



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. Section 5 reviews credit reports and how to keep them positive. Section 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, including lines of credit, credit cards and student loans, and explain when each might be an appropriate choice
- Use a simple guideline to determine the amount of debt they can comfortably handle (debt load, debt ratio)
- Compare the fees and other costs of borrowing for similar types of loans offered by different institutions
- Describe the advantages and disadvantages of using payday loans
- Describe their rights and responsibilities when they borrow
- Describe how a credit card transaction works
- Identify benefits and potential risks involving credit cards (convenience, debt, identity theft, misuse of card, etc.)



- Read a credit card statement to identify the interest rate and the interest charges, and to identify any errors or unauthorized transactions
- Compare the total costs of borrowing resulting from different interest rates
- Describe what to do if they are a victim of credit card fraud
- Describe the main features of the Canada Student Loan system
- 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 strategies to reduce or avoid an excessive debt load

Materials/equipment required

- Copies of selected sections and activities for participants, with related worksheets and handouts (see attached Annex for print version)
 - Activity 1 – How I Feel About Credit and Debt (print or online)
 - Case Study – Line of credit (print)
 - Activity 2 – Testing your Knowledge about Credit and Debt (print)
 - Case Study – Lending Money to Family, includes a Budget Worksheet (print or online)
 - Activity 5 – My Debt Ratio (print or online)
 - Case Study – Line of Credit, Cont'd (print)
 - Activity 7 – Credit Options (print or online)
 - Activity 8 and 11 – Credit Card Payment Calculator (online)
 - Activity 10 – Credit Card Comparison Tool (online)
 - Activity 12 – Credit Card Statements (print or online)
 - Activity 15 and 25 – Video Response Sheet (print)
 - Case Study – Credit Card Fraud Between Friends
 - Activity 19 – Credit Report and Credit Score Quiz (print or online)
 - Activity 20 – What Does a Credit Report Look Like? (online)
 - Activity 23 – How to Recognize the Danger Signals (print or online)
 - Activity 28 – Action Plan (print or online)
- PowerPoint file: Credit and Debt Management
- PowerPoint projector and screen
- Internet connection (if using)



Time required

Depending on how you choose to customize your workshop presentation, you can expect to need between 2 to 4 hours to deliver the materials. Make sure to allow enough time for student discussions and questions/answers periods.

Suggested Activities and PowerPoints

You can use the PowerPoint slides together with the online module to supplement or expand activities. If you have Wi-Fi access, you can invite participants to use their laptops/tablets to complete some online worksheets. The web pages can provide 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

Credit and Debt Management

Slide 2: Agenda

Start time: _____

Break time: _____ (10 minutes)

End time: _____

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

**PRINT WORKSHEET FOR ACTIVITY 1: How I Feel About Credit and Debt?****Activity 1 Icebreaker: How I Feel About Credit and Debt**

Have participants complete the worksheet, *How I Feel About Credit and Debt*.

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. Which one 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."
- "Credit is a convenience and I have no problem using it."
- "I use credit if it helps me get what I want."
- "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

Section 1: Attitudes toward Credit and Debt**Slide 5: Section 1: Attitudes toward Credit and Debt**

Section 1: Attitudes toward Credit and Debt

PRINT WORKSHEET FOR CASE STUDY: Case study — Line of Credit**Case Study - Line of Credit**

Alex is a fourth-year undergraduate student who lives on campus. She takes out government student loans and receives \$8,000 every year from her student loans, but this isn't enough to cover her costs for the year. She normally has \$3,000 savings from her summer job in addition to a part-time job during the school year, but this year she wasn't able to find a part-time job so she talks to her parents and they agree to co-sign for a student line of credit to cover the difference.

She's done a rough budget and thinks she needs an extra \$3,000 to cover her costs for the year, but the bank offers her a student line of credit of \$10,000 saying that it is better to have access to it now than have to ask for it later. She decides that it does not hurt to have the extra money just in case.

After paying her tuition for the year, she decides to buy a new laptop for \$1,500 with the extra money – after all, the newest laptop is what her friends have so it must be better quality than her current device (even though it's working fine) and she has the extra money in her line of credit. She also could use a car to get to her part-time job more easily during the school year, so she buys a used car for \$3,000 instead of taking the bus. Alex also hates not being able to buy things because she is on a student budget, so when she wants to go for a night out with friends or buy new clothes she pays for them using her student line of credit.

After a few months of purchases, she has maxed out her student line of credit, and has to get a cash advance on her credit card to pay for her last month of rent and her monthly interest



payment for the line of credit. She already had a balance of \$900 on her credit card, so with the rent payment and line of credit payment this brought her credit card total even higher. She sees that the interest charges on her credit card have accumulated much more since her last bill. She did not realize interest gets charged right away on a cash advance.

Questions for discussion:

- What are the factors that caused Alex to build up debt?
 - Using her student line of credit like her bank account instead of treating it like debt.
 - Taking out a larger line of credit than she needed – she spent more than she needed because it was there.
 - She was not paying off her credit card balance in full.
 - She has not sought out debt-free funding sources such as awards or bursaries offered by her institution or other third parties.

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

PRINT WORKSHEET FOR ACTIVITY 2: Testing Your Knowledge About Credit and Debt**Activity 2 Testing Your Knowledge About Credit and Debt**

Divide the participants into smaller groups, and give each group a (different) set of questions, such as those listed below and/or others of your own. Groups with incorrect answer will be eliminated as the rounds of questions continue, until one group wins. Group work is useful for participants to get to know one another, and never singles out a participant for elimination.

TRUE or FALSE?

- a) Paying my credit card 5 days late will impact my credit score

Answer: True – paying your balance after the due date, or even not paying your balance in full will negatively affect your credit score.



b) A poor credit rating won't impact my ability to get student loans

Answer: False – if you are 22 or older you must pass a credit check if you are applying for your first Canada Student Loan.

c) A poor credit rating won't impact my ability to get a bank loan

Answer: False – if you have a poor credit rating you may be denied a loan or get charged a higher interest rate or you may need to obtain a co-signer to get a loan.

d) A poor credit rating might impact my ability to buy a car in 5 years

Answer: True – a poor credit rating can affect your ability to purchase a car, rent an apartment or purchase a home, or apply for a bank loan for 6 to 7 years.

e) I charge \$400 of textbooks to my credit card. I pay \$300 of it before my credit card bill due date passes. I am paying interest on \$100.

Answer: False – unless you pay your balance within the interest-free grace period (21 days for most cards), your interest for the month is calculated on your average daily balance and charged monthly to your account on the last day of your billing cycle.

f) I get a cash advance on my credit card to pay \$400 of textbooks. I only pay interest on the amount I don't pay by the credit card bill due date.

Answer: False – there is no interest-free grace period for cash advances, so you will pay interest on the full amount as of the date you withdrew the cash advance.

g) My credit card balance is high. I should call my bank to negotiate the interest rate.

Answer: True – especially if you make your credit card payments on time, this gives you leverage to ask for a lower interest rate. But even if you don't it never hurts to ask!

h) Applying for credit cards does not affect your credit rating

Answer: False – it can affect your credit rating, particularly if you're applying for multiple credit cards in a short period of time. The best rule of thumb is to only apply for a credit card account if you absolutely need it.



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

Activity 3 Credit Definition

Ask students what is their definition of credit. Provide the following definition of credit.

Credit: An agreement in which a borrower receives something of value now and agrees to repay the lender at some later date.

Reference in Your Financial Toolkit: <https://www.canada.ca/en/financial-consumer-agency/services/financial-toolkit/credit/credit-1/2.html>

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

**Activity 4 Good or Bad Debt?**

List the following items and have participants say, by show of hand, what they think is a bad debt vs a good debt.

- Laptop
- Car
- Textbooks
- Anything online
- Food/Dinner
- Festival tickets
- Groceries
- Tuition
- Smartphone

Ask participants what made them decide which item was a good or a bad debt? Is there only one right answer?

Good debt is defined as something that creates value or produces more wealth. Bad debt loses value. Many of these items are considered bad debt but are absolutely necessary. Discuss what is worth acquiring debt for. Example, laptop loses value but is required for education (a good investment) unlike a gaming system which has little potential for recovery.

Slide 9: Debt Ratio**Debt Load**

- The total amount of money you owe

Debt Ratio

- Your debt payments relative to your income
- For example:
 - Monthly debt payments: \$200
 - Monthly gross income (i.e. before taxes): \$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%

Case Study - Lending money to family

Marissa is a first-year undergraduate student who lives on campus. She accesses government student loans and receives \$11,900.00 in loans (repayable assistance) and \$6,496.00 in combined grants (non-repayable assistance) for the current academic year.

