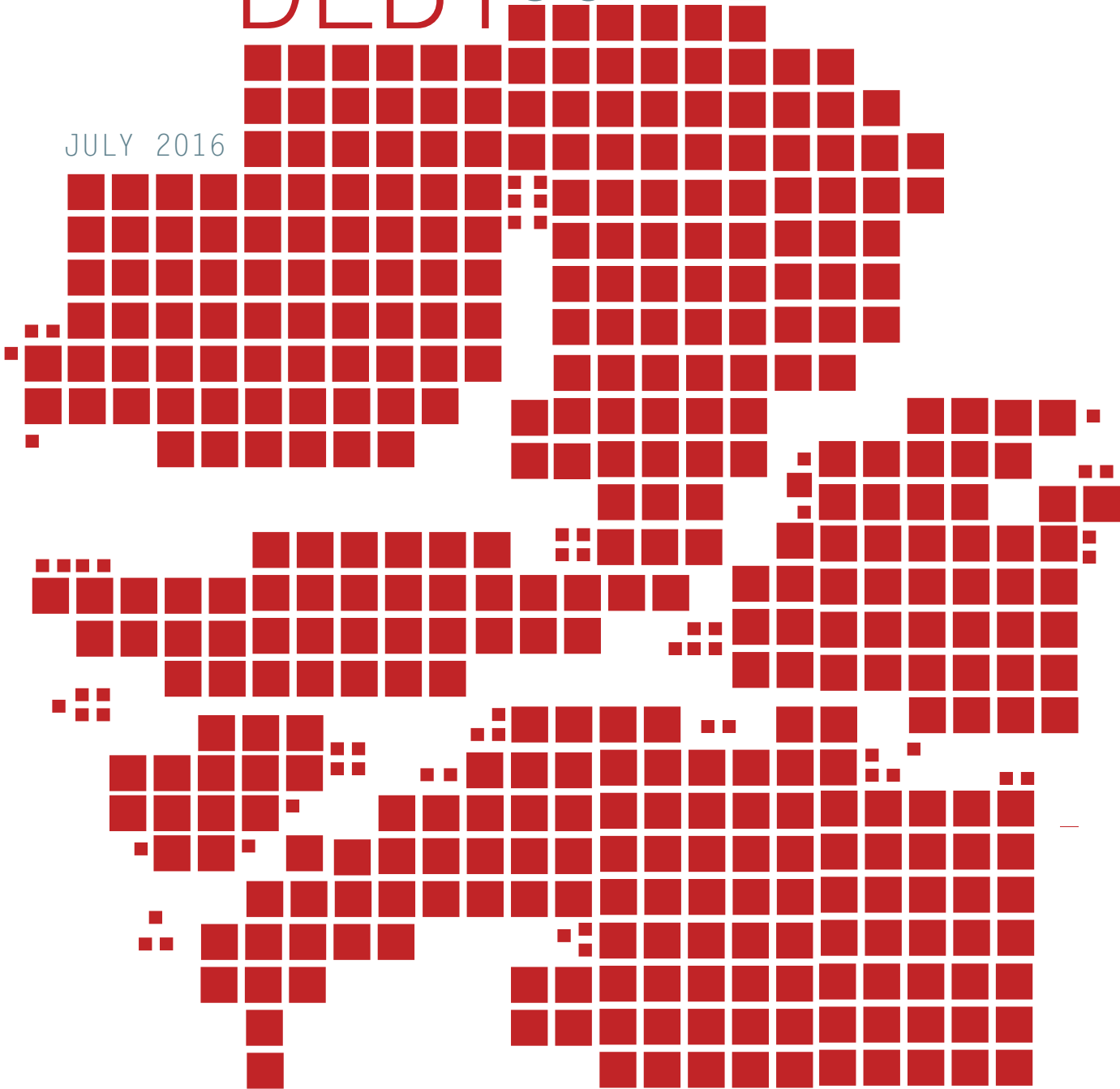


METRO VANCOUVER'S DEBTScape

JULY 2016



a place of mind
THE UNIVERSITY OF BRITISH COLUMBIA

Metro Vancouver's Debtscape

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1. Executive Summary

Canadians' record levels of household debt are presently the subject of numerous media and institutional reports. Various raising alarms bells and dismissing fears of Canadians' life in the red, commentators disagree over the level of financial precarity of Canadian households, its effect on the broader economy, and the measures that matter in understanding the dynamics of household debt.

The current Bank of Canada overnight interest rate of 0.5% has sparked fears that already highly leveraged households will ramp up their borrowing still more. The low interest rate means that the cost of servicing debts has remained low. With the national delinquency rate growing to just 1.09% at the end of 2015, this points to the possibility of a painful transition when interest rates eventually rise. Meanwhile, Canadians are continuing to borrow. National household debt levels equated to 165.4% of disposable income in the fourth quarter of 2015 (Statistics Canada, 2016) meaning that on average every Canadian owes about \$1.65 for every dollar of disposable income.

Debt is a growing part of our lives, staying with us for longer periods over our life course compared to decades past. Public policy makers and decision makers must begin to pay more attention to how debt is affecting households and neighbourhoods, and the everyday lives of Canadians. The purpose of this study is to do just that. Leaving behind commonly touted national statistics, we drill down into Metro Vancouver – home to over 2.4 million people and ranked in 2015 as the least affordable city in Canada and third least affordable city in nine English-speaking countries (Demographia, 2016) – to better understand how income, debt, and wealth manifest differently across communities and neighbourhoods, and how debt itself shapes the lives of the residents of those communities.

For this study we employed a mixed methods approach of both quantitative and qualitative data analysis. Drawing on household debt and asset data from Equifax and Environics Canada, and CRA Taxfiler income data for 2007 and 2012, the study brings together measures of income, debt and wealth in a series of maps that reveal the extent and spatial distribution of household debt stress across the Forward Sortation Areas (FSAs) of Metro Vancouver. The study then scales down to the individual level, through interviews with Vancouverites that have experienced high debt stress, to understand the everyday causes and consequences of the region's heavy debt loads.

The quantitative study's findings reveal that in 2012 all of the studied Metro Vancouver FSAs had alarmingly high median levels of debt (combined consumer and mortgage), ranging from a low of \$210,823 to a high of \$657,017. Between 2007 and 2012, 67% of FSAs saw an increase in the ratio of median consumer debt to median income, while only 33% saw declines.

Considering median debt and median income levels only, residents of the relatively high income FSAs on the North Shore and in the west side of the City of Vancouver appear to have higher debt burdens, compared to medium-income residents in the FSAs of the Tri-Cities, Surrey and the Langleys. However, when wealth is factored in (*via* debt-to-asset ratio calculations) it is apparent that North Shore and Vancouver West borrowers (with ratios of <19% in most FSAs) are benefiting more from the tempering effects of wealth on debt burdens than

are their counterparts in the Tri-Cities, Surrey and the Langleys, where debt-to-asset ratios were relatively high (>26% in most FSAs).

The interviews with indebted Vancouverites shed light on the proximate causes and emotional consequences of living with high debt stress. The study found that a combination of factors drive individual indebtedness. Lower income borrowers, single-parent families, young borrowers, and recent immigrants tend to accumulate debt in relation to structural disadvantages (*e.g.*, underemployment, low wages and high costs of living), strong marketing of credit products, and interruptions to income. Higher income, professional households and young and new immigrant borrowers tend to accumulate debt through poor spending choices and financial mismanagement. Borrowers of all types accrue debt while dealing with unexpected events such as job loss, medical emergency or disability, family expansion, and divorce.

The consequences of sustained debt stress on wellbeing are distinct. Borrowers experience strong and primarily negative emotional reactions to debt stress, reporting feelings of isolation, desperation, fear, shame or guilt associated with their debt. As the Canadian economy continues to stagnate, and rising levels of household debt show little sign of stabilizing, greater attention must be paid to those Canadians who are struggling to make ends meet, suffering often silently from the financial stresses that wreak havoc on their physical and mental health and wellbeing.





2. Introduction

Living in Metro Vancouver is expensive. Metro Vancouverites, along with other Canadians, are digging into record depths of indebtedness. Low interest rates, high housing prices, high child care costs, and access to diverse lending options from banks and other financial institutions have translated into a strong and often growing culture of borrowing. We borrow to get into the housing market, to start a business, to secure a car, to pay for an education, to cover rent, for our kids' sports/art equipment, to cover periods of lost employment income, to pay for medicine, holiday gifts, and the long list continues into the great multitude of things we need or want but do not have the money to buy and own outright.

Recently, Canadian household debt to disposable income was 165.4% in the fourth quarter of 2015 (Statistics Canada, 2016), meaning, on average, every Canadian owes about \$1.65 for every dollar of disposable income. We are not alone as a nation of borrowers. Canada now ranks among the top six most indebted countries in the world (McKinsey & Company, 2015). Yet, we have reason to believe that debt is being managed well. Delinquency rates (i.e., no payment on debt after 90+ days) among Canadians was at 1.09% at the end of the fourth quarter of 2015, meaning that nearly 99% of all borrowers are able to keep up with their debt service payments (Equifax Canada, 2016).

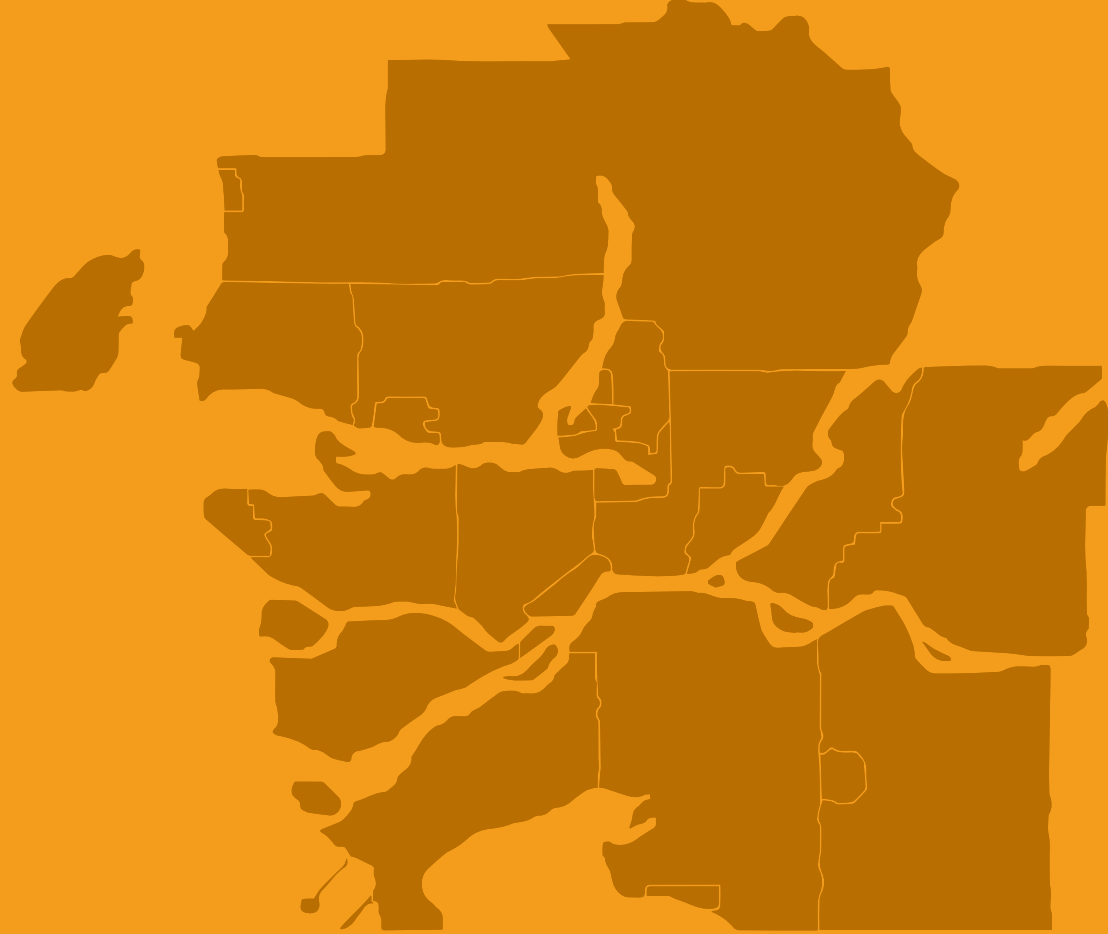
Beyond assertions about high household debt levels not being a source of concern (Fraser Institute, 2015), our collective historical use of credit has resulted in the aggregate

debt-to-income ratio of Canadian households trending upward over the past 30 years with both mortgage and consumer debt contributing to this increase. Moreover, households of all age groups have experienced this increase in indebtedness (Crawford & Faruqi, 2011-2012). Granted this national increase in household debt is accompanied by increases in overall household net worth. It nevertheless begs questions about the sustainability of how we are growing in our use of debt. It also begs questions about the need to start monitoring how the ratios of income, debt and wealth manifest differently across communities and neighbourhoods in Canadian cities, the homes of most of our population. If debt is a growing part of our life, and for a longer period of time across our life course compared to decades earlier, then it is timely to pay more attention to how debt is shaping households and neighbourhoods.

Too often the studies and stories about debt exist at either the very personal level or at the higher levels of provincial and national trends. There is limited research work at the regional and sub-regional level and there is a notable lack of research that focuses on time frames covering before and after the Great Recession of 2007/2008. There is no systematic research that brings together socio- demographic and economic statistics with stories about people's lived experiences with debt stress in Metro Vancouver. Metro Vancouverites' ongoing use of credit (mortgage and consumer) raises questions about debt levels at the city and sub-city (or neighborhood) level. This study seeks to fill these gaps.

In Section 3 we outline the study aims and guiding research questions, and offer detailed explanations of the data collection, cleaning and transformation procedures for both the quantitative and qualitative components of the study. The section concludes with a consideration of the study's limitations. Section 4 serves to define the analytical concepts that we operationalize to understand and measure debt and indebtedness, and sets the context for the study with a summary of recent Canadian national-level trends in household debt. Mapping and analyses of the quantitative and interview data are presented in Sections 5 and 6, respectively, while Sections 7 and 8 conclude the report with discussions of the study's major findings and recommendations for action.





3. Research Aims, Questions, Methods and Limitations

3.1. Research Aims and Guiding Questions

Recent research about debt in Canada and the US (Walks, 2013, Walks 2014, Darden & Wylie, 2010) have illuminated the financial processes behind and the socio-spatial distribution of indebtedness at the sub-city scale. There are several options for measuring indebtedness and even more tools for producing multivariate analysis about the relationships between debt and the socio-economic characteristics of people who live in cities and neighbourhoods. This study takes a comparatively simple approach to measuring debt in Metro Vancouver.

Income is often used as the central measure for understanding the socio-economic wellbeing of families and individuals. However, there are other important measures that should be considered such as wealth (i.e., the present value of total assets minus the sum of all debts of

the same family), assets (i.e., real estate, personal belongings savings, financial investments, pension), and debt (i.e., consumer and mortgage). This study is primarily concerned with debt balances (the total dollar amount of debt), median balances and the relationships between median income and median debt balances over time (2007-2012) in Metro Vancouver. To a lesser degree the study also engages questions about related measures of indebtedness, namely ratio calculations for debt-to-assets at small levels of geography across the region. Taken together these measures provide some light into the under-researched avenue of debt in our region. In short, the study aims to map diverse measures of neighbourhood indebtedness in Metro Vancouver over time.

Getting underneath the maps to the stories of people with debt stress is also a focus of this study. As a result, this study also set out to develop an understanding of the factors behind the manifestations of high debt stress for households from diverse demographic and geographic communities in Metro Vancouver. As an applied research project, we are impelled to draw conclusions and make policy recommendations for provincial and federal governments, financial institutions and other stakeholders that will contribute to the reduction of debt stress for individuals and families.

Four (4) questions have guided the data collection, analysis, mapping and drawing of conclusions:

1. What is the spatial distribution of debt (consumer and mortgage) at the neighbourhood level (Forward Sortation Areas) across the Vancouver CMA and how have debt levels changed from 2007-2012 (the period of time covering the Great Recession of 2008)?
2. What is the spatial distribution of ratios of debt-to-income, debt-to-asset and debt-to-net worth at the neighbourhood level in the Vancouver CMA?
3. What are the factors behind and manifestations of high household indebtedness? What are the coping strategies that individuals and households employ to cope with high debt stress? To what extent are these coping strategies creating other stresses and strains on households, neighbourhoods and the community at large?
4. What public policies can help alleviate high debt stress for individuals and households who are experiencing economic insecurity?

3.2. Key Concepts, Data Sources and Research Methods

Qualitative and quantitative data and analysis were employed to address each of the questions above. Each type of data, its source and/or approach to collection, as well as the multiple types of calculations (where applicable) and analytical treatments of each data type are reviewed here. Data for the quantitative aspects of this research are presented first, followed by an explanation of the interview portion of this study.

3.2.1. Income and Debt Data

Income Data (2007-2012)

All income data is derived from Statistics Canada's T1 Family File (T1FF), which includes all persons who completed a T1 tax return for the year of reference or who received CCTB (Canada Child Tax Benefits).¹

All income data in this report is 'after-tax income,' which refers to the total income from all sources minus federal, provincial and territorial income taxes paid for the reference year. The unit of analysis for all income data is a person, which refers to an individual and is the unit of analysis for most social statistics programmes.²

All Families and Non-Family Persons are included in the calculations of income figures from 2007 to 2012 and all calculations are organized according to the Forward Sortation Area (first three letters in the postal code) level of geography.

