ACORN CANADA

PANDEMIC & HIGH-COST LOANS

IMPACT ON LOW- AND MODERATE- INCOME PEOPLE

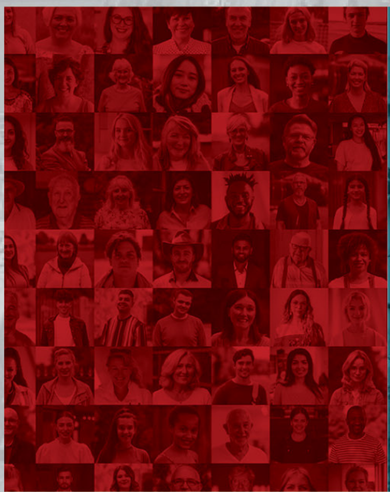


Table of Contents

Acknowledgements

A big thank you to all the respondents who took the time to fill out the survey and spoke in detail about their experience with high-cost lenders.

Project methodologist: Professor Brenda Spotton Visano, Department of Economics and School of Public Policy & Administration, Faculty of Liberal Arts & Professional Studies, York University, Toronto

External expert: Professor Gail Henderson, Associate Professor / Associate Dean, Faculty Relations and Academic Policy, Queen's University, Kingston

Association of Community Organizations for Reform Now (ACORN) Canada has received funding from Innovation, Science and Economic Development Canada's Contributions Program for Non-profit Consumer and Voluntary Organizations. The views expressed in this report are not necessarily those of Innovation, Science and Economic Development Canada or of the Government of Canada.

Contact

ACORN Canada

715B Danforth Ave. Toronto,

ON M4J 1L2

Phone: 416-461-9233

Email: organize@acorncanada.org

Website: www.acorncanada.org

ACORN CANADA

Executive Summary

ACORN Canada conducted a study to understand the impact of the pandemic on the financial situation of low-and- moderate income people and the extent to which it led to the usage of high-cost loans. For this study, high-cost loans are defined as loans such as payday loans, installment loans, title loans etc. that fall outside the traditional banking institutions. Typically, these loans have an annual interest rate of more than 30 percent.

The pandemic is not over, and the effects are long-lasting. Several sectors of employment continue to be adversely impacted. Moreover, the government support programs have either ended or have been replaced with those that have a restricted scope.

ACORN is a national, membership-based organization of low- and moderate- income people who have championed the campaign on fair banking/end predatory lending. In the past, ACORN Canada has secured stronger payday loan regulations at provincial and municipal level. Recent years have seen a disturbing trend whereby payday lenders are increasingly offering installment loans which are larger loans over a much longer period. Lenders are legally allowed to charge an annual interest rate of 60 percent plus insurance, fees etc. for these loans.

It is in this context that ACORN conducted a survey between November 2021 - January 2022. The online survey, in both official languages, was emailed to ACORN members nationally. A total of 440 people accessed the survey out of which 113 respondents said they had to take a high-cost loan especially due to the pandemic. The findings are thus based on the responses of 113 respondents. In addition to the survey, in-depth conversations were held with a few individuals who expressed willingness to share their experience. These have been captured as testimonials in the report.

The report provides the findings in detail. Here are some of the main takeaways:

- The report clearly demonstrates the devastating impact of the pandemic on people's financial situation. Not only did the pandemic severely impacted people' financial situation, but many people continue to rely on financial support. Worse still, a significant proportion of people do not see their financial situation getting better. Most people expressed concern with the federal support ended or winding up.
- Regarding the type of high-cost loan, while payday loans are the predominant type of high-cost loan that people took out due to the pandemic, installment loans continue to see a rise with almost equal proportion of people reporting taking out an installment loan.

- Importantly, while almost 40 percent of respondents mentioned taking loans one or two times, 25 percent of respondents stated that they took loans 10 or more than ten times. This reveals the exploitative nature of high-cost lenders as the objective is not to help people but ensure that the person who took out a loan gets trapped in a vicious cycle of debt.
- The reasons for which people took these loans were to meet basic expenses such as rent, groceries, car repairs etc.
- Lenders continue to exploit people's vulnerabilities. Not explaining the cost of borrowing in its entirety, offering loans on the pretext of improving credit score or attaching insurance to the loan to extract more money - are just a few examples as to how lenders are taking advantage of peoples' vulnerable situation.
- It is aptly clear that it's not a preference but lack of choice which is the main driving factor that is pushing low- and- moderate income people to take out high-cost loans. More than half of respondents first went to the bank or a traditional banking institution before going to a payday lender. Hence, banks are failing to benefit people who need it most. In fact, in case of missed payments due to a tough financial situation, people are being penalized by the exorbitant NSF fee charged by the banks and the fees charged by the high-cost lenders.

Urgent action is needed by the government to provide or enhance people's access to fair banking. ACORN is calling on the federal government to take the following measures:

- Lower the criminal interest rate from 60 percent to 30 percent for installment loans. Ensure that the maximum rate includes all associated lending costs such as fines, fees, penalties, insurance, or any related cost.
- The federal government must mandate banks to provide an affordable loan for low- and moderate-income people back-stopped by the government of Canada, so they can avoid predatory lenders in a time of personal financial crisis.
- The federal government must support other alternatives like postal banking.
- The banks must lower the NSF fees from $45 to $10.

Introduction

Complete lack of or inadequate access to regular banking services has pushed millions of Canadians to fringe lenders such as Money Mart, Easy Financial, Cash Money and many others that charge exorbitant interest rates plus fees, optional products and other charges. For payday loans (small-dollar loans not exceeding $1,500 to be paid back within 62 days), the interest rates are as high as 500 percent in some provinces. The other kind of high-cost loans that has seen increasing uptake is installment loans which are usually of much larger amounts to be paid over a longer period. Regulated federally, lenders can legally charge an annual interest rate of 60 percent on installment loans, with fees for optional products such as insurance etc. added on top of the interest.

Among Canadian families with debt, 4 percent reported using a payday loan at least once in the past three years, but this number is much higher for people on a low-income, renters, women, indigenous peoples, and others (Statistics Canada, 2019).

In fact, the most recent annual Hoyes, Michalos & Associates Inc. bankruptcy study (2021) shows that the average insolvent debtor in 2021 owed $50,484 in unsecured debt, up 3.3 percent from 2020. Thirty eight percent had at least one payday loan, unchanged from prior years.

While tens of thousands of low- and moderate- income people were struggling, living paycheque to paycheque, the pandemic exacerbated the existing inequities. There is sufficient evidence that demonstrates the disproportionate impact of COVID-19 pandemic on the lives of the most disadvantaged communities. At the same time, data suggest wealth concentration among a few top-earning individuals and corporations, including the big Canadian banks, despite the pandemic. As the most poor and disadvantaged segments of the population saw their jobs disappear or face substantial reduction in hours of work, top executives, CEOs and big corporations saw their wealth increase manifold.

The pandemic is not over, in fact many more people lost jobs due to a fresh wave of lockdowns as new COVID-19 variants emerged. The past few months also saw a slew of government support programs and temporary changes made to the EI system during COVID coming to an end. The same period also saw the big banks raising the minimum deposit balance needed to be eligible for fee rebates with most basic accounts now requiring at least $4,000 to avoid fees which go up to $16 and more per month! In addition, low- and moderate-income people continue to face high fees for non-sufficient funds or NSF ranging from $45-$48.

It is in this context that ACORN Canada conducted a survey to assess the extent to which low- and moderate-income people were forced to turn to high-cost loans especially as a result of how the pandemic impacted their financial situation.

Definition of high-cost loans

For the purpose of this study, high-cost loans are defined as loans such as payday loans, installment loans, title loans etc. that fall outside the traditional banking institutions. Typically, these loans have an interest rate of more than 30 percent per year.

What is ACORN?

ACORN Canada, the Association of Community Organizations for Reform Now, was founded in 2004. ACORN is a grassroots organization that has rapidly grown into one of the country's most effective voices for low-to-moderate income Canadians. With over 160,000 low-to-moderate-income individuals in 24 neighbourhood chapters across the country, ACORN's central purpose is to effectively represent and champion the interests of Canada's low-to-moderate income citizens on the issues of social and economic justice.

ACORN members have a long history of campaigning and advocacy to ensure that low-income and other vulnerable people have access to fair banking. ACONRN has been able to secure important policy gains particularly in the arena of payday loans at provincial and municipal level. Lately, ACORN secured an important policy win when the federal government committed to cracking down on predatory lenders by revising the criminal interest rate which is also reflected in the mandate letter of the Minister of Finance.

Given that the pandemic continues to disproportionately impact low-to-moderate income consumers, there is a need to understand the credit options people have in the context of a global health and financial crisis. This was done through a survey as well as in-depth conversations held with individuals who were willing to share their experiences.

Literature review

COVID-19 has affected each individual in more ways than one. The pandemic has especially exacerbated the difficulties faced by low- and moderate- income people. As the Department of Finance (2021) puts it, the worst economic impacts of the pandemic have been suffered by those who could least afford it. Low-wage workers have been up to six times more likely to suffer layoffs than wealthy Canadians. Employees in the bottom 10 percent of the 2019 hourly wage distribution—i.e., who earned at most $14.00 per hour in 2019 dollars—collectively saw their total actual work hours drop by 45.5 percent as opposed to 14.2 percent increase in aggregate actual work hours experience by their counterparts in the top 10 percent of the 2019 hourly wage distribution—who earned at least $46.94 per hour in 2019 dollars. Racialized and Black Canadians have much higher representation in low-wage work.

Today, there have been about 268,000 net job losses among low-wage workers since February of 2020, compared to about 40,000 over the same time period during the Great Recession, adjusting for population growth. Analysis by CIBC reaffirms that the COVID-19 recession has been the most asymmetrical in Canadian history (2021).

With the start of the pandemic, the federal government announced a slew of measures to support families and individuals. Close to 9 million Canadians received the Canada Emergency Response Benefit - a program that helped millions of individuals otherwise failed by the current Employment Insurance (EI) system. In fact, as of October 4th 2020, a total of 27.57 million CERB and EI applications were received. Given the disproportionate impact of the pandemic on low-wage workers, of all workers who earned at least $5,000 in 2019 and who were in the bottom 10 percent of the employment income distribution, more than half (55.3%) received CERB payments in 2020, while only about 1 in 10 workers (11.3%) in the top 10 percent of the 2019 employment income distribution received CERB payments in 2020. Certain groups of workers such as those among visible minorities, women and youth among visible minorities, indigenous workers were more likely to receive CERB payments (Morissette et al, 2021).

The pandemic is not over yet. With new variants and ever evolving situation, precarious workers and other vulnerable people continue to be adversely impacted. In fact, just when the employment situation was getting better, Canada saw a loss of 200,000 jobs in January owing to COVID-19 shutdowns related to the Omicron variant (Statistics Canada, 2022).

The wave of recent job loss coincided with the ending of a slew of government initiatives that were launched by the national, provincial and local governments to support individuals and families during the pandemic. While there are a few support programs that have replaced the earlier ones, the recent ones have a far more restricted scope. Moreover, the changes made to the EI system were temporary and have come to an end. Even the moratorium on evictions came to an end in most provinces by mid-2020, increasing the risk of homelessness for individuals in desperate need of support to pay skyrocketing rents.

While the insolvency rates have remained low, the situation is set to worsen as the government support tapers off, savings get exhausted and other options such as loan deferrals cease to exist. In fact, as per the latest insolvency data put together by Hoyes, Michalos & Associates Inc. (2022), while the total insolvency filings remained depressed through 2021, still, more than 90,000 Canadians and 30,000 Ontarians, filed a bankruptcy or consumer proposal in 2021. The average insolvent debtor in 2021 owed $50,484 in unsecured debt, up 3.3 percent from 2020 and the highest level seen since 2016.

There were already strong signals of a worsening situation. Data compiled by Hoyes, Michalos & Associates Inc. show that Canada's debt-to-income ratio was 180.4 percent going into the pandemic (Q1 2020). While the ratio came down to 162.8 percent in the second quarter of 2020, by the third quarter, the ratio rebound to 170.7 percent. Household liability data shows non-mortgage loans have increased steadily since May 2020. At $793.5 billion as of October 2020, non-mortgage debt has rebound and is now just 1 percent below pre-pandemic levels of $802.2 billion in February 2020. The insolvency statistics also show that there has been a 21.6 percent jump in the volume of insolvencies filed between Q2 of 2020 and Q2 of 2021 (Office of the Superintendent of Bankruptcy Canada, 2021; Hoyes , Michalos & Associates Inc., 2020).

The risk of insolvency as well as its impact is much higher for lower-income households (Hoyes, Michalos & Associates Inc., 2019). As the study by Mulholand, Bucik & Odu (2020) demonstrates, COVID-19 is likely to further increase this risk among households with high debt repayment costs. At the start of the pandemic last year in 2020, Canadian Centre for Policy Alternatives (CCPA) highlighted the financial vulnerability of specific income groups. The report shows that out of 3.4 million Canadian households who are renters, 46 per cent, or 1.6 million households, only had enough money saved to pay their bills for a month or less, the CCPA analysis shows. Twenty-four per cent of the total, or 830,000 households, didn't have enough income to get through a single week without pay.

More low- and moderate- income households lack access to mainstream financial services. As cited in Buckland and Dong (2008), while figures vary between 3-15 percent for Canadians 15 years and older who are unbanked - those having no relationship at all with a mainstream financial institution - these at best are underestimates. An additional 20 percent are underbanked, meaning their engagement with the mainstream financial sector remains limited and even these figures are an underestimate. A vast majority of these financially excluded people are poor.

Multiple surveys of high-cost credit users have found the lack of access to more traditional forms of credit as the main reason why users access high-cost loans (ACORN, 2021; Tranjan, 2020; Fantauzzi, 2016; Financial Consumer Agency of Canada, 2016). This lack of access could be as a result of a multitude of reasons, including actual physical access due to mobility issues or dearth of locations in a user's neighbourhood as well as too low of a credit score to obtain other sources of lower-cost credit (Barrett, 2018).

