

Credit Counselling Society Presents

Money Basics for Newcomers – Part 2

nomoredebts.org | mymoneycoach.ca

We Help. We Educate. We Give Hope.



We Help. We Educate. We Give Hope.

mymoneycoach.ca | 1.888.527.8999 | nomoredebts.org



Top Reasons We See for Financial Trouble

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

Agenda



- What is credit?
- Payday loans
- Avoiding Scams
- Resources

Objectives



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

- Describe the basics of credit
- List two types of scams in Canada
- Describe how to report fraud to the authorities

What is Credit?



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

Why is this important?



- Good credit in Canada demonstrates trust and reliability
- Some people who may be interested in your credit include:
 - Banks and credit unions
 - Landlords
 - Employers

Using Credit Cards Wisely

Original Balance	Interest Rate	Monthly Payment	Time to Pay Debt	Interest Paid	Total Repaid
\$3,000	19.9%	\$60 (2%)	52 years 7 months	\$12,709	\$15,709
\$3,000	19.9%	\$60 + \$40 (\$100)	3.5 years	\$1,184	\$4,184

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

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 it's own rating

Credit Ratings



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

Credit Ratings

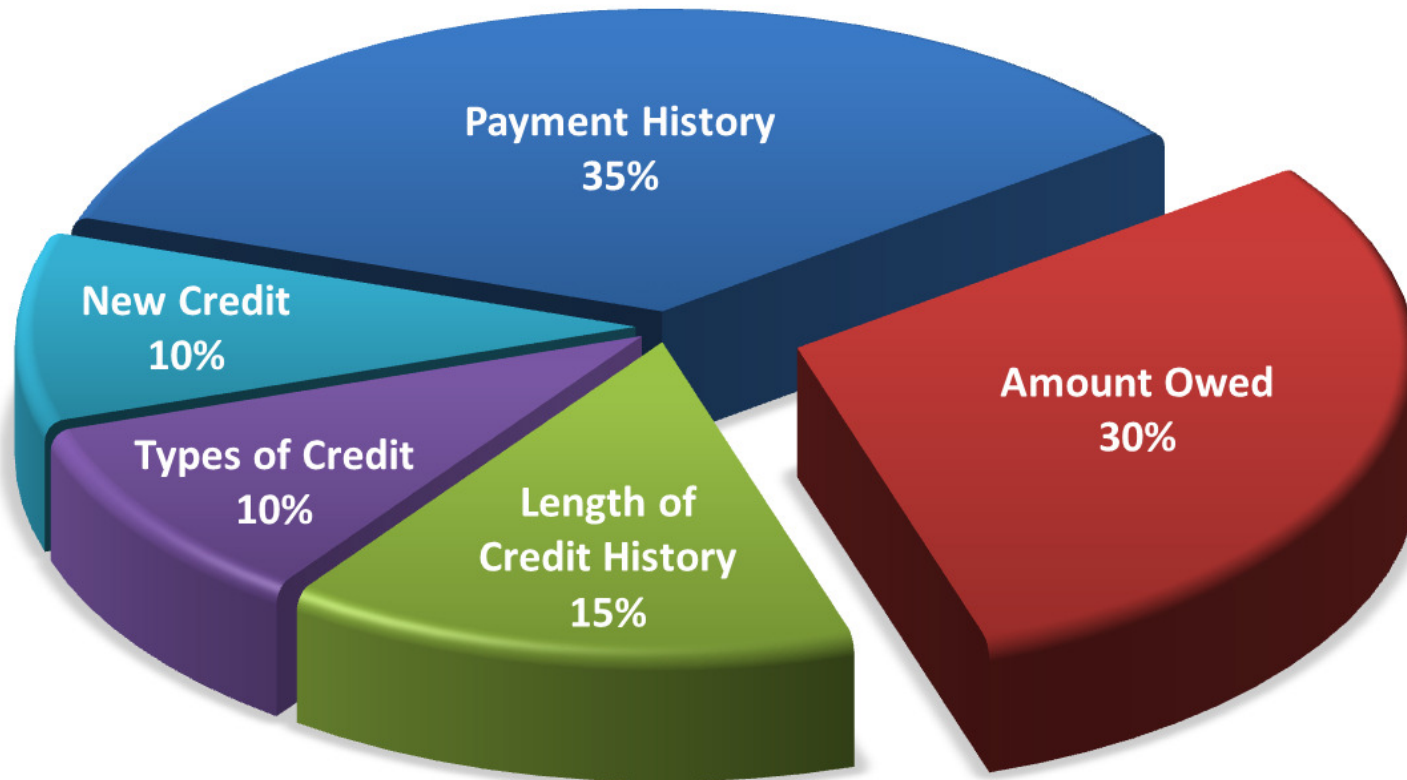
Payment Status	R/I/O
Too new to rate	0
Paid as agreed	1
Paid late but within 30 days	2
Paid up to 60 days late but not more than 90 days; 2 payments past due	3
Paid up to 90 days late but not more than 120 days; 3 payments past due	4
Account is at least 120 days overdue but not rated 9 yet	5
Making payments 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

Your Credit History



- Your credit history does not transfer from your home country to Canada
- Basic ways to build credit in Canada:
 - Cell phone on contract
 - Credit cards

Does Not Build Credit



- Visa Debit/Debit MasterCard
- Pre-paid credit cards
- Pre-paid cell phones
- Payday loans

Using Credit Wisely



- Pay creditors on time and in full
- Have only one credit card
- If you are overwhelmed, call for help and do NOT ignore the debt!