Marissa is the eldest of 3 children and has always assisted her mother financially with her income from her part-time job. However, her faculty advisor told Marissa that she should not



work part-time in her first year of studies as it was crucial for her to understand the initial concepts of her program to academically progress through her degree.

Marissa's mother relies on her daughter's support from part-time income to fund the family expenses. When Marissa's student loan was deposited into their joint checking account, her mother used her first term student loan installment of \$7,140.00 to pay past due rent, hydro, telephone and cable.

Marissa is now left with only her grant assistance of \$6,496.00 and \$4,760 remaining from her student loan; which together total \$11,256 in financial support for the academic year. However, her tuition is \$7,135 and her residence costs are \$10,000.

Please complete a budget for Marissa (have students use online budget worksheet or paper version provided in Annex) assuming public transit \$50/month, cell phone \$78/month, entertainment \$125/month and haircuts \$25/month.

Student Budget Worksheet: <https://www.canada.ca/en/financial-consumer-agency/services/budget-student-life/student-budget-worksheet.html>

Question for discussion:

- What is Marissa's projected deficit? Where can she go to get assistance for her tuition/fees and residence costs?
- How much extra \$XX.XX does she need to cover her costs for the year? Name some places, services she can access to assist her with her deficit.
- What are the factors that caused Marissa to have a deficit? What could she have done differently?
 - Did she need to have a discussion with her mother before she went to post-secondary education (PSE)?
 - Should she have her own bank account?
 - Should she have applied for other support programs prior to attending PSE? List some options for PSE support?
 - Should she have accessed a Line of Credit (LOC) through the bank? What are alternatives to a LOC?
 - What supports are available on campuses across Canada to support students in financial need?
 - Did Marissa ask for less hours from her part-time work? Should she have increased her hours instead?
 - Is the distance from school to work too far? Should she have looked for a job on campus instead?



PRINT WORKSHEET FOR ACTIVITY 5: My Debt Ratio

Activity 5 My Debt Ratio

Have participants fill in the ***My Debt Ratio worksheet***. Have them use estimates if they are not sure of exact amounts.

Ask participants to share how their debt to income ratio makes them feel. Personal emotions, habits and values can be shared amongst each group.

Students can do this exercise for today as a point in time, but recognize that some debt is only future repayment which will be matched with future expected earnings. As such, they can also use the worksheet to understand their expected debt ratio in light of their future loan repayment and various scenarios of future employment upon graduation.

Slide 10: Debt Ratio Worksheet

[Click here to view worksheet online](#)

My debt ratio	
Use this chart to determine your own debt ratio.	
Income	Monthly amount
Monthly household income before taxes	\$ 0.00
Debt payments	
Debt payments	Monthly amount
Monthly mortgage payment (including taxes and insurance)	\$ 0.00
Home equity loan payment	\$ 0.00
Auto loan payment	\$ 0.00
Monthly credit card bills (minimum monthly payment amount on all statements)	\$ 0.00
Personal loan payment	\$ 0.00
Student loan payment	\$ 0.00
Child support and alimony payment	\$ 0.00
Other monthly debt payments	\$ 0.00
Other monthly debt payments	\$ 0.00
Total monthly debt payments	\$0.00
Calculate	
Debt ratio	0%

TIP: Acknowledge that not all items are immediately applicable to students. Point out that the worksheet can be completed from two perspectives:

1. Current situation, considering their part-time earnings, parental contributions (for example, RESP), government grants, scholarships, income tax rebate, monetary gifts, etc.



against their immediate debt payments such as credit card bills and banking lines of credit.

2. Post-graduation, considering various income scenarios compared to all debt repayments include student loans which only commence when studies end.

PRINT WORKSHEET FOR CASE STUDY: Case Study – Line of Credit (Cont'd)

Case Study – Line of Credit (Cont'd)

Fast-forward two years:

- Alex has graduated from her program, and found a job with a take-home pay of \$2,200 a month.
- After rent (\$1,000) and her basic living expenses (\$600) this leaves her with approximately \$500 each month.
- But with over \$32,000 in student loan debt, she has a minimum student loan payment of \$350/month and her minimum payment for her maxed out \$10,000 student line of credit is \$200/month.
- She also has a balance of \$2,500 on her credit card, and has to make a minimum payment of \$65/month.

Because Alex does not have enough each month to cover both her living costs and her debt payments, she pays only the minimum payment on her credit card each month, and then uses her credit card to pay for her minimum monthly payment for her line of credit.

Questions for discussion:

In Alex's case, what was her good debt? What was her bad debt?

- **Answers:**
 - Good debt: government student loan
 - Bad debt: student line of credit, credit card

What will happen if Alex continues to use her credit card to pay off her debt?

- **Answers:**
 - Her minimum payment for her credit card will continue to increase as her credit card balance increases, which will push her further into debt
 - She will end up paying more to pay back her debt because the interest rate on her credit card is higher than the interest rate on her student loan or line of credit

Looking back to the previous example when Alex was a student, what could Alex have done differently when she was still a student?

- **Answers:**



- Although the bank offered her a student line of credit with a limit of \$10,000 that does not mean that she had to accept the full \$10,000 – she could have asked them to limit her to \$3,000 if that's all she needed.
- She could have waited on big, non-essential purchases (i.e. Laptop, car) until she had saved up money to purchase these items; or simply continued using her old laptop and public transit.
- She could have used her part-time income to pay for non-essential purchases such as entertainment, eating out and clothing instead of using her student line of credit.

Activity 6 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.

Clarify any misunderstandings and point out how the messages build on the topics participants covered in this section.

Slide 11: Summary of Key Messages

- Your opinions and 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%

Section 2: Types of Credit

Slide 12: Section 2: Types of Credit

Section 2: 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**

PRINT CHART FOR ACTIVITY 7: Credit Options

Activity 7 Credit Options

Have participants form pairs to review the chart, **Credit Options**.

<https://www.canada.ca/en/financial-consumer-agency/services/financial-toolkit/credit/credit-2/3.html>

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

FCAC's Credit Card Payment Calculator: Canada.ca/financial-tools

Activity 8 Calculating Interest

Go to the online **Credit Card Payment Calculator**: <http://itools-ioutils.fcac-acfc.gc.ca/CCPC-CPCC/CCPC-CPCC-eng.aspx>.

Explain that the Credit Card Payment Calculator helps Canadians understand the cost of borrowing with a credit card and compare options to pay off their balance. You can use the tool to demonstrate how to calculate interest.

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.

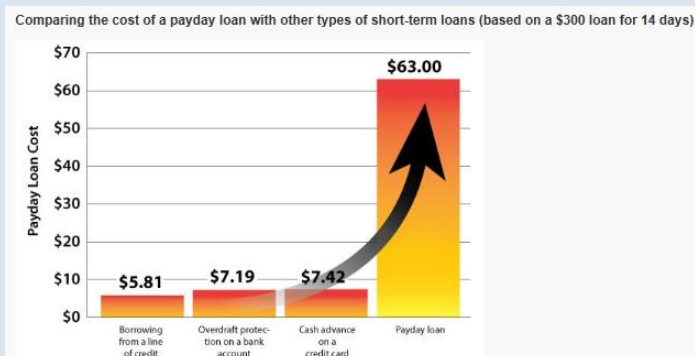
Have participants compare the interest costs for:

- Government loan, taking into consideration it is interest free for the duration of their studies.
- Student line of credit, taking into consideration the interest starts accumulating the moment they start borrowing.
- Credit card advances vs. overdraft, to understand how the accumulation of interest differs.

Compare the Cost of Borrowing for each product and categorize them from high to low cost. Use 19.9% as an example, as this is the most common interest rate for credit cards.

**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

**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

TIP: Acknowledge the reality that unless students are in professional programs such as Medicine or Law, most “Student Lines of Credit” require a co-signer.

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
- 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 9 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.



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

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

Section 3: Credit Cards

Slide 23: Section 3: Credit Cards

Section 3: 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 include 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 rates
- 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

TIP: Did you know that every time you sign up for a credit card or any form of credit, it affects your credit rating? That's right! Every application results in a credit check and each credit check could affect your credit rating.