Lack of mainstream financial institutions pushes people to rely on more insecure forms of debt. A report by Mulholand, Bucik and Odu (2020) highlights that fewer low-income households hold debt backed by assets than their higher-income counterparts. Only 20 percent of indebted low-income households and 39 per cent of indebted moderate-income households carry mortgage debt, compared to 55 to 71 percent of indebted households at higher income levels. Among indebted low- and moderate- income households, over 90 per cent carry consumer debt, but most do not hold a mortgage. Hence, more low- and moderate- income households carry unsecured forms of debt, like installment loans, payday loans etc. Fifty-nine per cent of indebted low-income households and 56 per cent of indebted moderate-income households carry some amount of credit card and/or installment loan debt. The number goes down to 45 percent for households in the highest income quintile. Unfortunately, the dataset combines credit card debt and installment loans and therefore does not differentiate between households that hold one, the other, or both these forms of debt.

ACORN Canada reached out to low- and moderate- income households in 2020 to understand their access to mainstream financial institutions. It found that 40 percent of respondents approached banks before they took out a high interest loan, but they or their family member or friend were denied. In fact, only 3 percent said that they prefer a high interest loan. Almost equal proportion i.e. 30 per cent don't have an overdraft protection or a line of credit. Twenty percent of people have a credit card but 25 per cent said that it has maxed out (ACORN Canada, 2021).

In fact, 70 percent of respondents reported having taken a high interest loan. In terms of the type of high-interest loan, ACORN survey found that a large majority i.e., 70 percent of respondents reported taking payday loans. Payday loans are short-term loans not exceeding $1,500 that need to be paid back within 62 days. The interest rate for payday loans in most provinces is close to 500 per cent. A more worrying trend is the uptake of installment loans. Installment loans are much higher amounts of loans varying from $1,500 to as high as $15,000 or more with an interest rate of 60 percent plus fees, late charges, insurance etc. Installment loans are the fastest growing credit product in Canada and make up most online high-cost loans (Saltzman, 2015; Smarterloans.ca, 2019). In the ACORN Canada study, the percentage of people who took out an installment loan went up by a whopping 300% between 2016 and 2020. Around 15 percent of people reported taking car title loans (Fantauzzi, 2016).

The Hoyes, Michalos & Associates Inc. Bankruptcy study (2021) covering people who filed for insolvency in 2020 also mirrors these findings. Almost 2 in 5 debtors (38%) had a loan from a payday lender, relatively unchanged from 39 percent in 2019. However, among those with a payday-style loan, the average payday loan debt rose 13 percent to $6,534 and the average high-interest loan size continued to increase, up 9.7 percent to $1,770. The percentage of high-dollar loans ($2,500 and up) rose to 25 percent in 2020, up from 21 percent a year earlier and just 15 percent in 2018. The study suggests that the line between alternative easy lenders and payday lenders is blurring as payday lenders offer easy to get lines of credit and installment loans. The same study for 2022 shows that 38 percent debtors had at least one payday loan, unchanged from prior years. The average payday loan debt among those with a payday loan was $6,426.

Impact of COVID-19 on low- and moderate- income consumers

As discussed in the previous section, the pandemic has disproportionately affected low- and moderate- income people. In the ACORN Canada survey (2021), respondents were asked if they had taken out high-interest loans because of the pandemic.

- At that time, 13 percent of respondents had said that they had to take out high interest loans due to COVID-19.
- Almost 16 percent of people stated that they missed some payments to pay off the loan while another 17 percent said that they have been missing making payments as they are facing a tough financial situation due to COVID.
- When asked to what extent were the lenders being considerate if they missed or had an issue making a payment, slightly more than 25 percent of the respondents stated that the lenders have been either inconsiderate or extremely inconsiderate during the pandemic. Only 7 percent of respondents found the lenders extremely considerate.

Changes to high-cost credit legislation during COVID-19

As the research by Akrong and Henderson (2021) indicates, except for Ontario, no other province that has legislation regulating high-cost credit products made any changes in the legislation in response to COVID-19.

Further, the amendments made by Ontario were restricted to payday loans. On July 21, 2020, Ontario passed legislation that amends the Payday Loans Act, 2008 to restrict the interest rates and fees payday lenders may charge on loans in default and for dishonoured — bounced—cheques. Although these measures came into effect on August 20, 2020, they do not apply to payday loans made in the previous five months of the pandemic's presence in Canada.

Prior to this amendment, Ontario's payday loan legislation did not include restrictions on the interest rate lenders may charge on defaulted loans. As of August 20, 2020, payday lenders may charge a maximum interest rate of 2.5 percent per month on payday loans in default. Further, this interest cannot be compounded, and lenders cannot charge any additional interest on any outstanding interest balance.

The amendments also set a maximum fee of $25 (a non-sufficient funds/NSF fee) for a dishonoured cheque, pre-authorized debit, or for any other form of dishonoured payment. Lenders can only charge this fee once, regardless of how many times a payment has been dishonoured under a particular payday loan agreement. Prior to the amendments, the legislation allowed "reasonable charges" that were supposed to reflect the actual costs incurred by the lender for a dishonoured payment. This rule continues for loans made prior to August 20, 2020.

Conclusion

The review of literature clearly demonstrates the growing dependence of high-cost loans in the absence of access to mainstream banking institutions. The issue is especially concerning for people from the most disadvantaged communities. With government support tapering off, issues in accessing decent jobs amidst the pandemic coupled with lack of access to mainstream banks/credit unions, there is a high likelihood of people in desperate need of support turning to high-cost loans to meet even basic expenses.

Findings of ACORN survey

Methodology

To understand the on-ground situation with respect to the uptake of high-cost loans especially due to the pandemic, ACORN undertook an online survey. This survey was conducted during November 2021-January 2022. The survey was conducted in both official languages - English and French. To ensure that the data was representative of low-and-moderate income consumers nationally, the survey was emailed to all ACORN contacts.

Given that the objective of the study was to understand the uptake of high-cost loans due to the pandemic, the first question in the survey asked if the individual had to take out a payday loan, installment loan, car title loan or any loan that falls outside the traditional banking institution due to the pandemic. If the answer to this question was No, the individual was taken to the end of the survey.

A total of 440 individuals responded to the survey out of which 113 respondents said that they had taken a high-cost loan because of the pandemic. Hence, the results of the survey discussed in this section pertain to 113 respondents. Most of the responses were received from Alberta, BC, New Brunswick, Nova Scotia and Ontario where ACORN has established chapters.

Given that the responses were received from across the country and the dataset pertains to a specific group of people i.e. those who had to take a high-cost loan especially due to the pandemic, the data is fairly representative.

The survey was divided into the following sections. None of the questions were mandatory to answer.

- Section 1: Personal profile such as name, email address, city, source of income, annual individual income range and renter or owner.
- Section 2: Impact of the pandemic on an individual's financial situation.
- Section 3: High-cost loans - type of loan, amount of loan, frequency of loans taken out in the last 12 months or since the start of the pandemic, cost of borrowing, insurance, attitude of the lender in case of missed payments and overall experience with the loan.
- Section 4: Access to traditional banking institutions.
- Section 5: Gender and racial identity.

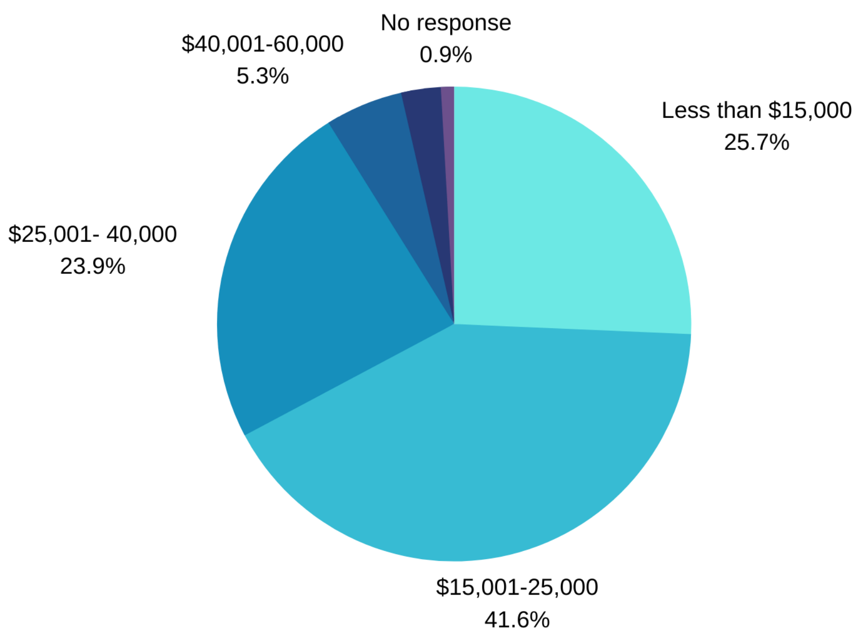
This section discusses the findings of the survey in detail.

!. *Demographic information*

1.Annual individual income range

- Around 26 percent respondents stated that their annual individual income is less than $15,000.
- Forty two percent of the respondents reported their income between $15,001-25,000.
- Twenty four percent of respondents mentioned their income range between $25,001-40,000.
- Very few respondents reported income above $40,000.

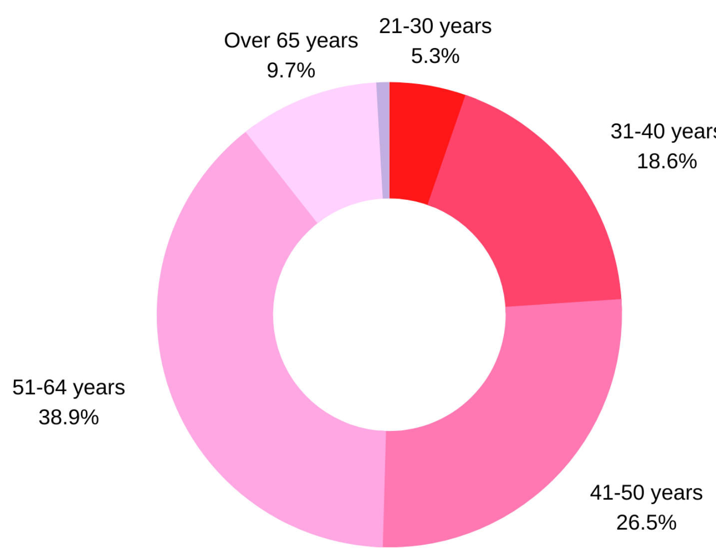
Fig 1: Annual individual income range



2. Age of respondents

- The largest proportion of people (40%) taking high-cost loans fall in the age group of 51-64 years.
- Twenty seven percent of people who took out loan (s) reported being in the age group of 41-50 years.
- Around 20 percent of respondents who took out high-cost loans are in the age group of 31-40 years.
- Ten percent respondents are above 65 years of age.
- Very few reported their age between 21-30 years.

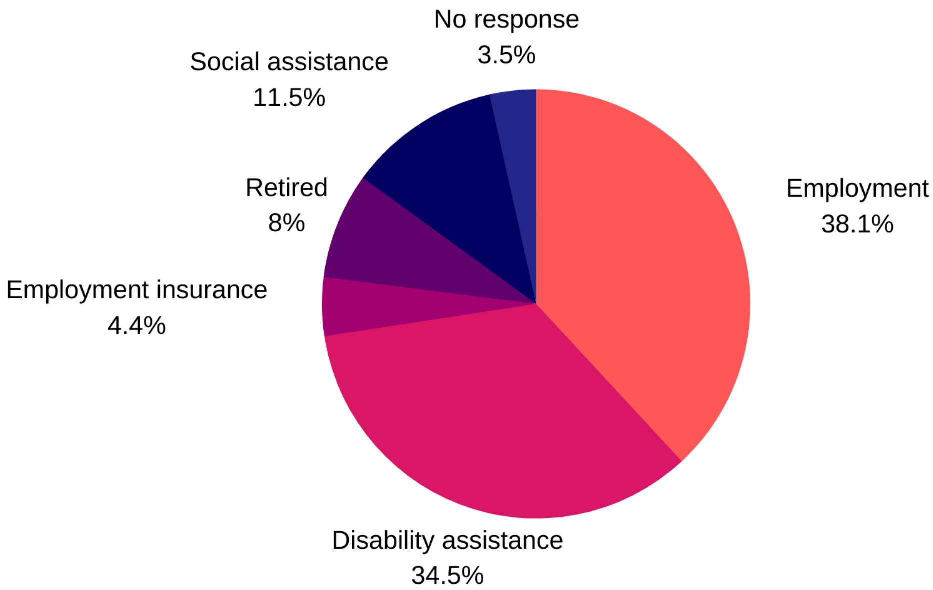
Fig 2: Age



3. Main source of income

- Around 40 percent of respondents reported employment as their source of income.
- Thirty five percent of respondents reported disability assistance as their source of income.
- Another 12 percent are on social assistance.
- Around 8 percent are retired.
- Some people (4%) reported employment insurance as their source of income.

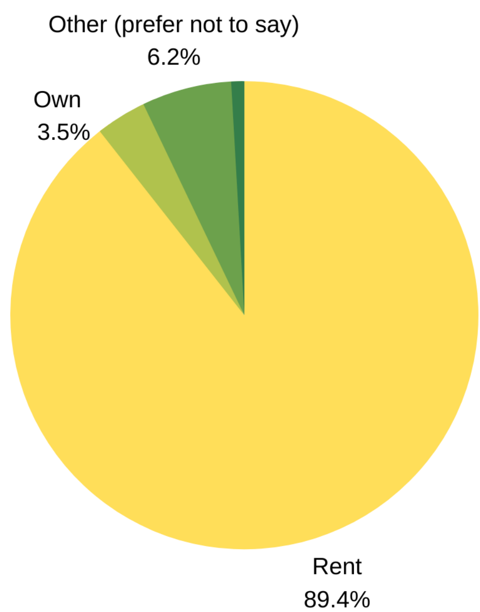
Fig 3: Source of Income



4. Renters or owners

Almost 90 percent of the respondents are renters. Only 5 percent of respondents identified themselves as owners.

Fig 4: Renters vs. owners



5. Gender and racial identity

Majority of the respondents who responded to this question (63%) identified themselves as female, while 22 percent identified as male. Some people identified themselves as non-binary. Regarding racial identity, 62 percent of respondents identified themselves as White, 22 percent identified themselves as Black or radicalized, 13 percent identified themselves as indigenous.

