

Attachment 3

**Making Dollars and Sense: The
State of the Market**

Nineteenth FiSCA Annual Conference and Expo

October 6, 2007

**William McCracken
CEO**

SYNERGISTICS Research Corp.

Where are we Today?



✓ Financial Service Center (FSC) Industry Growth-
11,000 financial service centers; 180 million checks
cashed worth over \$60 Billion

- ❖ Many activists and governmental groups believe that your customers have a problem but don't know it: In denial or too stupid to know
- ❖ Their solution is to move them into the Banking System which is benevolent, using subsidies and legislation
- ❖ Meanwhile, they punish FSC's through legislation

Myth: Anti-Saving?



“..instead they pay huge fees at check cashing outlets, which makes it difficult or consumers to save money, accumulate assets and get ahead.”

CA Reinvestment Coalition-2006

- NetSpend partnership with FiSCA to develop All Access Savings Program, an interest bearing secured savings account
- To date, 63,000 accounts have been opened with over \$15 million w/ 15% growth

Myth: Usurious Fees?



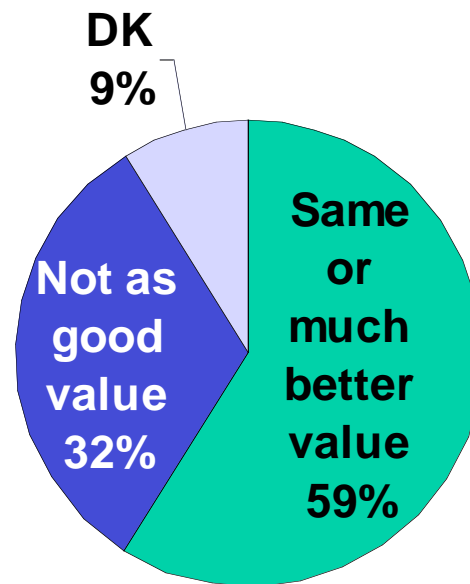
“These check cashing stores charge customers very high fees for their check cashing needs”

AARP

- ✓ 30-35 states legislatively regulate amount charged, require disclosure or approval
- ✓ Bank checking acct. avg. fees in 2006 Bankrate.com study:
 - NSF \$27.40
 - ATM \$1.64
 - Min Bal \$209.74
 - Monthly fee non-int \$2.52 int bearing \$10.74
 - Banks are charging check cashing fees to the unbanked even for checks drawn on them

Consumer Perception of FSC's Pricing Compared to Banks

- Most customers of FSC's believe that the check cashing fees charged are fair
- Bank minimum balance requirements, service fees, and NSF charges hurt consumers with tight cash flow



Myth: Unbanked must use Check Cashers because there is no other competition?



“The reasons check cashers exist in these communities is because banks don’t”

“The lack of retail competition from bank branches in lower-income communities has created this lucrative opportunity for price-gouging check cashers and payday lenders.”

