



# ACORN Canada

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We need FAIR BANKING NOW!

***We believe it is time for BMO to step up as a Banking leader in Canada and establish a fair banking program and end all investment in predatory lenders both direct and indirect.***

ACORN demands that the Bank of Montreal divest any funds, mutual funds, or direct financial holdings in predatory financial institutions and money transfer organizations such as Cash America International, Credit Acceptance Corp, Nelnet Inc., Regional Management Corp, Works Acceptance Corp., National Money Mart Co. and Western Union Corp., EZ Corp. and First Cash Financial Services. Further, we request that BMO divest any financial support in financial services that heavily invest in fringe financial services such as Blackrock, Vanguard, Allianz Global Investors, Wellington Management.

**Predatory lending is the unfair, deceptive or fraudulent practices of some financial lenders which can apply to personal loans, mortgages, single-premium credit insurance and banks and home improvement contracts. Predatory lending practices includes loan flipping, excessive refinancing, and the usage of loan terms or structures such as negative amortization, all of which make it more difficult for borrowers to reduce or repay their indebtedness. Predatory lenders charge atypically high interest rates and financing fees mandatory insurance to borrowers who qualify for lower rates and or fees offered by the lenders, and approve loans without consideration of the borrower's true ability to pay and /or based on fraudulent information.**

**Gouging Money Transfer Organizations (MTO) are any MTO's that charges more than a 5% in fees including all fees such as exchange rate fees, as advised by the World Banks all G8 members which includes Canada. This also includes full transparency and disclosure on all costs of remittance payments.**

ACORN Canada leaders would like to meet immediately to discuss how BMO can divest in these fringe predatory services replacing them small scale loans and/or lines of credit with low interest rates that many low income families desperately need.

## 1. BMO Direct Investments (through mutual funds, etc.)

Name of fund	Financial services (as a percent of holdings)	Name consumer finance company	# of shares	\$ value of shares
Small-Cap Core Fund	22.3%	Cash America International	625	\$15,256
		Credit Acceptance Corp	190	\$28,453
		Nelnet Inc.	288	\$13,202
		Regional Management Corp	1,058	\$14,346
		World Acceptance Corp	210	\$16,029



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SOURCE: United States Securities and Exchange Commission Form N-Q, Quarterly Schedule of Portfolio Holdings of Registered Management Investment Company, BMO Funds, Inc., Reporting period November 30, 2014

Name of fund	Percent of overall investments	Name consumer finance company	# of shares	\$ value of shares
Mid-Cap Value Fund	Financial Services 25.6%	--	--	--
	Information Technology 16.9%	<b>Western Union Co.</b>	173,700	\$3,227,346

(The financial services in this mutual fund include Discover Financial Services, Axis Capital Holdings, various regional banks, REITs, reinsurance, etc.)

SOURCE: United States Securities and Exchange Commission Form N-Q, Quarterly Schedule of Portfolio Holdings of Registered Management Investment Company, BMO Funds, Inc., Reporting period November 30, 2014

Name of fund	Financial services (as a percent of holdings)	Name consumer finance company	# of shares	\$ value of shares
Money High Yield Bond Fund	2.9%	National Money Mart Co.	279,000	\$278,651

(other diversified financial services include Aircastle Ltd, Fly Leasing, Icahn Enterprises, International Lease Finance Corp)

Source: United States Securities and Exchange Commission, Form N-CSR, Certified Shareholder Report of Registered Management Investment Companies, BMO Funds, Inc. , Reporting period Feb 28, 2014

**Note: Filings for MOney High Yield Bond Fund include investing in Money Mart as recently as 2014**



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## 2. Institutional Holdings:

(Large institutional investors such as banks and pension funds with over \$100 in assets are required to file quarterly reports listing their investment holdings – these shares were reported in BMO's filings)

Name of company	Number of Shares	Value of Shares
EZ Corp	5299	\$113,000
EZ Corp	364	\$8,000
First Cash Financial Services	921	\$54,000
Western Union	13287	\$200,000
Western Union	103	\$2,000
Western Union	20975	\$315,000
Western Union	62300	\$937,000
Western Union	318592	\$4,792,000
Western Union	232215	\$3,493,000
Moneygram International	43846	\$794,000
Cash America International	10387	\$545,000
Cash American International	3998	\$210,000
Credit Acceptance Corp Mich	296	\$36,000

Source: United States Securities and Exchange Commission Document 13F-HR, Quarterly report filed by institutional managers, Holdings, BMO Financial Corp., Report period 2013-03-31



