THE BANKS HAVE FAILED US: POSTAL BANKING TO THE RESCUE

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Table of content

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INTRODUCTION

This paper will examine ways in which the United States Postal Service and Canada Post could solve critical national problems associated with banking. These problems include the increase in financial exclusion associated with the growth in unbanked and under-banked citizens in urban centres and inadequate access to banking services available to First Nations and people and small businesses in rural areas.

It includes geographic data which illustrates the magnitude of the geographic exclusion practiced by the banks in rural areas. Also it maps the proliferation of payday loan enterprises in large urban centres which exist to meet the unmet financial and banking needs of a growing section of the urban population.

The paper will demonstrate how the re-establishment of postal banking services in both the US and Canada may be a enormous opportunity to enhance the value of the postal service's retail locations, provide good jobs and provide services to an unbanked and under-banked population.

U.S. POSTAL SERVICE AND NON-BANK FINANCIAL SERVICES

POSTAL BANKING

Since the publication of a January 2014 U .S. Postal Service Office of Inspector General (OIG) white paper, "Providing Non-Bank Financial Services for the Underserved" (OIG 2014), the idea of non-bank financial services at Post Offices has captured the imagination of many people in the United States. It is widely recognized that many people in the United States do not have access to accessible, affordable financial services. This is a particularly acute problem for the working poor, who often rely on a patchwork of expensive, non-traditional financial service providers to fill the void left by the banks. In addition, the Great Recession, spawned in large part by the actions of the country's banking institutions, as well as rising bank account fees, have caused a number of people to rethink their relationships with their banks.

The OIG does a superb job exploring the idea of offering non-bank financial services at Post Offices, as a way to help the Postal Service generate revenue, and provide an accessible, affordable financial services option to the underserved and to people who would like a non-bank financial services option. They outline the extent of the financial exclusion problem, and propose ways in which the Postal Service might be able to help fill-in the void left by financial service providers.

While the OIG report has caused many to embrace the possibility of Post Office banking, there are some who say that the idea of offering non-bank financial services at Post Offices is far-fetched and risky. They argue that the Postal Service should not expand beyond traditional mail products because they do not have the capability to succeed at anything beyond current services. They point to the past few years of Postal Service reported net losses as evidence of ineptitude, and claim that these net losses mean the Postal Service is in no position to offer any new products. They argue that the existing network of banks and non-financial service providers already meet the needs of consumers, and that non-bank financial services carry a particularly high business risk for the Postal Service. Others simply do not believe the Postal Service has the authority to offer non-bank financial services under current law. Some even say that Postal Service employees are not up to the job of providing financial services.

While a few of these arguments may sound plausible, upon closer inspection, none is supported by strong evidence. All of these arguments ignore the fact that U.S. Post Offices successfully provided banking services in the relatively near past. For more than five decades, from 1911 through 1967, Post Office Department employees provided banking services alongside postal services (OIG 2014). Post Office banking gained popularity after the bank failures of the 1930's, and were frequented by low-income households and immigrants. By 1947, deposits with the Post Office reached \$3.4 billion (\$36 billion in today's dollars) spread among 4 million customers. Deposits fell to \$416 million by 1964 (about \$3 billion in today's dollars) as government guarantees for commercial bank deposits were strengthened, and banks offered higher interest rates than the Post Office bank accounts (OIG 2014). In

1967 the Post Office bank was closed. However, this past experience shows that a combination Post Office-Postal Banking Center has worked well domestically. With the largest network of brick-and-mortar retail locations in the United States, and many years of experience successfully providing money orders and remittances, the Postal Service and its employees are strongly positioned to offer accessible and affordable non-bank financial services.

This paper will take a closer look at the arguments that have been used against basic postal non-bank financial services, and demonstrate why they should not prevent the Postal Service from exploring its current authority to begin to offer non-bank financial services. This paper will also help the reader visualize how the Postal Service could complement the existing network of FDIC branch banks, by showing the size of the Postal Service's physical footprint compared to the FDIC branch bank network. In addition, it will take a look at Post Offices locations and FDIC bank branches in the U.S. States of Nevada and Kentucky to show how Post Offices could provide service at the State level. Finally, this section will conclude with a discussion of ways the Postal Service and its networks could be used for important public purposes.

More Than One Quarter of the United States Is Financially Underserved

Some claim that the existing network of commercial banks and non-bank financial service providers satisfies the needs of consumers in the United States. However, according to a January 27, 2014 USPS OIG white paper, millions of Americans lack access to basic financial services (OIG 2014). The USPS OIG cites the most recently published FDIC National Survey of Unbanked and Underbanked Households, which revealed there are 68 million financially underserved adults in the United States - more than a quarter of the country's adult population (OIG 2014). This is a shocking number of people in the United States who are financially underserved and a real opportunity for the Postal Service to step-in to fill an unmet need.

Financially Underserved: "Underbanked" and "Unbanked"

The OIG cites FDIC research that found at least 20% of U.S. households are "underbanked" and 8% of U.S. households are completely "unbanked" (OIG 2014).

The underbanked are defined as people who have a bank account but used at least one non-bank financial service during the past year, and the unbanked are defined as people who have no checking or savings account (OIG 2014). Together, the underbanked and unbanked form the “financially underserved” (OIG 2014).

According to demographic research from the FDIC, minorities, low-income residents, younger households, and the unemployed are particularly impacted this issue. The FDIC reports that nearly half of all households in these groups are financially underserved compared to slightly more than one-quarter of all households (FDIC 2011).

In the absence of accessible, affordable banking services, the financially underserved often turn to non-bank financial services such as check cashing, money orders, remittances, payday lending, pawn shops, rent-to-own agreements, and other similar services (OIG 2014). These services are generally much more expensive than traditional banking services, and can cost thousands of dollars per year in fees (OIG 2014). They are also much more unevenly regulated from State to State than FDIC-backed commercial banks (The Pew Charitable Trusts 2012).

“Fully Banked”, But Looking for Another Option

The OIG also notes that there are many people who are fully-banked, but are unhappy with their current banking services and are seeking alternatives (OIG 2014). This may be due to the trend over the past few years of banks charging increased fees for transactions and/or requiring customers to meet some deposit threshold in order to avoid monthly fees (sometimes a minimum balance, or requiring direct deposit of paychecks). One of the most notorious attempts at raising fees happened in late 2011 when Bank of America tried to charge $5 per month to debit card holders. This was met with consumer anger, and Bank of America eventually cancelled the increase (Son 2011). These days a free checking account, without conditions attached, is very difficult to find. Savings accounts are available, but often pay no interest or a token amount of interest. This is partially due to low market interest rates, but it also reflects the value that major banks place on customers who have low account balances. In addition, some people are also reluctant to do business with big banks due to their role in the financial crisis that caused the Great Recession. When banks foreclose on properties in a community, some residents have protested by closing their accounts with the banks.

Banking "Deserts" Are A Real Problem

Since 2009, banks have cut back on their total number of brick and mortar bank branches, but have made particularly deep cuts in low-income communities (OIG 2014). In 2009 there were nearly 100,000 bank branches in the United States. Last year, this number was reduced to around 98,000 (FDIC 2014). While a decline of 2,000 branches may not seem like a very drastic decline, this net number does not reflect how the banks are being reshuffled out of low-income areas and opened in more prosperous areas. For example, if a bank closes ten branches in a low-income area, and opens nine branches in a more prosperous area, the net change is only 1 bank, but the impact on the low-income area may be devastating.

Some communities have been left with no bank branches at all. The Wall Street Journal ran a story on January 27, 2014 titled, "U.S. Banks Prune More Branches, Migration to Mobile, Online Services Has Lenders Closing Local Outposts" (Chaudhuri 2014). This story focused primarily on the impact that mobile and online technology have had on bank branch networks, but it gave a very good example of the banking desert problem. In 2013 the only bank in Meigs, Georgia closed. The closure of the only bank in the town of 1,000 residents has forced people to drive about five miles to the next town to do their banking in a branch. According to the Megis, Georgia city clerk, "If someone doesn't have a car, it's going to cause a large impact" (Chaudhuri 2014). In situations such as these, perhaps co-locating basic non-bank financial services at the local Post Office could make a big difference for residents.

Bank Concentration

Four banks dominate the U.S. banking industry – Citigroup ($1.9 trillion of assets), JP Morgan Chase ($2.5 trillion of assets), Bank of America ($2.1 trillion of assets), and Wells Fargo ($1.5 trillion of assets) (SNL Financial 2013). Wells Fargo, the smallest of the four, is four times the size of the fifth largest bank by assets, Bank of New York Mellon ($372 billion of assets). Due to the concentration of assets among these four banks, the banking market sometimes resembles an oligopoly, or a market dominated by a small number of sellers. As a result, sometimes even if a community has a bank or banks, the options may seem limited. The size of the overall market and the dominance of a few players may be a good metric to consider when evaluating whether or not consumers have real "choice" even in areas where one or more of the largest banks maintains a branch.

NON-BANK FINANCIAL SERVICES - CURRENT AND PROPOSED LAW

EXISTING USPS AUTHORITY AND S. 1486 SECTION ON NONPOSTAL SERVICES

The Postal Service already has the authority to provide domestic and international money orders, as well as international electronic money transfers. It has successfully provided customers with these services for years. The Postal Service also has experience selling open-loop plastic gift cards (cards that can be used at any retailer) and closed-loop plastic gift cards (cards that can only be used at the named merchant). Some argue that the USPS lacks the authority to offer any non-bank financial services. However, according to the January 27, 2014 OIG white paper:

> *"The 2006 Postal Accountability and Enhancement Act (PAEA) generally prohibits the Postal Service from offering new nonpostal services [USPS OIG footnote to 39 U.S.C § 404(e)(2)]. However, given that the Postal Service is already providing money orders and other types of non-bank financial services, it could explore additional options within its existing authority."* (OIG 2014)

This comment suggests the Postal Service should carefully look at its existing authority to find out what it might be able to offer right away without any new authority.

For example, perhaps the Postal Service could offer a plastic card in place of money orders? The Postal Service already essentially "loads" cash onto paper-based money orders. Once cash is loaded onto a money order, the money order can be used to pay for any product or service that accepts paper money orders. As technology has changed over the years, and plastic card-based commerce has become very common, customers might want to load cash also onto plastic cards instead of paper money orders. Cash loaded onto a paper-based money order has been very useful for people who make a payment in person or in the mail. However, cash loaded onto a plastic card might have the expanded benefit of use in online shopping, a sector of the economy that is growing.

The item onto which the cash is loaded might not make a difference in terms of regulation, because the service provided by the Postal Service would be the same. Cash would be loaded onto a plastic card or paper money order in-person at a Post Office, or, might potentially be electronically loaded onto a plastic card via a direct deposit. This would immediately open up new possibilities for people who do not have access to traditional credit cards and debit cards and who want to access products that require a plastic card.

In addition to expanded cash loading options, perhaps the Postal Service could offer a "Post Office to Post Office" or "Post Office to Bank" money transfer service, under the same authority that allows it to currently process international electronic money transfers? The process would be the same – loading cash into an electronic format for transfer. The only difference would be the destination. This would also be an enhancement to an existing non-bank financial service offering.

In addition to the Postal Service exploring enhancements using its existing authority, Senate bill 1486, which was favorably reported out of the Homeland Security & Government Affairs Committee on February 6, 2014, also includes a full section called "Nonpostal Services". This section lays out several tests that the Postal Service would have to meet in order to introduce a new nonpostal product beyond its existing authority. Under this section, the USPS would be allowed to provide services that are not postal services if the provision of such services: (1) uses the processing, transportation, delivery, retail network, or technology of USPS; (2) is consistent with the public interest; (3) does not create unfair competition with the private sector; and (4) has the potential to improve the net financial position of USPS (S.1486 2014).

