



Credit Reports, Debt Solutions & Credit Counselling

www.nomoredebts.org | www.mymoneycoach.ca



We Help. We Educate. We Give Hope.

Agenda

- Financial Wellness
- Credit Reports and Scores
- Debt Solutions
- What is Credit Counselling?
- Case Studies, Q&A



Objectives

By the end of the session, you will be able to:

- Describe the difference between a credit report and credit score
- Identify ways to improve credit
- Describe ways to pay off debt
- Know what to look for in a credit counselling service



A stylized graphic of a human figure in blue and orange, positioned in the top left corner of the slide. The figure is composed of smooth, flowing lines, with an orange circle representing the head and a blue swoosh representing the body and limbs.

Top Reasons We See for Financial Trouble

1. Excessive use of Credit or Using Credit for Living Expenses
2. Unemployment / Underemployment
3. No Budget / Lack of Financial Education
4. Injury / Illness
5. Separation / Divorce and Family Expenses
6. High Student Loan Debt / Education Expenses
7. High Housing Costs

Financial Wellness



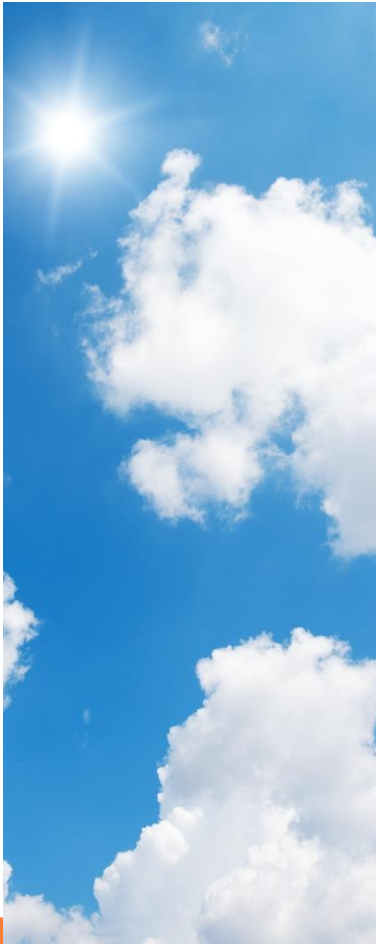
**So what's in it for us
if we're good
with our money?**

A stylized human figure composed of a blue swoosh for the body and an orange swoosh for the arms, with a small orange circle for the head.

Financial Wellness

There's a lot in it for us if we're good with our money:

- Less stress and stress related illnesses
- Having the energy to make healthy choices, financial and otherwise
- An increased ability to focus, manage through adversity



What is Credit?

1. **Borrowing money now with the promise to pay it back later, possibly with interest.**
2. **The borrowing capacity of an individual.**



Using Credit



**What are some things
we typically use credit
for?**

Using Credit



Things we *need!*

Things we *want!*

**Things we didn't plan
for!**



Using Credit Cards Wisely

Amount Borrowed	Interest Rate	Monthly Payment	Time to Pay Debt	Interest Paid	Total Cost

Interest Rate Comparison



- Pay day loans: annualized interest is up to 599.84%
 - 15-23% over a 2 week period
- Bank Overdraft: 21% APR
- Credit Card: 19% APR
- Line of Credit: 6% APR

What is a Credit Report?

A detailed history of an individual's credit behaviour over the past number of years.



What's On Your Credit Report?



- Personal Information
- Hard Hits
- Soft Hits
- Public Records
- Consumer Statement
- Trade lines/Credit Ratings

Hard and Soft Hits



Hard hits are inquiries for the purpose of approving a credit application

- They can impact your credit viability

Soft hits are inquiries for information purposes

- They are shown only to you

Credit Ratings



A credit rating is the lender's record of your payment history on your account.

- It uses a letter (type of credit) and a number (payment status) to show how you're doing.
- Each account/trade line will have its own rating

Credit Ratings



Types of Credit:

- Revolving: R
- Installment: I
- Open: O
- Mortgage: M
- Line of Credit: C
- Lease: L

Credit Ratings

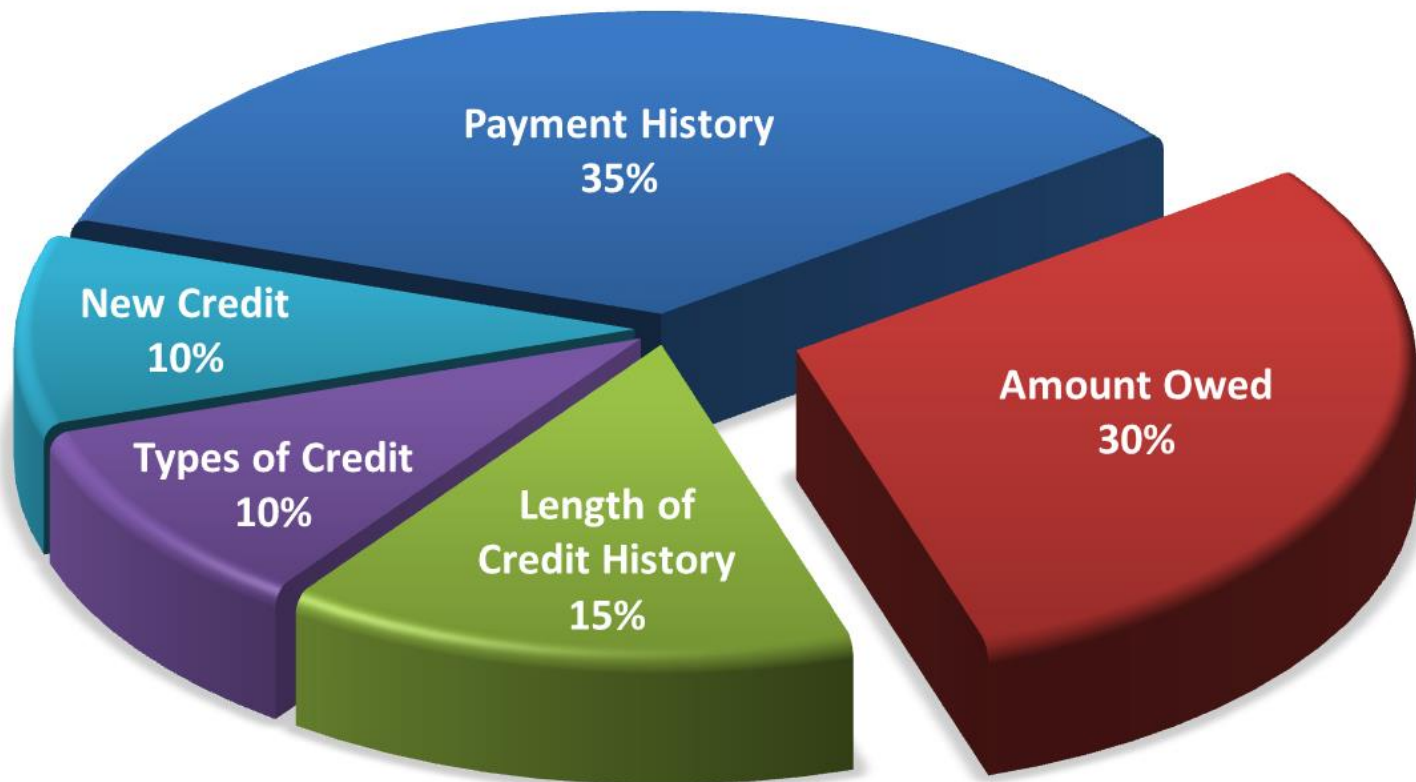
Payment Status	
Too new to rate	0
Paid as agreed	1
Paid late but within 30 days	2
Paid up to 60 days late but not more than 90 days; 2 payments past due	3
Paid up to 90 days late but not more than 120 days; 3 payments past due	4
Account is at least 120 days overdue but not rated 9 yet	5
Making payments under consolidation order, debt repayment or similar arrangement	7
Repossession	8
Bad debt; placed for collections; settled debts; bankrupted debts	9

Your Credit Score



- Your credit score is a predictor that lenders use to see how likely you are to pay back your debts
 - Credit scores range from 300-900
 - A higher score means less risk to a lender.

