

Learning English with breakthewall.alberta.ca Living in Alberta



Understanding Payday Loans

by

Maroro Zinyemba

Project Manager: Justine Light



Daylight Consulting Inc.



**Government
of Alberta** ■

Integration Enhancement

Topic:	Budgeting Basics
Lesson:	Payday Lending
CLB Level:	6
CLB Skills:	Reading, Writing
Essential Skill(s):	Reading, Writing, Document Use, Numeracy , Computer Use

CLB Outcomes	
Reading:	<p>Learners will demonstrate the ability to use online reference sources.</p> <p>Learners will demonstrate the ability to guess the meaning of unknown terms, phrases or idioms from the context without a dictionary.</p> <p>Learners will demonstrate the ability to identify specific factual details and some implied meanings.</p> <p>Learners will demonstrate the ability to interpret information contained in formatted texts.</p>
Writing:	<p>Learners will demonstrate the ability to reduce a page of information to a summary.</p> <p>Learners will demonstrate the ability to complete forms.</p>
Language Skills	
Grammar Focus:	Learners will demonstrate the ability to identify correct parts of speech in context.
Vocabulary:	<i>consent, dishonoured cheque, access, unauthorized, harassment, regulation, cancellation, legal, conduct, payday, intention, grant, withdrawal, loan, threaten</i>
Culture	
<p>There are a number of payday lenders in Canada and many people use them to make ends meet. It is very important for consumers to be aware of their rights and to understand the loan agreements they enter with payday lenders.</p>	

Websites:

http://www.servicealberta.ca/pdf/tipsheets/Payday_Lending.pdf

www.learnersdictionary.com www.thesaurus.com

Introduction

Before you read, complete the first two columns of the KWL chart below:

K	W	L
What I know about payday lending.	What I want to know about payday lending.	What I learned about payday lending.

Pre-reading

Joshua Garibaldi and his wife, Mati, were finding it difficult to pay their bills, rent, and buy the groceries they needed. Their money would run out before the month was over. A friend told them that they could get a payday loan to help with the financial costs. A payday loan is money that one can borrow and pay back to the lender. The most money a person can borrow from a payday lender in Alberta is \$1,500. Payday lenders can charge a maximum fee of \$23 per \$100. The terms of the loan cannot be more than 62 days. Joshua and his wife decided to take out a payday loan in order to make ends meet. Mati and Joshua took a payday loan of \$1000 on December 12, 2012 from *Mr. Payday Quick Cash*. They completed the loan application form and made sure they understood it before signing it. They found out that they could repay the full loan before the due date (62 days) without being charged any fees. They also found out that they had two days after signing the loan agreement to cancel the loan and return the money without being charged fees. Joshua and Mati had to give the lender, Mr. Payday Quick Cash, a post-dated cheque for the amount they borrowed plus the fees. The date on the cheque was December 30, 2012 – Joshua’s payday.

Pre-reading questions

1. What are the advantages of getting a payday loan?
2. What do you think are the disadvantages of a payday loan for Joshua and Mati?
3. If Joshua and Mati got a payday loan for \$1000, what would be the maximum fee a payday lender could charge them?
4. Have you ever taken out a payday loan?
5. What role do you think governments play in controlling payday loans?

Main Reading

Title: Payday Lending

Glossary¹

1. Profane language means using language that is very disrespectful.
2. Intimidate means to make someone afraid.
3. Guarantor is a person who promises to pay back a loan if the original borrower does not pay it back
4. Principal means an amount of money that is put in a bank or lent to someone and that can earn interest.
5. Rollover means the act of delaying the payment of a debt

As you read the selection, use *context clues* to help you figure out the meaning of the following words that you will come across: *consent, dishonoured cheque, access, unauthorized, harassment*

Reading Strategy Tip: As you read pay attention to the headings in the text. Can you predict what each section will be about after reading the heading? The headings tell you what information is covered in the paragraph following the heading.