This section of the Senate bill recognizes that the Postal Service must have product flexibility to keep up with changing times and changing technology. It acknowledges the Postal Service is put at an unfair disadvantage when it cannot adapt its offerings as technology progresses, while at the same time protecting private industry. When revenue from one product declines due to changes in technology, the Postal Service should have the freedom to adapt its offerings. This section of S. 1486 will expand the Postal Service's ability to offer relevant non-postal products to consumers, including additional non-bank financial services, as long as the Postal Service meets the tests for new products. If the government wants the Postal Service to act more like a private company, adapting their products to their customers is what private companies do.

USPS National Network

Leveraging The Postal Network to Offer Non-Bank Financial Services

U.S. Post Offices have a ubiquitous presence across the United States. They are accessible to residents of large cities, suburban communities, and rural communities alike. Post Offices serve as a hub for residents in both low and high income communities, and have a much greater geographic reach than U.S. banks.

Brief USPS Overview

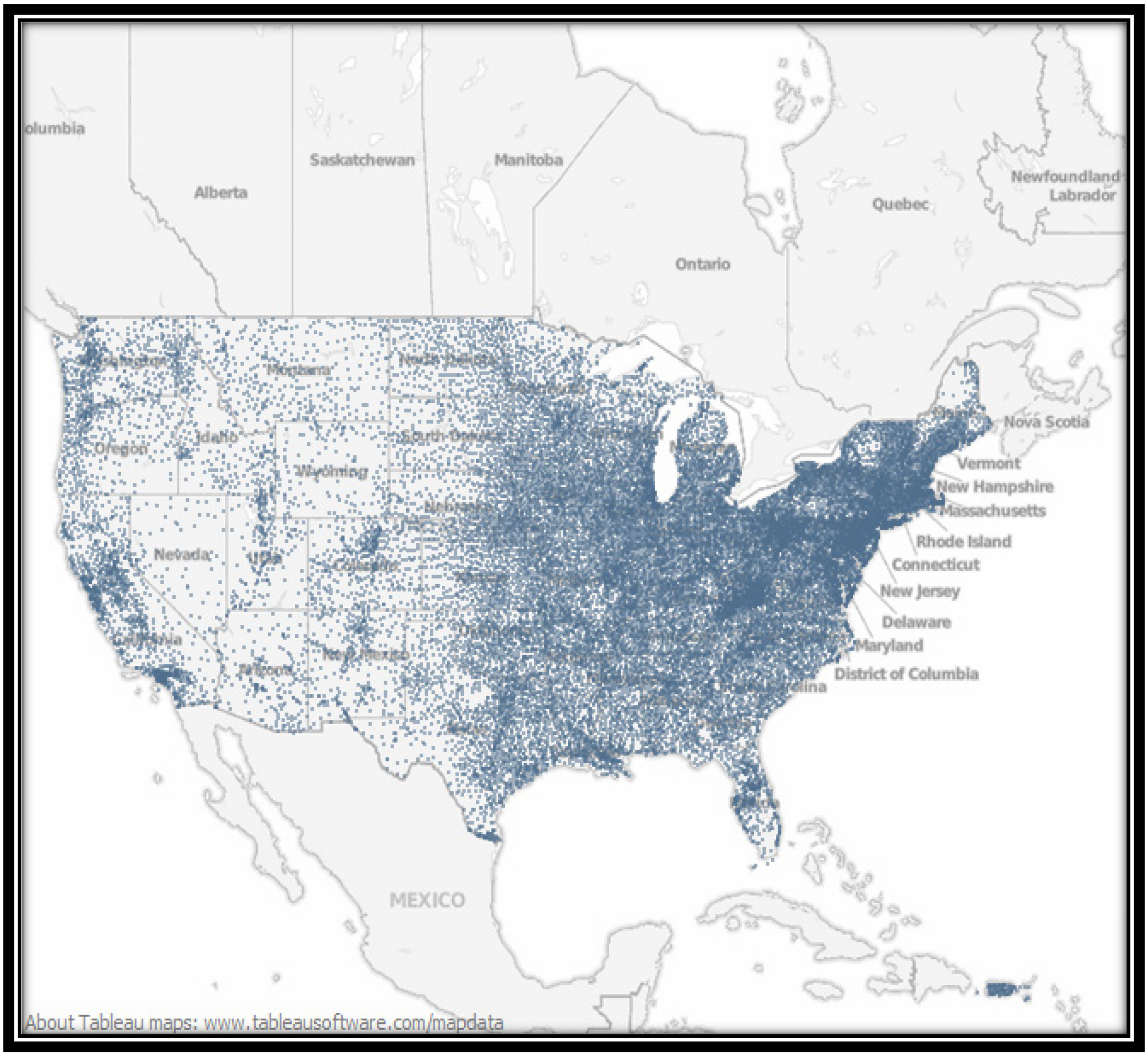
The United States Postal Service is the largest postal operator in the world, delivering 40% of the world's mail volume. Last year, the Postal Service generated $67.318 billion in operating revenue and delivered over 158 billion pieces of mail to 153 million delivery points across the United States (United States Postal Service 2013). The USPS has 491,000 career employees who live and work in communities in every U.S. State and territory and has one of the largest brick and mortar retail networks in the world. With more than 30,000 wholly-owned Post Offices, the USPS has a ubiquitous presence in urban, suburban, and rural communities in the United States. As a result, Post Offices could be the ideal venues for local residents who want good, affordable financial services, but do not have access to them otherwise due to geography or income.

A National Footprint Based on Geography

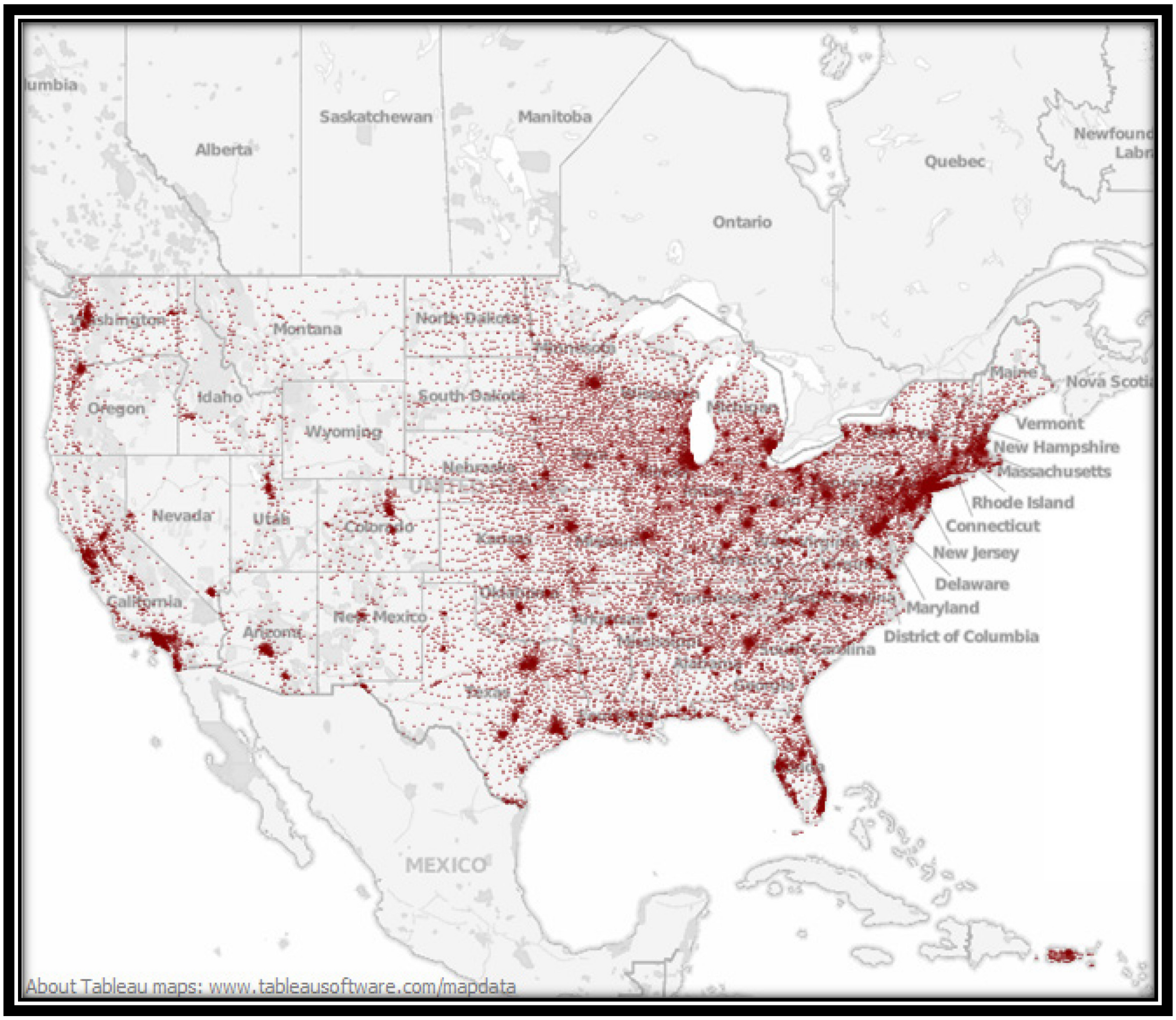
The following maps show clearly that Post Offices are spread throughout the United States in a much different way that FDIC insured banks. While FDIC banks are concentrated around population centers and economic centers in order to maximize returns, Post Offices are spread out geographically to offer Americans service. There are many postal zip codes where Post Offices and banks overlap, but there are also thousands of zip codes where there are no banks at all. These locations would be ideal places for the Postal Service to step-in to provide financial services.

On a very large scale, below are maps of the continental United States showing the density of FDIC banks around major cities, and the more geographically spread Post Offices. It is striking to think about these maps – while the Post Office map contains 30,000 individual sites, the FDIC branch bank map contains more than three times the number of sites (98,000 individual sites). However, due to geographic density, the USPS network appears much larger than the FDIC branch bank network.