### 3. Overview of Companies in which BMO invests:

Company Name	Services Offered	Subsidiaries or partners	Presence in Canada
<b>Western Union</b>	International money transfers	Western Union Online, PayBills.com, Western Union Financial Services (Canada), Western Union Payment Services Network (Canada), etc.	3100 agent locations in Canada; online services
<b>EZCORP</b>	Instant Cash Services (pawn loans, short-term loans, unsecured loans)	EZPAWN, Value Pawn, EZMONEY, Cash Converters, etc.	Offers payday loans under EZCORP/Cash Converters name
<b>First Cash Financial Services</b>	Payday loans, pawn loans	Famous Pawn, First Cash Credit, Cash & Go, CashPlus CSO, etc.	Operates mostly in US and Mexico
<b>Moneygram International</b>	International money transfers	<b>MoneyGram Payment Services Canada, Inc.</b> , Travelers Express Co., MIL Overseas Limited, etc.	Numerous locations across Canada ( <b>note: MoneyGram was fined \$18M for cross-border fraud in 2009</b> ) <sup>1</sup>
<b>Cash America International</b>	Payday loans, Cash advance, pawn loans	<b>Cash America Net Canada, LLC.</b> , Cashland Financial Services, Doc Holliday's Pawnbrokers and Jewelers	Online lending under <a href="http://www.dollarsdirect.ca">www.dollarsdirect.ca</a>
<b>Credit Acceptance Corp</b>	Automobile loans (for people who have not been able to get loans from other sources/ low credit scores)	CAC of Canada Company, Vehicle Remarketing Services, Buyers Vehicle Protection Plan	Unclear
<b>National Money Mart Co.</b>	Payday loans, cheque cashing, money transfer services	Canadian subsidiary of Dollar Financial Group	Canadian financial services company with locations across Canada ( <b>several lawsuits against National Money Mart regarding exorbitant interest rates in 2003 and 2010; cases settled without admission of wrongdoing by Money Mart</b> ) <sup>2</sup>

<sup>1</sup><http://www.cbc.ca/news/moneygram-fined-18m-for-cross-border-fraud-1.831148>

<sup>2</sup><http://www.canada.com/edmontonjournal/news/story.html?id=01dba880-64f0-4fab-8616-3ecb155b550c>



## 4. Indirect Connections:

BMO invests heavily in financial services (they regularly comprise about 20-25% of fund investments). Generally, these are other large banks or capital funds, which then often have connections to payday lenders and so on.

Investor	Connection to payday lenders	Connection to BMO
Blackrock	Large owner of stocks in <b>EZCORP, Cash America International, First Cash Financial, World Acceptance Corp, Advance America</b>	BMO Short-term income fund invests in BlackROckinc. (see below); Securities and Exchange Commission Form 13-F, listing holdings of large institutional investors shows significant holdings of Blackrock stock
Vanguard	Large owners of stocks in <b>EZCORP, First Cash Financial, World Acceptance Corp</b>	Most of the directors came directly from BMO (Top managers include Atul Tiwari, Jason McIntyre, Catherine Chamberlain, all of whom were senior managers at BMO) No clear direct connections between BMO and Vanguard
Allianz Global Investors	Large owners of stocks in <b>Advance America, Cash America International</b>	Partner with BMO for travel insurance in Canada <sup>3</sup>
Wellington Management	Large owners of stocks in Western Union	Wellington Management Company operates as a portfolio manager for BMO's CI U.S. Equity Fund Plus <sup>4</sup>

Source: United States Securities and Exchange Commission, Form 13-G (various forms showing large owners of stocks in respective companies)

### Blackrock investments:

Name of fund	Diversified Financial services (as a percent of holdings)	Name consumer finance company	# of shares	\$ value of shares
Short-term income fund	3.4%	Blackrock Inc.	1,250,000	\$1298035

Source: United States Securities and Exchange Commission Form N-CSR, Certified Shareholder Report of Registered Management Investment Companies, BMO Funds Inc., Reporting period August 31, 2014

### Institutional holdings in Blackrock:

Name of company	Number of Shares	Value of Shares
Blackrock Inc.	407	1586
Blackrock Inc.	194	755
Blackrock Inc.	3	12
Blackrock Inc.	796	3098
Blackrock Inc.	212	826
Blackrock Inc.	16	61
Blackrock Inc.	9087	35376

Source: United States Securities and Exchange Commission Document 13F-HR, Quarterly report filed by institutional managers, Holdings, BMO Financial Corp., Report period 2013-03-31

<sup>3</sup><https://www.bmo.com/home/personal/banking/everyday/travel-services/travel-insurance>

<sup>4</sup>[http://www.bmo.com/grs/pdf/HCAP\\_EN.pdf](http://www.bmo.com/grs/pdf/HCAP_EN.pdf)



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## 5. Legal issues

### United States:

- Numerous lawsuits over payday loans against BMO Harris Bank in the U.S.
  - Allegations that BMO illegally allowing payday loan lenders access to an expedited payment processing system that was not legal in certain states due to high interest rates and excessive fees<sup>5</sup>
  - Payday lending is outlawed in many states, but the lenders can continue to operate by using online banking (the transactions are facilitated by banks)
  - **Note: BMO was able to push the cases to arbitration – this private dispute resolution mechanism is often included in loan agreements, etc.; it is heavily tilted towards large institutional actors; the outcome of this case is unclear**

Other legal issues for payday loan companies listed above (in overview of companies in which BMO invests)

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<sup>5</sup><http://www.bloomberg.com/news/articles/2013-10-11/bmo-harris-bank-among-companies-sued-over-payday-loans>