks that were drawn on their bank for non-customers and refused to cash government issued checks. The check-cashing fees charged by these banks varied or was a flat fee.
- Three banks cashed checks for non-customers and had a tiered fee schedule ranging from 1.00% to 4.00% with a minimum fee of \$2.00 and a maximum fee of \$25.00.

The Petitioners point out that both national banks with Illinois branches and Illinois banks are not restricted by federal or state laws or regulations on what they can charge non-customers for check-cashing. The Division independently verified the Petitioner's analysis, and it should be noted that while national banks with Illinois branches and Illinois banks are not restricted by regulations on what they can charge non-customers for check-cashing, the vast majority of these banks have ceased check-cashing for non-customers, as Illinois banks are not statutorily required to cash checks for non-customers. Additionally, the majority of the banks that will cash non-customer checks charge a flat fee or a percentage of the face amount of the check. As such, there is no consistency in the structure or amount of check-cashing fees charged by banks where check-cashing services are provided to non-customers. Further, the check-cashing rates charged by banks are often provided to allow a non-customer to transact with an existing customer of the bank or are typically designed to incentivize non-customers to become customers of the bank, thus allowing banks to cross-sell their other products or services. Accordingly, it is difficult to draw direct comparisons between the check-cashing rates charged by banks versus the check-cashing rates charged by currency exchanges.

Other business entities, such as grocery stores and “big box” retailers, may cash checks as an ancillary service to their main business operations or, in other words, when such check-cashing is incidental to the business of the merchant. As noted in Appendix Tab 17, the Petitioners surveyed 45 grocery and “big box”/retail stores:

- 17 stores surveyed offered check-cashing services.
- The terms and check-cashing fees for these entities varied widely and included flat fees, company check-cashing enrollment plans, and percentages of the check amount, sometimes as low as 1.00%.

The Division independently verified the Petitioners’ analysis, and it is difficult to draw clear or direct comparisons as to the check-cashing rates charged by grocery stores and major retailers versus the check-cashing rates charged by Illinois currency exchanges. While check-cashing services are offered as an incidental service to the retailers’ main business³, check-cashing is the primary business for currency exchanges and generates approximately 50% of their total revenue.

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

The Petitioners argue that, through a multitude of changes in the financial services industry, currency exchanges have seen an increase in certain expenses and a decrease in total income since the check-cashing rate caps were last amended in 2007. Tables A-M (the “Tables”) in the Petition are derived from the Division’s annual consolidated reports of financial information reported by all Illinois currency exchanges for the years 2008-2015. (See Appendix Tab 6.) It is the Association’s intent to display an industry in serious decline and stagnation over the 8-year period in 12 categories of financial and operating performance.

³ Under the Illinois Check Cashing Act, 815 ILCS 315/1, *et seq.*, grocery stores and major retailers may only offer check cashing services if such services are incidental to its business. Further, the rate charged for this incidental check-cashing shall not exceed the greater of \$.50 or 1.00% of the face amount of the check. 815 ILCS 315(2).

The Woodstock Institute points to the industry's own testimony that the decrease in profits is attributable to both income tax preparation companies and the increase in direct deposits. Income tax companies now offer taxpayers the ability to receive their income tax refund on pre-paid cards. Further, employers can now pay employees by directly depositing their paychecks on to pre-paid cards. As a result, currency exchanges have lost a significant amount of customers as these customers can now receive their tax refunds and paychecks without having to use a currency exchange to cash their checks.

The Woodstock Institute also contends the Petitioners' argument regarding the risk of cashing personal checks can be used as evidence to show why government-issued and payroll checks, that carry little or no risk, should not be subject to a check-cashing rate cap increase. This is contrary to the totality of the Petitioners' testimony at the hearing. The Petitioners point out many factors that have contributed to the decline in profits, including increased government regulation and increased costs to comply with Bank Secrecy Act and Anti-Money Laundering reporting requirements.