Debt Data (2007-2012)

Debt data was obtained from Equifax Canada, a global credit reporting agency that organizes, assimilates, and stores data on a majority of credit transactions in Canada. For the purpose of this study, Equifax was retained to produce a data file containing balances (i.e., total dollar amount of debt) for two types of debt data: mortgage and consumer debt. Mortgage debt reports on mortgages, which are financial instruments secured by the collateral of a specified real estate property that a borrower is obliged to pay back with a pre-determined set of payments. Individual consumer debt is all non-mortgage debt, which includes: national credit cards (e.g., MasterCard, etc.), retail credit cards (e.g., Canadian Tire, etc.), installment loans (e.g., personal loans, auto loans, etc.), and Lines of Credit (except those from financial institutions that report home equity lines of credit as part of the mortgage debt). The unit of analysis for all debt data is the consumer, which refers to individual persons with a unique credit file. Data for three levels of geography were provided by Equifax containing the number of individual consumer and mortgage debt balances for every Forward Sortation Area (FSA), Postal Code, and Postal Code Subdivision. The different levels of geography at which the data is organized are directly connected with one another: FSAs represent postal districts that comprise all Postal Codes with the same starting three characters, while Postal Codes are geographical areas that consist of street segments known as Postal Code Subdivisions.

Debt, Asset and Net Worth Data (2012)

Debt, asset and net worth data was obtained from Environics Analytics, a marketing services and data analytics company. Environics provided SPARC BC with asset and wealth data coded at the Forward Sortation Area for the Vancouver CMA for the reporting year of 2013. Debt, asset and net worth ratio calculations are explained in the corresponding section in the body of the report.

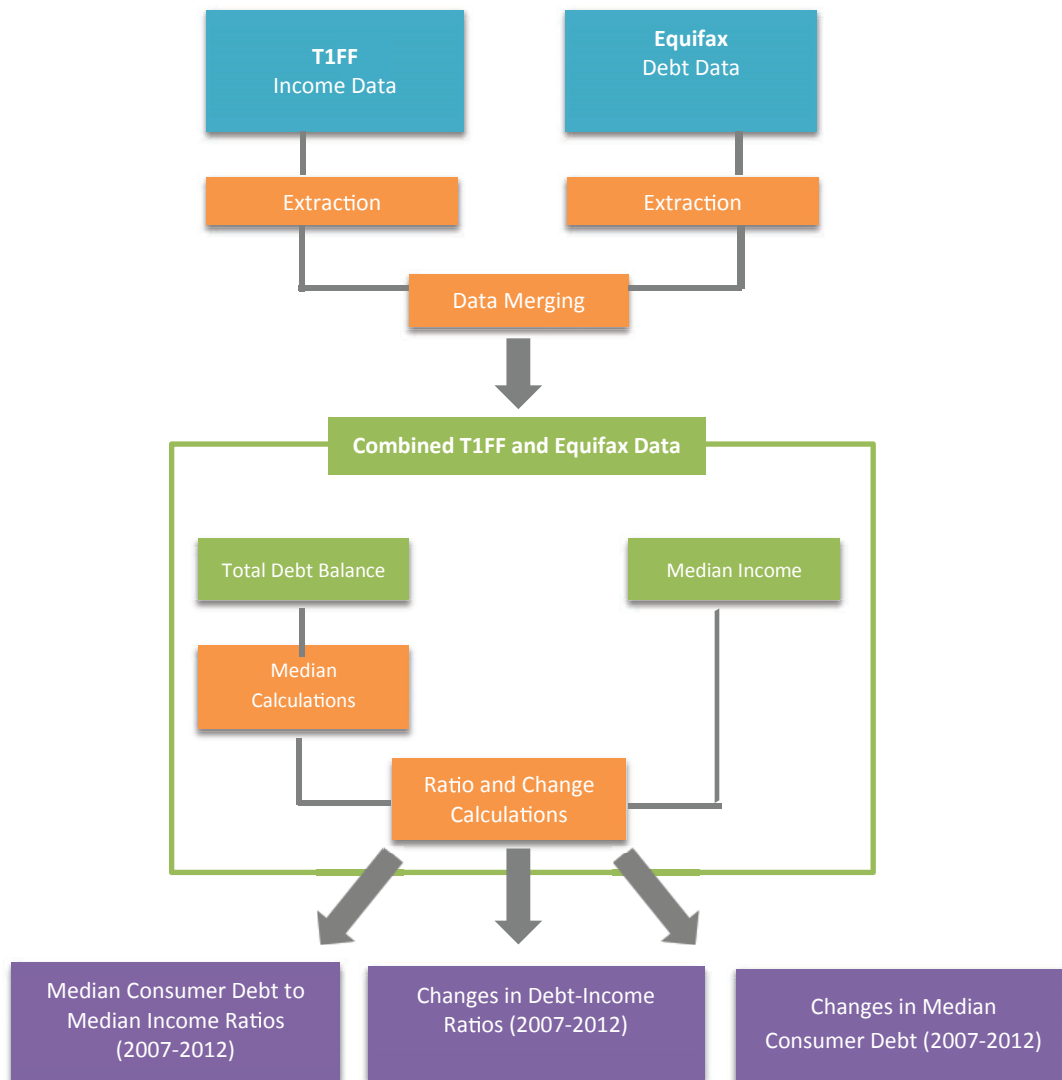
1 Statistics Canada. Definitions, data sources and methods. Retrieved on August 24, 2015, from: <http://www23.statcan.gc.ca/imdb/p2SV.pl?Function=getSurvey&SDDS=4105>

2 Statistics Canada. Income variables - by statistical unit. Retrieved on August 24, 2015, from: http://www23.statcan.gc.ca/imdb-bmdi/document/NHS_D77_T7_V1-eng.html

Debt to Income Ratio Calculations (2007-2012)

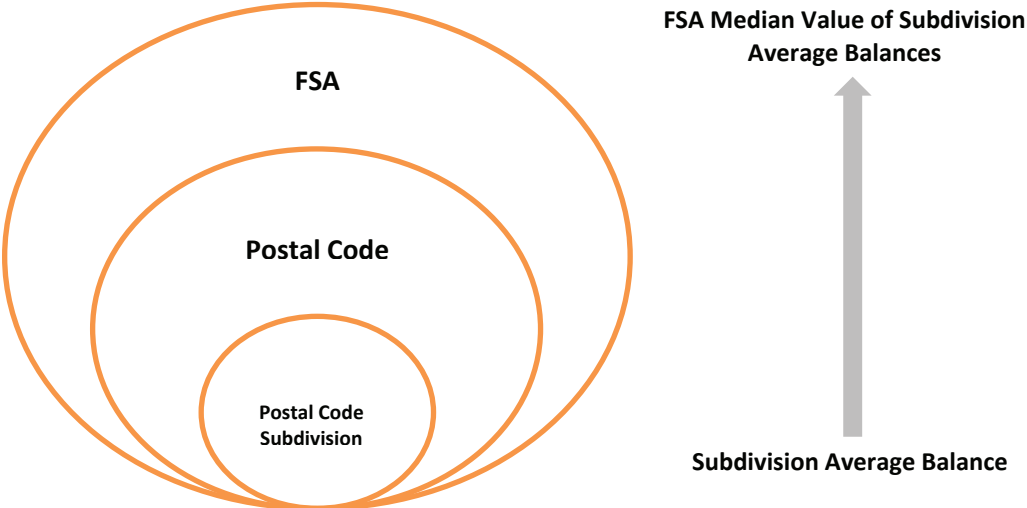
Debt balances were provided by Equifax in the form of total balances. Since income levels acquired from the T1FF data were provided as medians, further calculations were required to obtain median debt balances for computing consumer debt to income ratios. The overall methodology is presented at the conceptual level in *Figure 1* and is divided into 4 processes: Extraction, Data Merging, Median Calculation and Ratio Calculation. As outlined in *Figure 1*, the first step was to identify and extract relevant Equifax and Taxfiler data from larger data sets. For this study, FSA level debt (and mortgage) balances and income figures were extracted from the two larger source files (T1FF and Equifax custom file), and merged into one dataset. As mentioned previously, total debt and mortgage balances had to be converted to median values since Taxfiler data only provided median income. This required an additional step of extracting balances and the number of consumers at the Postal Code Subdivision level from the Equifax data to calculate median balances at the FSA level.

Figure 1: Income and Debt Data Development Schematic



Postal Code Subdivisions are the lowest level of geography that respect FSA boundaries. Because total FSA balances were derived from the sum of all total subdivision balances within each FSA, median balances could also be computed from total balances of all Postal Code Subdivisions within each FSA. Prior to calculating median figures, Postal Code Subdivision balances had to be normalized to average values as each balance represented the total debt of all consumers in a subdivision. Normalizing this value provided a figure reflecting the average debt balance of a consumer for each subdivision. Calculating the median FSA figures from these normalized balances therefore produced a median value of the average debt balance of a consumer in each Postal Code Subdivision within every FSA.

Figure 2: Conceptual Diagram for Calculating FSA Median Consumer Debt Balances



Since the number of consumers varies from one subdivision to another, each subdivision has a different weight on the median FSA value calculation. A function, which is discussed in the Technical Appendix, was applied to calculate the weighted median for each FSA. An example of how these calculations were performed is provided in *Figure 3* on the following page.

Figure 3: Simplified Example of FSA Level Median Debt Balance Calculations

FSA	Postal Code	Subdivision ID	# Consumers	Total Balance	Average Balance
V1M	V1M0A1	1	8	\$35,042	\$4,380
V1M	V1M0A1	2	14	\$377,353	\$26,954
V1M	V1M0A1	3	16	\$663,809	\$41,488
V1M	V1M0A2	1	13	\$465,855	\$35,835
V1M	V1M0A2	2	14	\$226,229	\$16,159
V1M	V1M0A2	3	15	\$642,122	\$42,808
V2M	V2M0A1	1	6	\$341,710	\$56,952
V2M	V2M0A1	2	8	\$196,250	\$24,531
V2M	V2M0A1	3	14	\$358,748	\$25,625
V2M	V2M0A1	4	19	\$439,932	\$23,154
V2M	V2M0A2	1	4	\$8,076	\$2,019
V2M	V2M0A2	2	65	\$1,197,535	\$18,424
V2M	V2M0A2	3	65	\$1,099,453	\$16,915
V2M	V2M0A2	4	2	\$90,878	\$45,439

FSA Median Debt Balance

V1M = \$35,835

V2M = \$18,424

In this simplified example, there are 2 Postal Codes (V1M0A1 and V1M0A2) and 6 Postal Code Subdivisions in the FSA V1M. Similarly, there are 2 Postal Codes (V2M0A1 and V1M0A2) and 9 Postal Code Subdivisions in the FSA V2M. The Average Balance, or Normalized Balance, is calculated by dividing Total Balance by # of Consumers. For instance, the Postal Code Subdivision V1M0A1, 1, has a total balance of \$35,042, and 8 consumers. \$35,042 divided by 8 produces an average balance of \$4,380. A weighted median function then uses all of the average subdivision balances within a FSA to produce a Median Value. In this simplified example, the Median Value for the FSA V1M is \$35,835.

Median balances for both consumer debt and mortgage debt were calculated using this method. Combined median consumer debt and median mortgage were calculated by adding the two medians together. Consumer debt-to-income ratios were derived from dividing median balances to median income at the FSA level. A detailed explanation of all formulas for the above mentioned calculations are located in **Appendix A**.

3.2.2. Mapping the Spatial Distribution of Debt Measures in Metro Vancouver

Debt measures (e.g., debt balances; median balances; income, asset and net worth ratios) were analyzed using ArcGIS mapping software to create a series of maps representing the spatial distribution of the diverse levels of indebtedness in Vancouver. Programmed quintiles were established in ArcGIS in order to structure the mapping analysis. Forward Sortation Area and municipal boundaries are added to the maps to facilitate reading the data in relation to recognizable spatial characteristics of the region.

3.2.3. Interview Data

The qualitative data, pertaining to the causes and experiences of higher debt levels, were gathered primarily from open-ended (unstructured) interviews with residents of Metro Vancouver who have self-identified as having experienced debt stress at some point between 2000 and 2015. Expert interviews with credit counselors at a non-profit credit-counseling agency complement the testimonial data. In total, data were drawn from 29 interviews. The Credit Counseling Society (CCS), a non-profit credit counseling agency headquartered in New Westminster

(B.C.), helped to facilitate the data collection. The expert interviews were conducted with CCS employees at the New Westminster and Surrey offices (where many of the non-expert interviewees resided), while non-expert interviews with currently or formerly indebted residents of Metro Vancouver were drawn from a sample of CCS' past clients.

CCS maintains a list of past (and a small number of active) clients who pre-agree to participate in future media interviews for the organization. A sample of potential interview subjects was selected from this list, based on two major criteria. Priority was given to clients that lived (based on the Taxfiler and Equifax data) in a Forward Sortation Area with below average income and with above median consumer debt in 2012. Further clients were included if they lived in an FSA from which there was a noticeably high relative number of clients on the list, regardless of whether they met the former criteria.

Expert interviews, held in CCS offices, lasted approximately 20 to 60 minutes. Non-expert interviews lasted between 35 and 70 minutes.³ The interviews were held in person in coffee shops, and were held overwhelmingly in the Metro Vancouver suburbs, including North Vancouver, East Vancouver, Burnaby, New Westminster, Surrey, Delta and Langley. The suburban nature of the interviewees is likely partially due to the relatively higher consumer debt burdens in these areas, however other factors, including the recruitment method, may be at play in the low catchment of City of Vancouver households.

Study Sample

Of the non-expert respondents, 67% were female and 29% were immigrants (one was a refugee). The majority of respondents (83%) were white European (Caucasian) in ethnicity, with only one of these from a country outside of Canada or the United Kingdom. All of the non-white respondents were immigrants, with 8% having Hispanic and 8% having Asian ethnicities.

³ These participants were offered an honorarium of \$50 CAD for their participation. This was deemed high enough to compensate for any inconvenience and their time, but not so high as to be the sole motivation for their participation in the study.

Approximately 50% of the sample respondents were between 20 and 35 years old at the time of debt accrual. Approximately 38% were 36 to 50 years old, and 13% between 50 and 60, with an estimated mean age of 39 years old. The majority of the sample (62.5%) was married or in a long-term partnership, 12.5% were single, and 25% were divorced. While 58% of respondents had dependents (mean = 2), only 12.5% constituted lone-parent households.

It is difficult to accurately report the sample respondents' household finances, as for many households these fluctuated over the period of debt accrual and repayment. The sample represents a diversity of experiences. Speaking in approximations, the majority of respondents (46%) had an annual household income between \$25,000 - \$50,000, 21% earned up to \$25,000 annually, 12.5% earned between \$50,000 and \$75,000, and 8% had approximate household incomes of between \$100,000 and \$150,000.

The debt levels reported by respondents are approximations, and may be underestimates, due to embarrassment or other interview dynamics, and are subject to other complications that obscure their accuracy. With these caveats in mind, respondents reported consumer debt levels (for unsecured, non-education debt) ranging from *approximately* \$4000 to \$125,000. Respondents held a variety of debt products, including credit cards, lines of credit, store credit cards, installment loans, Payday loans, student loans, mortgages, auto loans, British Columbia Medical Services Plan debt (BC MSP) and Insurance Corporation of British Columbia (ICBC) debts.

3.3. Limitations

As taxfiler information is obtained through annual personal income tax returns, it is updated on an annual basis, the data is available for every year and at multiple scales of geography, including the Forward Sortation Area (or first three letters in the postal code), which is the primary unit of geography for this study. One of the limitations of taxfiler data for this study is that it cannot be cross-tabulated with other socio-demographic variables beyond age, sex and family structure. Moreover, given that All Families and Non-Family Persons are included in the calculation of median incomes at the FSA, the calculation of income to debt ratios will likely represent a conservative ratio because the calculation brings all family and individual median income into relation with only individual median debt balances. It is likely that some families will have more than one individual in the family with a credit file and related credit balance (e.g., two adults with a credit card balance each). Credit data at the household level was not available for this study.

It is important to note that our study of debt in Metro Vancouver is also limited in the types of measures that it reports on. While it does cover three major debt measures (e.g., debt-to-income, debt-to-assets and debt-to-net worth) our study does not include a calculation of the debt-service ratio (DSR), which is an important measure of a household's debt servicing costs as a percentage of its disposable income. The availability of debt service cost data restricted this study from including this analysis.

Some limitations exist in the qualitative data. The sample of indebted residents – while providing valuable in-depth data representing a range of experiences, as intended – cannot be considered statistically representative of any population. It may also be biased toward clients

that have been particularly satisfied with CCS' services, as it was drawn from a pre-existing list of clients that had agreed to engage in press interviews. Further, the study sample intentionally emphasizes borrowers residing in Metro Vancouver's outer suburban FSAs, where debt burdens were the greatest in 2007 and 2012. The inclusion of more respondents from wealthier, inner city and gentrifying FSAs may have yielded different results. Their relative exclusion is, however, also a product of the geographic reach of CCS' clients. The study has also not accounted for the possible exclusion of certain sub-populations due to barriers to access or other factors limiting their engagement with CCS' services. The study's unintentional lack of non-English speaking respondents may be related to barriers to access. It is further possible that the most vulnerable households do not tend to access credit counseling services.



4. Understanding Indebtedness

4.1. Debt Metrics Defined

As the cost of living continues to rise while wages and income support for most people remains stagnant, the practice of borrowing money to make ends meet has become a normal part of life for many Canadians. Despite the regular reports about how Canadians are servicing their debt loads, and managing to maintain a very low default rate,⁴ the normalization of using borrowed money to acquire goods and services begs important questions about how this practice shapes the economic security of individuals and households. The most rigorous engagement with this field of inquiry in Canada is advanced by Walks, who has produced nationally focused research illuminating the relations between debt, income, assets, and issues such as income inequality and financialization (Walks, 2013, 2014). Working within the broad context of Walks' studies of indebtedness in Canadian cities, this paper will answer simple questions about how much debt Metro Vancouverites carry and where are the most and least indebted people living in our region? To develop responses, several key terms need to be defined first.

