Community Banking Projects for Low-income Canadians:
A Report Examining Four Projects to Promote Financial Inclusion

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Author’s Notes
- The four projects examined here are, Cash & Save (Toronto), Community Financial Service Centre (Winnipeg), Pigeon Park Savings (Vancouver) & Desjardins Fédération Mutual Assistance Fund (Québec)
- The research for this report was undertaken by Jerry Buckland with assistance from Rick Eagan, St. Christopher House, Toronto; Dr. Dan Small, PHS Community Services Society, Vancouver; and Francoise Gosselin, Desjardins Fédération, Québec City. Erin Vosters helped to edit a previous version of the report.
- My deep thanks to fourteen anonymous key informants, some of whom also read and commented on earlier versions of this report.
- The research was funded by a grant from the Social Sciences and Humanities Research Council, SSHRC. Information on the overall project and links to more reports can be found at, [www.uwinnipeg.ca/~buckland](http://www.uwinnipeg.ca/~buckland).

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1) Introduction

This report examines four distinct and geographically dispersed projects referred to here as community banking projects. The examination is based on key informant interviews and available project documents. The report does not seek to undertake an evaluation of quantifiable outcomes but to qualitatively analyse key issues to do with the development and implementation of community banking projects in Canada. The key issues are drawn particularly from issues raised by key informants, who are stakeholders in one of these projects. Community banking projects refers to an identifiable outlet or service tied to existing outlets that offers one or more financial services for low-income people. By this definition there are few community banking projects in Canada. Some of the financial services offered by these projects are more ‘transactions’ oriented such that they address immediate liquidity needs such as cashing a cheque or accessing cash. Other services are more ‘developmental’ oriented in that they address a longer-term need such as strengthening savings, access to credit or financial management ability.

The projects identified are Pigeon Park Savings (PPS, Vancouver), the Community Financial Services Centre (CFSC, Winnipeg), the Cash & Save (Toronto) and the Fonds d’entraide Desjardin (Mutual Assistance Fund) of the Desjardins Fédération (Québec). These projects were identified in earlier research (see Buckland et al., 2003) as projects that were designed with the goal of addressing financial exclusion in some way. These projects are based in four provinces, BC, Manitoba, Ontario and Québec. Three of the projects –PPS, CFSC and Cash & Save– are ‘outlet-based,’ involving 1 or 2 outlets that offer some combination of financial services. The Desjardins Fédération Mutual Assistance Fund is probably the most different from the other three in that it is not rooted in one (or two) branches (locations) but is a program for all interested caisses populaires in Québec. This project was included because it was specifically concerned with addressing financial exclusion and due to the importance of having a model from Québec given its special financial services situation.³

This report begins with a discussion of how different perspectives and resulting tensions among stakeholders in these projects might be understood. It then explains the methods used for data collection and analysis. The report then provides some background on financial exclusion and introduces the community banking projects and stakeholder organizations. The report then examines seven key results from the research including, the disadvantaged context of inner-cities, key project catalysts, a new tier of banking, unique financial challenges, the importance of partnerships, the importance of people and relationships, and, cross cultural dialogue. The report ends with a conclusion.

2) A Tension of Perspectives

This research project revealed that stakeholders involved in these community banking projects have different interests, understandings and values. Interests deal with goals and purposes, understandings deal with what people believe to cause and resolve the problems, and values have to do with what is considered the deeper ‘good.’ These differences came out in initial interviews with respondents about the projects’

³ The province of Québec is the only one with a 35% usury law. There is also an extensive and centralized caisse populaires network there.
developments and during the reviewing phase of this report. That differences exist among the stakeholders is not surprising. In fact, if well managed, these differences can be, and have been catalysts for innovating community banking projects.

Project development can draw on these constructive tensions between stakeholders. Consider a hypothetical example of a community banking project undertaken by a community organization (with a stated interest in the well-being of neighbourhood residents) and a financial institution (meaning a bank, credit union or caisse populaire) (with a stated interest in earning an average profit). If the two organizations can build a community banking project that assists residents to improve their well-being while meeting acceptable profit levels then these different interests can converge. But when these two interests cannot be completely met then tensions may result and interests can diverge. For instance, what if the community banking project is not independent of external support? This might be acceptable for the community organization but not the financial institution.

If resolving tensions at the level of interests is difficult it may require one to explore understandings and values. In our example the community organization might understand that financial exclusion is the result of the failure of the market to deliver banking services to poor people. The prescription is that financial institutions step forward either voluntarily or through regulation. But the financial institution might understand the unbanked phenomenon to be the result of the inappropriateness of mainstream banking for low-income people who do not need ‘developmental’ type banking services such as savings, credit-repair/building, etc. Here the prescription is to let fringe banks continue to expand the transactions-type services they offer to low-income Canadians. Each organization’s understanding of financial exclusion leads them to different conclusions about the causes of financial exclusion and different means to resolve it. Finally, values play a role in shaping different perspectives. In the above example, both organizations might value neighbourhood well-being and bank profit, so long as it doesn’t undermine the other value. But if neighbourhood well-being requires bank branch financial losses, then the financial institution may no longer support neighbourhood well-being. Conversely, if the financial institution profit requirement were to trump neighbourhood well-being then the community organization may reject bank profit as an important value. Thus value conflicts enter in when people and organizations are forced to rank what is the core good.

This is a hypothetical example and is intended only to illustrate the role of interests, understandings and values in collaborative projects. The organizations examined here have worked together to design these projects and their collaboration demonstrates that they are able to work together and develop a common vision and plan. Nevertheless, tensions have and will continue to exist among the partners in these projects. Project financing is one common locus of these tensions. Part of the resolution will involve developing common language to talk about these challenges. Better and clearer public policy that clarifies the role of private actors in addressing financial inclusion would also help.

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4 Most respondents, at least one from each key organization, were sent earlier versions of this report to comment on.
3) Method
Data for the report come from organization publications, newspaper articles and interviews of key informants. The key informant interviews were the most important source of data. Fourteen interviews were undertaken with key informants involved with one of four community banking projects, with 2-5 respondents speaking for each of the four projects. Respondents were all centrally involved in the design and/or management of one of the community banking projects. Many of the respondents are active stakeholders, either directly through their organization or indirectly through their concern with neighbourhood financial exclusion. Each respondent came from a community organization, a financial institution or other related agencies (e.g., a consulting firm).

The key informant interviews were undertaken from November 2006 to June 2007 following an interview schedule (Appendix). Data gaps were then identified and follow-up conversations were arranged with several of the informants. Notes were taken for all interviews and all but one interview was completed in English and audio recorded. Once the interviews were completed, the data were analyzed using a qualitative process involving memoing and an issue identification process. Most informants were willing to sign confidentiality agreements that would allow disclosure of their names given their public figure role. However since all respondents did not agree to this, respondents’ names are not identified in this report.

4) The Banking Context
Banking services are available through mainstream, fringe and informal sources. Mainstream banking services –offered by banks, trust companies, credit unions, caisses populaires– are an integral part of any modern capitalist society. Fringe banks –including cheque-cashers, payday lenders and rent-to-owns– are an important service for lower income people and used by people from a variety of backgrounds in a limited way. Some fringe banks, notably pawnshops, have been around for thousands of years. Informal financial services –loans from a family member or cashing a cheque at a corner store– are also old practices but continue in modern and modernizing economies for some people.

Banking in Canada has been affected by new information technologies in terms of delivering financial services. Mainstream banks and credit unions have automated much of their consumer banking through automatic teller machines (ATMs), point-of-service terminals (POSs), telephone and internet banking. However some have argued that one consequence of this is that banks have merged branches and closed others and that this has particularly hurt in more economically marginal areas. The argument is that mainstream banks are more interested in sophisticated financial products such as large loans (like mortgages) and investment devices (like mutual funds). This has led banks to automated credit checks and to no longer offer personalized small loan services. Instead they offer pre-approved credit cards and lines and, it is argued, these are more difficult services for low- and modest middle-income people to access.