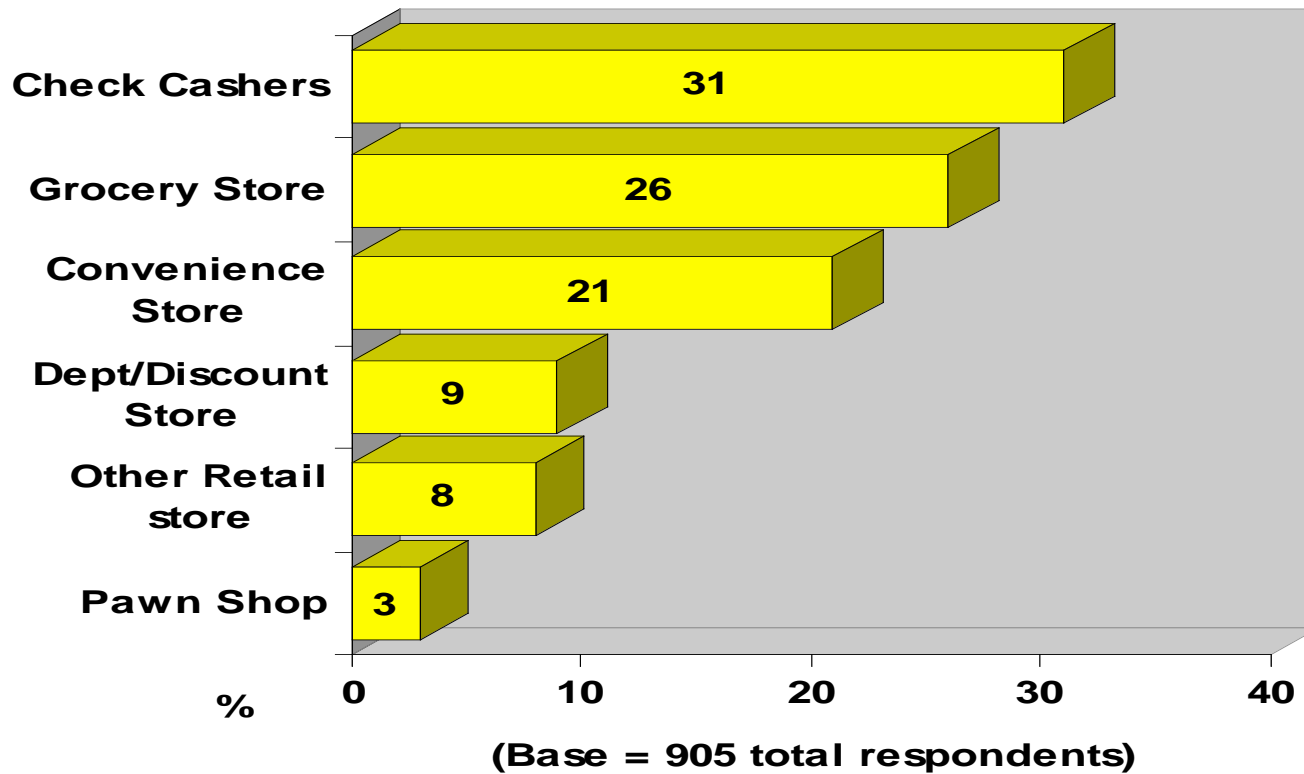
CA Reinvestment Coalition- 2005

- ✓ Check Cashers exist because they serves people’s needs! The unbanked choose from a number of options, including banks, grocery stores, convenience stores, etc.
- ✓ Unbanked choose FSC’s because of the unique product mix, immediate access to cash, sell money orders, envelopes & stamps, bill payment center, rent mailboxes, sell phone cards, general store, etc.

Unbanked Check Cashing Locations

There are other options that are used by the Unbanked

✓ 1999 study by Boston Fed indicated that in NE bank branches outnumber FSC's in areas they both serve



Myth: Unbanked are Prevented from Having Checking Accounts?



“Banks would evidently prefer to send potential customers to check cashers rather than serve them directly”