Slide 28: Credit Card Comparison Tool

[Click here to view tool online](#)

The screenshot shows the 'Credit Card Comparison Tool' interface. At the top, it says 'From Financial Consumer Agency of Canada'. Below this, there is a brief description of the tool's purpose: to compare features for different credit cards, including interest rates, annual fees, and rewards. It also includes a disclaimer that the information is provided by financial institutions and that additional fees and service charges may apply. The 'Your comparison progress' section shows three steps: 1. Narrow your search, 2. See your results, and 3. Compare your results. The 'Filters' section contains three questions: 1. 'What province or territory do you live in?' with a dropdown menu, 2. 'In which currency would you make most of your transactions?' with radio buttons for CAD (selected), USD, and Other, and 3. 'Are you looking for a credit card with a low purchase interest rate? You may be considering this option if you don't pay off your credit card in full each month.' with radio buttons for Yes and No (selected). At the bottom, there is a 'Show more optional filters' button and a 'Search' button.

Activity 10 Credit Card Comparison Tool

Go to the online **Credit Card Comparison Tool**: <https://itools-ioutils.fcac-acfc.gc.ca/CCCT-OCCC/SearchFilter-eng.aspx>

Explain that the tool helps Canadians choose the best cards for their needs. Ask participants for selection data that they are interested in and then show the results. Have participants use the tool during the session or later to find a card 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 here to view tool online](#)

Credit Card Payment Calculator

From Financial Consumer Agency of Canada

It is always best to pay off your credit card balance in full by the due date indicated on your statement. If you can't, you can still reduce the amount of interest you will have to pay. The credit card payment calculator compares 3 different payment options to pay off your credit card balance.

- 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?

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.

Credit Card Information

↵ Credit Card Balance: \$ 1,000.00 ↵ Annual Interest Rate: 18.00 %

Option A: What if you only make the minimum payment each month?

↵ Minimum Monthly Amount: \$ 10.00 OR ↵ Minimum Monthly Percentage: 3.00 %
(Whichever is greater)

Based on the information that you've provided your first minimum payment amount is: \$30.00. Your minimum monthly payment will decrease as you pay off your balance.

Option B: What if you make the minimum payment plus an additional amount each month?

↵ Additional Monthly Payment: \$ 5.00

↵ First Minimum Monthly Payment Amount: + \$ 30.00

Total = \$ 35.00

Option C: What if you pay a fixed amount each month?

↵ Fixed Monthly Payment: \$ 100.00

Activity 11 Credit Card Payment Calculator

Go to the **Credit Card Payment Calculator**: <http://itools-ioutils.fcac-acfc.gc.ca/CCPC-CPCC/CCPC-CPCC-eng.aspx>

Explain that the Credit Card Payment Calculator helps Canadians understand the cost of borrowing with a credit card and compare options to pay off their balance.

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. Suggest participants use the tool during the session or later to find out the best option to pay off any credit card balance they may have based on their personal circumstances.



Credit Card Statements

PRINT WORKSHEET FOR SLIDE 31 AND ACTIVITY 12: 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:

Statement period from 09/30/2016 to 11/01/2016				
Account number	Name	Statement date	Payment due date	
1234-456-789	John Smith	11/01/2016	11/22/2016	
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	14.53
891Q2DI63	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
76RQ6542H	10/20	10/22	Colors clothing	40.10
		11/01	Interest	8.79
		11/01	Annual fee	25.00

Previous balance	\$532.80	Current amount due	\$159.03
Purchases	\$125.24	Amount past due	
Cash advances		Amount over credit line	
Payments	\$532.80	Minimum payment due	\$20.00
Interest charges	\$8.79		
Non-interest charges	\$25.00		
New balance	\$159.03		

Finance charge summary	Purchases	Advances	For customer service call:
			(Collect calls are accepted)
Periodic rate	1.85%	0.54%	1-800-XXXX-XXXX
Annual percentage rate	19.80%	6.48%	For lost or stolen card, call:
			(Collect calls are accepted)
			1-800-XXXX-XXXX
			24 hour telephone numbers

The estimated time to repay your account balance if you only make the minimum payment every month is 9 months.



Activity 12 Credit Card Statements

Have participants identify each of the following on the sample credit card statement.

- 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

Cash advances: A credit card can also be used to withdraw a cash advance. The interest rate on advances is much higher than the rate for some other types of loans, and there is no grace period—interest is charged from the time you take out the cash advance until the time you repay the advance in full.

Have participants explain why it is important to check their statement each month. Point out that some important points, such as the time needed to pay off the bill if you only make the minimum monthly payment, are included on the credit card statement.

Activity 13 Interest rates

Give the audience scenarios of borrowing and derive key messages.

Scenario example: Anny is trying to get a line of credit for her post-secondary education. Two banks and one institution are offering Anny different options:

- 1) Bank "A" is offering Anny a 5% Annual interest and she must repay principal and interest in 5 years. She must have a co-signer for the agreement.
- 2) Private institution "B" is offering Anny a 7% Annual interest and she must repay



principal and interest in 10 years. Anny does not need a co-signer but needs collateral against the loan.

- 3) Bank "C" is offering Anny a student line of credit with 0% interest for the duration of full time studies, and an interest rate of 10% per Annum when she is not in post-secondary studies.

Discuss what option the participants chose and discuss how they made the decision.

Activity 14 Credit Card Understanding

Fast answering question game of true or false about how I understand credit card interest rates, when to pay charges and how much is necessary to pay.

1. Paying your credit card bill just a couple of days after the due date won't affect your credit report. (**FALSE**)
2. All credit cards have the same grace period (interest free period): (**FALSE**)
3. Last month, your credit card balance was zero. This month, your statement shows that you made a \$500 purchase. If you pay \$400 by the due date you will be charged interest only on the \$100 left to pay. (**FALSE**)
4. Paying credit card bill just 2 days after the deadline date will only accumulate 2 days of interest. (**FALSE**)
5. If you have applied to several credit cards or other forms of credit within a short period of time, this could have a negative impact on your credit score. (**TRUE**)
6. Making fixed payments for credit card is a better option then paying minimum balance required payments. (**TRUE**)

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

**Slide 33: Avoid Credit Card Fraud**

- Don't leave personal information around
- Choose a PIN that is hard to guess and do not share it with anyone
- Keep your card in sight and don't use a card reader that looks suspicious
- Don't give out credit card information by e-mail because this is not secure
- Only make online purchases from well-known and established vendors –and make sure their websites/mobile apps are secure before transmitting your credit card and personal information (check URL for https – s means it's secured)
- Keep your computer/mobile phone's firewall, anti-virus and anti-spyware systems up to date
- Destroy old cards and check with your card issuer if a new one is delayed in the mail
- Report lost or stolen cards and unauthorized charges
- Check that your card offers zero-liability fraud protection

TIP: Visa, MasterCard, American Express and Interac have committed to protect you against financial loss if your credit or debit card is used without your permission. According to this public commitment, you will not be held responsible for the unauthorized transactions and won't have to pay any fee. (For more information, visit Canada.ca/money, go to Debt and borrowing, then Credit cards, then select Resolving unauthorized transactions.)

Slide 34: How secure is your PIN?

- Choose a PIN that is hard to guess and don't give it to anyone
- Do not use:
 - Numbers based on your date of birth, address, phone number
 - One single digit (i.e. 0000, 3333)
 - Sequences (i.e. 1234, 4321, 1122, 1313)
- Change your PIN frequently
- If you write it down, keep it separate from your card
- Check your account statements frequently for signs of unauthorized transactions
- If your card is lost, stolen or stuck in an automated teller machine (ATM), or if there has been a transaction you did not authorize, immediately report it to your financial institution

OPTION: Visit FCAC's YouTube channel at [YouTube.com/FCACan](https://www.youtube.com/FCACan) and play FCAC video **Understand PIN Protection**. Link to video: <https://youtu.be/HRvvWt8iwNY>



PRINT WORKSHEET FOR ACTIVITY 15: VIDEO: Using Credit Cards Wisely

Activity 15 VIDEO: Using Credit Cards Wisely

Introduce the video, *Using Credit Cards Wisely*, 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 applying this month?

Link to video: <https://www.canada.ca/en/financial-consumer-agency/services/financial-toolkit/credit/credit-3/11.html>

Video Response Sheet

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?

**PRINT WORKSHEET FOR CASE STUDY: Case Study – Credit Card Fraud Between Friends****Case Study - Credit Card Fraud Between Friends**

Josh is a second-year undergraduate student who lives in an apartment with two roommates close to campus. Josh relies on government student loans and grants to fund his education. He is a low-income student whose parents are financially unable to assist him with his costs of education.

Josh is waiting to receive his student loans and decides to blow off steam with his good friend Tyler and goes downtown to party for the night. As he has no money, he takes his credit card...what is the harm... he is good with his money and promised himself to only put a few drinks on his credit card.

Tyler and Josh leave the bar, but, now they have the munchies. Josh gives Tyler his credit card and PIN so he can run down the road to buy pizza. After wolfing down their pizza they both head to bed, but Tyler forgets to give back the credit card to Josh.

