

Newcomer Finances Toolkit

Credit

Worksheets



Ottawa Community Loan Fund • Fonds d'emprunt Communautaire d'Ottawa
22 O'Meara St., Causeway Work Centre, Ottawa, ON K1Y 4N6 Tel: 613-594-3535 Fax: 613-594-8118

www.oclf.org

Table of Contents

<i>Credit</i>	<i>1</i>
<i>Credit History</i>	<i>2</i>
<i>Newcomer Loans</i>	<i>4</i>
<i>Credit Cards</i>	<i>5</i>
<i>Building a Credit History</i>	<i>9</i>
<i>Overdraft Protection</i>	<i>11</i>
<i>Line of Credit</i>	<i>11</i>
<i>Loans</i>	<i>12</i>
<i>Co-Signing</i>	<i>13</i>
<i>Payday Loans</i>	<i>14</i>
<i>Cost of Borrowing</i>	<i>17</i>
<i>Pre-Paid Cards</i>	<i>18</i>
<i>Pre-Paid Card Fees</i>	<i>20</i>
<i>Instalment Sales</i>	<i>21</i>
<i>Cost of Instalment Sales</i>	<i>22</i>
<i>Rent-to-Own Contracts</i>	<i>23</i>
<i>Rent-to-Own Costs</i>	<i>24</i>
<i>Using Credit</i>	<i>25</i>
<i>Debt Problems</i>	<i>26</i>
<i>Managing Your Debt</i>	<i>26</i>
<i>Help with Debt</i>	<i>27</i>
<i>Collection Agencies</i>	<i>28</i>
<i>I can't pay!</i>	<i>29</i>
<i>Credit-Reporting Agencies</i>	<i>30</i>

Credit

Credit is buying things or borrowing money now and promising to pay in the future with **interest**.

When you use credit, you have a **debt** to pay.

The amount of interest is different with every kind of credit.

The interest **rate** is a percentage (such as 10% or 28%). When the number is higher, you pay more money back.

In Canada, most people use credit to buy things at the store, pay for a house or a car, and to travel.

Credit can be helpful. You can pay for things online or by telephone. You can buy something big (like a car or a house).

Credit can help for emergencies, such as fixing a car.

But if you get too much debt, it is a big problem.

Many people have credit problems. They buy more things than they can **afford** (pay for).

If they don't pay the debt quickly, then they pay more and more money in interest.



Before you use credit, decide if you can afford the purchase.

Make sure you will have enough money to pay the debt and pay your regular bills.

Credit History

Your **credit history** shows how much debt you have.

It also shows if you pay your debts on time or if you are late on your payments.

You need to have a good credit history in Canada to get a loan, a credit card, or a cellular phone.

Landlords often check your credit history before they rent an apartment.

Many newcomers have a credit history from outside Canada, but many Canadian lenders don't accept international credit histories.

Credit-Reporting Agencies

When you get a loan or you buy something on credit, the information about your debt goes to a credit-reporting agency.

In Canada, there are two credit-reporting agencies – Equifax and TransUnion.

Lenders such as banks, credit card companies, and other businesses send information to the credit-reporting agencies about how long you take to pay back your debts.

When you ask for a loan, the lender checks your credit history at the credit-reporting agency.

If your credit history is **poor** (bad), the lender may **refuse** to give you a loan. If the lender gives you a loan, you may have to pay a higher interest rate.

Credit Reports

Your credit history is in a **credit report**.

You can see your credit report, but no one else can see it unless you **allow** them to see it.

When you sign an **application** for a loan or a credit card, you are allowing the lender to see your credit report.

If you apply to rent a house or apartment, for insurance, or for some jobs, the application may have a part about checking your credit report.

Your credit report has information about you.

- Your name, address, addresses where you used to live, social insurance number, telephone number, date of birth, your employer, and past employers
- What credit you have now, such as a credit card, a line of credit, a loan, or a mortgage

- Your bank accounts and any NSF cheques
- All of the credit applications you make, even if they are not approved
- A **bankruptcy** or court judgment about a debt
- Any debts that went to a **collection agency** for payment because you couldn't pay the **creditor**
- Information that you give the credit-reporting agency to explain a situation, such as information about a problem you had with a bank
- A list of all the people who have looked at your credit report

Credit Scores

Lenders and credit-reporting agencies use the information in your credit report to give you a **credit score**.

