



## Secured Credit Cards

*A secured credit card  
might be for you if:*

- You need to build a credit history or rebuild a poor credit score
- You are having difficulty obtaining other types of credit cards



## How Secured Credit Cards Work

Most credit cards offered to consumers are considered unsecured. This means that the consumer usually doesn't have to make a security deposit to obtain the card. Unsecured credit cards usually include standard, gold and platinum (both low-rate and regular-rate), retail credit cards and charge cards.

However, a secured card may be suitable for you if you're having trouble obtaining an unsecured credit card because:

- you have no credit history;
- you've had credit problems in the past and want to rebuild your credit score;
- you've recently filed for bankruptcy; or
- you're new to Canada.

### *What You'll Need to Obtain a Secured Credit Card*

To obtain a secured card, you'll need to deposit a sum of money with the credit card issuer. Depending on the credit limit you request, the required security deposit for a secured card can range from a few hundred to several thousand dollars.

As well as the security deposit, you may be charged a one-time "set-up" or application fee. Before you apply for a secured card, be sure to ask the credit issuer whether you will have to pay a fee and whether it will be refunded if your application is turned down.

Your credit limit is normally set as a percentage (usually 100 per cent or more) of your deposit. For example, if you provide the credit card issuer with a deposit of \$500, you may be granted a credit limit of \$500 or more. If you don't make your credit card payments, the credit issuer may use your deposit to pay down your credit card balance.

However, making all your credit card payments on time will help you build a credit history or rebuild a poor credit score. Once your credit score is considered satisfactory by a credit issuer, you may be eligible for an unsecured credit card such as a low-rate or regular-rate standard card. At this time, the security deposit may be returned to you if you decide to close your credit card account after paying off the entire balance.

### *Interest Rates and Other Fees That May Apply*

Secured credit cards normally have a higher interest rate than unsecured cards. Secured credit cards also usually have monthly or annual fees and, like other cards, have service fees associated with some transactions (for more details, see the *Service Fees on Credit Card Transactions* comparison table included in this kit).

### *Interest and Insurance on Your Security Deposit*

Most secured credit card issuers will pay you interest on your security deposit.

The financial institution that holds your deposit is either your credit issuer (if it accepts deposits), or another financial institution chosen by the issuer. No matter who holds your security deposit, check with your card issuer to see if your deposit is insured with the Canada Deposit Insurance Corporation (CDIC) or a provincial deposit insurance corporation. Every province also has a deposit insurance corporation that protects deposits held at the financial institutions it regulates.

CDIC insures deposits (up to a limit of \$100,000) held in financial institutions regulated by the Government of Canada. This protects you if the financial institution holding your deposit declares bankruptcy. For more information, visit CDIC's Web site at [www.cdic.ca](http://www.cdic.ca) or call CDIC toll-free at 1-800-461-2342.

### *Tips for Finding a Secured Card*

Before applying for a secured credit card, check your credit report periodically with the three credit-reporting agencies in Canada (TransUnion, Equifax and Northern Credit Bureaus Inc.). If your credit report contains an error, have the error corrected immediately, since it may prevent you from getting an unsecured card. For more information on getting a copy of your credit report or correcting errors, see our publication entitled *Understanding Your Credit Report and Credit Score*.

Here are some precautions you should take when looking for a secured card:

- Be cautious about secured card offers from unknown institutions. If you have doubts about the integrity of a secured credit card offer, contact FCAC toll-free at 1-866-461-3222.
- Beware of secured card offers from issuers outside Canada. If you have problems, it may be difficult to resolve them if the company is not located in Canada.
- Avoid offers for secured cards that do not have a recognized brand name such as VISA, MasterCard or American Express. These cards may only be accepted at a small number of stores or may require you to make purchases from a specific catalogue.
- Read and make sure you understand all the terms and conditions associated with a secured card before you accept it.

## Secured Credit cards

| Issuer Card Name                                                      | Minimum Personal Income Required (\$) | Minimum Credit Limit (\$) | Security Deposit Required (\$) | Annual Interest Rate       |                                |                                    | Grace Period on New Purchases <sup>3</sup> |                 |
|-----------------------------------------------------------------------|---------------------------------------|---------------------------|--------------------------------|----------------------------|--------------------------------|------------------------------------|--------------------------------------------|-----------------|
|                                                                       |                                       |                           |                                | Purchases (%) <sup>1</sup> | Cash Advances (%) <sup>2</sup> | Balance Transfers (%) <sup>2</sup> | Number of Days                             | Method          |
| <b>Capital One Bank</b><br><i>Secured MasterCard</i>                  | Not specified                         | 200                       | 75 to 200                      | Prime + 14.80 <sup>5</sup> | Prime + 14.80 <sup>5</sup>     | Prime + 14.80 <sup>5</sup>         | 25                                         | M2              |
| <b>CIBC</b><br><i>CIBC Secured Classic VISA<sup>6</sup></i>           | 15,000                                | 500                       | Same as credit limit           | 18.50                      | 18.50                          | 18.50                              | 24                                         | M2 <sup>7</sup> |
| <b>CIBC</b><br><i>CIBC Secured Dividend Card<sup>6</sup></i>          | 15,000                                | 500                       | Same as credit limit           | 19.50                      | 19.50                          | 19.50                              | 24                                         | M2 <sup>7</sup> |
| <b>CIBC</b><br><i>CIBC Secured Gold VISA Card<sup>6</sup></i>         | 35,000                                | 5,000                     | Same as credit limit           | 18.50                      | 18.50                          | 18.50                              | 21                                         | M2 <sup>7</sup> |
| <b>CIBC</b><br><i>CIBC Secured Vacationgold VISA Card<sup>6</sup></i> | 35,000                                | 5,000                     | Same as credit limit           | 19.50                      | 19.50                          | 19.50                              | 21                                         | M2 <sup>7</sup> |
| <b>Home Trust</b><br><i>EquityLine Visa</i>                           | 5,000                                 | 5,000                     | Equity on your home            | 7.99 to 13.99              | 7.99 to 13.99                  | 7.99 to 11.99                      | 21                                         | M1              |
| <b>Home Trust</b><br><i>Secured Visa</i>                              | 5,000                                 | 1,000                     | Same as credit limit           | 19.50 to 24.50             | 21.50 to 24.50                 | N/A                                | 21                                         | M1              |
| <b>Peoples Trust</b><br><i>Horizon Plus Secured MasterCard</i>        | Not specified                         | 500                       | Same as credit limit           | 19.50                      | 24.50                          | N/A                                | 25                                         | M1              |

