

FAIR BANKING



Background

- ACORN launched a national campaign in 2005 to END predatory lending. The failure of mainstream banks is forcing hundreds of thousands of low- and moderate-income Canadians to borrow money from lenders like Easy Financial, Money Mart, Cash Money and many others that charge predatory interest rates in the form of payday loans and installment loans



What are Payday/Installment Loans?

- A payday loan is a short-term loan. You can borrow up to \$1,500 which must be paid back from your next paycheque. In Ontario, Payday lenders cannot give you more than 50% of your net monthly pay per loan. You have to agree to repay the loan in a short period of time, usually 14-28 days. The longest time you can get a payday loan for is 62 days, which is about 2 months. Payday loans are meant to cover a cash shortfall until your next pay or for a short period.
- What is an instalment loan: installment loans (higher dollar loans to be paid in installments) have an annual interest rate of 60% plus insurance & other charges
- **This happening while the interest rate charged on a credit card is close to 20% and 3-5% for a line of credit!**



Reasons Someone Might Use Payday Loans:

Up to 15% of Canadians are underbanked, meaning that they may have access to a bank account but it does not meet their needs. Reasons for this financial exclusion include:

- high NSF fees (\$48 at most banks)
- no overdraft protection for emergencies; geographic barriers
- no access to low-interest credit

According to 2023 ACORN Study:

- 46% of respondents had mentioned not using regular banking/financial services were a previous rejection from the bank (46%)
- The top reason for taking out a high-cost loan was to meet everyday living expenses such as rent, groceries etc. Other reasons but far less common ones included car repairs (20%), medical expenses (19%), pet expenses (11%) and to improve credit score (10%).

As a result, many Canadians are financially marginalized and forced to rely on the services of alternative, high-interest lenders.



ACORN'S Demands

This is why ACORN's demanding:

- Mandate the banks to provide access to low interest credit for emergencies;
- Mandate the banks to provide low interest overdraft protection;
- Mandate the banks to provide no holds on cheques;
- Mandate the banks to lower NSF fees from \$45 to \$10;
- Create alternatives to predatory lenders, such as postal banking and credit union credit products geared toward low and moderate income families;



ACORN's Wins!

ACORN has won a number of borrower protections at the city and provincial level across the country.

LOCAL

Introduce regulation to limit the number of payday loan stores in the city, and restrict the number of licenses provided to payday lenders

PROVINCIAL

Lowered the fee per \$100 from \$21 to \$15.

FEDERAL

Lower the interest rates of instalment loans from 60% to 35%.



Questions?
(3 min)