This selection is part of a longer document taken from

http://www.servicealberta.ca/pdf/tipsheets/Payday_Lending.pdf

HOW TO CANCEL A LOAN

When you enter into the loan agreement, the lender must also give you a cancellation notice form. If you wish to cancel your loan, you must complete the form and return it to the lender, along with the money. You must cancel the loan within the “cooling off period”—two business days from the time you receive a copy of the agreement. During this time you may cancel the loan and return the money without paying any additional fees. You may also cancel the loan by writing a letter to the lender stating that you wish to cancel the agreement. You must sign the letter and return it to the lender, along with the money, within two business days of receiving a copy of the agreement.

Once the lender receives the cancellation notice from you, the lender must give you a receipt. The receipt means that the lender accepts your cancellation of the loan. The lender may not charge a fee for cancelling a loan during this time.

¹ Definitions taken from www.learnersdictionary.com

Extended cancellation rights

You may not have to pay the fees related to your loan if:

- the lender tried to collect a debt in a way that does not follow the rules set out by the *Payday Loans Regulation*;
- the lender charged a rate higher than the maximum rate set of \$23 per \$100;
- the lender did not have the required signs posted at their place of business or online at the time you entered into the agreement.

Rules of conduct

Payday lenders must follow certain rules of conduct that are set out in the regulation.

Payday lenders must not:

- discount the principal amount of a loan;
- grant rollover loans;
- require a loan to be due less than one full banking day after you receive your pay or other income;
- charge any other fee for the loan other than those referred to in the loan agreement;
- make unauthorized withdrawals from your account;
- accept a cheque from you that is not made out to the payday lender;
- take information from you that would give the payday lender direct access to your bank account, unless it is to be used for pre-authorized repayment of your loan;
- charge more than \$25 on a dishonoured cheque or pre-authorized debit.

The loan agreement

A payday loan agreement must be written in clear, plain language. The lender must give you a copy of the agreement when you sign it. The lender must then give you a copy of the cancellation notice.

Payday lenders **may not**:

- make unauthorized withdrawals from your account;
- use threatening, profane, intimidating or forceful language;
- discuss your debt or the existence of your debt with any person except you, a guarantor of the debt, or someone you have identified in writing as your representative. The payday lender may contact another person in regards to your debt if you choose, but you must give your express consent and provide that person's current address and telephone number;
- call you or members of your household, relatives, friends, neighbours or your employer so often that the number of calls received could be considered harassment; threaten or state an intention to proceed with any legal action where the lender does not have the legal authority and consent to do so;
- give any misleading or false information;
- enter into or arrange wage assignments with you or your employer;
- publish or threaten to publish your failure to pay.

Reading Comprehension

Read each of the following statements and decide if they are true or false. Write your answer (true or false) on the line provided after each statement.

	Statement	True / False
1.	Payday lenders can accept a cheque from a borrower that is not made out to the payday lender.	_____
2.	If a borrower signs a loan agreement on a Friday the borrower can cancel it the following Monday without being charged a fee.	_____
3.	When a borrower signs a loan agreement, the borrower must not leave without a cancellation notice form.	_____
4.	A lender does not have to provide a receipt if the loan is canceled during the cooling off period.	_____
5.	Payday lenders are sometimes able to charge more than \$25 for dishonoured cheques.	_____
6.	A payday lender needs a borrower's permission to talk to someone else about the borrower's debt.	_____

Vocabulary Development

A. Context Clues

As you read the selection, use *context clues* to help you figure out the meaning of the following words that you will come across: *consent, dishonoured cheque, access, unauthorized, harassment*

B. Definition Matching

The words in italics on the next page are taken from the reading. These words are also found on the *list of the first 2000 most commonly used words of English* and on the *Academic Word List*. Match the words to the correct definition and find the part of speech. The first one has been done for you as an example.

regulation, cancellation, legal, conduct, payday, intention, grant, withdrawal, loan, threaten