Network of 30k Wholly-Owned Post Offices



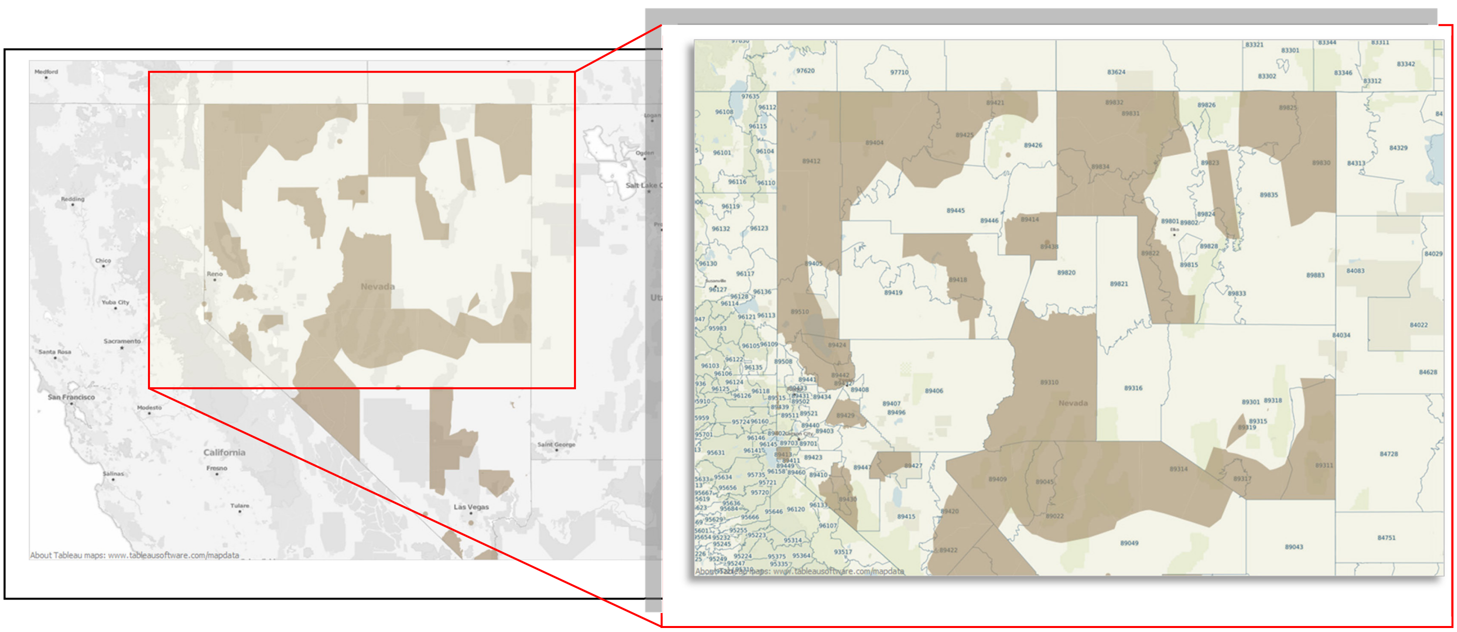
98k FDIC-Insured Bank Branches



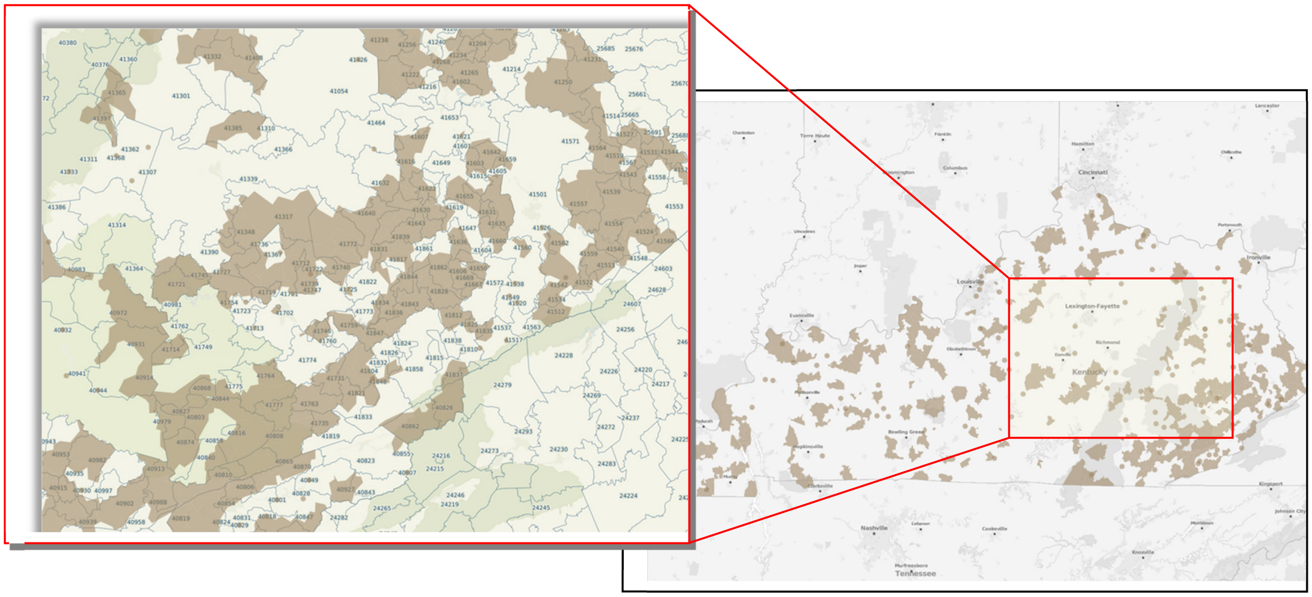
Nevada and Kentucky – State Geography

A closer look at two U.S. States, Kentucky and Nevada, provides another interesting visual representation of the relationship between Post Offices and bank branches. The maps below show all of the zip codes in the state, and highlight where there is no bank (a "banking desert"). These banking deserts could be ideal locations for offering Post Office financial services.

Nevada Banking Deserts – Zip Codes With No Banks (Shaded Zip Codes)



Kentucky Banking Deserts – Zip Codes With No Banks (Shaded Zip Codes)



The Postal Service Could Provide A More Accessible, More Affordable Alternative

Some argue that the Postal Service will face a moral dilemma in offering non-bank financial services. If it offers services such a small loans or check cashing for a fee, the Postal Service may generate revenue, but this revenue will come from people who are vulnerable, so the argument goes. This might be a valid concern if the Postal Service faced the same pressures as a publically held corporation. However, due to its ownership structure, the Postal Service does not face the same pressures.

Not Subject to Demands of Shareholders

As a public agency, the Postal Service could offer a different kind of service from those offered by shareholder-owned banking corporations, and shareholder-owned non-bank financial service providers. While the primary motivation for shareholder-owned banks and financial services companies will always be to maximize profits for shareholders, a Postal Service bank's offerings would motivated by a combination of what makes business sense for the Postal Service, and what makes sense for the people who live in communities. As a result, it is very likely that the Postal Service would offer services at a much cheaper cost to consumers than the big shareholder-owned corporations.

The pricing of Postal Service money orders provides some evidence of fair pricing. Postal money orders up to $500 cost only $1.25 per money order. Money orders from $500.01 to $1,000 cost just $1.65. Meanwhile commercial banks charge, on average, from $5 to $10 for a money order of any amount up to $1,000. So, if a customer wanted a money order for $100, they would have to pay 5-10% to a commercial bank. With the Postal Service, their rate would be just 1.25% - more than 4x less than the low-end cost at a bank.

POSTAL SERVICE FINANCES AND RISK

A few people have raised concerns about the Postal Service managing the financial risks that could come with more non-bank financial services. They also say that the Postal Service itself is in bad financial shape now, and non-bank financial services might put it into even worse shape. They say that even if the Postal Service could establish the systems and controls it would need for non-bank financial services, it would still have to charge rates that are just as astronomically high as payday lenders in order to compensate for borrowing risk.

POSTAL SERVICE BUSINESS FINANCES

The idea that the Postal Service is somehow going out of business soon is a myth that has been circulating for several years. More and more people are recognizing that the vast majority of the USPS bottom line losses have nothing to do with mail operations. While the Great Recession and e-substitution of letter mail did cause a decline in mail volumes and revenue, the primary driver of USPS losses since 2006 has been a Bush-era law that required the USPS to pre-fund nearly $56 billion of retiree healthcare benefits over a 10-year period. This requirement, unheard of in the private sector (or in any other government agency for that matter), has caused over 80% of the USPS losses from 2007-2013.

These manufactured pre-funding losses now account for 100% of the Postal Service's reported net losses since October 2012. Without the impact caused by this pre-funding mandate, last year the USPS would have reported net income of $623 million, and in 2014 is on track to make $1.1 billion (United States Postal Service 2014). So, in other words, aside from the pre-funding expenses, the Postal Service has profitable operations.

RISK IN POSTAL SERVICE LENDING OVERBLOWN

The first non-bank financial services offering would probably have nothing to do with lending, so the risk of loan repayment is not a near-term concern. Even if the

Postal Service eventually offers small loans to customers, the agency would not put itself into a high risk situation with borrowers. Other posts around the world have had many years of experience developing systems to mitigate credit risk and the U.S. Postal Service could consult with experts who have advised those posts. For example, in Brazil, banking services have been offered for years, and are currently available in more than 6,000 post offices. Correios, the Brazilain postal operator, provides postal banking services in partnership with a financial institution, Banco do Brasil. While loans would not receive the same low rates as money orders, there is a strong possibility that the Postal Service will be able to offer significant improvement in lending rates, as some companies charge high rates on payday loans in order to meet shareholder expectations for near-term financial returns.

A Real Risk - Product Concentration

One of the real risks for the Postal Service is its highly-concentrated product base. Unlike many other postal operators across the world, the USPS has a very high exposure to mail. In 2013, 94% of the Postal Service's revenue came from mail products (letter mail + packages, including international) (United States Postal Service 2013). This compares to countries such as Italy, where non-postal services generate 80% of their total revenue (Anderson 2013), or New Zealand, where KiwiBank comprises 70% of New Zealand Post Group profits (Anderson 2013).

The USPS package business is booming as e-commerce continues to grow at a rapid pace in the United States. Package revenue grew by 11.2% in the first 6 months of FY 2014 (United States Postal Service 2014). Letter Mail revenues have finally stabilized, and are projected to grow in 2014, but there is a continued decline in First-Class Mail volume. In addition, macroeconomic shocks tend to have a strongly negative impact on the mail business. So, an expansion of the USPS product base could help to add some much needed diversification to the business, spreading risk beyond traditional mail products.

Postal Banking Success Stories From Other Countries

There is strong precedent for a successful combined platform of postal services and banking services under one roof. Many countries have had great success offering a range of banking services alongside traditional postal services.

Countries such as Italy, France, and New Zealand, all have very successful postal banking operations. BancoPosta in Italy is the leading banking services provider in the Italian market, with 5.8 million customer accounts. It is also a leader in Europe in payment cards, having issued a total of 16 million payment cards, including 6.6 million debit cards and 9.6 million prepaid cards (Anderson 2013). In France, Banque Postale, created in 2006, now has 10.6 million customer accounts (in a country of 65 million people) as well as a number of corporate and institutional customers (Anderson 2013). Banque Postale has paid strong attention to the financially underserved in France. In New Zealand, Kiwibank has been a great success story. Over a 10 year period since its founding in 2002, Kiwibank has grown into a bank with 800,000 customers (in a country of 4.5 million people) and has focused on providing community banking service (Anderson 2013). These banking services have been good for the community and have offered new jobs for postal employees.

These examples of postal banking prove that the combination of postal services and banking services under one roof has been financially successful and popular with residents of other countries.

EMPLOYEES

A few people have commented that Postal Service employees could have difficulty handling non-bank financial services. Nothing could be further from the truth. Should the Postal Service branch out into other forms of non-bank financial services, such as check cashing, or small short-term loans, some additional training and technology would be needed. However, the postal workers themselves are very capable of successfully managing bank-type transactions. The Postal Service already conducts around 70% of the United States' entire money order business (OIG 2014). This kind of market share would not have been reached without skilled employees processing the transactions in Post Offices.

Postal employees already handle money orders and wire transfers for customers - transactions that involve the exchange of cash for physical and electronic non-bank financial services (paper money orders and electronic remittances to other countries). These transactions involve using computer-systems to complete the process of loading money onto a money order or transferring it electronically, as well as safeguarding cash, and accounting for receipts. Training for additional non-bank financial services offerings could be built on existing training for handling money orders and remittances. In the U.K., for example, postal workers receive around six weeks of training in banking services. It may be possible to create a comparable training program for U.S. postal workers.

CONCLUSION

This addition of basic postal banking services could be very beneficial for both the Postal Service and residents in communities across the United States. Basic postal banking services could generate more revenue for the Postal Service and could help millions of unbanked and underbanked American workers hold onto more of their own money. The Postal Service should explore its current authority to see what types of non-bank financial services it can offer immediately.

