



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

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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.

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FSCNY UPDATE

The Official Newsletter of the Financial Service Centers of New York



Jason Carballo (left) with Matt Bardach. Mr. Carballo has been nominated to succeed Mr. Bardach as FSCNY President. The election will occur during the September 9th General Membership Meeting.

FSCNY Launches Financial Ed Program in NYC Schools

FSCNY is helping New York City public school children learn basic financial education skills. In collaboration with American Credit Alliance and the City's Department of Education, FSCNY is sponsoring a financial literacy savings program for use with second graders. Starting this fall, more than 2,000 students from 15-20 schools in Northern Manhattan and the Bronx will receive a unique financial education. The program is underwritten in part by financial contributions from NetSpend, Western Union and participating FSCNY members.

The program, Money & Me - Becoming A Money Smart Kid, provides educational tools to elementary school teachers to help them teach young students about saving, spending and sharing money. In addition to worksheets that will be completed at home, each student will receive a "Savvy Pig" piggy bank with multiple compartments that will symbolize and emphasize the importance of saving, spending and sharing.

"The program incorporates fun and learning at the same time," said Ira Krell, of David's Financial and coordinator of the "Money & Me" program. "As students save their money through the program, they will be encouraged to visit area participating check cashers to open a custodial savings account through the NetSpend National Saving Program. Through the NetSpend card, students can earn 5% interest on their savings, far higher than the

national average of 2.38% for money market accounts. There, they also can obtain coin rolls and coin exchange services for free. Alternatively, students can open the accounts free of charge with area banking partners which may also add incentives, such as a match of the first \$25 saved.

With the savings rate in the United States lower than during the Great Depression, this program is needed more than ever. This money management program is an opportunity for banks and financial service providers to support the community in its saving activities while teaching children at a young age the importance of money management principles and how saving money is a tool to future success.

There are numerous advantages to teaching children about money at an early age. It provides a solid foundation about savings and personal finance as well as an incentive to save money for the future. The homework component will involve parents who will be exposed to basic financial education in addition to seeing that FSCNY, NetSpend and Western Union are active in the local community. This, in turn, will help generate increased customer loyalty.

Sponsorship of this program is an inexpensive way to support lower-income children and their families by providing them with essential financial education. To learn more about how you can support this effort, please contact Ira Krell at 718.585.3943, Alan Franklin (President and CEO of American Credit Alliance) at 215.295.7195, or FSCNY at 212.268.1911. In the weeks to come, Ira may be contacting FSCNY members asking them to participate more directly in the program by offering free coin turn in, NetSpend cards for minors, etc.

During the pilot phase in 2008-2009, an extensive evaluation will be conducted through Rutgers University. Based on the results of the initial pilot program, it will be modified as necessary for the next school year.

"This is an exciting program with tremendous opportunity," concluded Krell. "FSCNY sees this as the first step in a city-wide program that will benefit thousands of students and give them some of the basic building blocks they need to create a solid financial future."



President's Report

It's time to say goodbye as President of the FSCNY. After six incredibly eventful years, my term is drawing to a close. This September, the association will elect a new president, Jason Carballo. Jason has the industry background and experience, not to mention the vision, needed to lead this association. I can't think of a better person to lead our organization for the next two years.

When I think back over the past six years, it's hard to summarize my term as President; so much has happened. As President I have met with Governor Pataki, Mayor Bloomberg, three New York State Banking Department Superintendents, ten U.S. congressmen/women, two U.S. Senators, and numerous state legislators. I attended numerous political events and several state hearings, often offering testimony in support of the industry.

We changed the name of the association (from Check Cashers Association of New York to FSCNY) to reflect the expanded service offerings of our members. We expanded our business through passage in Albany of the corporate check cashing law which enabled our Industry to cash corporate checks at discretionary rates. We were successful in changing the manner in which our Industry received fee increases. Now, our fee is automatically tied to the Consumer Price Index. During my tenure the rate has increased from 1.25% to 1.75% of the value of a check. We fought hard to extend for another two and one-half years the Banco bill which protects our industry from unfair competition from banks.

