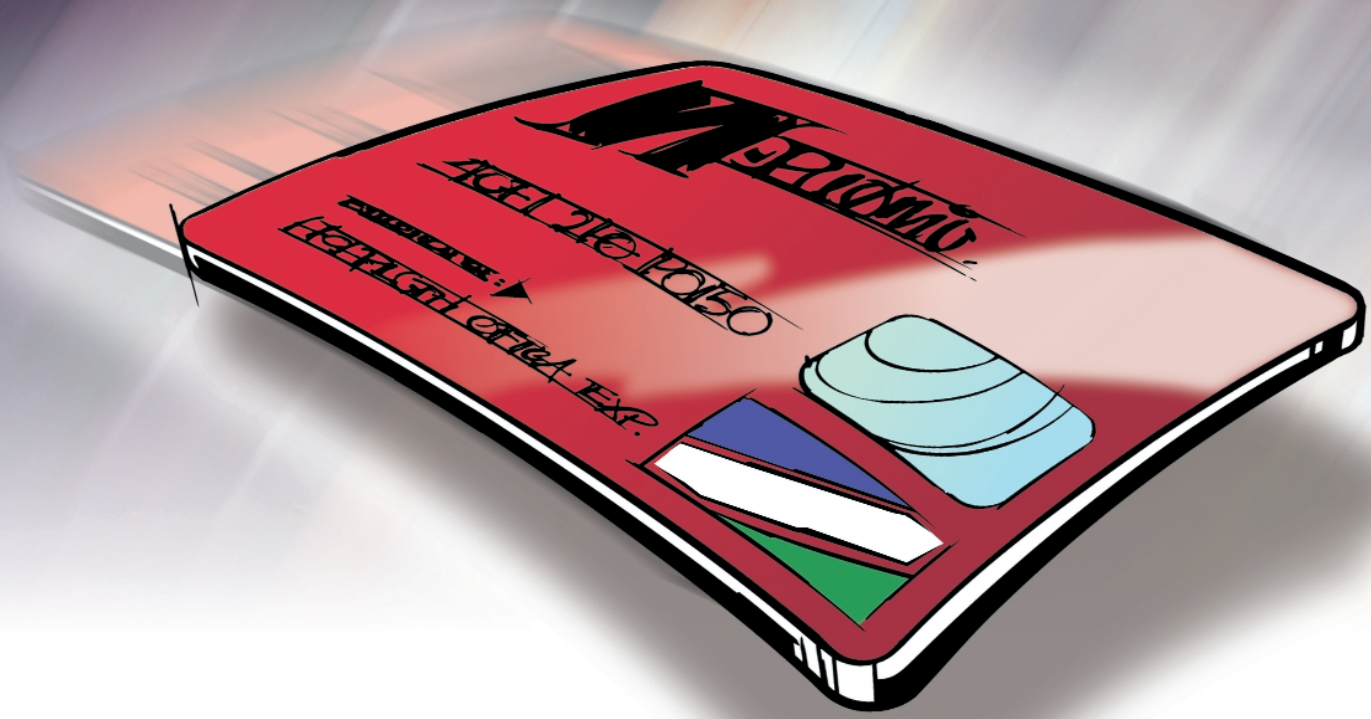


Reality Choices

Making decisions in a changing consumer marketplace

Dealing with Credit





Dealing with Credit

If you are between 18 and 30 years old, you have likely already faced some hurdles in the financial world — maybe you didn't have all of the information you needed or you just weren't aware of the obstacles. To avoid going into debt, or to find ways to get out of debt, read the following information. It will give you a general understanding about the pros and cons of credit.

Do you know you have a credit rating?

Your credit history or credit rating starts from day one — the first time you get a credit card in your name, a loan or line of credit from a bank, or even a subscription to a CD or video club. Virtually everyone has a credit history.

