STATE OF OREGON
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
DIVISION OF FINANCIAL REGULATION

In the Matter of: J.C. PARK COMPANY aka J & J MARKET, an Oregon Corporation, Respondent.	Case No. CC-24-0015 FINAL ORDER TO DENY APPLICATION FOR CHECK-CASHING BUSINESS LICENSE, ENTERED BY DEFAULT

On February 13, 2024, the Director of the Department of Consumer and Business Services for the State of Oregon ("Director"), by and through the Division of Financial Regulation ("Division"), served a Proposed Order to Deny Application for Check-Cashing Business License ("Notice") on J.C. Park Company aka J & J Market ("Respondent").

The Notice offered Respondent an opportunity for a hearing if requested within 60 days of service of the Notice. The Notice further informed Respondent that if a hearing was not conducted because Respondent did not timely request a hearing or otherwise defaulted, then the designated portion of the Division's file and all materials submitted by Respondent in this case would automatically become part of the contested case record for the purpose of proving a prima facie case.

The Director did not receive from Respondent a request for a hearing and did not conduct a hearing.

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FINDINGS OF FACT

The Director FINDS that:

1. Respondent is an Oregon corporation with a principal place of business located at 1532 SE Stephens St., Roseburg, OR 97470.

2. J & J Market was Respondent's registered assumed business name from on or

around June 29, 2007 through on or around August 22, 2019.[1]

3. In 2023, Respondent submitted an application for a check-cashing business license to the Division.

4. Respondent owns and operates a convenience store that sells, among other things, food items typically available for purchase with benefits provided through the Supplemental Nutrition Assistance Program ("SNAP").[2]

5. In reviewing Respondent's application the Division discovered that the U.S. Department of Agriculture, Food and Nutrition Service ("USDA") had permanently disqualified Respondent from participating as an authorized retailer in SNAP. On August 12, 2018, the USDA issued its final decision ("USDA Decision") in a ruling setting forth the case chronology, facts, and analysis underlying the decision.[3]

6. The USDA Decision found it more likely than not Respondent had engaged in the trafficking of SNAP benefits. 7 Code of Federal Regulations ("CFR") Part 271.2 defines "trafficking" as:

> "The buying, selling, stealing, or otherwise effecting an exchange of SNAP benefits issued and accessed via Electronic Benefit Transfer ("EBT")[4] cards, card numbers and personal identification numbers ("PINs"), or by manual voucher and signature, for cash or consideration other than eligible food, either directly, indirectly, in complicity or collusion with others, or acting alone…"

7. Respondent's permanent disqualification was based on the USDA's analysis of EBT transaction data from August 2017 through December 2017.[5] The USDA identified the following transaction patterns, which are common trafficking indicators, at Respondent's store:

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[1] Respondent's currently-registered assumed business name is J & J Market & Deli.
[2] SNAP provides food benefits to low-income people to supplement their grocery budget.
[3] *See* USDA case number C0205697.
[4] EBT is an electronic system that allows a SNAP participant to pay for food using SNAP benefits. When a participant shops at a SNAP-authorized retail store, their SNAP EBT account is debited to reimburse the store for food that was purchased.
[5] The USDA also considered information obtained from a January 20, 2018 store visit conducted by a USDA contractor to observe the nature and scope of Respondent's operation, stock, and facilities.

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A. There were multiple transactions made from individual household benefit accounts within unusually short timeframes;[6]

B. The majority or all of an individual recipient's SNAP benefits were exhausted in unusually short periods of time;[7] and

C. Excessively large purchase transactions were made from recipient accounts.[8]

8. Before the USDA Order was issued Respondent was allowed to respond to the trafficking allegations. Respondent denied trafficking and claimed the identified patterns resulted from its practice of extending credit to its SNAP customers. Under this arrangement, SNAP customers would obtain food items on credit and then pay the store back with SNAP benefits at a later time.[9]

9. Respondent submitted documentation in support of its defense. The USDA conducted "a lengthy analysis of the receipt documentation and explanation" provided by Respondent and found that, while there may have been some crediting as Respondent claimed, "the evidence relating to the larger and much more suspicious transactions [was] insufficient to prove that trafficking was not also taking place at [Respondent's store.]"

10. The USDA cited the following concerns with the documentation Respondent submitted:

A. There was no identifying information on the receipts themselves, such as "a customer name or phone number or the last four digits of the EBT card." From the USDA Report:

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[6] According to the USDA Decision, "violating stores often conduct multiple transactions from the same household account in short periods of time to avoid the detection of single high-dollar transactions that cannot be supported by the retailer's inventory, store type and structure."