Along with the successes came a fair share of challenges, such as CashPoint, which led the New York City Housing Authority to eliminate more than half our members from being able to accept rent payments, and the merger of JPMorganChase Bank to Bank One, which terminated all check cashing customers.

But through it all, we as an Industry continue to survive ... and thrive ... thanks in large part to the hard work of our Association. Throughout my time in FSCNY I have seen too many take for granted what FSCNY has done for the industry. To me, it is an indisputable fact that the industry is healthier and more profitable today than it would have been if individual operators had simply pursued their own agendas.

We have an excellent executive and legal staff that tirelessly advocates for our industry day in and day out. As I depart as President I would like to thank Hank Shyne, Gerald Goldman, Ed D'Alessio, Lois Masino and the rest of the staff for their support and guidance. They do an outstanding job.

I thank the Board of Directors for working with me on key initiatives to better our Industry as well as past presidents James Eustace, Joe Coleman and Bill Siegel who gave me advice and consul whenever I asked for it. My vendor chairman Ira Krell, Scholarship Chairman Sandy Herman, Website Chairmen Andy Siegel and Adam Goldstein all did excellent work on behalf of the Association. Last, I thank you the membership, for giving me the opportunity and the support to do this great job for the past six years.

Thank you.

Matt Bardach, President

FiSCA Conference

The FiSCA Annual Conference & Exposition is right around the corner, and it promises to be an unparalleled event for our industry.

From October 17-20 at the luxurious Mandalay Bay Resort & Casino in Las Vegas, attendees will be joined by keynote speaker Karen Hughes, former advisor to President George W. Bush; general session speaker George McGovern, former U.S. Senator and Presidential candidate; and many others for a stimulating conference centered on this year's theme, "Providing Economic Inclusion & Financially Empowering Consumers."

Among the more than 20 scheduled workshops will be the Anti-Money Laundering Compliance Training Certification Program, which sold out last year. Other topical workshops include: The Nuts and Bolts of Internet Lending; The Future of the Financial Service Centers Industry; and, Diversifying Your Company's Product Line to Compete in Today's Marketplace, among others.

The 15th Annual Golf Tournament will mark the Conference's commencement on October 17th, as arrivals soak in the sun, beauty, and excitement of Las Vegas' premiere Mandalay Resort. Secure your place at this year's conference and take advantage of special hotel rates by pre-registering at www.fisca.org. Don't miss our industry's premier event!

NYC Study Of Neighborhood Financial Services

The New York City Department of Consumer Affairs, Office of Financial Empowerment, has just released a new study titled: "Neighborhood Financial Services Study: An analysis of supply and demand in two New York City neighborhoods." The report looks at the availability and usage of financial services in Jamaica, Queens and Melrose, The Bronx. Among the report's findings:

- There is a fundamental mismatch between current financial product and service offerings and the needs of low-income households.
- Households in Jamaica and Melrose have more savings than might be expected, although analysis of savings products offered in these two communities reveals a mismatch between consumer needs and current product offerings.
- Even the lowest-income segments of these communities have access to mainstream credit; however, access to mainstream credit does not replace use of fringe credit sources.
- Financial education is strongly associated with positive financial behaviors, such as being linked to mainstream financial institutions, having savings, and avoiding use of fringe debt.

The complete report can be found at the Department of Consumer Affairs web site or by using the following link:

www.nyc.gov/html/ofe/downloads/pdf/NFS_ExecSumm.pdf.

A Few Minutes with Rich Gaccione, President of Pay-O-Matic Corporation

Recently, FSCNY Update spoke with Rich Gaccione, the new President of the Pay-O-Matic (POM) Corporation, to learn more about his vision for New York's largest operator of financial service centers.