The next morning Tyler is leaving for class and he receives a text from his father. His contract job fell through, now he cannot pay his tuition. Tyler is panicked... he has no back up plan and he is going to be kicked out of school if he does not come up with \$3,000.00 for the Financial Services Office by 10:00 am this morning.

Tyler is distraught and starts panicking ...wait a minute...Josh's credit card...he knows the PIN. He is conflicted...should he use it...Josh will understand...they have been friends for two years. Tyler goes on-line and pays his \$3,000.00 tuition with Josh's credit card.

Tyler feels ok about it as he knows that his mother can give him the money. All will be good. Tyler calls his mom to borrow the money. His mom says *"Honey, I cannot help you, your father's contract job fell through and now I have to cover all the bills"*. Tyler hangs up as he did not have the heart to tell his mother what was going on with him as he did not want to add to his family's financial burden.

Optional discussion questions:

- What could Josh have done to protect himself financially?
- Will Josh be responsible for the \$3,000.00 charged to his credit card by Tyler?
- What can Josh do now?
- What can Tyler do now?
- What would you do if you were placed in Tyler's situation?
- What would you do if you were placed in Josh's situation?

Key points:



- Protect your PIN and credit card information at all times. If you share your PIN with anyone, you will be held liable for the purchases made.
- When people are financially stressed or burdened, they can make poor decisions. Looking into all the available options before making a move or decision is key to making the best choice.

Activity 16 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.

Clarify any misunderstandings and point out how the messages build on the topics participants covered in this section.

Slide 35: 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

Section 4: Student Loans

Slide 36: Section 4: Student Loans

Section 4: Student Loans



Overview

Slide 37: 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 38: Options for Financing Your Education

- Earnings/savings from employment
- External sponsorship and co-operative education programs
- Military programs through the Canadian forces
- Contributions from parents or others
- Funds in a registered education savings plan (RESP)
- Bursaries and grants
- Personal bank loans and lines of credit

Slide 39: Pros and Cons of Student Loans

Pros

- Helps you increase earning power and achieve life goals
- May have lower interest and better terms than other types of loans
- Considered “good debt” if managed responsibly
- Often has a (non-repayable) grant component
- Has other benefits and protections

Cons

- Can amount to a very large sum of money to manage
- Must be repaid with interest
- Can become a limit on future options

**Slide 40: Financial Assistance Programs 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 more information, visit: <https://www.canada.ca/en/employment-social-development/services/education/provincial-offices.html>

Slide 41: Canada Student Loans Program

- Single application through your province/territory of residence
- Amount is based on assessment of need
- Interest is generally lower than commercial loans
- No payment needed nor interest accumulating until you stop being a full-time student
- When students qualify for Canada Student Loan funding, they are automatically assessed for Canada Student Grant assistance
- Canada Student Grant: the recipient does not have to pay it back
- Choose fixed or variable interest rate:
 - Fixed rate is up to Prime plus 5%
 - Variable rate is up to Prime plus 2.5%

To see rates, visit: <https://www.canada.ca/en/employment-social-development/services/education/student-loan/interest-rates.html>

TIP:

- Factors in the assessment of need such as cost of living and eligibility thresholds vary by province/territory of residence with criteria such as income of parents, amount of savings and living situation.
- The maximum amount a student may receive depends on whether they are a full-time or part-time student.
- Full-time students may receive funding up to a maximum of 340 weeks, but students in



PhD studies may receive up to 400 weeks of funding, and students with a permanent disability may receive up to 520 weeks of funding.

- Part-time students may receive up to \$10,000 in loan funding.
- You must repay loan, but the grant does not need to be paid back.
- If a student has trouble repaying their Canada Student Loans, they may apply for the Repayment Assistance Plans (RAP).
- As of November 1, 2016, no single borrower under RAP will have to make any repayment until they are earning at least \$25,000 per year.

Slide 42: Provincial/Territorial Student Loan and Grant Programs

- Details vary between provinces and territories
 - For more information:
 - Go to the student aid web pages for your province or territory
- OR
- Visit the Canada Student Loans and Grants section on Canada.ca:
<https://www.canada.ca/en/employment-social-development/services/education/province-territory-student-financial-assistance.html>

TIP: If appropriate, show participants how to find and fill out the online student aid application forms. You will have to create a student identity to demonstrate the process.

TIP:

- Beginning in the 2017-2018 academic year, a fixed student contribution will ensure students no longer need to estimate income and assets. Rather, they will be aware of how much their expected fixed contribution to their post-secondary costs will be.
- Students will be expected to contribute a fixed contribution between \$1,500 and \$3,000 per academic year, based on their family income and family size. Some students will not be expected to make a contribution: students who self-identify as Indigenous, students with permanent disabilities, students with dependent children, and current or former Crown wards.
- This program will allow students to work and gain labour market experience without reduced financial assistance. It will also benefit adult learners, who may work while studying or have financial assets.

Backgrounder from the government of Canada: <https://www.canada.ca/en/employment-social-development/news/2018/02/backgrounder-canada-student-loans-program.html>



Link to Student Financial Assistance on Canada.ca: <https://www.canada.ca/en/employment-social-development/services/student-financial-aid.html>

Slide 43: Know the Benefits and Protections on Government-based Student Loans

- Special accommodations
- Repayment Assistance Plan
- Severe Permanent Disability Benefit
- Continuation of Interest Free Status
- Loan forgiveness

TIP: Acknowledge that every jurisdiction differs, every province and territory has their own terminology linked to benefits and protections for government-based student loans.

Need assessments might accommodate **special circumstances** such as major functional disability (e.g. get only grants and not loans) or you can be deemed full-time even if taking part-time credits due to a permanent disability or having young children, etc.

Repayment Assistance Plans (RAPs) allow for flexibility in repayment for students whose income does not support student loan repayment. Affordable payments are based on the borrower's family income and size and do not exceed 20% of their income. Someone who qualifies for the repayment assistance plan is able to lower or stop their payment for 6 months. Renewed through a new application every 6 months. Furthermore, no borrower will have a repayment period exceeding 15 years.

The Government of Canada increased RAP, so no student will have to repay their Canada Student Loans until they are earning at least \$25,000 per year. This income threshold is adjusted based on family size and family income. Thus, for a family of four, no payment would be required until they are earning at least \$59,500.

Severe Permanent Disability Benefit provides for loan forgiveness in the event a borrower experiences a severe permanent disability that prevents them from participating in further post-secondary education and the labour force.

Continuation of Interest Free Status also known as **Interest Deferral** means students are not required to repay their student loan and are not accumulating interest while they attend full-time studies. To make use of this, a student must notify their lender that they are a full-time student. Renegotiating a student loan (i.e. getting a new loan for the current academic



year) is one way of notifying the lender; however, if the student is not renegotiating their loan, they can submit the request for loan deferment (Examples: complete a Continuation of Interest Free Status (for Ontario Student Loans), or submit a request for confirmation of enrolment request using the NSLSC online portal for Canada Student Loans, Canada Student Loans for Part-time Students, Canada-Saskatchewan Integrated Student Loans, Canada-Newfoundland and Labrador Integrated Student Loans, Canada-New Brunswick Integrated Student Loans, Canada-British Columbia Integrated Student Loans.)

Loan forgiveness is offered through some government loan programs. Sometimes this is to reward:

- Timely completion of your studies (e.g. Quebec's Aide Financière aux Études (AEF) forgives 15% of the student loan debt of any person who completes their studies within the prescribed period and who has received a bursary component from AFE every year of those studies).
- For completing a particular program, career path or location (e.g. Canada Student Loan forgiveness to eligible family doctors, residents in family medicine, nurse practitioners, and nurses who work in under-served rural or remote communities).

Sometimes you have to explicitly apply to get loan forgiveness, so inform yourself!

Slide 44: How are Government Student Assistance Programs funded?

- Canadian tax payers
- Investment in student's future and contribution to society and economy

TIP: Explain that the funding for these programs comes from Canadian tax payers and that it is for those same taxpayers to use when in need. To obtain a post-secondary education is more than just a dream, but a means to contribute to the individual particularly and to society as a whole. If student debt will be a reality, then it is considered a good debt on at least two levels; one, because the student does not pay interest on the loan while they are full time (and/or part time depending on the circumstances, see each provincial/territorial program for more details) and two, once the education is paid for it can never diminish in value nor be repossessed. The loan is actually an investment into the student's future where the return should be a higher paying career.