An analysis of the Division's annual reports for Illinois currency exchanges corroborates the Petitioners' findings indicating a decline in revenue, primarily from a steady decrease in check-cashing fee income, along with an increase in expenses and costs on a per currency exchange store basis. Check-cashing revenue has generally been the currency exchanges' primary revenue, making up approximately 66% of their aggregate revenue in 2008. However, by 2015, check-cashing only generated about 50% of their aggregate revenue. This is primarily the result of a substantial decline in the number of checks cashed by Illinois currency exchanges, as the number of checks cashed has declined by approximately 40% (or a decrease of 7.3 million checks) from 2008-2015. Additionally, when analyzing the Profit and Loss Statements of the Illinois currency

exchanges from 2008-2015, there has been an average decline of 23% of check-cashing revenue per store and a 45% decline in net revenue per store. Technological advances have led to a steady and rapid decrease in the volume of printed checks as more customers are switching to pre-paid general purpose cards. A 2016 Federal Reserve Payments Study indicates that the annual number of check payments is declining at 0.8 billion checks each year, and nearly 25% of consumers owned at least one general purpose pre-paid card in 2013 resulting in \$9.9 billion pre-paid card transactions. (See A Federal Reserve System Publication 2016, *The federal Reserve Payments Study 2016*, www.federalreserve.gov.) As a result, there is a declining need for a physical check-cashing location.

Coinciding with this loss of revenue, currency exchanges are also seeing increases in expenses and costs on a per store basis. These expenses include, but are not limited to, an increase in the cost of healthcare premiums and salaries for currency exchange employees. Further, ever-increasing or changing regulations lead to rising compliance costs in efforts to implement the necessary employee training, monitoring and reporting of customers and documents, and additional auditing for governmental entities and the banks with whom currency exchanges conduct business (testimony on rising compliance costs was given by a compliance officer for West Suburban Currency Exchanges). The Profit and Loss Statements of the Illinois currency exchange industry as a whole show an average of a 6% increase in expenses per store from 2008-2015. Overall the combination of increased expenses and declining net revenue has resulted in a loss of 159 currency exchanges from 2008-2015.

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.

The Petitioners provided a chart (see Appendix Tab 7) developed by the Financial Services Centers of America, Inc. summarizing the rates charged to cash checks in states that regulate and

license check-cashers (the “Fee Chart”). According to the Fee Chart, 27 of the 32 jurisdictions regulating check cashers have established check-cashing rate caps exceeding the rates currently in effect in Illinois and the rates proposed by the Association. It should also be noted that 18 states do not regulate currency exchanges or check cashers. In these 18 states, the market dictates the check-cashing rates and fees. The Division independently verified the check-cashing rates of other states by conducting its own survey of several of Illinois’ surrounding states, as well as several comparable states nationwide and Washington, D.C, as displayed in the table below.

The verified information contained in both the Fee Chart and the Division’s table provides a detailed look at how Illinois’ check-cashing rates compare to other states. Additionally, this information allows the Division to consider other important factors, such as the additional services provided by currency exchanges outside of Illinois. Nine of the 12 states independently surveyed by the Division allowed check-cashers to offer lending in the form of payday loans, title loans, or installments loans; four states allowed check-cashers to offer automotive and/or rental insurance; and other states allowed such services as business loans, payroll advances, and pre-paid/pay-as-you-go cell phones and plans. A review of the data for states other than Illinois indicates that in addition to currency exchanges charging higher check-cashing rates, these currency exchanges are also selling other products or services to generate income.

The Woodstock Institute reported that of the 25 states that cap the rates on check-cashing, Illinois is one of only four states that did not stratify rates based on the type of check. Appendix Tab 7 shows that 21 states allow a different rate for cashing different types of checks, such as government, personal, and payroll checks in an effort to compensate currency exchanges for the inherent risk associated with each. For example, South Carolina caps check-cashing rates for government-issued and printed payroll at 2.00% and allows 7.00% for other checks, such as

personal checks. New York permits 2.03% for all types of checks, and West Virginia allows 1.10% or \$1.00, whichever is greater, on all types of checks. These figures put New York and Virginia at the bottom of the check-cashing rate spectrum. Further, nine states have adopted a fee structure that charges 3.00% for cashing government checks, 10.00% for cashing personal checks, and 5.00% for cashing payroll checks. The Division independently verified this information in Appendix Tab 7.