Update: Tell us a little bit about your background.

RG: I've been in corporate America for most of my life. I was in the pharmaceutical industry and served as president of the Bristol Meyers Consumer Division. I also served for three years as Managing Director at Citibank for Visa MasterCard, which serves 21 million card members. I was working in many different segments—one of which served the “unbanked” and those without credit cards. So I have familiarity with this segment of the market.

I then went into the equity funding world and completed a series of consolidations in the Inbound Telephone Center market. There were 700 of these family owned businesses, and we bought approximately 20 of them in three years. That's how I learned the consolidation game. Last year when I was considering becoming an investor with Berkley Capital and Founder's Equity, the two firms that bought Pay-O-Matic, we mutually agreed that I'd be best suited as both an investor and CEO.

Update: Having been at Pay-O-Matic for a few months what are your thoughts for the company's future, its priorities?

RG: When we bought the company, we were very fortunate to find a company with 100 stores that was in very solid condition, thanks to the previous ownership. We were also fortunate to purchase CLB's 28 stores at the closing. So, when we closed the deal in mid January with 128 stores (with 900 total employees) we had approximately 20% of the market. Looking forward, we see multiple opportunities to grow the business.

We don't plan to change the basic direction of Pay-o-Matic, just add additional services. For example, we now offer NetSpend and MTA cards, and we're currently testing E-Z passes.

We believe there's an opportunity to invest in these stores and elevate them to a higher level. For example, we'll increase our consumer marketing. This year for the first time we did some TV and radio advertising, which we intend to continue going forward. We also plan to renovate many of our stores and redesign our branding to make it even stronger.

Update: Do you see the company expanding the number of stores?

RG: Yes. Initially, our main goal will be primarily to stay in the five boroughs and possibly expand to areas like Westchester. We also see ourselves growing aggressively through acquisition. We will be meeting with other owners and discussing ways to combine operations and keep the talent inside the company. Our intention is to keep the key players involved in the business as we complete acquisitions. We hope to use the best practices of all of our companies to teach each other how to be even better.

Update: What do you see as the biggest challenges for Pay-O-Matic and the industry as a whole?

RG: For the industry, compliance is clearly a challenge. We are determined that Pay-O-Matic will be cutting-edge on compliance because there's no other way to survive. We understand that the rules and regulations continue to mount, and the amount of investment in compliance is going to continue growing. So, we have no choice but to make ourselves best-in-class, and we are going to be investing in software and the compliance dept. to make sure we toe the line as per the bank rules, IRS rules, and the money laundering rules.

We also think technology will continue to be critical to our business model. A few years ago ATM machines didn't exist; looking forward, we believe people will be able to use them for many different financial transactions. We also believe that using data to proactively market to consumers is going to be an important function for the industry.

Government Round-Up

Legislature Passes Industry Bill Increasing Penalties For Unlicensed Check Cashing Activities

Strengthening the means available to check cashing licensees to combat unlicensed check cashing, which adversely affects consumers as well as the check cashing industry, is an ongoing priority for FSCNY. As a result of FSCNY's efforts, on July 7, 2008, Governor David Paterson signed a new law (L. 2008, Ch. 235), which was supported by the check cashing industry, designating the unlicensed cashing of checks as a Class A Misdemeanor, and increasing the criminal financial penalties for such activity.

The new law, which takes effect on October 5, 2008, increases the criminal penalties for individuals found guilty of engaging in

unlicensed check cashing to \$1,000, and raises the penalties for corporations to a maximum fine of \$5,000, or any higher amount not exceeding double the amount of the defendant's gain from the commission of the crime. Violations also carry potential jail terms of up to one year.