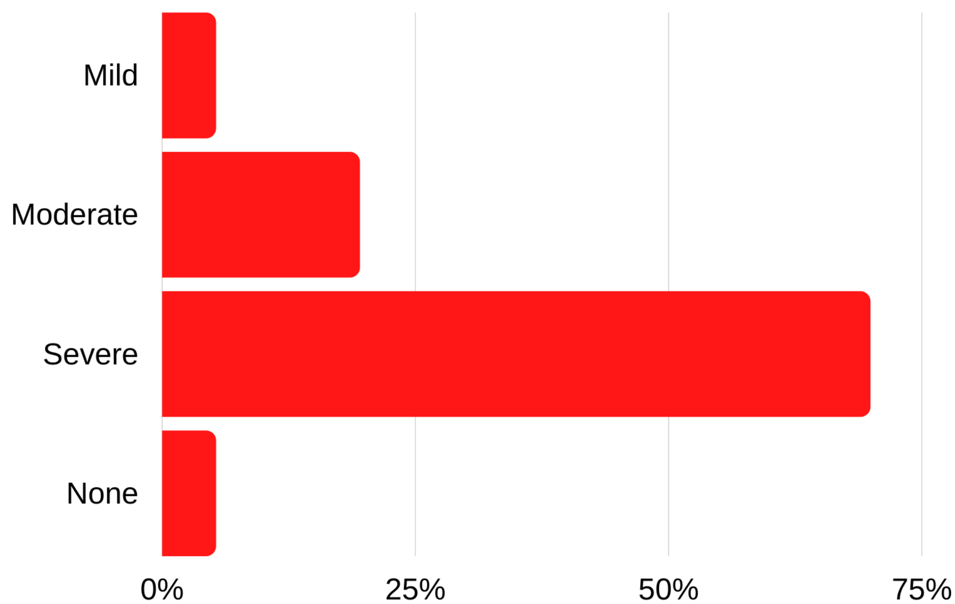
II. COVID-19 and impact on financial situation

1.Impact of the pandemic on financial situation

Respondents were asked to rate the impact of the pandemic on their financial situation as severe, moderate or mild.

- Seventy percent of respondents rated the impact of the pandemic on their financial situation as severe.
- Around 20 percent of people said that the impact has been moderate.
- Only 10 percent of respondents said that the pandemic had a mild or no impact on their financial situation.

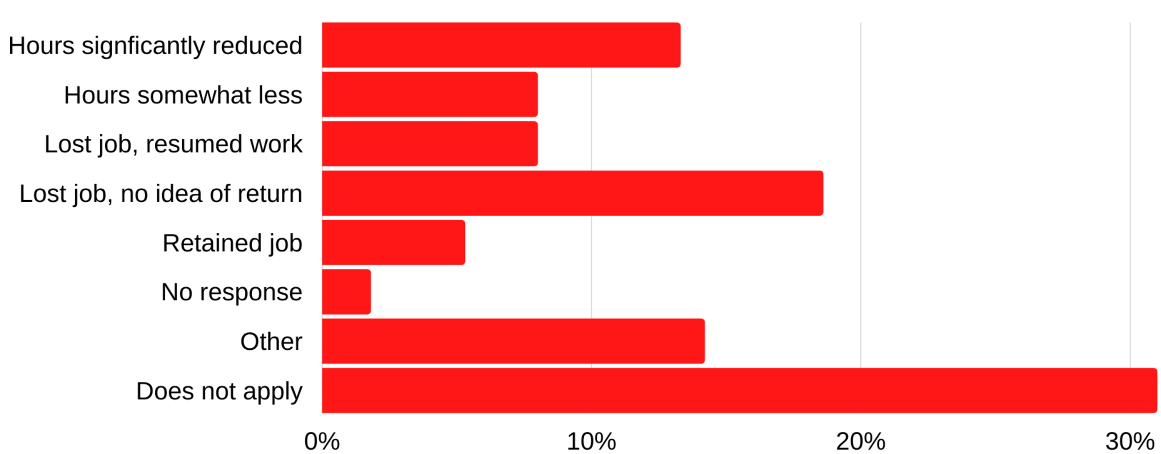
Fig 5: Impact of the pandemic on financial situation



2. Impact of the pandemic on employment

Respondents were asked the extent to which their employment had been affected by the pandemic.

Fig 6: Effect on hours at work due to the pandemic



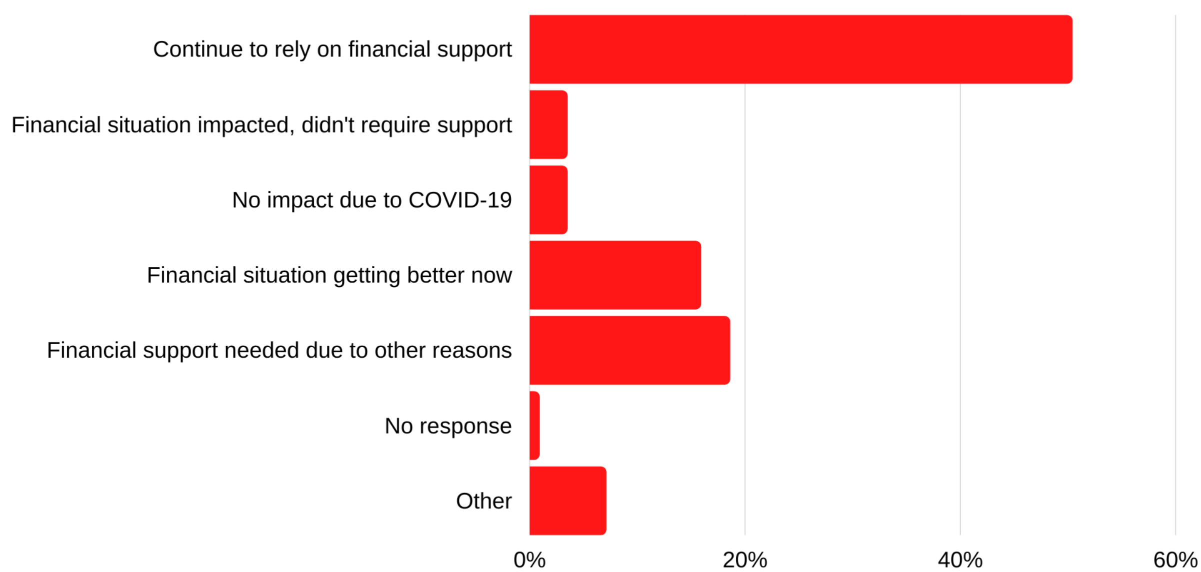
- Almost 20 percent of the respondents said that they lost their job completely with no idea when they can return to work.
- Another 13 percent said that their hours got significantly reduced.
- Eight percent said that the hours are somewhat less.
- Another 8 percent people said that their hours of work were affected but they have now resumed work.
- Only 5 percent of the respondents said that they were able to keep their job fully.

3. Need for financial support due to COVID-19

In this question, people were asked if they required or still need financial assistance as a result of how their financial situation was affected due to the pandemic.

- Half of the respondents said that their financial situation worsened due to COVID-19 and they continue to rely on support.
- Twenty percent of the respondents said that they would have needed financial support even without the pandemic because of other reasons.
- Sixteen percent said that their financial situation worsened but it's getting better now.
- Only 4 percent respondents said that their financial situation was not impacted due to COVID-19 at all.

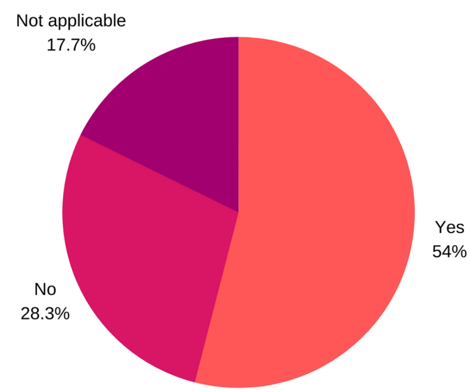
Fig 7: Do or did you require financial support due to the pandemic?



4. Access to government support

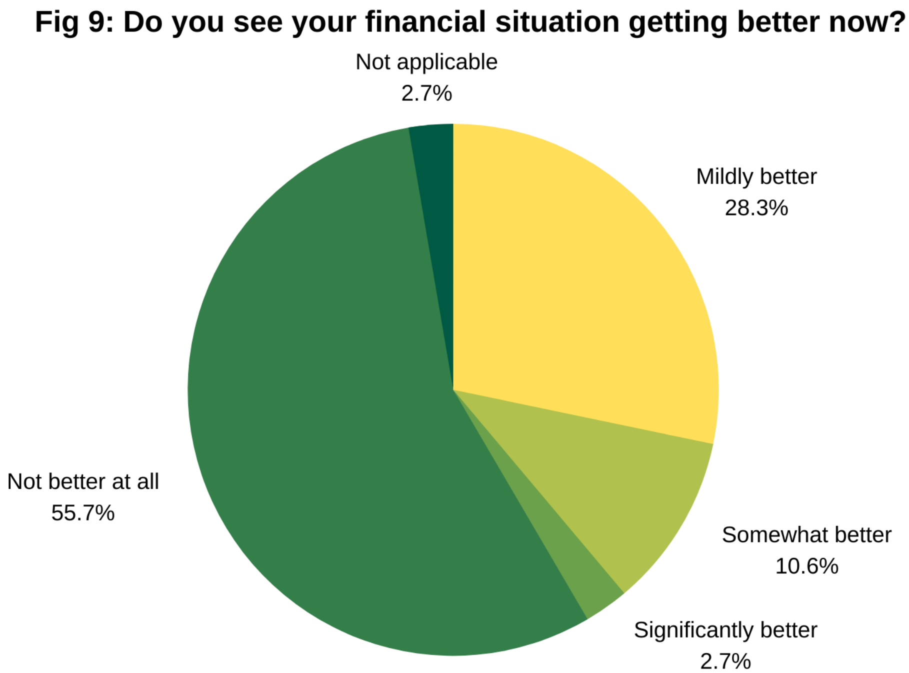
It is alarming to note that more than half of the respondents stated that they required or still require financial assistance due to the impact of the pandemic on their situation but did not qualify.

Fig 8: Do or did you require financial support from the government due to COVID-19 but did not qualify?



5. Status of financial situation at present

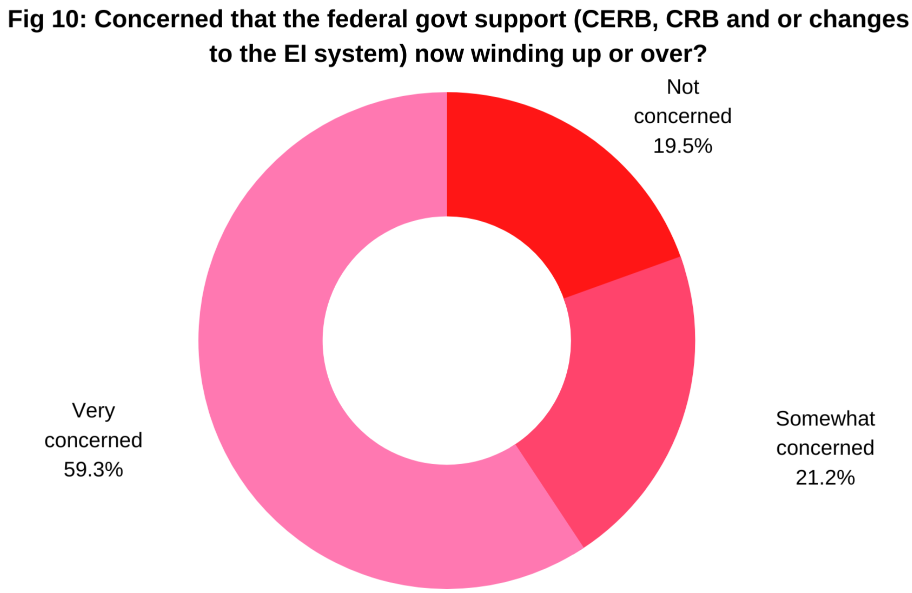
- More than half of the respondents stated that they do not see their financial situation getting better at all.
- One third of the respondents said that their financial situation is mildly better.
- One in ten respondents mentioned it getting somewhat better.
- Very few people mentioned that the financial situation was getting significantly better.



6. Tapering off income support at various levels of government

Given that the slew of measures that the government initiated to support individuals and families to weather the pandemic winding up or replaced by measures with a much-restricted scope, people were asked if they were concerned about this.

- Sixty percent of the respondents are very concerned about federal support winding up.
- Twenty one percent of respondents said that they were somewhat concerned with only 19 percent saying they were not concerned.

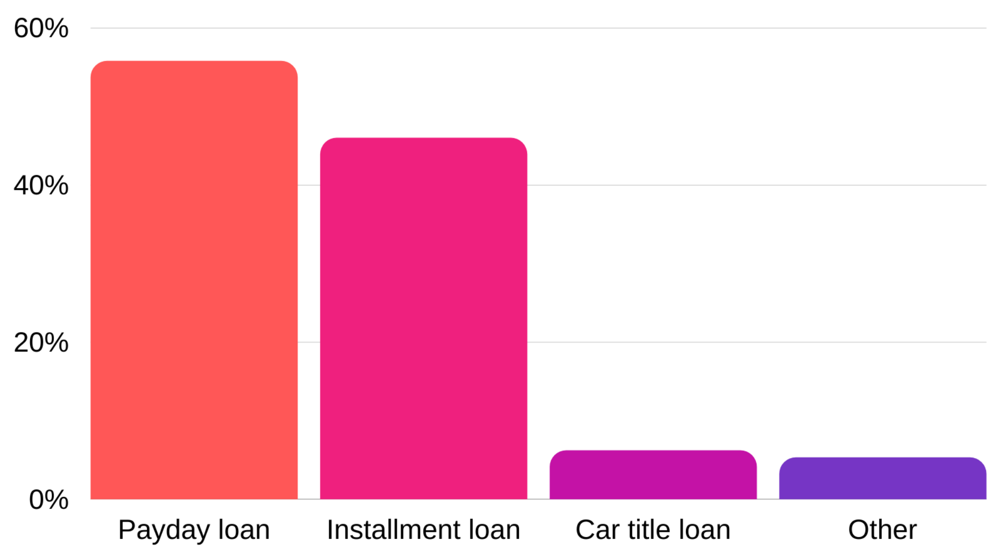


III. High-cost loans and COVID

1.Type of loan taken in the last 12 months or since the start of the pandemic

- More than half of the respondents reported taking a payday loan i.e., a small-dollar loan usually up to $1,500. While these are small dollar, short term loans, the interest rates vary between 300-500 percent across provinces resulting in individuals in an endless debt trap.
- What is equally disturbing is the uptake of installment loans - 46 percent people - almost equal number of people who reported taking payday loans - took out installment loans, loans that exceed $1,500 with payments spread over years. The annual interest rate is up to 60 percent, but the lenders are also allowed to charge fees, penalty, insurance etc. on top of 60 percent annual interest. A previous study by ACORN (2021) saw a 300 percent increase in the usage of installment loans between 2016-2020 and this study reaffirms this trend. This clearly means that more and more people are falling into greater unsecured debt for a much longer period of time. In fact, testimonies of ACORN members collected in 2021 reflected how so many people ended up paying more than double the amount they originally took out given the exorbitant interest.
- A few people reported taking a car title loan.