The credit score tells lenders if you pay your debts on time and how much debt you have now.

If you have many credit cards, your credit score may go down because you can borrow lots of money.

If you apply for credit in many places (such as asking stores for a credit card), your credit score will go down because you may be trying to get more credit than you can pay back.

If you are only making small payments on your debts and you owe a lot of money, your credit score will go down.

Check Your Credit Reports

You can get your credit reports from Equifax and TransUnion.

You should check your credit reports every year to make sure all the information is right.

You can get a free copy of your credit report by mail. You must include **copies** of two pieces of ID (call the company to see what ID to send).

You can also get your credit report online, but you have to pay a fee.

You can get your credit score with your credit report online, but you will pay a higher fee.

If there is any information that is wrong, tell the credit-reporting agency so that they can check it and fix it.

If you see a company in the list that you don't remember asking for credit, call the company to see why it is asking for your information.

Information about an old debt or bankruptcy is taken off your credit report after a certain number of years (depending on your province or territory and the credit-reporting agencies).

Newcomer Loans

Loans for Training

Some community organizations give small loans to newcomers for training courses or **accreditation** programs so that they can work.

You need to live in that community to get a loan from the organization.

You don't need a credit history in Canada to get these loans.

- Ottawa Community Loan Fund
- Maytree Foundation, Toronto
- Immigrant Access Fund, Alberta
- MOSAIC, Vancouver

Loans for Small Business

Community loan funds and some credit unions give small loans to start or expand a small business.

You need a good business plan and some experience for the business.

You don't need a credit history in Canada.

You need to live in their community to get a loan from the organization.

- Ottawa Community Loan Fund
- ACCESS Riverdale Community Loan Fund, Toronto
- Circle of Habondia Lending Society, British Columbia – loans for women
- Micro-Crédit KRTB, Québec
- Ecotrust Canada, British Columbia
- Jubilee Fund, Winnipeg
- Montreal Community Loan Association
- Saint John Community Loan Fund
- Momentum, Calgary
- Alterna Savings, Toronto
- SEED, Winnipeg
- Coast Capital Savings, British Columbia
- Vancity Credit Union, British Columbia
- Seed Capital Program, Atlantic Canada Community Business Development Corporations
- Quebec City Community Loan Fund

Credit Cards

You can use a credit card to buy things so you don't need to carry a lot of cash.

You can also use a credit card as a **security deposit** to reserve a hotel room or rent a car.

You can use a credit card to withdraw cash from a bank machine. This is a **cash advance**.

With cash advances, you pay interest every day from the day you get the money until you pay it back.



You can use credit cards like MasterCard and Visa almost anywhere. The interest rate is usually between 10% and 20%.

You can only use store credit cards (**retail cards**) in that store. The interest rate is usually between 25% and 30%.

Some credit cards have fees and some don't have fees.

Usually you pay the fee once a year.

Choosing a Credit Card

Before you apply for a credit card, find out the **annual** interest rate (APR) and any charges or fees you may pay.

Some cards come with **reward** programs or other benefits, so if you use the card, you get points, discounts, or cash back.

Some credit cards charge a lower rate of interest. Usually you need a good credit rating to get these cards.

Ask if the interest rate can change. On some cards, if you are late with a payment, the interest rate can go much higher.

Some credit cards have an **introductory rate**.

This means you pay a lower interest rate at the beginning (such as for 6 months) and then you pay the regular rate.

Ask how long you will get the introductory rate and what the regular rate will be.

Usually, when you make a payment, the card company uses the payment to pay off the balance at the low introductory rate before the purchases at the regular interest rate.

Applying for a Credit Card

When you apply for a credit card, the **lender** checks your credit history to see if you pay your bills on time.

The lender also checks your income and how much debt you have (other credit cards and loans).

The lender will use this information to decide on your **credit rating**.

Then the lender decides if you will get a credit card and how much credit to give you on your credit card. This is called your **credit limit**.

You may get credit card **offers** in the mail. The credit card companies send out offers to many people.