Credit reporting agencies are in the business of gathering credit information to establish your credit history and your credit worthiness. When you ask for a loan, apply for a credit card, or even want to rent a place to live, the potential lender or landlord, as a member of a credit reporting agency, may buy credit information about you. There are two main credit reporting agencies in Canada: Equifax Canada Inc. and Trans Union of Canada. These private agencies collect information about borrowers from other credit grantors.

What's in my credit file?

Although the information allowed in a file may differ depending on where you live in Canada, you will generally find the following in your file:

- Identifying information — name, address and date of birth (there is no legal requirement to provide your social insurance number).
- Employment history — company, job title, length of employment and income.
- Credit status — late payments, current outstanding debt, available credit and payment history on existing debt.
- Public information — any of your financial affairs that are on the public record, including bankruptcies, judgements against you and unpaid taxes.
- A list of those who have made credit inquiries about you.

Your home province or territory may have credit-reporting laws.

What should *not* be in my credit file?

Again, provincial or territorial laws may limit the kinds of information that are on your file, but generally, the following information should not appear:

- Information about race, colour, religion, health or health care history, or criminal charges not resulting in conviction.
- Negative credit information if it is beyond limitation periods.



To get copies of your credit report, send a letter to both agencies with your full name, current address, former address, date of birth and daytime telephone number with a copy of two pieces of signed identification.

Equifax Canada Inc.
Box 190, Jean Talon Station
Montréal QC H1S 2Z2

Toll-free: 1-800-465-7166
Tel.: (514) 493-2314
Fax: (514) 355-8502

Web site: <http://www.equifax.ca>

For all provinces except Quebec:

Trans Union of Canada
Consumer Relations Centre
P.O. Box 338, LCD 1
Hamilton ON L8L 7W2

Toll-free: 1-800-663-9980
Tel.: (905) 525-0262

For Quebec residents:

Trans Union (Echo Group)
Suite 200
1600 Henri Bourassa Boul. Ouest
Montréal QC H3M 3E2

Toll-free: 1-877-713-3393
Tel.: (514) 335-0374

Web site: <http://www.tuc.ca>

Reviewing your file

- You have a legal right to see your credit file.
- Credit reporting is regulated provincially or territorially.
- Check your credit file for errors, and for positive information that is missing (such as a successful repayment).

Correcting your file

If you find information on your file that you disagree with, you have the right to explain or protest. Your first contact is Equifax or Trans Union.

If you find an error, contact your provincial or territorial consumer affairs agency and ask them what you need to do to correct it. Errors can include someone else's information on your file; debts listed that aren't yours; debts listed that have been paid in full; and incorrect payment history.





Trouble signs

You know you have a debt problem when you:

- frequently pay bills after their due date;
- bounce cheques regularly;
- use an advance from one credit card to pay the minimum amount on another card;
- receive a call from a collection agency;
- regularly ask friends or family for loans;
- have your utilities cut off for non-payment.

How to manage debt

No money down, easy credit terms, rent to own, interest payments that don't start for six months, credit cards in every pocket — it's very easy to get into debt. So before you sign up, think about how much debt you can afford. Think twice before using credit cards or other loans that will result in debt to extend your salary/income or your lifestyle. Credit problems now will stay with you for several years and could affect your future plans.

Or, perhaps you don't really need short-term credit such as credit cards and lines of credit. You can save what you would be paying in interest for other things.

"I buy when I have the money, or when I know I can honour the payments on time."

Credit cards

Credit cards can be convenient things and are even necessary for some purchases, such as those made on-line. But convenience can have a price — credit cards can have a significant impact on your budget when you don't pay the balance in full when it's due.

The next time you get a credit card bill, check out the annual interest rate for overdue accounts. It may be way over what financial institutions ask you to pay on loans or lines of credit. Credit card rates typically range from 9 percent to 29 percent. Shop around for the best card. If you're not paying off your credit card bills monthly, you may be paying high interest charges.

If you are going to use a credit card, find out which one is the best for you by using Industry Canada's free Credit Card Costs Calculator (<http://consumer.ic.gc.ca>). Choosing the right credit card based on your own spending and paying habits can save you a lot of money. Cards vary tremendously in their interest rates and suitability for individual consumers.





