

FAIR CREDIT FAIR BANKING!!

ACORN Canada

ACORN is a national community union of low- and moderate-income people. ACORN has more than 168,000 members in 10 cities across the country. ACORN members who are low- and moderate-income people, racialized people, newcomers, persons with disabilities, fixed income seniors and women among others, face significant barriers in accessing fair credit.

The Issue

Lack of availability and access to low-medium credit options, has caused hundreds of thousands of people to borrow from fringe lenders that charge **predatory interest rates.**



**400-600% APR
Payday Loans**

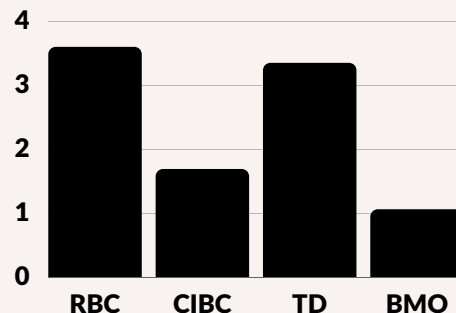
**60%+ APR
Installment Loans**

ACORN's Fair Banking Victories



- Lowered the interest rate for payday loans across many cities and provinces.
- ACORN and our allies won a commitment from the federal government to lower the interest rate of predatory installment loans from 47% to 35% APR in Budget 2023.
- But we need to keep fighting to make sure this includes ALL fees and we need a lower rate still plus we need fair credit options!

Earnings of BIG 4 Banks Q2 2023 - Billions \$\$\$



What is Fair Credit



- Low: 0-9%
- Moderate: 10 - 20%
- Medium: 21 - 30%
- Predatory - High: 31-45%
- Predatory - Extremely high: More than 45%



**\$45-48
NSF Fee charged
by Banks**

**Low- and moderate-
income people lack
overdraft protection**

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organize@acorncanada.org
<https://acorncanada.org>



ACORN'S NEW REPORT!

Study objectives

- The different kinds of low-to-medium credit options available for low- and moderate-income people.
- Extent are people aware of such options.
- Barriers people face in accessing these fair credit options.

Methodology

- Scan of low-to-medium credit options available by banks/other institutions.
- A national online survey that was sent to all ACORN members and contacts between February and March 2023. It was sent in French and English. A total of 623 responses were received.

Key Findings

1 Financially on the edge

- More than 50% people never have enough to cover one month's worth of expenses.
- 40% would fall into debt if they had to make an unexpected expenditure today of \$500.
- 70% are currently in debt.
- 40% experienced severe financial hardship due to the pandemic and/or inflation.
- More than half had to borrow money in the past 12 months.

2 Very few medium-low-cost credit options exist.

- 87% of respondents were not aware of any medium or low interest credit options (annual interest less than 30%) or other sources of emergency funds.

3 Predatory loans are the only option!

- 20% people took out a payday loan/installment loan or other high-cost loan in the last 12 months.
- One-third who used payday or instalment loans had to take it every month in the last year in the past 12 months.
- Top reason - to meet everyday living expenses.
- 60% were highly unsatisfied with the high-cost loan.

4 Many have limited access to traditional banking institutions/products

- 40% of people said that banks/credit union products were "not helpful at all" in times of financial hardship.
- 19% were members of a credit union, a quarter of whom used a low-cost credit option from them.
- Many people couldn't access small loans, overdraft protection and credit card when they applied.

ACORN's demands for the Federal Govt 

- Create a federally funded Fair Credit Benefit.
- Support postal banking and other low cost alternatives.
- Lower the NSF fee from \$48 to \$10.
- Eliminate overdraft fees and banks should provide overdraft protection to all customers.
- Lower the criminal interest rate of installment loans to 30% or 20% + BOC rate, whichever is lower and, include all associated costs like insurance.
- Make enforcement of installment loan regulations accessible to borrowers.

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