These offers may tell you that you are pre-approved for a credit card.

When you apply, the company checks your credit history, and you may not get a credit card.

The offer may say the interest rate will be “as low as” a certain amount (like 10%), but you are not guaranteed that interest rate.

The company may decide to charge you a much higher interest rate.

The offer may say the credit limit will be “up to” a certain limit (such as \$20,000), but you are not guaranteed that limit.

Your New Credit Card

As soon as you get a new credit card, sign the back in permanent marker.

When you use your credit card, you sign the receipt to show that you agree with the purchase.

Some new credit cards have a PIN like a debit card. With these new cards, you enter your PIN instead of signing the receipt.

Keep your copy of the receipt.



There may be a **security code** on the front or back of the credit card.

This code is usually three or four numbers (like 372 or 4593).

When you use your credit card for a transaction on the telephone or on the internet, you may be asked for this code.

The credit card has an **expiry date** written on it. The card is good until that date.

The expiry date shows the month and year that the card expires. For example, 07/12 means July 2012.

When you use your credit card for a transaction on the telephone or on the internet, you will be asked for the expiry date.

A month or two before the expiry date, your credit card company will send you a new card in the mail.

Cut up your old credit card before you put it in the garbage so no one else can find it and use it.

Credit Limit

You can buy things with your card up to the credit limit.

Never go over your credit limit. If you go over your limit, it will be bad for your credit history.

Paying Your Bill

Every month, you get a **statement** that lists all of your purchases and cash advances.

It says how much you **owe** and gives a **minimum** payment.

You must pay at least the minimum payment by the **due date**. With some credit cards, you must pay the whole amount every month.

If you pay all the money you owe for purchases (pay **in full**) every month, you don't pay interest.

If you don't pay the bill in full, you pay interest on the amount of money you still owe.

If you can't pay the bill in full, pay as much as you can so that you pay less interest.

Try to pay off some or all of the balance **before** the next due date so that you pay less interest.

To make sure you pay on time:

- If you pay by mail, send your cheque at least **5 business** days before the due date.
- You can pay at the bank teller, at the bank machine, by telephone banking, or by internet banking. If you pay on a weekend or holiday, **or** you pay after 3 p.m. on a business day, the credit card company will show your payment for the **next business day**.
- Make sure your account has enough money to cover the cheque. If the cheque is returned (NSF), you will pay interest on the amount of money you owe until you pay it in full. You may also pay an NSF fee from the credit card company and the bank.

Check Your Statement

Check your credit card statement carefully every month. Use your receipts to see if all of the charges are right.

If you return something you bought with a credit card, the store usually gives you a **refund** on your credit card.

If you see any items on your statement that you didn't buy or if the amount is wrong, tell the credit card company right away.

You can usually get paid back for any **unauthorized** transactions.

When the credit card company changes your agreement, the company must tell you in writing.

Safety Tips

Never throw out a credit card receipt or a statement without **shredding** it first.

If someone knows your credit card number and your address, they may be able to use your account.

If your card is lost or stolen, you may not have to pay for any unauthorized transactions.

Call the credit card company **right away** to let them know your card was lost or stolen. Once you call the company, you aren't **liable** for any more transactions.

If someone used the stolen card and your PIN at a bank machine, you may not get your money back because you didn't keep your PIN secret.

If you don't need a credit card any longer, cancel the card and cut it up. If your credit card company sends you a new credit card, cut up the old one.



Don't give your credit card number over the phone or on the Internet unless it is a company you know and trust.

If you are buying something online with a credit card, check for the closed lock or the unbroken key symbol in your browser window.

Building a Credit History

If you need to build a credit history in Canada, you can meet with your bank manager to see what credit you can get.

Bring your credit information from outside Canada to the meeting.

You may be able to get a credit card from the bank.

Some banks have a personal banking services package that includes a credit card.

If you get a credit card, use it and pay your bills on time.

This helps you to build a credit history in Canada.

If you apply for a credit card and you are **turned down** because you don't have a credit history in Canada, you can:

- Apply for a **joint** credit card with a friend or family member who has good credit. You are both responsible for the bills with a joint card.
- Ask a friend or family member to **co-sign** for a credit card. It is your card, but if you can't pay, the co-signer is responsible to pay.
- Apply for a retail card from a store and pay the balance in full every month. It is usually easier to get a retail card, so a retail card can be a good way to build a credit history.
- Join a credit union or caisse populaire at work or in your community.
- Apply for a small loan from a bank or other lender and pay it off.

Secured Credit Card

You can also apply for a **secured credit card**.

Secured credit cards usually have a higher interest rate than regular cards.

They usually have monthly or annual fees.

You make a **security deposit** with the lender.

Your credit limit is usually 100% or more of your security deposit.

Use the credit card and pay your bills on time to build a credit history.

If you don't pay your bills, the lender can take the money from your security deposit.

If you pay your bills on time, you will be eligible for a regular credit card and you can get your security deposit back.

Check out companies that offer secured credit cards. Make sure that the company is well known, and ask if money that you provide as your security deposit will be covered by government deposit insurance.

Be careful about secured credit cards from companies outside Canada. If you have problems, it may be difficult to get the problem fixed.

Look for secured cards with a well-known brand (Visa, MasterCard, American Express).

With other brands, you may not be able to use them everywhere or you may have to buy from their catalogue.

Make sure you understand the contract before you sign it.

Improving Your Credit Score

If your credit score is low, you can make it better.

- Always pay your bills on time.
- Try to pay your bills in full by the due date.
- If you can't pay in full, pay at least the minimum amount by the due date.
- Pay as much as you can every month.
- Pay your debts on loans as fast as you can.
- Never go over the credit limit on your credit card.
- Only apply for credit when you need it.
- Use your credit every month (buy something small) and pay it back on time.

Overdraft Protection

You can get **overdraft protection** on some bank accounts.

If you don't have enough money in your account for a cheque or a withdrawal, the bank will still pay, up to your overdraft limit.

For example, you have \$200 in your account and you write a cheque for \$500.

The bank will pay the cheque and you have a \$300 overdraft to pay back.

The bank charges you interest on the \$300 until you pay it back.

Ask at your bank to see if it offers overdraft protection on its accounts.

Find out how much overdraft protection costs and how it works.

Some banks charge a monthly fee for overdraft protection.

Line of Credit

You can apply for a **line of credit** at the bank.

You can withdraw money from the line of credit anytime, up to a limit.

The bank will look at your income, your debt, and your credit rating to decide if you will get a line of credit.

Some banks have a line of credit with a mortgage. As you pay your mortgage, your line of credit limit increases.

You can withdraw money from your line of credit by a transfer, a cheque, or a cash withdrawal.

The bank charges you interest from the day you withdraw money until you pay the loan back in full.

The interest rate on a line of credit is usually lower than the interest rate on a credit card, overdraft, or personal loan.

Usually, you get a monthly statement that shows your balance.

You must make at least a minimum payment on the balance every month.

You can usually pay part or all of the balance any time, without penalty.

Usually, there are no fees to set up a line of credit and no annual fees.

If you have a bank account at the same bank, you can have any overdraft from your bank account transferred to your line of credit.

Then you don't pay overdraft fees or NSF cheque fees.

If you have high-interest debts like credit card balances, you can pay them off with your line of credit and save on interest charges.

Loans

You can use a loan to pay for many things, such as a car, a house, a training course, or travel.

You can apply for a loan at a bank, credit union, trust company, *caisse populaire*, and some insurance companies and brokers.

A **mortgage** is a loan to buy a house or land.

A **secured** loan is for something that the lender can take and sell (like a car or a house) if you don't pay back your loan.

The lender will look at your **assets** (things you own), debts, income, and credit history to decide if you will get a loan and what interest rate you will pay.

Some ads say the company will give anyone a loan.

If you have no credit history or a poor credit history, you may get a loan but the interest rate will be high.

The number of months or years that you will pay back the loan is the **term**. For example, if you pay the loan back for 5 years, the term is 5 years or 60 months.

You pay back the same amount of the loan every month.

If the term is longer, your monthly payments will be lower but you will pay more interest.

Usually, you can pay back part of the loan early (a **lump-sum** payment). If you pay early, you will pay less interest.

With most loans, you can make bigger payments to pay off the loan faster.