[7] According to the USDA Decision, "suspicion of trafficking is reinforced when these balance-depleting purchases occur in small stores, like Respondent's, where there is minimal inventory."

[8] The USDA Decision referenced 260 SNAP transactions totaling $17,090.21, for an average transaction amount of $65.73. The USDA found these large transactions were not consistent with a convenience store in the state of Oregon, where the average SNAP transaction amount was $7.12.

[9] This practice is *also* prohibited by federal regulation but it carries a lesser penalty of a one-year disqualification from participating in SNAP.

> "None of the receipts provided by [Respondent] identify who made the purchase. This is typically very important information so that when a household visits the store to settle its debt, the clerk on duty knows how much is owed on that particular credit account. Unfortunately, nothing on the receipts explicitly states or even alludes to a credit transaction. The only thing each receipt shows is that a cash purchase took place. There is also no evidence of a credit ledger or log that corresponds to the specific receipts."

B. Almost none of the receipts added up to the precise transaction amounts. For example, Respondent submitted four receipts totaling $105.53 to justify an alleged $100 credit transaction. Respondent also declined to submit evidence it maintained a ledger to account for these differences; and

C. The receipts were organized by the last four digits of each household's SNAP case number. However, the case numbers were not on the EBT cards themselves and households rarely used them. Furthermore, the USDA Decision found that Respondent obtained these numbers from the "charge letter" of allegations which was not sent to Respondent until well after the transactions at issue had occurred. The USDA found it very unlikely Respondent had used those numbers to maintain a contemporaneous record of unpaid credit balances.

11. The USDA Decision summarized its analysis of Respondent's defense as follows:

> "When a retailer claims that credit accounts are a reason for the irregular SNAP transactions and data patterns, [the USDA] requires a level of detail regarding the legitimacy of the claim. This is because retailers have often made false admissions of credit in an attempt to obtain a lesser one-year disqualification penalty after committing more egregious violations such as trafficking. Credit transactions must be accounted for with substantive and credible evidence, such as the date credit was extended, to whom, for what amount, and for what items. Such proof should also correspond with the transactions identified in the letter of charges. Unfortunately, the documentation provided by [Respondent] falls short of these expectations."

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12. Finally, the USDA's review of Respondent's defense left it with "serious concerns about the credibility of the evidence related to the largest and most suspicious transactions from the review period."

CONCLUSIONS OF LAW

The Director CONCLUDES that:

13. Under ORS 697.514(1), after an applicant has submitted a complete check-cashing business license application, the Director shall review the application and may investigate the applicant's financial condition and responsibility, financial and business experience, character and general fitness to conduct a check-cashing business.

14. Under ORS 697.514(2), the Director shall issue a license to the applicant to conduct a check-cashing business at the locations identified in the application *if* the director finds that the applicant and the applicant's members, officers, directors and principals are financially responsible, have a good character and a good reputation and are experienced and generally fit to conduct a check-cashing business efficiently, in the public interest and in accordance with law (emphasis added).

15. Under ORS 697.514(4), the Director shall deny the application if the applicant does not meet the requirements set forth in this section, including ORS 697.514(2).

16. The Director finds that Respondent is not financially responsible because it was found to have engaged in the trafficking of SNAP benefits, as set forth in Paragraphs (5) – (13).

17. The Director finds that Respondent does not have a good character and/or good reputation because:

A. It was found to have engaged in the trafficking of SNAP benefits, as set forth in Paragraphs (5) – (13); and

B. In responding to the trafficking allegations, it submitted defenses and documentation that were found to lack credibility, as set forth in Paragraphs (8) –

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(13).

18. The Director finds that Respondent is not generally fit to conduct a check-cashing business in the public interest and in accordance with law, for the reasons set forth in Paragraphs (16) – (17).

19. Because Respondent does not meet the requirements set forth in ORS 697.514(2), the Director shall deny its application under ORS 697.514(4).

ORDERS

Now therefore, the Director issues the following ORDER:

20. As authorized by ORS 697.514(4), the Director hereby DENIES Respondent's check-cashing business license application for failing to meet the requirements set forth in ORS 697.514(2).

21. This is a "Final Order" under ORS 183.310(6)(b). Subject to this provision, the entry of this Order does not limit further remedies that may be available to the Director under Oregon law.

SO ORDERED this 23rd day of April, 2024.

ANDREW R. STOLFI, Director
Department of Consumer and Business Services

/s/ Dorothy Bean
Dorothy Bean, Chief of Enforcement
Division of Financial Regulation

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NOTICE OF RIGHT TO JUDICIAL APPEAL

You are entitled to judicial review of this order in accordance with ORS 183.482. You may request judicial review by filing a petition with the Court of Appeals in Salem, Oregon, within 60 days from the date this order is served.

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