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Payday Lending – Land Use Bylaw Amendment

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Momentum's Involvement

- Researched and published:
  - *Real Cost of Payday Lending* (June 2014)
  - *Opportunities for Municipal Action on Payday Lending* (July 2014)
  - *Opportunities for Provincial Action on Payday Lending* (February 2015)

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Reasons for Payday Loan Use

- 55% are using the service to cover necessities or routine bills
- Only 28% are using for an unexpected issue
- 52% of customers use payday lending at least annually
  - 22% use it at least monthly
- For every new customer, there are 15 repeat customers

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Payday Loan Debt Cycle

- One loan is taken out, repaid, and a new, often, larger loan is taken out.
- Perpetuates a cycle of debt
  - Borrowers often pay several times the original loan amount
- Annual interest on the average loan: 600%

Municipal Government Act

- City is not acting outside its jurisdiction
- MGA grants authority to the City to oversee land use and business licensing, among others

Current Status

- Payday lenders included in generic 'Information & Service Provider' category
- Did not function in the same way as other businesses in this category
  - Clustering
- Pawn shops already have their own type

Land Use Bylaw

- Land Use Bylaw
  - Minimum distance between businesses
    - Winnipeg: 1,000 feet
  - Minimum separation done in Calgary for:
    - Liquor stores
    - At least 15 other defined business types

The United States

- Over 200 U.S. municipalities have introduced some type of payday loan regulation or bylaw
  - Phoenix: 1320 ft distance, 500 ft from res
  - Chicago: 1000 ft distance
  - St. Louis: 1 mile distance, 500 ft from res, school, or church

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Land Use Rationale

- Lenders congregate in low income communities
- U.S. studies suggest concentrations of lenders have "adverse effects on the overall business atmosphere of the city."
- Clustering normalizes lenders as a legitimate financial option
- CPRI, passed unanimously by Council, called for payday loan bylaw

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Low Income Clustering

- Lenders claim they cluster in transportation corridors rather than poverty stricken areas
  - However:
    - Corridors such as MacLeod Trail have fewer lenders as income rises

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Low Income Clustering

- Next slide shows a map of payday loan locations overlaid with incidences of poverty
- 69 of 82 payday lenders exist in areas with above average rates of poverty
- National trend. Same trend in all major cities.