In the longer-term, the Postal Service should explore using its network for other public purposes. Postal banking deposits might be used to fund a national infrastructure bank, which would lend money to finance public infrastructure projects. The network could also be used to expand vote-by-mail in elections, a feature that helped increase participatory democracy in the U.S. States of Washington and Oregon. In addition, the Post Office could become a type of "front office" for many other federal, State, local and tribal government services, helping to facilitate better government services. In short, the Postal Service has a tremendous amount of untapped potential in its networks, which can be used to provide important services to communities across the United States.

POTENTIAL FOR POSTAL BANKING IN CANADA

There is a debate in Canada about postal banking. Opponents argue that banks in Canada are adequate and meet the needs of people. Canada Post President Deepak Chopra, for example, is on record as saying that there isn't "much demand in Canada for a more secure alternative to our current banks. (Chopra 2014)." Advocates disagree. They believe there are opportunities for postal banking because there is a need for more affordable and accessible service. Moreover, there is broad support for the concept.

The paper examines banking trends and problems in Canada. It looks at two case studies to determine whether banks are meeting the need for affordable and accessible financial and banking services. The paper also accesses opportunities for postal banking and outlines current support.

BANKING TRENDS AND PROBLEMS

The Canadian banking sector spares no effort to portray the Canadian banking industry as a model of stability and good management. While it is true that the

Canadian financial sector weathered the recent recession better than most other G7 countries this is largely a result of greater regulation on the part of the federal authorities. Even Stephen Harper, Canada's right wing Prime Minister, has grudgingly acknowledged that the nation avoided the sub-prime problem due to Canada's strong system of regulations and "activist regulators".

However despite their relative success, Canada's banks are failing to meet the needs of growing numbers of Canadians. In fact their enormous profitability is increasingly the result of service cutbacks, branch closures, foreign investments, and imposing fees for Canadians that are among the highest in the world.

Record Profits

The banking industry in Canada has consistently been among the most profitable sector of the economy.

Last year Canada's major banks reported profits of $ 29.4 Billion, the equivalent of approximately $918.00 for every citizen of the country.

Much of this money comes directly at the expense of non commercial bank fees charged to individuals holding accounts.

There are fees for using cheques, fees for using one's ATM card, fees for investing in mutual funds, fees for transferring a mortgage and fees for simply having an account with deposits at the bank.

More than half of all adult Canadians have a fee-based chequing account and pay, on average, bank service fees of $185.00 annually.

High Fees

A study conducted by Oxera Consulting Ltd. for the British Bankers Association of the banking fees in eleven countries(UK, Austria, Canada, France, Finland, Germany, Ireland, Italy, the Netherlands, Sweden and the USA) found that Canada placed among the three highest annual fees on current accounts for students, low income families and pensioners. Canadian banks had a much better record when it came to servicing medium and high income customers.

Not surprisingly the high fees charged by the banks are very unpopular in Canada. An extensive study of Canadian public opinion conducted by the market research company Pollara found that Canadians believe they are treated unfairly by banks with respect to fees for services. More than one-half (56%) of Canadians say that banks charge unfair service fees for chequing and other services, while 38% see them as fair, and 6% were undecided. However when it comes to services directed to home owners Canadians were much more likely to believe that they were receiving fair value.

Fully six in ten (58%) Canadians say that banks treat them fairly in regard to mortgages. In light of these findings, it is not surprising that the majority (70%) believes that banks profits are too high.

ATM fees are also very expensive in Canada. Although bit typically costs the banks in the range of $0.36 per transaction ATM fees in Canada often run in the $2.00 to $3.00 range and can cost up to $5.96. Canada's Official Opposition Party, the New Democratic Party is currently campaigning for a $0.50 cap to be placed on all ATM transactions.

DECADES OF RURAL CLOSURES

In many parts of the country the banks have simply given up providing banking services to the population.

During the period 1990 to 2012 Canada's population increased by over 20% yet the number of bank branches decreased by 22%, from 7,964 to 6,205.

The greatest areas of decline have been in rural Canada and in low income areas of urban centres. For example between 1993 and 2003, Newfoundland and Labrador lost 23% of their bank branches. Recent studies show that the vast majority of rural residents expect this trend to continue and are very concerned about it. For a further discussion of the lack of bank branches in rural Newfoundland and Labrador see section entitled Patterns and Potential for Postal Banking: Two case studies.

DELIBERATE EXCLUSION

There is also the issue of the deliberate attempts of Canadian banks to discourage low income people from availing themselves of their services.

The National Symposium on Financial Capability held in 2005 and sponsored by the Financial Consumer Agency of Canada, a federal government agency, described financial exclusion as a result of a variety of, often interrelated, factors.

It referred to five dimensions of financial exclusion:

1. restrictions to access through the processes of risk assessment and other bank procedures;
2. exclusion due to conditions and rules for financial products (like credit scoring, minimum balances, and overdraft) that make it difficult or inappropriate for the needs of certain subgroups;
3. exclusion based on the actual cost of owning a financial product or providing service to specific subgroups;
4. targeted marketing and sales that do not seek to gain business from certain subgroups; and
5. self-exclusion based on the unwillingness to access financial products or a belief that products are not appropriate for their circumstance.

All of these dimensions are active in Canada's banking system with the result that large numbers of Canadians have either no bank account or have abandoned their accounts leaving a zero balance.

MANY UNBANKED CANADIANS

The proportion of the Canadian adult population which can be characterized as unbanked is estimated as being anywhere between 3% and 15%. Surveys that simply ask if people have bank accounts typically arrive at the 3% number. However when respondents are asked if they have a bank account without a positive balance the figure rises to 12-13%.

There are also problems with the manner in which this data is collected and the way in which the population has been canvassed. Most major surveys are conducted by telephone asking people if they have a bank account. These surveys tend to exclude many low income people, the homeless and aboriginal persons on reserves.

This number does not represent the number of Canadians who have bank accounts but rely on fringe financial institutions for much of their financial needs. Nor does it reflect the situation of many rural Canadians who may have bank accounts but can rarely access banking services.

This is especially true of low income people and aboriginal persons. A study conducted in Prince George B.C. found that fully 50% of the aboriginal population that used fringe financial institutions had bank accounts. The reasons given for not using banking services included location, hours, placing holds on cheques, ID requirements, and the feeling that they were not welcome at banks.

PAYDAY LENDERS

Payday lenders have moved in and filled the void left by banks in many communities. This is not conjecture but the view of lenders themselves. As one company put it, there are opportunities for growth in the industry because of the “failure of commercial banks and other traditional financial service providers to address adequately the needs of lower and middle income individuals (ACORN 2004 12)”.

WHAT THEY ARE

The pay day lending industry in Canada is believed to have started in the early 1990s in response to a demand for small-sum, short-term credit.

Payday lenders provide short-term loans, normally for small amounts of money ($100 to $1,500). They take their name from the fact that they require loans to be paid back, with interest, before or when borrowers gets their next paycheck. Some pay lenders offer a number of other services including cheque-cashing, money transfers and pre-paid credit cards.

There were an estimated 1,200 lenders in 2004 and 1,350 in 2009, plus a number of internet and telephone lenders. According to reports from 2009, payday lenders generated approximately $2 billion in annual revenue. On average, people borrowed about $300 for a two-week period.

At present, 'Money Mart' is one of the largest payday lenders in the country with more than 500 branches. Until recently, Cash Store Financial had a similar number of locations operating under the names 'Cash Store' and 'Instaloans' (See update below). 'Cash Money' has about 140 branches, while 'CashMax', 'Cash 4 You' and 'Cash Canada Financial' have approximately 60 stores each. There are number of other smaller providers as well.

Canada's payday lending market is currently “worth about $2.5 billion in loan volume each year and consists of about 2 million customers (The Star April 26, 2014).”

WHAT THEY CHARGE

The Financial Consumer Agency of Canada estimates the cost of taking a $300 payday loan for 14 days is $63 (cost of interest, fees, etc.). This is equivalent to an annual interest rate of 547%, which is a usurious rate by most standards.

The Agency points out that the cost of other short-term borrowing for the same amount is much less expensive, such as a cash advance on a credit card ($7.42 or 64.5%), overdraft protection ($7.19 or 62.5%), or a line of credit ($5.81 or 50.5%).

Usury or the charging of exorbitant interest rates is a criminal act in Canada.

Under federal law, it is a criminal offence to charge an annual rate of interest that exceeds 60% (interest includes related fees, fines, penalties, or similar charges). But payday lenders and others charge annual interest rates that far exceed the maximum and get away with it.

Why is this? In Canada, the federal government has jurisdiction over interest rates while provincial governments have been given authority over the regulation and licensing of payday lenders.

In 2007, the federal government passed legislation exempting payday lenders from criminal prosecution so long as they restrict themselves to small loans of short duration, and are licensed by provinces that opt into a federally-defined regulatory scheme. This scheme enables provinces to regulate the payday loan industry on the condition of enacting consumer protection legislation and setting limits on the overall cost of borrowing. Most provinces have met these conditions.

Unfortunately, provincial limits allow payday lenders to charge much more than a 60% annual interest rate (Quebec is an exception). Even so, some lenders appear to be having difficulty respecting the provincial ceiling on the cost of borrowing. For example, in 2013, the province of Ontario issued a proposal to revoke all Cash Store/Instaloan licences for charging more than the legal maximum of $21 for every $100 borrowed, and for other issues. As a result, the company is not allowed to offer any payday loans or line of credit products in Ontario. Cash Store Financial has subsequently sought protection from creditors under the Canadian Companies' Creditors Arrangement Act (CCAA). The company has invoked the CCAA process so that it can restructure. (As of April 26, 2014).

WHO USES THEM

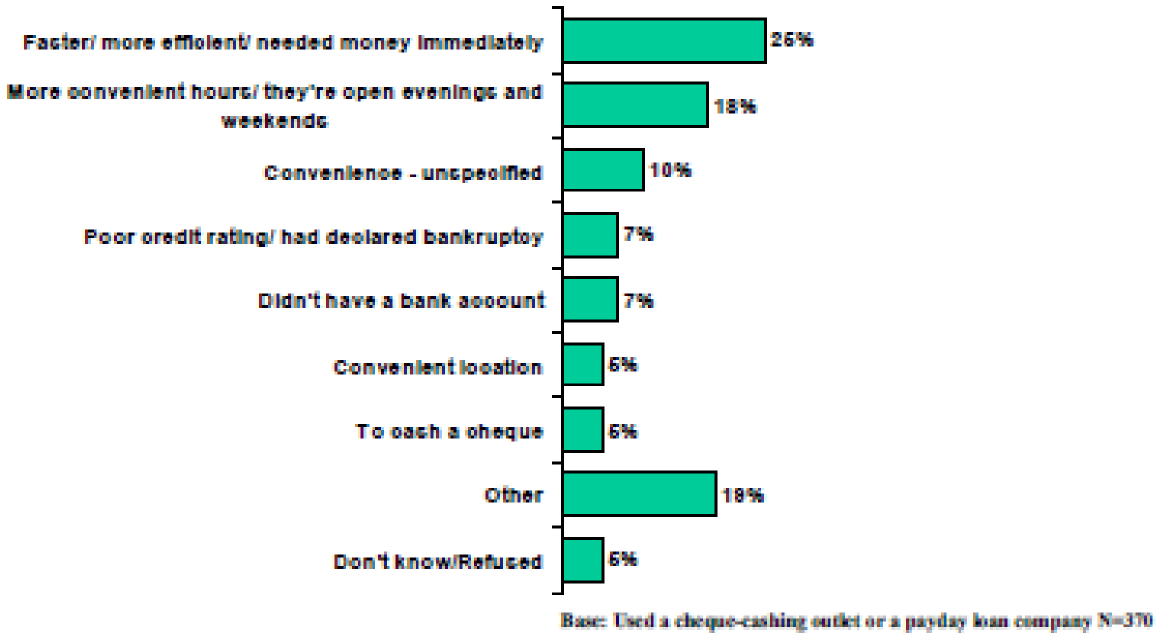
Statistics Canada surveyed 5,300 families in 2005 on the use of pay day loans.