It is important to define debt. Debt is something owed by one party (the debtor) to another party (the lender). The lender can be a financial institution, bank, credit card company

4 See: Equifax, Canadian Consumer Credit Trends (Quarterly Reports), Equifax Analytical Services.

or payday loan provider. As a financial concept, debt is most simply defined in terms of the dollar amount (e.g., total, average, median) owed by a person or group of people to a given lender or creditor. Beyond measuring debt in terms of simple dollar amounts, there are several commonly used measures that seek to understand the relation between debt and other aspects of an individual's or household's economic security: 1) debt-to-income ratio, 2) debt-to-asset ratio; and, 3) debt-service ratio.

The *debt-to-income ratio* measures how much an individual or a household owes in relation to how much income is earned (Hurst, 2011; Chawla & Uppal, 2012; Walks, 2013; Simone, 2014). The *debt-to-asset ratio* measures debt in relation to the value of individual or household assets, which factors in the assumed value of assets if they were to be sold. This measure is useful but is also limited because it is underpinned by assumptions about asset values that may or may not be accurate. Moreover, debt-to-asset ratios also exclude income amounts and leave open the question of whether an individual or household with valuable assets, for example, has the necessary income to carry a debt load. *Debt-service ratio* measures the proportion of income households need in order to service their debt obligations (Faruqui, 2008, Hurst, 2011; Meh, 2009).

4.2. Indebtedness in Canada

Over the last few years, household debt has risen in all regions of Canada (Equifax, 2014, 2015). The debt-to-income ratio in 2000 averaged 110 per cent (Battams, Spinks & Sauve, 2014), reaching a then record-high of 150 per cent of disposable income in 2010 (Sauve, 2010), up to 165.5 per cent in 2013 (Battams et al, 2014). Between 1984 and 2009, Canadian household debt has more than doubled (Hurst, 2009). According to the Bank of Canada, household indebtedness has broadly been stabilized by low interest rates and some growth in income. Debt still remains near its historic peak, with 12 per cent of households having a total debt-to-income ratio above 250 per cent, and accounting for over 40 per cent of overall household debt (Bank of Canada, 2014). In 2015, consumer total debt grew to \$1,544.4 billion dollars, two-thirds of which are attributed to mortgage debt and one-quarter to bank installment and revolving loans (Equifax, 2015).

At the national level, an emerging body of literature is revealing the populations that are deepest in debt. Given the often-increasing costs of housing in Canada, it is unsurprising that homeowners, especially younger homeowners, hold a significant proportion of the total household debt in Canada. An Office of the Superintendent of Bankruptcy of Canada report (Anindya, 2012) also found that households earning less than \$50,000 annually account for the majority of all indebted households. Other highly indebted populations include young Canadians between the ages of 26 and 40, wealth-poor households, and those with only a high school diploma (Chawla, 2012). Age-related debt differences are echoed by Hurst (2011) who reports that in 2009 younger populations, especially those with children had higher debt levels than Canadians aged 50 to 64. In fact, 19 to 34 year olds had a debt-to-income ratio of 180 per cent compared to 125 per cent for 50 to 64 year olds. Single parent households had the greatest debt-to-income ratio at 227 per cent. Low-income borrowers, single women and people of ethnic minority background are more likely to carry high interest (i.e., above twenty percent), which leads to greater revolving debt each month (Dymski, 2010).



So, what is driving the increased use of debt? A Bank of Canada report (Bailliu, 2011) suggests that a primary component of rising household indebtedness is home-equity extraction—household borrowing against equity in existing homes through increases in mortgage debt and draws on home equity lines of credit. These borrowed funds from home-equity extraction are then often used to finance consumption and home renovation. While this no doubt presents part of the picture, there are other factors that should also be taken into consideration to fully understand the story of debt in Canada. As a way to augment income levels to meet costs of living, many households are growing dependent on lines of credit and credit cards. Overall, the use of unsecured forms of debt, including personal lines of credit, credit card debt, student loan debt, and the use of alternative financial services, have all contributed to the increase in debt levels in Canada (Office of Consumer Affairs, 2007).





5. Debt, Income, Assets, Net Worth and Bankruptcy in Metro Vancouver

Maps as an analytical tool are valued by social scientists because they can illuminate locational distributions and spatial patterns of the socio-demographic and socio-economic characteristics of people in a particular place (Crampton, 2010). Maps can also help to raise new questions, as they help to answer others. Who are the people that are living 'underneath' what a map is illustrating? What does their life look like? This section presents a set of maps that narrate in images how debt is articulated in the lives of families and individuals in Metro Vancouver. This broad picture also serves to set the context for the analysis of the underlying patterns of debt discussed in this report, as well as the interview data, drawn from conversations with a diverse group of individuals that have experienced high levels of indebtedness.

5.1. Median Income and Debt in Metro Vancouver (2007 - 2012)

The population in Metro Vancouver has grown quickly and will continue to grow into the future, driving demand for housing and consumer goods, as well as additional consumer and mortgage debt. Metro Vancouver’s population increased from 1,986,965 people in 2001 to 2,313,328 people in 2011, an increase of 16% (326,363 people).⁵ BC Stats estimates that as of July 1, 2014, Metro Vancouver had 2,474,123 people⁶ and projects that, in 2024 (ten years after their most recent population estimates), Metro Vancouver will have 2,840,452 people, 15% (366,329 people) more than in 2014.⁷

Debt level changes need to be examined in the context of many factors – not only population growth figures but also income changes. In Metro Vancouver in 2007, the median after-tax annual income (for all families and all non-family persons) was \$41,920 (Table 1). In 2012, the median after-tax annual income was \$45,120, an 8% increase from 2007. In 2007, the median consumer debt balance was \$13,515 (Table 1), increasing 9% to \$14,755 by 2012.

Table 1: Median after-tax annual income (for all families and all non-family persons) and median consumer debt, Metro Vancouver, 2007-2012

Year	Median after-tax annual income	Median consumer debt
2007	\$41,920	\$13,515
2008	\$43,520	\$15,050
2009	\$43,290	\$14,821
2010	\$42,780	\$14,748
2011	\$43,790	\$14,523
2012	\$45,120	\$14,755
% change, 2007-2012	8%	9%

Incomes vary greatly across Metro Vancouver. The distribution of median after-tax incomes by forward sortation area (FSA) in 2012 was (Figure 4):

- 2% of FSAs (2 FSAs) had median after-tax incomes between \$18,000 and \$33,000;
- 48% of FSAs (44 FSAs) had median after-tax incomes between \$33,000 and \$48,000;
- 34% of FSAs (31 FSAs) had median after-tax incomes between \$48,000 and \$63,000;
- 13% of FSAs (12 FSAs) had median after-tax incomes between \$63,000 and \$78,000; and,
- 2% of FSAs (2 FSAs) had median after-tax incomes between \$78,000 and \$93,000.

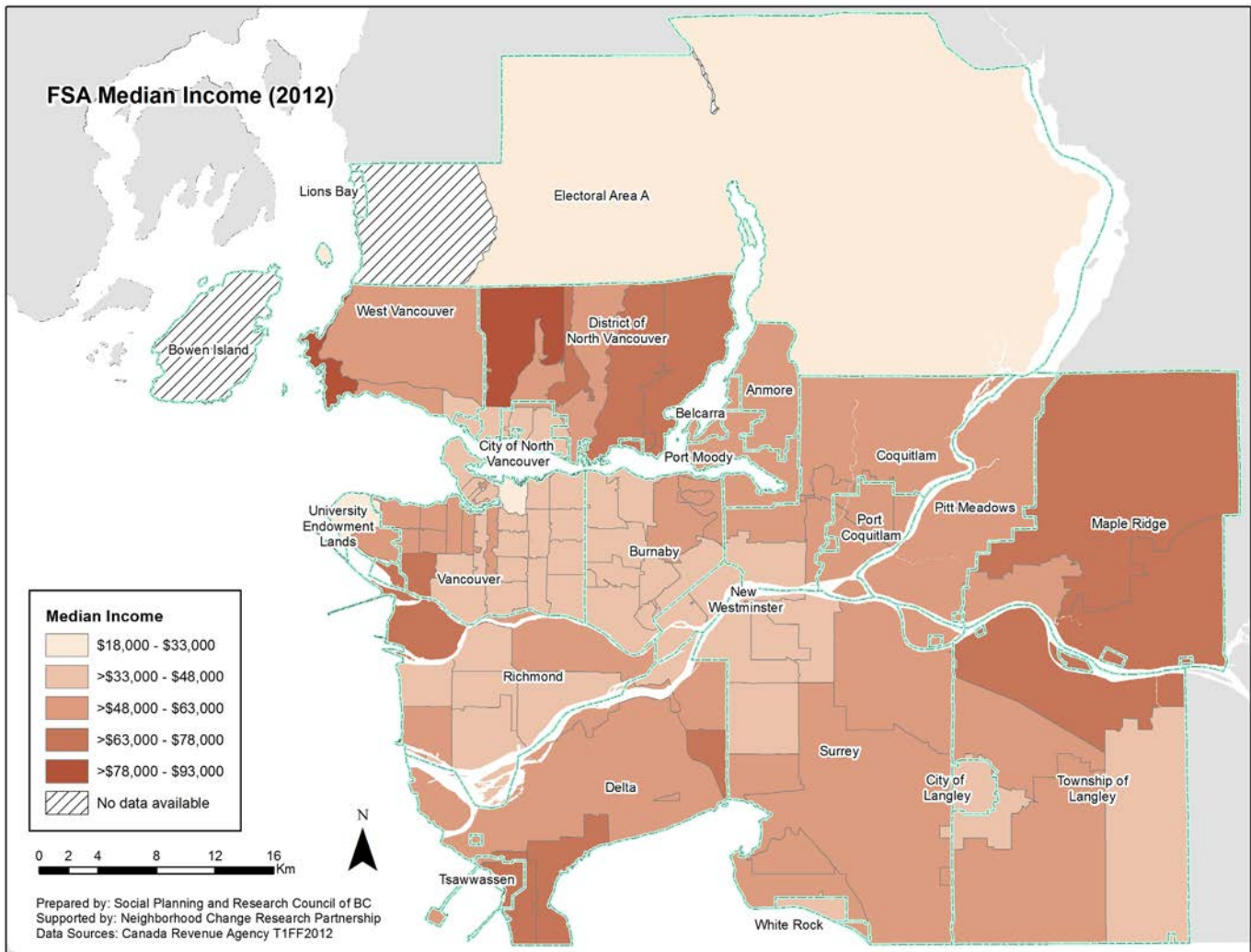
5 Statistics Canada. Visual Census. 2011 Census. Vancouver CMA. Link: https://www12.statcan.gc.ca/census-re-censement/2011/dp-pd/vc-rv/index.cfm?LANG=ENG&VIEW=D&TOPIC_ID=1&GEOCODE=933&CFORMAT=jpg#fd1_1

6 BC Stats. Sub-Provincial Population Estimates. Link: <http://www.bcstats.gov.bc.ca/StatisticsBySubject/Demography/PopulationEstimates.aspx>

7 BC Stats. Sub-Provincial Population Projections - P.E.O.P.L.E 2015. <http://www.bcstats.gov.bc.ca/StatisticsBySubject/Demography/PopulationProjections.aspx>

Many of the FSAs with lower median after-tax incomes were located in East Vancouver, Burnaby, New Westminster, Richmond, and Central and North Surrey. Most of the FSAs with higher median after-tax incomes were on the North Shore, Delta and Maple Ridge. Notably wealthy (and expensive) FSAs in West Vancouver and the west side of Vancouver exhibit medium-to-low levels of median income. This counter-intuitive pattern may reflect older residents that are asset-rich but income-poor, or significant immigrant populations reporting low incomes.

Figure 4: Median After-Tax Incomes at the Forward Sortation Area (2012)



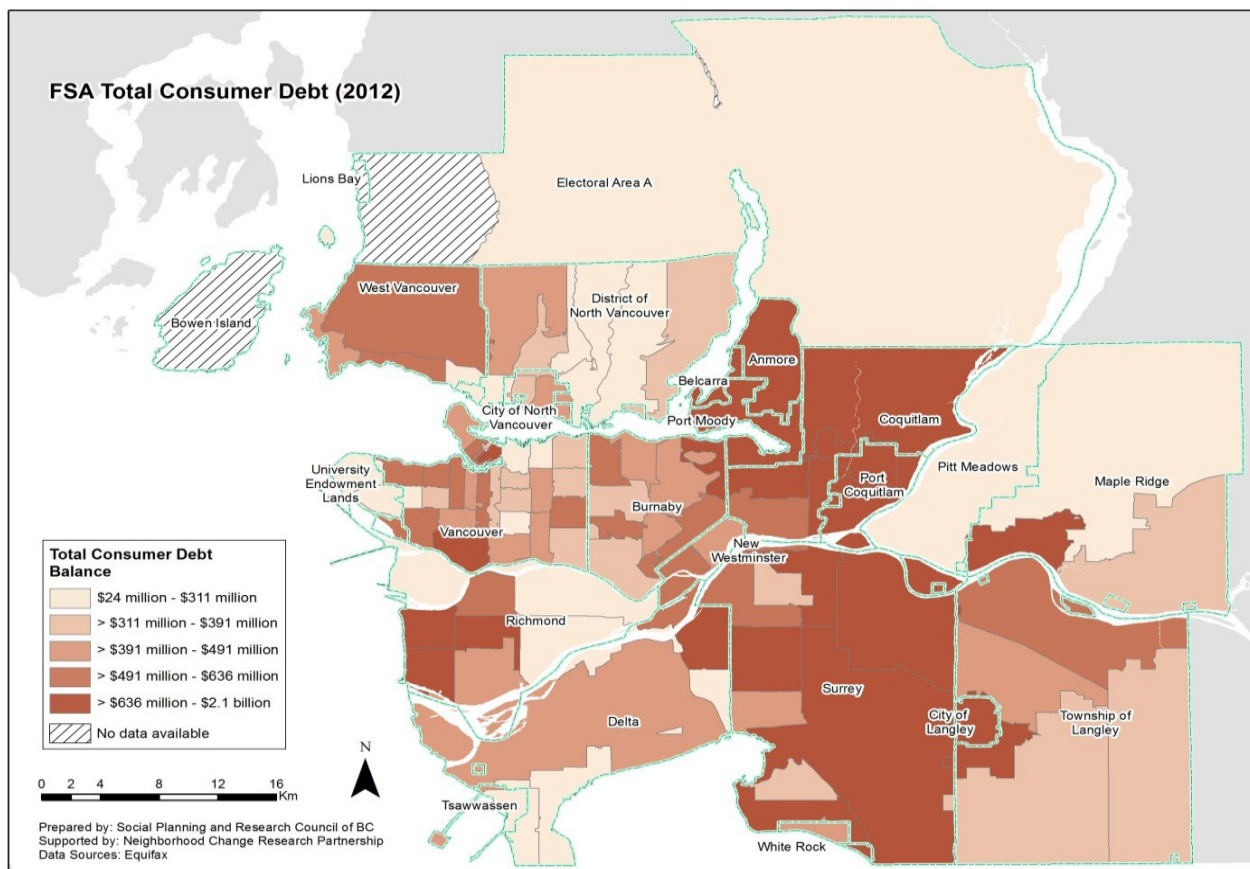
5.2. Individual Consumer Debt (2012) and Mortgage Debt (2012) in Metro Vancouver

In 2012, out of Metro Vancouver's 93 Forward Sortation Areas (FSAs) with available consumer debt balance information (**Figure 5**):

- 22% of all FSAs (20 FSAs) had total consumer debt balances between \$24 million and \$311 million;
- 20% of FSAs (19 FSAs) had total consumer debt balances between \$311 million and \$391 million;
- 19% of FSAs (18 FSAs) had total consumer debt balances between \$391 million and \$491 million;
- 19% of FSAs (18) had total consumer debt balances between \$491 million and \$636 million;
- 19% of FSAs (20 FSAs) had total consumer debt balances between \$636 million and \$2.1 billion.

The FSAs with the highest levels of consumer debt were concentrated in the Tri-Cities (Anmore, Belcarra, Coquitlam, Port Coquitlam and Port Moody), central Richmond and Surrey, while the FSAs with the lowest levels of consumer debt were spread across different municipalities.

