



# Credit and debt management module

## Trainer's introduction

Credit and debt probably cause more serious consumer problems than any other topic. It's relatively easy to take on debt, but harder to manage it and pay it off. Wise use of credit can be a valuable financial tool but, without knowledge and care, it can prevent people from getting control of their personal finances.

This module covers a range of topics related to credit and debt management. It begins with the learners' personal attitudes to debt, since managing debt starts with a personal awareness of how learners see debt and react to it. It then covers the various types of debt people encounter through their lives. Separate units review the specifics of credit cards and student loans. Mini-module 5 reviews credit reports and how to keep them positive. Mini-module 6 gives information on managing debt when it becomes a problem.

## Learning objectives

After completing the module, learners will be able to:

- Describe the pros and cons of using credit and decide when it might be appropriate for them to use credit (good debt vs. bad debt)
- Describe common types of loans they are likely to encounter as a homeowner or consumer, including credit cards, lines of credit, student loans, car loans and mortgages, and explain when each might be an appropriate choice
- Describe how a credit card transaction works
- Describe how a debit card works compared to a credit card, and how it can be used to limit spending
- Describe their rights and responsibilities when they borrow
- Read a credit card statement to identify the interest rate and the interest charges, and to identify any errors or unauthorized transactions
- Compare the fees and other costs of borrowing for similar types of loans offered by different institutions
- Compare the total costs of borrowing resulting from different interest rates



- Use consumer tips to get the best deals on credit
  
- Use a simple guideline to determine the amount of debt they can comfortably handle
- Describe strategies to reduce or avoid an excessive debt load (including credit counselling, consumer proposals and bankruptcy)
- Describe credit reports and credit scores and how they affect their personal finances
- List the main factors that affect credit scores
- Find key information in a personal credit report
- Request their personal credit report from Canada's credit rating agencies
- Describe the advantages and disadvantages of using payday loans
- Describe the main features of the Canada Student Loan system
- Identify potential risks involving credit (identity theft, misuse of card, etc.)
- Describe what to do if they are a victim of credit card fraud

### Materials/equipment required

- Copies of selected mini-modules or activities for participants
- PowerPoint file: Credit and debt management
- PowerPoint projector and screen
- Internet connection (if using)



## Time required

	To do all the activities in this module would require approximately:	To complete the module in one hour, focus on:
Introduction	<ul style="list-style-type: none"> <li>• 10 minutes</li> </ul>	<ul style="list-style-type: none"> <li>• Activity 1</li> </ul>
1: Attitudes toward credit and debt	<ul style="list-style-type: none"> <li>• 20 minutes</li> </ul>	<ul style="list-style-type: none"> <li>• Slides 7 to 9</li> <li>• Activity 3 (My Debt Ratio)</li> </ul>
2: Types of credit	<ul style="list-style-type: none"> <li>• 40 minutes</li> </ul>	<ul style="list-style-type: none"> <li>• Slides 14 to 15</li> <li>• Activity 6 (Interest Calculator)</li> <li>• Slides 17</li> </ul>
3: Credit cards	<ul style="list-style-type: none"> <li>• 40 minutes</li> </ul>	<ul style="list-style-type: none"> <li>• Slides 25 to 27</li> <li>• Activity 8 (Credit Card Comparison Tool)</li> <li>• Activity 9 (Credit Card Payment Calculator)</li> <li>• Activity 10 (Credit Cards Statements)</li> <li>• Slides 32, 33</li> </ul>
4: Student loans	<ul style="list-style-type: none"> <li>• 25 minutes</li> </ul>	
5: Credit reports and credit scores	<ul style="list-style-type: none"> <li>• 25 minutes</li> </ul>	
6: Managing debt	<ul style="list-style-type: none"> <li>• 35 minutes</li> </ul>	<ul style="list-style-type: none"> <li>• Slides 54 to 56</li> <li>• Activity 21 (Video: Tips for Managing Debt?)</li> </ul>
7: Action plan	<ul style="list-style-type: none"> <li>• 5 minutes to get started</li> </ul>	<ul style="list-style-type: none"> <li>• Activity 23 (Action Plan)</li> </ul>

## Suggested activities and PowerPoints

Use the slides together with the text in the online or printed modules. The text provides additional information, items that are not easily represented in a slide, worksheets and other references.

Select the slides you will need for your presentation. *You will not need all the slides if you don't plan to cover all the topics.*

### Introduction

Customize the agenda as needed. Introduce the workshop topic and outline the contents.

**Slide 1: Credit and debt management title page**

Credit and debt management

**Slide 2: Agenda**

Agenda

Start time: \_\_\_\_\_

Break time: \_\_\_\_\_ (10 minutes)

End time: \_\_\_\_\_

Please set phones to silent ring and answer outside of the room.

**Activity Icebreaker: How I feel about credit and debt**

Have participants complete the worksheet, How I feel about credit and debt, in the Attitudes toward credit and debt booklet.