	Word	Part of speech	Definition
1.	Cancellation	Noun	a decision to stop something from being effective or valid
2.			the day when you are regularly paid your wages
3.			Of or relating to the law
4.			an official rule or law that says how something should be done

	Word	Part of speech	Definition
5			to agree to do, give, or allow (something asked for or hoped for)
6			the way that a person behaves in a particular place or situation
7			to say that you will harm someone or do something unpleasant or unwanted especially in order to make someone do what you want
8			the thing that you plan to do or achieve : an aim or purpose
9			the act of taking money out of a bank account
10			an amount of money that is given to someone for a period of time with a promise that it will be paid back : an amount of money that is borrowed

C. Collocations

Words that are used in a certain way together are called collocations. A collocation is a particular combination of words. Take the word “fire”. Collocations of the word “fire” are *truck* and *fighter* – “fire truck” and “fire fighter” for example. Use online reference sites such as www.thesaurus.com or www.dictionary.com or www.learnersdictionary.com to find the collocations of “credit” and “card”. Complete the table below. The first one has been done for you as an example.

Loan	Pay
Loan application	Pay day

Reading Strategy

Skimming for Information

When you are looking for specific information in a text you have already read you do not need to read every word. You skim for the facts you need. In order to skim for the facts you need you must have key words. Key words tell you what information or facts to look for. Then use the headings in the reading selection to help you organize your search.

Go back and read the selection in the main comprehension section of this lesson. Read the following questions. Underline the key words that tell you the information you should look for. Then skim the headings in the selection. On the line provided, write the heading under which you would find the answer to each question.

1. What is the “cooling off period”? *How to cancel your loan*
2. Describe the situations where a borrower may not have to pay loan fees? _____
3. Who receives a copy of the loan agreement after it is signed? _____
4. Can payday lenders accept a cheque from a borrower that is not made out to the payday lender? _____
5. What is the maximum amount of money that can be charged on a dishonoured cheque? _____
6. How would you know that a lender has accepted your loan cancellation? _____

Grammar Focus / Pragmatic Competence

Part of Speech Activity

The passage below is taken from the main reading on Payday Lending which can be found at http://www.servicealberta.ca/pdf/tipsheets/Payday_Lending.pdf . Notice that certain words have been underlined and given a number. Identify the part of speech of the underlined word as it is used in the sentence. The first one has been done for you as an example.

CASH CARDS

A payday lender¹ may offer you the option of a cash card so that you may access² your loan immediately³. If you wish to cancel your loan within the two day cooling off period⁴, you must return the cash card along with any money that you withdrew from it.

If there is money left on the card at the end of your loan period, you are entitled to receive the balance⁵ left on the card. If the balance on the card is less than \$25, the payday lender must pay

you the balance in cash. If you have repaid the loan⁶ in full and have returned the cash card, the payday lender must pay you whatever balance is left on the card in cash. You need to ask the payday lender if you want to do this.

IF YOU CAN'T PAY BACK YOUR PAYDAY LOAN

If you are having problems paying back your payday loan, contact⁷ the lender as soon as possible. Payday lenders have the right⁸ to sue you for the amount owed⁹, plus interest and any related court fees. They may also turn your account over to a collection agency. Collection agencies can file¹⁰ a writ against you that may result in the seizure¹¹ of property, and / or garnishment of wages, bank accounts, or accounts receivable. Try to make arrangements¹² with them before any of these things happen.

	Underlined word	Part of speech		Underlined word	Part of speech
1	Lender		7	Contact	
2	Access		8	Right	
3	Immediately		9	Owed	
4	Cooling off period		10	File	
5	Balance		11	Seizure	
6	Loan		12	Arrangements	

Link to Essential Skills

Essential skills are the skills needed for work, learning, and life (www.hrsdc.gc.ca). They are enabling skills that help you perform daily tasks as well as tasks required on the job. In this section of the lesson you will focus on **reading text, document use, numeracy, and computer use** to complete a loan cancellation form.