| Annual Fees                    |                                | Rewards and Benefits <sup>4</sup> |                  |                               |                 |            |              |                                           |
|--------------------------------|--------------------------------|-----------------------------------|------------------|-------------------------------|-----------------|------------|--------------|-------------------------------------------|
| First Card (\$)                | Extra Cards (\$)               | Rewards Program                   | Travel Insurance |                               |                 |            |              | Purchase Protection and Extended Warranty |
|                                |                                |                                   | Accident         | Trip Cancel. and/or Interrup. | Medical         | Car Rental | Flight Delay |                                           |
| 59                             | Free                           |                                   |                  |                               |                 |            |              |                                           |
| Free                           | Free                           |                                   | ✓                | ✓ <sup>8</sup>                | ✓ <sup>8</sup>  |            |              | ✓                                         |
| Free                           | Free                           | Up to 1% cash back                | ✓                | ✓ <sup>8</sup>                | ✓ <sup>8</sup>  |            |              | ✓                                         |
| 99                             | 30                             | Points towards merchandise        | ✓                | ✓ <sup>8</sup>                | ✓ <sup>9</sup>  | ✓          |              | ✓                                         |
| 39                             | Free                           | 1% vacation dollars               |                  | ✓ <sup>8</sup>                | ✓ <sup>10</sup> | ✓          |              |                                           |
| Free <sup>11</sup>             | Free <sup>11</sup>             |                                   |                  |                               |                 | ✓          |              |                                           |
| 90 to 120 <sup>12</sup>        | 36 to 60 <sup>13</sup>         |                                   |                  |                               |                 |            |              |                                           |
| 5.95 monthly fee <sup>14</sup> | 2.95 monthly fee <sup>14</sup> |                                   |                  |                               |                 |            |              |                                           |

<sup>1</sup> If the grace period does not apply, interest on purchases is calculated from the date of purchase of the item or, in some cases, the date the item is posted to your account.

<sup>2</sup> Unless otherwise notified, for cash advances or balance transfers, interest is calculated from the date funds are borrowed. There is no grace period.

<sup>3</sup> The grace period represents the number of days between the statement date and the payment due date, during which new purchases are **interest-free** if you meet the conditions of the interest calculation method (Method 1 [M1] or Method 2 [M2]) used by the issuer. See Getting the Most from Your Credit Card for more information on the interest-free period and the conditions set out by M1 and M2.

<sup>4</sup> This is not a complete list of all rewards and benefits offered by credit card issuers. Check with the credit card issuer for more details about other rewards and benefits they might offer for additional fees.

<sup>5</sup> As of June 1, 2006, the financial institutions' prime rate was set at 6.00 per cent.

<sup>6</sup> It is **not** possible for a consumer to apply for this secured credit card. Under certain circumstances, CIBC may offer this credit card to specific consumers, instead of turning down their application for a standard credit card.

<sup>7</sup> CIBC applies M2 in all provinces except Quebec, where M1 is applied.

<sup>8</sup> This option is offered for an additional fee.

<sup>9</sup> The maximum duration of the coverage is 31 days for travellers less than 65 years old.

<sup>10</sup> The maximum duration of the coverage is 15 days for travellers less than 65 years old.

<sup>11</sup> A one-time, non-refundable set-up fee of up to 2.0% of the credit limit and a legal fee around \$499, depending on your province of residence, are charged.

<sup>12</sup> Paid on a monthly basis; a \$39 non-refundable one-time fee also applies.

<sup>13</sup> Paid on a monthly basis.

<sup>14</sup> A \$49 account set-up fee applies for the first card and a \$29 account set-up fee applies on extra cards.



*How You Can Reach Us*

*Financial Consumer Agency of Canada  
427 Laurier Avenue West, 6th floor  
Ottawa, Ontario K1R 1B9*

*Telephone (toll-free): 1.866.461.3222  
Fax (toll-free): 1.866.814.2224  
Web site: [www.fcac.gc.ca](http://www.fcac.gc.ca)*

*E-mail:  
General inquiries: [info@fcac.gc.ca](mailto:info@fcac.gc.ca)  
Publications: [pub@fcac.gc.ca](mailto:pub@fcac.gc.ca)*