Your Credit Score



Credit Reporting Agencies



Equifax - www.equifax.ca

1-800-465-7166

Transunion - www.transunion.ca

1-800-663-9980

Credit Report Facts



- It's free to check your credit report 1x/year
- Checking your own credit report does not affect you negatively
- Creditors choose what they report to each agency, so you should check your own report with both companies
- If there are mistakes on your credit report, it is up to you to get them fixed

Who Wants to Know?

- Lenders
- Employers
- Landlords



TRUE or FALSE



I can afford the minimum payment so it's okay to buy it.

FALSE

Making Minimum Payments

- Making minimum payments is required to have your credit product rated as a 1

\$5000: 19.9% interest, declining balance, paying 2% of balance

- **\$22,416 total interest**
- **65 years to pay off!**



TRUE or FALSE



I need a lot of credit cards to build credit.

FALSE

Building Credit

- More open credit = more risk for your lenders which decreases your credit score
- Having lots of credit available can be very tempting!



TRUE or FALSE



Maxing out my credit card then paying it off builds credit.

FALSE

Max Out/Pay Off



- By exceeding 60% of your credit limit on a regular basis, your credit score will be negatively impacted
- **Your lenders will assume that you're over extending yourself financially**

TRUE or FALSE



I use my credit card for points so I put everything on it.

IT DEPENDS

Credit Cards for Points



- Are you paying it off in full every month?
- How much are you paying in:
 - Interest? Annual Fees?
 - **Does it make sense?**
- Missed payments can void your points

TRUE or FALSE



I don't need high limits to build good credit.

TRUE

High Limits



- High limits, even with no or low balances means more risk for your lenders
 - Four \$10,000 credit cards means **RISK** for your lender because you could be \$40,000 in debt tomorrow



TRUE or FALSE



To build good credit, I pay my credit card as soon as I use it.

FALSE

Pay As Soon As I Use

- If you use and pay right away, you aren't building credit
 - A balance owing has to hit your statement before a payment goes through or it always shows you owing nothing



TRUE or FALSE



I need to pay a monthly fee to ensure that my credit and identity are protected.

FALSE

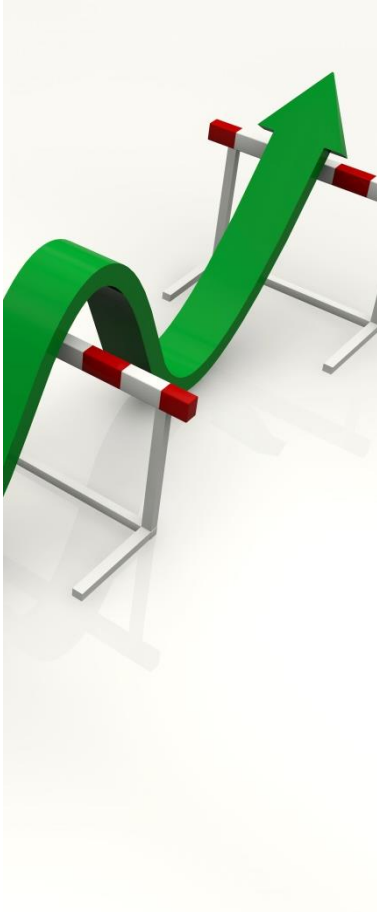
Monthly Credit Check



Checking your credit report one per year with both Equifax and Transunion is sufficient.

- Monitoring is helpful in identity theft situations but not day to day

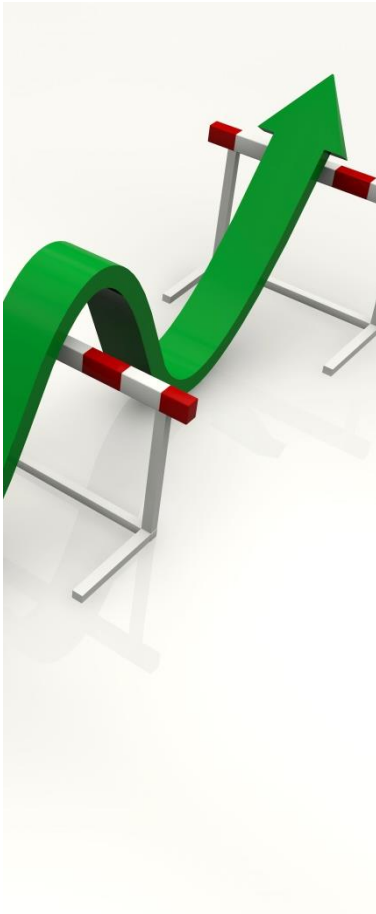
TRUE or FALSE



I can rebuild my credit in 6 months using credit rebuilding companies.