Figure 5: Total Consumer Debt Balance for Forward Sortation Areas in Metro Vancouver (2012)

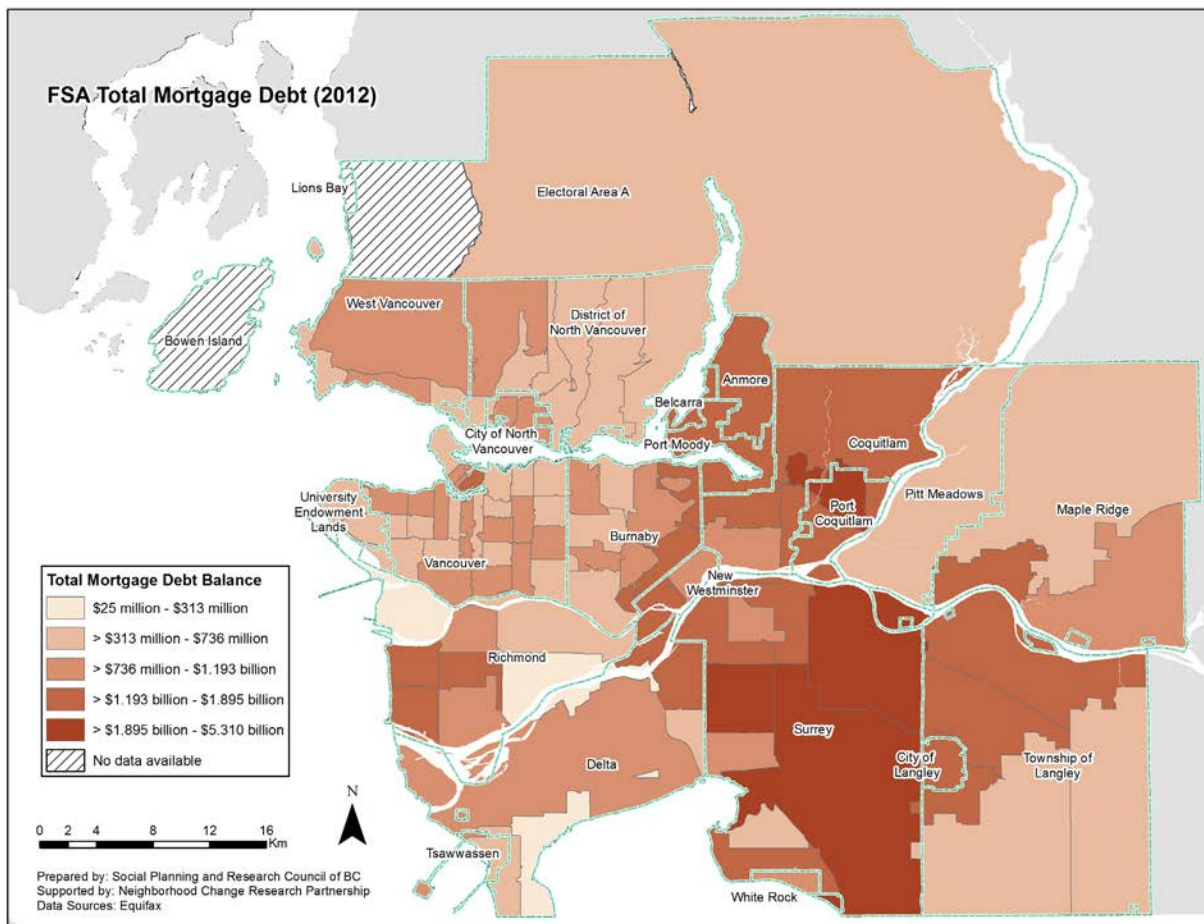


In 2012, out of Metro Vancouver’s 93 Forward Sortation Areas (FSAs) with mortgage debt balance information (**Figure 6**):

- 6% of FSAs (6 FSAs) had total mortgage debt balances between \$25 million and \$313 million;
- 38% of FSAs (35 FSAs) had total mortgage debt balances between \$313 million and \$736 million;
- 32% of FSAs (30 FSAs) had total mortgage debt balances between \$736 million and \$1.19 billion;
- 19% of FSAs (18 FSAs) had total mortgage debt balances between \$1.19 billion and \$1.89 billion;
- 4% of FSAs (4 FSAs) had total mortgage debt balances between \$1.89 billion and \$5.31 billion.

The FSAs with the highest total mortgage debt balances were concentrated in the Tri-Cities and Surrey, while the FSAs with the lowest total mortgage debt balances were concentrated in North Vancouver and Vancouver.

Figure 6: Total Mortgage Debt Balance for Forward Sortation Areas in Metro Vancouver (2012)

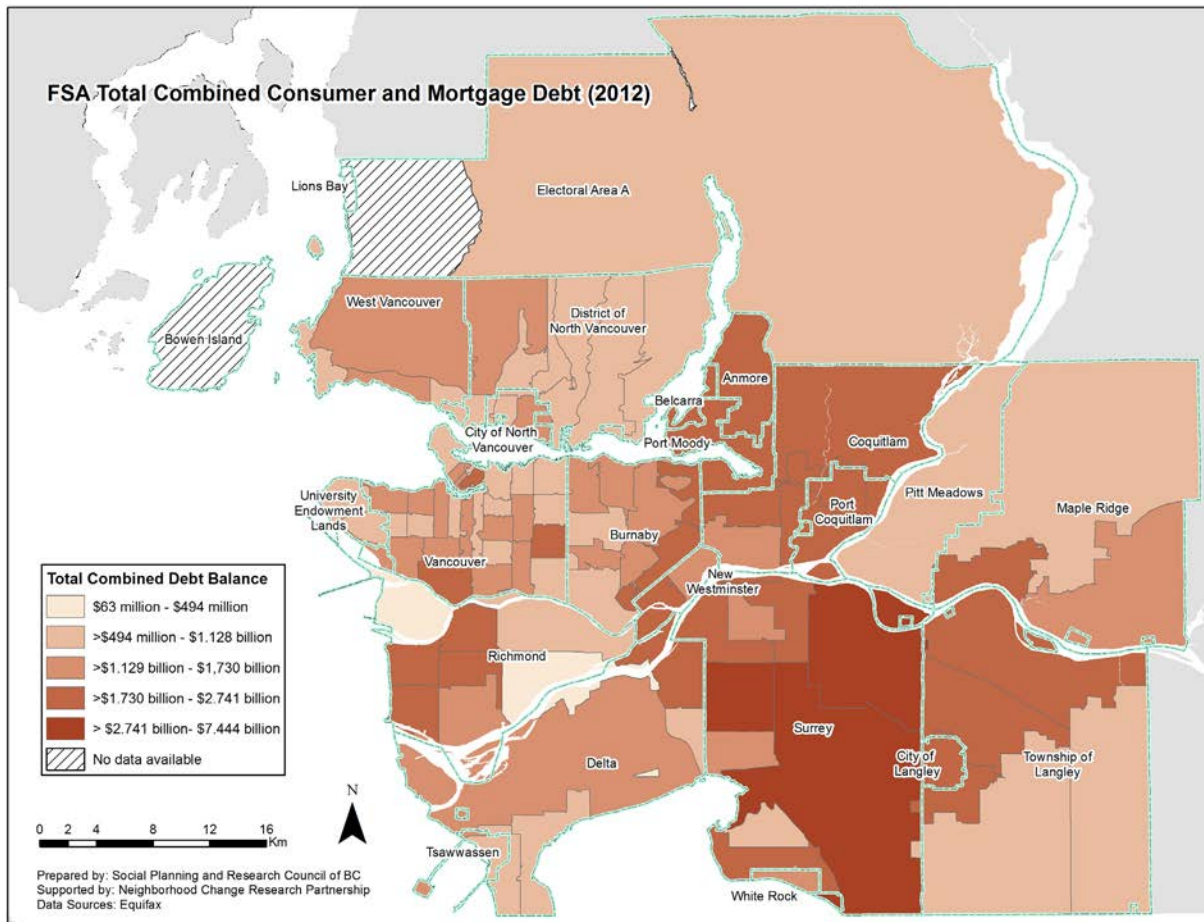


In 2012, out of Metro Vancouver’s 93 Forward Sortation Areas (FSAs) with total mortgage + consumer debt balance information (**Figure 7**):

- 5% of FSAs (5 FSAs) had total mortgage + consumer debt balances between \$63 million and \$494 million;
- 37% of FSAs (34 FSAs) had total mortgage + consumer debt balances between \$494 million and \$1.12 billion;
- 31% of FSAs (29 FSAs) had total mortgage + consumer debt balances between \$1.12 billion and \$1.73 billion;
- 24% of FSAs (22 FSAs) had total mortgage + consumer debt balances between \$1.73 billion and \$2.74 billion;
- 3% of FSAs (3 FSAs) had total mortgage + consumer debt balances between \$2.74 billion and \$7.44 billion.

The FSAs with the highest levels of mortgage + consumer debt balances were concentrated in Surrey, Richmond and the Tri-Cities, while the FSAs with the lowest levels of mortgage and consumer debt balances were concentrated in North Vancouver District and Vancouver.

Figure 7: Total Mortgage and Consumer Debt Balances for Forward Sortation Areas in Metro Vancouver (2012)

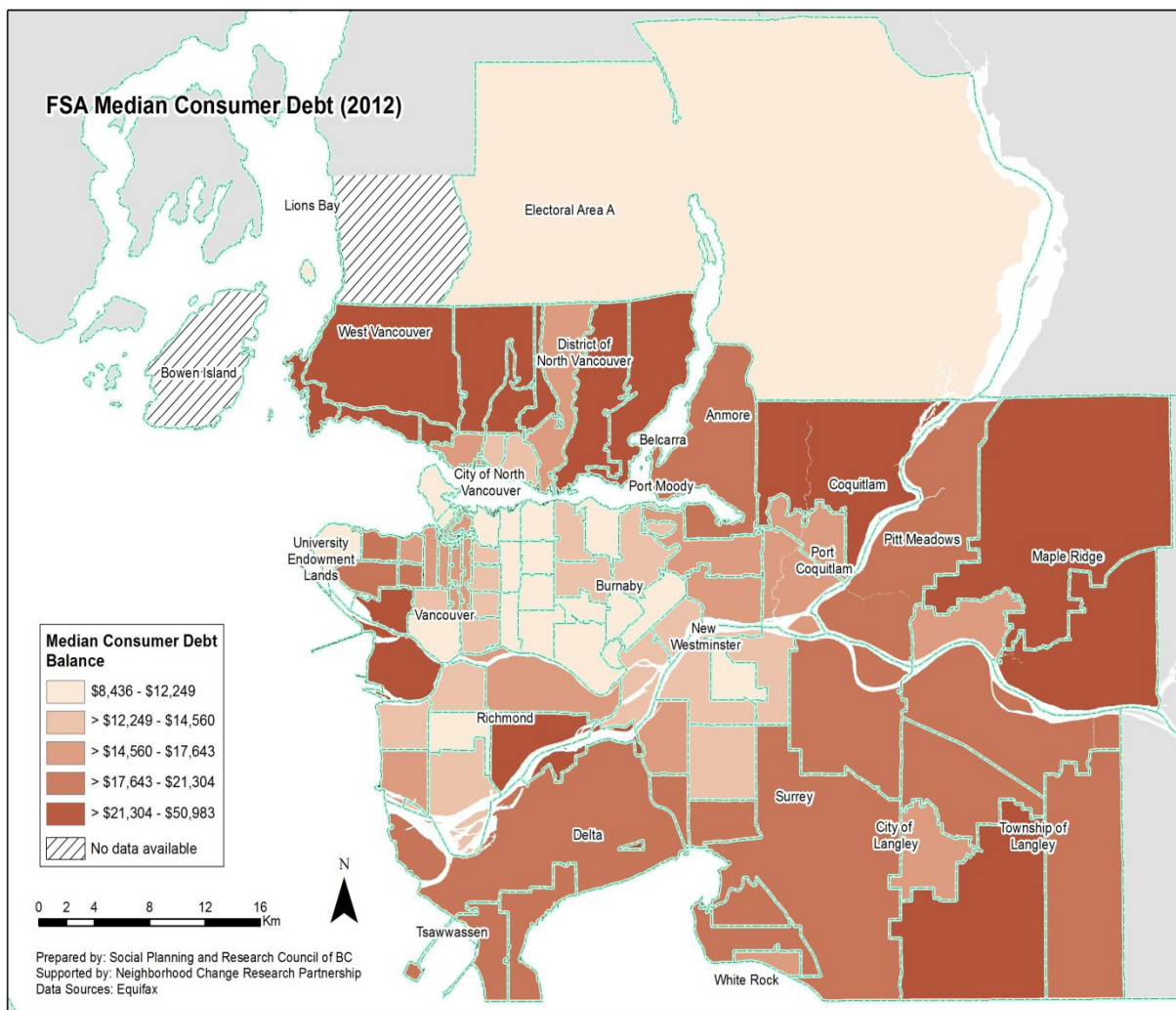


Turning to median individual consumer debt, in 2012, out of Metro Vancouver's 93 Forward Sortation Areas (FSAs) with median consumer debt information (**Figure 8**):

- 20% of FSAs (19 FSAs) had individual median consumer debt levels between \$8,436 and \$12,249;
- 19% of FSAs (18 FSAs) had median consumer debt levels between \$12,249 and \$14,560;
- 20% of FSAs (19 FSAs) had median consumer debt levels between \$14,560 and \$17,643;
- 18% of FSAs (17 FSAs) had median consumer debt levels between \$17,643 and \$21,304;
- 22% of FSAs (20 FSAs) had median consumer debt levels between \$21,304 and \$50,983.

The FSAs with the highest median consumer debt levels were concentrated on the North Shore and the outer suburbs, while the FSAs with the lowest median consumer debt levels were concentrated in inner suburbs, notably East Vancouver and South Burnaby.

Figure 8: Median Individual Consumer Debt Balance of Forward Sortation Areas in Metro Vancouver (2012)

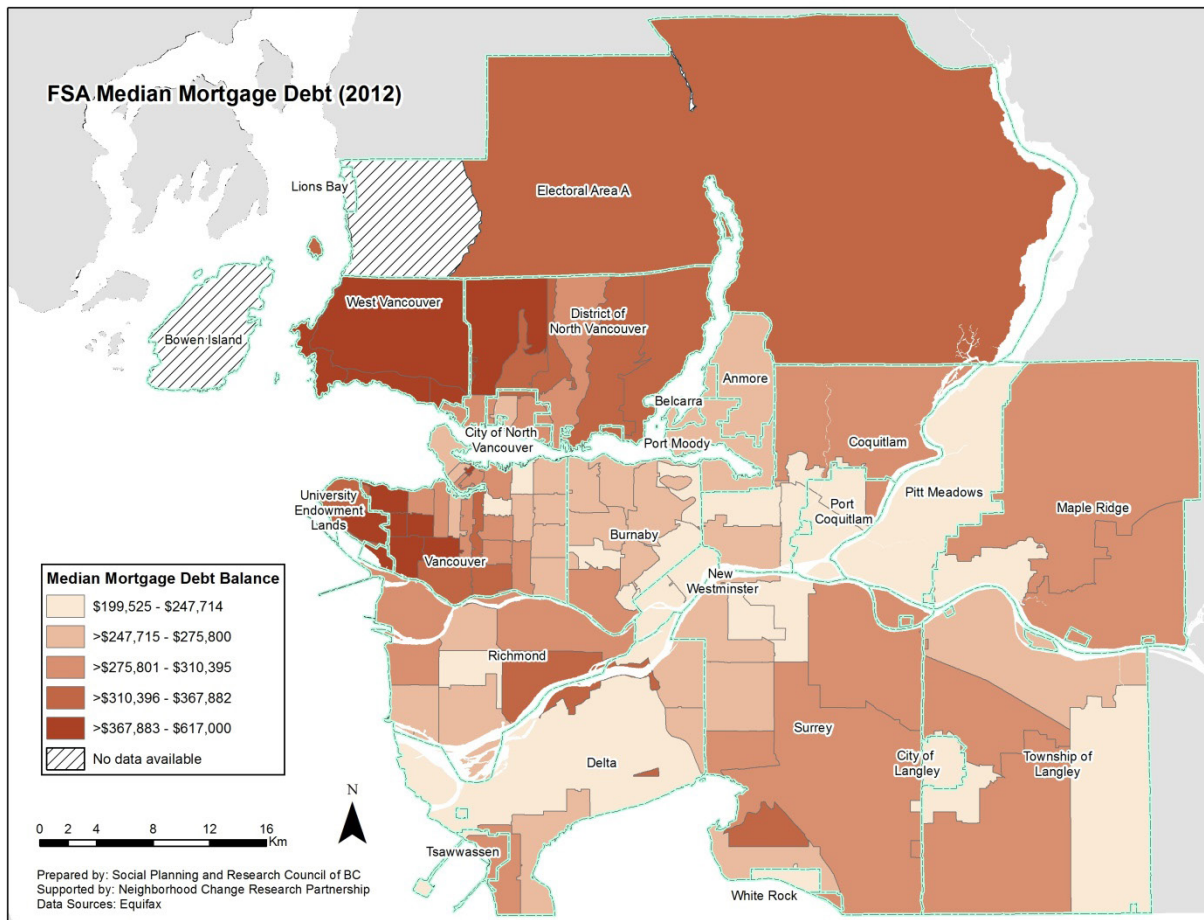


In 2012, out of Metro Vancouver’s 93 Forward Sortation Areas (FSAs) with individual median mortgage debt information (**Figure 9**):

- 19% of FSAs (18 FSAs) had individual median mortgage debt levels between \$199,525 and \$247,714;
- 28% of FSAs (26 FSAs) had median mortgage debt levels between \$247,715 and \$275,800;
- 27% of FSAs (25 FSAs) had median mortgage debt levels between \$275,801 and \$310,395;
- 13% of FSAs (12 FSAs) had median mortgage debt levels between \$310,396 and \$367,882;
- 13% of FSAs (12 FSAs) had median mortgage debt levels between \$367,883 and \$617,000.

The FSAs with the highest median mortgage debt levels were concentrated in the most expensive districts, on the west side of Vancouver and in West Vancouver, while the FSAs with the lowest median mortgage debt levels were concentrated in Burnaby, New Westminister and the Tri-Cities.