Credit card tips

- Save money by paying cash instead whenever possible.
- Know how much you're paying in interest, and shop around for the best rate.
- Pay your credit card debt in full when it is due because interest mounts up fast.
- Keep the number of cards you have under control — the fewer the better.
- A low credit limit will force you to use discipline. Ask a financial institution to lower your limit. If you shop on the Internet, a low credit limit might be a good idea anyway, because it can limit the damage if your credit card number goes astray.
- Credit cards offer some protection, and if yours is lost or stolen you are responsible for a maximum of \$50 that anyone else may put on your card. As well, the financial institution that issued your card may stand between you and the merchant if something goes wrong.
- A line of credit, usually at a lower rate of interest, may be helpful in paying off credit card debt.

If it sounds too good to be true...

What about those “no interest for six months” ads? Read the fine print. If you don't pay off the entire bill within the six months, you'll probably find that the interest clock started ticking the moment you made the purchase.

Similarly, rent-to-own schemes may cost much more than other ways of paying, such as with cash, a bank loan or your credit card, even if their monthly payments seem small.

Debit cards

Using a debit card is like using cash: you may pay a transaction fee, but as long as you have money in your account you won't have to pay interest. However, there are things to consider when getting a debit card:

- In many cases your financial institution may not send you a detailed report of your purchases. This can make record keeping confusing and difficult. The result: it's harder to keep on top of things. Your record keeping needs to be very accurate.

- Ask your financial institution to send you a detailed monthly report of your purchases. See if you can receive it at a student rate or at the lowest possible cost.
- Your debit card might be attached to a line of credit, which makes it very easy to overspend — and costly too.
- If something goes wrong — say, someone gets your card and personal identification number (PIN), and makes a fraudulent purchase or withdrawal — you'll probably lose the money, with no recourse. If your debit card is attached to a line of credit, the thief could clean out your line of credit too.
- If you have a debit card, keep your PIN and card in separate places.



I'm in over my head. Where do I go for help?

Remember the trouble signs. If you can relate to one or more of them, it's time to stop and reorganize your finances. Take action before creditors start taking action.

Your first step is to gather all your information: income, expenses, debts, and which debts are secured and by what means. You need to know exactly what you're up against.

Many jurisdictions have not-for-profit credit counselling services that will review your financial situation with you and suggest options. They may be able to organize a creditor-approved debt repayment program. Some of these service providers may charge a small user fee.

Visit <http://www.canlaw.com/credit/counselling.htm> for a list of provincial and territorial non-governmental credit counselling organizations.

If a not-for-profit credit counselling service is not available in your area, look for a credit counselling business that charges a small fee. Ask what they will provide for the fee, and if you can see a sample of what they can do for you. If you have questions, contact your provincial or territorial consumer affairs agency.

Other options:

- Talk to your creditors and try to reschedule your payments.
- Consider a debt consolidation loan. Interest rates are typically set at the prime rate plus a percentage determined by the lender, which is usually less than a credit card rate. You may need a cosigner or other security, or both.

Loan brokers

Consumers may turn to loan brokers who often advertise in the classified sections of newspapers and on television. Loan brokers may charge fees in addition to interest. Most jurisdictions' cost of borrowing legislation would consider these fees to form part of the interest rate, which may not exceed 60 percent as allowed under the Criminal Code.

Advance fee loan brokers

Some loan brokers charge advance fees to obtain or provide a loan for a consumer. Advance fee loan brokers also often advertise in the classified sections of newspapers and on Internet sites.

It is illegal in some jurisdictions to charge a fee, whether it's called a "deposit," "insurance" or just an "administrative fee" to borrowers before they get the money. Some borrowers have been known to send fees ranging from \$200 to \$1500 to companies and never received their loan. They ended up with even less money to work with.