Fringe banks have risen in prominence in the last ten years in particular with the growing number and use of payday lenders. In addition, cheque-cashers, rent-to-owns and income tax refunders have added to the ranks of fringe banks. It has been argued that fringe bank outlet numbers have risen due to two forces. The first is the formalization of previously informal financial services. For instance, small retailers have traditionally
cashed cheques and provided small loans. Fringe bank growth may partly be explained by their capturing a growing share of these services. A second factor that might be behind fringe bank growth is the decline in mainstream banking services for low-income and modest middle-income people including branches and small loans.

Mainstream banks and others have sought to address financial exclusion in the past. Historically, credit unions have been a response from particular groups of un-banked or under-banked individuals and groups to address a gap in financial services. More recently community bankers, credit union support organizations (CUSO) in the US, micro-credit, micro-enterprise, asset-building programs, financial literacy programs, credit counselling, new technologies (e.g., secured credit cards), new products (e.g., alternatives to payday loans) are some of the projects or products developed to assist those who are struggling with finances and financial services. Many of these efforts come from, or are done in partnership with mainstream banks and credit unions. Most of them concentrate on financial education, counselling or, with asset building, are indirectly tied with banking (in that the participant requires a bank account in which to save). Micro-enterprise deals with supporting very small business. Some but not all of these efforts directly address financial service needs of the financially excluded. In some cases government has stepped in with policy and regulations requiring certain types of bank services. In the US, the Community Reinvestment Act encourages banks to meet credit needs of the communities they operate in. In so doing these banks receive government approval for things such as mergers. In Canada, the Access to Basic Banking regulations require that banks provide accounts and cash, without charge, federal government cheques (Buckland, 2008).

But what about projects that seek to provide a more holistic set of financial services which are tailored for the un- or under-banked? If we exclude those projects that do not directly provide financial services (such as asset-building, financial literacy) then that leaves a small number of projects in Canada. We are aware of four projects of this sort. Each is unique but the common elements in all of them is that they seek to provide financially excluded people a set of services that are useful for their immediate, and in some cases, developmental needs.

5) Description of the Projects
The design of each community banking project is unique. Three of the projects are housed in (one or two) outlets including the Cash & Save, the Community Financial Services Centre and Pigeon Park Savings. One project, Desjardins Mutual Assistance Fund, involves a counselling service with an emergency loan that is available through participating caisses populaires.

The Cash & Save is a service centre of RBC. The name is intended to highlight the centres’ focus on low-fee cheque-cashing. It has two outlets located in inner-city Toronto neighbourhoods: 1385 Queen St. West in Parkdale and 310 Gerrard St. in Regent Park. The Parkdale outlet was opened in October 2002 and the Regent Park outlet opened

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5 The community banker is a position in a bank that is intended to engage in outreach functions to a particular community. It may involve reaching out to low-income residents to attract them to use the bank’s services. RBC has made use of this term in an RBC funded position at St. Christopher House (referred in the text).
one year later. The outlets are open to anyone for the purpose of basic financial services including, cheque-cashing, bill payments, money transfers and money orders. With the provision of adequate personal identification (ID) on the first visit the client identification is placed on the computer system so that the client is not required to bring ID for future visits. The fee for cashing a cheque was initially 1.25% of the cheques face value (minimum $4) but by 2007 was raised to 1.99% of the cheque’s value plus $0.99 (for cheques with a maximum value of $1,500 for a payroll cheque and $300 for a personal cheque), still below fees found at most cheque-cashers. As per federal regulations, Cash and Save charges no fees to cash federal government cheques up to $1,500. Money transfers are done through another company (Moneygram) and Cash & Save adds no additional fees. Fees for other services include $1.25 for bill payments and $2.49 for money orders up to $1,000. Currency exchange fees are $1.99 for amounts up to $1,000.

The Parkdale outlet is compact with 400 square feet of office space. This creates a very intimate space that, on busy days, can lead to line ups running outside the outlet. Each outlet has a minimum of two staff including one on-site supervisor. The Cash & Save deliberately seeks to employ neighbourhood residents, and encourages them to pursue training in order to gain promotion into their regular branch network. Financial sustainability is a key goal of the Cash and Save business model. However, one informant indicated that RBC does not expect the Cash and Save to generate the level of profits other RBC units generate.

Pigeon Park Savings opened its doors in March, 2004 and it is located in the centre of Vancouver’s Downtown Eastside, at 92 East Hastings Street (Southwest corner of Hastings and Columbia). The name comes from a nearby park, Pigeon Park, a gathering place for many area residents. It is a project of Portland Hotel Society (PHS) Community Services Society and Vancity Credit Union. Pigeon Park Savings is a single outlet that is open to anyone and primarily serves neighbourhood residents. Pigeon Park Savings offers a simple account that includes unlimited transactions (either in person or ATM), counter cheques, bill payments, direct deposits and money transfers for a $5 monthly flat fee. The fee to cash a cheque for non-members is $1.99 for amounts up to $1,000 and $2.99 for a cheque over $1,000. Pigeon Park Savings offers a $20 overdraft for members experiencing special needs. The overdraft comes at no charge and requires the member to apply to the manager. They will also provide members, for no additional charge, an additional account that can be used for savings. The outlet is large with 5,475 square-feet of space that includes a large backroom, ample space for teller kiosks and a large reception area. First time clients drawing welfare benefits are able to use photocopied personal identification verified by their welfare office. In fall 2007 Pigeon Park Savings had 4,200 members but this was projected to rise to between 4,500 and 5,000 members. The atmosphere of the branch is intended to be open and respectful of neighbourhood residents. There is no security guard, staff are first of all PHS program workers and then trained as tellers.

Pigeon Park Savings is a program of the PHS and a branch of Vancity Credit Union. PHS provides the staff to manage and provide teller services while Vancity contributes backroom processing, computer system and technical support. Since its inception, Vancity has also financially supported the Pigeon Park Savings’ operations. One of the five PHS Co-directors was based in PPS during the first three years of operations to assist with program implementation. The full-time staff include a manager,
an assistant manager and one teller. The current staff have all worked with the PHS previously and they live in the neighbourhood.

The Community Financial Services Centre is a pilot project of North End Community Renewal Corporation (NECRC), a community agency, and was developed and implemented with Assiniboine Credit Union (ACU). The CFSC is located in the North End at 888 Main St., a former CIBC branch and has approximately 400 ft\(^2\) of space that it rents from Mt. Carmel Clinic. It accepts clients who are referred to it from community partner agencies. The project offers a number of financial services to working- and welfare-poor and to assist them to develop a relationship with a mainstream bank. Services offered at the CFSC include, free CFSC photo identification, access to an ACU account, assistance in applying for direct deposit, free on-site cheque-depositing and cheque-cashing at ACU branches with no holds,\(^6\) one-on-one financial counselling (optional but required in order to access micro-loans) including assistance in creating a credit history. In addition, the CFSC plans to offer group-based financial management training in the future. The ACU member can select a basic savings or chequing account with 30 free transactions per month. For the pilot project period ACU provides the $5 membership share fee and waives the $4.75 monthly chequing account fee. The micro-loans range from $40 to $100 with a fee of $1 per $20 borrowed.\(^7\)

As of June 2008 the CFSC had 153 clients issued with CFSC ID cards (risen from 80 in fall 2007), facilitated opening 136 bank accounts (133 at ACU and 3 at another bank), completed 79 one-on-one counselling, assisted in creating 8 credit histories, and issued 21 loans. It has a full-time manager, one staff member and plans to hire an additional staff member.

The Desjardins Fédération *Fonds d’entraide Desjardin* (Mutual Assistance Fund) is one of several solidarity products Desjardins offers. Other solidarity products include *Microcrédit Desjardins aux entreprises* (loans for small business) and *Créavenir Desjardins* (loans for young people). The Mutual Assistance Fund’s origin was after the appointment of a new president in 2000. After the new appointment Desjardins revised its mission statement by strengthening its commitment to solidarity and set aside $500,000 as capital for the Mutual Assistance Fund project.

The idea behind the Mutual Assistance Fund is to assist people experiencing financial difficulties through financial counselling and access to small emergency loans of $500 to $1,000. The loans are provided at a low or no interest rate to people otherwise unable to access credit. The project involves the federation, a local *caisse populaire* and a credit counselling agency. The federation and local *caisse* provide the capital and contribute to the financial counsellor’s salary. The local *caisse* agrees to maintain the loan fund by replenishing any loan losses. The budget counselling agency refers clients to the program, does pre-lending counselling and monitors repayment. As of December 2007, approximately $1.3 million in loans were made in 2,421 loans with an average loan size of $549 and a repayment rate of 89%. The typical borrower is between 25 and 54 years of age, often female relying on social assistance and with annual income less than

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\(^6\) Special arrangements to deposit and cash cheques are available to clients who are ACU members and applies to cheques from government agencies and referring community organization up to a value of $1,500.

\(^7\) The fees charged for the loans are designed to comply with the Criminal Rate of Interest requiring Annual Percentage Rate less than 60 percent.
$10,000. The Mutual Assistance Fund was operating in 28 locations involving 299 out of 536 caisses populaires across 15 of the total 17 regions of Québec.

In the three outlet-based cases, the outlet is not marketed as a branch of the partner financial institution but there are links in each case. The link to a regular RBC branch with the Cash & Save is that when clients express interest in a bank account the staff can provide them a ‘warm referral,’ that is, arrange an appointment with a local RBC branch for the client to set up an account. Informants claimed that few Cash and Save customers requested the referral, likely because of the preference for the close location of, and transactions services provided by the Cash and Save. With Pigeon Park Savings, members can access their account through Interac and Exchange ATMs, which is done regularly. With respect to the Community Financial Service Centre, members who have opened accounts with Assiniboine Credit Union are able to access any ACU branch or ATM.

In terms of orientation to the public, Cash & Save and Pigeon Park Savings are open to anyone while Community Financial Services Centre and the Desjardins Mutual Assistance Fund are available on a referral basis.

6) Key Organizations
There are several organizations involved in the design and, in some cases, operations of these financial service projects. Indeed, one of the key learnings from this research is that community banking projects are necessarily complex so that they involve operations in a field where no one organization has sufficient expertise. As a result they require input from a number of types of organizations. The key types of organizations involved in these projects are community organizations, financial institutions and research/consulting firms. Community organizations provide a number of critically important inputs including knowledge of, and connection to the neighbourhood and its residents. This knowledge and these networks can combine to provide relationships and legitimacy that can be used to develop and support these projects. Financial institutions bring the expertise about delivering financial services. For the Cash & Save and the Community Financial Services Centre a research component was also critical in research and business planning.

There is one principal community organization connected to the three retail outlets and a number of community organizations related to the Desjardins Fédération Mutual Aid Fund. Regarding the Parkdale Cash & Save, the key related community organization is St. Christopher House (Table 1). With an annual budget of $7.7 million, 228 staff and 1,205 volunteers St. Christopher House operates a variety of programs including housing and job and skills training that work with over 10,000 people in the downtown west, Toronto. It has a large number of funders including government (Human Resource and Skill Development Canada and Ontario Health Ministry) and foundations (United Way of Greater Toronto). It has been active in supporting income security which has involved a number of research projects as well as the Financial Advocacy and Problem Solving (FAPS) program, which assists residents with a variety of financial problems including getting a bank account and income tax return support. In the 1990s St. Christopher House had identified access to financial services as an issue for its participants.
Table 1. Data on Some Community Organizations Involved with Community Banking Projects, 2007

<table>
<thead>
<tr>
<th>North End Community Renewal Corporation</th>
<th>PHS Community Services Society</th>
<th>St. Christopher House</th>
</tr>
</thead>
<tbody>
<tr>
<td>Founded 1998</td>
<td>1991</td>
<td>1912</td>
</tr>
<tr>
<td>Neighbourhood</td>
<td>North-End, Winnipeg</td>
<td>Downtown Eastside, Vancouver</td>
</tr>
<tr>
<td>Website</td>
<td><a href="http://www.necrc.org/">http://www.necrc.org/</a></td>
<td>Not available</td>
</tr>
<tr>
<td>Annual Budget</td>
<td>$2.5 million</td>
<td>$8.4 million</td>
</tr>
<tr>
<td>Funding Sources</td>
<td>Winnipeg Partnership Agreement, Neighbourhoods Alive, United Way and Winnipeg Foundation</td>
<td>Principal Funders: Province of BC Health and Housing Departments</td>
</tr>
<tr>
<td>Staff</td>
<td>20 permanent 15 contract</td>
<td>200</td>
</tr>
<tr>
<td>Clients/Participants</td>
<td>300 individuals and organizations</td>
<td>10,000 each year served by organization</td>
</tr>
<tr>
<td>Services</td>
<td>Community development, house renovations, community safety, job training</td>
<td>Housing, health-care, skills development, social enterprises, advocacy</td>
</tr>
</tbody>
</table>
| Related programs                        | Community Financial Services Centre | Pigeon Park Savings | -Financial Advocacy and Problem Solving Program (FAPS)
-Involved in Cash & Save research and development
-part of Learn$ave
-part of Community Undertaking Social Policy (CUSP) project |

Data collected from organization websites and annual reports, June 2007.

a. Financial Advocacy and Problem Solving Program (FAPS) began in 2003 with “The goal of the St. Christopher House Financial Advocacy and Problem-Solving Program is to enhance people's ability to take control of their financial life. We help people in immediate financial difficulty by providing information and discussing choices available, and we try to enable them to make informed longer-term financial decisions.”

b. Part of Learn$ave (pronounced Learnsave) consortium, led by Social and Enterprise Development Innovations (SEDI)

c. Community Undertaking Social Policy (CUSP) project which brought policy experts to St. Christopher House to work with frontline staff and community members on various income policy pitfalls for the poor

The PHS Community Services Society is a community organization working in the Downtown Eastside of Vancouver and operates Pigeon Park Savings. It has a staff of 200 and an annual budget of $8.4 million. It began by offering housing services and now also offers programs in health-care, skills development and social enterprises. PHS also

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8 The Portland Hotel, the original name of the organization was an innovative rooming house idea originating in Portland, US.
operates Canada’s only supervised safe injection site in the heart of the Downtown Eastside. It receives its funding from a number of sources including BC departments of Health and Housing. It works with approximately 10,000 people each year through one of its many programs.

The North End Community Renewal Corporation (NECRC), with its head office located at 509 Selkirk is the formal owner of the Community Financial Services Centre. NECRC was requested to take ownership of the CFSC by the Alternative Financial Services Coalition, a network of Winnipeg organizations and individuals seeking to address financial service needs of low-income people. NECRC offers a variety of services from house renovation grants through community safety and job training to general neighbourhood planning. It has an annual budget of $2.5 million that comes from the Winnipeg Partnership Agreement, a federal, provincial and municipal government joint fund; the United Way, and the Winnipeg Foundation. It has a staff of 20 with another 15 people hired on a contract basis. As an umbrella agency—as compared with a service provision organization—for the neighbourhood it has 300 official members which include area organizations and residents.

The Desjardins Fédération works with a number of caisses populaires and ‘budget counselling’ (akin to anglophone credit counselling) organizations to provide their loans. Budget counselling organizations include Options Consommateurs and Le Groupe de Recherche en Animation et Planification Economique (GRAPE). GRAPE is located in Limoilou (near Québec City) and helps people to work through debt problems through a variety of measures from counseling on budgeting to building self-esteem and reducing isolation.

Three of the four financial institutions involved in the community banking projects are credit unions, caisses populaires and one is a bank. Assiniboine Credit Union has 105,000 members, over 500 staff and $2.1 billion in assets. It is the largest credit union in Manitoba and one of the top seven in Canada (Table 2). The Desjardins Group of companies that includes caisses populaires in Québec and Ontario and the Fédération is one of the largest financial institutions in the country. It has 5.8 million members, almost 40,000 employees and assets of $135.1 billion. RBC is one of Canada’s largest banks (the largest in terms of assets) and headquartered in Toronto. It has 14 million customers, over 60,000 employees and $537 billion in assets. As the largest credit union in Canada (outside Québec) it is estimated that Vancity Credit Union holds 12 to 13 percent of the retail financial service market in Vancouver, it has 340,000 members, 55 branches and 2,400 staff.
<table>
<thead>
<tr>
<th></th>
<th>Assiniboine Credit Union, 2007</th>
<th>Desjardins Group(a) 2007</th>
<th>RBC, 2006</th>
<th>Vancity Credit Union, 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers/Members</td>
<td>105,000</td>
<td>5.8 million</td>
<td>14 million</td>
<td>355,000</td>
</tr>
<tr>
<td>Employees</td>
<td>548 (2008)</td>
<td>42,000</td>
<td>60,858</td>
<td>2,600</td>
</tr>
<tr>
<td>Branches</td>
<td>24</td>
<td>891 service centres in 536 caisses</td>
<td>1,443</td>
<td>60</td>
</tr>
<tr>
<td>ATMs</td>
<td>43 (2008)</td>
<td>2,787</td>
<td>4,232</td>
<td>80</td>
</tr>
<tr>
<td>Assets</td>
<td>$2.1 billion</td>
<td>$144.1 billion</td>
<td>$537 billion</td>
<td>$14 billion</td>
</tr>
<tr>
<td>Revenue</td>
<td>$51.7 million</td>
<td>$9.4 billion (or $189 million)</td>
<td>$20.6 billion</td>
<td>$357 million</td>
</tr>
<tr>
<td>Net Income</td>
<td>$11.7 million</td>
<td>$54 million (or surplus $988 million)</td>
<td>$4.7 billion</td>
<td>$45.3 million (net earnings)</td>
</tr>
<tr>
<td>Return on Equity</td>
<td>Not available</td>
<td>12.3%</td>
<td>23.5%</td>
<td>8.4%</td>
</tr>
<tr>
<td>Charitable Donations</td>
<td>Not available</td>
<td>$72 million in sponsorships, donations and scholarships</td>
<td>$42 million</td>
<td>$5.6 million</td>
</tr>
<tr>
<td>Miscellaneous Organizational statement</td>
<td>“largest credit union in Manitoba based on memberships and in the top 10 English-speaking credit unions based on assets”</td>
<td>“Canada's largest integrated financial cooperative group”</td>
<td>“Canada’s largest bank as measured by assets and market capitalization”</td>
<td>&quot;Canada’s largest credit union&quot;</td>
</tr>
</tbody>
</table>

Data collected from financial institutions’ websites, Annual Reports June 2007 – April 2008.

New projects require research to identify need and develop a model. In the cases of the Cash & Save and the Community Financial Services Centre this phase was more explicit than in the Desjardins and Pigeon Park Savings cases. In the case of the Cash & Save, Bain & Company, a large US-based consulting company assisted RBC and St. Christopher House to develop a business plan. In the case of the Community Financial Services Centre, a community-university research project and a local consulting company played a key role. The community-university research project, the Winnipeg Inner-city Research Alliance (WIRA) was asked by the Alternative Financial Service Coalition (AFSC) to investigate the state of financial services in the North End of Winnipeg. WIRA, funded by a $1 million dollar grant from the Social Sciences and Humanities Research Council was a three-year grant seeking to engage in research with, and for inner-city residents and organizations. Headed by the Institute of Urban Studies at the University of Winnipeg, WIRA identified researchers able to undertake the AFSC request. Along with a final report (Buckland et al., 2003) the research contracted Dungannon Consulting, which specializes in research on small-scale multi-function operations, to undertake a feasibility assessment of a community banking project that included cheque-cashing, small loans and provision of personal identification.
Dungannon Consulting later co-authored the business plan for the project completed in 2004.

7) Key Issues Identified From the Interviews of Key Informants
The key issues identified from the key informant interviews include the disadvantaged socioeconomic neighbourhood context, the key project catalysts, the creation of a new tier of banking, financial challenges, the importance of partnerships among organizations and people and the need for cross-cultural dialogue.

a) The Disadvantaged Socioeconomic Context and Financial Exclusion
Three of the four projects –the Cash & Save, the Community Financial Services Centre and Pigeon Park Savings– are located in one (or more) particular inner-city neighbourhood. Each of these neighbourhoods is characterized by the disadvantages common to many inner-cities including relatively low incomes, high unemployment rates, low levels of formal education and poor housing conditions. Vancouver’s Downtown Eastside and Toronto’s Parkdale neighbourhoods are also characterized by relatively high levels of people with mental illness or dealing with substance abuse issues. These neighbourhoods have also experienced changes in regards to availability of financial services over time. This is best documented with Winnipeg’s North End where, in 1980 there were 22 mainstream bank or credit union branches and only one pawnshop (with no other identifiable fringe bank at that time), but by 2003 there were 19 fringe banks and 5 remaining bank or credit union branches (Buckland et al., 2003).

The consequence of these types of changes is that individuals and organizations working in these neighbourhoods had identified financial exclusion as an issue of concern. Several interview respondents, particularly those with community service organizations and credit unions commented that they were concerned with the general phenomenon of financial exclusion. This was probably most heavily emphasised by respondents in Winnipeg and Toronto. In both of these cases one (or more) community organizations had identified access to financial services as an issue and had been involved in informal or formal research on the topic. These respondents had identified a gap in financial services for their participants and were seeking to understand the causes in order to effectively respond.

Financial service access was such an issue in Winnipeg’s North End that a number of organizations had formed a network, the Alternative Financial Services Coalition (AFSC). The AFSC was made up of several community organizations (including SEED Winnipeg, North End Stella/United Church of Canada, Mennonite Central Committee and, later the North End Community Renewal Corporation) and Assiniboine Credit Union. The AFSC organized tax-filing services through North End Stella and, with SEED Winnipeg, it launched Canada’s first asset building program. AFSC also undertook informal research about pawnshops and considered opening a non-profit pawnshop or second-hand store. The AFSC approached a University of Winnipeg research consortium to undertake research on neighbourhood banking. A grant was given and a formal research project undertaken.
Working in the Parkdale neighbourhood, St. Christopher House had identified financial exclusion as an important obstacle facing neighbourhood residents. This was related to one of St. Christopher House’s programmatic areas, income security. Increasingly through the 1990s St. Christopher House staff identified financial service access as an important component of, and growing obstacle for, income security. One key respondent identified 1996-97 as an important period when reduced provincial welfare rates were accentuating neighbourhood poverty. Financial exclusion was seen as even more important.

Financial exclusion was also identified as a concern by respondents with reference to inner-cities in Vancouver and Québec. For Vancouver, for some time, the existence of Four Corners Savings Association had helped attend to the issue of financial exclusion for the Downtown Eastside. Four Corners had operated in the Downtown Eastside for 7 years from 1996 to February 2004. With financial support from the provincial government it provided a full set of banking services to neighbourhood residents. The closure of Four Corners Savings Association was an important catalyst for the creation of Pigeon Park Savings (see below), but its existence, while it operated, was seen as plugging the financial services gap.

The Desjardins Mutual Assistance Fund is not tied to one particular locale but is designed to support loan projects across the province. Respondents connected with the Desjardins Mutual Assistance Fund project had identified financial exclusion as a concern in their working area. One community organization respondent noted that poverty and reliance on fringe banks was significant and a growing phenomenon in its neighbourhood.

b) The Key Project Catalysts
In the previous section it was explained that financial exclusion and poverty –in relation to a particular locale or the entire province– had been identified as an obstacle to clients in all four cases. But what finally catalyzed people into the act of designing a community banking project? One or two key events were identified as key catalysts, or key relationships (discussed below). In the three outlet-based projects, the closure of a bank branch in the neighbourhood was a key event.

For the Cash & Save three key events were catalysts including, (1) the closure of an RBC branch in Parkdale (1997-98), (2) RBC’s decision to hire and support a community banker and community developer to work on financial service access issues in Parkdale and, (3) bringing into the RBC-St. Christopher House partnership Bain & Co., a consulting firm, to help to develop a response to the unbanked problem.

During the mid-1990s a new government came to power in Ontario and introduced welfare reform and reduced welfare rates. St. Christopher House was concerned about these changes because of its concern about income security of Parkdale residents. It was felt that financial services in Parkdale were also eroding as the number of fringe banks grew. In 1997 when RBC closed a century-old branch in Parkdale, concern about financial exclusion piqued within the neighbourhood. St. Christopher House was involved at that time in a social audit process and participants of this process articulated their concerns about the branch closure to RBC.
RBC’s response to neighbourhood concern was a second important catalyst in the development of the Cash & Save: it agreed to fund two 2-year positions, a community banker and a community development worker. At this time RBC was examining the banking needs of low-income people. One example of this was the development of the ‘community banker’ strategy in 1998. The idea was to second bankers to community organizations in order to extend financial services to un- and under-banked people. The positions’ descriptions included identifying resident financial service needs and promoting financial literacy. This process brought RBC and St. Christopher House together to work on neighbourhood financial service issues.

A final important catalyst to the Cash & Save was identifying a private consulting firm, Bain and Company, to assist in the research and develop the business plan for a community banking project. Bain & Co.’s introduction to the idea was through the CEO of St. Christopher House. Together, Bain & Co., RBC and St. Christopher House representatives were able to develop a business plan and make the business case for RBC to take on the project.

The origin of Pigeon Park Savings can also be connected with some particular organizations and catalytic events. Key organizations include Vancity Credit Union and its explicit mission to address financial service gaps, the PHS Community Services Society and its growing capacity to build institutions in the Downtown Eastside. The critical catalyst was the closure of Four Corners Savings Association.

Being the largest credit union in Anglophone Canada, Vancity has unique capacity and access to resources. Whereas some credit unions focus more exclusively on their members, Vancity is also explicitly concerned about communities in which it operates. For instance its purpose statement is, “Working with people and communities to help them thrive and prosper.” Thus it is explicitly concerned about broader social issues and as one Vancity key informant indicated they view the Downtown Eastside as a part of their working area (“it’s in our backyard”). Even before Four Corners Savings Association closed Vancity noted the unique financial service needs in the Downtown Eastside.

PHS is the other key organization in the creation of Pigeon Park Savings. Its commitment to supporting marginalized people in the Downtown Eastside is clear through its housing and health-care programs. A factor in the successful implementation of Pigeon Park is the high level of capacity among PHS staff. This is no doubt partly related to its growth from running one housing project to an expanded number of rooming houses, as well as medical, vocational and banking services. As a result of this expansion the organization had a growing capacity to address community needs.

The key catalyst for Pigeon Park Savings was the closure of Four Corners Savings Association. Financial exclusion was identified by the staff at PHS Community Services Society as a problem before the closing of Four Corners Savings Association. According to one key informant, PHS staff had identified that residents experienced barriers to using local bank branches partly due to residents’ lack of trust and negative experiences with banks. Fringe banks had become more commonly used by residents who reported that

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9 This strategy has its roots in initial work by RBC in the Jane-Finch neighbourhood in Toronto. Some examples of this work include the Black Creek Community Banking Project, Jane-Finch, Toronto; Kids on Line Project with Yonge Street Mission; and the LearnSave Project with Social and Enterprise Development Innovations.
they were more convenient and more anonymous than banks but these services are also more expensive. Prior to the closure of Four Corners, there were growing concerns about its viability. It had received a $10 million capital fund from the provincial government. Since its costs were exceeding its revenue management decided to finance operations by drawing down the capital fund. Staff at PHS was aware of problems that it was facing and realized that it could eventually be closed down. If Four Corners were to close then residents would have few options for their financial services. The announcement in 2003 of the closing of Four Corners within 60 days was a catalyst for PHS and Vancity Credit Union to develop Pigeon Park Savings.

The development process of the Community Financial Services Centre has some interesting parallels to the Cash & Save. Three key catalysts include the ongoing work of the AFSC, the completion of a university-community partnership research project on financial exclusion focused on the North End, and the closure of a CIBC bank branch in the North End. As previously discussed the AFSC was a coalition of community organizations and a credit union. Within the coalition were representatives from community organizations and one FI. Through involvement in a variety of activities such as asset-building, and lending for neighbourhood housing, this core group of AFSC members had developed individual capacity and social interaction conducive to establishing the Community Financial Services Centre. The research project came from a request by NECRC and AFSC to a university-community research project, the Winnipeg Inner-city Research Alliance. WIRA was able to identify two university academics to lead a one-year research project that would investigate the issue of financial exclusion and particularly seek to understand why neighbourhood residents were increasingly relying on the growing number of fringe banks in the North End. The research project involved residents from the neighbourhood to help to undertake the field research.

Finally, in 2003, as the research was ending, the CIBC announced the closure of their branch on Main St., south Selkirk, in the heart of the impoverished portion of the North End. The branch closure raised public concern. Subsequent discussions with community representatives led CIBC to offer some supports to respond to the branch closure.

c) A New Tier of Banking
In three outlet-based projects it was clear that there was considerable innovation involved in their development. As described in an earlier section, it is argued that mainstream banks in Canada have not placed significant effort to address the financial service needs of low-income people. Thus, identifying key services and packaging these into a viable business model was a challenge. This challenge required innovation.

In the case of Pigeon Park Savings, respondents described it as a ‘new tier,’ a ‘junior credit union,’ a ‘red-green’ or ‘duct-tape’ design, suggesting a credit union with a more basic set of services, perhaps akin to the Credit Union Support Organizations (CUSO) in the U.S. The design of the project was done largely by Vancity with input from PHS staff about resident financial service needs. The design was intended to provide the basic credit union services— including an account, teller service, ATM—while simplifying the project’s information systems and minimizing costs. To facilitate these goals, the branch required a new and simplified computer system separate from the Vancity system, and basic office furnishings. PHS would provide staff and Vancity
would provide them with basic teller training. A key design challenge was that the project would need to meet the heavy anti-money laundering regulations and personal identification requirements faced by banks and credit unions. With the support of Vancity, PPS was able to establish ID requirements that met regulatory requirements and overcame the personal ID hurdle that many unbanked people face. An example of this is the use of photocopied personal ID verified by the member’s welfare office.

For the Cash & Save, RBC did not internally have the background in addressing the needs of un- and under-banked Canadians. The role of Bain & Co. was identified as critical by several respondents in developing the business case for the Cash and Save. Working with RBC and St. Christopher House, Bain & Co. started by identifying the financial service needs of Parkdale residents and found that they were the set of services offered by a cheque-casher. Bain & Co. argued it was this set of services that were needed by area residents, not the services available in a typical mainstream bank branch. Bain & Co. then researched what was the infrastructure required to deliver these services and assisted in development of a full business plan. The model developed offered cheque-cashing as a core service at a fee lower than offered elsewhere within a business that was to be financially, completely reliant on fees. Respondents indicated that lending was initially included in the Cash & Save business plan but it was decided not to offer it initially and, until now, it has not been added, and likely will not be added.

The Community Financial Services Centre design has its roots in a community-university research project, through the Winnipeg Inner-city Research Alliance. In the final report, based on a survey of residents, a basic account, timely cheque-cashing, access to small loans and personal identification were identified as key needs for neighbourhood residents (Buckland et al., 2003). The report also noted residents’ desire to have a mainstream bank or credit union account. In addition to reporting financial service needs, the report included a feasibility assessment of a few different financial services models including a non-profit pawnshop, a cheque-casher and a centre that would help people transition to a regular relationship with a bank and combined a means to access a basic bank or credit union account, a system to overcome cheque hold policy, access small loans and provide personal identification (Buckland et al., p.151). The feasibility study indicated that such a centre was feasible if government and private support was available. The feasibility assessment argued that this support was justified by the fact that a centre would reduce social costs (e.g., stolen cash, income lost to fringe bank fees, etc.). CIBC later funded a full business plan (Dungannon Consulting Services and W.O’Malley & Associates, 2004) for the centre that retained many of the features found in the feasibility report.

d) Unique Financial Challenges
All of the community banking projects face unique financial challenges. The challenges are unique as compared with a typical bank and relate to the type of financial services that are provided and the resulting revenue and costs. Generally the services involve small sums and few, if any deposits that can generate interest income. This means that staff time for each transaction is high relative to the fee for the service. Cashing a $200 cheque, processing a $100 withdrawal or completing the paper work for a $50 loan may involve less staff time than doing the equivalent processing for a much larger value
transaction, but not in proportion to the value. Processing a $50 loan does not involve one-hundredth the time to process a $5,000 loan. The consequences of these factors are that complete financial self-reliance—that is, the ability to cover their costs through revenue generated by services—of these projects is not likely. This fact creates a particular challenge for the community banking projects.

RBC’s goal is that the Cash & Save be financially viable, i.e., to cover, at minimum, its costs through fee revenue. However, RBC informants have indicated that profit expectations for the Cash & Save are lower than expectations for other operations. While RBC would not provide specifics about the Cash & Save’s present profitability, they were able to say that it is not meeting expected financial goals. 10 How RBC plans to achieve the financial goal is not clear as one RBC respondent said that they are still in the evaluation and “pause position.”

According to respondents an improved financial position might be achieved by expanding services into lending (drawing efficiency through economies of scope) or replicating Cash and Save (adding efficiency through economies of scale). As previously mentioned, RBC has no plans to introduce payday loans to the Cash and Save. As for replication, while this would allow RBC to experience economies of scale, the extent of this efficiency is not known. Moreover there are obstacles preventing replication of the Cash and Save. 11 Most pressing, RBC has announced that it will open a full RBC branch in Regent Park. If that were the case it is hard to imagine the Regent Park Cash & Save continuing. There would be no economies of scale to offset the high fixed costs with only one Cash & Save.

Pigeon Park Savings, offering a set of basic credit union services, faces its own financial challenges. Pigeon Park Savings, like the Cash & Save offers financial services that involve small sums that require a significant amount of staff time. And like the Cash & Save, Pigeon Park Savings was, until recently seeking to become financially reliant only on its fee revenues. The Pigeon Park Savings building is provided by Vancouver Coastal Health at no rental charge. Although there was a point when the Ministry was considering selling the building, access to physical space is not considered a major challenge. Both partners agree that a major goal for Pigeon Park Savings is that it becomes financially self-sufficient. In covering staff salaries and other operating costs Pigeon Park Savings is currently losing approximately $100,000 each year. Since its inception these operating losses have been covered by Vancity Credit Union.

More recently it is felt that Pigeon Park Savings will need to generate revenue from non-fee sources such as donations. However, there is concern that relying too much on an external subsidy might make the project vulnerable. As one informant said, “a project is only as sustainable as its subsidy.” When this point was raised by respondents it was usually in connection with the challenges and ultimate closure of Four Corners Savings Association. Respondents generally felt that Four Corners was an expensive operation that relied excessively on government subsidies. Accordingly this reliance was

10 A similar situation existed in 2003 when another RBC official was interviewed about the Cash & Save’s profitability then (Buckland et al, 2003).

11 One respondent indicated that the Cash & Save has gained some bad publicity for RBC from some media outlets that associate the Cash & Save with other fringe banks. Replicating Cash and Save may increase this bad press.
the catalyst to Four Corners’ ultimate downfall because when in 2001 a new government came to power, political support and more funding for it was not forthcoming.

Pigeon Park Savings relies heavily on members’ account service fee to fund its operations. Key informants argued that the project could attain financial self-sufficiency by relying on growing service fees. With the rapid rise in membership over the past 3 years Pigeon Park Savings has substantially increased its revenues (Table 3). But it has also faced continuously rising operating costs. As membership has grown so have the line-ups at Pigeon Park Savings. On the day that income assistance cheques are issued up to 10 tellers are required. What this has meant is that the (approximate) annualized operating losses dipped from 2005 to early 2006 but then jumped in late 2006 to $100,000 per year.

Estimates of the number of members needed to achieve breakeven are 4,400 to 5,500. It’s not clear if these estimates are based on a formula that includes higher staff costs as membership rises. Until the financial viability of Pigeon Park Savings is demonstrated, management do not plan to introduce new services. In fact the long-run viability of Pigeon Park Savings is still uncertain.

Table 3. Pigeon Park Savings Membership Numbers and Approximate Annual Operating Loss, 2005-2007

<table>
<thead>
<tr>
<th>Month/Year</th>
<th>Membership</th>
<th>Approximate Operating Loss (Annualized)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mar 2005</td>
<td>0</td>
<td>Not available</td>
</tr>
<tr>
<td>Jun 2005</td>
<td>1,800</td>
<td>$60,000</td>
</tr>
<tr>
<td>Aug 2006</td>
<td>3,600</td>
<td>$36,000</td>
</tr>
<tr>
<td>Dec 2006</td>
<td>3,900</td>
<td>$100,000</td>
</tr>
<tr>
<td>Jun 2007</td>
<td>4,200</td>
<td>Not available</td>
</tr>
</tbody>
</table>

The goal of complete financial self-sufficiency at Pigeon Park Savings seems to be rooted in at least two sources. First, there is a reluctance to look to government for support. Respondents felt that Four Corners Savings Association closure was due to dependence on unreliable government subsidies. Government funding is unreliable, it is argued because when new political parties come to power they inevitably shift government spending priorities. That the closure of Four Corners was a key catalyst for Pigeon Park Savings seems to have left a powerful imprint on PPS stakeholders in terms of the need to achieve financial self-sufficiency. A second factor behind the financial self-sufficiency goal may be the fact that PPS is a branch of Vancity Credit Union, a for-profit business. By definition for-profit companies see financial self-reliance as a prerequisite for a viable organization. RBC has similar expectations about its Cash & Save.
The Community Financial Services Centre has its own particular challenges. As a pilot project its client base is much smaller and its reliance on public funds much greater than Pigeon Park Savings. In fact the CFSC is presently able to generate no fee revenue. In the feasibility study public funding was justified in that a centre would contribute to the public good by lowering rates of lost cheques through the use of direct deposit; reducing loss of members’ income lost through fringe bank fees; transiting clients into mainstream banking; and, reducing the likelihood of clients being reliant on welfare programs. Since it was contributing to the public good—and by definition could not charge for this service—the centre could not be financially self-sufficient and would need to rely on outside funding.

The Winnipeg Partnership Agreement—a tripartite municipal, provincial and federal government program—has been the major funder providing $300,000 for the first 3 years of its operations. The Winnipeg Foundation provided $50,000 in grants. While ACU provides no direct cash support it does cover some project expenses (e.g., evaluations) and provides in-kind support including staff time and paying membership fees and waives monthly account fees. In addition NECRC has guaranteed a $5,000 line of credit to capitalize the micro-loan fund. External financial support for the CFSC is over $100,000 per year, similar to the level of support PPS receives from Vancity. Unlike PPS, however, the CFSC has no fee revenue of its own.

The financial data on these four projects are limited. It is not clear if the Desjardins Mutual Assistance Fund or the Cash and Save are financially ‘independent’ (i.e., rely only on service and interest fees alone). A little more is known about the CFSC and PPS. Both operations require non-fee support. PPS currently fills its financial gap with support from Vancity while the CFSC relies primarily on government. PPS generates significant revenue from its service fees that CFSC does not. PPS also has a larger number of clients than CFSC. But the CFSC has more of a developmental emphasis than PPS, including services such as micro-loans/credit building and financial counselling and seeking to support its clients to develop a regularized relationship with a mainstream bank. A simple cost-per-client calculation would show PPS’s costs lower than CFSC’s. However their mandates are different. PPS seeks to provide basic financial services to neighbourhood residents. CFSC seeks to assist clients in a transition into a bank relationship. Each model is important and offers important insights into financial inclusion. Since the CFSC has no fee revenue it is particularly reliant on external support.

e) The Importance of Partnerships
In all 4 projects, partnerships, at one or more stages, were a key input. This is because addressing financial service needs of low-income Canadians is complex and not an area any one type of organization has significant experience with. Mainstream banks have tended to focus more on financial services appropriate for middle- and upper-income Canadians. Arguably this means that they often do not fully understand the financial needs and banking interests of low-income Canadians. To develop community banking projects, mainstream banks require assistance from organizations with an understanding of these needs and the benefits of providing these services.

For their part, community organizations have seen that access to banking is an obstacle for many of their clients but they lack the technical expertise to address this
issue. Some nonprofits engage in quasi-financial services such as advice on completing tax returns, providing asset-building programs and assistance in opening a bank account but it is rare for them to directly provide financial services. Thus some community organizations and the financial institution have complementary expertise and when this is combined with a common interest in addressing financial inclusion then pragmatic solutions can result.

The Cash & Save is the product of important partnerships with a financial institution, RBC, a community organization, St. Christopher House, and a consulting company, Bain & Company (Table 2). St. Christopher House had identified financial exclusion as an issue for neighbourhood residents. When an RBC branch was closed in Parkdale, a relationship began between St. Christopher House and RBC that led to the establishment of two term positions to examine the problem. RBC funded the positions, a community developer and a community banker, and one of them was housed at St. Christopher House. According to one respondent, these two organizations had different assignments: RBC was to “deliver the bank” and St. Christopher House was to “deliver the neighbourhood” to the discussion of how to foster financial inclusion. This was not a confrontational relationship between an advocacy-style community agency and an aggressive for-profit corporation. It was a relationship between two organizations with a common set of interests. The participation of Bain & Co., a financial consulting agency led to another component in the partnership. While RBC’s competencies were in a standard set of banking services, it did not feel it had the expertise to identify or provide financial services for low-income people. Bain & Co. had the competence and was willing to contribute human resources. Bain & Co. was motivated by a concern about financial exclusion and an interest to develop a business relationship with RBC. The research phase included representatives from the three organizations –RBC, St. Christopher House and Bain & Co.– visiting community banking projects in the US.

Pigeon Park Savings relies on an important relationship between PHS Community Services Society and Vancity Credit Union. Pigeon Park Savings is a project of PHS and a branch of Vancity Credit Union. PHS manages daily ‘front-room’ (client services) operations with a manager. As in all Vancity branches daily transactions are tallied and reconciled by the staff and this information is sent to Vancity for the ‘back-room’ work including clearing of cheques, etc. One staff member at Vancity Credit Union has as a part of her job description to act as liaison with Pigeon Park Savings. This delegation of responsibilities partly explains Pigeon Park Savings’ better balance sheet as compared with Four Corners Savings Association in that Four Corners was responsible to do both front-room and back-room work. Initially an advisory board was struck to provide input into the design of the Pigeon Park Savings but this group no longer functions. Pigeon Park Savings does not have its own board but operates as a project of PHS.
Table 2. Key Organizations Involved in Community banking projects

<table>
<thead>
<tr>
<th>Project</th>
<th>Owner</th>
<th>Operator(s)</th>
<th>Community Agency Partner</th>
<th>Financial Institution</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash &amp; Save</td>
<td>RBC</td>
<td>RBC</td>
<td>St. Christopher House</td>
<td>RBC</td>
<td>Bain &amp; Company</td>
</tr>
<tr>
<td>Pigeon Park Savings</td>
<td>Vancity Credit Union</td>
<td>-PHS: ‘front room’ service -Vancity: ‘back room’ processing</td>
<td>PHS</td>
<td>Vancity Credit Union</td>
<td></td>
</tr>
<tr>
<td>Community Financial Service Centre</td>
<td>North End Community Renewal Corporation</td>
<td>-CFSC: on site services -ACU: account opening, cheque-cashing, ‘back room’ processing</td>
<td>NECRC</td>
<td>Assiniboine Credit Union</td>
<td>Winnipeg Partnership Agreement, Winnipeg Foundation, Alternative Financial Services Coalition</td>
</tr>
<tr>
<td>Desjardins Mutual Assistance Fund</td>
<td>Desjardins</td>
<td>Credit counselling agency and Local caisse populaire</td>
<td>Credit Counselling Agencies, e.g., GRAPE</td>
<td>Local caisse populaire</td>
<td></td>
</tr>
</tbody>
</table>

According to respondents, even before the development of Pigeon Park Savings, both partners valued the work of the other. PHS staff value Vancity Credit Union’s banking expertise, that Pigeon Park Savings is considered a Vancity Credit Union branch and that the Pigeon Park Savings ATM card can be used at other credit unions and retailers (via point-of-service outlets). Vancity Credit Union also trains PHS staff on the teller functions and provides a ‘bare-bones’ computer system for the tellers. Vancity Credit Union values the role that PHS plays in terms of daily retail operations and appreciates the relationship PHS has with residents. A Vancity respondent claimed that Pigeon Park Savings must be driven by the community and that a Vancity Credit Union branch could not survive in the Downtown Eastside.

The Community Financial Services Centre currently involves relationships among a community organization, a credit union and a government funding program. The roots of the CFSC go back to the work of the AFSC and some of its members, namely North End Stella/United Church of Canada, SEED Winnipeg, Mennonite Central Committee
and Assiniboine Credit Union. The CFSC is now officially a project of NECRC. The CFSC relies on a number of community agencies for client referral. The CIBC helped to fund the initial business plan, donated its former Main and Selkirk Ave. branch office to Mt. Carmel Clinic and maintains an ATM on the site. NECRC and ACU developed and implemented the operating model, with roles and responsibilities set out in a formal agreement. The Winnipeg Partnership Agreement, a tripartite fund is the key funding organization.

The Desjardins Mutual Assistance Fund project involves a three-way partnership. The project was initiated by the Desjardins Federation by setting aside capital funds in 2000. The federation then makes agreements with local caisse to each contribute equal amounts towards the loan capital and contribute to the salary of the financial counsellor. A budget counselling agency is responsible for the client selection, loan dispersal and repayment.

Once the projects got going, working relationships among the partnerships changed. Once the Cash & Save opened its doors, RBC implemented the project. Bain & Co.’s involvement ended and St. Christopher House continued in the role of community consultant but, in fact, St. Christopher House’s input in the project declined.12 This is presumably because RBC saw community consultation as something that took place at the beginning of the project. Yonge Street Mission acted as the community consultant for the Cash and Save in Regent Park. PHS and Vancity Credit Union regularly communicate regarding Pigeon Park Savings operations. PHS staff provides teller services and Vancity provides backroom processing. Senior staff at both organizations maintains significant interest and communication on the project. A similar situation exists for the Community Financial Services Centre, where the staff, staff at NECRC and staff at Assiniboine Credit Union stay in regular communication. The Desjardins program relies on the ongoing relationship between itself, the local caisse populaire and a budget counselling agency.

**f) The Importance of People and Relationships**

While many people in several organizations played a role in the creation and development of each of these projects in some cases there are a few outstanding people or relationships.

For Pigeon Park Savings, the heads of PHS and Vancity CEO were both on a third organization’s board of directors and knew one another before Four Corners Savings Association closed down. Their relationship went back to at least one and a half years before Four Corners closing, both being members on another organization’s board and then talking about the prospects for Downtown Eastside residents if Four Corners was to shut down. Once the announcement was made that Four Corners was to be closed, this relationship was the starting point for talks between the two organizations.

For the Cash & Save, the heads of St. Christopher House and RBC worked together on a couple of service projects. This relationship may have been helpful in building the RBC-St. Christopher House partnership. The relationship between the

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12 This was evidenced by the fact that non-RBC informants were not able to comment much on the current situation for Cash & Save.
community developer, Bain & Company and RBC officials was crucial for the project to proceed.

The Community Financial Services Centre owes much to the long-term commitment of a number of people involved with the AFSC. It brought together many people and organizations with common interests in understanding and addressing financial exclusion. The ACU representative on the AFSC was a critical bridge between these community organizations and a financial institution. He brought an awareness of, and deep commitment to community need.

g) Cross-cultural Dialogue

Dialogue across ‘cultures’ was identified as another factor associated with the community banking projects. By culture we refer not to the foundational concept of worldview but to differences in attitudes and experiences across different socioeconomic groups within a society. For instance, different groups living within the same society may have different attitudes about, and experiences with life goals, finances and financial services. In some cases these differences may become an obstacle for different groups to trust one another, communicate and work together. For these groups to work together, cross-cultural dialogue is necessary.

