



ACORN Canada

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ACORN's submission

ACORN Canada is a national community union of low- and moderate-income people with chapters in 13 cities across the country. Many ACORN members are forced to rely on predatory lenders in times of financial crisis and to meet day to day expenses in the absence of fair credit options.

ACORN would like to take this opportunity to respond to the draft regulations in relation to lowering the criminal interest rate and related exemptions.

ACORN is encouraged to see the federal government moving ahead with drafting the Criminal Interest Rate Regulations in the *Canada Gazette Part I*. As the document notes, the change in the criminal interest rate will result in millions of savings for low- and moderate-income people.

However, we are concerned about exemptions relating to pawn loans and commercial loans to support small businesses.

1. **Pawn loans:** It is concerning that pawn loans that are valued less than \$1,000 will be exempt from the new regulations.

Pawn loans are equally predatory, similar to a payday loan. While these loans are collateralized, the individual most often ends up losing the collateral because of the extremely high interest rate.

Many ACORN members who have had experience with pawn loans have got caught up in the cycle of debt by continuing to make payments for years, yet losing the items they pawned.

Bruce from White Rock, BC says:

The social assistance rates are grossly low and therefore you do what you have to do to keep life going. I pawned a few pieces of jewellery, kept paying back close to a year but never had enough to pay it back. The interest rate is exorbitant. I ended up paying way more than what the items were worth and even then ended up losing more than half of the items. It works like a payday loan. You keep paying, it's a debt trap.

Mathieu from Ottawa, Ontario says:

My first experience with a predatory loan was a result of lacking hours at work and the abysmal assistance I got from the Ontario works welfare program. Because the assistance is so low, despite knowing that these lenders are predatory, I had no choice. I could never take a pawn loan and instead sold all my items because I knew that the interest rate was so high that I would never be able to pay it back.



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Christine from New Westminster, BC says:

I am 63 years old now and I have used pawn loans since I was 29 years old. I needed money, since I was a single mom at the time. I got a pawn loan using some items and it was easy. Every time I needed money, I pawned. When I inherited some money, I paid off the loan but then lost money in the business I had started. So, I had to get to pawning again in 2009. I lost almost everything I had. I am on disability pension now and I will never be able to get out of this loan.

Hence, ACORN strongly suggests including all pawn loans in the regulation to lower the criminal interest rate.

2. Exemption related to commercial loans

Further, ACORN also supports Momentum's position that the exemption for commercial loans proposed in the draft regulations is too low (those over \$10,000 and under \$500,000), and that the limit for exemption should be raised to loans over \$50,000 and under \$500,000 to better protect small business owners, smaller dollar borrowers, and entrepreneurs who are deserving of protection under the criminal code.

Most business owners, regardless of sector, would struggle to start any business without access to affordable credit, greater than \$10,000 in capital. Small business owners need access to safe, regulated, affordable loans in amounts higher than \$10,000.

Thank you for considering our submission.

Yours sincerely,

Marva Burnett
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For any questions/clarifications, please contact the ACORN Canada office.
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