Activity 1 instructions – Using a Payday Loan Calculator

Joshua and Mati Garibaldi borrowed \$1,000 from Mr. Payday Quick Cash. The loan term was for 62 days. The loan fee was \$23 per \$100. They wrote a post-dated cheque for December 30, 2012 for the repayment amount. How much would the total repayment be?

To calculate the repayment amount, use the Payday Loan Calculator available online at <http://www.servicealberta.gov.ab.ca/1608.cfm>. Or go online to www.alberta.ca click on Service Alberta Home then click on Consumer Information then click on Payday Loan Calculator.

Answer: Joshua and Mati's post- dated cheque was for \$ _____

Activity 2 Instructions – Calculating payday loan interest charges

The payday loan calculator shows you the cost of borrowing money and the annual interest rate on the loan. In this activity you will use the payday loan calculator to find the finance charges and annual interest rates on some loans. You will also use a calculator to find out the annual interest charges – the amount of money that could be charged in interest on these loans in a year. Complete the table below. The first one has been done for you as an example.

		Finance charges	Annual interest rate	Annual interest charges (if you had this loan for a year)
1.	Henry took a payday loan of \$500. The loan term was for 14 days and the loan fee was \$20 per \$100	\$100	521.43%	\$2607.15 <i>(to calculate this charge: \$500 x 521.43% is 260715. Then divide 260715 by 100)</i>
2.	Mark Zisckini borrowed \$700 from Payday Quick cash. The loan term was for 14 days. The loan fee was \$23 per \$100.			
3.	Edna Naggy needed \$1000 so she went to a payday lender and got a loan. The term of the loan was 14 days. The loan fee was \$21 per \$100.			
4.	Joel took a payday loan for \$850 for 14 days. The loan fee was \$18 per \$100.			
5.	Zivai took a payday loan of \$250. The loan term was for 30 days. The loan fee was \$23 per \$100.			

Activity 3 Instructions – Costs of borrowing from Payday lenders

Read the scenarios below and calculate how much money the loan cost the borrower in each case. Use the payday loan calculator to help you.

Scenario 1

Dana Haradada needed to borrow \$500 so she went to Quick Money for a loan. The loan term was for 14 days. The loan fee was \$20 per \$100. Dana also got a cash card from Quick Money which cost her \$10. In addition to the cash card, Dana purchased life insurance on her loan. The insurance cost \$30. Since Dana did not have any money, the charges for the cash card and insurance were added to the loan. How much did this loan cost her in total?

Scenario 2

Edna Naggy needed \$1000 so she went to a payday lender and got a loan. The term of the loan was 14 days. The loan fee was \$21 per \$100. Edna also purchased a cash card for \$10 and life insurance for \$30. Since Edna did not have the money to pay for the cash card and insurance immediately these charges were added to her loan. Edna was not able to repay the loan on time. She did not have enough money in her account on the due date. Her bank charged her a NSF (Non sufficient funds) fee of \$25. The payday lender also charged Edna a \$25 NSF fee. She paid the loan back 14 days after the due date. In addition, Edna had to pay interest on the late payment. The interest was \$12.50. The interest charge was only calculated on the \$1000 she borrowed. What was the total amount that Edna paid back?

Activity 4 Instructions – Completing a cancellation form

Go back to the pre-reading section of this lesson and read Joshua and Mati's story again. On December 13, 2012, the couple decided to cancel the loan agreement because they borrowed the money from family members. They did not need the payday loan anymore. They were ready to return the money using Interac Email Money Transfer. Imagine you are Joshua Garibaldi - complete the loan cancellation form on the next page.