Figure 9: Median Mortgage Debt of Forward Sortation Areas in Metro Vancouver (2012)



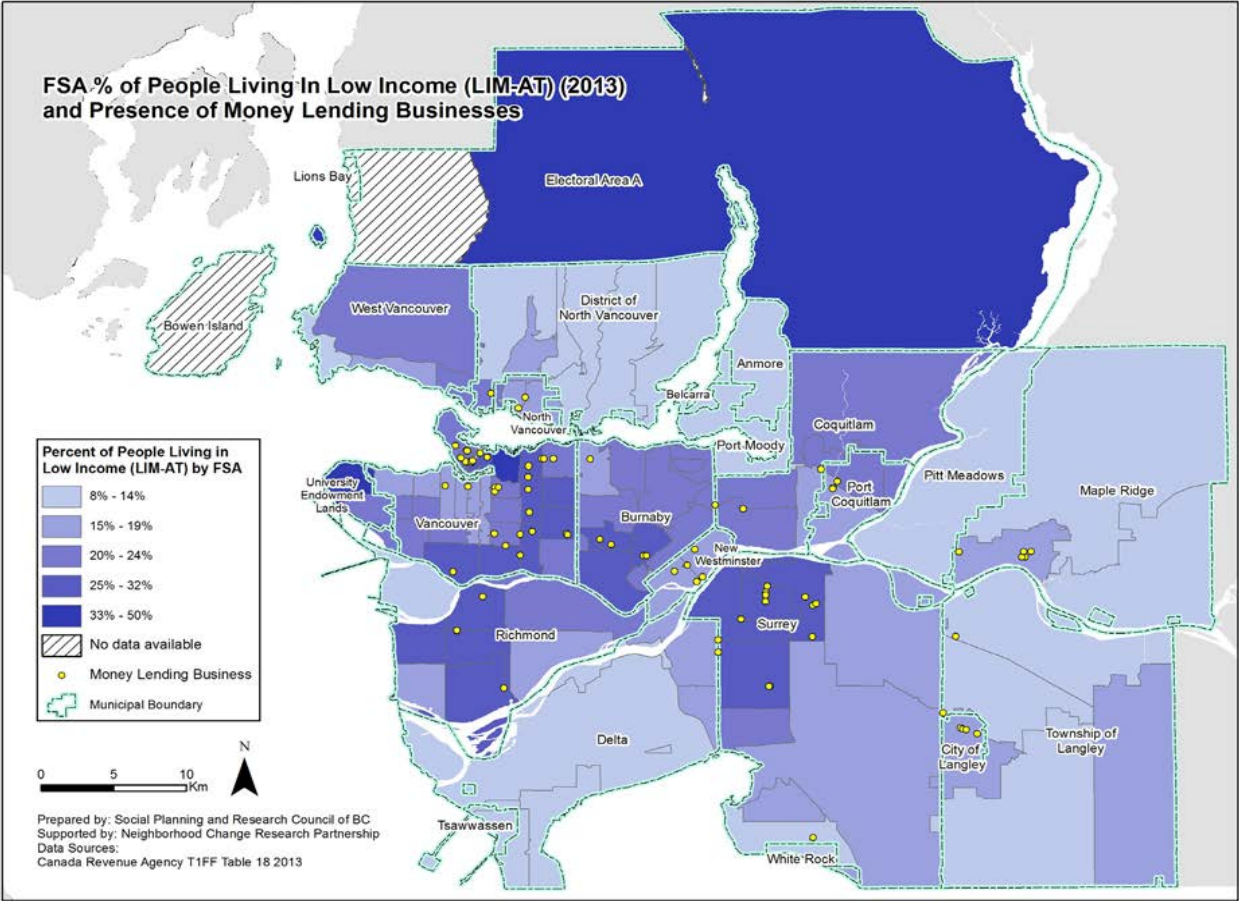
Though a map has not been produced that combines individual median consumer and mortgage debt levels, we provide the following summary analysis to shed some light on the spatial distribution of combined debt across the region. In 2012, out of Metro Vancouver's 93 Forward Sortation Areas (FSAs) with individual median consumer + mortgage debt level information:

- 24% of FSAs (22 FSAs) had individual median consumer + mortgage debt levels between \$210,823 and \$266,137;
- 27% of FSAs (25 FSAs) had median consumer + mortgage debt levels between \$266,137 and \$295,883;
- 26% of FSAs (24 FSAs) had median consumer + mortgage debt levels between \$295,883 and \$339,830;
- 11% of FSAs (10 FSAs) had median consumer + mortgage debt levels between \$339,830 and \$424,784;
- 13% of FSAs (12 FSAs) had median consumer + mortgage debt levels between \$424,787 and \$657,017.

The FSAs with the highest median consumer + mortgage debt levels were again concentrated in areas where housing is most expensive, the west side of Vancouver and West Vancouver, while the FSAs with the lowest levels were concentrated in Burnaby, New Westminster, North Surrey and the Tri-Cities. Money lending businesses were concentrated in FSAs which generally had *lower* levels of median mortgage + consumer debt.

In addition to our concern with overall levels of indebtedness, we also map the spatial location of money lending businesses across the region in relation to neighbourhoods where people with lower incomes are resident. While there may be several factors for why a money lending business locates in a particular area, the following map reveals that the highest proportion of money lending businesses are located in areas where many people earning low incomes are living.

Figure 10: FSA % of People Living in Low Income (LIM-AT) (2013) and Presence of Money Lending Businesses



There were a total of 77 money lending businesses mapped in July 2015. The table on the following page shows the distribution of these mapped money lending businesses corresponding to the percent of people living in low income (LIM-AT) by FSA for Metro Vancouver.

Table 2: Presence of Money Lending Businesses Metro Vancouver and Percent of People Living in Low Income (LIM-AT) by FSA

Percent of People Living in Low Income (LIM-AT) by FSA	8%-14%	15%-19%	20%-24%	25% and Greater
Number of Mapped Money Lending Businesses	2	24	20	31
Percent of Total Mapped Money Lending Businesses	3%	31%	26%	40%





5.3. Individual Consumer Debt-to-Income Ratios (2007-2012) in Metro Vancouver and Select Socio-Demographic Variables from 2006 Census

One concern about managing consumer debt levels is the extent to which individual incomes are able to keep pace with re-payment obligations. The degree to which income and consumer debt levels remain relatively aligned can be monitored by the consumer debt to income ratio change over time. An increasing consumer debt to income ratio represents debt levels that are growing faster than incomes.

Between 2007 and 2012, twice as many (67%, or 61 out of 91 FSAs) of the 91 Metro Vancouver Forward Sortation Areas that we were able to include in our analysis⁸ saw increases in their median consumer debt to median income ratios, compared to those with decreases (30 FSAs, or 33% of FSAs) (**Figure 11**). In 13 FSAs, the increase in median consumer debt to median income ratios between 2007 and 2012 was over 8%. The FSAs with increasing consumer debt to income ratios were located throughout Metro Vancouver, but FSAs with particularly large increases were concentrated in Vancouver, the North Shore and the Tri-Cities. The FSAs with decreasing median consumer debt to median income ratios were concentrated in Surrey, Downtown Vancouver and the Langleys (**Figure 11**).

Understanding the relationships between other socio-economic variables and consumer debt to income ratios at the FSA level can help in understanding the geography of debt. Two socio-economic variables were chosen for study in this report: the proportion of renters in an FSA and the proportion of recent immigrants (immigrated within the past five years). Renters are of interest because they generally have lower incomes than owners,⁹ as well as generally having lower net worth when compared to homeowners (largely because of the appreciating value of real estate).¹⁰ Recent immigrants are of concern because they generally have lower incomes than most Canadians.¹¹

Among the 88 Metro Vancouver forward sortation areas (FSAs) with 2006 Census information on the prevalence of renter households,¹² 28 FSAs had a low ($\leq 20.0\%$) percentage of renter

8 Only 91 forward sortation areas in Metro Vancouver had median consumer debt to median income ratio information available from 2007 to 2012.

9 According to the Metro Vancouver Housing Data Book (section 1.2 – Median Household Income, by Tenure, for Metro Vancouver Municipalities, 2011) (produced by Metro Vancouver) (<http://www.metrovancouver.org/services/regional-planning/data-statistics/housing-data-book/Pages/default.aspx>), based on 2011 National Household Survey data, the median before-tax household income for renter households in Metro Vancouver was \$41,307, compared with \$78,396 for owner households.

10 According to the Canadian Housing Observer Table 22 (Home Equity and Net Worth by Tenure and Age Group, Canada, 1999, 2005 and 2012 (2012 constant dollars)) (http://www.cmhc-schl.gc.ca/en/hoficlincl/homain/stda/data/data_012.cfm) (produced by Canada Mortgage and Housing Corporation) based on data from Statistics Canada's Survey of Financial Security (2012), in 2012, the median net worth for renter households in Canada was \$14,000, compared with \$513,000 for homeowner households.

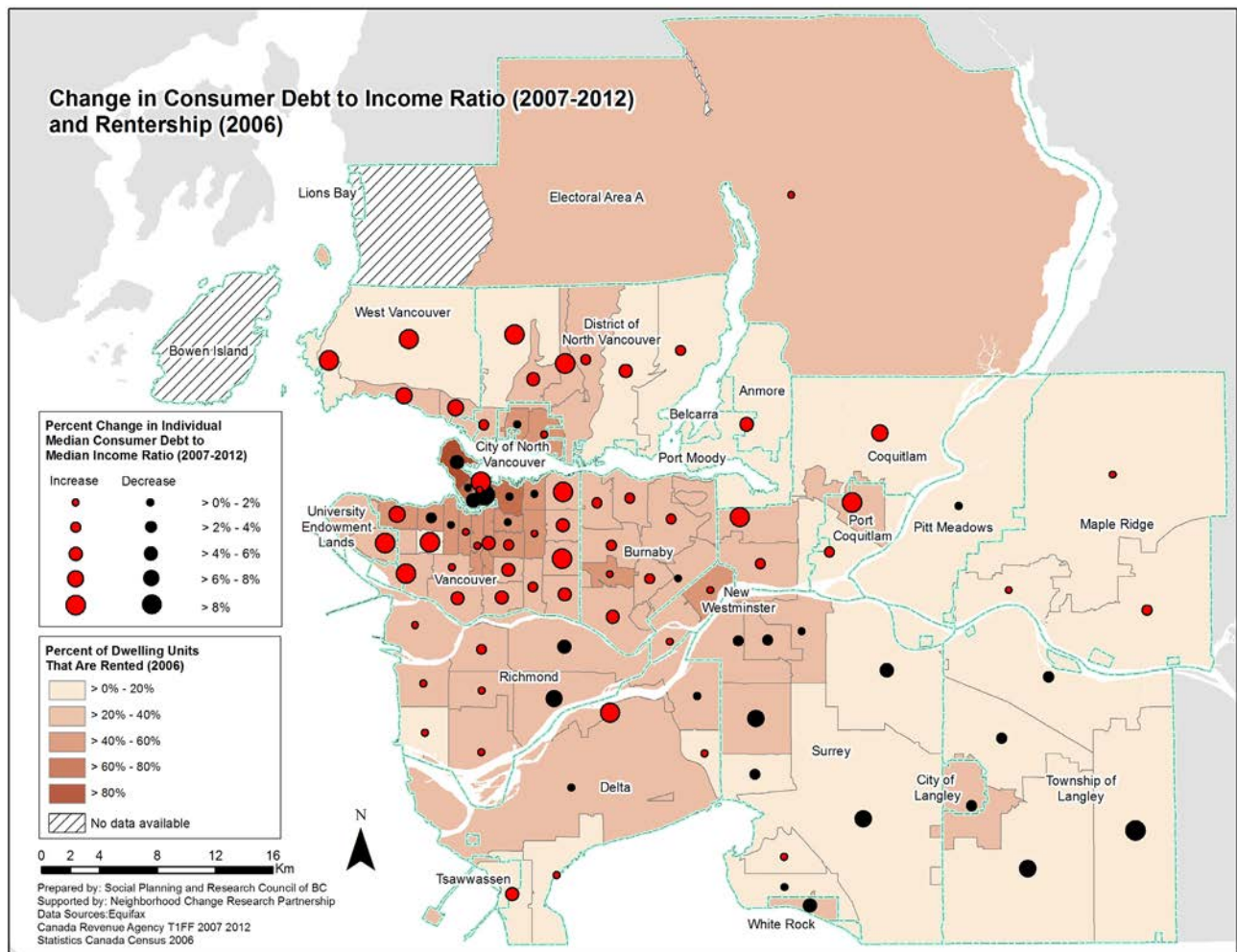
11 According to the Canadian Housing Observer (Figure 6-5: Median incomes before taxes of immigrant and non-immigrant households, Canada, 2010) (<http://www.cmhc-schl.gc.ca/odpub/pdf/68189.pdf?fr=1449373405306>) (produced by Canada Mortgage and Housing Corporation), based on 2011 National Household Survey, the median 2010 before tax household income of recent immigrant households was \$42,698 compared with \$61,072 for all households.

12 Based on 2006 Census data from Statistics Canada, 34.9% of households in Metro Vancouver in 2006 were renter households.

households, 36 FSAs had a moderate (20.1%-40.0%) percentage of renter households and 24 FSAs had a high (>40.0%) percentage of renter households. The propensity for increased median consumer debt to median income ratios (between 2007 and 2012) was stronger for moderate renter FSAs than for high renter FSAs and low renter FSAs (**Figure 11**):

- 18 out of 28 (64%) low renter FSAs had increasing median consumer debt to median income ratios between 2007 and 2012;
- 28 out of 36 (78%) moderate renter FSAs had increasing median consumer debt to median income ratios between 2007 and 2012; and,
- 13 out of 24 (54%) high renter FSAs had increasing median consumer debt to median income ratios between 2007 and 2012.

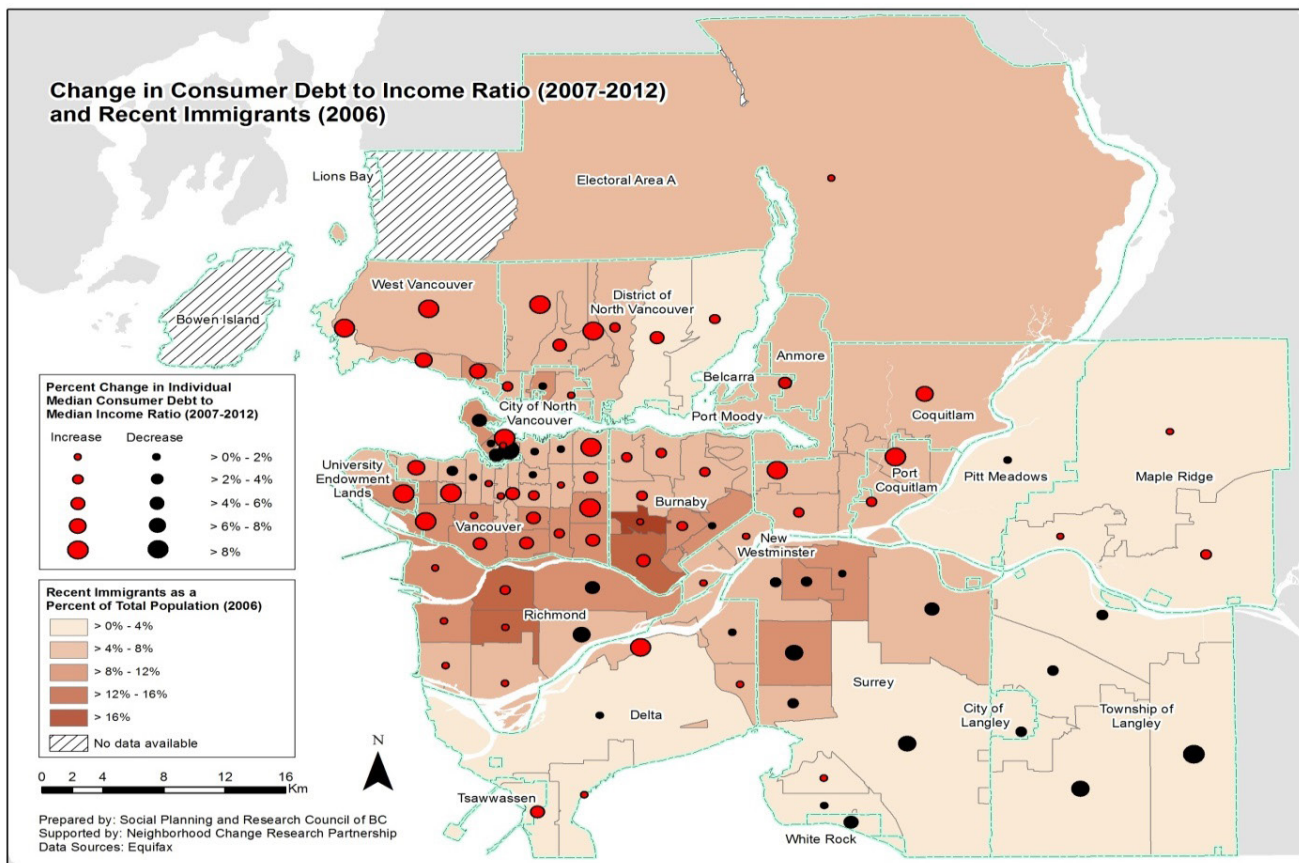
Figure 11: Percentage Change in Consumer Debt to Income Ratio (2007-2012) and Proportion of Renters (2006) at the Forward Sortation Area



Among the 88 Metro Vancouver forward sortation areas (FSAs) with available 2006 Census information on the prevalence of recent immigrants,¹³ 23 FSAs had a low ($\leq 4.0\%$) percentage of residents who were recent immigrants, 38 FSAs had a moderate (4.1%-8.0%) percentage of residents who were recent immigrants and 27 FSAs had a high ($>8.0\%$) percentage of residents who were recent immigrants. The propensity for increasing median consumer debt to median income levels (between 2007 and 2012) was similar among FSAs with different percentages of recent immigrants (**Figure 12**):

- 15 out of 23 (65%) low recent immigrant FSAs had increasing median consumer debt to median income ratios between 2007 and 2012;
- 26 out of 38 (68%) moderate recent immigrant FSAs had increasing median consumer debt to median income ratios between 2007 and 2012; and,
- 18 out of 27 (67%) high recent immigrant FSAs had increasing median consumer debt to median income ratios between 2007 and 2012;

Figure 12: Percentage Change in Consumer Debt to Income Ratio (2007-2012) and Proportion of Recent Immigrants (2006) at the Forward Sortation Area



13 Based on 2006 Census data from Statistics Canada, 7.2% of Metro Vancouver residents in 2006 were recent immigrants.

5.4. Individual Consumer Debt and Individual Bankruptcy Rates

For some consumers, an increase in consumer debt relative to income is manageable. For others, if the level of consumer debt increases at a faster rate than income it can lead to financial trouble; in the worst cases it leads to consumer bankruptcy.¹⁴ The number of consumer bankruptcies in Metro Vancouver increased from 3,114 individuals in 2007 to 3,311 individuals in 2012. Of the 91 FSAs with consumer bankruptcy information available, between 2007 and 2012, 48 FSAs (53% of all FSAs) saw the number of consumer bankruptcies increase, while 43 FSAs (47% of all FSAs) saw the number of consumer bankruptcies decrease or the stay the same.¹⁵ Between 2007 and 2012 (**Figure 13**):

- 20% of FSAs (18 FSAs) saw decreases of 25% or more in the number of consumer bankruptcies;
- 27% of FSAs (25 FSAs) saw decreases of 0% to 25% in the number of consumer bankruptcies;
- 13% of FSAs (12 FSAs) saw increases of 0% to 25% in the number of consumer bankruptcies;
- 24% of FSAs (22 FSAs) saw increases of 25% to 50% in the number of consumer bankruptcies; and,
- 15% of FSAs (14 FSAs) saw increases of 50% or more in the number of consumer bankruptcies.

