

U.S. Check Cashing & Money Transfer Services:
A Market Analysis
June 2013

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* Definition of the components of the U.S. market serving consumers outside of the traditional financial services market (the "unbanked"). Alternative financial services: Check Cashing Stores, Money Transfer Services. Definition of each segment, nature of the business/how it works, number of outlets, reasons for growth, dollar mkt. size 1999-2012, 2013 & 2017 forecasts, major competitors.	
* Major market trends affecting each sector: move into payday loans and diversification to other services, state regulation, increased competition, industry critics, consolidation, etc.	
* Effects of the recession, 2008-2011 mkt. performance, new technology, shift to electronic payments via debit cards, U.S. immigration trends, remittance inflows/outflows	
* 2012 & 2013 outlooks for each segment	
* Composition of check casher revenues by type: 2007 vs. 2012	
* Discussion of <u>reasons for growth</u> of non-bank services, population below poverty level.	
* Discussion of household debt levels.	
* Discussion of bankruptcy trends.	
* Discussion of annual U.S. immigration.	

Tables:

- U.S. Population Living Below the Poverty Level (1990-2011)
- Reasons Why Unbanked Families Do Not Have Checking Accounts
- Market potential: 1999-2012 estimated \$ receipts of check cashing outlets, money transfers, pawnshops, payday loan services, total industry.
- Check cashing industry revenues: 1999-2017
- The major check cashing franchises: no. of outlets 2005, 2007, 2012
- Money Transfer Industry Revenues: 1999-2017

Customer Demographics: The Unbanked Population (\$175)

28-46

- Discussion of the unbanked population, Findings of FDIC survey: percent and no. of unbanked households
- Banking status for select demographic groups
- Use of pre-paid debit cards, alternative financial services used most often
- Reasons unbanked households don't have a bank account
- Table: 1999-2012 market potentials of the major market segments: check cashing, money transfer, pawn shops, payday loans, total
- Trends in consumer debt levels – discussion, last 5 years, delinquencies, analysis by Federal Reserve, 2007-2010 improvement trends
- Table: Debt payments relative to family income: 2001, 2004, 2007, 2010 – by age of household head, % of income, % of net worth, housing status, past due status, discussion of mortgage vs. consumer debt levels
- Bankruptcy trends: 1991-2012, non-commercial bankruptcies, (chap.7,11,13), Discussion, table, state differences
- Foreclosure trends – discussion, recent trends, now vs. recession period
- Table: U.S. population living below poverty level: 1990-2011.

The U.S. Check Cashing Industry (\$595)

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Summary & Nature of the Business: How Check Cashing Companies Operate

- * Industry definition and size. Number of outlets. Check cashers offer convenience for a price. Typical fees charged.
- * Other services offered: money orders, wire transfers, electronic bill payments, notary signatures, utility bill payments, tax preparation, gold buying, payday loans.

Industry History and Evolution

- * Beginnings in the Great Depression.
- * Impact of deregulation of the U.S. banking industry.

Customer Demographics (by gender, income, race, etc.)

- * Scarborough Research study.
- * Ace Cash Express customer profile.
- * FISCA 2006 trade group customer profile

Emerging Industry Trends

- * Check cashing fees on the rise, Consumer Federation of America survey
- * Federal Reserve Payments study, data for 2000, 2003, 2006, 2009
- * The entry of Walmart into the check cashing market - discussion
- * More competition from: Pay By Touch, 7-Eleven, Walmart

Table: Number/value/avg. value of **commercial checks** processed: 1989-2012

Table: Number/value/avg. value of **government checks** processed: 1989-2012

Table: Number/value/avg. value of **postal money orders** processed: 1989-2012

Industry Regulation

- * Federal Regulations, state regulations
- * Definition of: The Bank Secrecy Act, Money Laundering Suppression Act, USA Patriot Act, Gramm-Leach-Bliley Act

Table: Check Cashing Fees, by type check

List: List of state check cashing fee caps, by state: Sept. 2012

Table: State Banking Departments for States With Check Cashing Fee Maximums, address & phone.