This survey found:

- Age is key. Young families were three times more likely to have used payday loans than those aged 35 to 44, after controlling for other family characteristics.
- Families with little savings or no credit cards, particularly those who had been refused, were significantly more likely to have used payday loans.
- Families behind in bill or loan payments were more than four times as likely to have used payday loans, even after controlling for other key characteristics such as income and savings.
- Four in 10 families who borrowed money through payday loans had spending that exceeded income, substantially more than families who had not used payday loans.
- Almost half of families who used payday loans had no one to turn to if they faced financial difficulty. More than one-quarter reported that they could not handle an unforeseen expenditure of $500, and nearly half could not handle one of $5,000.

The survey concluded by saying that while the findings "do not directly tell us why families borrow through payday loans, important indicators of past and current financial difficulties suggest that families who do have few other options. (Statistics Canada 12)"

An Ipsos Reid poll from 20O5 provides some guidance on why people borrow through payday lenders. This poll asked "Why have you used a cheque-cashing or payday loan service instead of using the services of a regular financial institution, such as a bank, credit union *or* caisse populaire (Financial Consumer Agency of Canada 2005 11)?"



Source: Financial Consumer Agency of Canada and Ipsos-Reid, "Public Experience with Financial Services and Awareness of the FCAC," 2005.

While the 2005 Statistics Canada survey reported that less than 3% of families had taken out a payday loan within the previous three years, the Ipsos Reid poll found that about 7% of respondents had used a cash-chequing or pay day loan company at some point. Twenty-two percent (22%) of poll respondents used these companies at least once a month. This suggests that quite a few people may be stuck in a cycle where they are regularly cashing cheques early or taking out loans to pay off loans, thereby increasing their debt load.

Based on the above information, it is fair to say that quite a few of the people needing small loans and cash-chequing services are young. Many are in financial difficulty. In addition, more than one out of every five payday loan users appears to rely on small loans and cash-chequing to get by every month.

A recent poll conducted for the Canadian Payroll Association suggests that a huge number of Canadians are just one step away from needing a quick loan. 42% of poll respondents said they would be in financial trouble if their pay was delayed by just one week.

At the moment, payday lenders are meeting the demand for small loans and cheque-cashing services, but at predatory rates. Banks do not appear to be interested in this market or willing to meet the needs of customers (immediate service/money, cheque-cashing, etc.). It is reasonable to conclude that there is a desperate need for a service provider in Canada that is willing to provide fair and accessible small loans as well as other credit products.

A closer and more current examination of payday lenders, banks and post offices reveals more.

PATTERNS AND POTENTIAL FOR POSTAL BANKING: TWO CASE STUDIES

The Canadian Union of Postal Workers contracted with geographer Rob Fiedler to map Canada Post's retail network (public and private outlets), Canada's "big six" banks, and major payday loan chains in two locations: the Greater Toronto and Hamilton Area (GTHA) and the province of Newfoundland and Labrador (See Appendix A: Methodology).

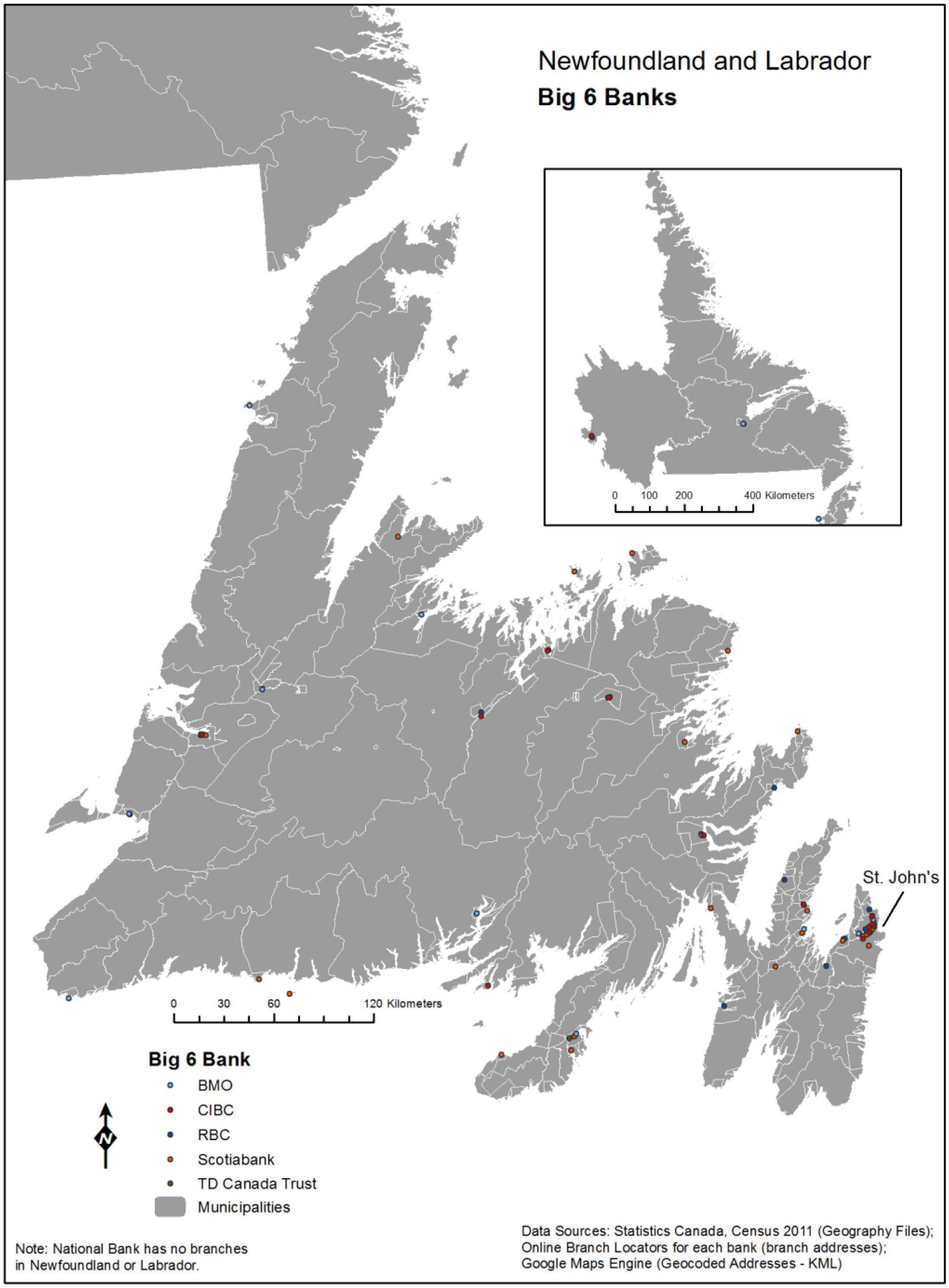
The objective of the mapping exercise was to:

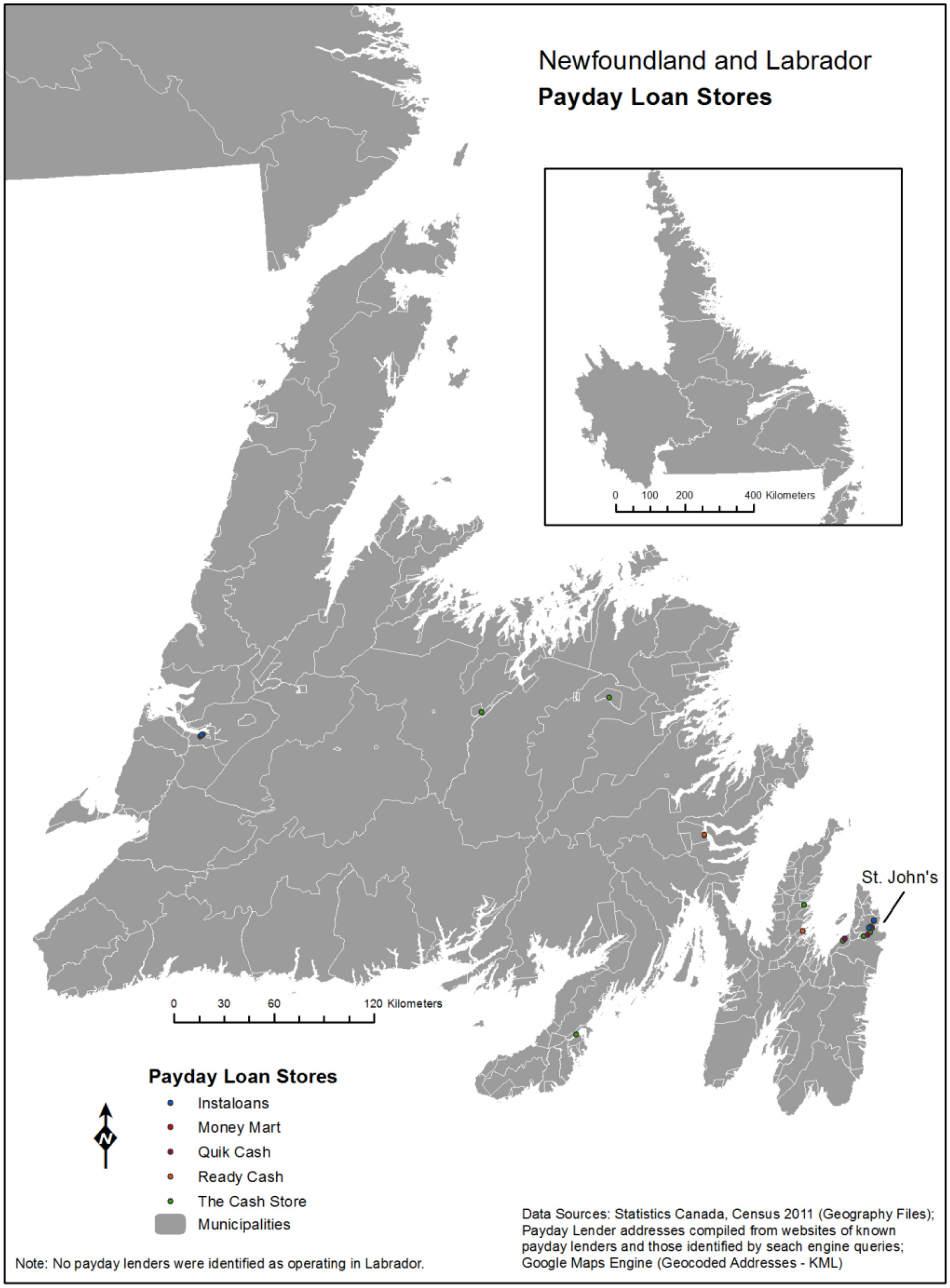
1) Reveal the spatial distribution of Canada Post locations, "Big Six" bank branches, and payday loan stores.
2) Explore the geographic context for postal banking.
3) Identify urban/rural differences.