The FSAs with increases and decreases (or no change) in the number of consumer bankruptcies were located in different municipalities throughout the region. However, many FSAs with increases in the number of consumer bankruptcies were located in Surrey, the Tri-Cities, Richmond and some parts of the North Shore. Many FSAs with decreases in the number of consumer bankruptcies (or where the number of consumer bankruptcies did not change) were located in Vancouver and Burnaby.

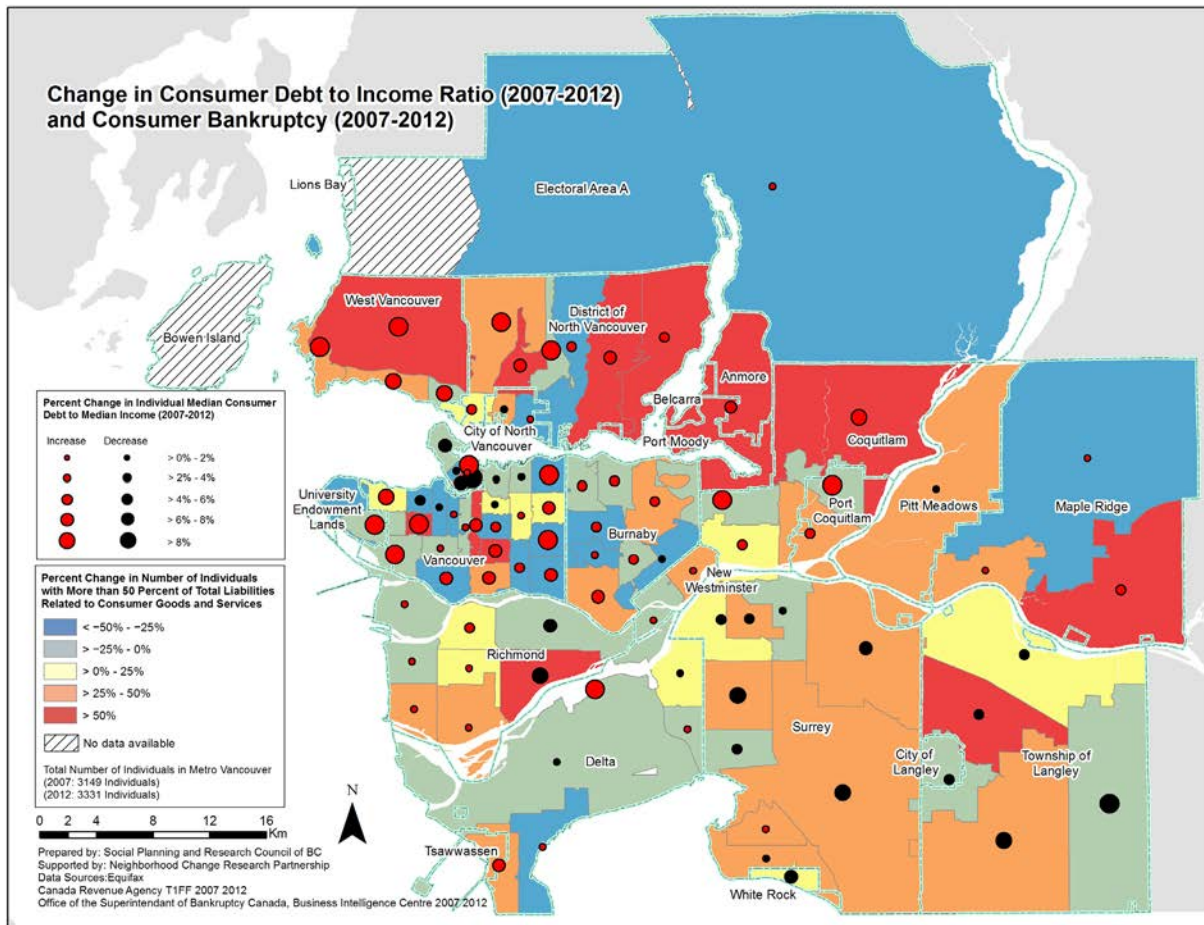
The changes in median consumer debt to income between 2007 and 2012 by FSA and the number of bankruptcies between 2007 and 2012 by FSA were also compared. Overall, there was little difference in the change in the number of bankruptcies between the FSAs that experienced increased median consumer debt to income ratios and those FSAs that had decreased median consumer debt to income ratios between 2007 and 2012:

- Of the 61 FSAs with increased median consumer debt to income ratios, 32 FSAs (52%) had increases in the number of bankruptcies; and,
- Of the 30 FSAs with decreased median consumer debt to income ratios, 16 FSAs (53%) had increases in the number of bankruptcies.

14 Consumer bankruptcy is defined by the Office of the Superintendent of Bankruptcy as “an individual with more than 50 percent of total liabilities related to consumer goods and services”.

15 37 out of these 43 FSAs saw a decrease in the number of consumer bankruptcies between 2007 and 2012, while 6 FSAs saw the number of consumer bankruptcies stay the same in both years.

Figure 13: Percentage Change in Consumer Debt to Income Ratio (2007-2012) and Percentage Change in Number of Individuals Claiming Bankruptcy (2007-2012)



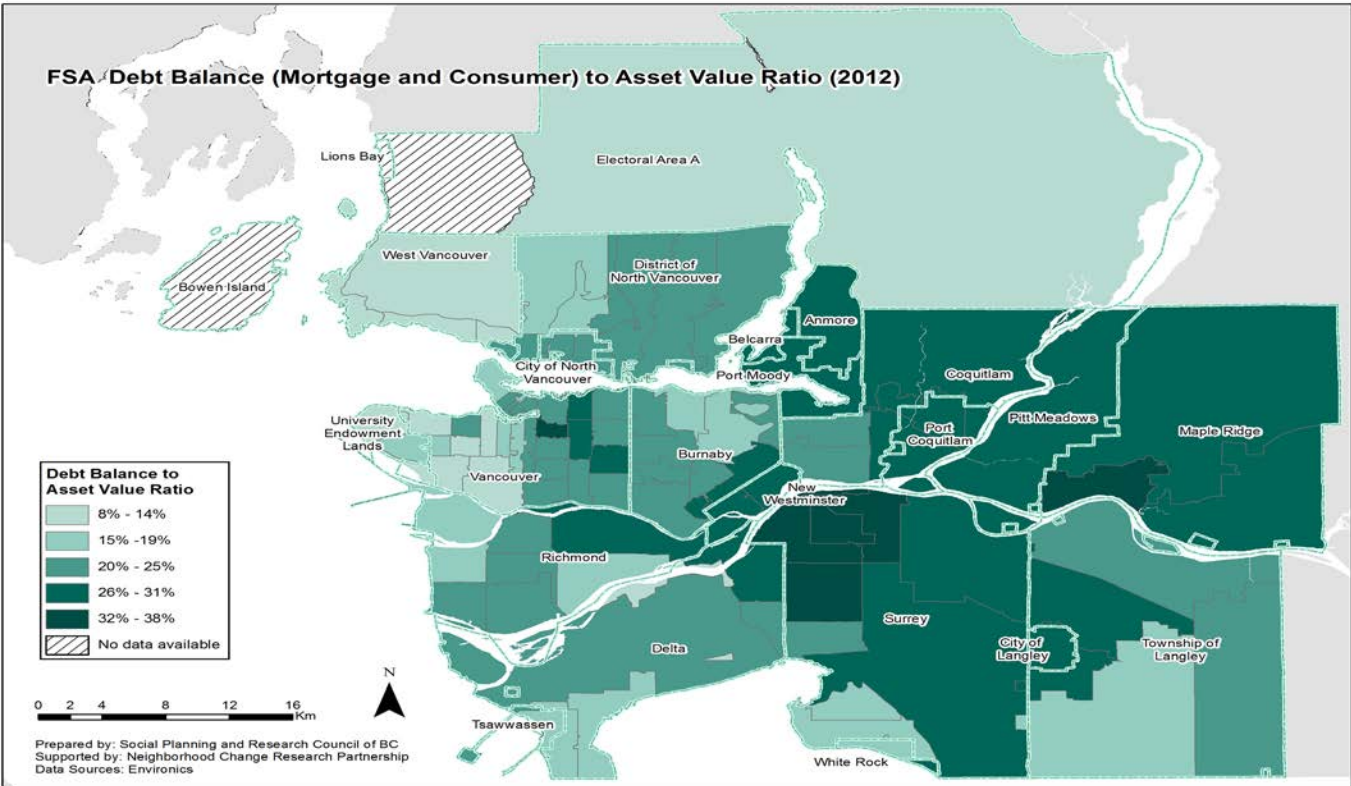
5.5. Debt-to-Asset Ratios (2012) at the FSA

A debt-to-asset ratio indicates the proportion of an individual’s assets that are being financed with debt, rather than equity. The ratio is used to determine financial risk. A high ratio shows that a considerable proportion of assets are being funded with debt, while a low ratio indicates that the bulk of asset funding is coming from equity. To calculate the debt to assets ratio, we divide total debt by total assets (**Figure 14**). In 2012, the debt balance (total debt) to asset value ratio by FSA was:

- Between 0.08 and 0.14 in 13% of FSAs (12 FSAs);
- Between 0.15 and 0.19 in 22% of FSAs (20 FSAs);
- Between 0.20 and 0.25 in 39% of FSAs (36 FSAs);
- Between 0.26 and 0.31 in 20% of FSAs (19 FSAs); and,
- Between 0.32 and 0.38 in 6% of FSAs (6 FSAs).

The FSAs with high debt balance to asset value ratios were concentrated in the Tri-Cities, New Westminister, Surrey and Maple Ridge/Pitt Meadows, with a notable concentration in the Guildford, Whalley and Newton neighbourhoods of Surrey. The FSAs with low debt balance to asset value ratios were concentrated in West Vancouver and the West Side of the City of Vancouver.

Figure 14: Debt Balance (Mortgage and Consumer) to Asset Value Ratio (2012) in Forward Sortation Area







6. Analysis of Interview Data

The aims of the qualitative analysis are to understand the factors behind high household indebtedness, the manifestations and experiences of high household indebtedness in daily life, and the coping strategies adopted by indebted households in Metro Vancouver (for more detail see Hawes, 2016).

Causes of Indebtedness

Analysis of the qualitative data suggests two broad sets of causes behind high debt stress for residents of Metro Vancouver. The expert interviewees, who have encountered many debtors and witnessed a broad range of financial circumstances, recognize that debt experiences are diverse. These interviewees nevertheless principally favour a financial literacy explanation of high debt stress. They emphasize that borrowers could avoid debt stress if they were better equipped to understand the risks associated with credit use and the proper ways of using credit, to use financial management skills and disciplined budgeting techniques, and to live by the golden rules of living within one's means by spending less than one earns. The counselors point to a lack of restraint in saving for large purchases and an unwillingness to save for emergencies and unexpected expenses as individual causes of debt stress.

Borrowers themselves offer more nuanced explanations for their own indebtedness. They agree with the credit counselors (expert interviewees) that common immediate causes include unexpected and financially straining events such as employment instability, divorce, childbirth, medical emergencies or the need to financially support a parent or child. Borrowers, however, point to the rapidity with which savings can deplete and high interest debts can accrue, and the difficulty – particularly for younger, lower-income, underemployed, disabled and lone-parent households – of saving funds while surviving on low or unstable wages. They identify the easy availability (sought or not) of credit and strong marketing pressures (and associated temptations) to use credit products and accept limit increases as key precipitators of high debt stress. Credit counselors, while conscious of such factors, typically emphasize individual (mis)conduct over these.

The interview data suggest that both sets of explanations are present. While the respondents' debt experiences are complex and multiple, two broad patterns emerged. Lower income borrowers, single-parent families, young borrowers, and recent immigrants tend to accumulate debt in relation to structural disadvantages (*e.g.*, underemployment, low wages and high costs of living), strong marketing of credit products, and interruptions to income. Higher income, professional households and, again, young and new immigrant borrowers tend to accumulate debt through poor spending choices and financial mismanagement. Borrowers of all income levels, ages, and family types accrue debt in relation to unexpected 'life' events such as job loss, medical emergency or disability, family expansion, and divorce. Additionally, childcare presents a significant financial burden for households of all income levels, and particularly for lower-income and lone-parent households.

Debt Stress and Mental Health

The study results are clear in demonstrating that borrowers from diverse socio-economic backgrounds experience strong and primarily negative emotional reactions to debt stress. Debtors frequently reported feelings of isolation, of desperation and loss of hope,



fear, and embarrassment, shame or guilt associated with their debt regardless of whether it accrued *via* the purchase of necessities or non-essentials. Debt becomes a source of stress even when households manage to make the required minimum payments on their credit products. This stress is enhanced significantly by collections calls, which the majority of respondents pointed to as being their greatest source of finance-related stress.

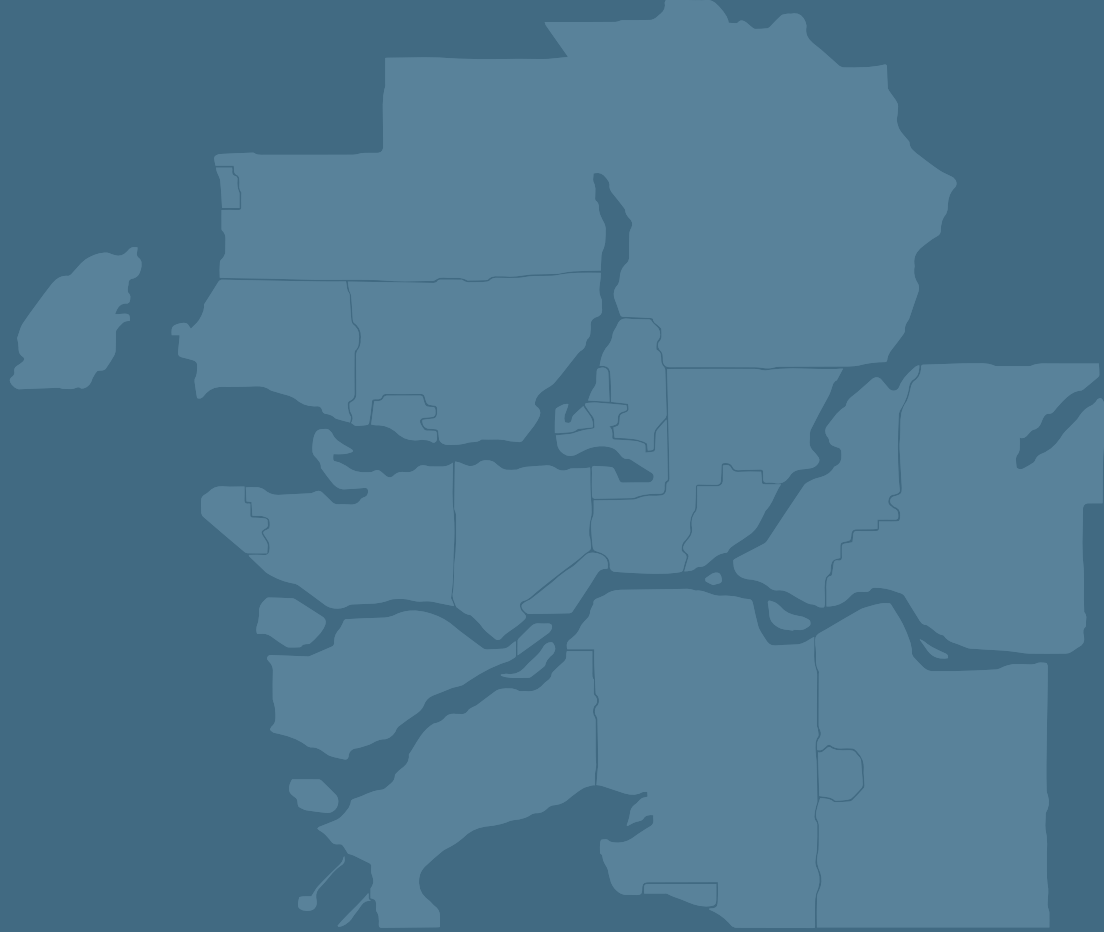
Coping Strategies

Households invoke a variety of (both more and less productive) coping strategies to deal with debt itself and its related emotional stress. If their social network is strong and resourceful, these include seeking help from friends and family – sometimes through personal loans, but more often for temporary shelter or childcare to reduce expenses. Downsizing accommodations, relocating to cheaper neighbourhoods, living with roommates, working multiple jobs and reducing driving and food expenses are other coping strategies. As a last resort and driven by feelings of desperation, borrowers also cope by accessing additional credit in the form of credit card debt and Payday loans – the latter particularly when embarrassed to go to family or friends, and when their poor credit ratings limit access to mainstream credit.

As housing typically represents a household's greatest regular expenditure, it is unsurprising that many households choose or are forced to change their residence. Various common strategies include finding cheaper accommodation (*via* downsizing, reduced quality or finding a cheaper, less central location), living with relatives or living with roommates. One respondent and their spouse chose to live on their boat for 30 months (rather than selling the boat) while they made their debt repayments. For larger families, downsizing can be a major sacrifice, while living with parents – though a valuable option – can negatively impact self-worth. Further, there is a trade-off between relocating to a cheaper, but less accessible location *versus* living in a more expensive central area that is closer to employment opportunities. The availability and cost of public transit or vehicle use and the value of a debtor's commute time are common deciding factors in this choice.