Activity 17 Provincial Loan Programs – Funding Summary Sample

Optional: If you are a financial aid officer and have access to the various provincial loan platforms, or have access to printed and/or online samples, you could show participants an



example of the provincial student loans funding summary for a student who is attending post-secondary education. You could then have small groups discuss what is on the summary page and indicate what information they understand and what they do not understand. Discuss with the class what type of funds are available through the program and what loans are vs. grants.

Slide 45: Other Source of Education Money/Funding

- Institutional need- and merit-based awards
- External awards:
 - Universities Canada: <https://www.univcan.ca/universities/>
 - Yconic/Student Awards: <https://yconic.com/>
 - Scholarships Canada: <http://www.scholarshipscanada.com>
 - Loran Scholars Foundation: <http://loranscholar.ca/> (if high school or CEGEP student applying to university)
 - Indspire: <https://indspire.ca/>
 - Indigenous Bursaries Search Tool: <https://www.sac-isc.gc.ca/eng/1351687337141/1531406419657>
 - DisabilityAwards.ca Scholarship Database: <https://www.disabilityawards.ca/>
- Bursaries are need-based
- Scholarships are merit-based
- Grants are based on listed criteria

TIP:

Universities Canada. They administer more than 130 scholarship, fellowship and internship programs on behalf of governments, foundations and private sector companies.

Loran Scholars Foundation. Every year, the Loran Scholars Foundation invests in exceptional young Canadians who demonstrate character, service and leadership. They look for qualities that a transcript alone cannot show: personal integrity and character; commitment to service and an entrepreneurial spirit; breadth in academic and extra-curricular interests; strongly developed inner-directedness; and outstanding overall potential for leadership.

Indspire. Indspire's *Building Brighter Futures* bursaries, scholarships, and awards help First Nation, Inuit, and Métis students cover the costs of their post-secondary education and training, books, living expenses, childcare, and more.

Aboriginal Bursaries Search Tool. The Aboriginal Bursaries Search Tool is a searchable list of more than 750 bursaries, scholarships and incentives across Canada, offered by governments, universities and colleges, private and public companies, individual Canadians, organizations and others.



Yconic. Scholarships, bursaries, and student awards worth over \$170 million across Canada and the USA.

Scholarships Canada. Create a free ScholarshipsCanada.com profile to access exclusive resources:

- Scholarship matching based on your profile
- Dashboard to save all your scholarship info
- Career & personality quizzes

Disabilityawards.ca. DisabilityAwards.ca is a portal to awards and scholarships for students with disabilities studying at Canada's colleges and universities.

Activity 18 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.

Clarify any misunderstandings and point out how the messages build on the topics participants covered in this section.

Slide 46: 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

Section 5: Credit Reports and Credit Scores

Slide 47: Section 5: Credit Reports and Credit Scores

Section 5: Credit Reports and Credit Scores

Overview

Slide 48: 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

PRINT WORKSHEET FOR ACTIVITY 19: Credit Report and Credit Score Quiz

Activity 19 Credit Report and Credit Score Quiz

Have participants complete 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 49: Credit Report and Credit Score Quiz

[Click here to view Credit report and Credit Score Quiz online](#)

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

* 4. Which of the following does not affect your credit score? **(required)**

- ☐ a) your payment history: whether you have ever missed a payment on your debts
- ☐ b) any collection or bankruptcy that has been recorded against you
- ☐ c) your history of repaying informal loans from family or friends
- ☐ d) any outstanding debts you have
- ☐ e) your account history: how long you have had credit, and the type of credit you have

**Slide 50: 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
- **Who is interested in your credit report?**
 - Landlords
 - Employers
 - Insurance companies
 - Lenders

Your Credit Report**Slide 51: 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, visit:
 - www.equifax.ca
 - www.transunion.ca
- Both your credit score and report are available online for a fee (\$)

Slide 52: 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 53: What Does a Credit Report Look Like?

View samples of TransUnion and Equifax Credit Reports

TransUnion's Credit Report

Personal information
Click to see if your personal information is correct.

Credit report date: 07/01/2012
Name: Tracy C. Cusack
Date of birth: 08/19/73
Telephone #: 416-292-1256
Employer: CUSACK TRACY
Date updated: 03/02/08

Current address:
175 Jackson St.
Hamilton, ON
L8N 2S4
Date updated: 03/01/2010

Previous address:
27 Cornwell St.
Hamilton, ON
C7A 3L9
Date updated: 01/01/2004

Consumer statement
None reported.
If you gave the credit reporting agency a consumer statement, it will be included here.
For more information, see the section "Steps to correct errors."

Summary			
Total accounts:	9	Statements:	4000
Open accounts:	9	Payments:	110
Closed accounts:	0	Public records:	0
Delinquent:	0	Inquiries (2 years):	9
Derogatory:	0		

Equifax's Credit Report

PERSONAL IDENTIFICATION INFORMATION
Click to see if your personal information is correct.
The following personal identification information is currently showing on your credit file. Your date of birth and social insurance number have been partially redacted to protect your personal information (a). Date: 06/01/2012, Social Insurance Number: 123-456-789.

Date File Created: 03/01/02
Name: JUDITH C. COUSACK
Current Address: 124 MAIN ST. MONTREAL, QC H1T 2S4
Date Reported: 01/11
Previous Address: 8987 BLUE AVE. TORONTO, ON M7N 3A2
Date Reported: 02/01
Prior Address: 166 PACIFIC RD. VANCOUVER, BC V6K 3G9
Date Reported: 03/02

Marital Status: Married
Current Employment: CEO, ABC LTD.
Date Reported: 03/07
Date last filed: 03/10
Previous Employment: SENIOR EXECUTIVE, ORANGE INC.
Date Reported: 03/05
Date last filed: 03/10
Prior Employment: BUSINESS ANALYST, BIG BLUE GROUP

Other Income:
Date Reported: 11/12
Source: FINANCIAL MARKETS
Amount: \$60,000
Date: 06/01/2012
The Date of Birth-Info was first reported on 03/01/01.
Social Insurance Number: 287-000-000
The Social Insurance Number was first reported on 03/01/01.

Activity 20 What Does a Credit Report Look Like?

Go to the online sample reports and review their main features, 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 21 How Do You Improve Your Credit Score

Overall: 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 54, How to Improve Your Credit Score, and compare them with the ideas the groups listed.

Details: Have participants in pairs or small groups and give them a base credit score.



Create word cards that can improve, maintain or damage credit scores with points (i.e. Improve cards = +50, Maintain cards = +10, damage cards = -50).

For example:

- Paying cell phone bills full = +50
- Don't apply for credit often = +10
- Request credit reports annually = +10
- Make minimum payments for credit card = +10
- Make no payments for credit card = -50
- Pay auto loan bills late = -50
- Filed for bankruptcies = -50
- Pay off debt quickly = +50
- Pay off student loans on time = +50
- Default on student loans = -50

Each group will have random pick on the word cards and can steal a card from another team three times. At the end of the game students will see how much their assigned credit scores have improved or have been damaged. Have them discuss what cards their team would have needed to improve their scores.

Slide 54: How to 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 22 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.

Clarify any misunderstandings and point out how the messages build on the topics participants covered in this section.

**Slide 55: 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

Section 6: Managing Debt**Slide 56: Section 6: Managing Debt**

Section 6: Managing Debt

Overview**Slide 57: 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

PRINT WORKSHEET FOR ACTIVITY 23: How to Recognize the Danger Signals**Activity 23 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***.

Ask if there are 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 58: How to Recognize the Danger Signals

[Click here to view the worksheet online](#)

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.

Managing Debt

Slide 59: 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 to negotiate your interest rate or payment terms
- Talk to trusted financial professionals

**Slide 60: Repayment Strategy**

- Two options for prioritizing:
 - 1) highest interest first or
 - 2) lowest balance first
- Create a plan to focus on additional payment on one debt at a time, and make minimum payments on all other debts
- If you think you will have trouble paying a bill, contact the lender right away and try to work out a special arrangement
- Ask for reduced interest or transfer to a lower interest product

Slide 61: Avoiding Debt Problems

- Pay attention to how many purchases you make using contactless/mobile payment devices: they can add up very quickly
- 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 the help of a budget

Activity 24 Students' Common Debt Regrets

Based on feedback from Financial Aid Officers at schools across the country, these are scenarios of ‘common debt regrets’ as articulated by actual students who would have done things differently – had they known! Have students form small groups and assign a statement of regret to each group. Ask the students to discuss what they could have done differently, and what advice they would offer a new student starting their post-secondary studies.