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

Payday Loans



- Facts:
 - Small loans (less than \$1500)
 - Due on next pay day (usually 2 weeks)
 - No credit check
 - High interest
 - Automatic withdrawals

Interest Rate Comparison



- Line of Credit: 2% - 20% APR
- Credit Cards: 0% - 40% APR
- Bank Overdraft: 21% APR
- Payday loans: 15% - 17% (over 2 weeks)
 - Converted to APR = 390% to 442%

The Payday Loan Cycle

	Pay Day Lender A	Pay Day Lender B	Pay Day Lender C
Loan	\$300	\$369	\$454
Fees	\$69	\$85	\$104
Total	\$369	\$454	\$558
Due Date:	Oct 1	Oct 14	Nov 1

Pay Day lenders can charge up to \$25.00 plus up to 30% of the total balance for late payment!

Signs That You Need More Help



- Constantly stressed about money
- Non-sufficient funds (NSF) charges
- Constantly in your overdraft
- Using credit to pay other credit
- Fighting with family about money
- Collection calls
- See no way out but bankruptcy

Fraud Prevention



- Fraud stats
- Credit and debit card fraud
- Reporting
- Prevention
- Who to call

Did You Know?



- Mass marketing fraud (MMF) costs Canadians \$10 billion dollars annually
- Majority of MMF is committed by organized crime groups
- It is estimated that less than 5% of MMF is reported to the Canadian Anti-Fraud Centre

Debit Card Fraud



- Protect your debit card and PIN
- Memorize your PIN
- Swipe and tap your card yourself
- Check your accounts regularly
- Call your financial institution immediately if there is a problem

Credit Card Fraud



- Review your statements every month for accuracy
- Be very cautious to give out your credit card number
- Protect your credit card and PIN
- Swipe and tap your card yourself

Identity Theft and Fraud



- Criminals are looking for:
- Personal data and identification
- User names and passwords
- PINs and credit card info
- Bank account numbers

Identity Theft and Fraud



- Criminals want this to:
 - Open accounts in your name
 - Credit Cards
 - Bank accounts
 - Make purchases you will be responsible for
 - Hide criminal activities

Fraud Prevention



- Protect your information and PINs
- Keep your physical mail safe
- Leave your SIN card at home
- Trust your instincts
- Review your credit report annually
- Review your financial information (bank account & credit card transactions) regularly

Reporting Fraud



- Contact your local police department
- Contact Canadian Anti-Fraud Centre
 - 1-888-495-8501
 - www.antifraudcentre.ca
- Contact Equifax and Transunion
 - 1-800-465-7166
 - www.equifax.ca
 - 1-877-525-3823
 - www.transunion.ca

Trust Yourself



- If it sounds too good to be true, assume it is!
- If you are wondering if something is legitimate, ASK!

Conclusion



Now you are able to:

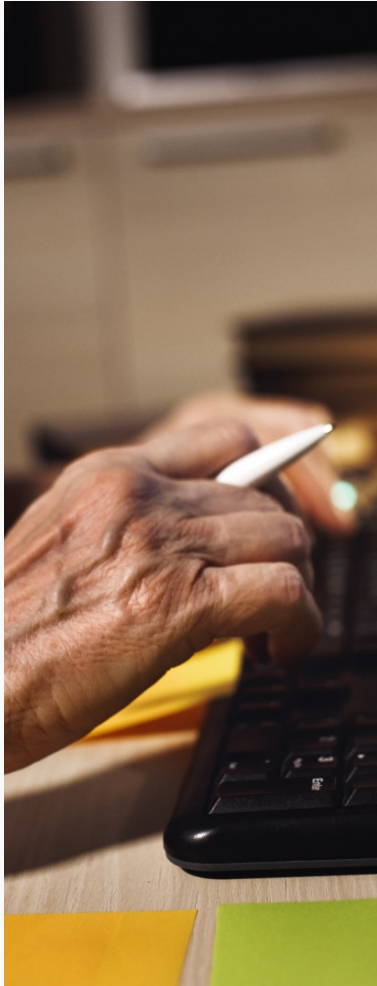
- Describe the basics of credit
- List two types of scams in Canada
- Describe how to report fraud to the authorities
- Free tools and resources available at: www.mymoneycoach.ca



ADDITIONAL RESOURCES

Some helpful
resources for
you to get
started

Learn More



#LearnWithCCS

 Facebook - @MyMoneyCoach.ca

 Twitter - @MyMoneyCoach_ca

 Instagram - @MyMoneyCoach

- Sign up for our monthly newsletter
- Check out our social media for daily tips/articles
- Subscribe to our blog
- Follow us on Social Media

How We Help



Book a free financial consultation with
one of our Credit Counsellors

1-888-527-8999

Message us through our online chat

nomoredebts.org