The empirical evidence suggests a common pattern of (debt fueled) spending on non-essentials, cautiously interpreted here as a coping mechanism. Borrowers spend as a form of escapism from a dissatisfactory or difficult everyday life, from the stress of having insufficient financial resources, and even from indebtedness itself. The interviews suggest a complex and strong social element of indebtedness frequently at play in borrowers' emotional experiences. While respondents occasionally used leveraged conspicuous consumption to maintain social status, and more frequently pointed to this behaviour in *others*, borrowers most often overspent on group activities, such as restaurant meals and vacations, to maintain social *inclusion*. Whereas some borrowers actively engaged in this type of spending, just as many resisted or terminated these activities in the face of financial constraints. The spenders experienced feelings of guilt and shame, and both groups described feelings of embarrassment, alienation and social isolation, stemming both from concealing their financial problems from their social network and as a consequence of their withdrawal from much of social life out of frugality. Indeed it is clear that the social life of credit is an integral component of the lived experience of indebtedness (Hawes, 2016).





7. Discussion

7.1. Debt Mapping Results: Suburban Indebtedness

The map analysis brings into stark relief the large magnitude and range of median individual debt levels across Metro Vancouver in 2012. Ranging from a minimum of \$210,823 to a maximum of \$657,017, these median (combined mortgage and consumer) debt levels are high. In comparison, the median debt (including mortgage debt), nationally, for all indebted Canadian families was \$60,100 in 2012 (though it varied substantially by family type) (Uppal and LaRochelle-Côté, 2015). Our data also show that in the majority (67%) of FSAs included in the analysis, growth in (median) consumer debt, which is unlikely to produce asset gains, outpaced growth of (median) income from 2007 to 2012 – suggesting worsening debt burdens for many residents of Metro Vancouver. In terms of geography, the most evident spatial patterns visible in the map analysis highlight suburban indebtedness, and in particular the dynamics of household debt loads in the outer suburbs of Metro Vancouver. In general, and taken together, the maps in Section 5 reveal four distinct groups of FSAs.

North Shore and Vancouver West: High income, high debt

In 2012 there was a concentration of FSAs with higher median incomes (falling into the top three median income map categories, from \$48,000 to \$93,000) on the North Shore, in West and North Vancouver (see Figure 4). These FSAs also fall predominantly into the two highest categories of median debt, from \$339,830 to \$657,017 (consumer and mortgage combined; see



Figures 8 – 10). The FSAs on the west side of the City of Vancouver display a very similar pattern, with high debt levels and medium- to high-income. Indeed, this coincidence of high income and high debt loads is not entirely surprising given the relative ease with which high-income earners can access credit.

The Tri-Cities, Maple Ridge and Pitt Meadows: Middle-income, low debt

A second group of FSAs emerged from the mapping analysis in the areas of Maple Ridge, Pitt Meadows, and the Tri-Cities, which include Coquitlam, Port Coquitlam, Port Moody, Anmore and Belcarra. In 2012, these municipalities' FSAs exhibited medium- to high- median incomes relative to the rest of Metro Vancouver, with all FSAs falling into the middle-income category (\$48,000 to \$63,000). The FSAs composing Maple Ridge, which primarily fell into the second-highest median income category (\$63,000 to \$78,000), were the exception. These municipalities' FSAs also fell chiefly into the lowest two categories (\$210,823 to \$295,883) of median combined (consumer and mortgage) debt levels in 2012 (though Coquitlam and Maple Ridge had medium levels of mortgage-only debt and the highest level of consumer-only debt in that year). In contrast to the high-income and high-debt suburbs of the North Shore, then, in 2012 the Tri-Cities exhibit a combination of middle-income and (relatively) low debt loads.

The Eastern Suburbs: Middle income, moderate debt

The outer suburban FSAs to the east, including Surrey, and the City and Township of Langley, had medium-to lower levels of median income in 2012, with most FSAs falling into the middle category for median income (\$48,000 to \$63,000; see Figure 4). These FSAs tend to fall between the Tri-Cities and the North Shore/Vancouver West FSAs in terms of median debt levels. They display primarily medium-levels of (median) combined consumer and mortgage debt, though the highest two debt categories predominate for consumer-only debt (see Figure 8). The FSAs of East Vancouver and the inner suburbs of Burnaby and New Westminster constitute the fourth distinct group of FSAs emerging from the data. They tend to have the lowest category of median income and low median levels of both consumer and mortgage debt.

The Question of Wealth

In isolation, the above results might lead us to conclude that residents of FSAs with higher median income both take-on and are more burdened by debt than are residents of FSAs with lower median income levels. It might also lead us to conclude that the highest earners, who are well able to handle repayment, hold most debts, and that there is therefore little cause for concern over Metro Vancouver's relatively high debt levels. The inclusion of wealth data (here measured by debt-to-asset ratios, using 2012 data) offers a deeper understanding of these dynamics. Recall that a high debt-to-asset ratio is an indication of financial risk (or leverage), where a low ratio signifies that assets are primarily funded by equity (low risk), and a high ratio indicates that assets are financed considerably by debt (high risk).

Whereas the North Shore/Vancouver West FSAs displayed, in 2012, both the highest median income and median debt levels, the highest debt-to-asset ratios instead appear in the FSAs of the medium-income, moderately indebted suburbs of Surrey and the City and Township of Langley. Conversely, the North Shore/Vancouver West FSAs exhibit the lowest debt-to-asset ratios. The FSAs of the Tri-Cities, Pitt Meadows and Maple Ridge also displayed high relative debt-to-asset ratios ($\geq 26\%$). Moreover, they experienced some of the highest increases in (median) consumer debt-to-income ratios (a measure of debt burden) across the study period – despite their medium-range income levels and relatively low debt loads. From 2007 to 2012 the lower-income, low-debt FSAs of East Vancouver, Burnaby and New Westminister saw increases in (median) consumer debt-to-income ratios, particularly in East Vancouver. Further, these FSAs have a relatively high debt-to-asset burden, with ratios predominantly in the mid-range and particularly high in New Westminister. The greatest debt burdens relative to wealth thus appear not in FSAs displaying the highest median debt loads, but instead in medium- and lower-income and (relatively) low-to-moderately indebted areas of Metro Vancouver, which tend to cluster in the outer suburban municipalities. These patterns could be suggestive of particular real estate dynamics in these outer suburban municipalities. When home values are high, entrants to the housing market must take-on large mortgage commitments (which also increases their access to, and need for consumer credit if they become 'house poor'). However, it is not clear that housing in the suburban housing markets outside of the City of Vancouver proper and the higher-end real estate of the North Shore, though their values are pushed up by high prices in the core (Gold, 2015), are appreciating with the consistency of these heated markets closer to the centre of Vancouver particularly if there are areas of undeveloped land where new building can occur – meaning that large mortgage commitments may not necessarily translate into large, stable or fast equity gains.

Interestingly, the medium-to-lower income FSAs of Surrey and the Langleys displayed some of the largest decreases in (median) consumer-debt-to income ratios across the 2007 to 2012 study period (Figure 11), while the higher-income FSAs of the North Shore and Vancouver West experienced some of the highest increases on this measure. This may suggest a sustained decline in consumer debt-to-income burdens in these lower-income suburban FSAs following 2012, *via* a decline in consumer debt accrual or a rise in median income. Further data are needed to verify these possibilities. Regardless, it is noteworthy and troubling that even after this (0% to >8%) decline in (consumer, median) debt-to-income leading to 2012, these FSAs still exhibit the worst debt-to-asset ratios and thus the greatest debt burdens relative to wealth found in the data. In 2012 a majority of the FSAs of Surrey and the Langleys fell into the two highest categories for consumer-only (median) debt (\$17,643 - \$50,983). High consumer debt



levels could indicate that households are over-burdened by their mortgages and need to draw on credit to manage other necessities, or perhaps that they are employing leveraged spending for non-essential consumer goods and services. The discussion of the interview data in Section 7.2 lends some insights into these questions.

Overall, the results from the map analysis indicate that regardless of an FSA's median debt levels, in terms of wealth higher income regions tend to benefit more from leveraged spending than do medium- and lower-income FSAs.

7.2. Interview Results

The results from the interview data suggest that borrowers from different socio-economic groups (varying by age, income and household structure) are subject to different challenges and pressures to consume that lead to debt stress. The mental health effects associated with periods of indebtedness, though generated through a variety of causal mechanisms, are shared across these socio-economic groups, and affect debtors that manage to sustain debt payments as well as those who default. The following discussion highlights some of the strongest trends that emerged from the interview data (for more detail see Hawes, 2016).

Childcare

The cost of childcare in Canada is notoriously high, and constitutes a controversial issue for provincial and federal policy-makers. For indebted families with young children, and for many income levels, the need for (and unavailability of) affordable childcare can mean that the sacrifice to be made during the debt repayment period is employment. This is a challenge for both women and men, and is particularly difficult for lone-parent families. Because of the gender-pay gap that continues to exist in some industries and locations in Canada, female-headed lone-parent families may suffer most from a deficit of affordable childcare (McInturff, 2015). The most common scenarios wherein childcare affects employment include having spouses respectively work during the day and night so that one parent is always with the child; taking a lower paying job with more regular hours in order to be at home when the child is not in school; having one parent work while the other stays at home because childcare costs exceed the parent's potential salary; and accepting a perceived lower quality of care in order to work and manage the child care expenses (particularly for lone-parents and those on social assistance).

"...I had just taken over custody of my daughter full time. So I was forced to quit my construction job. And then I was kind of in limbo trying to find a job where I was able to drop my daughter off at daycare at 7:00 and be able pick her up by 5:30."

For debtors that have family or a strong social network in their area of residence, childcare is often less burdensome.

Mental Health

A common response to debt stress and life dissatisfaction is to spend money in order to feel better, to 'fill a void' – in other words, spending as a coping mechanism.

“I also found that when I was down, instead of using that money wisely, I was reckless. Because of that whole depression, all of that stress. Whenever I wanted a relief I would spend extra money instead... there was a lot of guilt about it.”

Borrowers must suspend such spending during debt repayment. Most of the study respondents accepted many of the lifestyle changes that are necessary in facilitating debt repayment as difficult and (hopefully) temporary sacrifices. But the elimination of stress-related extra-necessary spending was often easier. This was because of the positive feelings that came for most respondents when they contacted the Credit Counseling Society and made plans to square their debts. Because of the feelings of relief, hope, motivation and the sense of accomplishment that come with having a concrete plan for debt repayment, borrowers are less inclined to invoke spending as a coping mechanism, as this response often results from feelings of despair.

“I could not breathe. And coming out of the appointment, I sat down outside and I just cried. I was just so happy. [I thought] ‘Finally, it’ll get off my chest, it’ll be off, I will be free’. There was a goal; there was a hope that this will get done someday. Not today, tomorrow, [but] someday I’ll be free and then I can live MY life.”

This emotional shift illustrates the extent to which mental health is deeply entangled in households’ financial status, experiences and actions; it points to the mutual effects that the changing emotional complexities and circumstances of daily life have on everyday saving and borrowing and *vice versa*. Clearly, then, mental health should be a serious consideration in any services and resources offered or solutions proposed to help indebted households eliminate their debts.

Geographies of Debt in Metro Vancouver

The interviews revealed important neighbourhood dimensions in borrowers’ financial lives. For example, services upon which borrowers draw to cope with financial strain are often dictated by the community services and businesses that are available in their daily geographies. This may include the visibility (and marketing reach) of banking services, Payday lenders, credit counseling organizations, food banks, support groups, churches, schools and day cares in a borrower’s neighbourhood or along their daily commute to work. In particular, respondents noted that they were aware of Payday lenders (who are known to set up shop in lower income communities) merely because they observed them in their neighbourhood.

“The [Payday lender] that I went to... was right across from the bus stop where I went to work. And I remember cashing my pay cheque and ...I realized I didn’t have enough to pay for rent or something... the first 300 dollars you get for free, [with] no interest. And then it became, like, 75% of my paycheck I was borrowing. But by the time you get it back, with the interest, it’s 100 per cent of your pay check that you’re giving to them.”

In Metro Vancouver high housing prices, easy access to mortgage credit and sustained low interest rates have pushed households – especially those entering the market for the first time – to take on larger mortgages. This has in turn further inflated housing values and mortgages. As affordability has eroded in the housing market and through price inflation of other commodities

(with many British Columbian families' wages not keeping pace with inflation since the 1970s), individuals and families have been pushed further out of the central city to less expensive outer suburbs of Surrey, Coquitlam and other municipalities (Ivanova and Klein, 2015). However, as home prices continue to rise in the City of Vancouver, prices of these outer suburbs are pushed up as well (Gold, 2015). As employment opportunities remain concentrated in the city centre and the similarly expensive town centres of these suburbs, households face additional living expenses for commuting *via* transit or personal transportation. Long commutes can also affect the types of employment and employment hours that households are able to access. Added expenses may lead households to turn to credit to make ends meet.

Homeowners will prioritize mortgage payments to preserve homeownership, which often holds emotional and symbolic value. If the residence or mortgage is deemed larger than affordable or necessary, the household may rent out suites, downsize or shift to a rental property. However, very few of this study's respondents were homeowners, suggesting that renters are more vulnerable to high consumer debt stress. This is unsurprising, as households with assets (and sufficient equity) have more options in managing their consumer debts, such as consolidating higher interest debts into a Home Equity Line of Credit (HELOC). Debts held in HELOCs have increased in Canada since the 2008 financial crisis, particularly at times when consumer debt levels have decreased (suggesting this transfer) (Meh, Terajima, Chen and Carter, 2009). As housing is important to mental health and perceived quality of life, this represents a useful temporary measure to help indebted households free extra funds for faster debt repayment. But for renter households, consolidation often means taking on extra credit in a personal line of credit. This extra credit is an added temptation, particularly for already indebted households struggling with low incomes.



**CHANGE
AHEAD**



8. Conclusions and Recommendations

This study aimed to generate new insights into the dynamics of debt in Metro Vancouver. While the study begs several future research questions, it also lays the foundation for building a limited number of conclusions and recommendations regarding debt in our region.

Conclusion 1: Mortgage debt is the major driver of increasing debt levels. Consumer and mortgage debt levels rose consistently over the study period, and where debt is prevalent among Metro Vancouver households, wealth gains are distributed less evenly

Given real estate and land prices in Metro Vancouver, it is unsurprising that mortgage debt comprises the majority of the regional individual debt balance. Given most recent changes in housing prices, it is unlikely this pattern has changed much since the debt cut off year for this study of 2012. The question around how high housing prices will go and what level of borrowing is unsustainable for households remains unresolved, despite the ongoing speculation currently active in media, the academy and among civil society actors.

This study contributes to the housing discourse in the region by illuminating how wealth as an outcome of debt accumulation is experienced in a highly uneven manner across Metro Vancouver. Commentaries are misleading that point to recent growth in household net worth to dismiss high Canadian household debt levels as being nothing to worry about. In Metro Vancouver, though high levels of debt are widespread, gains in net worth are not, and for those

individuals who don't get to 'share the wealth', such as non-homeowners, low-income families, and those who are over-stretching themselves to enter a tight housing market, unmanageable debt burdens can present a major challenge.

This study continues the tradition of studying economic security in our region and it reveals trends worth monitoring over time. For the first time, a study has illuminated the geographic dynamics of household debt relative to income and wealth across Metro Vancouver's FSAs, and has provided insights into the proximate causes and diverse experiences of living with debt stress in the region. We feel this approach to understanding our collective economic security (via considerations of income, debt and assets) is worth ongoing development because our current, and often over simplified, conceptions of poverty and wealth along lines of income alone miss two other major economic variables: debt and assets. We contend that examining these dynamics at small geographies also helps drive home the point that these economic realities have spatial locations – the neighbourhoods we live in. Future research, if appropriate data becomes available, should align with the following recommendations:

Recommendation 1.1.: Researchers and planners should continue to examine the relationship between wealth and debt as it varies across household profiles, including family type, age group, homeownership status, income level, ethno-cultural groups and citizenship status. In particular, more research is warranted into the experiences of immigrants and minority groups with indebtedness, as well as those of specific vulnerable sub-populations such as people on fixed low income.

Recommendation 1.2.: Researchers and planners should continue to monitor the trends revealed in this study and seek to better understand the spatial variation in different debt measures. As data become available, examination of the incidence and characteristics of indebted households at more nuanced geographies, such as census tracts or even block faces, would sharpen our understanding of debt and its consequences at small scales of geography.

Recommendation 1.3.: Given the narrow focus of this study, future research should explore relationships between savings rates and income-debt ratios, as well as the debt service ratios at small scales of geography. In studying these additional variables, it is hoped that the picture of debt in the region and the potential indwelling risks of current levels of indebtedness will come into clearer focus.

Conclusion 2: Interview respondents often accumulated debt through many sources but the pathways out of debt often appeared few in number, narrow in scope and too often out of reach

This study examined the spatial distribution of mortgage and consumer debt across Forward Sortation Areas (i.e., larger types of neighbourhoods) across Metro Vancouver from 2007-2012/13. The mapping of debt data reveals that individuals in this part of Canada accrue an increasing amount of debt each year for the study period.

The interviewees in this study often lost control over their finances after using credit for necessities such as rent and groceries, or to make up for wages lost in favour of childcare. Affordable housing and childcare options can help struggling households maintain debt repayment and avoid drawing on additional (and high interest) credit, and are imperative in addressing the current state of indebtedness in Metro Vancouver. Policies that ensure residents receive adequate wages can help to prevent debt stress altogether.

Many interview participants also remarked that it is not a single type of debt that leads to high levels of indebtedness. Rather, it is often a combination of inadequate income, and a variety of debt that amount together over time to form an economically impossible situation for the borrower. With a diversity of lending instruments available to people to finance aspects of their life (i.e., school, car, house, etc.), and given high and increasing growing rates, the government is well positioned to develop regulations that help protect individuals and households from unfair lending practices and unsustainable borrowing.

The findings from this report illuminate the need for government to assess and improve lending practices in Canada with a view to introducing new pathways for people to move out of debt. The following recommendations represent a few important focus areas that provide greater assistance to younger generations who are often reported as being squeezed out of the opportunity to reach important financial milestones (often due to a combination of low stagnant wages and high cost of housing and childcare).

