



Act to End Predatory Lending a Positive Step for Alberta Consumers

CALGARY - May 12, 2016 – Momentum, a Calgary-based community economic development organization that has advocated extensively for payday lending reform, welcomes Service Alberta Minister Stephanie McLean’s announcement today of comprehensive changes to the regulatory framework that governs payday lending in Alberta.

“Momentum applauds the provincial government for the reforms announced today, many of which are necessary to ensure more affordable short-term loans in our province,” said Courtney Hare, Public Policy Manager at Momentum. “Under the new Act to End Predatory Lending, payday lenders will no longer be able to charge among the highest interest rates and fees in the country, nor will consumers be denied the option of repaying loans and interest in installments.”

These changes will better enable people living on a low income to pay off their debt. The change in allowable interest rate – which moves from **\$23 per \$100 borrowed to \$15 per \$100 borrowed** – is especially important. Currently, an individual borrowing \$500 from a payday lender pays \$2,990 in interest when annualized. Under the new act, the same person will pay less than \$1,950 in interest – a savings of at least \$1,000. Alberta’s maximum allowable cost of borrowing will become the lowest in Canada.

“Previous provincial regulations did not work well for most Alberta consumers. These high-interest loans, which charged upwards of 600% annual interest, resulted in many Albertans getting stuck in a cycle of debt that could take months to exit,” said Jeff Loomis, Momentum’s Executive Director. “We are also pleased to see that payday lenders will be required to promote financial literacy resources, and that the development of more affordable alternative loan products is included in this act’.

“These changes will be great,” said Pamela Beebe, a payday loan borrower. “They will be really helpful to stop families from relying on those options.”

Presently, payday loans satisfy a demand among many Albertans living on a low income who have limited access to mainstream financial institutions, but still require short-term, small-dollar credit. According to Hare, “existing lenders must innovate to provide more affordable and viable alternatives. This includes both payday lenders and mainstream financial institutions such as banks and credit unions.”

Over the past two years, Momentum has partnered with individuals and groups to advocate for changes to payday lending in our province, among them Albertans impacted by payday loan debt, as well as community groups and non-profits concerned about high-cost loans.

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Media inquiries may be directed to:

Jeff Loomis
Executive Director, Momentum
Office: 403-204-2662
Cell: 403-473-8550
E-mail: jeffl@momentum.org

Courtney Hare
Public Policy Manager, Momentum
Office: 403-204-6180
Cell: 403-993-6787
E-mail: courtneyh@momentum.org

Pamela Beebe
Payday loan borrower
Cell: 587-707-0291
Email: chriobeebe@hotmail.com