1. Not applying for government student financial assistance on time or at all

- You may be surprised by the outcome of your assessment, so you need to know early to be able to plan your finances accordingly.
- Late payment charges on fees, interest on other bills because government money is delayed and/or you have to resort to credit cards or other forms of higher interest-bearing debt.
- After a certain deadline, you may not be able to get your government aid for the academic year, and lose out on the grant you would have been given.
- You may not be considered for maximum funding up front, which could also lead to



loss of part of loan forgiveness e.g. assessed for \$7,500 loan instead of \$9,000. The \$1,500 difference could have been forgiven.

- Complete your extra paperwork for existing loans (e.g., continuation of interest-free status) -- if not completed, this may lead to "technical" default or obliged repayment.

2. Not maintaining a full course load

- Unless you can be 'deemed' full time (depending on the government jurisdiction, examples include a recognized disability or having young dependents), a part-time course load will create loss of government aid, an over-payment situation and/or obliged repayment of prior loans.
- Timely program completion will reduce your overall loans/debt and ensure the longest possible delay before hitting the time limitation.

3. Paying off government loans before paying credit card debt/line of credit

- Credit card balances are debt too, and they carry higher interest rates.
- Paying off your government loans first means you will be forgoing your access to repayment assistance plans offered by government.

4. Consolidating government loan debt with consumer debt/student line of credit

- You will lose the tax credit for income tax (17% credit for interest paid).
- You will lose the opportunity to defer government loans if you return to school.
- You will lose access to government repayment assistance programs (RAPs) which can be more flexible than repayment of bank loan.
- Regardless of your enrolment status, interest starts ticking immediately upon use of bank loans and student lines of credit.
- Scenario: A student has completed their studies and is now ready to repay their student debt. The interest rate for the government guaranteed loan is just a bit more than the one being offered by their bank. The student decides to take out a bank loan to pay off the student debt. Less than a year after negotiating this loan the former student loses his job and falls sick without sick leave benefits. Unfortunately, the former student can no longer afford their monthly loan payments and eventually falls into collection. Had the student not paid off its government loan he/she would still have had access to the government's deferred payment plan/repayment assistance program.

5. Taking time out of school to work/save and repay more than the minimum on government loans/repay all of government loans

- No savings and NO funds from government aid upon return to school because of income earned
- Prior loans cannot be deferred and will go into repayment

6. Not filing income tax

- No income tax return/GST rebate
- If the government can't verify your income, your entire government aid assessment



could be in jeopardy. Furthermore, certain provinces will not convert the predetermined portion of loans into grants.

7. Defaulting on government loans

- Not communicating with servicers/National Student Loan Service Centre/bank when you start having problems making your payments
- Not understanding there are choices/options/flexibility in repayment assistance plans
- Poor credit rating/file sent on collection, which could impact any future purchasing requiring credit checks, such as a car or home purchase; and sometimes even on job opportunities
- You can negotiate!

Slide 62: Serious Debt Problems

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

PRINT VIDEO RESPONSE SHEET FOR ACTIVITY 25: VIDEO: Tips for Managing Debt

Activity 25 VIDEO: Tips for Managing Debt

Introduce the video *Tips for Managing Debt* 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?

Link to video: <https://www.canada.ca/en/financial-consumer-agency/services/financial-toolkit/credit/credit-6/5.html>



Video Response Sheet	
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 63: 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 64: 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 65: 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
- Borrowing to invest
 - Increases risk as well as return
 - Short-term loan for RRSP may be justified if repaid with tax return

Activity 26 Paying off student debt versus investing

A graduate of a post-secondary institution has been working hard to save up a lump sum of \$15,000. This graduate carries a balance of \$15,000 on a student line of credit with an annual interest rate of 7%. They have just graduated, and they don't have to pay back the principal on the balance of the line of credit for another 12 months (right now they only need to make the minimum interest payments each month).

What would you do with the \$15,000? Would you invest or pay off debt?

Factors that can influence the decision:

- Return on investment after taxes
- Emotional comfort level of having a debt
- Risk
- Type of investment
- Term of investment
- Term of loans
- Interest rate of student loan

Group students who said they would invest and students who said they would pay off debt. Ask students to identify and discuss with their group what factors have led them to get to their decision. A group representative can debate why investing or paying off debt is better.

Activity 27 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 covered in this section.

**Slide 66: 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

PRINT WORKSHEET FOR ACTIVITY 28: Action Plan**Action Plan****Activity 28 Action Plan**

Have participants review the **Action Plan**. Refer to the slide 68-71 as necessary.

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.

Ask if any participants are willing to share their plans for action.

Extend discussion with questions such as the following:

- What's the first step you need to do to better manage your debts?
- What items on the checklist need the most work?
- What makes some items on the checklist harder to do than others?
- What other types of problems with debt do you need more information about?

Slide 67: Action Plan, Part 1: Debt danger signals

[Click here to access the Action Plan Online](#)

Part one: 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.

**Slide 68: Action Plan, Part 2: Taking control of your debt****Part two: 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"/>

Slide 69: Action Plan, Part 2: Taking control of your debt

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.

Steps I can take:

**Slide 70: Action Plan, Part 2: Taking control of your 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"/>

Slide 71: Questions/Comments

QUESTIONS/COMMENTS

References and Links

For more information, you may want to refer to:

- The Financial Consumer Agency of Canada's [Your Financial ToolKit Program](#)
- The Financial Consumer Agency of Canada web pages on [Credit Cards](#) and [Debt and Borrowing](#)
- The Ontario Securities Commission web pages on [Managing Debt](#)
- The Autorité des marchés financiers web pages on [Personal Finances](#)



ANNEX – Related Worksheets and Handouts



Activity 1 – How I Feel About Credit and Debt

Here are some sample statements. Check the one that is closest to your 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."



Case Study - Line of credit

Alex is a fourth-year undergraduate student who lives on campus. She takes out government student loans and receives \$8,000 every year from her student loans, but this isn't enough to cover her costs for the year. She normally has \$3,000 savings from her summer job in addition to a part-time job during the school year, but this year she wasn't able to find a part-time job so she talks to her parents and they agree to co-sign for a student line of credit to cover the difference.

She's done a rough budget and thinks she needs an extra \$3,000 to cover her costs for the year, but the bank offers her a student line of credit of \$10,000 saying that it is better to have access to it now than have to ask for it later. She decides that it does not hurt to have the extra money just in case.

After paying her tuition for the year, she decides to buy a new laptop for \$1,500 with the extra money – after all, the newest laptop is what her friends have so it must be better quality than her current device (even though it's working fine) and she has the extra money in her line of credit. She also could use a car to get to her part-time job more easily during the school year, so she buys a used car for \$3,000 instead of taking the bus. Alex also hates not being able to buy things because she is on a student budget, so when she wants to go for a night out with friends or buy new clothes she pays for them using her student line of credit.

After a few months of purchases, she has maxed out her student line of credit, and has to get a cash advance on her credit card to pay for her last month of rent and her monthly interest payment for the line of credit. She already had a balance of \$900 on her credit card, so with the rent payment and line of credit payment this brought her credit card total even higher. She sees that the interest charges on her credit card have accumulated much more since her last bill. She did not realize interest gets charged right away on a cash advance.

Questions for discussion :

- What are the factors that caused Alex to build up debt?



Activity 2 – Testing your Knowledge about Credit and Debt

TRUE or FALSE?

STATEMENT	TRUE	FALSE
a) Paying my credit card 5 days late will impact my credit score.		
b) A poor credit rating won't impact my ability to get student loans.		
c) A poor credit rating won't impact my ability to get a bank loan.		
d) A poor credit rating might impact my ability to buy a car in 5 years.		
e) I charge \$400 of textbooks to my credit card. I pay \$300 of it before my credit card bill due date passes. I am paying interest on \$100.		
f) I get a cash advance on my credit card to pay \$400 of textbooks. I only pay interest on the amount I don't pay by the credit card bill due date.		
g) My credit card balance is high. I should call my bank to negotiate the interest rate.		
h) Applying for credit cards does not affect your credit rating.		



Case Study – Lending money to family

Marissa is a first-year undergraduate student who lives on campus. She accesses government student loans and receives \$11,900.00 in loans (repayable assistance) and \$6,496.00 in combined grants (non-repayable assistance) for the current academic year.

Marissa is the eldest of 3 children and has always assisted her mother financially with her income from her part-time job. However, her faculty advisor told Marissa that she should not work part-time in her first year of studies as it was crucial for her to understand the initial concepts of her program to academically progress through her degree.

Marissa's mother relies on her daughter's support from part-time income to fund the family expenses. When Marissa's student loan was deposited into their joint checking account, her mother used her first term student loan installment of \$7,140.00 to pay past due rent, power, hydro, telephone and cable.