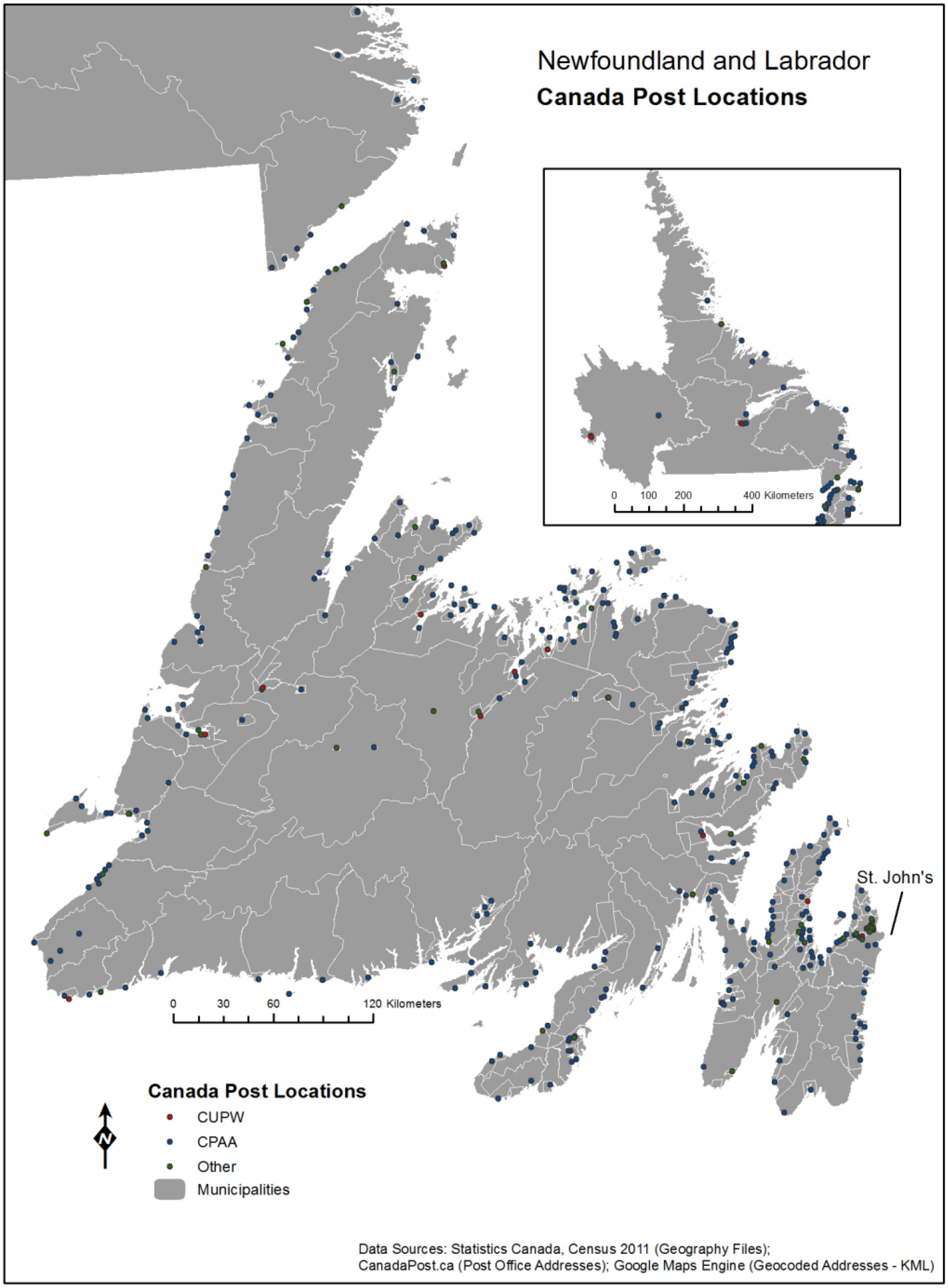
NEWFOUNDLAND AND LABRADOR

Newfoundland and Labrador is the easternmost province in Canada. It has a population of close to 527,000. Most inhabitants live along the coast, and about one-fifth of the population lives in the provincial capital of St. John's.

The mapping exercise revealed that there are 101 banks in Newfoundland and Labrador, 21 payday lenders and 397 Canada Post outlets. In 235 communities, there is a post office but no bank (See Appendix B).


Newfoundland and Labrador
Big 6 Banks
0 100 200 400 Kilometers
St. John's
0 30 60 120 Kilometers
Big 6 Bank
BMO
CIBC
RBC
Scotiabank
TD Canada Trust
Municipalities
Note: National Bank has no branches in Newfoundland or Labrador.
Data Sources: Statistics Canada, Census 2011 (Geography Files); Online Branch Locators for each bank (branch addresses); Google Maps Engine (Geocoded Addresses - KML)


Newfoundland and Labrador
Payday Loan Stores
0 100 200 400 Kilometers
St. John's
0 30 60 120 Kilometers
Payday Loan Stores
Instaloans
Money Mart
Quik Cash
Ready Cash
The Cash Store
Municipalities
N
Note: No payday lenders were identified as operating in Labrador.
Data Sources: Statistics Canada, Census 2011 (Geography Files); Payday Lender addresses compiled from websites of known payday lenders and those identified by seach engine queries; Google Maps Engine (Geocoded Addresses - KML)


Newfoundland and Labrador
Canada Post Locations
0 100 200 400 Kilometers
St. John's
0 30 60 120 Kilometers
Canada Post Locations
CUPW
CPAA
Other
Municipalities
N
Data Sources: Statistics Canada, Census 2011 (Geography Files);
CanadaPost.ca (Post Office Addresses); Google Maps Engine (Geocoded Addresses - KML)

The mapping exercise showed that 63.4% of the population (not including the City of St. John's) lives within two kilometres of a postal outlet, but only 32% of people live within two kilometres of a bank.

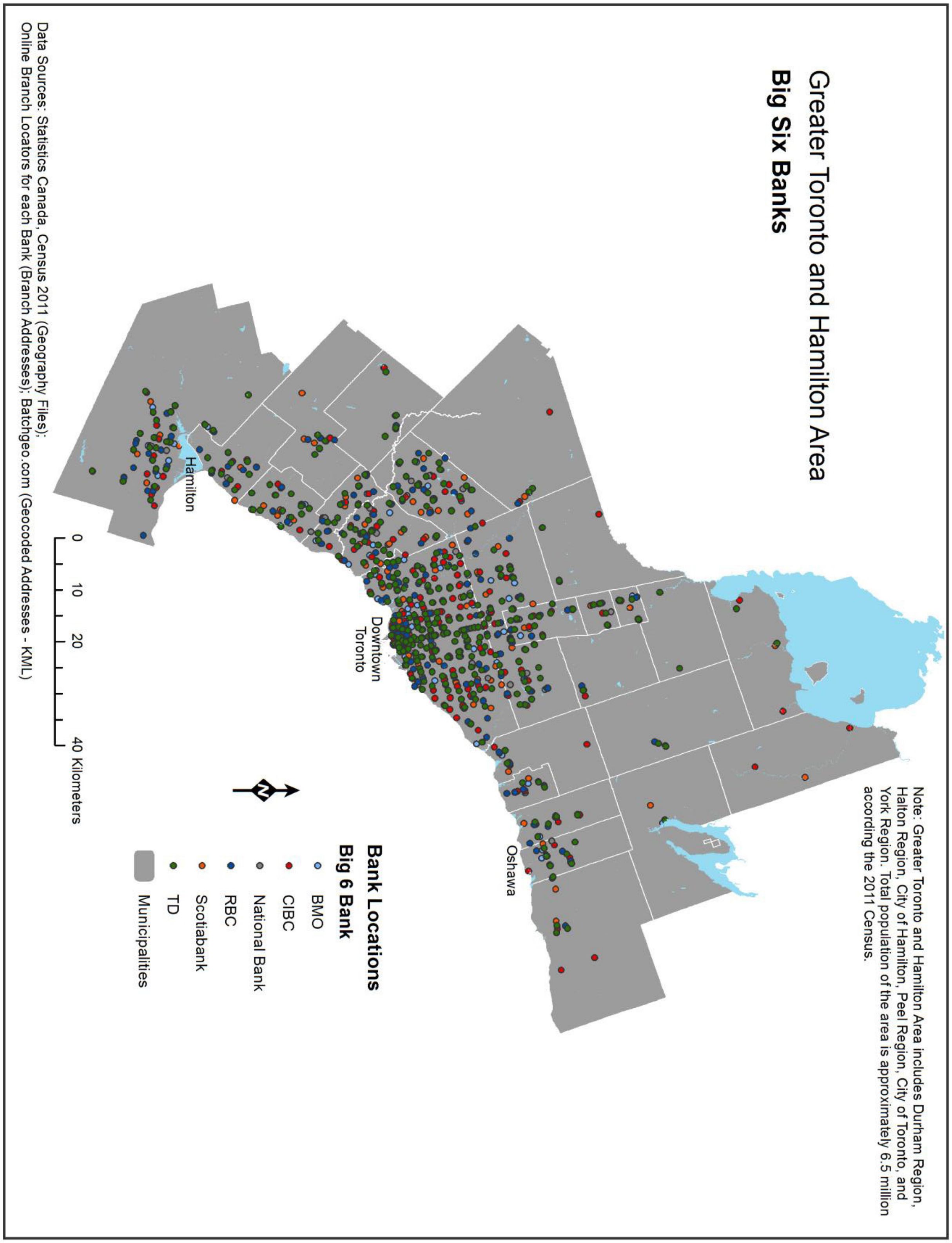
In addition, while 2.5% of the population (not including the City of St. John's) lives more than 10 kilometres from a postal outlet, an astonishing 44% of people live more than 10 kilometres from a bank.

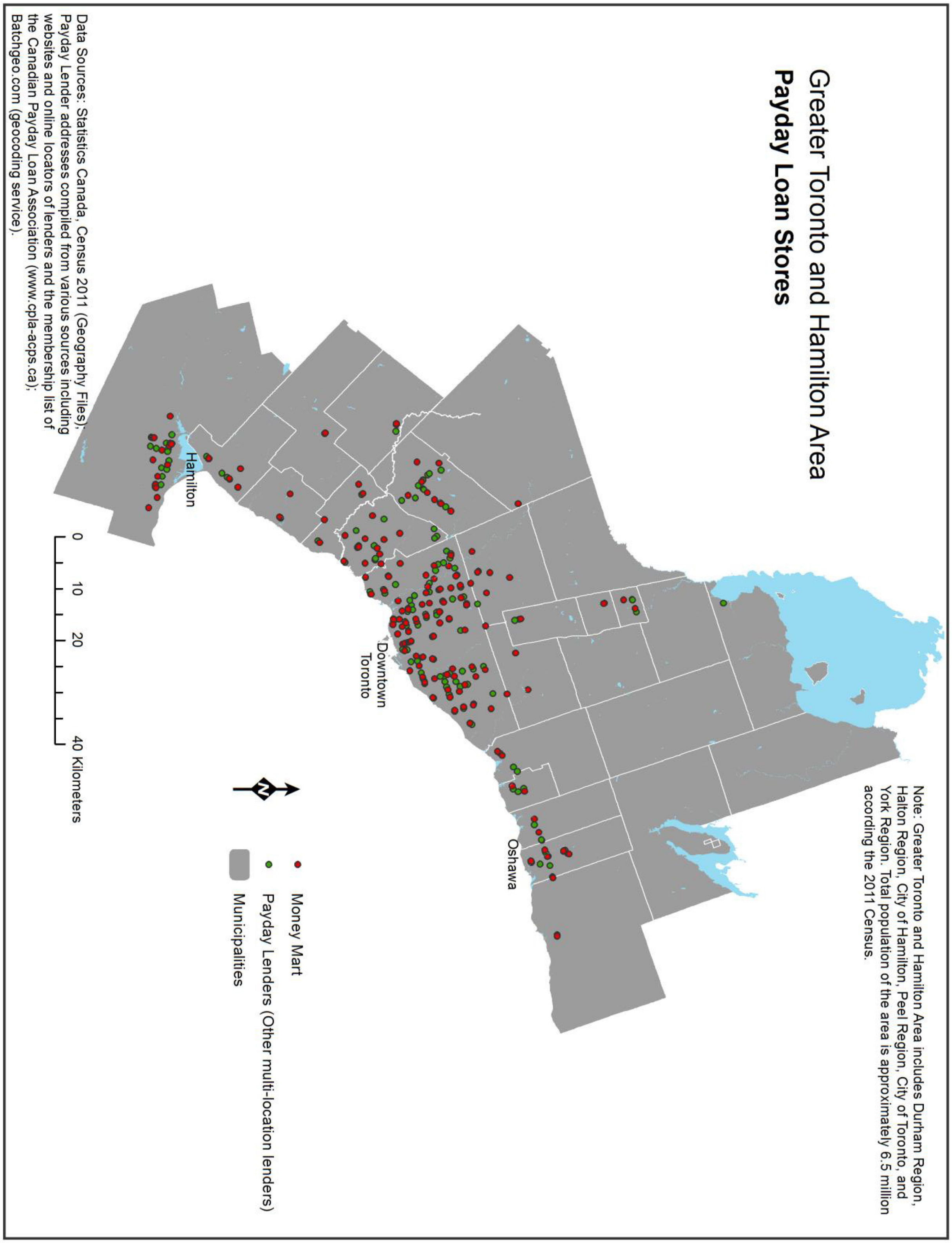
Fiedler's findings strongly suggest that there is a geographic-based need for additional banking services in Newfoundland and Labrador that could be filled by a postal bank.

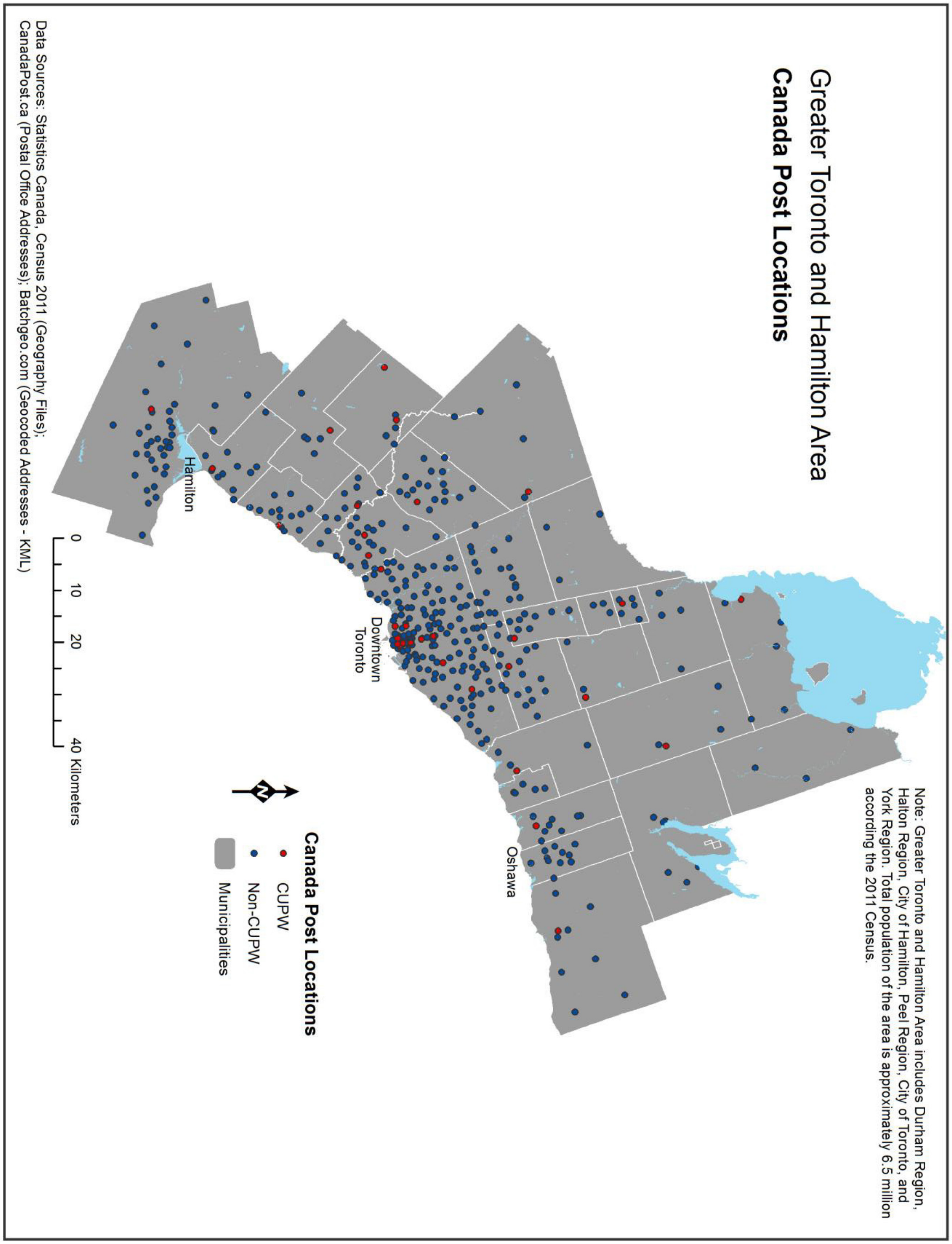
Greater Toronto and Hamilton Area

The GTHA is the largest, largely urban region in Canada. It is located in the province of Ontario and consists of the cities of Toronto and Hamilton, and the regional municipalities of Durham, Halton, Peel and York. The GTHA has population of about 6.5 million residents, 2.6 million of which live in Toronto.

The mapping exercise revealed that there are 1,270 banks in the GTHA, 326 payday lenders and 424 Canada Post outlets (72 corporate outlets, 352 franchises).


Greater Toronto and Hamilton Area
Big Six Banks
Note: Greater Toronto and Hamilton Area includes Durham Region, Halton Region, City of Hamilton, Peel Region, City of Toronto, and York Region. Total population of the area is approximately 6.5 million according the 2011 Census.
Hamilton
Downtown Toronto
Oshawa
0 10 20 40 Kilometers
N
Bank Locations
Big 6 Bank
BMO
CIBC
National Bank
RBC
Scotiabank
TD
Municipalities
Data Sources: Statistics Canada, Census 2011 (Geography Files);
Online Branch Locators for each Bank (Branch Addresses); Batchgeo.com (Geocoded Addresses - KML)


Greater Toronto and Hamilton Area
Payday Loan Stores
Note: Greater Toronto and Hamilton Area includes Durham Region, Halton Region, City of Hamilton, Peel Region, City of Toronto, and York Region. Total population of the area is approximately 6.5 million according the 2011 Census.
Hamilton
Downtown Toronto
Oshawa
0
10
20
40 Kilometers
N
Money Mart
Payday Lenders (Other multi-location lenders)
Municipalities
Data Sources: Statistics Canada, Census 2011 (Geography Files); Payday Lender addresses compiled from various sources including websites and online locators of lenders and the membership list of the Canadian Payday Loan Association (www.cpla-acps.ca); Batchgeo.com (geocoding service).


Greater Toronto and Hamilton Area
Canada Post Locations
Note: Greater Toronto and Hamilton Area includes Durham Region, Halton Region, City of Hamilton, Peel Region, City of Toronto, and York Region. Total population of the area is approximately 6.5 million according the 2011 Census.
Hamilton
Downtown Toronto
Oshawa
0
10
20
40 Kilometers
N
Canada Post Locations
CUPW
Non-CUPW
Municipalities
Data Sources: Statistics Canada, Census 2011 (Geography Files); CanadaPost.ca (Postal Office Addresses); Batchgeo.com (Geocoded Addresses - KML)

Fiedler found that payday lenders shadow the banks in the GTHA, except in the more rural areas on the northern, eastern and western periphery.

76.4% of payday lenders are located within a 1/2 kilometre of a bank and a full 99.4% are found within two kilometres. There are virtually no payday lenders located in the aforementioned peripheral areas.

This shows that payday loan stores are not filling a geographic need and are likely filling needs that banks are not (e.g. more respectful treatment, cheque-cashing without holds, etc.). That is, banks appear to have problems with financial inclusion. Arguably, it would be better to solve these problems through postal banks rather than predatory payday lenders.

Fiedler also found that Canada Post outlets are located in close proximity to banks and pay day lenders. 88% are found within one kilometre of a bank and 93.4% are within two kilometres. 41.3% are situated within one kilometre of a payday lender and 61.8% are within two kilometres.

The findings show that Canada Post is close enough to payday lenders to provide an alternative.

The results for both the GTHA and Newfoundland and Labrador indicate the corporation has enough reach to do postal banking.

SUPPORT FOR POSTAL BANKING IN CANADA

There is considerable and growing support for postal banking in Canada.

FEDERAL POLITICAL PARTIES

All parties within Canada's Parliament, except for the governing Conservative Party, are interested in postal banking. Some are calling on Canada Post to add banking while others think it makes sense to explore the merits of adding this service.

The New Democratic Party (NDP), the official opposition party in Canada's House of Commons, has encouraged Canada Post to deliver lucrative financial and banking services instead of cutting services and hiking postage rates. The NDP thinks there is "an excellent business case for the return of postal banking, providing services and meeting needs not met by the traditional banking sector (Canada House of Commons 2206*)."* The Liberal Party of Canada says the merits of postal banking should be explored in the context of several different options for the future of

Canada Post. The Bloc Quebecois has suggested that Canada Post follow the example of other post offices that provide financial services to help improve its bottom line. The Green Party believes Canada Post could diversify, remain competitive and provide the kind of service Canadians expect by offering postal banking.

Municipalities

Over 300 municipalities have passed a resolution in support of adding banking services at Canada Post.

Organizations and unions

A wide range of groups throughout Canadian society are solidly behind the idea of adding banking services at Canada Post. The following unions and groups attended a media conference in support of postal banking on October 16, 2013: the Canadian Union of Postal Workers, the Canadian Postmasters and Assistants Association (CPAA), the Association of Community Organizations for Reform Now (ACORN) and the National Farmers Union (NFU). The Canadian Community Reinvestment Coalition (CCRC) was unable to attend but sent a statement backing the concept of providing basic banking services for all through postal outlets. Similarly, representatives of the following organizations attended a speaking event on October 19, 2013 in support of ensuring universal public postal service through the addition of new services such as postal banking: Rural Solidarity, Integration of Persons with Disabilities, Coalition of Union Retirees, National Council of the Unemployed, Regional Council for Metropolitan Montreal and the Quebec Federation of Labour.

Public

Canadians like the idea of Canada Post making money through financial services according to a poll from April 2014. Close to two out of every three respondents (63.5%) supported Canada Post expanding revenue-generating services, including financial services like bill payments, insurance and banking.

Poll results were drawn from a Stratcom national online survey which interviewed a nationally representative sample of 1,512 randomly selected adult Canadians between April 9th and April 10th, 2014.

Postal workers

The Canadian Union of Postal Workers (CUPW) and the Canadian Postmasters and Assistants Association support postal banking. CUPW launched a campaign called “Banking on a Future for Canada Post” in October 2013. The campaign aims at adding financial services and introducing banking at Canada Post in order to raise postal revenues, preserve public postal service and increase access to financial and banking services. To date, CUPW has managed to make postal banking part of the national conversation about the future of Canada Post.

Postal management

Although the current president of Canada Post does not favour postal banking, many of his predecessors have considered and even promoted the notion of Canada Post getting more involved in financial services.