Surrounding States	Check Cashing Fees				Statutorily Authorized Account Set-Up Or Membership Fee	License or Registration Required	Notable Exemptions/Additional Services
	Public Assistance/ Social Security/ Other Government Checks	Personal	Other Checks (Payroll) and Money Orders				
Illinois	1.4% of face amount plus a service fee of \$1.00 on all checks \$100 or less; 2.25% on checks greater than \$100	1.4% of face amount plus a service fee of \$1.00 on all checks \$100 or less; 2.25% on checks greater than \$100	1.4% of face amount plus a service fee of \$1.00 on all checks \$100 or less; 2.25% on checks greater than \$100		None	License is Required	None
Indiana	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	License is Required	Additional Services Provided Include: Rental/Auto Insurance Payday Lending
Iowa	No limits on check-cashing rates				None	No License or Permit Required	Additional Services Provided Include: Payday Lending
Michigan	No limits on check-cashing rates				None	No License or Permit Required	None
Missouri	No limits on check-cashing rates				None	No License or Permit Required	Additional Services Provided Include: Payday/Title/Installment Lending Cash-Advances Prepaid Cards Bill Pay
Wisconsin	No limits on check-cashing rates				None	License is Required	Additional Services Provided Include: Payday/Title/Installment Lending Auto Licensing Cell Phone Services
Other Comparable States	Check Cashing Fees					License or Registration Required	
	Public Assistance/ Social Security/ Other Government Checks	Personal	Other Checks (Payroll) and Money Orders	Statutorily Authorized Account Set-Up Or Membership Fee			
California	3% with ID or 3.5% without, or \$3, whichever is greater	12% of the face value of a personal check	3% with ID or 3.5% without, or \$3, whichever is greater	Permitted to charge no more than \$10 to set-up an initial account and issue optional ID card		Permit is Required	Additional Services Provided Include: Payday/Title/Installment Lending Auto Insurance Payroll Advances
Florida	3% or \$5, whichever is greater, for state public assistance or social security	10% or \$5, whichever is greater for personal checks	5% or \$5, whichever is greater, of the face amount of payment instrument	Direct costs of verification, not to exceed \$5, as established by rule		License is Required	Additional Services Provided Include: Payday Loans
New York	2.03% of the amount of the check, draft, or money order or \$1, whichever is greater (fee is subject to annual adjustment based on increase in the regional consumer price index). No fee limitation on commercial checks.				None	License is Required	Geographic Restriction: No license shall be issued to an applicant for a license at a location which is closer than 1,584 sq. ft. (3/10 mile) from an existing
Pennsylvania	2.5% of the face amount of government assistance checks, if valid ID submitted	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		No License or Permit Required	None
Texas	No Limits on check-cashing rates				None	No License or Permit Required	Additional Services Provided Include: Payday Lending Auto Insurance
Washington	No Limits on check-cashing rates but a schedule of the fees and charges for the cashing of checks, drafts, money orders, or other commercial papers serving the same purpose shall be conspicuously and continuously posted in every licensed location.				None	License is Required	Additional Services Provided Include: Business Loans Payday Loans
Washington, D.C.	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	A licensee may charge a customer a one-time membership fee not to exceed \$5		License is Required	Additional Services Provided Include: Payday/Title/Installment Lending Auto Insurance

5) A reasonable profit for a currency exchange operation.

In their Petition, the Association uses industry-wide aggregate data from 2008-2015 (Appendix Tab 6), as well as a comparison with other financial service businesses (Appendix Tab 19) to support the Association's assertion that Illinois currency exchanges no longer make a reasonable profit and, therefore, an increase in the check-cashing rate cap is warranted. 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 investment (capital)."

The Association further states that, in comparison with other financial service businesses, currency exchange owners are not earning a comparable or compensable rate of return on their investments of time and money into their currency exchanges. The Association relies heavily on the findings of Navigant, a company hired by the Association to analyze and report on the historical financial results of the conditions of Illinois currency exchanges. In nearly every metric used for financial operating measures, the data reflects that the currency exchange industry has suffered losses or been stagnant. While it is evident that a large majority of the currency exchanges' income is attributed to check-cashing fees, the question arises as to what constitutes a "reasonable profit" and will an increase in the check-cashing rate cap provide the solution. The Petitioners' argue that if the requested check-cashing rate cap increase was applied immediately, Illinois currency exchanges would generate an additional \$10 million in approximate revenue. This would increase each currency exchanges' net by an average of \$12,000 per year.