Questions to ask about loans:

- How much can I afford to borrow?
- How much can I afford to pay every month, including my other bills?
- What is the interest rate? What is the term?
- Are there other fees?
- Can I pay back part of the loan early? How much?
- Is there a penalty for paying off the loan early?

Co-Signing

Co-signing for a loan, a credit card, or a line of credit with another person means that you are both responsible for the debt.

You are a **joint borrower**.

If the other person does not pay the debt, **you** will have to repay **all** of it.

Even if you trust the other person to pay the debt, be careful.

Can you repay the debt if something happens and the other person can't pay?

If you decide to co-sign for a debt, make sure you understand the agreement with the lender. Ask the lender about anything you don't understand.

You could ask the other borrower to get insurance in case he or she gets sick or dies.

The joint borrower can name you as the beneficiary on the life insurance policy for the amount of the loan.

You should both get a copy of the agreement.

You should both get statements about the account (for example, credit card statements every month).

You can look at the statements to see if the other borrower is making payments or if something changes in the agreement.

You don't have to live at the same address to get statements.

When the debt is paid off, ask the lender for a written statement that the debt is paid in full and you are no longer responsible.

Payday Loans

A **payday loan** (or **payday advance**) is a loan that you promise to pay back from your next pay cheque.

A payday loan is a **very expensive** way to borrow money.

Usually you pay the loan back on or before your next payday, in two weeks or less.

You need to show that you have a regular income, a permanent address, and a bank account.

You must give the payday lender a postdated cheque or a direct withdrawal from your bank account.

You will pay back the loan amount, interest, and fees.



Fees

You will pay an administration fee, processing fee, convenience charge, or verification fee.

These service fees usually cost \$10 to \$35 for every \$100 you borrow.

You will pay interest from the day of the loan until the day you pay back the loan and fees. Payday lenders charge high interest.

Some payday lenders act as loan **brokers** and charge a brokerage fee.

If you can't pay your loan, the payday lender may charge you a fee and send your account to a collection agency.

Some payday lenders will charge you an early repayment fee if you pay the loan back before the due date.

Some lenders will charge you a set-up fee of \$10 to \$15 if this is the first time you use them.

Some lenders will charge you a fee if you don't pay them back in cash.

If the lender tries to contact you and you have moved or your phone is disconnected, you will pay a locate fee.

If you don't have enough money in your account on the due date, you may have to pay the lender an NSF fee (from \$25 to \$75). You may have to pay another fee at the bank.

If you don't pay the loan by the due date and you extend the loan, you will pay a roll-over fee, renewal fee, finance charge, additional charge, or extension fee.

Before you apply for a payday loan, see if you can get money another way.

- Ask your bank for overdraft protection on your account or a line of credit, even if you don't think the bank will agree. They are much cheaper.

- You can get a cash advance on a credit card. It is much cheaper.
- You may be able to cash in vacation days with your employer to get some money.
- You may be able to get a loan from a family member or a friend.
- You may be able to get some emergency help. Talk to a settlement agency or a community health centre to see if you can get help.

If you have **no other way** to get the money and you decide to get a payday loan:

- Only borrow the amount that you are **100% sure** you can pay back on the due date.
- Don't borrow more than you need.
- Ask questions and read the loan agreement carefully. Take it home with you and read it before you sign it, if you want to.
- Ask about all the fees, charges, and interest you will pay. Ask what other charges you will owe if you can't pay the loan back on time.
- If you are taking another payday loan to pay back the first loan or you are rolling over the loan you had, you will pay many fees and charges. You will soon get into a lot of debt.

Agreements

Some lenders may try to get you to sign an agreement for your employer to give your pay to the lender if you can't pay your loan. In many provinces, this is **not legal**.

If a payday lender asks you to sign this kind of agreement, call the Financial Consumer Agency of Canada at 1-866-461-3222 to find out who to call in your province about this problem.

Some lenders may try to get you to agree to use something of yours, such as a car, as security for a small loan.

You may lose it if you can't pay the loan. If it is worth more than the loan, don't sign.

The lender should ask you to sign a loan agreement.