Fig 11: Type of loan taken out because of the pandemic



2. Top three lenders

Respondents were asked the name of the lender from whom they took out the loan (s). The top 3 lenders that emerged include Cash Money, Money Mart and Easy Financial.

Fig 12: Top 3 Lenders

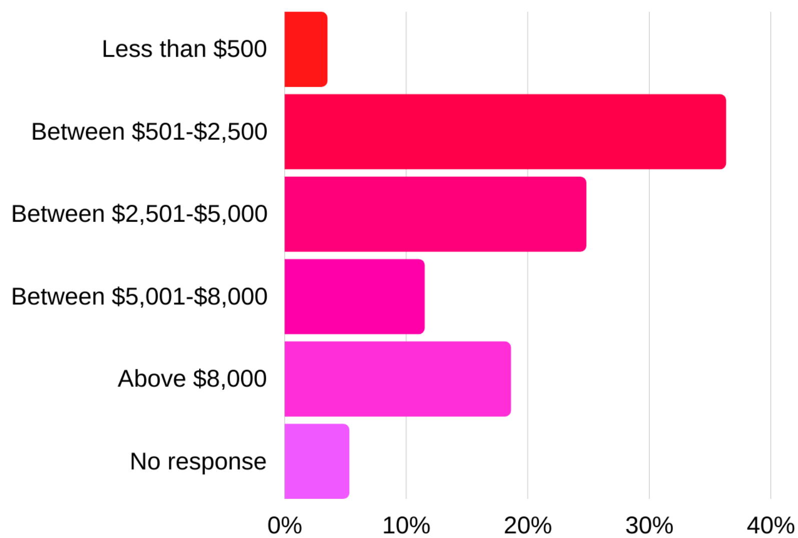
3. Amount of loan borrowed

As it is important to understand the type of loan, it is equally important to understand the amount borrowed by individuals in the last 12 months or since the start of the pandemic.

- Over a third of the respondents took out loan (s) between $500-$2,500.
- A quarter of them reported taking loan (s) amounting to $2,501-5,000.
- Around 12 percent said that they took out loan (s) to the tune of $5,001-$8,000.
- Twenty percent of respondents reported taking loan (s) above $8,000.

Hence, more than half of the respondents have taken loan (s) amounting to more than $2,500 - again a strong signal that more and more people are taking out installment loans - higher amounts of debt over a longer period. In fact, a few percentage of people reported taking loans below $500.

Fig 13: Total amount borrowed over the last 12 months or since the start of the pandemic



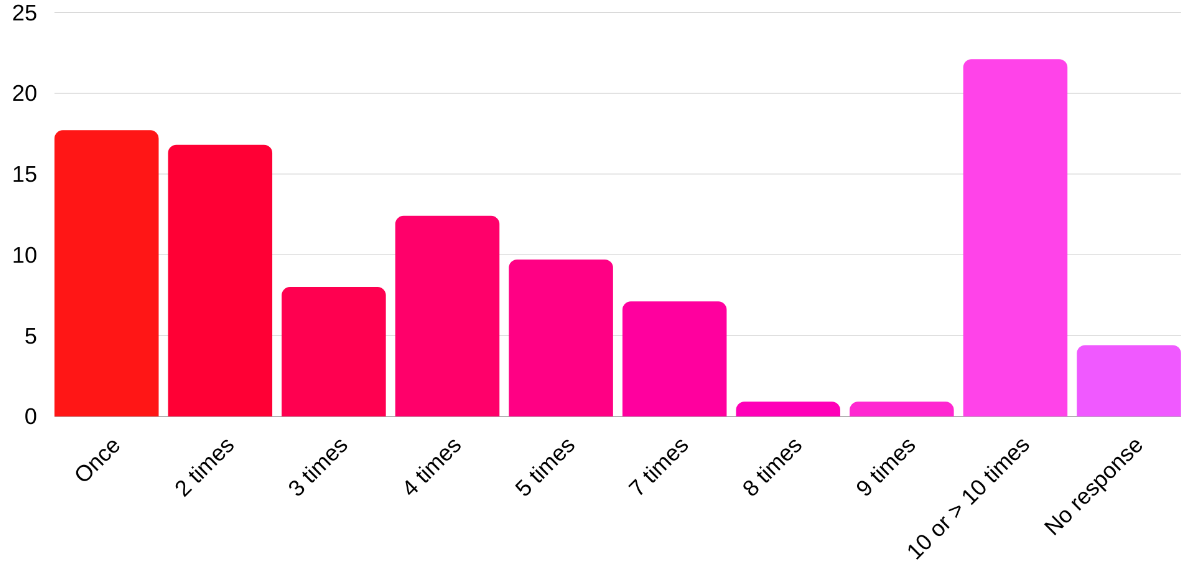
4. Frequency of borrowing

Respondents were asked as to how many times they took out a high-cost loan in the last 12 months or since the start of the pandemic.

- Almost 40 percent of respondents mentioned taking loans one or two times.
- Around 25 percent of respondents stated that they took loans 10 or more than ten times.
- Between 11-14 percent of respondents stated taking loans 4-5 times.

This is critically important since it clearly demonstrates the aggressive and exploitative nature of high-cost lenders. Once an individual borrows a high-cost loan, they fall into an endless cycle of debt. The fact that 25 percent of respondents took out loans 10 or more than 10 times speaks to the nature of how this predatory lending industry operates and makes billions of dollars on the backs of the most disadvantaged communities.

Fig 14: Frequency of loans taken in the last 12 months or since the start of the pandemic

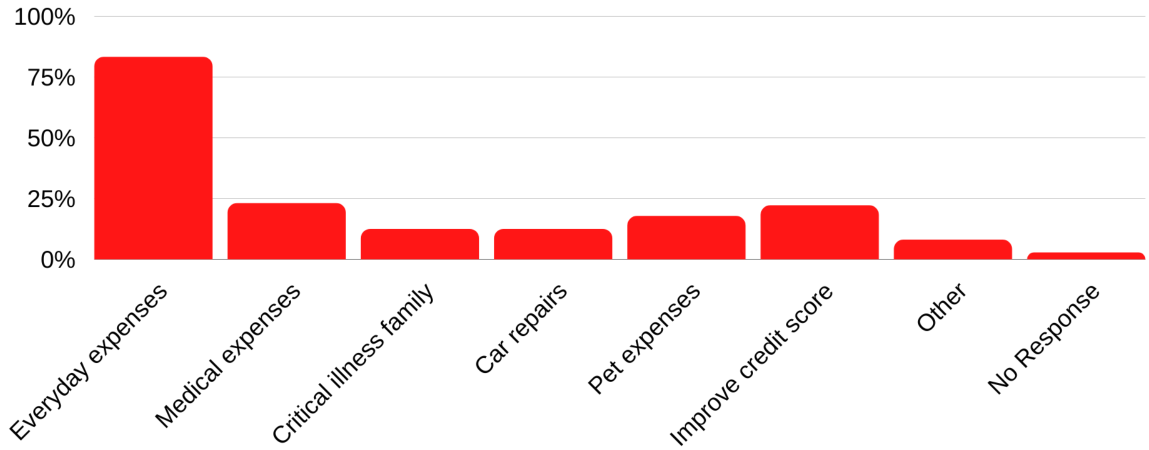


5. Reasons for taking out loan (s)

People were asked to choose the expenses they needed the loan (s) to help cover. Respondents could choose more than one option.

- Vast majority of respondents, 83 percent reported taking the loan(s) to meet everyday living expenses such as rent, hydro, groceries, telephone/cellphone/internet, etc. This is telling because people are having to rely on high-cost loans to meet basic expenses.
- Twenty percent of respondents said that they had to meet certain medical expenses such as dental, vision etc.
- Twelve percent took out the loan (s) to meet critical illness/end-of-life expenses for a family member.
- Another 12 percent said that they took out the loan (s) for doing car repairs.
- An equal proportion (23%) of people said that they took the loan because they thought it would help improve their credit score. This is important to note as it appears high-cost lenders are telling people that their credit score will improve if they borrow money from the payday lender. Only if the payday lender is reporting client credit activity to credit bureaus is this a legitimate claim. Otherwise, such false promises is again taking advantage of people in vulnerable situations and using false pretext and exploiting them.
- Eighteen percent of the people took out a loan (s) to take care of their pets.

Fig 15: Expenses that you need the loan(s) to help cover?



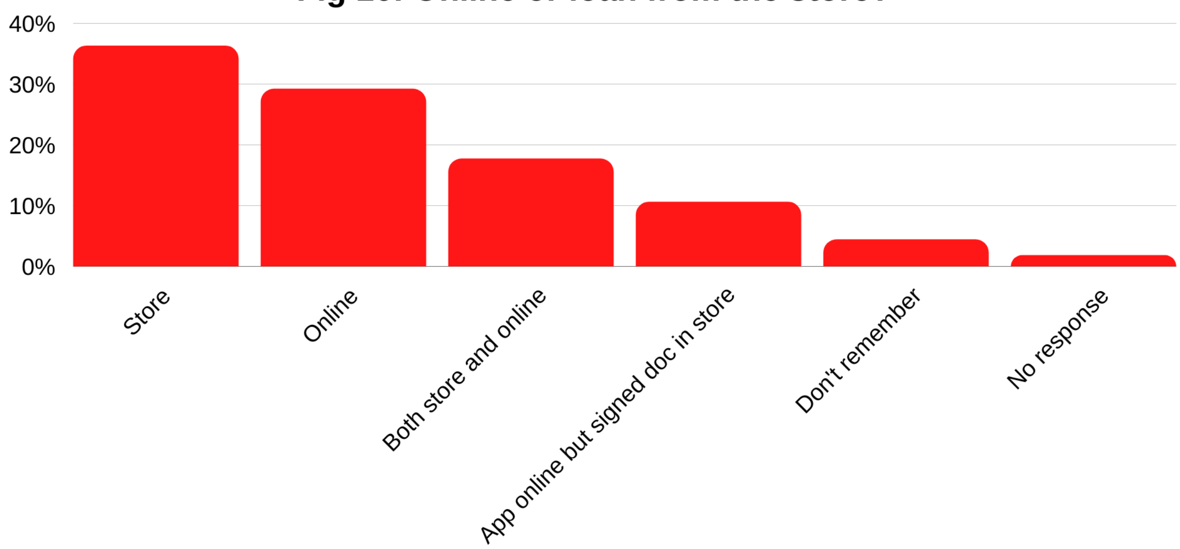
6. Loan (s) taken online or at the storefront

Given that these loans are available in the store fronts as well as online, people were asked if they took them at the store or online or both.

- More than a third of respondents took the loan out from the storefront.
- Twenty nine percent of respondents said they took the loan online.
- Eighteen percent of respondents took the loan out from the store and online.
- Ten percent said that they applied online but had to go to the store to sign the documents.

The findings are almost similar to those of a previous survey that ACORN did where almost 30 percent of respondents reported taking loans online (ACORN, 2021). The percentage of respondents taking an online loan has gone up slightly between the two surveys as some people reported taking loans from the store and online.

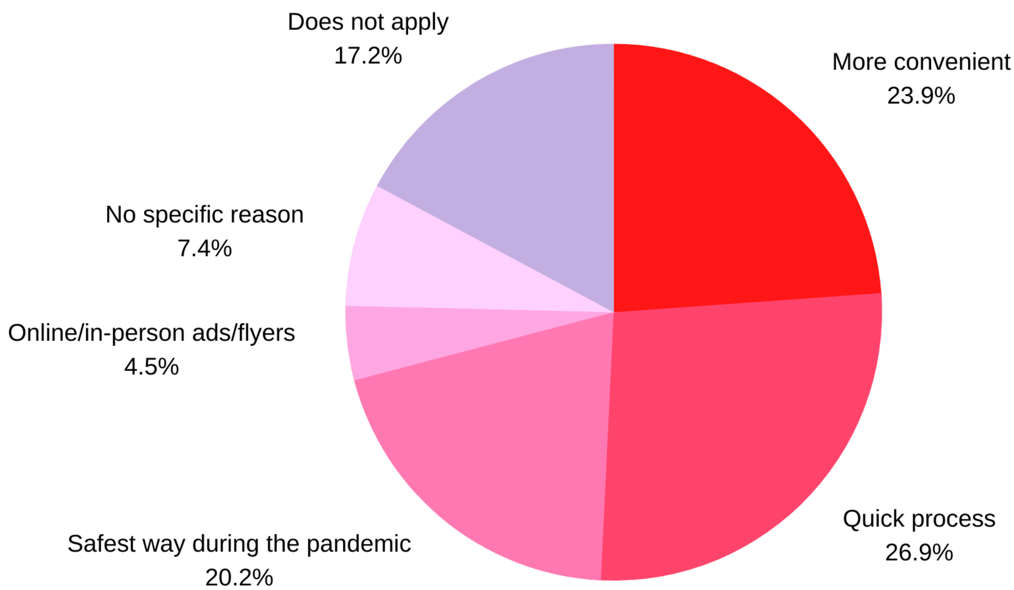
Fig 16: Online or loan from the store?



7. Reason (s) for taking loan (s) online

For people who said they took loan (s) online, they were asked the reason for doing so. People could choose more than one option.

Fig 17: If loans taken online, specific reason why?



