



The leading voice for New York's  
financial service center industry

Winter, 2008  
Issue No. 4

## Welcome!

The FSCNY Update is published on a periodic basis throughout the year to keep members informed of the latest developments in our association and our industry. It also is an effective means of letting public officials, community leaders and others learn more about our business and activities. Should you wish to provide feedback, please contact us at [info@fscny.org](mailto:info@fscny.org).

## WHAT'S INSIDE

- Interview with Richard Smith
- President's Report
- New Product Offering
- Important Compliance Update
- Industry Response to Market Conditions

# FSCNY UPDATE

*The Official Newsletter of the Financial Service Centers of New York*



## **Interview with Richard "Dick" Smith, FSCNY's Lobbyist in Albany**

**Update:** *The Democrats are poised to control both houses of the legislature, the controller and the governor's office for the first time since 1935. Does that have any special meaning to the FSC industry?*

**Smith:** I don't think this has any particularly deleterious meaning for the industry. Governor Paterson has always been friendly towards us. At the same time, we have worked diligently over the years to develop strong relationships with legislators from both sides of the aisle, in both chambers of the legislature.

I think the real meaning behind this past election is the redistricting that will occur in New York State following the 2010 Census. Control of the Senate in 2010 will be pivotal in determining how the Congressional, State Senate and State Assembly districts will all be drawn. That, in turn, could have a significant impact on the future make-up of both chambers. It is for reasons like this that we have always worked to maintain strong relationships with both parties. That has been our strategy in the past and it also will be moving forward, to 2009 and beyond.

**Update:** *From a financial services perspective, what do you expect to be the legislature's priorities next year?*

**Smith:** The legislature is going to be consumed by fiscal problems. Today (November 12th), the governor announced \$2 billion in cuts for this year's budget. There is a huge budget deficit of billions of dollars looming for next year, and that is going to take up a great deal of the legislature's time. Also, you have to remember that reorganization of the Senate will take some time, given the change in leadership. Therefore, I expect it to be the Assembly that will be driving the legislative agenda, at least in 2009.

Overall, I expect FSCNY to be in a fairly good position in the next legislature, although a lot can happen, given our state's fiscal problems.

**Update:** *When will we know who will assume the Senate Banks Committee chairmanship?*

**Smith:** The Banks Committee chairman in the past had been Hugh Farley who has been a very good friend to the industry. Most likely, he will assume the committee's Ranking Minority Member position next year. As to who will be the next committee chairman, that is still very unclear. We probably won't know for certain until the second week of January, after the majority leader has been selected.

There is some uncertainty about that at the moment as some Democrats may join the Republican conference.

As you can see, this is a very unusual year in Albany and it's going to take some time for the dust to settle.

**Update:** *What are the industry's legislative priorities for 2009?*

**Smith:** One of our main priorities is legislation that would confirm and expand the State Banking Department's enforcement power over unlicensed check cashers. We increased the criminal penalties for unlicensed check cashing last year but we have not yet clarified the Department's enforcement powers over unlicensed check cashers. The Department claims a lack of manpower as the main reason for its opposition. We are always looking to streamline our members' interactions with the State Banking Department. We have had very encouraging discussions with Superintendent Neiman who is attuned to our industry and wants to be supportive on many of our key issues. So, we are cautiously optimistic.

One other effort we would initiate is to introduce legislation that would expand the types of products the financial service center industry can offer to their customers, possibly including small consumer loans.

**Update:** *What can FSCNY members do to help advance the industry's agenda?*

**Smith:** It is important for our members to get to know the legislators in the particular districts where they have stores. They could get involved in their campaigns, attend fundraisers, and invite them to visit their stores. It really helps if a legislator knows what you do and who you serve. It also helps to get to know a legislator on a personal level.

**Update:** *Anything else? Is there something else you think the membership would want to know?*

**Smith:** Over the years the membership has been very supportive of our legislative activities, and I think we have had many important legislative wins. Our industry is now well respected as a member of the financial community. That wasn't the case 12 years ago when I first became involved in our legislative affairs program. Then, we were considered outsiders. We need to continue building on the momentum we have to push our agenda in 2009 and beyond.

