

WHAT CAN A MUNICIPALITY DO TO LIMIT PAY DAY LENDING?

The primary regulatory authority for payday lenders is with the provincial government. Changes to the fee structure or length of loan must be done by the provincial government. However, municipal governments in Alberta are far from powerless.

Land Use Bylaw Amendment

Municipal councils can amend the land use bylaw to set a minimum distance between payday lending businesses. In Calgary, this is already done with liquor stores which must be a minimum of 300 meters apart from each other. Of the 88 payday lending locations identified within Calgary city limits, approximately 15 payday loan businesses exist in the Greater Forest Lawn Area along or near 17th Avenue SE. There is often a correlation between a high number of payday lending locations and the departure of banks and credit unions from the area. A land use bylaw amendment designed to address proliferation of payday lenders could limit their prevalence and contribute to better access to mainstream financial institutions.

Business Licensing Bylaw Amendment

Municipalities already charge differential business licensing rates across business types. For example, the Township of Esquimalt near Victoria recently increased license fees for payday loan businesses from \$100 to \$2000. Revenue acquired through the increased license fee can potentially be invested in financial empowerment programs that would reduce the demand for payday loans. The Esquimalt model of increasing the business license fee to \$2000 for all payday loan locations in Calgary would generate over \$175,000 in annual revenue. If other fringe financial businesses such as cheque cashers, pawnshops, and cash for gold were also included the revenue would be much greater.

Convene Mainstream Banking Institutions

People are turning to payday lenders since they have limited options for fair financial services and products. In many cases, the customer service and financial products provided by mainstream financial institutions do not work well for people living on low-incomes. The municipal government can act as a convener with banks and credit unions to bring them together to encourage them to offer services that better meet the needs of the working poor. Mainstream banks generally do not offer small dollar loans over a short period of time. However, VanCity recently began offering a product for short-term and small loans that would cost \$2.20 for a \$300 loan taken and paid in two weeks, an annual rate of 19%. By comparison a \$300 payday loan taken for two weeks can cost up to \$69 or a 600% annual interest rate.

In conclusion, this brief focuses on the potential actions that municipal elected officials can take including: amending land use bylaws to stop the proliferation of payday lenders, raising business licensing fees to fund financial empowerment programming and acting as a convener to improve banking access for the working poor.

Momentum in Brief

Momentum is a community economic development organization that partners with people living on low incomes to increase prosperity, and inspires the development of local economies with opportunities for all.



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