FALSE

Rebuilding Credit



These companies are trying to sell you a higher interest loan

- Making payments will work to rebuild your credit but you're getting into debt to do so.

Some things, like bringing balances down, work faster than others.

Improving Your Credit



You can improve your credit but it takes time.

- Make all of your payments on time
- Pay your credit card in full each month
- Use a secured credit card
- Get a cell phone contract you can afford
- A single purchase now and then will build credit

TRUE or FALSE



Good credit is everything.

FALSE

Good Credit Is Everything



Not at the expense of:

- High debt loads
- Making only minimum payments
- Money stress
- Money fights with your family
- Self-worth

Does Not Build Credit



- Visa Debit card
- Pre-paid credit cards
- Pre-paid cell phones
- Payday loans

Final Thought



Credit is neither good nor bad. How it is used makes it either a tool or a weapon.

Debt in Canadian Society



- Current debt-income ratio is 1.65
- 35% of Canadians struggle to pay monthly bills
- 50% have no budget
- 50% report living paycheck to paycheck
- 51% lie about their finances

* Stats sources from Stats Can and BMO Surveys

Types of Debt

- Unsecured
 - Debt without an asset tied to it
- Secured
 - Debt guaranteed by collateral
- Government
 - Debt owed to the government



Unsecured Debt



Debt without an asset tied to it

- Revolving: Credit card, line of credit
- Installment: Loan
- Open: Cell phones, cable contracts, gym memberships

Secured Debt



Debt guaranteed by collateral

- Revolving: Credit card, line of credit
- Installment: Loan, Lease, Mortgage

Government Debt



- Debt owed to the government
 - Taxes
 - Student loans
 - Provincial medical premiums
 - Provincial insurance

How Much Debt Do I Have?



Take an inventory of your debts

- Make a list of all debts
 - Include balances, minimum payments and interest rates
- Request your credit report if you don't know
- Determine your strategy

Options for Dealing with Debt



- Self-Administered
- Debt Management Program
- Legal Solutions
 - Consumer Proposal
 - Bankruptcy

Check for Signs



- Am I regularly in my overdraft?
- Am I using credit to deal with emergencies?
- Am I using credit often to supplement living expenses?
- Am I moderately stressed about money?

Self-Administered



Increase income and/or decrease expenses

- Track your expenses
- Create a realistic budget
- Allocate surplus towards debt

Self-Administered



Talk to your financial institution

- Consolidation loan, refinance mortgage
- Ask for lowered interest

Ask family and friends for help

Sell assets

Self-Administered



Select a pay down method

- Debt Avalanche Method
- Debt Snowball Method

Self-Administered



Debt Avalanche

- Pay debts in order of interest rate
 - Start with the highest interest rate
- Focus on paying off one balance at a time
 - Make minimum payments on all other debts
- Pay debts faster and less interest

Self-Administered



Debt Snowball

- Pay debts in order of balance
 - Start with the lowest balance
- Focus on paying off one balance at a time from smallest to largest
 - Make minimum payments on all other debts
- Quick satisfaction and motivation

Self-Administered

If you get an influx of money, considering putting:

- 40% towards debt
- 40% towards savings
- 20% towards guilt-free fun



Check for Signs



- Are my credit products maxed?
- Am I fighting with family about money?
- Am I considering selling investments/RRSPs to pay debt?

Check for Signs



- Have I been declined for credit?
- Am I receiving collection calls?
- Am I using or considering payday loans?
- Is my stress level impacting my health and sleep?

Seeing a Credit Counsellor



Do some research:

- Is the organization non-profit?
- Are they accredited? Through whom?
- What kind of training do the credit counsellors go through?
- Are there fees? If so, for what?
- Are there complaints with the BBB?