- Twenty four percent of respondents said it is more convenient to take the loan online.
- Almost 27 percent said the process is quick.
- Twenty percent of respondents took the loan online because they felt it was the safest way to borrow due to the pandemic.
- A few respondents said that they saw advertisements and flyers sent to them online/home which caught their eye.

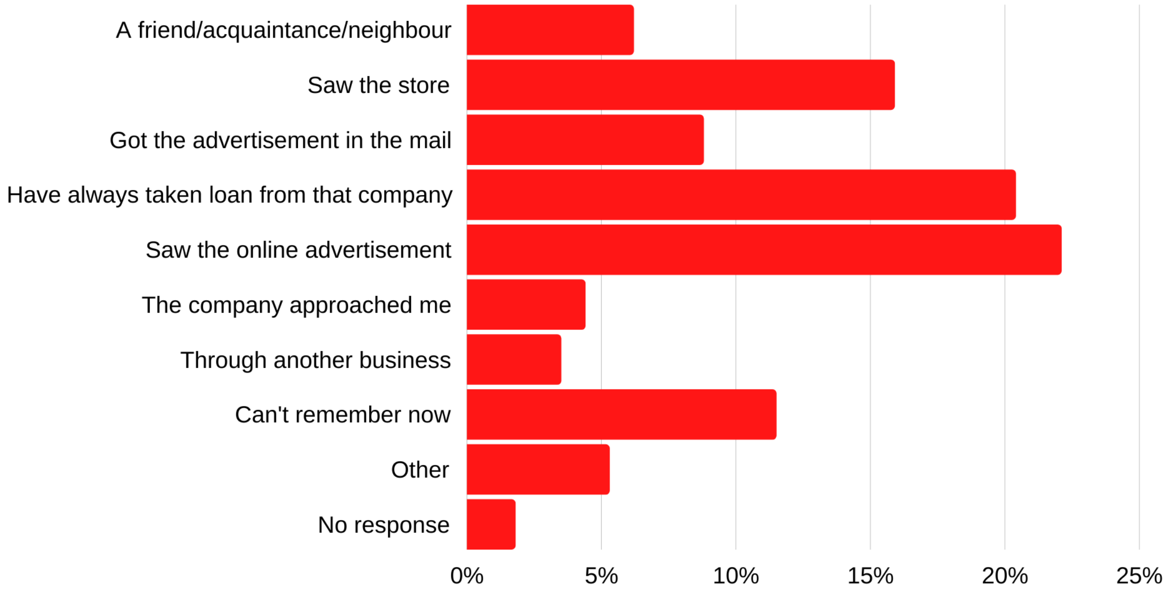
Online loans are becoming increasingly common as the pandemic forces people to move to the digital world for anything and everything. However, as a previous ACORN study (2021) showed, the online world also throws its own set of challenges as high-cost loans in general and high-cost loans taken online in particular do not have very strong protections for consumers.

8. Information about the lender

In this question, respondents were asked as to how they learned about the lender.

- Twenty two percent said that they learned about the lender through an online advertisement.
- Twenty percent said that they have always taken loans from that lender.
- Sixteen percent saw the store in their neighborhood or some other place.
- Around one in ten got the advertisement in the mail.
- A few were told about the lender by a friend/acquaintance/neighbour.
- Some also mentioned that the lender approached them, or they heard about the lender from another business.

Fig 18: How did you learn about the company/s to which you applied for the loan(s)?



9. Cost of borrowing

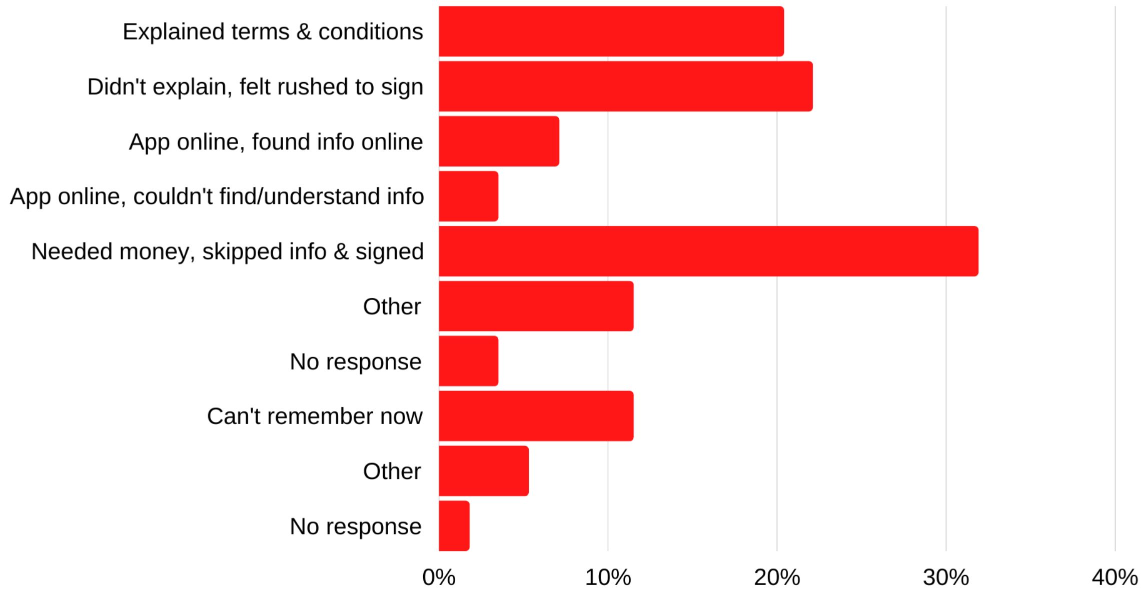
The most important aspect of a high-cost loan which makes it predatory is the high cost of borrowing. The cost of borrowing is the combined dollar amount of all fees, interest charges, costs, commissions, etc. It does not include the principal of the loans or fees charged because of non-sufficient funds or other loan default charges. It also does not include "optional products" people voluntarily or are asked to sign up for such as insurance or credit monitoring.

People were asked if the lender explained to them the cost of borrowing when they took out the loan (s).

- One third of respondents reported needing the money quickly and thus having no other option but skipping this information and signing the agreement with the lender.
- Twenty two percent reported that the lender did not explain the terms and conditions and that they felt rushed to sign the agreement/contract.
- Around 4 percent applied online but could not find the information about these costs or could not understand the information easily.
- Twenty percent said that the lender sat them down and explained all the terms and conditions.

People who are forced to rely on high-cost loans are in extremely vulnerable situations and hence not disclosing sufficient information about the cost of borrowing at the time of taking the loan can put people in a never-ending cycle of debt. This has led to many provinces to bring in new regulations around high-cost credit to mandate adequate disclosure of information. Hoving said that, in the absence of fair credit alternatives, tens of thousands of people will continue to rely on fringe lenders despite the high cost of borrowing.

Fig 19: Did the company explain the cost of borrowing (interest rate/fees/other charges)?

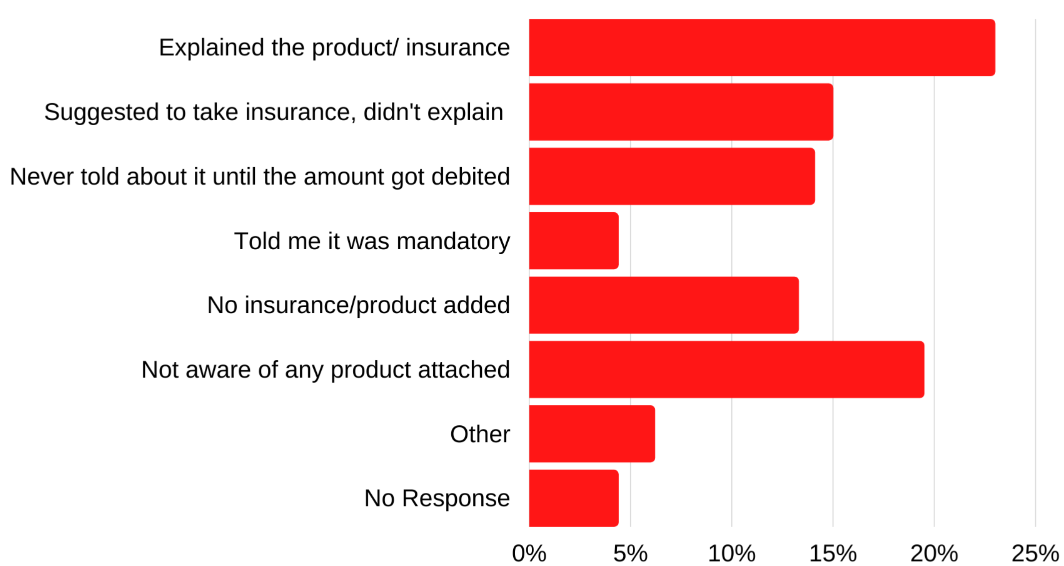


10. Additional products attached with the loan (s)

In addition to the loan itself, the lenders typically offer optional products such as insurance for which the charges are over and above the annual rate of interest. Hence, it is a tactic to extract more money from vulnerable people. Current regulations do not allow lenders to force borrowers to take any such optional product, however the reality could be different. People were asked if they were suggested to take an optional product such as insurance.

- Fifteen percent of respondents reported that the lender suggested they take the additional product (insurance) but did not explain anything about it.
- Another 15 percent said that the lender did not ask, but then they discovered later that it was added to their loan when a large sum got debited from their account for the additional product/insurance.

Fig 20: Optional product (s) attached with the loan (s)



- Around 5 percent reported the lender told them it was mandatory to take the insurance.
- Thirteen percent reported that no insurance or any other product is added to their loan.
- Around 20 percent reported that they are not aware of any additional products attached to their loan.
- Around a quarter reported the lender explained the additional product/ insurance and its importance.

11. Insurance taken or not and whether it helped

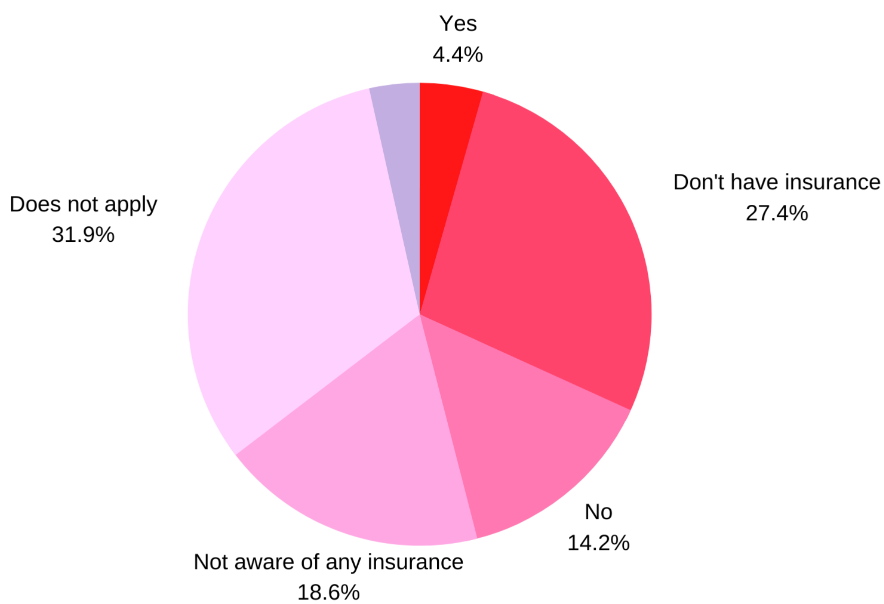
Respondents were asked if they agreed to take the insurance from the lender.

- 42 percent of respondents did not agree to take the insurance.
- 22 percent of respondents agreed to take the insurance.

It was also important to understand if the insurance that people were offered or mandatorily asked to take along with the loan helped them when they needed it.

- Fourteen percent of respondents reported having insurance but that it failed to cover any payment. A mere 4 percent reported that insurance completely covered the payments.

Fig 21: Did the insurance help?



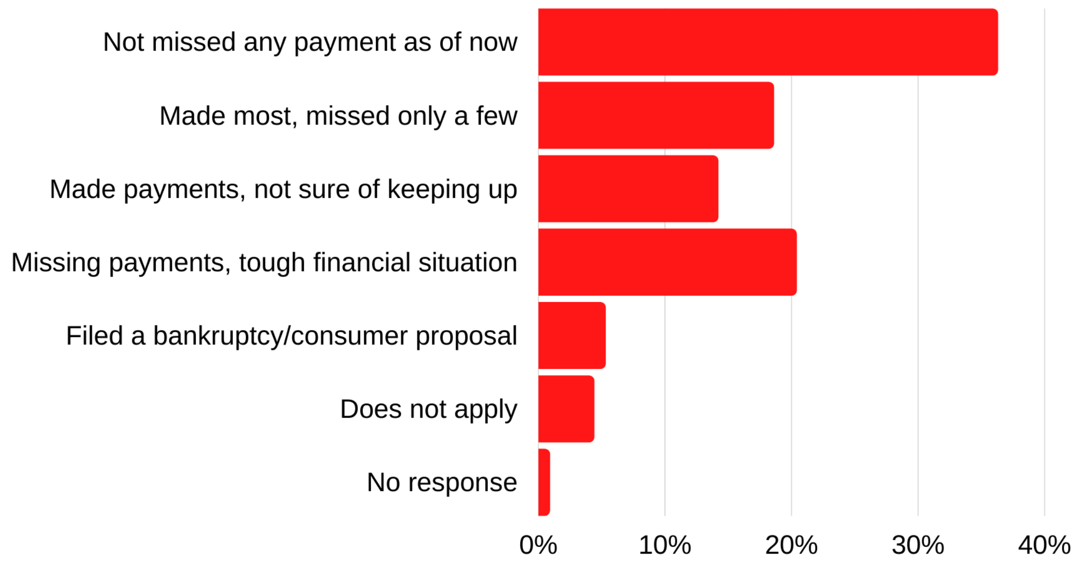
12. Extent to which respondents have been able to make the loan payments.

Given the financial situation and the impact of the pandemic, people were asked if they have been able to make regular payments for their loan (s).

