



FINANCIAL SERVICE CENTERS OF AMERICA, INC.  
A NATIONAL TRADE ASSOCIATION

Statement of

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Before the  
U. S. House of Representatives  
Committee on Financial Services  
Subcommittee on Financial Institutions and Consumer Credit

Regarding  
Remittances: Regulation and Disclosure  
in a New Economic Environment

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Chairman Gutierrez, Ranking Member Hensarling, and Members of the Subcommittee, my name is Scott McClain. I am a partner in the law firm of Winne, Banta, Hetherington, Basralian & Kahn, and serve as Deputy General Counsel to the Financial Service Centers of America, also known as FiSCA. On behalf of the FiSCA membership, I am grateful for the opportunity to appear today to discuss issues affecting the industry, including the need for appropriate regulations to ensure the continued availability of affordable remittance services.

FiSCA is a national trade association representing nearly 7,000 neighborhood financial service providers operating throughout the United States. Our membership is comprised of community-based financial service providers, which serve millions of customers from all walks of life, including those with bank accounts as well as the "unbanked."

Our members, which we call "Financial Service Centers" or "FSCs," provide a range of financial services and products, including check cashing, remittances, money order sales, and utility bill payment services, to name a few. FSCs make up an economically significant industry that conducts more than 350 million transactions each year, providing over \$100 billion in various products and services to over 30 million customers. A recent industry survey showed that 95% of customers rated our services as "good to excellent," and 92% rated the overall value of our services as "good to excellent."

With respect to remittances, FSCs serve as the agents of licensed money transmitters and are involved in the remittance industry at the point of sale with the customer. While remittances are available directly at banks and other financial institutions, the majority of remittance transactions are generated at neighborhood money transmitter agents due to our convenient locations, extended hours of operation and competitive pricing.

As an organization, FiSCA advocates transparency in all consumer transactions. We understand that our low and moderate-income customers need to manage tight budgets and cannot be subject to surprise fees and incomprehensible charges. In sharp contrast with other financial institutions and credit card companies, fees are listed in easy-to-understand menu-style signs posted in the lobbies of member stores. That way, consumers know exactly what each transaction will cost before the transaction begins.

We agree that consumers should be given information to make informed decisions, and that the costs of remittance services should be made available to them. We believe that our industry has a good track record in this regard. The majority of FiSCA members act as agents for either Western Union or MoneyGram, both of whom make transaction fee and conversion rate information (which fluctuates daily) available through toll-free phone numbers and via the Internet. As remittance agents, FiSCA members charge processing fees on a per-transaction basis, and have no ability to set or benefit from currency exchange rates. Generally, depending on the amount remitted

and the contractual arrangement with the money transmitter, agents receive a couple dollars on the average transaction.

We applaud the policy goal of ensuring that remittances remain available and affordable to consumers. In ensuring access to remittances, however, it is also critical that the regulatory environment allow those who provide these services to remain in business.

Check cashers, money transmitters and other "money service businesses" are dependent on access to depository and banking services for their very survival. It is well known that for the past several years, the FSC and money transmitter industry has experienced an epidemic of bank account closures resulting from undue regulatory pressure on the banks that serve the industry.

Depositories that service our industry are faced with significant regulatory burdens, and are required to expend ever greater resources in maintaining customer compliance and monitoring systems. As a result, an increasing number of banks are terminating their FSCs, refusing new accounts, or are placing onerous requirements on the accounts they maintain. Banks refer to undue regulatory pressure as the primary reason driving these actions. In short, there is a clearly diminishing pool of banks willing or able to provide services to FSCs. This trend endangers the legitimate, regulated industry and its ability to deliver remittances and other financial services.

In the past FiSCA warned Congress that only two major banks remained serving 90% of the industry in New York - the state sending the second-highest number of remittances in the U.S. Less than two weeks ago, one of those banks, Banco Popular, announced that it, too, was terminating its money service business accounts due to regulatory concerns, leaving numerous businesses scrambling to find new banks. It seems absurd that a licensed, regulated business that serves an important need to its community would be driven out of business because no bank could serve it. That, however, is the situation of many FSCs and providers of remittance services.

With the increasingly limited number of banks serving the industry, a tenuous situation exists in which another termination by any one of the few remaining banks could create chaos and directly impact access to remittances. I would also stress that the loss of bank accounts threatens to drive remittances and other customer transactions underground through unregulated channels, including cash smuggling and other means. It is critical to the interests of national security and consumer protection that transparency of transactions be maintained by ensuring that FSCs and money transmitters remain part of the regulated financial community and continue to have access to depository services.

FiSCA supports the introduction, and passage in this Congress, of a legislative solution designed to relieve banks of excessive regulatory burdens in serving our industry. On July 22, 2008, the "Money Service Business Act of 2008," H.R. 4049, sponsored by Rep. Carolyn Maloney, Chairman Barney Frank, Ranking Member

Spencer Bachus, and Rep. Judy Biggert, passed the U.S. House of Representatives by a unanimous voice vote. While the financial crisis last fall prevented the Senate from taking up the bill, the legislation, which is the result of years of efforts by FiSCA and other industry leaders, has broad bi-partisan political support as well as the support of the banking industries.

It is critical that consumer protections remain in place for the millions who send money overseas each year. Their transactions are currently afforded all the protections of their state regulations when they use a licensed FSC to send money. The only way to ensure that appropriate consumer protections remain in place is to ensure that these FSCs have the banking services needed to remain open for business. FiSCA is committed to achieving this goal. We ask that the members of this subcommittee support our efforts to protect remittance customers and the businesses that serve them.

Again, we thank you for the opportunity to present these views.