Credit Counselling Society



A non-profit organization started in BC in 1996.

- Accredited through Credit Counselling Canada
- Counsellors trained to receive AFCC designation
- Fees are only charged for program participation. Counselling is free.
- A+ rating with BBB

Debt Management Program



A voluntary repayment agreement between you and your creditors.

- Creditors reduce or eliminate interest
- Unsecured debts are consolidated in a single monthly payment
- Impacts your credit negatively but has no permanent record

Debt Management Program



At the Credit Counselling Society:

- All counselling is free and confidential
- Education and counselling support provided throughout
- Assistance rebuilding credit once complete

Consumer Proposal



A legal process in which you pay back a portion of your total debt.

- Make fixed monthly payments for a set period of time
- Can include some government debts
- Impacts your credit negatively and leaves a permanent record
- Fees apply

Bankruptcy

A legal process in which you receive relief from your debts.

- Required to surrender certain assets
- Can include some government debts
- May be required to make payments
- Impacts your credit negatively for a longer period of time and leaves a permanent record
- Fees apply



Difficulty Paying



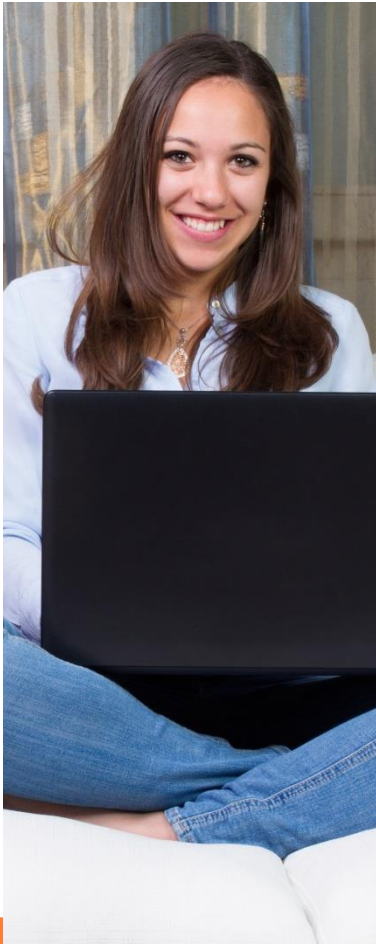
- Communicate with creditors
- Considered secured assets that may be at risk
- Be aware of the Right of Offset
- Know about your provincial statute of limitations

Final Words



**The earlier you take
action, more options
will be available.**

Conclusion



Now you are able to:

- Describe the difference between a credit report and credit score
- Identify ways to improve credit
- Describe ways to pay off debt
- Know what to look for in a credit counselling service

Learn More

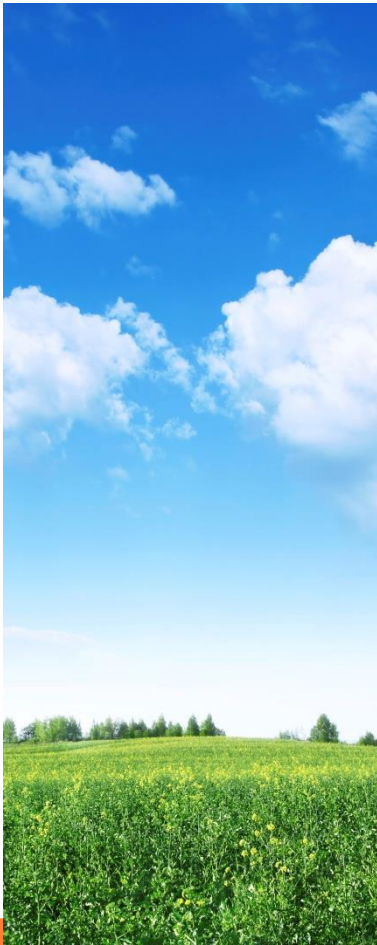
- Free tools and resources available at:



- Discover more through our:

- Monthly newsletter

- Social media



How We Help



- Confidential, *no-cost* credit and budget counselling
- Debt repayment programs and alternatives
- Consumer workshops on credit and money issues
- Helpful money management tips online:

NoMoreDebts.org myMoneyCoach.ca

1-888-527-8999