The most obvious cross-cultural tension identified by respondents was between banks and inner-city residents. Because these two groups have such different cultures they don’t often communicate and sometimes have feelings of distrust towards the other. Key informants referred to a level of distrust among some inner-city residents towards banks. Respondents also reported that with some financial institution staff there was distrust towards, and suspicion of, inner-city residents. One respondent described the corporate culture of the financial institution as one in which low-income people were seen to have caused their own poverty. Thus building trust and better communication was essential in developing successful community banking projects.

Several respondents noted that the projects required building of cross-cultural dialogue and trust. PHS, AFSC, St. Christopher House and the various budget counselling agencies involved with the Desjardins project all had staff who played important ‘bridging’ roles. PHS was respected by Vancity Credit Union as an organization working with and for Downtown Eastside residents. In fact one Vancity Credit Union respondent claimed that Vancity Credit Union would not work in the Downtown Eastside on its own but only in partnership with a community agency. St. Christopher House’s role in the Cash & Save was critical for promoting understanding within RBC of the unique challenges within Parkdale although its role seems to have declined past the design phase. In Winnipeg several community organizations, within the auspices of the AFSC played an important role in the development of the Community Financial Services Centre.

8) Conclusion and Recommendations

The banking conditions in inner-cities in Canada are quickly changing. Cheque-cashers, instant tax refund advancers and payday lenders are growing in numbers and some of these outlets are spilling into the suburbs. Inner-city based community organizations,
banks and credit unions have noted this development and some have sought to address it through special community banking projects. We have identified four of the projects, the Cash & Save, Pigeon Park Savings, the Community Financial Services Centre and the Desjardins Mutual Assistance Fund. Three of these projects are located in one or two inner-cities and offer a set of financial services to neighbourhood residents. The Desjardins program works with low-income people throughout the province of Québec. Each project is the result of partnerships most importantly between a community organization, a financial institution and a research/consulting agency.

One key conclusion from this research is that community banking projects are expensive and are not likely to become self-sufficient. The Cash & Save is probably (we don’t know for sure) the closest to financial self-sufficiency but it offers the most basic set of services, devoid of savings, credit-repair/building or financial literacy. Why these projects need to become completely self-sufficient is not clear. They can, and do contribute to the public good. By reducing transaction fees, theft and helping some unbanked people into a relationship with a mainstream bank they may provide a positive benefit to society. Since low-income people, by definition, cannot fully pay for this service, community banking projects cannot collect sufficient fees. This is akin to the public transit challenge where buses reduce noise, gasoline use and carbon emissions but they cannot charge a fee that covers their costs. But governments invest in public transit because there is a net benefit to society. A similar type of argument can be made for community banking projects. While this justifies some external support for these projects it does not imply these projects be entirely reliant on external support. Without any fee revenue the CFSC is particularly reliant on external support.

Another conclusion from this research is that partnerships and building relationships across types of organizations is important. Without partnerships such as RBC-St. Christopher House and PHS-Vancity, these projects would likely not exist. Relationships between key community and financial institution leaders are important. While some community organizations may vilify mainstream banks and while some banks may criticise community organizations, these organizations need each other to succeed in financial inclusion work. How can organizations from such different backgrounds be brought together in greater numbers and on a more regular basis? One way is to develop a common language and work at understanding common and different interests, understandings and values. Networks and associations that operate at the local and national level could usefully support this type of relationship. This suggests that building networks beyond ones industry association is useful for success in this field. How can people from such different worlds be brought together more intensively and regularly? In the two cases discussed here it was through mixing on other organizations’ boards that people were brought together. Financial institutions in particular might consider dedicating senior staff to board work on local social organizations.

The role of government in these projects needs to be clarified, both in terms of public policy and funding. Considering the strong public good case that can be made for these types of projects there is a rationale for government support. But some stakeholders are concerned, perhaps excessively, that government funding is unreliable. Clearer government policy about its own funding of public good projects would help. Moreover federal policy on financial institution responsibility in this field is weak. The Access to Basic Banking regulations are not sufficient to encourage more bank engagement with
the issue. Since banks receive certain government protection they must be required to provide their services more extensively.

The quality of this analysis was limited by the limited amount of data on these projects. If we are to learn from these projects and develop an understanding of what is best practice then evaluations need to be standardized and the data made public.

Finally, the small number of community banking projects in Canada reflects a shortage of resources applied here and interest in the issue. This suggests that mainstream banks are largely disinterested in un-banked and under-banked people as customers. This has likely helped to fuel the growth of fringe bank services and numbers. Financial inclusion efforts require innovation, partnerships, a culture shift, and are financially challenging. They are also certainly an important contribution to meeting a social and economic need of many low-income Canadians.
References Cited


Appendix
Questionnaire for Survey of Key Informants on Community Financial Service Provider

This questionnaire is intended to form the basis of an open-ended conversation with a researcher and a key informant. The list of questions are intended to ensure that we gain a broad understanding of the informant’s knowledge & perspective on the project. The interview may not follow the specific question numbers but will seek to learn about the informant’s ideas about the project’s beginning, present & future.

1. Respondent code

Section I. Financial Exclusion

This first section defines what we mean by financial exclusion & asks what is the organization’s relationship to the problem. For the purposes of this project we define financial exclusion as a situation when a person has no, or a very limited, relationship with mainstream bank and are consequently dependent on fringe banks (cheque-casher, pawnshop, etc.).

2. Do you think that financial exclusion is a problem for your clientele or people in your working area?
   a) How serious a problem is it? For the individual? For the neighbourhood?

3. To what extent is addressing financial exclusion an important part of your organization’s mission/mandate?

4. What has your organization done to address financial exclusion?

Section II. Community Financial Service Project

In this section we ask about a particular Community Financial Service Project (CFSP) you know about. By CFSP we mean a store-front program that provides a set of financial services to a low-income financially excluded population. Examples in Canada include Pigeon Park Savings, Winnipeg Community Financial Service, Cash & Save. Note also: Key informants bring different expertise to these questions. Note: most informants will not be able to answer all these questions. We only ask that they provide the information they feel comfortable to provide.

5. Tell us how you got initially involved in the CFSP:
   a) What was it initially? Describe the project in the beginning
   b) When? Origin of idea? Starting date of project?
   c) Where? Describe the clientele/ neighbourhood
   d) How? What was the process of development & how were you/your organization involved?
e) Why? Why did you get involved? Note that at present there are very few specialized CFSPs in Canada.

f) With whom? Who are the key stakeholders in the project? What role do each of them play?

6. Tell us about the project today
   a) Services:
      i) What services are provided?
      ii) What fee levels are charged (Are the fee levels akin to fringe bank or mainstream bank fees)?
      iii) How well do these services meet:
           1) ‘Immediate’ (transactions required to meet daily life expense, e.g., cheque-cashing or getting cash) financial service needs
           2) ‘Developmental’ (transactions required to meet larger life expenses, e.g., savings, credit rating) financial service needs
   b) Staff:
      i) Who staffs the project?
      ii) Who trains the staff?
          1) Is there special training to work with low-income people and their particular financial service needs?
   c) Governance:
      i) What is the mission/vision/mandate of the project?
      ii) What is the make-up of the board of directors?
   d) Funding:
      i) How does the organization fund itself?
      ii) If a subsidy is in place,
          1) What is the level of subsidy?
             a) As % the project’s costs
             b) As % subsidizer’s costs
          2) For how long will this subsidy continue?
             a) Is there a plan to gradually remove the subsidy?
(b) If yes, how will additional revenues (or declining costs) be accomplished?

e) Impact on Participants
   i) What is the impact of this project on its clientele?
      (1) Anecdotal
      (2) Monitoring or evaluation data
   ii) How does it affect financial exclusion in the area?

7. Tell us about the project’s future
   a) Services
      i) Types
         (1) Immediate
         (2) Developmental
      ii) Fees

   b) Staffing
      i) Levels
      ii) Training

   c) Governance
      i) Mission
      ii) Board

   d) Funding
      i) Cost recovery
      ii) Subsidy

   e) Impact monitoring & evaluation
      i) Formal and informal