The new law was broadly supported in both Houses of the State Legislature. It was introduced in the State Senate by Senator Hugh Farley and in the Assembly by Assemblyman Darryl Towns. The measure reflects the determination of the State Legislature that the existence of unlicensed and unregulated check cashers violates public policy and the best interests of the people of the State. In addition to paying exorbitant check cashing rates, unsuspecting consumers that unknowingly utilize unlicensed check cashing facilities are afforded none of the other consumer protections provided by

licensed check cashers in accordance with the Banking Law. The activities of unlicensed entities also harms the ability of the legitimate licensed check cashers to remain viable. The new measure reflects the conclusion that it is important to have sufficient penalty levels to help deter these types of violations.

“This new law is one of the measures necessary to effectively fight unlicensed check cashing activity,” said Edward D'Alessio, FSCNY's Deputy General Counsel. “FSCNY is hopeful that the increased penalties will confirm to law enforcement agencies the Legislature's judgment that unlicensed check cashing activity should be pursued.” In addition, FSCNY will continue to work to gain passage of other legislative measures, including the explicit grant of standing to licensed check cashers to pursue unlicensed check cashers.

FSCNY Scholarship Winners

The 13th annual Financial Service Centers of New York (FSCNY) and MoneyGram International Scholarship Program, "Rewarding Young Leaders in our Community," honored sixteen deserving high school seniors from the New York City area with scholarships totaling \$42,500— one-time cash grants to help finance a lifetime's investment.

First place winners attended an awards luncheon on May 6, 2008 at FSCNY's 16th Annual Conference and Vendor Show, held at the New York Marriott, Brooklyn. Because of their impressive achievements both inside the classroom and out, these college-bound scholars individually earned between \$500 and \$7,500 toward their freshman year of study at accredited two- and four-year institutions across the U.S.

Academic accomplishments, commitment to community service, proven leadership skills, and perseverance ultimately set the students apart from their peers.

Since 1996, the Program has reached more than two hundred students, helping make possible their attendance at Ivy League and other competitive colleges and universities. FSCNY has proudly provided nearly \$425,000 in scholarship funds to help ensure that qualified collegians are given every opportunity to succeed.

Winners of this year's FSCNY/MoneyGram International scholarships include:

Wadhah A. Al Shugaa <i>Bronx, NY</i>	Rebecca Ann Long <i>Fresh Meadows, NY</i>	Alana R. Tornello <i>Staten Island, NY</i>
Karen Ansong <i>Bronx, NY</i>	Jessica Ng <i>Staten Island, NY</i>	Xin Xin Wang <i>Brooklyn, NY</i>
Robert C. Feliciano <i>Brooklyn, NY</i>	Jamielee Restrepo <i>East Elmhurst, NY</i>	Emma Wisniewski <i>Astoria, NY</i>
Samantha Grant <i>New York, NY</i>	Keyana Sarikhani <i>Whitestone, NY</i>	Jing Wen Xiao <i>Corona, NY</i>
Shanna Kofman <i>Staten Island, NY</i>	Raven Shelton <i>Brooklyn, NY</i>	
Polina Kulikova <i>Brooklyn, NY</i>	Raphael Spiro <i>Forest Hills, NY</i>	

Upcoming Events

September 9, 2008

Board meeting - 4:30 PM

September 9, 2008

General Membership Meeting - 7:30 PM

October 7, 2008

Board meeting - 4:30 PM

October 18 – 20, 2008

FiSCA Annual Conference & Exposition -
Mandalay Bay Resort and Casino, Las Vegas, NV
Visit www.fisca.org to register

November 11, 2008

Board meeting - 4:30 PM

December 9, 2008

Board meeting - 4:30 PM

FSCNY Address Change

Effective September 1, 2008, FSCNY will be located at:

286 Madison Avenue
Suite 907
New York, NY 10017

The phone number will remain the same: 212.268.1911

Why You Should Join FSCNY

FSCNY works to represent the entire check cashing industry in New York State. The old adage, "There's strength in numbers" certainly is appropriate for our industry. If you are not a member, please consider joining. For additional information, please contact Hank Shyne, Executive Director, at 212.268.1911.

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