Loan Cancellation Notice Form

Payday Quick Cash Inc. (the Lender)
10934 – Jasper Ave, Edmonton, Alberta, T6W 2D5
Phone: 1-888-578-6644
Fax: 1-888-258-1478
Email: cancellation@paydayquickcash.ca

****To cancel a loan; read the form, complete all the blank spaces and send it to Payday Quick Cash. ****

1. A Borrower under a payday loan Agreement may, without any reason, cancel the Agreement at any time up to the end of
 - a. the 2nd day after the payday Lender gives a copy of the Agreement to the Borrower, if the payday Lender is open for business on that day, or
 - b. the next day that the Lender is open for business following the 2nd day described in clause (a), if the payday Lender is not open for business on that 2nd day.
2. A Borrower who wishes to cancel a payday loan agreement must
 - a. give written notice within the time period set out in subsection (1) to the payday Lender, and
 - b. return the full amount received by the Borrower to the payday Lender.

I, _____ hereby give written notice that I would like to cancel the payday loan transaction provided by Payday Quick Cash Inc. on _____ in the amount of \$_____.

Please circle how funds will be paid back to the Lender:

1. I authorize Payday Quick Cash Inc. to immediately debit the bank account into which the funds were provided for the principal amount of the loan. If the debit transaction is returned NSF (non-sufficient funds) the loan cancellation is void plus \$75 NSF fee will be applied.
2. I will send an Interac Email Money Transfer to cancellation@paydayquickcash.ca for the principal amount of the loan within 12 hours of sending this cancellation form to the Lender. If the Interac Email Money Transfer is not received by the Lender, the loan cancellation is void.

Print Name

Signature

Date

Answer Keys

Reading Comprehension

1.	False	4	False
2.	True	5	False
3.	True	6	True

Vocabulary Development

A. Context Clues

1. *Consent means* to agree to do or allow something: to give permission for something to happen or be done
2. *Dishonoured cheque means* a cheque that is written but there is not enough money in the account to clear the cheque
3. *Access means* a way of getting to someone or something
4. *Unauthorized means* without permission
5. *Harass means* to annoy or bother (someone) in a constant or repeated way

B. Definition Matching

	Word	Part of speech	Definition
1.	Cancellation	Noun	a decision to stop something from being effective or valid
2	Payday	Noun	the day when you are regularly paid your wages
3	Legal	Adjective	Of or relating to the law
4	Regulation	Noun	an official rule or law that says how something should be done
5	Grant	Verb	to agree to do, give, or allow (something asked for or hoped for)
6	Conduct	Noun	the way that a person behaves in a particular place or situation
7	Threaten	Verb	to say that you will harm someone or do something unpleasant or unwanted especially in order to make someone do what you want
8	Intention	Noun	the thing that you plan to do or achieve : an aim or purpose
9	Withdrawal	Noun	the act of taking money out of a bank account
10	Loan	Noun	an amount of money that is given to someone for a period of time with a promise that it will be paid back : an amount of money that is borrowed

C. Collocations * Answers will vary**

Loan	Pay
Loan application	Pay day
Loan shark	Pay cheque
Loan approval	Pay stub
Loan office	Pay as you go
Loan value	Pay back

Reading Strategy

** Key words may vary**

1. What is the “cooling off period”? *How to cancel your loan*
2. Describe the situations where a borrower may not have to pay loan fees? *Extended cancellation rights*
3. Who receives a copy of the loan agreement after it is signed? *The loan agreement*
4. Can payday lenders accept a cheque from a borrower that is not made out to the payday lender? *Rules of Conduct*
5. What is the maximum amount of money that can be charged on a dishonoured cheque? *Rules of conduct*
6. How would you know that a lender has accepted your loan cancellation? *How to cancel your loan*

Grammar Focus / Pragmatic Competence

	Underlined word	Part of speech		Underlined word	Part of speech
1	Lender	Noun	7	Contact	Verb
2	Access	Verb	8	Right	Noun
3	Immediately	Adverb	9	Owed	Verb
4	Cooling off period	Noun	10	File	Verb
5	Balance	Noun	11	Seizure	Noun
6	Loan	Noun	12	Arrangements	Noun

Reading –Writing Link

*Summaries will vary**

Link to Essential Skills

Activity 1

Answer: Joshua and Mati's post- dated cheque was for \$ 1,230

Activity 2 Instructions – Calculating payday loan interest charges

The payday loan calculator shows you the cost of borrowing money and the annual interest rate on the loan. In this activity you will use the payday loan calculator to find the finance charges and annual interest rates on some loans. You will also use a calculator to find out the annual interest charges – the amount of money that could be charged in interest on these loans in a year. Complete the table below. The first one has been done for you as an example.