Marissa is now left with only her grant assistance of \$6,496.00 and \$4,760 remaining from her student loan; which together total \$11,256 in financial support for the academic year. However, her tuition is \$7,135 and her residence costs are \$10,000.

Please complete a budget for Marissa assuming public transit \$50/month, cell phone \$78/month, entertainment \$125/month and haircuts \$25/month.

Question for discussion:

What is Marissa's projected deficit? Where can she go to get assistance for her tuition/fees and residence costs?

How much extra \$XX.XX does she need to cover her costs for the year? Name some places, services she can access to assist her with her deficit.



What are the factors that caused Marissa to have a deficit?

Student Budget Worksheet: <https://www.canada.ca/en/financial-consumer-agency/services/budget-student-life/student-budget-worksheet.html>



Case Study – Lending Money to Family (Budget Worksheet)

You can also use the interactive Budget Calculator from the Financial Consumer Agency of Canada to complete a budget for Marissa.

Budget Calculator: Canada.ca/financial-tools

Income	Amount per month
Employment income (after deductions)	
Bonuses	
Tips or commissions	
Government payments such as Canada Child Benefit, Employment Insurance (EI), Canada Pension Plan (CPP) or Quebec Pension Plan (QPP)	
Self-employment	
Gifts	
Grants or scholarships	
Other:	
Other:	
Other:	
Other:	
Total income	



Fixed expenses	Cost per month
Rent or mortgage payment	
Property taxes and/or condo fees	
Home insurance	
Utilities (electricity, water, heat)	
Communications (telephone, Internet, cable)	
Transit	
Car loan payment	
Other loan payments	
Child care	
Other insurance (life, disability, etc.)	
Banking and credit card service fees	
Savings	
Other:	
Other:	
Other:	
Total fixed expenses	

Variable expenses	Cost per month
Groceries	
Eating out	
Household expenses (cleaning, maintenance, repairs, furniture)	



Car repairs, gas, etc.	
Computer equipment and office supplies	
Pets	
Health care (dental, medication, glasses/lenses)	
Clothing and footwear	
Personal care (toiletries, hair care, makeup, laundry)	
Recreation (movies, games, videos, clubs, concerts, sports, etc.)	
Travel	
Gifts and charitable donations	
Education (tuition, books, fees, etc.)	
Other:	
Other:	
Other:	
Total variable expenses	

Total monthly income	
Total monthly expenses	
Difference between total monthly income and total monthly expenses	



Activity 5 – My Debt Ratio

Use this chart to determine your own debt ratio.

Income	Monthly amount
Monthly household income before taxes	

Debt payments	Monthly amount
Monthly mortgage payment (including taxes and insurance)	
Home equity loan payment	
Auto loan payment	
Monthly credit card bills (minimum monthly payment on all statements)	
Personal loan payment	
Student loan payment	
Student bank line of credit	
Child support alimony payment	
Other monthly debt payment:	
Total monthly debt payments	

Debt ratio (total monthly debt payments ÷ total monthly income X 100 = %)	
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Case Study – Line of Credit (Cont'd)

Fast-forward two years:

- Alex has graduated from her program, and found a job with a take-home pay of \$2,200 a month.
- After rent (\$1,000) and her basic living expenses (\$600) this leaves her with approximately \$500 each month.
- But with over \$32,000 in student loan debt, she has a minimum student loan payment of \$350/month and her minimum payment for her maxed out \$10,000 student line of credit is \$200/month.
- She also has a balance of \$2,500 on her credit card, and has to make a minimum payment of \$65/month.

Because Alex does not have enough each month to cover both her living costs and her debt payments, she pays only the minimum payment on her credit card each month, and then uses her credit card to pay for her minimum monthly payment for her line of credit.

Questions for discussion:

- In Alex's case, what was her good debt? What was her bad debt?

- What will happen if Alex continues to use her credit card to pay off her debt?

- Looking back to the previous example when Alex was a student, what could Alex have done differently when she was still a student?



Activity 7 – Credit Options

These charts summarize the main features, advantages and disadvantages of different types of credit.

Personal loan from financial institution (bank, credit union, caisse populaire or trust company)	
How it works	<ul style="list-style-type: none"> • A loan from your financial institution directly to you • Suitable for medium- and longer-term needs, such as buying a car or paying for home improvements
Advantages	<ul style="list-style-type: none"> • If you get a loan with an open repayment schedule (as opposed to one with a fixed schedule), you may be able to increase your monthly payment or make a lump sum payment to pay off the loan sooner with no extra charges
Disadvantages	<ul style="list-style-type: none"> • Because of interest, your purchase will cost more than if you had saved up the money before buying

Line of credit	
How it works	<ul style="list-style-type: none"> • A type of pre-approved loan that allows you to borrow money when you need it, up to a maximum amount
Advantages	<ul style="list-style-type: none"> • Allows you to borrow, repay and borrow again based on your credit limit • Often has a lower interest rate than other credit products such as a credit card advance or account overdraft, and different repayment options, particularly if it is secured by the equity in your home
Disadvantages	<ul style="list-style-type: none"> • The interest rate is often not fixed and can rise. • The minimum payment is interest only, and there is often no repayment schedule, which may make it harder to pay off the debt completely.

Overdraft protection	
How it works	<ul style="list-style-type: none"> • A service that financial institutions offer on chequing accounts, which allows the account holder to access additional funds beyond what is on deposit—but the funds must be repaid within the statement period
Advantages	<ul style="list-style-type: none"> • Is convenient if you are short of money in your account at a particular time (e.g., if a bill is due just before your payday)



Disadvantages	<ul style="list-style-type: none">• Interest charges can be very expensive.• You could be charged penalties if you do not repay the loan in full and on time.
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Auto company loan	
How it works	<ul style="list-style-type: none">• A loan for the purchase of a vehicle arranged through the car dealer's financing company• The car is collateral and can be seized and sold if you don't pay as agreed.
Advantages	<ul style="list-style-type: none">• May offer lower interest than loans from financial institutions
Disadvantages	<ul style="list-style-type: none">• Interest charges can be very expensive.• You could be charged penalties if you do not repay the loan in full and on time.

Student loan	
How it works	<ul style="list-style-type: none">• A bank loan for education costs with a special rate and special repayment terms for students• Sometimes guaranteed by the government
Advantages	<ul style="list-style-type: none">• Interest rates are lower than for personal bank loans.• You don't have to start repaying the loan until you finish your education.
Disadvantages	<ul style="list-style-type: none">• You could graduate with a great deal of debt.

Mortgage	
How it works	<ul style="list-style-type: none">• A type of loan often used to buy a home or other property. Your home or property is the security or guarantee for the loan.
Advantages	<ul style="list-style-type: none">• Allows you to make the largest purchase that most people ever make• Different terms (loan period, interest rate, payment schedule, etc.) are available, adding repayment flexibility• Often available at lower rates than consumer loans
Disadvantages	<ul style="list-style-type: none">• You must get mortgage insurance if you have less than 20% of the value of the home as a down payment, which increases the cost of the loan.• You could lose your house if you do not make the mortgage payments.



	<ul style="list-style-type: none"> Most mortgages require a lawyer, title registration and a survey, which add to the cost of buying a house.
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Credit card	
How it works	<ul style="list-style-type: none"> When you make a purchase, you borrow money from the credit card issuer to pay the vendor, and you have to pay back the money you've borrowed by a due date. For credit card purchases, if you do not pay the purchase balance in full each month by the payment due date, you incur interest charges. You may also use your credit card for cash advances. Interest on cash advances is charged right away. The card issuer sets a credit limit (the maximum amount that you can charge on the card before paying off the charges); limits vary with your income, your credit rating and the amount of debt you have.
Advantages	<ul style="list-style-type: none"> Lets you borrow money instantly to make purchases Allows you to carry less cash Lets you get cash advances (but you start paying interest right away) Can be more convenient, and more widely accepted, than cheques Has an interest-free grace period on new purchases, provided that you pay the balance in full by the current month's due date Lists your purchases in one statement so you can track your spending and check for any fraudulent purchases If you do not receive what you paid for or if the transaction is fraudulent, you may ask the card issuer to reverse the charge May offer extended warranty or purchase protection on purchases as well as other rewards and benefits
Disadvantages	<ul style="list-style-type: none"> High interest charges add to the cost of a purchase if you don't pay the balance in full by the due date. Interest varies from about 10% to 30%, depending on the type of card and the type of transaction. This is much higher than many other types of credit.