- One fifth of respondents reported that they've been missing payments due to a tough financial situation.
- Fourteen percent of respondents reported they have been making payments up until the time of taking the survey, but that they are not sure of keeping up with them in the future.
- Five percent of respondents reported having to file a bankruptcy/consumer proposal because they just couldn't keep up with the payments.

- Around 19 percent of respondents reported they have been able to make most payments, missed a few.
- Slightly more than third respondents said they have not missed any payments.

Fig 22: Have you been able to make loan payments?



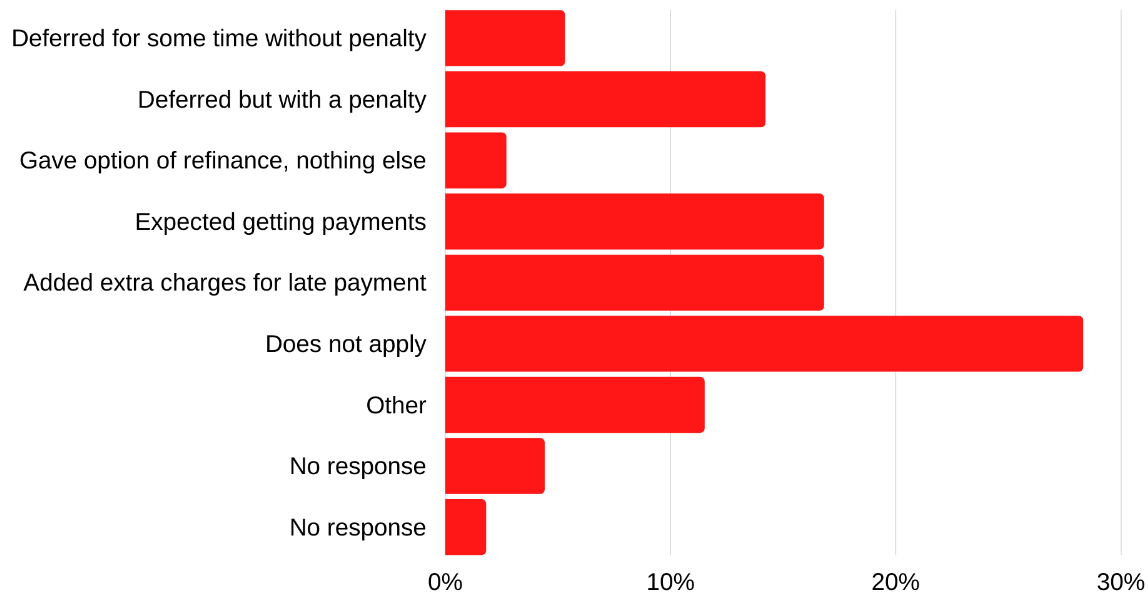
13. Attitude of the lender in case of missed payment (s)

This question was asked to understand how the lender responded if the borrower missed a loan payment and they approached the lender to discuss the issue.

- Seventeen percent of respondents reported that they were expected to continue making payments
- Another 17 percent said that the loan company added extra charges for late payment when they couldn't make the payment in time.
- Fourteen percent reported having their payment deferred but with a penalty.
- Only 5 percent of respondents reported that the loan company deferred their payments for some time without any penalty.
- A few respondents mentioned that the loan company said they could refinance the loan but nothing else.

Analysing the data in relation to lenders, as the respondents understood their experience, clients of Cash Money saw deferred payments for some individuals without penalty while many others stated that they had been charged a penalty. Clients of Easy Financial, another major lender, reported similar experiences.

Fig 23: Attitude of the lender in case of missed loan payments

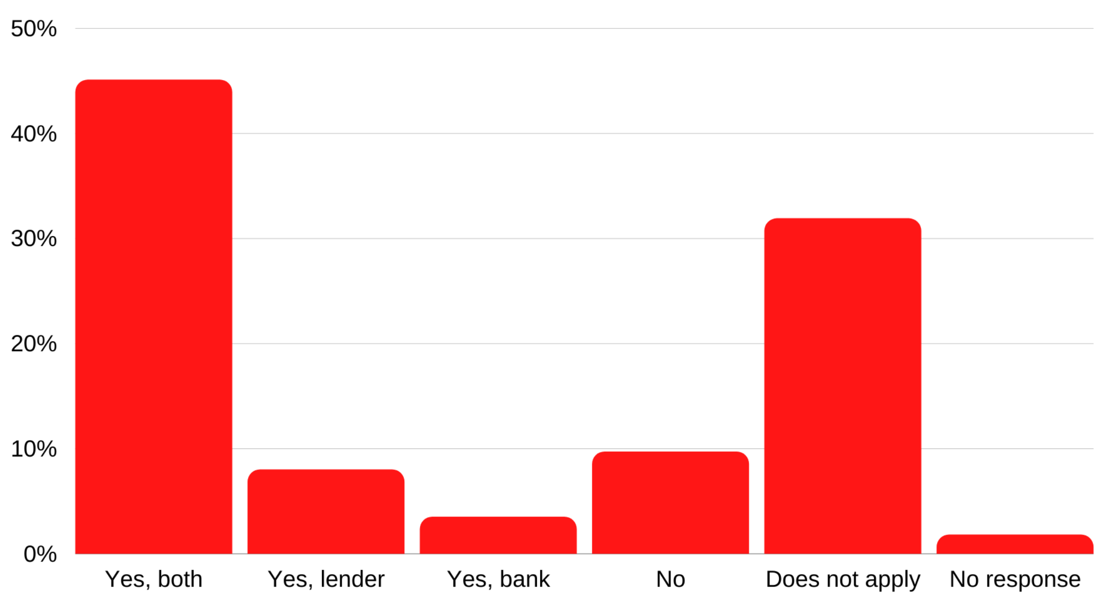


14. Fees charged in case of missed loan payments

Respondents were asked if they were charged fees by the lender or their bank or both, in case they missed loan payments.

- It is alarming to note that at a time when individuals are in a tough financial situation and have missed a loan payment or payments, almost half of respondents said they were charged fees by both the lender and their bank.
- Eight percent of respondents reported being charged by only their lender.
- Few respondents reported being charged only by their bank.
- Only 10 percent of respondents reported not being charged any fees at all.

Fig 24: Fees charged by bank/lender or both in case of missed payments

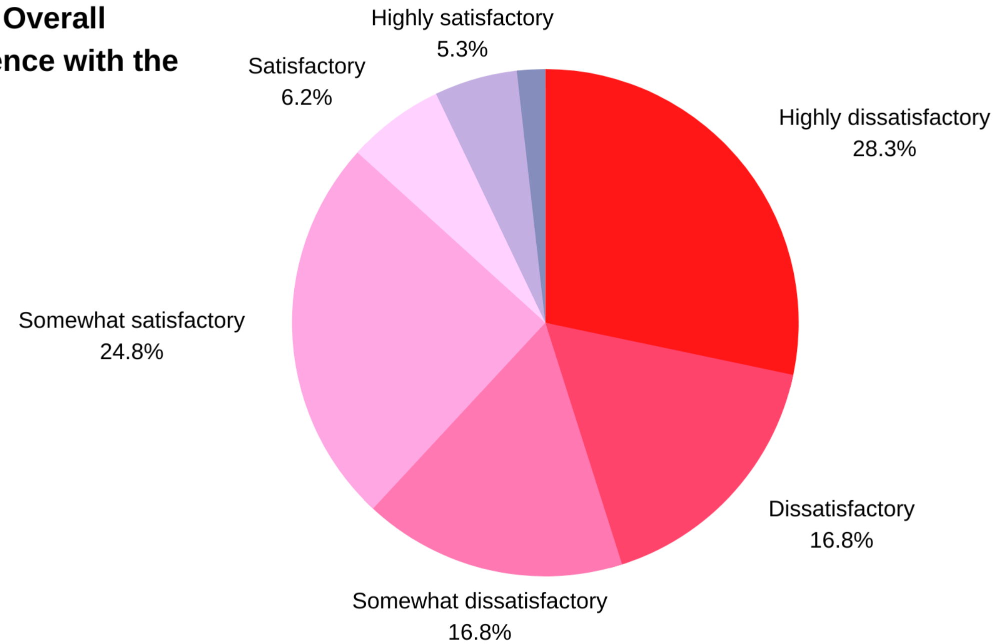


15. Overall experience with the loan

Respondents were asked to rate their overall experience with the loan.

- Almost half of respondents (45.1%) were highly dissatisfied or dissatisfied with the loan.
- Only 10 percent of respondents were highly satisfied or satisfied.
- Around 25 percent of respondents were somewhat satisfied and 17 percent of respondents were somewhat dissatisfied.

Fig 25: Overall experience with the loan



IV. Traditional banking institutions

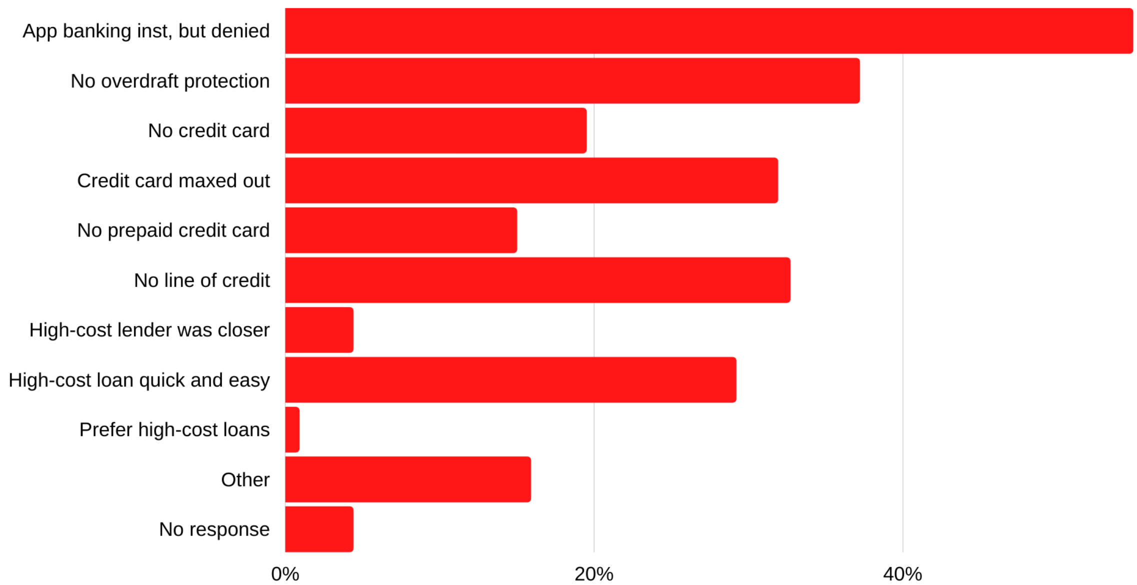
The last section of the survey focused on the access to traditional banking institutions such as banks and credit unions.

1.Reason (s) for taking a high-cost loan

The respondents were asked to choose the main reasons for using high-cost loan and not a traditional banking service such as a bank or a credit union. People could choose more than one option.

- Over half of respondents (54.9%) said that they applied for a loan first at the bank/credit union/trust company but were denied.
- Over a third (37.2%) of respondents reported not having overdraft protection.
- Almost a third (32.7%) reported not having a line of credit.
- Almost a third (31.9%) of respondents reported having previously reached their credit limit or "maxed-out" their credit card.
- Roughly 30 percent of respondents said borrowing a high-cost loan was quick and easy.
- About 20 percent of respondents reported not having a credit card.
- Fifteen percent of respondents said they don't have a prepaid credit card.
- Few respondents said that the high-cost lender was closer.
- Only less than a percentage of people said they preferred using high-cost loans.

Fig 26: Reason (s) for taking a high cost loan



As it emerges from the survey, more than half of the respondents first approached a bank or a credit union but were denied. This clearly demonstrates the failure of traditional banking to cater to people who need them most. People are left with no choice but to go to fringe lenders in case of financial emergencies. Banks are denying people credit or other options such as overdraft protection, credit card etc. that would have helped people weather the financial crisis. It is this lack of option that leaves low- and moderate-income people with no choice but to rely on high-cost loans.

2. Ever applied for banking services or products at a bank/credit union/trust company.

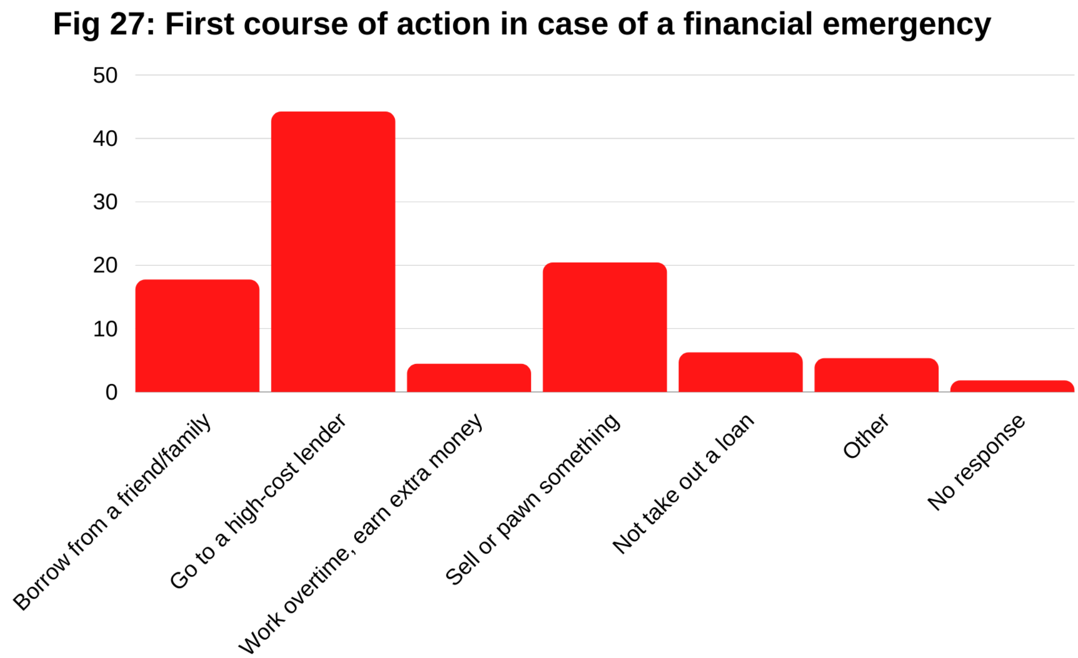
Respondents were asked whether they have applied for the following services or products - credit card, chequings/savings account, overdraft protection, line of credit, small loan, a no fee account, removing holds on cheques.

