



Toronto ACORN
1324 Danforth Ave
Toronto ON
M4J 1M9
toronto@acorncanada.org
ACORNCanada.org

ATTN: Hamilton City Council

Sept 4th, 2015

We are writing you to encourage your support for support Councillor Green's motion to have the City of Hamilton use its powers to curb predatory lending practices in Hamilton.

ACORN Canada is very concerned about the rise under-regulated fringe financial services, which use predatory lending and sales practices to prey on low-income individuals. Fringe financial services (such as payday lenders, rent-to-own household appliances, instalment loan stores, and cash for gold stores) victimize countless residents every day by using predatory lending and sales practices that leave many debt trap they cannot get out of.

There is a growing movement of Canadian Municipalities who are using their zoning powers or licensing powers to limit the expansion and or existence of predatory lenders in their cities. Hamilton is a prominent city in the province of Ontario, and the importance of your leadership on this matter cannot be understated.

Background on predatory lenders in Canada.

Payday lenders use exorbitant interest rates and fees are charged to customers in need of emergency financial assistance. Many payday loan borrowers incur charges of \$90 in just borrow \$300 for two weeks, or an interest rate of over 590% APR.

ACORN Canada and allies campaigned successfully to get provincial governments to regulate payday lending, including the banning of rollover loans, licensing of lenders, and 48 hour cooling off periods. Unfortunately Provincial Payday Loan regulations leave much to be desired by allowing payday lenders to charge over 400% annual interest, and not effectively banning roll-over loans - when a borrower takes out a new loan to pay off an existing loan, thereby extending the loan and forcing the borrower into a debt trap.

Less well known, and far more concerning, are the unregulated Instalment loans which have become much more prevalent in Canadian cities. Sub-Prime loans of up to \$10,000 are being given out with no regard for whether or not it is in the borrower's best interest. Canada's largest installment loan lender Easy Financial has an advertised annual interest rate of over 45% yet actuaries have calculated that the effective annual interest rates of an Easy Financial loan is 59%, just under the criminal interest rate of 60%. Add on hidden and exorbitant fees for loan insurance and loan refinancing, and we have a recipe for an individual's financial ruin. And because this is an unregulated business, there is zero recourse for borrowers.

Another example of a predatory fringe financial service are rent-to-own furniture stores like Easy Home, which happens to be the parent company of Easy Financial. Easy Home offers furniture and household appliances to consumers at a take home now and pay later. Often unknown to consumers is how much they will be paying later. Like instalment loan companies, stores like



Toronto ACORN
1324 Danforth Ave
Toronto ON
M4J 1M9
toronto@acorncanada.org
ACORNCanada.org

Easy Home, are unregulated and target low-to-moderate income communities with disastrous effect.

Though we are aware that municipalities cannot regulate the way in which predatory financial establishments operate, there is an opportunity present for the City of Hamilton to join the growing list of Canadian City's that are introducing zoning and licensing bylaws to curb predatory lending practices. These by-laws dictate where and/or how many of these establishments can operate within city limits – or if they can operate at all.

Attached is a report from the City of Burnaby that details their experiences with predatory lenders and predatory financial operations in that city.

We hope to work with you in making this a reality in Hamilton

Regards,

Marva Burnett – President ACORN Canada

Contact Judy Duncan for more information canadaacorn@acorncanada.org or 416 461 5322
