

Government of the District of Columbia
Office of the Chief Financial Officer



Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO: The Honorable Vincent C. Gray
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi
Chief Financial Officer 

DATE: July 12, 2010

SUBJECT: Fiscal Impact Statement – “Alternate Money Lending and Services Reform Amendment Act of 2010”

REFERENCE: Bill Number 18-715 – Draft Committee Print, received on 7/7/2010

This revision replaces the fiscal impact statement issued by the OCFO on April 28, 2010.

Conclusion

Funds are sufficient in the FY 2011 through FY 2014 budget and financial plan to implement the proposed legislation.

Background

The proposed legislation would lower the maximum fee that may be charged for cashing a check¹ from 5 percent of the face value of a government or payroll check to the greater of 2 percent of the face value or \$3, if the payment instrument is issued by the federal government or a state or local government. For cashing a personal check or money order, for which the current fee is capped at the greater of 10 percent of the face value of the check or \$4, the proposed legislation would keep the 10 percent of the face value rate, and increase the fixed amount to \$5. Finally, the proposed legislation would reduce the 7 percent of the face value of an insurance check or any other type of payment instrument to the greater of 4 percent of the face value or \$5. The stated fees would cover direct or indirect all charges and fees, including late fees or any

¹ By amending Check Cashers Act of 1998, effective May 12, 1998 (D.C. Law 12-111; D.C. Official Code § 26-317(a))

other service fees, and would start to be applied on January 1, 2011. Additionally, the proposed legislation would allow a licensee to charge a customer an additional one-time membership fee not to exceed \$5.

Concerning pawnbrokers, the proposed legislation would limit the maximum rate of interest any new pawnbroker may charge to 5 percent per month or fraction of the month, for the first 6 months of a loan, and 3 percent per month, or fraction of the month after 6 months.²

Additionally, the proposed legislation would require providing a notice to all affected Advisory Neighborhood Commissions (ANC) when a pawnshop license application is submitted, and require that the affected ANCs would be accorded great weight during deliberations to approve or deny the license application;³ would repeal provisions for the transfer of a pawnbrokers license;⁴ and would require that the Commissioner of the Department of Insurance, Securities and Banking determine appropriate interest rates after investigating economic conditions.⁵

Financial Plan Impact

Funds are sufficient in the FY 2011 through FY 2014 budget and financial plan to implement the proposed legislation. The proposed legislation would lower the maximum fees for check cashing operations. These new rates would match the rates charged in Maryland, and be slightly lower than those charged in Virginia. Given that the rate reductions are small, and in line with similar rates in the region, they are not expected to lead to significant changes to the volume of checks cashed in the District. There could be a marginal impact on the revenues of check cashing companies, but these changes are expected to be small, and would not have a significant impact on District's income tax collections.

The legislation would also change the maximum allowable rates pawnbrokers charge. Specifically, rates would be tied to the terms of the loan and not the value of the loans. The legislation would not make any significant changes to the rates charged to loans with a maturity of 6 months, or less. Since pawnbrokers typically make loans of under \$500 for a term of less than 6 months, the proposed legislation is not expected to have a significant impact on the volume of such loans.

² By amending D.C. Official Code § 47-2884.09(a). The current rates are capped for those pawnbrokers who are licensed as of April 1, 2010 at 5 percent per month on the first \$500, 4 percent per month on the next \$500, and 24 percent per year on loans of more than \$1,000, by Chapter 9 (Pawnbrokers) of Title 16 (Consumers, Commercial Practices, & Civil Infractions) of the District of Columbia Municipal Regulations; and for those who are licensed after April 1, 2010, at 24 percent per annum by § 2(b) of the Predatory Pawnbroker Regulation and Community Notification Emergency Act of 2010 (D.C. Act 18-385, April 29, 2010, 57 DCR 3838) and of the Predatory Pawnbroker Regulation and Community Notification Temporary Act of 2010 (D.C. Act 18-412, May 19, 2010, 57 DCR 4535).

³ By adding a new subsection (f) to the D.C. Official Code § 47-2884.03

⁴ D.C. Official Code § 47-2884.05(b)

⁵ By adding a new subsection (c) to the D.C. Official Code § 47-2884.09

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Finally, notifying ANCs about pending pawnbroker applications and allowing their participation in the deliberations to approve or deny the license application would not have an impact on the District's budget and financial plan.