CA Reinvestment Coalition

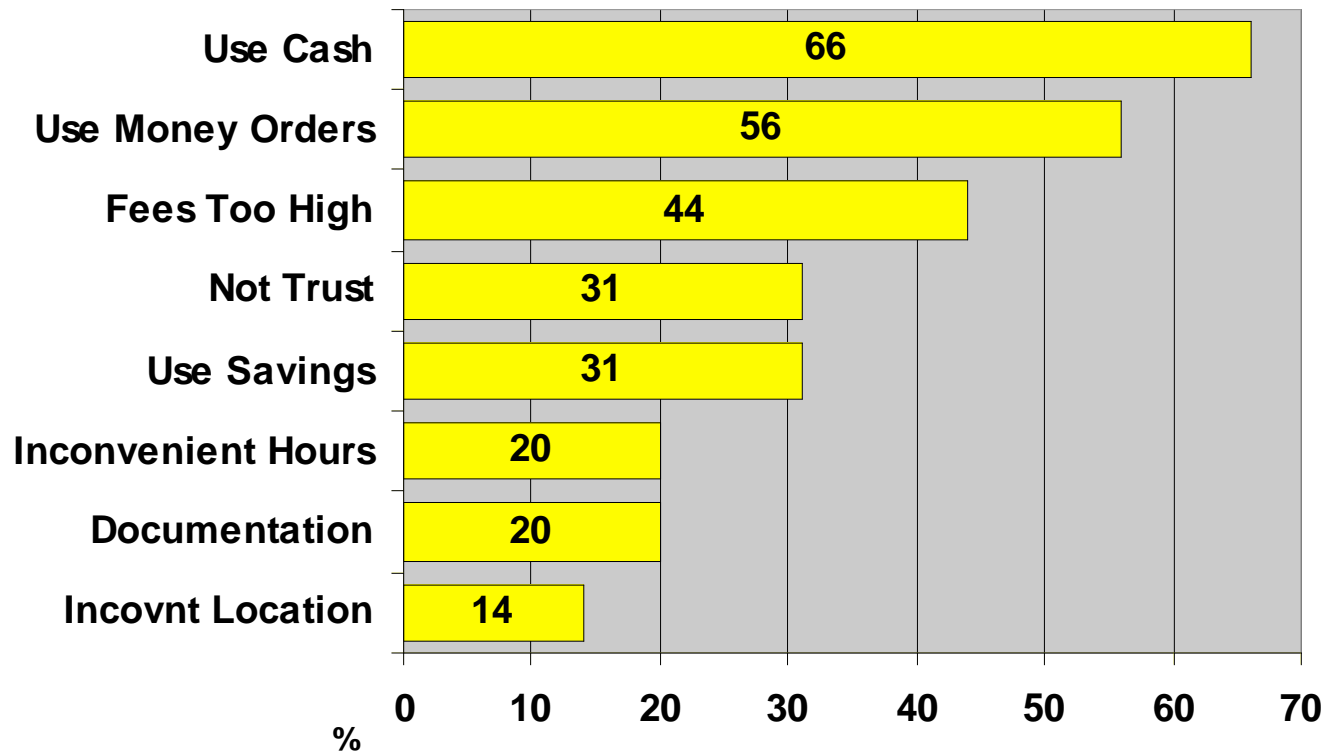
“...on the other hand, FSC’s that need to or want to charge higher fees might close, so there would be fewer check cashers and people would use banks instead.”

Journal of Human Resources 2006

✓ Unbanked do not use checks because: they prefer to use cash, use money orders, do not trust banks and bank fees are too high

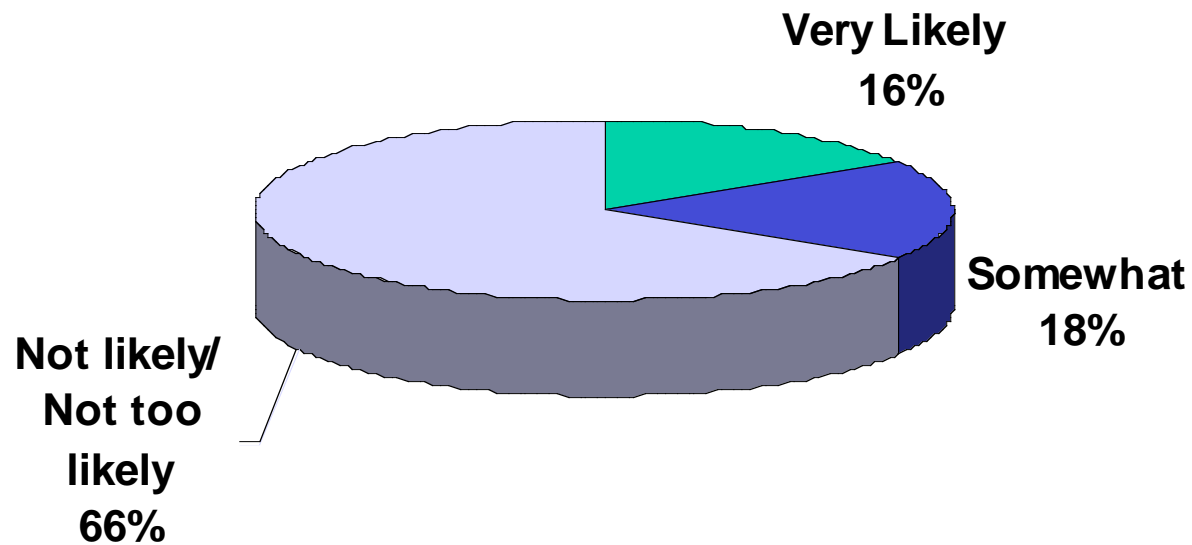
Reasons Unbanked do not have Checking Accounts

➤ Not because they are “prevented” from having ckg. accounts:



Likelihood of Opening a Checking Acct.