Deferred payment plan	
How it works	<ul style="list-style-type: none"> A purchase plan in which you can delay paying for a purchase for a specified time, usually by paying the amount in instalments, with interest Often offered by appliance and furniture stores
Advantages	<ul style="list-style-type: none"> Allows you to buy things immediately without having to wait to save up the entire purchase amount



Disadvantages	<ul style="list-style-type: none"> • Usually charges very high interest rates and fees • Some plans offer "0% interest" for a period of time, but if you don't pay by the due date, you have to pay high interest from the date you made the purchase
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Rent-to-own contract

How it works	<ul style="list-style-type: none"> • A type of loan in which you rent an item (usually furniture or appliances) for a defined period of time. • You have the option of purchasing the item by continuing to pay the rental fee over time or by paying a lump sum. • You do not own the item until the last instalment of the loan is paid.
Advantages	<ul style="list-style-type: none"> • Allows you to use the rented item without waiting to save up the entire purchase amount
Disadvantages	<ul style="list-style-type: none"> • Can take a very long time to pay off and is often extremely poor value for money • You can end up paying much more than the actual purchase price.

Payday loan

How it works	<ul style="list-style-type: none"> • A short-term loan that you promise to pay back from your next paycheque • Offered by payday loan companies and by most cheque-cashing outlets
Advantages	<ul style="list-style-type: none"> • Provides quick access to cash
Disadvantages	<ul style="list-style-type: none"> • May not be regulated by the government • More expensive than alternatives • Charges very high interest rates and fees • Your next paycheque may always be used to repay the current loan. • Does not improve your credit history since payday lenders don't report to credit bureaus

Secure credit card

How it works	<ul style="list-style-type: none"> • A card that requires you to provide the card issuer a security deposit before the card is issued • Your credit limit is normally set as a percentage of your deposit (usually 100% or more).
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Advantages	<ul style="list-style-type: none"> • Could be useful if you have no credit history in Canada, you've had credit problems in the past and want to rebuild your credit rating, or you've filed for bankruptcy in the past • Most issuers pay interest on your security deposit
Disadvantages	<ul style="list-style-type: none"> • Normally has a higher interest rate than an unsecured card if you have no credit history or bad credit • May charge annual fees, application fees and other charges

Informal loan	
How it works	<ul style="list-style-type: none"> • Money that you borrow from a family member or other individual • With larger loans, it's valuable to have a formal agreement.
Advantages	<ul style="list-style-type: none"> • Provides quick access to cash if you have no alternative source of funding • Family members may charge low or no interest
Disadvantages	<ul style="list-style-type: none"> • Some informal loans come through "loan sharks," people who lend money at exorbitant or illegal rates of interest. • Can cause relationship problems if there is a misunderstanding on the terms or if you have difficulty paying back the loan

High-risk or approved loan	
How it works	<ul style="list-style-type: none"> • A type of unsecured loan that you may apply for if you are turned down for a personal or other loan by a financial institution • May be issued by auto loan financing companies, retail stores, mortgage lenders, etc. • Often used by people with poor credit for short-term emergency loans
Advantages	<ul style="list-style-type: none"> • Can improve your credit rating if you pay off the loan on time and in full • Lenders do not usually ask for collateral • The application process is usually quick and simple
Disadvantages	<ul style="list-style-type: none"> • Usually has a higher interest rate and higher fees than other loans, as well as stricter terms



Activity 12 – Credit Card Statements

Here's what a typical credit card statement looks like:

Statement period from 09/30/2016 to 11/01/2016

Account number	Name	Statement date	Payment due date	
1234-456-789	John Smith	11/01/2016	11/22/2016	
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 clothing	40.10
		11/01	Interest	8.79
		11/01	Annual fee	25.00
Previous balance	\$532.80	Current amount due	\$159.03	
Purchases	\$125.24	Amount past due		
Cash advances		Amount over credit line		
Payments	\$532.80	Minimum payment due	\$20.00	
Interest charges	\$8.79			
Non-interest charges	\$25.00			
New balance	\$159.03			
Finance charge summary	Purchases	Advances	For customer service call:	
			(Collect calls are accepted)	
Periodic rate	1.65%	0.54%	1-800-XXX-XXXX	
Annual percentage rate	19.80%	6.48%	For lost or stolen card, call:	
			(Collect calls are accepted)	
			1-800-XXX-XXXX	
			24 hour telephone numbers	

The estimated time to repay your account balance if you only make the minimum payment every month is 9 months.



Answer Key for Students

Activity 12 Credit Card Statements

- 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

Cash advances: A credit card can also be used to withdraw a cash advance. The interest rate on advances is much higher than the rate for some other types of loans, and there is no grace period—interest is charged from the time you take out the cash advance until the time you repay the advance in full.

**Activity 15 and 25 – Video Response Sheet**

Video Response Sheet	
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?	



Case Study – Credit Card Fraud Between Friends

Josh is a second-year undergraduate student who lives in an apartment with two roommates close to campus. Josh relies on government student loans and grants to fund his education. He is a low-income student whose parents are financially unable to assist him with his costs of education.

Josh is waiting to receive his student loans and decides to blow off steam with his good friend Tyler and goes downtown to party for the night. As he has no money, he takes his credit card...what is the harm... he is good with his money and promised himself to only put a few drinks on his credit card.

Tyler and Josh leave the bar, but, now they have the munchies. Josh gives Tyler his credit card and PIN so he can run down the road to buy pizza. After wolfing down their pizza they both head to bed, but Tyler forgets to give back the credit card to Josh.

The next morning Tyler is leaving for class and he receives a text from his father. His contract job fell through, now he cannot pay his tuition. Tyler is panicked... he has no back up plan and he is going to be kicked out of school if he does not come up with \$3,000.00 for the Financial Services Office by 10:00 am this morning.

Tyler is distraught and starts panicking...wait a minute...Josh's credit card...he knows the PIN. He is conflicted...should he use it...Josh will understand...they have been friends for two years. Tyler goes on-line and pays his \$3,000.00 tuition with Josh's credit card.

Tyler feels ok about it as he knows that his mother can give him the money. All will be good. Tyler calls his mom to borrow the money. His mom says *"Honey, I cannot help you, your father's contract job fell through and now I have to cover all the bills"*. Tyler hangs up as he did not have the heart to tell his mother what was going on with him as he did not want to add to his family's financial burden.

Questions for discussion:

- What could Josh have done to protect himself financially?
- Will Josh be responsible for the \$3,000.00 charged to his credit card by Tyler?
- What can Josh do now?
- What can Tyler do now?
- What would you do if you were placed in Tyler's situation?
- What would you do if you were placed in Josh's situation?



Activity 19 – Credit Report and Credit Score Quiz

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

1. Getting a copy of your credit report is:

- 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?

- 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.

- a) True
- b) False

4. Which of the following does not affect your credit score?

- a) Your payment history: whether you have ever missed a payment on your debts
- b) Any collection or bankruptcy that has been recorded against you
- c) Your history of repaying informal loans from family or friends
- d) Any outstanding debts you have
- e) Your account history: how long you have had credit, and the type of credit you have

5. Which of the following goes into determining your credit score?

- a) Your payment history (whether you carry over a balance on your credit card from month to month or have ever missed a payment on any of your debts)
- b) Any collection or bankruptcy recorded against you
- c) Your outstanding debts
- d) Your account history (how long you have had credit)
- e) The number of recent inquiries made about your credit report
- f) The type of credit you are using
- g) All of the above



Activity 19 – Credit Report and Credit Score Quiz

Answer Key for Students

1.

Answer: d) You can get a full picture of your credit history, including all the credit products attached to your name and your identity, by ordering a copy of your credit report from Canada's two credit-reporting agencies.

2.

Answer: a) You should obtain a copy of your credit report from Canada's two credit reporting agencies, TransUnion and Equifax, at least once a year. The two agencies do not share information, so you should get reports from both.

3.

Answer: True. According to one credit reporting agency, research shows that consumers who are actively seeking new credit accounts are more of a risk than consumers who aren't trying to obtain credit.

4.

Answer: c) Informal loans do not affect your credit score, unless they result in a court judgment or a lawsuit against you—in which case, the resulting judgment may appear on your credit report.

5.

Answer: g) Based on these factors, credit-reporting agencies and lenders use a mathematical formula to arrive at your credit score.



Activity 23 – 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.



Activity 28 – Action Plan

Part one: 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.

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

For more information, see the section on [Managing debt](#).

Part two: Taking control of your debt

1. List all of your debts.

Debt	Total amount borrowed	Interest rate	Amount still owing

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.

Steps I can take:

3. Number the steps in order of priority.

Priority	Steps you can take to manage your debt repayments.