To that end, the degree to which our members can enhance the overall appeal of their stores goes a long way to generating greater acceptance, even support for our industry. We know that financial service centers can be the financial lifeblood of local communities; it is important that they project that image as well. A concerted effort to upgrade store appearance would have a significant impact on elected public officials in Albany and at the municipal level of government.



## President's Report

As we ring in the New Year I'd like to first begin by thanking all Members old and new for your support of the Financial Service Centers of New York. Strength in numbers whether communicating with legislators, regulators or industry affiliates is an integral part of our voice being heard. This year we expect to grow the membership and exceed 450 locations, a number that has not been reached in years.

The timing of a strong unified Industry could not be better! As you will read in this newsletter, the New York State Banking Department Summary of Check Cashing Items and dollars cashed is at an alarming decline. The present economic market conditions leads to the belief that it may not get any easier. The Industry desperately needs a new product and is ready to deliver to its members a proposed "small dollar loan" program. Through thorough research and development this product would not only be fair to consumers but could revolutionize the way in which small loan industries lend across the Nation. I invite all members to the January general Membership Meeting as this will be presented and discussed in depth.

We continue to address pressing items that affect the industry. We have met with the New York State Banking Department to address Jackson Hewitt and its franchisees that are conducting illegal check cashing by means of ATM's. We continue to be of the opinion that these machines fall under the Banco Bill and therefore should be removed. Next, the Banco Bill sunset clause is another pressing item to address. The economic conditions and the Department's summary should merit a permanent removal of the sunset provision within the law. This is an item we will work diligently to achieve over the next two years.

Also on our agenda for 2009 is to develop a Public Relations initiative. We as an Industry have come a long way, developed key relationships with Legislators and gained the trust and respect of the public as an alternative financial service provider. We are an industry that has developed key community relations, employs an excess of 6,000 people many from the neighborhoods we service. It is important that we expand our audience and have an effective campaign so that we are well understood. I believe this will not only help us with those mentioned but is essential when introducing new products or developing new business relationships.

In closing I would like to personally commend President Matt Bardach's tireless commitment to our industry and Association. Looking back at some of the accomplishments during his tenure the Industry is better off then from when he assumed the role of President. The CPI check fee increase, Banco Bill sunset clause extension and an additional bank to service the Industry, Capital One(formerly North Fork Bank) are accomplishments that have allowed this industry to thrive.

I wish all of you a very Healthy and Prosperous New Year!

**Jason Carballo, President**

## "My Complete Case" offers check cashers a new product line, new customers

FSCNY members are always exploring ways to offer ancillary products and services that they need which can also serve as a new revenue stream. With that in mind, Ira Krell, of David's Financial Corp and FSCNY's Vendor Chairman, responded to a recent email solicitation from My Complete Case (MCC). MCC is a legal document preparation company that provides forms and related support services in English and Spanish to help people complete a number of legal transactions. It also offers a money-back guarantee on all its services, which include:

- **Bankruptcy**
- **Copyright**
- **Divorce**
- **Immigration**
- **Incorporation**
- **Living Trusts**
- **Name Change**
- **Power of Attorney**
- **Prenuptials**
- **Small Claims**

Under an arrangement with MCC available to all FSCNY members, check cashers can serve as an agent for MCC whose services are ideal for those individuals who have straightforward, non-complicated situations and also are willing to do some of the legwork involved with completing the legal work themselves. This includes dropping off the prepared documents to the appropriate government agency. Participating FSCNY members can promote the program (using materials provided by MCC), disseminate and collect completed forms from customers, send them to MCC for processing and distribute finalized forms back to customers. The check casher will generate a tracking number for the documentation. Total processing should take approximately eight business days. The cost for the services listed above ranges from \$149 to \$299.

So, what's in it for your customers; what's in it for the check casher? For people needing legal services with non-complicated situations, MCC offers a very cost effective alternative to retaining a lawyer. For the participating check casher, MCC offers another revenue stream. The check casher receives 45% of the fee (an additional 5% goes to FSCNY).

