



Press Release

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FOR IMMEDIATE RELEASE

FEDERAL LEGISLATION INTRODUCED TO ADDRESS NATIONAL PROBLEM OF BANK DISCONTINUANCE

Money Services Businesses Act Would Address Growing Trend Which Threatens to Reduce Access to Basic Financial Services for Millions of Americans

(Washington, D.C. – November 2, 2007) – The MSB Coalition, representing money services businesses (MSBs) from across the country, today applauded the introduction of federal legislation to address, once and for all, the ongoing problem of bank discontinuance. This is the unwarranted, blanket termination of MSB bank accounts by traditional financial institutions in response to misguided regulatory pressure. Without such access, MSBs cannot conduct business. H.R. 4049, “The Money Services Businesses Act of 2007” was introduced Thursday by Rep. Carolyn Maloney (D-NY), Chair of the Financial Institutions and Consumer Credit Subcommittee of the House Financial Services Committee, Rep. Barney Frank (D-MA), Chairman of the full Committee, Rep. Spencer Bachus (R-AL), Ranking Minority Member of the full Committee, and Rep. Judy Biggert (R-IL), Ranking Minority Member of the Subcommittee. The legislation has been referred to the House Financial Services Committee; additional action on the bill is expected in the near future.

The bill introduction is the result of a close collaboration between the MSB industry and mainstream financial institutions which then approached lawmakers with the compromise solution. “For more than a year now, we have been working hand in hand with first the American Bankers Association, Independent Community Bankers of America, America’s Community Bankers, and the Consumer Bankers Association, and then legislators on Capitol Hill and regulators to craft a legislative solution to the problem of bank discontinuance,” said Bill Sellery representing the MSB Coalition. “We also received significant support from the Financial Service Centers of America, MoneyGram, Western Union and the National Money Transmitters Association. The legislation introduced today is the fruit of this labor and should, once and for all, create a regulatory environment in which banks and other mainstream financial institutions again feel comfortable handling MSB accounts. The extraordinary leadership of Representatives Maloney and Bachus are to be especially commended for their tireless efforts to work with all interested parties to craft a legislative solution that addresses everyone’s needs and concerns.”

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An increasing number of MSBs – which provide various financial services including check cashing and wire transfers to unbanked or underbanked consumers – have been experiencing account closures by banks servicing this industry. Most terminations emanate from a perception among federal bank regulators that MSBs are high risk accounts. This has required banks to direct more and more resources towards compliance systems and monitoring MSB customer activities. As a result, many banks have simply decided to invest their resources in less costly areas. Other terminations have been due to vague “reputational risk” concerns or to highly publicized multi-million dollar penalties assessed against other banks, totally unrelated to any activities by MSB customers. The underlying contention that MSBs are “high risk” is misguided. In 2006, the IRS examined approximately 6,000 MSBs, and found only a handful that required the assessment of penalties.

In the next several months, the MSB Coalition will be working closely with its allies in industry and on Capitol Hill to generate additional support for the legislation. “Introduction of the bill marks the beginning of the process, not the end,” continued Sellery. “It is now absolutely crucial that we build on this initial action to attract additional bill cosponsors and create sufficient momentum for this legislation to move expeditiously through the legislative process.”

Prior to 2000, there were few problems between MSBs and the banks that served them. The events of 9/11, enactment of the USA PATRIOT Act and resulting increased scrutiny of money transactions in general by federal bank regulators changed those relationships dramatically as MSBs were deemed unacceptable risks, even though their record of compliance has been as good or better than that of the banks themselves.

This business climate jeopardizes the financial services that a vast number of consumers rely upon each day. Currently, there are approximately 56 million Americans who do not use traditional financial institutions, either because they do not want to or because they do not meet the requirements of these institutions. These consumers choose neighborhood financial service centers to cash their paychecks, purchase money orders and wire money home to their families around the world because of their convenient locations and hours of operation. But as a result of these bank account closures, many businesses that serve these consumers must struggle to keep their doors open, since MSBs, like all businesses, depend on bank accounts to conduct their operations. Bank discontinuance has long-term consequences at the family, neighborhood and even national economic levels which is why enactment of the Money Services Businesses Act is so crucial.

The MSB Coalition is made up of representatives from all segments of the MSB community, including check cashers, money transmitters, money order processors, and all others with an interest in the health of the MSB community and the financially affected consumers who use their services. For additional information about the Coalition, please contact Bill Sellery at 202-296-3522 or Cynthia Vega at 201-562-1029 or email the Coalition at info@msbcoalition.org.