		Finance charges	Annual interest rate	Annual interest charges (if you had this loan for a year)
1.	Henry took a payday loan of \$500. The loan term was for 14 days and the loan fee was \$20 per \$100	\$100	521.43%	\$2607.15 <i>(to calculate this charge: \$500 x 521.43% is 260715. Then divide 260715 by 100)</i>
2.	Mark Ziskini borrowed \$700 from Payday Quick cash. The loan term was for 14 days. The loan fee was \$23 per \$100.	\$161	599.64%	\$4197.48
3.	Edna Naggy needed \$1000 so she went to a payday lender and got a loan. The term of the loan was 14 days. The loan fee was \$21 per \$100.	\$210	547.5%	\$5475
4.	Joel took a payday loan for \$850 for 14 days. The loan fee was \$18 per \$100.	\$153	469.29%	\$3988.97
5.	Zivai took a payday loan of \$250. The loan term was for 30 days. The loan fee was \$23 per \$100.	\$57.50	279.83%	\$699.56

Activity 3 Instructions – Costs of borrowing from Payday lenders

Read the scenarios below and calculate how much money the loan cost the borrower in each case. Use the payday loan calculator to help you.

Scenario 1

Amount borrowed	\$500
-----------------	-------

Finance charges	\$100
Cash card	\$10
Life insurance	\$30
Total cost	\$640

Scenario 2

Amount borrowed	\$1000
Loan fee	\$210
Cash card	\$10
Life insurance	\$30
Bank NSF fee	\$25
Payday lender NSF fee	\$25
Interest charge	\$12.50
Total amount Edna paid back	\$1312.50

Activity 4

Loan Cancellation Notice Form

Payday Quick Cash Inc. (the Lender)
10934 – Jasper Ave, Edmonton, Alberta, T6W 2D5
Phone: 1-888-578-6644
Fax: 1-888-258-1478
Email: cancellation@paydayquickcash.ca

****To cancel a loan; read the form, complete all the blank spaces and send it to Payday Quick Cash. ****

1. A Borrower under a payday loan Agreement may, without any reason, cancel the Agreement at any time up to the end of
 - a. the 2nd day after the payday Lender gives a copy of the Agreement to the Borrower, if the payday Lender is open for business on that day, or
 - b. the next day that the Lender is open for business following the 2nd day described in clause (a), if the payday Lender is not open for business on that 2nd day.
2. A Borrower who wishes to cancel a payday loan agreement must
 - a. give written notice within the time period set out in subsection (1) to the payday Lender, and
 - b. return the full amount received by the Borrower to the payday Lender.

I, Joshua Garibaldi hereby give written notice that I would like to cancel the payday loan

transaction provided by Mr. Payday Quick Cash Inc. on December 12, 2012 in the amount

of \$1,000.

Please circle how funds will be paid back to the Lender:

1. I authorize Payday Quick Cash Inc. to immediately debit the bank account into which the funds were provided for the principal amount of the loan. If the debit transaction is returned NSF (non-sufficient funds) the loan cancellation is void plus \$75 NSF fee will be applied.

2 I will send an Interac Email Money Transfer to cancellation@paydayquickcask.ca for the principal amount of the loan within 12 hours of sending this cancellation form to the Lender. If the Interac Email Money Transfer is not received by the Lender, the loan cancellation is void.

Joshua Garibaldi

Print Name

Joshua Garibaldi
Signature

December 13, 2012

Date