- Vast majority of respondents have applied for a credit card at a bank/credit union/trust company (81.4%) or a chequing/savings account (83.2%)
- Over half of respondents (66.4%) have applied for overdraft protection at a bank/credit union/trust company
- Sixty two percent have applied for a line of credit at a bank/credit union/trust company
- Almost half of respondents (46%) have applied for a bank small loan
- Forty two percent of respondents have applied for a no fee account
- Thirty one percent (31%) have applied for removing holds on cheques.
- Only 6.2 percent have never applied for any of the above products/services

3. First course of action if needed a small loan in an emergency but were denied credit by the bank.

- The most common response, reported by almost half of respondents (44.2%) was that they'd go to a high-cost lender as their first course of action. Important to note here is that it is not a preference but a lack of choice which is forcing people to go to a high-cost lender.

- Twenty percent of respondents reported they'd sell or pawn something.
- Few respondents said they'd work overtime, earn extra money.
- Eighteen percent of respondents said they'd borrow from a friend or family member.
- Few said they'd make the decision to not take out a loan.



4. Significance of banks to offer services to low- and moderate- income earners.
People were asked to rank from a scale of 1 to 10 how important they believe it is important for the banks to offer overdraft protection, small loans, no fee accounts, and lines of credit to low- and moderate- income earners.
1 means not very important and 10 means very important.

Majority of respondents (78%) rated the importance at 10, which is the highest level of importance. This means that most respondents feel that it is critical for the banks to offer services to low- and moderate- income earners.

Conclusion
The survey clearly points to the abysmal financial situation low- and moderate- income people are in. The lack of choice and not preference is forcing individuals to borrow loans from high-cost lenders which have predatory interest rates. In fact, people are getting crushed between the exorbitant NSF fees charged by the banks and the lenders at the same time in case a payment is missed. The financial situation is not getting better for many any time soon and hence it is the responsibility of the government to take urgent actions and ensure that people who are most vulnerable have access to fair credit options.

Recommendations

ACORN Canada's fair banking campaign has been successful in securing stronger regulations for payday loans across several provinces. Many cities have also introduced regulations such as minimum distance separation to ensure that payday lenders do not exploit poor and vulnerable people. While these are important changes, the interest rates on payday loans continue to be exorbitant. In fact, as the survey and testimonials illustrate, people are taking the loans either once or end up taking them 10 or more than 10 times because of the very nature of the high-cost lending industry. Moreover, the uptake of installment loans is a growing concern and needs to be addressed urgently. As it is important to ensure stronger regulations on high-cost loans, especially installment loans, it is equally important to make alternatives available so that people don't have to go to high-cost lenders in the first place.

ACORN is urging the federal government to take the following actions to crack down on predatory lending and enable access to fair banking.

1.End predatory interest rates for installment loans.
Given that the installment loans are regulated federally, the federal government must lower the criminal interest rate from 60 percent to 30 percent for installment loans. The maximum rate should include all associated lending costs: fines, fees, penalties, insurance, or any related cost.

The federal government has included a commitment to crack down on predatory lending by lowering the criminal rate of interest in the Finance Minister's mandate letter. It is critical to translate this commitment into action.

2. Provide access to fair credit alternatives.

- The Bank Act and the Access to Basic Banking Services Regulations outline that banks have a responsibility to make basic banking services available to all Canadians. The study clearly demonstrates the failure of the banks to cater to people who need them the most. The federal government must mandate banks to provide an affordable loan for low- and moderate- income people back-stopped by the Government of Canada, so they can avoid predatory lenders in a time of personal financial crisis.
- The federal government must support other alternatives like postal banking (Buckland & Spotton Visano, 2018).

3. Lower the NSF fees

The Non-Sufficient Funds (NSF) fee charged by the banks remains too high, varying between $45-48. In case of missed payments, people get charged not only by the lender but also by their banks. Even despite the pandemic, banks continue to charge NSF fees which affect people who are most vulnerable. In fact, people are pushed to take payday loans to avoid a NSF fee.

The banks must lower the NSF fees from $45 to $10.

Testimonials

Along with the survey, in-depth interviews were conducted with select individuals. These individuals were those who expressed interest in sharing their experience further while filling out the survey. Consent has been taken to include their information in this study. These testimonies bring out in detail the specific situations that led individuals to turn to high-cost loans especially due to the pandemic or how the pandemic made things worse for individuals who were already in vulnerable situations.

Adeola, Toronto

Last year, I received the bad news that my aunt had passed away from stomach cancer. No one in my family could help. So, I googled “lend money” and a lot of lenders came up. Cash4You was the closest one to me, so I took out a $2,500 installment loan from them and sent the money to my family in Africa for a proper service for my aunt.

When I took out the loan, they told me that if I ever lost my job, the insurance would cover the loan. I was paying $32 biweekly for insurance on top of the $123 I was already paying just for the loan. Then I lost my job as a security guard during the pandemic, and Cash4You wouldn’t cover my loan with the insurance. So, I was paying an extra $32 biweekly for no reason! Then 2 to 3 weeks after I lost my job, Cash4You cancelled my insurance on the loan, without asking me.

Now I owe them about $3,100 but I can’t pay that because I have no job.

"...after I lost my job, Cash4You cancelled my insurance on the loan, without asking me".

Brandy, Calgary

I am a house painter, but when the pandemic hit, I couldn't find any work because I couldn’t enter people’s houses. I also had to have open heart surgery so I can’t work because I can’t put my health at risk. If I get covid, I’m dead.

I had to go on social assistance, but I was only getting $850/month which was not enough to pay my rent. I had to get a roommate. But then even that wasn’t enough because my landlord CAPREIT switched utility companies to Wise, causing my utility bill to go up from $146 to $1,000 because I had to pay a $400 reconnection fee. I was getting CERB but then that stopped in May 2021 because they said I didn’t make over $5,000, but I did, they just said that I don’t have the documentation to prove it.

I needed a loan to help pay the rent and the utility bill but when I went to Easy Financial they wouldn’t give me a loan because my credit score was too bad. Instead, they’re taking $70/month out of my bank account for some kind of savings account which will help build my credit. At first, they were taking out $200/month until I called them, and they decreased it to $70/month.

They’ll only give me a loan for $500 in 12 months when my credit has improved. So, they keep taking out money that I don’t even have, and I haven’t even got the loan yet. On top of that, the bank charges me a $45 NSF fee every time.

I’ve tried to cancel the account with Easy Financial completely, but they always try to talk me back into it by telling me it would screw over my credit score if I cancelled it and that it would make it impossible for me to get a loan anywhere.

Now I’ve been evicted because I couldn’t pay the rent. I have to stay at a friend’s place because I have nowhere to go.

"... they keep taking out money that I don’t even have, and I haven’t even got the loan yet. "

Jamie, BC

I am a single mother with two boys. I was fleeing abuse just at the start of the pandemic but had to move back in the same house as there was no other alternate place to stay. The housing market is so expensive. My landlord even denied signing up for the HPP fund - it's a fund for people fleeing abuse. So, I had no choice and then I had to take care of the rental payments all by myself. It was too much for me. What helped at the time was the ban on evictions by the government. I never got any rental support.

I kept paying as much as I could but could never pay the entire amount. So, my landlord took up doors and windows which exposed my house. It was everywhere in the media. I had to board up my doors and windows for privacy.

I have severe health issues so I couldn't work during the pandemic. I got a job in September 2020 in the construction sector. My son was awaiting a surgery and both my parents had serious health issues at the same time. So, I had to be the primary caregiver. I took the Caregiving Benefit which helped to some extent and also the rent bank.

Because of the abusive relationship, I never had control over my finances which got worse with the pandemic. I went to several of these lenders - Money Mart, Easy Financial, NDG etc. They are unsympathetic - I called them up because there was some problem I was facing with the payments, and they have no tools to help people. I got hit with charges from them and the banks! My credit score got affected. I think I have taken around $5,000-6,000 in loan from these lenders. I knew of them, but it was only now that I actually went to them.

I never went to the bank because even when I had a good credit score, they denied me a loan. So, I knew there was no chance this time.

"I got hit with charges from them and the banks!"

Laura, Toronto

I used to be a dog walker before the pandemic hit on top of getting social assistance through the Ontario Disability Support Program. But because of the pandemic, I lost my clients. People were forced to work from home, and they didn't need me anymore.

I used to depend on payday loans years ago, my situation got better but then was forced to go to payday lenders again because of a tough financial situation. Once you take out a payday loan, it never stops. I took out $600, pay back $680 and reborrow. It's a cycle.

The pandemic has not gone away yet. The situation is getting only mildly better. I keep borrowing from Cash4You to stay on top of all my bills. I had taken a loan from Money Mart of $2,500 just before the pandemic. My rent is $2,400.

I have a bad credit score, so banks would not lend me. I wasn't aware of credit unions. I did get some assistance from the government when the pandemic just began but nothing after that.

The grocery bill used to be $150 and now it's not less than $200.

And the NSF fee is insanity - do you think I would have 45 dollars to pay as a punishment for not having money in my account? I have to pay a fee to take money from my own account. I missed a payment that was due to Cash4You, had to pay NSF fees. Money Mart is calling all the time - the loan has gone to collections. It's harassment.

These lenders have a very bad attitude, they don't listen, they won't allow you to split the payments. They have strange rules. They prey on people who need the most support.

"I keep borrowing from Cash4You to stay on top of all my bills".

Kristina, Toronto

I was working with a company; my job was to maintain the RBC complex in Toronto. I got this job in November 2019 and it was not even a year into the job that I got a letter in March 2020 that I was being laid off. I was the last to be hired and first to get fired! And never got called back.

In fact, I did a course in hospitality to get into this kind of a job for which I am still paying off the loan. The hospitality field just went down the drain in the pandemic. I was left to fend for myself and four kids.

I started getting CERB, it helped a little, my rent itself is $1,400. I went to the bank; I have been with them for 20 years but they said they can't give me a loan because I can't show an income! My credit score wasn't great, but it wasn't bad either. I asked them to increase my overdraft protection, even that was refused.

I was left with no choice but to go to Easy Financial. Had always heard about it. I took out a loan of $7,000 at an interest rate of 49%.

I am paying $300 monthly plus another $100 something for the insurance. I was making the payments just fine but then CERB stopped and CRB came which is just not enough.

For a loan of $7,000, I will be paying $14,000. I am now on Ontario Works and trying to get back to a job.

"I was the last to be hired and first to get fired! And never got called back".

Joseph, Aylmer

I run my own business - it's about breeding and training canines. But I shut it down because of the pandemic. It's a costly business. I don't see things getting any better at this point - might be slightly better in summers but nothing at this point. I finished all my savings and then was left with no choice but to take loans from Easy Financial and Cash Money.

I had once taken a loan from Money Mart and it was horrible. I just searched online and the process was quick. The first lender that appeared on the search was Easy Financial. They pre-approved me for $10,000-15,000 and wanted me to sign the documents right away, right away. I had to tell them - look, I don't want that much.

I just needed $1,500. The cost is horrible and then I tried paying them back the entire amount earlier and they wouldn't let me. I spoke to a lawyer and they also told me that I can totally make an early payment.

They keep sending me emails to take out more loans. Initially, I took CERB and that helped a bit. But now I don't have any support to rely on.

"The cost is horrible and then I tried paying them back the entire amount earlier and they wouldn't let me. "

Luis, Mississauga

I lost my job just before the pandemic hit - what an excellent timing because I couldn't qualify for any of the government support that came! Then I got a job during the pandemic but unfortunately the jobs have been temp jobs. What has changed post the pandemic is that whenever I get a job now, the employer says it will be a 6-month job and then it lasts only for a month. Before the pandemic, the contracts usually lasted a year, and the employers could get rid of employees only for a just reason. Now, they are asking people to go for no reason. They just say they don't have enough work.

The only way to get employment for me these days is to go through employment agencies. Human rights are literally out of the window, no one cares.

I had to get a loan from Money Mart. I wanted to take out $5,000 but when they told me the total interest I would be paying back, I took out only $500. The interest rate is ridiculous. Thankfully I realised that time otherwise I would have gone bankrupt.

And then we have banks that are loan sharks as well - so you have to go from one loan shark to the other to get a loan! I went to the TD bank to appeal to them to not charge me the NSF fee of $45 during the pandemic but they didn't listen. I have been with them for 5 years.

The NSF fee is insane. Banks are making tons of money and getting so much support from the bank. Did they lose anything in the pandemic? To avoid the NSF fee, I had to go Money Mart. One paves the way for the other!

"The interest rate is ridiculous. Thankfully I realised that time otherwise I would have gone bankrupt."

References

ACORN Canada. (2021). *A study on high-interest loans.* Retrieved from https://acorncanada.org/resource/national-report-high-interest-loans

Akrong, K. and Henderson, G.E. (2021), COVID-19 and the regulation of alternative financial services. 46 *Queen's Law Journal* 357-372 (special edition).

Barrett, D. (2018). *Consumers' Experience with higher cost credit.* Consumers Council of Canada, July 2018, 223. Retrieved from https://www.consumerscouncil.com/site/consumers_council_of_canada/assets/pdf/ccc_810774_higher_cost_credit_report_web.pdf

Buckland, Jerry & Dong, Xiao-yuan. (2008). Banking on the Margin in Canada. *Economic Development Quarterly* - ECON DEV Q. 22. 252-263. 10.1177/0891242408318738.