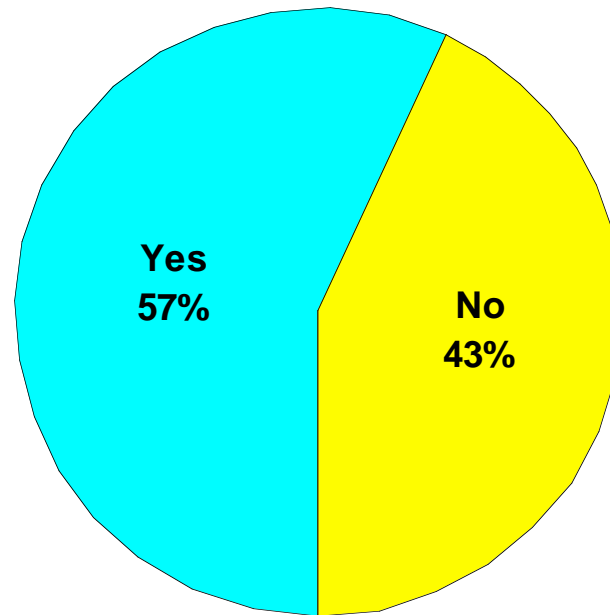
- Even if given the choice to open an account, very few likely to do so



Past Checking Account Usage Among Nonusers

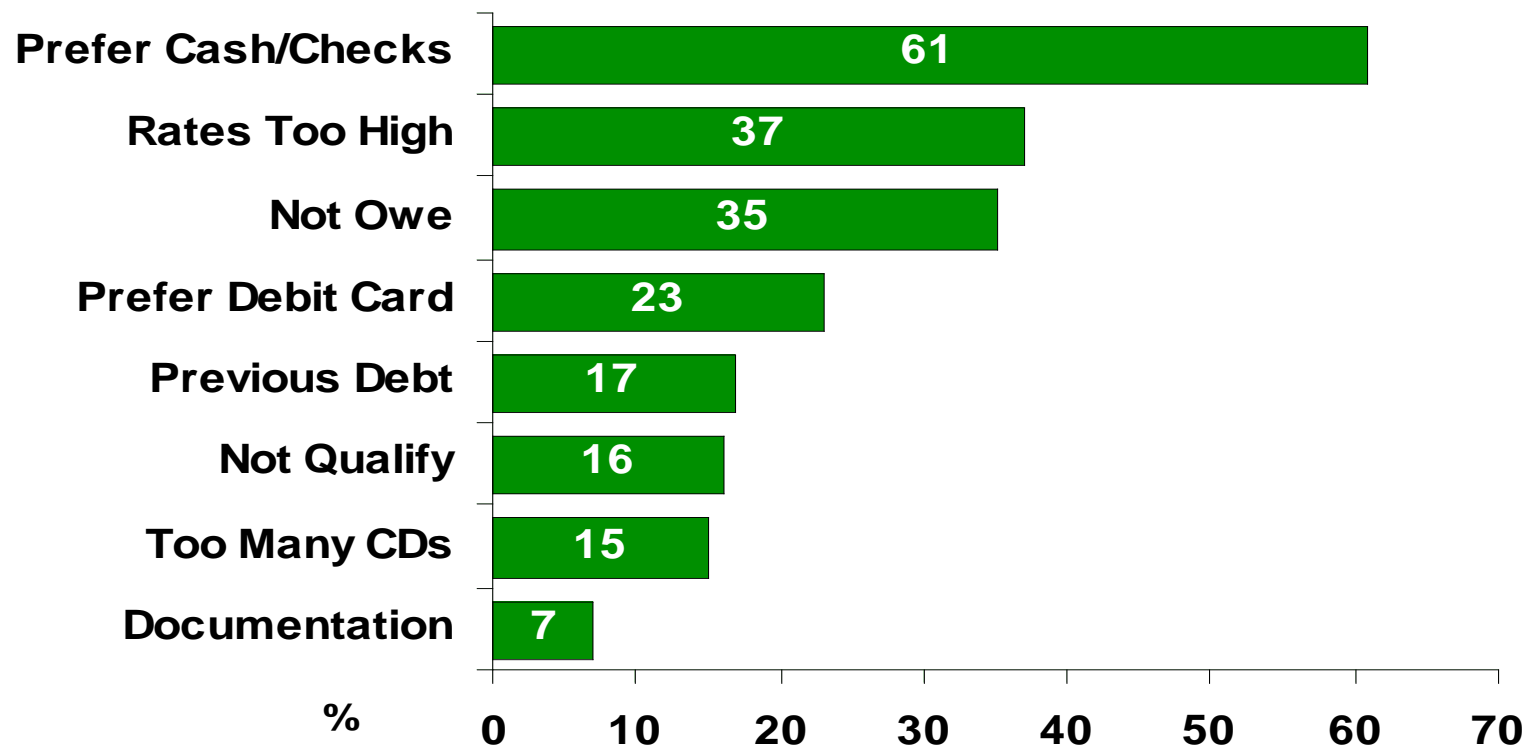
❖ Activists “are concerned about people who do not have bank accounts.” What they do not accept is that many of them have had ckg. accounts and no longer want them.