Be sure that you understand the agreement before you sign. It should tell you:

- The amount of the loan and the date you must pay it back
- All fees for the loan
- All the ways you can repay the loan
- What happens if you don't pay the loan back on time

Make sure that you get a copy of the agreement, and keep the copy.

Paying Back the Loan

Ask the lender for the cheapest way to pay back the loan.

Some lenders will cash your cheque or use your direct withdrawal, but others make you pay them in cash.

If you don't pay in cash, they will charge you a fee.

Paying off your payday loan on time will **not** help your credit score, since payday lenders are not members of the main credit-reporting agencies.

If you don't pay your loan on time and it goes to a collection agency, it may make your credit score worse.

Internet Lenders

There are payday lenders on the internet.

They ask for personal information, like your social insurance number, your driver's licence number, and your mother's maiden name.

You may have your personal information stolen from the website or sold to people who want to steal your identity.

If your personal information is stolen or sold, you will have big problems.

Someone may take the money in your bank account, or someone may take out loans or credit cards in your name. Then you will have more debt.

It can take years to fix an identity theft problem.

Insurance

Some payday lenders may offer you death or disability insurance on your loan. This insurance is usually expensive.

Before you agree, make sure you need the insurance, and you know how much it costs, what it covers, and how to make a claim.

Make sure the lender has the right to sell you insurance. Ask to see proof that the lender is a licensed insurance agent.

Lender Cards

Some payday lenders offer cards that have your personal information, so that you can use different branches of the payday lender.

The card can also be loaded with the amount of your loan and used like a debit card.

You will pay a fee for the card, a fee to reload the card, and fees for each transaction with the card.

If you lose the card, you lose the money on it, and the lender won't give the money back.

Cost of Borrowing

You need to borrow \$300 for 14 days. How much will it cost?

	Payday Loan	Cash Advance	Overdraft Protection	Line of Credit
Interest	-	\$2.13	\$2.42	\$1.15
Fees	\$50.00	\$2.00	\$0.00	\$0.00
Total	\$50.00	\$4.13	\$2.42	\$1.15

These are examples of the interest and fees you may pay. The costs depend on the interest rates and fees charged by the lender when you use the service. The interest for the payday loan is part of the fee.

Some banks charge a monthly fee for overdraft protection, and some monthly service packages include overdraft protection. Check with your bank.

Pre-Paid Cards

Pre-paid cards are **not** credit cards.

You can get Visa and MasterCard pre-paid cards and you can use them in the same way as credit cards at stores, online, and at bank machines.

With a pre-paid card, you pay the money before you make any purchases.

You don't pay interest because you don't borrow any money – you are **lending** money and paying fees.

Some **advertisements** for pre-paid cards say they will help you with your credit rating. This is not true.

You can't use a pre-paid card to build a credit history because it is not credit.

If you can't get a credit card or you don't want a credit card, a pre-paid card can be useful.

You can use a pre-paid card to rent a car, buy something online or by phone, or reserve a hotel room.

You don't need a bank account or a credit history to get a pre-paid card.

You need to have identification (ID) and cash.

Most pre-paid cards are **reloadable**, so you can add more money on them and keep using them.

Some companies are using **payroll cards** instead of paycheques.

Some cards are called **gift cards** and are not reloadable, so you can't add more money on them. They can't be used at a bank machine.

Some gift cards have an **expiry date**. If you haven't used all the money on the card by then, you may not be able to get the rest of the money back.

Fees

Some pre-paid cards charge many fees. They can be more expensive than using cash, a debit card, or a credit card.

Some cards have a **sign-up** fee that you must pay before you start to use the card.

Some cards have fees every time you use the card.

Some cards charge a fee for every month that you have money on the card.

Some cards charge a fee every time you add more money to the card.

Most card companies charge a fee if you want a monthly statement by mail.

With most cards, you can check your statement on the company's website free.

If you decide to cancel your card, you may pay a fee to get your money back. You may have to ask for your money back in writing. Other fees may be for replacing a lost or stolen card, **inactive** cards (not using a card), and fees for **currency conversion** (changing to other money) if the card is used outside Canada.

Read the contract carefully before you sign for a pre-paid card. Make sure you know what fees will be charged.

Some cards don't allow you to store much money on them.