"We see our partnership with My Complete Case as being a win-win situation for everyone," explained Ira Krell of David's Financial. "We are always looking for a new revenue source and to generate a consistent stream of revenue that will make a sizable impact on the bottom line. In addition, as there is absolutely no investment required to participate in the program it is simple and quick for check cashers to enroll in it. Finally, I think this also will help attract people who, until now, have not used our stores, thus helping us expand our overall customer base. These are the types of services we need to be constantly looking for to add to our overall menu of services. It's good for our customers and helps ensure a diversified product offering. All FSCNY members should seriously consider partnering with My Complete Case."

In addition to free marketing materials, representatives from MCC offer free online training to tellers for those companies that sign up to participate in the program. For additional information, FSCNY members should contact Ron Samuels, Principal of MCC, at 800.895.1580, extension 510. Additional information also can be obtained by visiting the web site, [www.MyCompleteCase.com](http://www.MyCompleteCase.com).

## Important Compliance Update

Over the past year, the New York State Banking Department has issued new regulations that directly impact the FSC industry. It is important for FSCNY members to strictly abide by these regulations, summarized below:

### Anti-Money Laundering Regulations

New regulations were adopted which formalize procedures requiring check cashing licensees and applicants to guard against money laundering and to establish and maintain anti-money laundering (AML) programs. These requirements mirror the federal AML regulations; namely, requiring licensees and applicants to:

**(1)Implement an effective written compliance manual which documents the company's adopted policies, procedures, and internal controls, including with respect to verifying customer identification, filing reports, creating and retaining records, and responding to law enforcement;**

**(2)Designate a compliance officer responsible for overseeing implementation of the company's compliance program;**

**(3)Educate and train all appropriate company personnel on compliance issues and responsibilities under the compliance program; and**

**(4)Provide for an independent review of the program.**

In addition, the new regulation requires compliance by licensees and applicants to comply with applicable regulations of the Office of Foreign Assets Control.

**Important:** The new regulation provides that compliance with applicable federal requirements will constitute compliance with the provisions of the new regulation, thus, so long as you have in place a complete and effective compliance program, no additional action should be necessary.

### Filing Copies of CTRs and SARs with the State

In addition, the New York Check Cashing Law requires that copies of all federally filed currency transaction reports (CTRs) and suspicious activity reports (SARs) be submitted to the New York State Banking Department-Criminal Investigation Unit. Please be sure to provide the Banking Department with a copy of filed CTRs and SARs in a timely manner (i.e., within 30 days for SARs and 15 days for CTRs). In addition, please remember that under federal law, you are required to retain a copy of all filed CTRs and SARs for a period of at least 5 years.

### Streamlined Applications Forms

At the request of FSCNY, the State Banking Department recently updated its check cashing applications and related forms. The Banking Department has also released updated instructions which contain a list of supporting documentation that needs to be submitted with an application. While in the past there were separate application forms for each type of application (e.g., change of control, new location, etc.) or the type of entity (corporation or partnership), the new application process utilizes a uniform application that can be used by any type of entity for a change of control, a new location or a relocation. A separate application and instructions are available for limited station licenses. A link to the updated applications and instructions can be found on the Association's website at [www.fscny.org](http://www.fscny.org).

## Industry responds to market conditions, diversifies

Earlier this fall, the New York State Banking Department released selected summary information about the check cashing industry for the years 2004 – 2007. The data was extracted from Annual Reports filed with the Department through September 2008. Overall, the data confirm what individual operators have long reported, revenue from cashing checks has declined but overall revenue has increased.<sup>1</sup>

Year	2004	2005	2006	2007
# of checks cashed	35,567,745	34,194,336	32,077,987	29,212,511
Total dollar amount	\$15,509,239,471	\$15,308,034,438	\$14,877,152,965	\$14,105,332,672
Total fees collected	\$208,141,180	\$217,968,427	\$221,970,970	\$219,231,683

While the volume of checks cashed and resulting fees have declined in the past two years, the industry in New York, nevertheless has experienced steady income growth.

