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HD **Alternative Way to Pay Utility Bills Draws Fire --- Use of Check-Cashing Shops, Critics Say, Exposes Customers To Lure of High-Interest Loans**

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CX Corrections & Amplifications

ACE Cash Express Inc., of Irving, Texas, operates in 38 states, some of which don't permit payday loans. An article Aug. 30 on the use of check-cashing centers to pay **utility** bills incorrectly identified the company as ACE Check Cashing and said it operates stores in the 38 states that permit payday loans.

(WSJ Sep. 8, 2007)

(END)

LP Retired high-school math teacher Cynthia Elgar often pays her bills online, but when she got a disconnection notice from her Phoenix **electric utility**, Arizona Public Service, she realized a payment had gone awry somehow. In the past, she would have scooted over to a nearby **utility** office to make the late payment.

But the **utility** has shut down most of its neighborhood offices and relies on a network of retail stores and check-cashing facilities to receive in-person payments. APS directed Ms. Elgar to a Cash & More storefront in Phoenix. There, she waited along with fellow customers engaged in transactions such as cashing checks and getting short-term, high-interest "payday loans" -- a business that consumer advocates say often preys on low-income people in dire financial straits.

TD "Why APS needs to use this sort of place to accept payments, I don't know," she says.

It is an experience that is increasingly common for **utility** customers. Across the U.S., utilities have shut down scores of customer-service centers in recent years and turned to retail outlets to take payments, in order to save money. Many of these locations are check-cashing centers, which cater to mainly low-income customers who don't use traditional banks, providing services such as loans and wire transfers on a fee basis.

The trend has sparked criticism from **utility** customers, regulators and consumer advocates. Customers say they miss the local centers where they were able to get personal service, such as arranging special payment plans. And some are simply uncomfortable going to check-cashing facilities.

But perhaps of greatest concern is that check-cashing facilities may be using utilities to build foot traffic, so they can steer consumers into expensive and addictive loan products that can carry annual interest rates in excess of 400%. At least one operator of check-cashing centers says that a number of customers who come in to pay **utility** bills also wind up taking out a payday loan, which is a short-term loan tied to the borrower's next paycheck.

Some regulators and utilities are starting to hear consumers' concerns. Arizona's **utility** commissioner, Kristen Mayes, says that "at a time when utilities are raising rates, it seems inappropriate to encourage people to use payday loan centers" to pay their bills.

Arizona Public Service, a unit of Pinnacle West Capital Corp., has severed its arrangement with check-cashing facilities and no longer tells customers to make payments at them. Tucson **Electric Power** says it can't go that far yet, because it would leave customers no in-person payment points. Instead, it's looking to broaden its network of payment locations. "We have a pretty close relationship with low-income advocates, and we've heard their concerns loud and clear," says Joe Salkowski, spokesman for Tucson **Electric Power**, a unit of Unisource Energy Corp.

That leaves many other utilities still relying on check-cashing centers.

Widespread use of check-cashing facilities didn't attract much attention until lately, mostly because only recently have these businesses branched into high-interest payday loans, which are legal in 38 states. In California, about 2,500 retail locations are licensed to make payday loans. Last year, 952,000 payday loans were made in the state, with a **value** believed to be about \$2.5 billion, according to the California Department of Corporations, which licenses payday lenders. Most people who took out a loan wound up taking out multiple loans.

In a report issued in June, the National Consumer Law Center, a nonprofit research organization, said it identified 650 payday-loan companies that take payments for 21 large utilities. It accused them of using the **utility** customers to push other products. It said the characteristics of those who pay bills in person -- "low-income, minority, female, elderly" -- make them "prime targets for payday lenders," and it urged utilities to sever those arrangements.

Pacific **Gas & Electric Co.**, the big San Francisco **utility** unit of PG&E Corp., uses 430 "authorized neighborhood payment centers" that take payments for PG&E, including several dozen that also make payday loans.

PG&E didn't recruit the retailers. It contracted with CheckFree Corp., Norcross, Ga., to put together the retail network. CheckFree has 11,000 agent locations in the U.S. that accept walk-in payments for utilities, auto lenders, credit-card companies and insurance firms. It also operates an electronic billing and payment-processing network that serves banks and other big institutions. Earlier this month, CheckFree agreed to be acquired by Fiserv Inc., Brookfield, Wis.

Like many utilities, PG&E makes the transactions free to its consumers. It pays CheckFree about 60 cents for each transaction and prohibits CheckFree or its affiliates from charging **utility** customers directly. CheckFree's network of retailers in Northern California handled 4.47 million payments for PG&E last year valued at about \$648 million, according to the **utility**, or 7.4% of all PG&E bills paid.

But increasingly, the cost for transactions is being shifted onto consumers. CheckFree says it collects fees from consumers on 47% of the bill payments it forwards to various clients -- and it thinks the trend is for consumers to pay fees, more and more.

ACE Check Cashing, which operates check-cashing centers in all 38 states in which payday loans are legal, is a payment point for CheckFree. At a kiosk located in a Pak 'n Save store in Oakland, Calif., one of ACE's 1,700 retail locations, it offers payday loans costing \$15.50 for each \$100 borrowed for a 14-day term -- equating to annual interest of 404%, according to a sign that is posted there.

Eric Norrington, senior vice president of government relations for ACE, which is closely held, says a recent analysis conducted for the company of 602,524 payments collected for utilities showed that 5,823 of those payments were made by people who also took out payday loans the same day.

Mr. Norrington says his firm offers convenience to consumers, to make payments or take out loans. "A story we often hear," he says, "is 'I need to get my car out of the shop today so I can get to work tomorrow or I'll lose my job.'"

Indeed, some customers combine bill paying with the opportunity to take out a loan. School-bus driver Cynthia Veatch went to a Phoenix payday-loan center last spring. She borrowed \$450, after she paid \$75 in fees. But when the loan came due two weeks later, she didn't have enough money in her bank account.

She took out a new loan, again paying the \$75 fee. Eventually, Ms. Veatch got it paid off and said in early August she was "relieved" not to owe money anymore. She used part of the initial loan to pay her **utility** bill.

Southern California Edison, a unit of Edison International in Rosemead, Calif., says it closed most of its **utility** offices in 1996 and now relies on 380 alternative payment points to take in more than 600,000 customer payments each month, about 15.5% of Edison's total. It says it surveys consumers and has found that 88% say they are happy with the arrangement.

Neither PG&E nor Edison has looked to see if there is a connection between **utility** payments and payday loans. "What we're trying to do is offer convenient locations where people can make payments," says Jon Tremayne, a PG&E spokesman. He says it is better for people to use a local neighborhood payment center, where PG&E picks up transaction costs, than to rely on unauthorized payment points, such as liquor stores, that forward payments in exchange for fees that sometimes run several dollars. "We don't have any control of those transactions," he says.

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