Industry Size, Growth, Forecasts

- * Discussion of avg. annual receipts per store: for Illinois stores, ACE Cash Express, AMSCOT, DFC Global
- * Discussion of 2008-2011 market performance/trends, rise of payday loans
- * Number of outlets declining – discussion, data from 13 state banking depts.” No. operating in 2007 vs. today
- * Composition of check cashing revenues by type (check cashing, money orders, \$ transfers, debit cards, bill payments, gold buying, tax preparation, pawn services, etc. % of total revenues) – 2012 vs. 2007
- * Discussion of no. of payday loan outlets, market value.
- * Industry sales and number of projected units for 2008 – 2013
- * Factors affecting growth in 2013 and 2017 – Marketdata forecasts.
- * Federal Reserve findings of non-cash payment trends: checks vs. debit cards
- * Discussion of the major franchises: start-up costs, franchise fees, royalty, no. units

Table: Industry sales: 1999 through 2012, 2013 & 2017F.

Check Cashing Industry Structure & Profit Margins

- * Review of the composite financial statements for check cashing outlets in New York State and Illinois.

Table: Illinois check cashing revenues: 2007-2011, dollar volume, avg. fee/check, check cashing fees & total revenues

Table: Illinois check cashing outlets, revenue mix by type: 2007-2011

Table: Composite income statement of Illinois check cashing outlets (2011), profit Margins

Table: Composite balance sheet of Illinois check cashing outlets (2011), assets & Liabilities by type

Table: The major check cashing franchises at a glance, number, fees, capital needed

Table: Check volume & fees reported: 1993-2006, New York banking dept.

Table: Composite balance sheet of NYS check cashing outlets (2003-2006)

Table: Composite income statement of (NYS) check cashing outlets (2003-2006)

Competitor Profiles (headquarters location, services, detailed financials, mergers, history and company profile)

- Ace Cash Express, Inc.
- Check Into Cash
- Dollar Financial Corporation
- AMSCOT Financial

Nature of the Business

- * The transition from the money order to the electronic wire transfers, how electronic transfers work.
- * Market drivers: analysis of global migration trends, U.S. population vs. foreign born, illegal immigrants
- * Discussion of remittance inflows/outflows, factors affecting, work visas
- * Industry trends: discussions of:
- * Industry is being driven by the rise in global immigration.

Regulation of the Industry

- * Review of state & federal regulations.
- * Definition of: The Bank Secrecy Act, Money Laundering Suppression Act, USA Patriot Act, Gramm-Leach-Bliley Act

Industry Trends

- * International money transfer market is very fragmented.
- * Major players have a small market share. Number of Western Union & Moneygram agents worldwide, role of Wal-Mart, mobile finance
- * New technologies present new competition, discussion of 3 transfer models used, mobile finance
- * Discussion of collapse of Moneygram.
- * U.S. banks are developing services for the U.S. - Latin America transmission corridor.

Table: Global migration trends, by world area: 2000, 2005, 2012

Table: U.S. population, foreign born pop., illegal immigrants: 2001-2011

Table: U.S. immigration, by country of origin: 2001-2011

Table: Global remittance inflows, developed/developing nations: 2001-2012

Table: Destination of outflows from the U.S. – World Bank, other data

Table: Global Wire Money Transfer Market Share, by company (2004, 2007)

Table: Number of Western Union and Moneygram Agents Worldwide (2002-2012)

Table: U.S. Bank money transfer products

Industry Size, Growth, Forecasts

- * Industry revenues for 1999 through 2012 - discussion & analysis
- Table: Size of U.S. money transfer industry, revenues 1999-2012, 2013 & 2017 forecasts
- Table: Size of U.S. money transfer industry, by company (Western Union, Moneygram, Ria Financial, Post Office) 1999-2012

Competitor Profiles (headquarters location, services, company history, recent developments, financials).

- Western Union
- Moneygram International
- Ria Financial Services

Reference Directory of Trade Associations & Sources

- * Address, phone, contacts for major trade groups, consultants, list of industry studies and articles, Wall Street analysts/research reports.