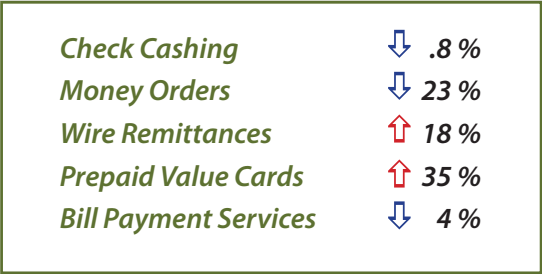
Year	2004	2005	2006	2007
Total Income	\$281,968,910	\$301,835,379	\$310,419,031	\$314,958,913

"This data confirm that operators in New York recognize that they need to diversify their product offerings in order to maintain their businesses," said Hank Shyne, FSCNY's executive director. "Check cashing alone is no longer enough; stores need to be multi-faceted financial service centers offering a wide array of products."

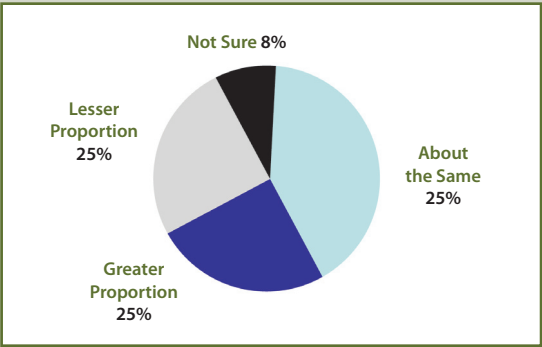
The New York experience is mirrored nationally. At FiSCA's 20<sup>th</sup> Annual Conference & Exposition in Las Vegas Patricia Cirillo of Cypress Research Group recently presented her findings from a recent survey of FiSCA board member companies on the size and scope of markets served. The online survey included data from 24 companies and so, while not definitive, provides estimates to the size and scope of the industry. The survey captured data from 3,661 stores or approximately one-half of FiSCA member stores and one-quarter of the total U.S. industry.

<sup>1</sup> Schedule B-1a of reporting companies' Annual Reports

Nationally, the following graph illustrates that stores are generating less revenue from the traditional business lines of check cashing, money orders and bill payment services. On the other hand, they are generating more revenue from wire remittances, payday advance loans and prepaid value cards



This second chart illustrates trend in revenue from check cashing as a portion of all revenues, comparing 2006 to 2007.



“The data from New York and nationally both confirm that the key to the future success of our industry is in diversifying our product lines so that we offer the comprehensive services our customers increasingly need and expect. Offering the NetSpend card, with its built-in savings component is a perfect case in point,” concluded Shyne. “As multi-line financial service centers we can be ideally positioned to be the “one-stop-shop” people can use to satisfy all their financial service needs, and it is important to take advantage of these opportunities.”

## 2009 FSCNY Meeting Schedule

All meetings will be held at the Crowne Plaza Hotel LaGuardia (except for the May 11th Board of Directors meeting and May 12th Vendors Show & General Membership meeting):

**Crowne Plaza Hotel LaGuardia**  
**104-04 Ditmars Boulevard**  
**East Elmhurst, NY 11369**  
**718 457-6300**

**Tuesday, January 13**  
7:30 P.M. - Board of Directors Meeting/General Membership Meeting

**Tuesday, February 10**  
4:30 P.M. - Board of Directors Meeting

**Tuesday, March 10**  
4:30 P.M. - Board of Directors Meeting

**Monday, April 6 to be confirmed**  
4:30 P.M. - Albany Board of Directors Meeting

**Tuesday, April 7 to be confirmed**  
4:30 P.M. - Albany Legislative Blitz

**Monday, May 11**  
4:30 P.M. - Board Meeting (Brooklyn Marriott)

**Tuesday, May 12**  
All Day - Vendors Show (Brooklyn Marriott)  
9:30 A.M. - General Membership Meeting

**Tuesday, June 9**  
4:30 P.M. - Board of Directors Meeting

**Tuesday, September 15**  
4:30 P.M. - Board of Directors Meeting  
7:30 P.M. - General Membership Meeting

**Tuesday, October 6**  
4:30 P.M. Board of Directors Meeting

**Tuesday, November 10**  
4:30 P.M. Board of Directors Meeting

**Tuesday, December 8**  
4:30 P.M. Board of Directors Meeting

### Financial Service Centers of New York

10 East 40th Street, Suite 1308  
New York, NY 10016  
Email: [info@fscny.org](mailto:info@fscny.org)

[www.fscny.org](http://www.fscny.org)