Using the slide, How I feel about credit and debt, if necessary, review participants' responses by asking questions such as the following:

- How many people know someone who has had trouble making loan payments one or more times?
- How many know what their credit cards and other loans cost each month?
- How many people feel that they can use debt as a financial tool to help meet their financial goals?
- How many have considered getting a lower-interest loan to pay for high-interest loans that they have?

Extend the discussion by asking questions such as the following:

- If there's one thing you want to learn in this session, what would it be?
- What's the most important thing to know about credit and debt to manage your personal finances?
- If there's one thing you could already tell your best friend about credit and debt to manage your money, what would it be?

Conclude the activity by summarizing some things people already know. Explain that the session is going to build on what people know to help participants manage credit more effectively.



### Slide 3: How I feel about credit and debt

How do you feel about being in debt? Here are some sample statements. Check the one that is closest to your own attitude.

- "I never use credit if I can avoid it."
- "I'll borrow money, but I'm not comfortable until I've paid it back."
- "I use credit if it helps me get what I want."
- "Credit is a convenience and I have no problem using it."
- "I don't worry about how much debt I'm carrying because I figure I'll make the payments."
- "I'm not out of money until I'm out of credit."
- "I can't control my use of credit."

### Slide 4: Credit and debt management

This module covers:

- The different types of credit available, their purposes and how they work
- The real costs of borrowing
- What a credit report is and how to improve yours
- What to do if you run into problems with debt

### Mini-module 1: Attitudes toward credit and debt

#### Slide 5: Title slide: Attitudes toward credit and debt

Attitudes toward credit and debt

#### Overview

#### Slide 6: Attitudes toward credit and debt

This section covers:

- How your needs and wants influence your use of credit
- The difference between "good debt" and "bad debt"
- How to determine an appropriate amount of debt for you

**Activity    How I feel about credit and debt**

If you skipped the Icebreaker activity, How I feel about credit and debt, do the activity now.

***Pros and cons of using credit*****Slide 7: Pros and cons of using credit****Pros**

- Purchase large items that would take a long time to save for
- Build a positive credit history
- Pay for unexpected expenses

**Cons**

- Have to budget for repayment
- Interest adds to the cost
- Repayment limits the money you have for other goals
- Failure to repay loans gives you a bad credit history

**TIP:**

Point out that, rather than to go into debt, it's better to have a savings fund for unexpected expenses and large purchases.

**Slide 8: "Good debt" and "bad debt"****Good debt**

- Creates value or produces more wealth
- E.g.: student or business loan, home mortgage

**Bad debt**

- Loses value
- Debt you cannot repay on time
- E.g.: Credit card when you don't pay in full on time



### Slide 9: Debt ratio

#### Debt load

- The total amount of money you owe

#### Debt ratio

- Your debt payments relative to your income
- E.g.:
  - Monthly debt payments: \$200
  - Monthly income: \$2,000
  - Debt ratio:  $200 / 2,000 = 10\%$
- Keep debt ratio for consumer debt *below* 20%
- Keep debt ratio for total debt (including mortgage) *below* 40%

### Activity My debt ratio

Have participants fill in the My Debt Ratio worksheet in the Attitudes toward Credit and Debt booklet. Have them use estimates if they are not sure of exact amounts.

Prompt discussion by asking questions such as the following:

- How many people have a debt ratio below 40% for their total debt?
- How comfortable do you feel when you compare your debt to your income?
- How do you think your personal emotions, habits and values affect your debt load?
  - **Answer:** Many spending choices are affected by attitudes, emotions and behaviours. If these choices lead you to spend more than your income, they will drive up your debt load.
- What strategies could you use to keep your debt ratio below 40%?
  - **Answer:** Reduce spending and pay down debt.

Have participants gather any additional information they need to complete the worksheet after the session.



### Slide 10: Debt ratio worksheet

**My debt ratio**

Use this chart to determine your own debt ratio.

Income	Monthly amount
Monthly household income before taxes	<input style="width: 100%;" type="text" value="0.00"/> \$

Debt payments	Monthly amount
Monthly mortgage payment (including taxes and insurance)	<input style="width: 100%;" type="text" value="0.00"/> \$
Home equity loan payment	<input style="width: 100%;" type="text" value="0.00"/> \$
Auto loan payment	<input style="width: 100%;" type="text" value="0.00"/> \$
Monthly credit card bills (minimum monthly payment amount on all statements)	<input style="width: 100%;" type="text" value="0.00"/> \$
Personal loan payment	<input style="width: 100%;" type="text" value="0.00"/> \$
Student loan payment	<input style="width: 100%;" type="text" value="0.00"/> \$
Child support and alimony payment	<input style="width: 100%;" type="text" value="0.00"/> \$

### Activity Summary of key messages

Have participants in pairs or small groups discuss and write down the three or four most important things they learned during the session.

Ask a few to compare their lists with the Summary of key messages (in the text or PowerPoint slide).

Clarify any misunderstandings and point out how the messages build on the topics participants identified in the first activity.

### Slide 11: Summary of key messages

#### Summary of key messages

- Your feelings affect how you manage debt
- “Good debt” creates value or produces more wealth
- “Bad debt” is for things that go down in value
- Keep your “good debt” at a manageable level
- Keep your total debt ratio below 40%





## Mini-module 2: Types of credit

### Slide 12: Title slide: Types of credit

#### Types of credit

### Overview

### Slide 13: Types of credit

This section covers:

- The features, advantages and disadvantages of different types of credit
- How interest rates and other factors affect the cost of a loan
- How to calculate the real costs of borrowing
- How to be a smart consumer when you borrow
- Your rights and responsibilities as a borrower

### Slide 14: How credit works

- A **borrower** borrows money from a **lender**
- The borrower must repay the **principal** with **interest**
- The borrower may have to pledge assets as **collateral**
- The lender may want a **credit check** of the borrower's **credit history** to see the **credit risk**

### Activity Credit options

Have participants form pairs to review the chart, Credit options, in the Types of credit booklet.

Have participants:

- mark any of the types of credit on the list that they have used,
- explain to their partner what they think the main advantages and disadvantages are for one or more of the types of credit they are familiar with, and
- check the chart to see if it lists the same advantages and disadvantages.

Prompt full group discussion by asking questions such as the following:

- Are there items where you disagree with the chart, or want to add important information?
- Are there types of credit that might be a better choice than any you have used in the past?



## The cost of borrowing

### Slide 15: The cost of borrowing

- The cost of borrowing is the interest you pay
- The total depends on:
  - The annual percentage rate (APR)
  - The time you take to repay
  - How the lender calculates interest
  - Any extra charges

### Activity Interest calculator

Go to the interest calculator online.

Ask participants for interest calculations that they are interested in and then show the results.

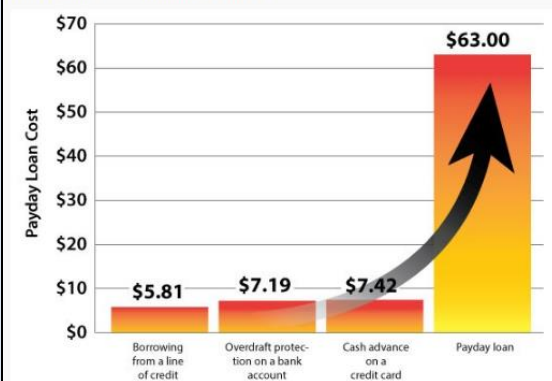
- E.g.: How much interest would you have to pay on \$1,000 at 1%, 5% or 10% per year under various term lengths, types of loan, etc.?

Point out that interest can add significantly to the cost of a purchase if not paid off quickly.

### Slide 16: Payday loans

- Loans you agree to pay back on or before your next payday
  - Usually for a limited amount
  - Interest rates and other fees are high

Figure 1: Comparing the cost of a payday loan with a line of credit, overdraft protection on a chequing account and a cash advance on a credit card. (Based on a \$300 loan for 14 days)



**Slide 17: Tips to keep borrowing costs down**

Don't borrow more than you need

- Use savings to reduce amount of loan
- Shop around and compare interest and all fees
- Make payments in full and on time
- Find out whether the loan can be repaid early
- Pay down your debt quickly if you can (with highest cost debt first)

***What you need to know*****Slide 18: What you need to know**

- The annual interest rate
- How the interest is calculated
- The grace period, if any
- The date interest charges start
- When you will receive statements
- The minimum monthly payment (or how it is calculated)
- Prepayment rights (and charges)
- Any other charges or fees that apply

**Slide 19: Joint borrowing**

- When two or more people borrow money together (co-sign)
- Each joint borrower is responsible for paying the full loan
- Before you co-sign a loan:
  - Be sure you can repay the full amount
  - Read the loan agreement
  - Know your rights and responsibilities
  - Consider life insurance to cover the loan amount

**Slide 20: Your rights when you borrow**

- Lender must provide detailed information, including interest rate and fees
- You should receive a copy of the loan agreement
- You may have pre-payment rights
- You don't have to keep a minimum balance (unless you agree to)
- Federal and provincial debt collection rights apply

**Slide 21: Your responsibilities when you borrow**

- Repay all debts in full and on time
- Borrow only what you can repay
- Understand your loan agreement before you sign it
- Understand your account statements
- Keep records of your loan agreement and repayments

**Activity Summary of key messages**

Have participants in pairs or small groups discuss and write down the three or four most important things they learned during the session.

Ask a few to compare their lists with the Summary of key messages (in the text or PowerPoint slide).

Clarify any misunderstandings and point out how the messages build on the topics participants identified in the first activity.

**Slide 22: Summary of key messages**

- Repay loans in full and on time
- Different types of credit have different costs, features, advantages and disadvantages
- Before you borrow, find out the full cost, including interest and fees
- Shop around for the best rate, and negotiate
- Compare the annual percentage rate (APR), not the advertised interest rate

**Mini-module 3: Credit cards****Slide 23: Title slide: Credit cards**

Credit cards



## Overview

### Slide 24: Credit cards

This section covers:

- How credit cards work
- How to choose a credit card that is right for you
- The consequences of late or minimal payments, and how to avoid them
- How to understand your credit card statement
- How to keep your credit card safe from frauds and scams

### Slide 25: How credit cards work

- A **credit card** provides a short-term loan
  - You borrow to pay for a purchase
  - The card issuer sends a monthly bill
  - There may be a grace period before payment is due
  - Interest is charged after due date (but may start immediately)
  - Interest starts immediately for cash advances
- A **debit card** takes money from your account to pay for purchase

### Slide 26: Benefits and risks of credit cards

#### Benefits

- Borrow money as needed
- Carry less cash
- Provides monthly statement
- Convenient payments online and by phone
- Limited fraud liability
- Helps earn good credit score
- May be warranties, rewards and other benefits

#### Risks

- May build up too much debt
- Can damage credit score if not paid regularly
- Interest rate may be higher than alternatives
- Easy to buy small items that affect your budget when added up



## Choosing a credit card

### Slide 27: Choosing a credit card

Shop around and compare:

- Interest rate
- Annual card fees
- Rewards and other benefits
- Rates after an introductory period
- Other charges may include:
  - Fees for cash advances and similar transactions
  - Charges for going over your credit limit
  - Interest rate increases for missed payments
  - Annual fee for an additional card
  - Foreign currency conversion charges
  - Fee for inactive account

### Slide 28: Credit Card Comparison Tool

[Click to here view tool online](#)

The screenshot shows the 'Credit Card Comparison Tool' page from the Financial Consumer Agency of Canada. The page header includes the Government of Canada logo and a search bar. The breadcrumb trail is: Home > Money and finances > Debt and borrowing > Credit cards. The main heading is 'Credit Card Comparison Tool' with a question mark icon. Below the heading, it states 'From Financial Consumer Agency of Canada' and provides instructions: 'Compare features for different credit cards, including interest rates, annual fees and rewards. Find the credit card that best suits your needs. Narrow your search, view credit card options, and compare your results below.' It also includes a disclaimer: 'The information in this tool has been provided by financial institutions to help you compare credit cards that may be available to you. Additional fees and service charges may apply. Please contact financial institutions directly for more information about their products.'

The 'Your comparison progress' section shows three steps: 1. Narrow your search, 2. See your results, and 3. Compare your results. A 'Help' link is visible.

The 'Filters' section contains two questions:
 

- \* 1. What province or territory do you live in? (Click to select dropdown menu)
- \* 2. In which currency would you make most of your transactions?
  - CAD
  - USD



## Activity Credit Card Comparison Tool

Click the image on the slide to demonstrate the FCAC Credit Card Comparison Tool if you have an Internet connection. Explain that the Credit Card Comparison Tool helps Canadians choose the best accounts for their needs.

Ask participants for selection data that they are interested in and then show the results.

Point out the tabs at the top of the results table, which provide information on additional account features.

Have participants use the selector tool during the session or later to find an account that best suits their needs.

### Cost of credit cards

#### Slide 29: Cost of credit cards

- The cost of credit cards depends on:
  - The interest rate
  - When you pay your charges
  - How much you pay

#### Slide 30: Credit Card Payment Calculator

[Click to here view tool online](#)

The screenshot shows the 'Credit Card Payment Calculator' interface. At the top, it features the Government of Canada logo and a search bar. Below the navigation menu, the breadcrumb trail reads: Home > Money and finances > Debt and borrowing > Credit cards. The main heading is 'Credit Card Payment Calculator' with a sub-heading 'From Financial Consumer Agency of Canada'. A paragraph explains that it's best to pay off the credit card balance in full by the due date, and the calculator compares three payment options. The options are:
 

- Option A: What if you only make the minimum payment each month?
- Option B: What if you make the minimum payment plus an additional amount each month?
- Option C: What if you pay a fixed amount each month?

 Below this, a note states: 'The credit card calculator assumes that you are not using your credit card while you are paying off the balance. Enter your information and click "Calculate..." to see the results.' The form has two main sections:
 

- Credit Card Information:** Includes a 'Credit Card Balance' field with a value of \$ 1,000.00 and an 'Annual Interest Rate' field with a value of 18.00 %.
- Option A: What if you only make the minimum payment each month?:** Includes a 'Minimum Monthly Amount' field with a value of \$ 10.00, an 'OR' separator, and a 'Minimum Monthly Percentage' field with a value of 3.00 % (with a note '(Whichever is greater)').

 At the bottom, there is a small disclaimer: 'Based on the information that you've provided your first minimum payment amount is \$30.00. Your minimum monthly payment will decrease as...'



## Activity Credit Card Payment Calculator

Click the image on the slide to demonstrate the Credit Card Payment Calculator if you have an Internet connection. Explain that the Credit Card Payment Calculator helps Canadians choose the best accounts for their needs.

Ask participants for payment data that they are interested in and then show the results.

Point out the differences in interest, total cost and time to pay off the debt with the different options.

Have participants use the selector tool during the session or later to find an account that best suits their needs.

### Credit card statements

#### Slide 31: Credit card statements

- Check your statement each month for errors or unknown charges

Here's what a typical credit card statement looks like and what the different items mean:

STATEMENT PERIOD FROM 09/30/2011 TO 11/01/2011				
ACCOUNT NUMBER	NAME	STATEMENT DATE ⓘ	PAYMENT DUE DATE ⓘ	
1234-456-789	John Smith	11/01/2011	11/22/2011	
CREDIT LIMIT ⓘ	CREDIT AVAILABLE ⓘ	NEW BALANCE	MINIMUM PAYMENT DUE ⓘ	
\$1,200.00	\$1040.97	\$159.03	\$20.00	
REFERENCE	TRANSACTION DATE	POSTED DATE	TRANSACTION DESCRIPTION	AMOUNT
483GE7382		10/27	PAYMENT THANK YOU	-532.80
32F349ER3	10/4	10/7	STAR ELECTRONICS	14.83
89102DIS3	10/7	10/9	FOOD AND MORE REST	30.55
5687JUE23	10/8	10/10	SCIENCE MUSEUM	27.50
7854DFG12	10/15	10/17	DANNY'S GAS	12.26
78RG6542H	10/20	10/22	COLORS CLOTHINGS	40.10
		11/01	INTEREST	8.79
		11/01	ANNUAL FEE	25.00
<b>Previous Balance ⓘ</b>	532.80	<b>Current Amount Due</b>	\$159.03	
<b>Purchases</b>	125.24	<b>Amount Past Due</b>		
<b>Cash Advances</b>		<b>Amount over Credit Line</b>		
<b>Payments</b>	532.80	<b>Minimum Payment Due</b>	20.00	
<b>Interest Charges</b>	8.79			
<b>Non-interest Charges</b>	25.00			





## Activity Credit card statements

Have participants identify each of the following on the sample credit card statement in the Credit Cards booklet:

- 1 **Statement date:** the date on which the statement is issued, marking the end of the previous billing period and the start of the new billing period
- 2 **Payment due date:** the date by which your payment must be received by the credit card issuer (not the postmarked date)
- 3 **Credit limit:** the maximum amount you can borrow on the card at a time
- 4 **Credit available:** the amount of credit remaining on the card after your past balance and new charges have been subtracted from your credit limit
- 5 **Minimum payment due:** the minimum amount you must pay this month if you are not paying the full amount, which can be up to 10 percent of your average balance
- 6 **Previous balance:** the amount that you owed at the end of the previous billing period, not including any payments you have made since then
- 7 **New or current balance:** your previous balance, plus any new charges, cash advances and late fees, minus any payments or credits
- 8 **Annual percentage rate:** the rate of interest you are charged on purchases and cash advances, expressed as an annual rate
- 9 **Periodic rate:** the annual percentage rate applied to your card if you have a variable interest rate card
- 10 **Time required:** the time required to pay off the balance if only the minimum payment is made

Have participants explain why it is important to check the statement each month. Point out that some important points, such as the time needed to pay off the bill at minimum monthly payment, are printed on the back of the bill.

### Tips

#### Slide 32: Tips for credit card use

- Pay the balance in full each month. OR:
  - Don't use the card until you can pay it in full
  - Pay the minimum amount plus an additional amount
- If you carry a balance, get a low-interest card
- Pay the bill on time or early
- Avoid cash advances and pay them quickly
- Limit the number of credit cards you hold, and keep your credit limit low
- Use the benefits on your credit card to reduce costs
- Call your card issuer to reverse any charges in dispute



**Slide 33: Avoid credit card fraud**

- Don't leave personal information around
- Choose a PIN that is hard to guess
- Keep your card in sight and don't use a card reader that looks suspicious
- Use only secure Internet and phone connections
- Destroy old cards and check with your card issuer if a new one is delayed
- Report lost or stolen cards and unauthorized charges
- Check that your card offers zero-liability fraud protection

**Activity Video: Using Credit Cards Wisely**

Introduce the video, *Using Credit Cards Wisely*, from the USB flash drive or website and give participants a copy of the video response sheet.

Screen the video and have participants answer the questions on the response sheet.

Following the video, ask some participants to share their comments with a neighbour or with the group.

Extend the discussion by asking questions such as the following:

- Can anyone describe a time when they made purchases with a credit card that they would not have made in cash or by debit?
- What tips have you used in the past to manage your credit cards?
- Which tips from the video would work best for you?
- What idea would you choose to start this month?

**Video response sheet**

Name: \_\_\_\_\_ Date: \_\_\_\_\_

\_\_\_\_\_

Name of video: \_\_\_\_\_

What points in the video do you agree with?

What points in the video do you disagree with?

What points in the video do you need more information about?



If you had to summarize the video for a friend, what would you say were the most important points?

### Activity Summary of key messages

Have participants in pairs or small groups discuss and write down the three or four most important things they learned during the session.

Ask a few to compare their lists with the Summary of key messages (in the text or PowerPoint slide).

Clarify any misunderstandings and point out how the messages build on the topics participants identified in the first activity.

### Slide 34: Summary of key messages

- Credit cards offer many benefits if used responsibly
- Understand the cardholder agreement, including:
  - The interest rate
  - Any fees
  - When payment is due
- Compare the costs and features of different cards
- Don't charge more than you can repay
- Pay your credit card bills in full and on time
- Check your monthly card statement
- Protect yourself from credit card fraud

### Mini-module 4: Student loans

#### Slide 35: Title slide: Student loans

Student loans

#### Overview

#### Slide 36: Student loans

This section covers:

- How student loans can help you finance your education
- How student loan systems work in Canada
- Other sources of student financial assistance



### Slide 37: Options for financing your education

- Savings from employment
- Sponsorship and co-operative education programs
- Military programs through the Canadian forces
- Contributions from parents or others
- Bursaries and grants
- Personal bank loans and lines of credit
- Funds in a registered education savings plan

### Slide 38: Student debt

#### Pros

- Helps you increase earning power and achieve life goals
- May have lower interest and better terms than other debt
- Considered “good debt” if managed responsibly

#### Cons

- Can become very large
- Must be repaid with interest
- Can become a limit on future options

### Slide 39: Student loan systems in Canada

- **Saskatchewan, Ontario, New Brunswick, Newfoundland and Labrador, British Columbia**
  - Joint federal and provincial programs through Integrated Student Loans
- **Alberta, Manitoba, Nova Scotia, Prince Edward Island**
  - Canada Student Loans available alongside separate provincial programs
- **Quebec, Nunavut, Northwest Territories**
  - Canada Student Loans not available
  - These jurisdictions operate their own student loan programs
- **Yukon** — Only Canada Student Loans available
- For information: [canlearn.ca](http://canlearn.ca)

**Slide 40: Canada student loans program**

- Apply for a Canada student loan and grant together
- You must repay loan, but not grant
- Amount is based on assessment of need
- Interest is generally lower than commercial loans
- No payments needed until after school ends
- Choose fixed or variable interest rate
  - Fixed rate is up to Prime plus 5%
  - Variable rate is up to Prime plus 2.5%

**Slide 41: Provincial and territorial student loans programs**

- Details vary between provinces and territories
- For information, go to student aid web pages for your province or territory
- See list at [canlearn.ca](http://canlearn.ca) under Student Loans, Grants and Bursaries

**Tip:**

If appropriate, show participants how to find and use the online student aid applications. You will have to create a student identity to demonstrate the process.



## Repaying your student loan

### How much will it cost?

[GettingSmarterAboutMoney.ca](http://GettingSmarterAboutMoney.ca)

### Activity How much will it cost?

Click the image on the slide to demonstrate the University cost calculator if you have an Internet connection.

Ask participants for selection data that they are interested in and then show the results.

Compare alternate repayment schedules, including the difference between a fixed repayment (Prime plus 5%) and a variable repayment (Prime plus 2.5%).

Use the Costs tab and the Budgeting Hints tab to show the effect of reducing costs while in school.

Prompt discussion by asking questions such as the following:

- How does the amount of total debt affect your feelings about post-secondary education?
  - **Answer:** It may be a big investment, but it's still a good way to maximize income.
- How could the information from the calculator affect your planning for a post-secondary education?



- **Answer:** E.g., participants might want to delay starting or save as much as possible before starting in order to reduce the loans they need. If they have children, they may want to start RESPs.
- What factors have the most impact on paying off your student loans quickly?
  - **Answer:** Generally, reducing the needed loan by reducing costs or earning income have more impact than other factors such as interest rates.

Have participants use the selector tool during the session or later to estimate the cost of a post-secondary program they are interested in.

### Activity Summary of key messages

Have participants in pairs or small groups discuss and write down the three or four most important things they learned during the session.

Ask a few to compare their lists with the Summary of key messages (in the text or PowerPoint slide).

Clarify any misunderstandings and point out how the messages build on the topics participants identified in the first activity.

### Slide 42: Summary of key messages

- Governments have various student loan and grant programs
- A student loan is a debt and must be repaid in full and on time
- Student loans can help increase earning power and achieve life goals
- Student loans sometimes charge lower interest rates than other loans
- You don't have to start repaying student loans until after you finish school

### Mini-module 5: Credit reports and credit scores

#### Slide 43: Title slide: Credit reports and credit scores

Credit reports and credit scores



## Overview

### Slide 44: Credit reports and credit scores

This section covers:

- How to read and understand a credit report
- How your credit score is determined
- What a high or low credit score means to you
- How to improve your credit score

### Activity Credit report and credit score quiz

Have participants fill in the Credit report and credit score quiz.

Ask some participants for their answers and briefly review the correct answers.

Prompt discussion by asking questions such as the following:

- How many know their credit score and what it means?
- How many participants check their credit report once a year?
- Why is it important to check your credit report every year?
  - **Answer:** To find any errors or other factors that could affect your credit report, and to correct them if you can.

### Slide 45: Credit report and credit score quiz

#### Refer to Credit report and credit score quiz

How much do you know about credit reports and credit scores? Take this quick quiz to find out.

**Credit report and credit score quiz**

\* 1. Getting a copy of your credit report is: **(required)**

- a) a good way to check for identity theft
- b) the only way to know if your report is accurate
- c) free of charge, if you request that the report be sent to you by mail
- d) all of the above

---

\* 2. How often should you check your credit report? **(required)**

- a) at least once a year
- b) at least once every five years
- c) at least once every seven years

---

\* 3. If you have applied for several credit cards or other forms of credit within a short period of time, this could have a negative impact on your credit score. **(required)**

- a) True
- b) False



**Slide 46: Credit report and credit score**

- **Credit report**
  - A detailed report of your credit history
  
- **Credit score**
  - A number that summarizes your credit information at one point in time
  - Scale ranges from 300 to 900
  - The higher your score, the lower the risk for the lender

***Your credit report*****Slide 47: Check your credit report**

- Lenders use credit score to decide if to lend money and what rate to charge
- Insurers, landlords and employers may use it to see how financially responsible you are
- Request a free credit report by mail from:
  - [www.equifax.ca](http://www.equifax.ca)
  - [www.transunion.ca](http://www.transunion.ca)
- Credit score is available for a fee


**Slide 48: What's in your credit report?**

- Name, address and date of birth
- Employment information
- Credit accounts and transactions
- Banking information
- Public record information (loans, bankruptcies or judgments)
- Collection actions against you
- Inquiries about your credit report




### Slide 49: What does a credit report look like?

TransUnion's Credit Report



Equifax's Credit Report



#### TIP:

The sample credit reports are available at the FCAC web page titled [Understanding your credit report](#).

### Activity What does a credit report look like?

Click an image on the slide to go to one of the online sample reports and review the main features of the report, including:

- Personal information
- Account, bank and public information
- Inquiries

Prompt discussion by asking questions such as the following:

- Where does the information in the credit report come from?
  - **Answer:** Businesses supply information to credit-reporting agencies.
- How could the information in the report be wrong?
  - **Answer:** The reporting businesses or the credit agencies may have mistakes in their records, list correct information under the wrong name, have out-of-date information, etc.
- If you see an error, what can you do?
  - **Answer:** Contact the credit agency in writing at the address on the report.

**Activity      How to improve your credit score**

Have participants in pairs or small groups discuss and write down several things that they could do to maintain or improve their credit score. Invite some groups to read the ideas they listed, and discuss with the class which would be good financial habits.

Review the points on Slide 50, Improve Your Credit Score, and compare them with the ideas the groups listed.

**Slide 50: Improve your credit score**

- Pay your bills in full and on time
- Keep your debts low (below 35% of your credit limit)
- Don't apply for credit often
- Pay off debts quickly
- Build a strong credit history
- Check your credit report before a major purchase

**Activity      Summary of key messages**

Have participants in pairs or small groups discuss and write down the three or four most important things they learned during the session.

Ask a few to compare their lists with the Summary of key messages (in the text or PowerPoint slide).

Clarify any misunderstandings and point out how the messages build on the topics participants identified in the first activity.

**Slide 51: Summary of key messages**

- Lenders and others use your credit report to judge if you are financially responsible
- A higher credit score can help you borrow on better terms
- Check your credit report at least once a year
- Improve your credit score by following good credit practices



## Mini-module 6: Managing debt

### Slide 52: Title slide: Managing debt

Managing debt

### Overview

### Slide 53: Managing debt

This section covers:

- How to recognize if you have a problem with debt
- How to keep your debt under control
- The best ways to pay off your debt
- What to do if you get into serious trouble with debt

### Activity How to recognize the danger signals

Ask participants if they can name some signs that debt is becoming a problem.

Have participants fill in the worksheet, How to recognize the danger signals, in the Managing debt booklet.

Ask if there were any participants that did not check any of the items. Prompt discussion by asking questions such as the following:

- What items on the list might not be danger signals?
  - **Answer:** Some items are not always danger signals, as there may be good reasons for them. But they are cautions that you should watch your debts carefully.
- What could make the items listed more important signals?
  - **Answer:** If they persist over many months; if you check several items on the list; if you don't know how you are going to change the situation.



## Slide 54: How to recognize the danger signals

### How to recognize the danger signals

How do you know when you are crossing the line from being able to manage your debt to over-using credit? Here are some danger signals. Check any that apply to you.