Recommendation 2.1.: Government should re-examine its regulations on student financial assistance with a view to: reducing interest amounts on student loans overall; increasing the income threshold for interest relief (while keeping government payment of loans during qualifying period), include part-time students in interest subsidization benefit currently only available to full time students; and, extending more loan forgiveness for more graduates entering labor markets in under-served communities, similar to the benefit extended to some recent doctor and nurse graduates working in rural and remote communities. Though less far reaching in its goals than the above, the province of Nova Scotia's Enhance Repayment Assistance Program (ERAP) may contain other possible directions for positive directions in improving the student financial assistance system across Canada.

Recommendation 2.2.: Government should raise the minimum wage with a view to reaching a target of \$15/hour in the short term. All employers in the position to do so should be paying a living wage to their employees.

Recommendation 2.3.: Government should support the implementation of the Community Plan for a Public System of Integrated Early Care and Learning proposed by the Coalition of Child Care Advocates of BC and the Early Childhood Educators of BC - now known as the \$10aDay Child Care Plan.

Conclusion 3: Borrowers sometimes need short-term loans fast but high interest rates on payday loans, credit cards and other installment loans can bury struggling households

Our report findings echo other studies. Gibbons (2010)¹⁶ notes that there is a danger that payday lending can lead to a high level of indebtedness and patterns of unsustainable borrowing for some consumers. The ability of credit counseling agencies to arrange for interest fees to be forgiven on existing debts is enormously important in helping highly indebted households to repay their debts, making it the key to such agencies' success. This raises important questions about the interest rates charged by lenders, and whether they currently present a reasonable compromise between lender risk and a fair ability to repay for borrowers. The debate about this compromise needs to be re-invigorated so fairness for the borrower, not company profit, is a more pronounced guiding principle in the work of rate setting.

Payday lending businesses are known, in some cases to help people, and in many other cases to trap lenders in cycles of high interest loan products (which, notably, are not reported to credit rating agencies such as those whose data this study has employed). Payday lenders promise last resort funds to borrowers in times of emergency and amidst a void of feasible alternatives for quick cash. People who borrow money against their paychecks are generally supposed to pay it back within a few weeks - often with substantial fees piled on. Our study indicates that many borrowers are not able to use payday lending agencies as intended and become economically destitute as a result. To mitigate against the way money lending businesses can trap individuals into downward cycles of indebtedness, we recommend the following:

Recommendation 3.1.: Government should introduce new regulations for short-term loan providers that include a rate cap on all consumer loans of 10 per cent and require that longer-term loan payments consume no more than 3 per cent of a borrower's monthly income.

Recommendation 3.2.: Regulated financial institutions should continue to understand and meet short term loan needs of borrowers in a manner that is fair and respectful of the financially strained situation of the borrower.

Conclusion 4: Preventative and responsive initiatives can make a positive difference for individuals and households with high debt

Although there is value in keeping a public policy focus on issues of unfair lending practices and labour market dynamics that facilitate high levels of indebtedness, it is also valuable to focus on practical ways to strengthen community-level social safety-nets and encourage the development of accessible and useful financial literacy education. In short, preventative and responsive policy changes combined with local support systems are needed for social and economic justice.

16 Gibbons, Damon, et al., Payday lending in the UK: A review of the debate and policy options. (2010) Centre for Responsible Credit.

Many interview participants shared stories indicating that the presence and accessibility of support services and programs are instrumental to setting a course for a healthy financial future. The interview component of this study also revealed that the circumstances of an individual or household are unique and approaches to helping people in high debt situations need to be responsive to their realities, whether those realities include coping with mental health challenges, supporting a family as a single parent, and/or dealing with the aftermath of divorce. It is clear that a dynamic and diverse social safety net for people is valuable and each community should be equitably resourced to provide responsive care to people seeking pathways out of high debt and a move toward economic security and mental health.

For some interview participants, the financial literacy education they accessed through their involvement with the Credit Counseling Society was very helpful in setting a course out of debt. While education alone is not the answer to debt reduction, it merits a focus moving forward. The topic of building up financial literacy among Canadians is not a new public policy focus. It was the focus of the Task Force on Financial Literacy (TFFL) in its final report, *Canadians and Their Money*, which placed emphasis on increasing the scope of financial education in schools and in the workplace.¹⁷ Regrettably, the report misses several important aspects of debtor assistance¹⁸ - including its failure to address differences between being merely financially literate and having access to capital to develop and exercise financial capabilities. Also missing is a focus on the special circumstances of low income earners and their unique economic challenges and relations to debt. Nevertheless, there is some value in investing in financial literacy education but it needs to be considered and implemented in conjunction with other types of complementary initiatives. With a view of taking both a promotional and responsive approach to debt, we recommend the following:

Recommendation 4.1.: Government, in considering its approach to encouraging asset building, should arrange for an automatic savings account with \$1,000 for every child at birth. For families falling below the Low Income Measure (LIM) threshold, annual supplemental deposits should be made by government (not requiring a matching investment from the family) for each child for each year until they are 18. After the age of 18, the savings fund could be used for educational purposes at any time during the life course of the individual.

Recommendation 4.2.: Government should encourage asset building for children and youth in particular by developing programs that combine financial education, asset benefits from birth (see Recommendation above) and ongoing opportunities for savings accumulation. To this end, educational leaders should advocate for every child to arrive into school with a savings account with government provided resources within it. This precondition of developing financial capability could then be met with universal financial education that is integrated into existing curriculum where students use their accounts in lessons on economic decision making and money management. The benefits of such a direction are well documented by Johnson and Sherraden (2007).¹⁹

17 Task Force on Financial Literacy (2010) *Canadians and Their Money: Building a Brighter Financial Future*, Canada: Task for on Financial Literacy.

18 Ben-Ishai, Stephnaie and Schwartz, Saul (2011) "Debtor Assistance and Debt Advice: The Role of the Canadian Credit Counselling Industry" *Comparative Research in Law & Political Economy*. Research Paper No. 30.

19 Johnson, E. and Sherraden (2007). "From Financial Literacy to Financial Capability among Youth" *Journal of Sociology and Social Welfare*, Volume XXXIV, Number 3.

Recommendation 4.3.: Government should develop a new initiative that supports community non-profit service organizations, in collaboration with debt counselling agencies, to offer new supports and assistance to specialized populations (people struggling with mental health issues, lone parents, recent immigrants living on low incomes, etc.) that are struggling with high levels of indebtedness. Community based non-profit organizations are well positioned to reach out to deeply indebted individuals and households and facilitate their connections to the broader social safety net and debt reduction services and supports.

Recommendation 4.4.: Credit counseling services and bankruptcy trustees should create (or continue providing, in the case of the Credit Counseling Society) safe spaces in which debtors feel able to reveal their psychological stresses, and to offer proactive information about (and referrals to) free or affordable mental health counseling services. A goal in debt reduction programs and services should be to raise awareness of and expand access to existing mental health services.

Recommendation 4.5.: Non-profit social service organizations should consider creating local peer support groups for highly indebted individuals that seek to reduce the stigma associated with high debt and aim to connect people with practical steps for debt reduction.

Recommendation 4.6.: Local governments should develop area planning guidelines that work to protect low income neighbourhoods from the presence of money lending businesses whose business is to profit from high interest rates on loaned money to low income individuals.





9. Appendices

Appendix A: Technical Explanations of Calculations

As noted in the body of the report, the research team engaged four data management and calculation steps, each of which are explained in greater detail below.

Step 1: Extraction

Given that the initial Taxfiler (T1FF) and Equifax datasets contained data beyond the area of interest and included data at various levels of geography beyond the scope of the study, the first step involved extracting FSA values that were only relevant to Metro Vancouver (Vancouver CMA). A list of FSAs that approximate the region of Metro Vancouver was developed through cross checking the list of FSAs provided by Canada Post and their respective municipalities, with the official list of municipalities under Metro Vancouver. Using this reference, a vlookup function was applied on the Equifax dataset in excel that extracted each FSA's corresponding debt data from the large dataset:

vlookup(lookup value,choose({1,2}, range of values to search for, value of interest),2, false)

Under this function, a common set of values (FSAs) was referenced to extract a set of corresponding value (debt data per FSA). This function was applied repeatedly to extract values for consumer debt, mortgage, and combined debt. For Taxfiler data, the dataset was too large to perform a vlookup function. Instead, the range of data was converted into a table and the data associated with FSAs within Metro Vancouver were extracted.

Step 2: Merge

The next step was to link Taxfiler data to Equifax data through a common set of values (FSA IDs). This was accomplished by importing the two data sheets in Microsoft Query and manually linking them. A second researcher validated the information combined in the merged file.

Step 3: Median Calculation

Prior to calculating FSA median figures, Postal Code Subdivision balances had to be normalized to average balances. This was accomplished by dividing the total balances (for both consumer debt and mortgage) by the number of consumers in each Postal Code Subdivision. The following median function was then applied to compute the median value of all subdivision average balances within each FSA while considering every subdivision's weight on the calculation:

```
MEDIAN(LOOKUP(ROW(INDIRECT("1:"&SUM(range of # of consumers by subdivision)))-1,SUBTOTAL(9,OFFSET(F3,0,0,ROW(range of # of consumers by subdivision)-ROW(# of consumer by subdivision)+1)),range of normalized balances))
```

As shown in the function, number of consumers for each subdivision was used in calculating median values. For both Subdivision Consumer Debt and Subdivision Mortgage, Postal Code Subdivisions with "0" consumers were not included in the calculation as these subdivisions had no weight in the calculation of median values.

It should be noted that Equifax provided a combined total consumer debt and mortgage balance for each subdivision, postal code and FSA. These figures were disregarded because they could not be normalized by their respective number of consumers. As mentioned previously, the dataset did not provide the number of consumers who had both a mortgage and consumer debt file. Acknowledging that the relationship between the number of consumers for consumer debt and total consumer debt balance, and the relationship between the number of consumers for mortgage and total mortgage balance are different, normalizing the given set of combined total debt (provided by Equifax) to its number of consumers would yield a value that neglected this difference. Median combined consumer debt and mortgage balance was therefore calculated by adding median consumer debt to median mortgage.

Step 4: Ratio Calculation

The ratio for median consumer debt to median income was calculated by dividing the weighted median balances to median income.

Appendix B: Equifax Data Collection Procedures

The following explanation of its data collection approach and procedures was issued by Equifax to SPARC BC in July of 2015.

“All of our Data suppliers must be a member in good standing of Equifax Canada Co. All active accounts that they are legally allowed to be reported are, with updates provided at least once every 30 days.

PROCESS FLOW

When data is received, it is identified by a preset code and logged to show when it arrived, which client it represents and what date reported is to be processed.

All data is run through DataQA (Data Quality Analysis tool) and formatted into the Acro language (Equifax Automated Consumer Reporting Operating system). Quality control checks are performed during the load, to ensure that the information received conforms to preset rules to guarantee a uniform interpretation of the data that is stored in our database.

DATA STANDARDIZATION

Majority of Equifax members use the standard for the credit reporting industry, Metro2 Format which provides a standard layout for accurate, complete and timely information.

CREDIT FILE DATA RETENTION

Equifax purge rules not only adhere to the consumer reporting laws that govern our industry, but also incorporate the credit-granting community’s desire for fairness and consistency in the treatment of the individual.

ARCHIVAL DATA

Each month end, the entire consumer database is archived. All individual and unique credit data is archived vs. calculated attributes and scores. This ensures the accuracy and completeness of the data and a uniform interpretation over time. The archived data points are logged and time stamped providing a reference for different time periods.”

Appendix C: Interview Instrument

Please note that the following interview instrument was used as a guide and not a hard structured questionnaire. In a case-by-case manner, some questions were omitted while others were added. This approach was pursued in order to achieve an open, organic and productive discussion with individual respondents, tailored to their specific experiences.

In-Depth Interview Guide for Debt-Holders in Vancouver

*We'll be talking today about your experiences with debt as a resident of Vancouver [insert **specific neighbourhood**] and the strategies that you use to deal with debt. I just want to repeat again that you can stop the interview at any time or let me know if there are any questions you don't want to answer.*

I. DEMOGRAPHIC INFORMATION

Let's start with some background information about you.

1. Where are you from originally?

IF ORIGINALLY FROM OUTSIDE CANADA: a. Were you born a Canadian citizen, did you naturalize, or are you a permanent resident?

2. What is your current marital status?

3. Do you have any children?

● IF HAS CHILDREN, PROBE: How many? Ages? Are your children living with you now?

4. How many people contribute to the family/household income?

5. What is the highest level of education you (and other household income contributors) have?

● IF MORE THAN SECONDARY PROBE: What degree/diploma do you hold? Is your occupation related to this?

II. EMPLOYMENT

1. Are you currently employed? IF NOT EMPLOYED:

a. When were you last employed? Where?

b. Are you currently looking for work?

IF NOT CURRENTLY LOOKING FOR WORK, PROBE: a. Why not? When did you last look for work? Reasons to stop?

IF EMPLOYED:

1. How many jobs do you currently have?

2. Tell me about your job(s).

3. How many hours do you work each week?

III. DEBT

Now I'm going to ask you some questions about the debt that your household has and the ways that you deal with being in debt.

First, I would like to you indicate your 2013 annual household income range (that is, thinking approximately about the total after-tax income earned by of all of the income contributors in your household in 2013) from a list of income ranges. This is simply for background information and I'd like to remind you that all information will be stored and used anonymously: [PRESENT LIST]

Under \$5,000; \$5,000 - \$10,000; \$10,500 - \$15,000; \$15,500 - \$25,000; \$25,500 - \$40,000; \$40,500 - \$50,000; \$50,500 - \$75,000; \$75,500 - \$100,000; \$100,500 - \$150,000; \$150,500 - \$250,000; Above \$250,000

Now I'm going to ask you about your household's current debt levels. I will present you with a list of ranges of debt as a percentage of your disposable income and I want you to estimate and indicate the one that best matches your current situation. Now select a range that best represents your debt levels as they were 5 years ago (2007-8).

1. Tell me about how your household manages its finances.

- PROBE: Do you handle the family finances, does your partner/spouse, or collaborative?
- PROBE: Do you feel personally responsible for the management and financial health of your household? Tell me about this. Where does that feeling come from?

2. What types of debt do you currently hold? For example, mortgages, automobiles loans, credit card debt, lines of credit, student loans, payday loans...

3. Has your use of credit changed over the last 5 years (increased, decreased)?

4. What have been your main reasons or motivations for using credit? Why have you taken on debt? Especially non-secured forms of credit (for example credit cards)? Reasons for increase or decrease?

● PROBE: When taking on debt, have there been other viable alternatives to which taking on debt was deemed preferable? Has your opinion on this changed since taking on the debt or do you still feel that debt was the best or only option in that circumstance?

5. Have you ever used a loan product that you felt was 'predatory', meaning having particularly high fees, interest rates, or unfavourable terms in order to take advantage of your vulnerability or desperation/an emergency situation?

- IF YES, PROBE: Which products? (payday loans, private loans, pawn shops...)
- PROBE: Where were they acquired? (type of establishment and neighbourhood)
- PROBE: What circumstances led you to use these products and when? (year)

6. Tell me about your experiences with debt counselling.

- ● PROBE: What led to that? Whose decision was it? When did you first seek help?
- ● PROBE: Tell me about the lead up to, and the moment, where you decided to make the call for help with your debt. How did that feel? What specifically pushed you to that point?
- ● PROBE: Was it a useful service?

7. Have your experiences with debt counselling been mainly positive or negative?

8. What services were specifically helpful? Which were less helpful? 9. Have you used or considered using other government, community, or other services to help with your financial situation? Tell me about those.

10. Tell me about what services, aside from those already discussed, that you feel would be helpful for someone in your situation.

11. Tell me about any strategies you might have/use to help you cope with or pay-off your debt. Do you have a timeline or a goal of when you would like to be debt-free?

12. Please indicate your level of stress regarding your debt loads on the following scale:

- 1 – No Stress 2 – Low/Some Stress 3 – Moderate Stress 4 – High Stress 5 – Extreme Stress

13. Tell me about how you feel about your debt.

• PROBE: Does it make you feel embarrassed or ashamed? Empowered? Anxiety? Depression? Lack of Sleep? Isolation? Uncertainty? Anger? Frustration? Does it cause discord with your partner or family? Is it a way to cope with financial difficulty? Have you always felt this way about your debt or has this changed in recent years (or since taking on higher levels of debt)?

14. Emotionally, how do you feel about your debt? How does having debt make you feel more or less stressed? Has this changed over time?

• PROBE: Has your work with your credit counsellor influenced, or reduced your emotional or mental health, or stress levels, with regards to your debt?

15. What do you do when you feel stressed or upset about debt? How do you cope with these feelings? (Financial Plan, Seek Advice, hobbies...?)

16. Do you find it easier to talk about your debt since having working with a credit counsellor?

IV. NEIGHBOURHOOD and HOUSING

1. Tell me about your current home/dwelling. Do you rent or own? How long have you lived there? IF OWN: Do you have a mortgage?

2. Tell me about your neighbourhood.
3. How long have you lived there?
4. Why did you choose to live in this neighbourhood? (e.g., cost, proximity to work, ethnic make-up...). Are there things that you particularly like about your neighbourhood? That you particularly dislike?
5. Tell me about how you interact with, or your relationships with other people in your neighbourhood. Does it feel like a community?
6. Could you go to people in your neighbourhood for economic support (e.g., rides, help getting groceries, child care, financial support...)? How many people?
 - PROBE: Do you seek advice or support from others in your neighbourhood?
7. How often do you and people in your neighbourhood do favours for one another?

V. WRAPPING UP

We are almost finished. I just have one last question about your thoughts and feelings about debt: 1. Do you feel that it is necessary to pay off your debt, and why or why not?

- PROBE: Do you also feel a moral obligation to pay back your debts?

Thank you very much for your time and help with this project.

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