



Backgrounder

The Pay Day Loans Issue

Every day many Canadians who live from one pay cheque to the next, turn to predatory and fringe financial services, commonly known as the payday loan industry, to cover budget shortfalls due to 'unplanned life expenses.' Many then risk falling into a spiraling **cycle of high cost debt** from which it is difficult to remove themselves.

- In Ontario, there are **over 800 payday lending outlets**, providing up to **\$1.5 billion** in loans to **400,000** customers.
- The average size of a payday loan in Ontario is \$435.
- Over 70 known payday lenders operate in Ottawa alone. Many of these payday lending outlets operate in lower income areas.

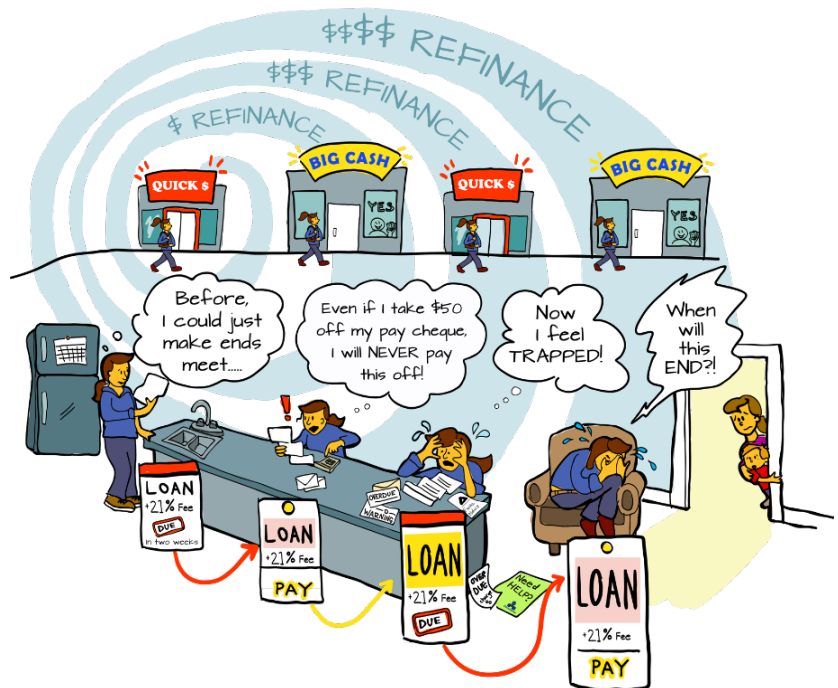
Payday lenders offer short-term loans of up to \$1,500 and according to the Payday Lenders' Association of Canada (PLAC) the average loan is \$435 with a 10-day repayment period. The cost of a \$100 loan, regulated by the provincial government's *Payday Lending Act* is \$21. The cost to the borrower for a 10-day \$300 loan is \$63 – an annual interest rate of 550%!

The need to develop a sustainable alternative to pay day loans combined with access to training in financial literacy and budgeting has never been greater.

A Need Identified

The Causeway Community Finance Fund (CCFF) is designed to support the financially vulnerable individuals who find themselves trapped in the high cost cycle of interest and fees attached to payday lenders.

We connect our clients – many of whom have little or no access to quality mainstream banking and financial services – to three local credit unions who have provided operational and financial support to Causeway: **Alterna Savings, Frontline Credit Union and Your Credit Union.**



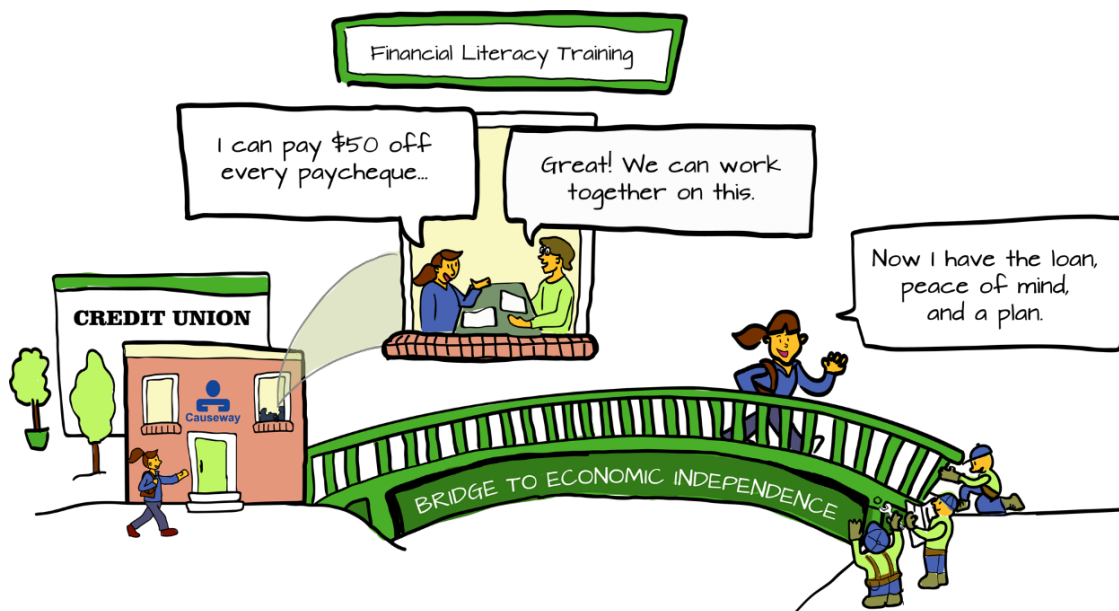
Graphic by Living Tapestries

Causeway's Response

In 2015, the Causeway Board of Directors agreed to capitalize a new fund to be used exclusively to support the development of a sustainable alternative to payday lending. Starting with \$30,000 from its own resources as seed money, matched with a donation from Entrepreneurship & Innovation Ottawa, Causeway has formed vital partnerships with three local credit unions, Alterna, Frontline and Your Credit Union, each of which made financial and operational contributions to the fund. Today, we have raised \$100,000 in capital.

Launched as a **pilot program** in November 2016, the Causeway Community Finance Fund (CCFF) is the first of its kind in Canada to support borrowers with manageable loans linked to credit union accounts.

CCFF's function is to act as a bridge between credit unions and prospective borrowers. CCFF's ultimate aim is to support those who have proven their ability to handle the CCFF's micro-loans programme to 'transition' into informed consumers of mainstream commercial banking services. Equipped with access to savings and credit, low income earners can then move forward with the resilience to withstand life's occasional financial shocks.



Graphic by Living Tapestries

For Causeway Work Centre:

Don Palmer, Executive Director, 613-725-3494 ext 103, dpalmer@causewayworkcentre.org

Doug Pawson, Director of Social Business & Social Finance, 613-725-3494 ext 105,

dpawson@causewayworkcentre.org

Rachel McKeen, Communications, 613-72503494 ext 621, rmckeen@causewayworkcentre.org

For Alterna Savings:

Chrissy Newton, VOCAB Communications, 416-705-9523 chrissy@vocabcommunications.com

This document is available online at <http://www.causewayworkcentre.org/news/media-room>