- You use your credit cards as a necessity instead of a convenience.
- You borrow to pay for your daily living expenses.
- You miss payments or due dates.
- You're near the credit limit on most of your cards.
- You borrow from one card to pay another.
- You transfer balances every few months just before the introductory offer expires.
- You borrow when you know you can't afford the payments.
- Your debt is growing month after month.

## Slide 55: Avoiding debt problems

- Leave your credit cards at home
- Decrease the credit limit on your credit cards
- Set up automatic bill payments
- Avoid impulse buying
- Avoid “buy now, pay later” offers
- Track expenses and manage them with a household budget

## Managing debt

### Slide 56: Managing debt

- Use savings to pay off balances
- Pay down your highest interest rate debts first
- Switch to less expensive credit cards
- Contact your creditors
- Talk to trusted financial professionals

## Slide 57: Serious debt problems

- Consider these strategies:
  - Credit counselling
  - Debt management programs
  - Consolidation loan
  - Consolidation order or voluntary deposit scheme



- Consumer proposal
- Bankruptcy

**Activity Video: Tips for Managing Debt**

Introduce the video and give participants a copy of the video response sheet. Have them answer the questions on the sheet as they view the video and when it ends.

Following the video, ask some participants to share their comments with a neighbour or with the group.

Extend the discussion by asking questions such as the following:

- Can anyone describe how they resolved a problem they had managing debts that seemed to be out of control?
- What tips have you used in the past to manage your debts?
- Which tips from the video would work best for you?

**Video response sheet**

Name: \_\_\_\_\_ Date: \_\_\_\_\_

Name of video: \_\_\_\_\_

What points in the video do you agree with?

What points in the video do you disagree with?

What points in the video do you need more information about?

If you had to summarize the video for a friend, what would you say were the most important points?



### Other debt issues

#### Slide 58: Credit balance insurance

- Two types of coverage:
  - If you cannot work, it pays your minimum payments
  - If you die or have a critical illness, it pays the balance owing
- Usually more expensive than life or disability insurance
- Terms for payout may be very limited

#### Slide 59: Advance fee loans

- Guaranteed credit is offered if you pay a fee
- This is usually a scam
- Legitimate lenders do not normally ask for advance fees
- Get advice from a not-for-profit credit counsellor

#### Slide 60: Debt vs. investment

- Pay off debt or invest?
  - Return on investment after taxes must be higher than interest on debt
  - See calculator at [getsmarteraboutmoney.ca](http://getsmarteraboutmoney.ca)
- Borrowing to invest
  - Increases risk as well as return
  - Short-term loan for RRSP may be justified if repaid with tax return

#### Activity Summary of key messages

Have participants in pairs or small groups discuss and write down the three or four most important things they learned during the session.

Ask a few to compare their lists with the Summary of key messages (in the text or PowerPoint slide).

Clarify any misunderstandings and point out how the messages build on the topics participants identified in the first activity.

#### Slide 61: Summary of key messages

- Watch for the danger signals
- Pay off your highest interest rate loans first



- There are many options for dealing with problem debt
- If debt problems arise:
  - Talk to the lender
  - Talk to a financial professional or credit counsellor

## Action plan

Activity	Action plan
	<p>Have participants review the Action plan. Refer to the slides as necessary.</p> <p>Have participants check off any action that they may need to take. Ask participants to decide when and how they will take the action they need.</p> <p>Ask if any participants are willing to share their plans for action.</p> <p>Extend discussion with questions such as the following:</p> <ul style="list-style-type: none"> <li>• What's the first step you need to do to better manage your debts?</li> <li>• What items on the checklist need the most work?</li> <li>• What makes some items on the checklist harder to do than others?</li> <li>• What other types of problems with banking services do you need more information about?</li> </ul>



## Slide 62: Action plan: Debt danger signals

Use this checklist to see if you are in trouble with debt. Check any of the danger signals that apply to you.

- You use your credit cards as a necessity instead of a convenience
- You borrow to pay for your daily living expenses
- You miss payments or due dates
- You're near the credit limit on most of your cards
- You borrow from one card to pay another
- You transfer balances every few months just before the introductory offer expires
- You borrow when you know you can't afford the payments
- Your debt grows month after month

For more information, see the section on Managing debt





**Slide 63-64-65: Action Plan: Taking control of your debt**

1. List all of your debts

Debt	Total amount borrowed	Interest rate	Amount still owing
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

2. List the steps you can take to manage your debt repayments. Some options include:
- Do a monthly budget and determine how much debt you can pay off each month
  - Cut back on your expenses
  - Pay off your highest interest rate debts first
  - Switch to less expensive credit cards
  - Contact your creditors to negotiate better repayment terms
  - Seek credit counseling
  - Get a consolidation loan
  - Use savings to pay off debt

3. Number the steps in order of priority



Priority	Steps you can take to manage your debt repayments
<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>