Lost or Stolen Cards

If your card is lost or stolen, you may not have to pay for any purchases that were made by the thief.

Call the card company right away to let them know your card was lost or stolen.

If someone used the stolen card and your PIN at a bank machine, you may not get your money back, because you didn't keep your PIN secret.

Questions to Ask

- How much will I have to pay to get the card?
- What are the fees to use the card in a store? At a bank machine?
- What is the fee to reload the card?
- Do I have to pay to check the balance on the card?
- Do I have to pay to get the rest of the money back when the card expires?
- Is there a monthly maintenance fee?

Pre-Paid Card Fees

You have a pre-paid card and you use it to pay for purchases and to withdraw money at an ABM.

This is an example of the fees you may pay in one month.

Service	Cost
Reloading fee to load \$500	\$2.95
Ten purchases	$\$0.60 \times 10 = \6.00
Two withdrawals from an ABM	$\$1.75 \times 2 = \3.50
Reloading fee to load another \$500	\$2.95
Monthly maintenance fee	\$6.95
Total cost	\$22.35

If you want a printed statement in the mail, you may pay \$6.95 every month.
If you check your balance at an ABM, you may pay \$1.25 each time.
If you check your balance online, it's free.

Instalment Sales

Some stores offer credit by **instalment**.

With an instalment sale, you take home the items (such as furniture) right away, and then you pay every month.

The interest rate on instalment sales is about 30%.

Usually, if you don't make your payments on time, the store can take back the furniture. You don't own the furniture until you make the last payment.

Some stores say that you can buy something and not pay until later.

Read the **fine print** or listen carefully at the end of the ad.

The fine print says **OAC** (on approved credit), which means you must have a good credit rating.

There may be a minimum purchase amount or other charges.

You may have to use the store's credit card to pay for your purchase.

You will also pay the taxes and a processing or administration fee (about \$80 - \$100), and maybe delivery charges or other charges.

If you pay in full on the due date, then you don't pay interest.

If you don't pay in full on the due date, you will pay monthly (about 30% interest). You may have to pay a **conversion** fee too.

At some stores, if you don't pay in full on the due date, you will have to pay interest for all the months from the day you bought the furniture.

Questions to Ask

- How much is the interest rate?
- How much do I pay at the beginning?
- How much do I pay altogether?
- What happens if I can't make a payment?

Cost of Instalment Sales

Store	Price	Fees	Interest	Total Cost

Rent-to-Own Contracts

Rent-to-own (or rent-to-buy) contracts are for furniture, appliances, and electronics.

If you need something for a short time (a week or a few months), renting may be a good idea.

But if you want to keep it, then you will pay much more with a rent-to-own contract.

For example, you want to buy a washer and dryer that costs \$1,000 at the store.

The rent-to-own contract is for 24 monthly payments of \$80, which is \$1,920. You pay almost double as much as paying cash.

Rent-to-own is much more expensive than a line of credit, credit card, or retail card.

If you miss a payment, the store can take the item back and you have lost your money.

Questions to Ask

- How much are the payments?
- How many payments will I make?
- How much will I pay altogether?
- What happens if I don't make a payment?
- What happens if I bring the item back early?
- Will I pay other fees and charges?

Rent-to-Own Costs

You want to buy a washer and dryer that cost \$1,000 at the store.
How much will you pay?

	Rent-to-Own	Retail Card	Credit Card	Line of Credit
How much a month?	\$80	\$40	\$40	\$40
How many months?	24 months	38 months	32 months	27 months
Total	\$1,920.00	\$1,518.00	\$1,262.70	\$1,064.50

The costs for the credit cards and line of credit depend on the interest rates charged by the lender.

You can pay more of the balance every month on the credit card, retail card, or line of credit. If you pay faster, you pay less interest.

You can't pay off the rent-to-own contract faster.

Using Credit

Don't sign a credit contract until you read it and understand it. If you don't understand it, ask questions.

Make sure you understand the **total cost** of your purchase or loan, including the interest costs.

Many companies advertise 'low down payments' and 'low monthly payments.'

Low payments make money for the company in interest. The faster you pay, the less it costs you.