Other potential sources of money

You may encounter various unconventional businesses that offer to help you in your time of financial need. These may include: storefront loan offices, cheque cashing services, and the like. These are often more expensive than other alternatives. Most likely, you'll be charged a high interest rate and/or high fees. Consider other options. You may be better off with a loan or line of credit.

Credit repair companies

Credit repair companies claim to act on consumers' behalf to improve their credit file — fast — but for a fee. This fee is often as high as \$1500. In reality, no credit repair company has the power to change or erase accurate information in a consumer's credit file — information such as a history of late payments. The only way to improve a poor credit rating is to work with your creditors and show that your payment habits have improved.

The Perils of cosigning

Be cautious if someone asks you to cosign a credit contract. Cosigning carries serious obligations. You are promising a financial institution that you will pay off the loan if the other person is unable to do so. Could you really afford to pay the entire amount yourself?

Review your friend's or relative's position. There is probably a good reason why the financial institution requires a cosigner. You'll probably discover the applicant is not a good credit risk in their eyes.

If the person doesn't keep up payments, the outcome could be a court judgement against you for the amount of the debt owing. This could affect your credit record and your own budget.



A word about bankruptcy

Bankruptcy should be the last alternative if you cannot meet your financial responsibilities through affordable payments over a specific period of time. Bankruptcy is a serious step with many consequences and it may not be the solution to your difficulties in trying to manage your finances. When you declare bankruptcy, your property minus any exemptions under provincial or territorial law is given to a trustee, who then sells it and distributes the resulting money among your creditors. With certain exceptions, you are no longer responsible for any debts you have accumulated.

Immediate effects of bankruptcy

- Certain debts are erased entirely: credit card, medical and utility bills, etc.
- Other debts remain: child support, alimony payments, etc.
- Student loans less than 10 years old are not discharged in bankruptcy.
- You must give up assets that are not exempt under provincial or territorial law, which could include personal items and furnishings. You may be able to keep your car if you can prove you need it for work. Laws differ in each jurisdiction. Be careful to check what is exempt for you.
- Unsecured creditors can no longer take legal steps to recover your debts. They can no longer threaten action against you.
- To declare bankruptcy, you must pay a filing fee as well as a fee to the administrator who handles the bankruptcy.

Future effects of bankruptcy

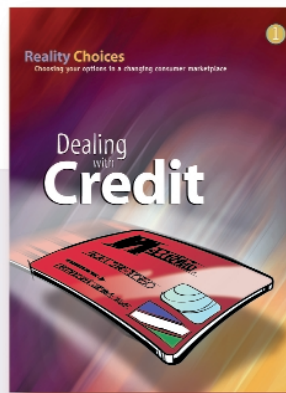
- Any future credit you obtain may be more expensive.
- You may have trouble getting bonded, a requirement for certain jobs.
- Your bankruptcy remains on your credit file for a number of years, depending on your jurisdiction.
- Bankruptcy may result in negative consequences in other areas of your life including the attitudes of your family, friends and community.

For more information, go to Industry Canada's Office of the Superintendent of Bankruptcy Canada Web site (<http://osb-bsf.ic.gc.ca>), or contact the nearest Office of the Superintendent of Bankruptcy Canada or your provincial or territorial consumer affairs agency (in the Government listings of your telephone directory).

Aussi offert en français sous le titre
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CONSUMER PROTECTION is an important goal for federal, provincial and territorial governments in Canada. In the spirit of cooperation, and to improve efficiency on the consumer front, the Consumer Measures Committee (CMC) was created under Chapter Eight of the *Agreement on Internal Trade*. This agreement is designed to provide a framework for federal, provincial and territorial governments working together in the area of trade within Canada. CMC, which has a representative from the federal government and every province and territory, provides a forum for national cooperation to improve the marketplace for Canadian consumers by harmonizing laws and providing information. Consumer information targeted to young Canadians between the ages of 18 and 30 is important as these consumers are faced with first-time choices in a complex and changing marketplace.

GOVERNMENTS INVOLVED IN THIS PROJECT INCLUDE:

