

**NORTH CAROLINA GENERAL ASSEMBLY**

**LEGISLATIVE FISCAL NOTE**

**BILL NUMBER:** SB 312 (Second Edition)

**SHORT TITLE:** Regulate Check Cashing/AB

**SPONSOR(S):** Senators Jordan, Shaw of Guilford, Ballance, and Lucas

**FISCAL IMPACT**

**Yes (X)      No ( )      No Estimate Available ( )**

**FY 1997-98   FY 1998-99   FY 1999-00   FY 2000-01   FY 2001-02**

**REVENUES**

Commerce - Special Fund

New License	\$52,500	\$18,750	\$7,500	\$3,750	\$3,750
Renewal License	0	17,500	23,750	23,750	23,750
Renewal Branch	0	5,500	5,750	6,000	5,750
Compliance Exams	<u>12,600</u>	<u>14,000</u>	<u>16,100</u>	<u>16,800</u>	<u>15,400</u>

Total	\$65,100	\$55,750	\$53,100	\$50,300	\$48,650
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**EXPENDITURES**

Commerce - Special Fund	\$65,100	\$55,750	\$53,100	\$50,300	\$48,650
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**POSITIONS:** (No new positions; will use Consumer Finance staff.)

**PRINCIPAL DEPARTMENT(S) &  
PROGRAM(S) AFFECTED:** State Banking Commission

**EFFECTIVE DATE:** The act is effective October 1, 1997. The provisions in G.S. 53-281 will expire on July 31, 2001.

**BILL SUMMARY:** The bill allows the State Banking Commission to license firms in the business of cashing checks, drafts or money orders for a fee. Check-cashing businesses must apply for a license and pay an application fee of \$250. The initial application fee is accompanied by a \$500 investigation fee. The license expires annually and is renewed upon payment of \$250 plus \$50 for each branch location of the business. Check-cashing businesses must maintain

\$50,000 in liquid assets and are limited in the service fees they charge. Operating without a license is a Class I felony.

**ASSUMPTIONS AND METHODOLOGY:** Estimates of the number of check-cashing businesses in the state were provided by officials of the State Banking Commission. The Commission anticipates beginning with 70 businesses with 110 branches on October 1, 1997. The growth rate in check cashing businesses is based on the Commission's regulatory experience with consumer finance, mortgage bankers and brokers, and refund anticipation lenders. (see chart below) The Commission also estimates that competition will cause 10 firms and 10 branches to go out of business in 2000-01 and 5 firms and 10 branches will cease operations in 2001-02.

	<u>97-98</u>	<u>98-99</u>	<u>99-00</u>	<u>00-01</u>	<u>01-02</u>
New License	70	25	10	5	5
New Branch	110	5	15	5	10
Renew License		70	95	95	95
Renew Branch		110	115	120	115
Exams	90	100	115	120	110

The chart above also shows the number of compliance exams the Banking Commission estimates it will conduct each year. Compliance exams are not financial audits, but are a method to see if companies are complying with state law in such areas as the fees being charged consumers and the filing of reports with the state. Each exam is performed by an Examiner I and takes approximately 4 hours.

In FY 1997-98, check-cashing businesses will pay \$750 for a license (\$250 application fee and a \$500 investigation fee). The license expires annually and is renewed upon payment of \$250 plus \$50 for each branch location of the business. Each compliance exam costs the firm \$140 (\$35 per hour X 4 hours). License and exam revenues are deposited as receipts for the Commission and may be spent for cost incurred in regulating the check cashing industry.

	<u>97-98</u>	<u>98-99</u>	<u>99-00</u>	<u>00-01</u>	<u>01-02</u>
New License	\$ 52,500	\$ 18,750	\$ 7,500	\$ 3,750	\$ 3,750
New Branch					
Renew License		17,500	23,750	23,750	23,750
Renew Branch		5,500	5,750	6,000	5,750
Exams	12,600	14,000	16,100	16,800	15,400
	\$ 65,100	\$ 55,750	\$ 53,100	\$ 50,300	\$ 48,650

As for the criminal penalties listed on page 6 of the bill, the Administrative Office of the Courts (AOC) does not anticipate that this legislation will have a substantial impact on the Judicial

Department as there will not be any significant change in how cases are processed or disposed. The AOC believes that the very few additional cases which may result from this bill can be absorbed within existing resources. Likewise, the proposed legislation will not have a significant fiscal impact on the Department of Correction, assuming that the courts will order active sentences in a very minimal number of cases.

**FISCAL RESEARCH DIVISION**

**733-4910**

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**APPROVED BY:** Tom Covington **TomC**

**DATE:** April 8, 1997



**Signed Copy Located in the NCGA Principal Clerk's Offices**