On average, most of these indicate it has been 5.5 years since they had a checking account



Reasons Low Income HH do not use Credit Cards

❖ It is not an issue of access but preference



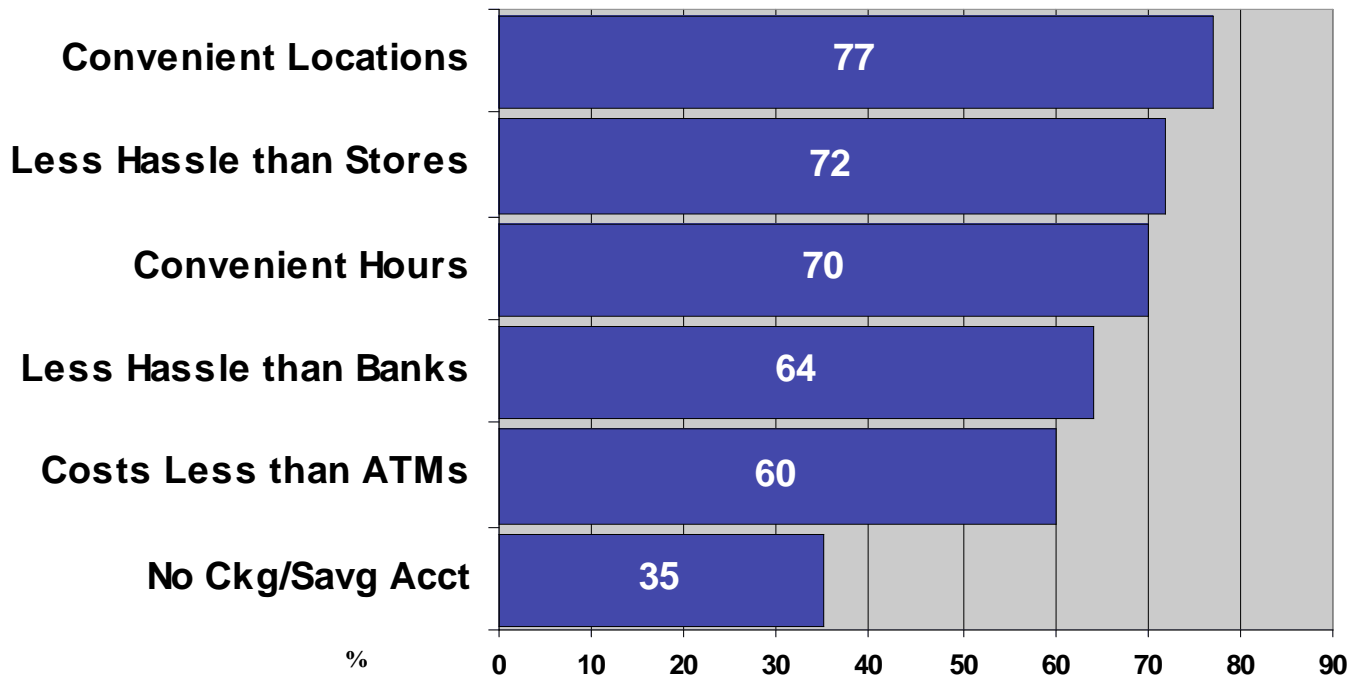
Myth: FSC's are used by the desperate as a last resort