In 1982, Michael Warren argued for an increase in financial services at retail counters. Warren said that there were 2,000 communities in Canada which had a post office but no bank and suggested that the postal service could step into this service vacuum. In 1998, André Ouellet told a parliamentary committee that Canada Post used to provide banking services and suggested that the corporation could do it again. In 2010, Moya Greene told a standing committee of Canada's Senate that she was giving serious consideration to providing "a more traditional and generalized banking offer (Canada, Senate 4:48)."

In addition, Canada Post management conducted a secret four-year study on postal banking (2009 – 2013), which appears to indicate that getting into financial services would be "a win-win strategy" and a "proven money-maker" for the corporation. An online media outlet obtained study documents through an Access to Information request. 701 of 811 pages were redacted. To date, Canada Post President Deepak Chopra has refused to release study documents in their entirety.

Research

In 2005, Canada's Library of Parliament produced a research paper arguing in favour of Canada Post offering financial and banking services. The paper pointed out that "today's postal administrations can either sink, while continuing to complain about declining mail volumes and electronic alternatives in the world of rapid technological change, or swim, by harnessing new technology, forming new business partnerships, and adopting new ways of doing business to create new products and services that will help them boost their performance and their earnings. From this perspective, the financial services option would seem to be the logical way to ensure the Canadian postal system's viability (Library of Parliament 20)."

In June 2013, CUPW presented a paper entitled *Banking on a Future for Posts* at the Rutgers Conference on Postal and Delivery Economic. This paper looked at the financial and banking services provided by postal administrations in Brazil, France, India, Italy, Switzerland and the United Kingdom. It examined how these services have contributed to the economic situation of the aforementioned post offices and discussed the potential for adding similar services at Canada Post. The paper found that postal banking was lucrative and that it also had social and economic benefits. It suggested that Canada Post would be wise to consider a variety of postal banking models to ensure that it is able to maximize service to the public, meet its objective of financial self-sufficiency and promote financial inclusion, especially in rural and low-income areas where banks do not compete or provide adequate service.

In October 2013, the Canadian Centre for Policy Alternatives, released a study called *Why Canada Needs Postal Banking.* This study looked at the changing banking environment in Canada as well as Canada Post's experience with banking. In addition, it reviewed the status of postal banking around the world, highlighting five successful models in the United Kingdom, France, Italy, Switzerland and New Zealand. After establishing that there is a need for improved financial services in Canada and viable models in other countries, the study concluded by suggesting possible models for postal banking in Canada. It recommended that the federal government and Canada Post immediately establish a task force to determine how to deliver new financial services, and establish priorities for delivering new products.

CONCLUSION

This paper shows that it is a myth that the "Big Six" banks in Canada provide good service. It demonstrates that there is a clear need for an alternative to these financial institutions and the payday lenders that have stepped in to do what the banks are not.

The Newfoundland and Labrador case study indicates that there is a need for financial and banking services in rural areas. It reveals that hundreds of thousands of people in this province have to travel long distances to get financial and banking services. If this province is indicative of the overall country, millions of rural residents in Canada are wanting.

The GTHA case study shows that payday lenders are flourishing right beside banks. It indicates that banks are not providing people with adequate or accessible services and that, as a result, a considerable segment of the population is using payday lenders who charge outrageous amounts for their services. This suggests that there is a desperate need for fair and accessible small loans as well as other credit products in urban areas.

In short, the banks have failed to provide Canadians with affordable and accessible service. It would therefore make perfect sense to bring postal banking to the rescue.

APPENDIX A

METHODOLOGY

Address information for each Canada Post location and Big "Six" Bank branch was collected using locators provided by Canada Post and each of the Big "Six" banks on their corporate websites. Collecting addresses for Payday Lenders utilized multiple sources. The Canadian Payday Loan Association maintains a list of its members which includes most of the major chains, including Money Mart (but not the Cash Store). Their members list provided the foundation from which additional searching using 411.ca and Google identified other providers. The Ontario Ministry of Consumer Services also maintains a searchable database of registered/licensed Payday Lenders (a list of all results for the GTHA was created). For simplicity only multi-location or chain store Payday Lenders were mapped for analysis (not all payday lenders are licensed, the Cash Store, being the most obvious, but also it isn't always clear from the database what the precise nature of each licensee's business is or whether it involves a storefront/retail business). A final point must be made in relation to completeness. Despite considerable efforts to ensure that all locations were identified and included in the dataset for geocoding, missed locations are possible given the nature of the search process and number of addresses (online locators are designed to aid in finding the nearest branches to a location, rather than all branches within a designated area like a city or region).

Geocoding was done by processing the addresses stored in MS Excel tables using Batchgeo.com (GTHA) and Google geocoding service (Newfoundland and Labrador). Each service takes the address information provided and attempts to match it to property or building parcels or street addresses, and if these fail to place name and/or postal code. Manual adjustment is required where the geocoding services address locator fails to find an exact match (this can result from mismatched names or conflicting or ambiguous addresses ... i.e. more than one match is found). Both services return geocoded results in KML format (i.e. Google Maps or Google Earth compatible files). KML files can be imported into ESRI ArcGIS 10 and converted to Shapefiles for spatial analysis (technical detail).

The proximity and coverage analysis was completed in ESRI's ArcGIS software using a mix of attribute and spatial queries (Select by Attribute and Selection by Location). Canada Post locations, Big "Six" Bank branches, and Payday Loan Stores each form a separate point layer that can be used to measure distances between locations and capture census polygons found within specified distances (hypothetical service or trade areas). In practice, this means determining which dissemination blocks, dissemination areas, or census tracts have their centroids (geographic centres) within a specified distance of a Canada Post location, Bank branch, or Payday Loan store or determining how many Canada Post locations, Bank branches, or Payday Loan stores are within a specified distances of each other. These figures can be calculated for the entire dataset or any subset or selection of features (points or polygons) desired.

Note: dissemination blocks (DBs), dissemination areas (DAs), and census tracts (CTs) are the main areal units used for small-area or neighbourhood-scale analysis (i.e. sub-municipal). They are nested and are created by Statistics Canada by aggregating individual household responses. The publication of census data requires individual anonymity be protected. DBs are very small and only include population and dwelling counts, while DAs and CTs include a wide-range of information on social, cultural, and economic characteristics of residents.

Detailed explanations of census geography can be found at: http://www12.statcan.gc.ca/census-recensement/2011/ref/overview-apercu/pop9-eng.cfm

APPENDIX B

COMMUNITIES IN NEWFOUNDLAND AND LABRADOR WITH A POSTAL OUTLET BUT NO BANK

Trepassey

St. Shott's

Division No. 1, Subd. U

Cape Broyle

Renews-Cappahayden

Fermeuse

Aquaforte

Ferryland

St. Vincent's-St. Stephen's-Peter's River

St. Mary's

Mount Carmel-Mitchells Brook-St. Catherine's

Colinet

Branch

St. Bride's

Division No. 1, Subd. B

Fox Harbour

Division No. 1, Subd. A

Long Harbour-Mount Arlington Heights

Southern Harbour

Come By Chance

Sunnyside

Chance Cove

Norman's Cove-Long Cove

Chapel Arm

Division No. 1, Subd. Y

Division No. 1, Subd. E

Heart's Delight-Islington

Division No. 1, Subd. F

Winterton

Hant's Harbour

Division No. 1, Subd. G

Old Perlican

Bay de Verde

Victoria

Upper Island Cove

Spaniard's Bay

Division No. 1, Subd. L

Division No. 1, Subd. M

Clarke's Beach

Cupids

Brigus

Division No. 1, Subd. O

Colliers

Conception Harbour

Avondale

Harbour Main-Chapel's Cove-Lakeview

Wabana

Portugal Cove-St. Philip's

Pouch Cove

Bay Bulls

Witless Bay

Division No. 2, Subd. E

Lewin's Cove

St. Lawrence

Lawn

Lamaline

Division No. 2, Subd. H

Frenchman's Cove

Fortune

Garnish

Division No. 2, Subd. I

Division No. 2, Subd. C

Rushoon

Red Harbour

Baine Harbour

St. Bernard's-Jacques Fontaine

Division No. 2, Subd. L

Division No. 2, Subd. K

Little Bay East

Rencontre East

St. Jacques-Coomb's Cove

Belleoram

Pool's Cove

Seal Cove (Fortune Bay)

Hermitage-Sandyville

Gaultois

Division No. 3, Subd. D

Milltown-Head of Bay d'Espoir

Division No. 3, Subd. E

Division No. 3, Subd. F

Burgeo

Isle aux Morts

Burnt Islands

Division No. 3, Subd. I

Rose Blanche-Harbour le Cou

Samiajij Miawpukek

Division No. 4, Subd. A

Division No. 4, Subd. B

Division No. 4, Subd. C

St. George's

Division No. 4, Subd. D

Gallants

Stephenville Crossing

Division No. 4, Subd. E

Cape St. George

Lourdes

Port au Port West-Aguathuna-Felix Cove

Mount Moriah

York Harbour

Norris Arm

Division No. 6, Subd. E

Glenwood

Bishop's Falls

Peterview

Botwood

Badger

Millertown

Buchans

Division No. 7, Subd. M

Division No. 7, Subd. L

Port Rexton

Elliston

Trinity Bay North

Division No. 7, Subd. G

Keels

King's Cove

Division No. 7, Subd. F

Division No. 7, Subd. E

Musgravetown

Port Blandford

Traytown

Division No. 7, Subd. D

Savage Cove-Sandy Cove

Eastport

Sandringham

Salvage

Gambo

St. Brendan's

Hare Bay

Centreville-Wareham-Trinity

Greenspond

Division No. 7, Subd. A

Dover

Indian Bay

Division No. 8, Subd. M

Lumsden

Musgrave Harbour

Division No. 8, Subd. L

Carmanville

Fogo Island Region (Part)

Joe Batt's Arm-Barr'd Islands-Shoal Bay

Tilting

Change Islands

Seldom-Little Seldom

Division No. 8, Subd. H

Cottlesville

Summerford

Division No. 8, Subd. G

Campbellton

Birchy Bay

Comfort Cove-Newstead

Baytona

Division No. 8, Subd. F

Embree

Little Burnt Bay

Leading Tickles

Point Leamington

Pilley's Island

Triton

Brighton

Lushes Bight-Beaumont-Beaumont North

South Brook

Robert's Arm

Little Bay

Little Bay Islands

Division No. 8, Subd. O

King's Point

Nippers Harbour

Burlington

Middle Arm

Division No. 8, Subd. A

Fleur de Lys

LaScie

Brent's Cove

Pacquet

Seal Cove (White Bay)

Westport

Ming's Bight

Woodstock

Miles Cove

Englee

Roddickton-Bide Arm

Conche

Division No. 9, Subd. A

Woody Point, Bonne Bay

Norris Point

Rocky Harbour

Daniel's Harbour

Cow Head

Parson's Pond

Hawke's Bay

Port Saunders

St. Pauls

Division No. 9, Subd. C

Anchor Point

Flower's Cove

Bird Cove

Main Brook

St. Anthony

Glenburnie-Birchy Head-Shoal Brook

St. Lunaire-Griquet

Cook's Harbour

Raleigh

Division No. 9, Subd. H

Bellburns

Division No. 9, Subd. G

River of Ponds

L'Anse au Loup

Red Bay

L'Anse-au-Clair

Forteau

West St. Modeste

Division No. 10, Subd. B

Port Hope Simpson

Mary's Harbour

Charlottetown (Labrador)

Division No. 10, Subd. C

North West River

Division No. 10, Subd. D

Natuashish 2

Rigolet

Postville

Makkovik

Hopedale

Nain

Division No. 5, Subd. G

Jackson's Arm

Howley

Hampden

Pasadena

Division No. 5, Subd. D

Humber Arm South

Cox's Cove

Lark Harbour

Irishtown-Summerside

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Dn cope 225