Debt Problems

You have a debt problem if:

- Your debts keep going up
- You use your credit card to get to the next paycheque
- You're behind on your bills like your rent, hydro, telephone, cable
- You use your grocery money to pay other bills
- You have your service cut off
- You're not sure where all your money goes
- You have to borrow money often to pay the bills
- You often run out of money at the end of the month



Managing Your Debt

Make a **budget** and plan where you will spend your money. You can take a budgeting course. Your local settlement agency may help with budgeting or know where you can get help.

Don't get into more debt.
Keep your credit card in your wallet.
Avoid "Buy now, pay later" offers.

If you can't make a payment on time, call the lender **before** your payment is due. You may be able to agree on a lower payment, a lower interest rate, or a short time with no payments.

You may be able to get a debt **consolidation** loan from your bank. You use the loan money to pay off all your other debts, so that you are only paying one loan at a lower interest rate. If you consolidate your debt, pay it off as quickly as you can, and be careful not to increase your debt again by using too much credit.

Help with Debt

You may see ads for credit repair. It is **not true** that a company can ‘fix’ or ‘erase’ a poor credit history.

Do not use a company that says it can fix your credit. No one can take items off the credit report unless the items are wrong.

You will pay a fee to the credit repair company and your credit history will still be poor.

You can make changes to your credit report yourself if some of the items are wrong by calling the credit-reporting agency.

You can only make your credit history better by paying bills on time.

Credit **counselling** agencies help to handle debt.

Some credit counselling agencies make money from their services. Some are not-for-profit agencies.

A not-for-profit agency will probably charge lower fees. They usually have other services, like help with budgeting.

Ask for recommendations from organizations you trust, such as a settlement agency.

Look for an agency that belongs to Credit Counselling Canada or a provincial association.

Most agencies charge fees, but some charge much more than others.

Some agencies can cost you more than you will save with their help.

Be careful if the agency asks you for a big **upfront** payment. Some agencies have disappeared with the payments.

Ask about fees and services, and get a written agreement.

If you are in a **debt management program**, the agency will call your **creditors** to try to reduce the interest rate.

You pay the agency, and the agency pays your creditors.

Get reports from the agency every month or two. Make sure that the agency is paying your creditors on time.

Collection Agencies

Collection agencies collect the money for debts that are **past due**.

If you don't pay your bills, the company you owe (creditor) will ask you to pay.

But if you don't pay after the creditor asks you two or three times, the creditor will pay a collection agency to get the money from you.

If your account is given to a collection agency, the agency must tell you in writing.

If a collection agency contacts you:

- Pay the money you owe, if you can.
- If you can't pay all the money now, tell the collection agency why you can't pay. Tell them what you can do to pay, such as monthly payments.
- Write down your agreement and send it to the collection agency. If you can, put at least a small payment with the agreement.
- Don't send cash to a collection agency. Pay by cheque or money order so you have a record of payment.
- Always get a receipt for your payments.
- Only pay the collection agency. Don't send payments to the creditor.
- Don't call the creditor unless there is a mistake, because it may cause confusion.
- If there is a mistake, call the creditor and the collection agency to get the mistake changed.

Provinces and territories make the rules about collection agencies.

There may be rules about:

- when the collection agency can call you
- how often they can call
- if they can call your friends, relatives, or employer
- if they can threaten you

I can't pay!

Xuan was worried.

She didn't have enough money to pay the telephone bill.

It was due in 5 days.

She had never missed a payment before.

Next month, she could pay some of this month's bill, but not all of it.

She didn't know what to do.

A friend told her to call the telephone company.

The friend said, "If you can't pay the bill, it is better to tell the telephone company now. Maybe you can make a plan to pay the bill later."

- What plan can Xuan make to pay the bill?

Credit-Reporting Agencies

Equifax Canada

National Consumer Relations
P.O. Box 190, Station Jean-Talon
Montreal, QC
H1S 2Z2
1-800-465-7166
www.equifax.ca

TransUnion Canada

Consumer Relations Centre
P.O. Box 338 LCD1
Hamilton, ON
L8L 7W2
1-866-525-0262
www.transunion.ca

(for Quebec residents)

TransUnion (Echo Group)

1 Place Laval
Suite 370
Laval, QC
H7N 1A1
1-877-713-3393
www.transunion.ca