“Most people use check cashers because of barriers placed in their way by mainstream banks...”

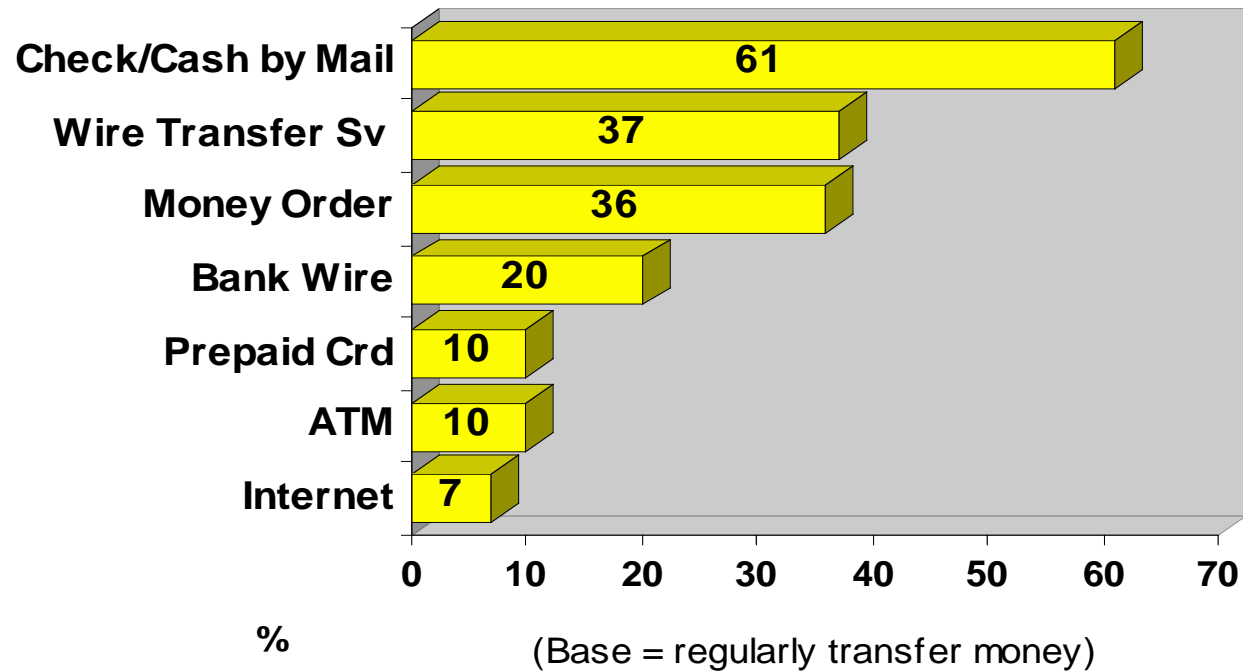
CA Reinvestment Coalition

Why do you use Check Cashers?



Underbanked Money Transfer Methods

These Underbanked consumers have one bank account yet use other remittance means by choice



Summary



- **Your industry is not expensive relative to the competition and the services you provide**
- **The Unbanked are NOT forced to use check cashers because there is no competition**
- **The Unbanked are not PREVENTED from having bank accounts, they choose not to**
- **The Unbanked do not use FSC's as a second choice because they can't get their first choice**

- **The Unbanked choose to use FSC's because of convenience, the right services and the right price; activists and some government representatives have created a problem where there is none**