Buckland, J., Robinson, C., & Visano, B. S. (Eds.). (2018). Payday Lending in Canada in a Global Context: A Mature Industry with Chronic Challenges. *Springer.*

CIBC. (2021). *Canadian labour market dichotomy — deeper than perceived.* Retrieved from https://economics.cibccm.com/economicsweb/cds?ID=12030&TYPE=EC_PDF

CCPA. (2020). T*he rent is due soon: Financial insecurity and COVID-19.* Retrieved from https://www.policyalternaves.ca/newsroom/news-releases/covid-19-crisis-nearly-half-working-renting-households-have-month-savings-or

Department of Finance. (2021). *Budget 2021 low-wage workers.* Retrieved from https://www.canada.ca/en/department-finance/news/2021/04/budget-2021-low-wage-workers.html

Fantauzzi, J. (2016). Predatory lending: A survey of alternative financial service users. Retreived from https://acorncanada.org/resource/predatory-lending-survey-high-interest-alternative-financial-service-users

Financial Consumer Agency of Canada. (2016). *Payday loans: Market trends 2016.* Retrieved from https://www.canada.ca/en/financial-consumer-agency/programs/research/payday-loansmarket-trends.html

Hoyes, Michalos & Associates Inc. (2022). Joe debtor annual bankruptcy study. Retrieved from https://www.hoyes.com/press/joe-debtor/?Utm_source=email&Utm_medium=Insolvency&Utm_campaign=JoeDebtor2021

Hoyes, Michalos & Associates Inc. (2021). *Joe debtor annual bankruptcy study.* Retrieved from https://www.hoyes.com/press/joe-debtor/

Hoyes, Michalos & Associates Inc. (2020). *How COVID-19 affected household debt in 2020?* Retrieved from https://www.hoyes.com/blog/how-covid-19-affected-household-debt-in-2020

Hoyes, Michalos & Associates Inc. (2019). *Payday Loans and Bankruptcy*. Retrieved from https://www.hoyes. com/press/joe-debtor/how-insolvent-borrowers-use-payday-loans/

Morissette, Re., Turcotte, M., Bernard, A. & Olson, E. (2021). *Workers receiving payments from the Canada Emergency Response Benefit program in 2020.* Retrieved from https://www150.statcan.gc.ca/n1/pub/45-28-0001/2021001/article/00021-eng.htm

Mulholand, E., Bucik, A. and Odu, V. (2020). R*oadblock to Recovery: Consumer debt of low- and moderate-income Canadian households in the time of COVID-19.* Toronto: Prosper Canada. Retrieved from https://www.prospercanada.org/CMSPages/GetFile.aspx?guid=901099d6-03fc-4550-9102-6f9fe91b94a3

Office of the Superintendent of Bankruptcy Canada. (2021). *Insolvency statistics in Canada—Second quarter of 2021.* Retrieved from https://www.ic.gc.ca/eic/site/bsf-osb.nsf/eng/h_br04512.html#tbl1

Saltzman, A. (2015). Instalment loans the new high-interest danger for consumers. Retrieved from https://www.cbc.ca/news/business/instalment-loans-the-new-high-interest-danger-for-consumers-1.2971067

Smarter.loans (2019). *The state of alternative lending in Canada: 2019 results.* Retrieved from https://smarter.loans/smarter-loans-alternative-lending-canada-study-2019.pdf

Statistics Canada (2022). *Labour force characteristics, monthly, seasonally adjusted and trend-cycle, last 5 months.* Retrieved from https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1410028701

Tranjan, R. (2020). *Swimming with the sharks.* CCPA. Retrieved from https://policyalternatives.ca/sites/default/files/uploads/publications/National%20Office%2C%20Ontario%20Office/2020/04/Swimming%20with%20the%20sharks.pdf

Appendix- Survey

Introduction

Thank you for taking this survey. ACORN Canada is an independent national organization of low- and moderate--income people from across the country.

We are undertaking a study to understand issues around high-cost loans such as payday loans, installment loans, title loans etc. that fall outside the traditional banks. Typically, these loans have an interest rate of more than 30% per year.

We want to understand if you had to take out a payday loan, installment loan or other high-cost loan due to the pandemic.

The pandemic has disproportionately affected low- and moderate- income people. Many individuals have seen loss of jobs, reduced hours of work and escalating costs because of the pandemic.

This survey may take a few minutes, but your responses will help inform ACORN's fight for low-cost credit options and stronger regulations on these loans.

If you have never used a payday loan, installment loan, car title loan or any loan that falls outside the traditional banking institution, you don't need to fill out this survey.

You can fill out this survey on behalf of a friend or a family member.

Please know that:
- Your responses are voluntary, and you may quit anytime.
- Your responses are confidential. Responses will not be identified by individual. All responses will be compiled together and analyzed as a group.
- We may reach out to talk to people who are interested in fighting back.

If you have any questions relating to the survey, please feel free to contact us.

Q. Have you ever taken a high-cost loan such as a payday loan, installment loan, car title loan or any such loan? (If respondents say No to this question, they are taken to the end of the survey).

- Yes
- No

Section 1: Personal Information
Section 1: Informations personnelles

Name

City

Postal Code

Email address

Phone number

Age
15 - 20 years
21 - 30 years
31 - 40 years
41 - 50 years
51 - 64 years
Over 65 years

What is your annual individual income range?
Less than $15,000
$15,001 - 25,000
$25001 - 40,000
$40,001 - 60,000
More than $60,000

What is your main source of income?
Employment
Retired
Employment Insurance
Disability assistance
Social assistance

Do you rent or own your home?
Rent
Own
Other/prefer not to specify

Section 2: Financial situation and COVID

Q. How would you rate the impact of the pandemic on your financial situation?
- Severe
- Moderate
- Mild
- None

Q. Did you lose your job or are facing reduced hours of work as a result of the pandemic?
- Lost my job completely with no idea when I can return to work
- Lost my job but have resumed work
- I have a job but the hours are significantly less
- I have a job but the hours are somewhat less
- I have been able to keep my job fully
- Other
- Does not apply

Q. Do or did you require financial support due to the pandemic?
- Yes, my financial situation got impacted due to COVID-19 and I continue to rely on support.
- Yes, my financial situation got impacted but it's getting better now
- Yes, my financial support got impacted but I did not require any financial support
- I would have needed financial support even without the pandemic because of other reasons.
- My financial situation was not impacted due to COVID-19 at all.
- Other, please specify

Q. Do or did you require financial support from the government due to COVID-19 but did not qualify?
- Yes
- No
- Not applicable

Q. Do you see your financial situation getting better now?
- Significantly better
- Somewhat better
- Mildly better
- Not better at all
- Does not apply

Q. Are you concerned that the income support provided by the federal government during COVID-19 such as CERB, CRB and others or the temporary changes that were made to the EI system are now winding up or will not be available anymore?

- Very concerned
- Somewhat concerned
- Not concerned

Q. Did you have to take out a payday loan, installment loan, car title loan or any such loan because of how the COVID-19 pandemic affected your financial situation?

- Yes
- No

Section 3: High-cost loans & COVID

Q. Which type of loan have you taken out? Check all that apply

- Payday Loan
- Installment Loan
- Car Title Loan

Other, please specify

Q. Which company/store did you take the loan(s) from? Check all that apply

1. Money Mart
2. Easy Financial/ Easy Home
3. Cash Money
4. Refresh Financial
5. Cash For You
6. Any other, please specify

Q. Over the last 12 months or since the start of the pandemic, what was the total amount you borrowed?

- Less than $500
- Between $501-2500
- Between $2501-5000
- Between $5001-8000
- More than $8,000

Q. In the last 12 months or since the start of the pandemic, how many times did you use these loans?

Answer options: 1 2 3 4 5 6 7 8 9 10 or more

Q. How did you learn about the company/companies to which you applied for the loan(s)?
- Have always taken loan from that company
- Saw the store in my neighbourhood or some other place
- Saw an online advertisement
- Got the advertisement in the mail
- A friend/acquaintance/neighbour told me about it
- Through another business (e.g., furniture retailer)
- The company approached me
- Can't remember now
- Other, please specify____

Q. Did you apply for any of these loans online or did you take them all from the store?
- Online
- Store
- Applied online but had to go to the store to sign the documents
- Both store and online
- Don't remember

Q. If you took any of the loans online, is there a specific reason why? Check all that apply
- It is more convenient (don't have to visit the store)
- The process is quick
- The advertisements and flyers sent to me online/ at home caught my eye
- It was the safest way to borrow because of the pandemic
- No specific reason
- Other, please specify____
- Does not apply, never taken a loan online

Q. What expenses did you need the loan(s) to help cover? Check all that apply.
- Everyday living expenses (rent, hydro, groceries, telephone/cellphone/internet, etc.)
- Medical expenses (dental, vision, etc.)
- Critical illness or end-of-life expenses for a family member, including necessary travel expenses
- Car repairs
- Vacation or recreation
- Expenses for the pet (s)
- To improve my credit score as the company promised that the loan will help me do so
- Other, please specify:_____________

Q. How did you learn about the company/companies to which you applied for the loan(s)?
- Have always taken loan from that company
- Saw the store in my neighbourhood or some other place
- Saw an online advertisement
- Got the advertisement in the mail
- A friend/acquaintance/neighbour told me about it
- Through another business (e.g., furniture retailer)
- The company approached me
- Can't remember now
- Other, please specify____

Q. Did you apply for any of these loans online or did you take them all from the store?
- Online
- Store
- Applied online but had to go to the store to sign the documents
- Both store and online
- Don't remember

Q. If you took any of the loans online, is there a specific reason why? Check all that apply
- It is more convenient (don't have to visit the store)
- The process is quick
- The advertisements and flyers sent to me online/ at home caught my eye
- It was the safest way to borrow because of the pandemic
- No specific reason
- Other, please specify____
- Does not apply, never taken a loan online

Q. What expenses did you need the loan(s) to help cover? Check all that apply.
- Everyday living expenses (rent, hydro, groceries, telephone/cellphone/internet, etc.)
- Medical expenses (dental, vision, etc.)
- Critical illness or end-of-life expenses for a family member, including necessary travel expenses
- Car repairs
- Vacation or recreation
- Expenses for the pet (s)
- To improve my credit score as the company promised that the loan will help me do so
- Other, please specify:_____________

Q. When you took out your loan(s), did the company explain the cost of borrowing such as the interest rate, fees or any other charges that you would need to pay?

- Yes, they sat me down and explained all the terms and conditions
- No, they did not explain the terms and conditions and I felt rushed to sign the agreement/contract
- I applied online and found everything I needed to know easily
- I applied online but could not find the information about these costs, or could not understand the information, easily
- I needed the money quickly and had no other option, so I skipped this information and just signed the agreement
- Any other, please specify____

Q. Did the lender ask you to take an additional product such as insurance along with the loan?

- Yes, they explained the additional product/ insurance and its importance
- Yes, they suggested that I take the additional product/insurance, but did not explain it
- No, I was never told about it until I found out that a large amount of my money is going to pay for insurance
- They told me it was mandatory to get the loan.
- No, they did not ask, but then I discovered it was added when a large sum was taken out for the additional product/insurance.
- No insurance or any other product is added to my loan.
- I am not aware of any additional products attached to my loan.
- Any other, please specify____

Q. Did you agree to take the insurance?

- Yes
- No
- Don't remember
- Does not apply

Q. Have you been able to make regular payments to your loan during the pandemic?

- Yes, have not missed any payment as of now
- Have been able to make most payments, missed only a few
- I have been making payments up until now, but I am not sure of keeping up with them in the future.
- No, have been missing my payments because of a tough financial situation
- I had to file a bankruptcy/consumer proposal because I just couldn't keep up with the payments.
- Does not apply

Q. If you reached out to the loan company to adjust your payment schedule for loan repayments due to the pandemic, how did they respond?

- They deferred my payments for some time without any penalty.
- They deferred the payment but with a penalty.
- They said they could refinance the loan but nothing else.
- They expected me to continue making the payments.
- They added extra charges for late payment when I couldn't make the payment in time.
- Don't know, I haven't faced any issue with my payments yet.

Q. If you missed making a payment, did you have insurance offered by the lender that helped cover the loan payments?

- Insurance completely covered the payments
- I don't have any insurance
- I have insurance but it failed to cover any payment
- I am not aware of any insurance
- Does not apply

Q. In case of missed payments, were you charged fees by the lender and/or from your bank?

- Yes, both
- Yes, lender
- Yes, bank
- No
- Does not apply

Q. In case you reached out to the loan company, please elaborate your negotiation with the loan company during the pandemic. How was the experience?

Q. How would you rate your overall experience with the loan? Choose one option that best describes your experience

- Highly dissatisfactory
- Dissatisfactory
- Somewhat dissatisfactory
- Somewhat satisfactory
- Satisfactory
- Highly satisfactory

Q. Please describe what explains your overall satisfactory or dissatisfactory experience.

Section 4: Traditional banking institutions

Q. What are the main reasons you used a high-cost loan and not a traditional banking service such as a bank or a credit union? Check all that apply.

- I applied for a loan first at the bank/credit union/trust company, but I was denied
- I don't have overdraft protection (allows you to temporarily make purchases without having sufficient funds in your account)
- I don't have a credit card
- I have a credit card but it is maxed out
- I don't have a prepaid credit card
- I don't have a line of credit
- The high-cost lender was closer
- The high-cost loan was quick and easy
- I prefer using high-cost loans
- Other, please specify____

Q. Have you ever applied for any of the following banking services or products at a bank/credit union/trust company?

1. A line of credit
2. A bank small loan
3. A credit card
4. Overdraft Protection (allows you to temporarily make purchases without having sufficient funds in your account)
5. Removing holds on cheques
6. No-fee account
7. A chequings/savings account
8. I have never applied for any of these services or products
9. Other:

Q. If you were denied for any of the above services or products, please state the reason(s) why:

Q. If you needed a small loan in an emergency and were denied credit by your bank, what would be your first course of action? Choose only the best answer.

- Borrow from a friend or family member
- Borrow from another bank
- Go to a high-cost lender such as Easy Financial, Money Mart etc.
- Work overtime, earn extra money
- Sell or pawn something
- Make the decision to not take out a loan
- Other:

Q. On a scale of 1 to 10, how important do you believe it is for banks to offer overdraft protection, small loans, no fee accounts, and lines of credit to low-and-moderate income earners?
Please note that 1 means not very important and 10 means very important.
Not very important Very Important
1 2 3 4 5 6 7 8 9 10

Q. Would you like to be contacted by ACORN to fight back to end predatory lending?
Yes
No

Section 6: Demographic information
Section 6: Informations démographiques

Q. Type your gender identity here

Q. Do you identify as (select all that apply):
- White
- Black
- South Asian
- East/Southeast Asian
- Latin American
- Middle Eastern
- Indigenous
- Other (please specify)

Q. Is your primary language
- English
- French
- Other (please specify)