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Payday Lending – Land Use Bylaw Amendment

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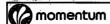
Momentum's Involvement

- · 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)



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



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



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



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



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.