To further analyze what is considered a "reasonable profit" for the currency exchange industry, the Division considered the inherent risks of the currency exchange industry, the fixed expenses and costs that will continue to increase (and have over the past ten years), and the

investment needed to operate the currency exchanges. While many of the risks faced by a currency exchange owner are identical to those of any other small business, currency exchange owners face the added risks of check forgeries, theft, and other frauds. Further, a business owner expects to earn an annual/periodic amount equal to their operating costs plus a profit for their business. If an expected profit is not realized, then the business owner will likely invest their money in other assets that will provide a greater return, bear less risk, and increase compensation. If Illinois currency exchange owners cannot realize a profit, the result would likely be a decrease in the number of Illinois currency exchanges, and thus an increase in the number of people in unbanked communities who can no longer be served.

In an effort to determine a reasonable profit, the Division has analyzed and measured in detail the level and nature of the currency exchange industry's revenues and costs in conjunction with the Division's evaluation of the five relevant criteria required for rate setting. Throughout the Division's analysis of the above-five factors, including a detailed review of the currency exchange industry's revenues and costs, it is evident that currency exchanges are unique businesses that provide many services outside of check-cashing to many communities, yet the return on investment in this industry has diminished. If the Illinois community exchange industry is going to remain an economically viable business, it is imperative that they remain capable of achieving a "reasonable profit."

III. Conclusion

Based on the Division's consideration of the five relevant statutory criteria, the check-cashing rate cap should be increased. As expressly stated in the Act, the General Assembly has determined that currency exchanges in this state provide vital and important services to Illinois' citizens. While the currency exchange customers receiving these services must be protected from

being charged unreasonable rates for cashing checks, it is in the public interest to promote and foster the community currency exchange business and to ensure the financial stability thereof. The Division's focus is to create a rate environment that both allows currency exchanges to remain economically stable, thus continuing to make their services available, and protects Illinois citizens from incurring unreasonably high or unnecessary check-cashing fees.

The Petitioners have presented compelling evidence in favor of increasing the check-cashing rate cap with respect to their financial situation. First, check-cashing rate caps set historically by the Division are instructive in that they point out the periodic need for an increase in the check-cashing rate cap in order for currency exchanges to realize a reasonable rate of return, as any other business would require. Accordingly, the check-cashing rate cap increase will reflect an adequate rate to compensate Illinois currency exchanges for the changes in the nature of their business, risks involved, and related expenses while still protecting consumers from unreasonably high check-cashing fees and ensuring customers still have a non-bank option available.

Second, the check-cashing fees charged by Illinois banks or other entities cannot be directly compared to the fees charged by Illinois currency exchanges as check-cashing is incidental to the main purpose of the business of Illinois banks and other entities. These banks and entities may use check-cashing to cross-sell other products or services or to facilitate customers' purchases of goods from their stores.

Third, income and profits of currency exchanges have decreased while expenses have increased on a per store basis in recent years. The data analyzed from 2008-2015 by both the Division and the Association supports the findings that check-cashing revenue has steadily declined.

Fourth, with respect to rates charged by currency exchanges in other states that regulate check-cashing, most charged higher fees, used different approaches, and offered additional services in order to compensate currency exchange owners for the risks inherent in check-cashing.

Finally, the estimation of a reasonable profit for Illinois currency exchanges requires the blending of many sources of data and information. The Division has analyzed the level and nature of the Illinois currency exchanges' financial state in great detail in an effort to confirm the Association's findings that currency exchange expenses are rising while revenues are declining. From this analysis, it is evident that rate relief is needed if the Illinois currency exchange industry is going to remain economically viable.

Therefore, pursuant to 38 Ill. Admin. Code 125.100(1)(3), the Director will file a proposed rule within 30 days to set the check-cashing rate cap as follows:

<u>Rate</u>	<u>Check Amount</u>
2.50% plus \$1.00	\$0-\$100.00
2.50%	\$100.01-\$1250.00
3.00%	\$1250.01 and greater

Entered this 19th day of June 2017

ILLINOIS DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION

By:



Bryan A. Schneider, Secretary



Francisco Menchaca, Director
Division of Financial Institutions