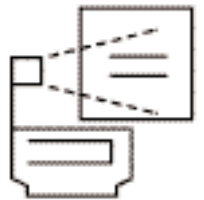


lesson seven

about credit



overheads



advantages and disadvantages of using credit

advantages:

- Able to buy needed items now
- Don't have to carry cash
- Creates a record of purchases
- More convenient than writing cheques
- Consolidates bills into one payment
- Emergencies

disadvantages:

- Interest (higher cost of items)
- May require additional fees
- Financial difficulties may arise if one loses track of how much has been spent each month
- Increased impulse buying may occur

the three C's



character—will you repay the debt?

From your credit history, does it look like you possess the honesty and reliability to pay credit debts?

- Have you used credit before?
- Do you pay your bills on time?
- Do you have a good credit report?
- Can you provide character references?
- How long have you lived at your present address?
- How long have you been at your present job?

capital—what if you don't repay the debt?

Do you have any valuable assets such as real estate, savings, or investments that could be used to repay credit debts if income is unavailable?

- What property do you own that can secure the loan?
- Do you have a savings account?
- Do you have investments to use as collateral?

capacity—can you repay the debt?

Have you been working regularly in an occupation that is likely to provide enough income to support your credit use?

- Do you have a steady job? What is your salary?
- How many other loan payments do you have?
- What are your current living expenses? What are your current debts?
- How many dependents do you have?



your responsibilities

- Borrow only what you can repay.
- Read and understand the credit contract.
- Pay debts promptly.
- Notify creditor if you cannot meet payments.
- Report lost or stolen credit cards immediately.
- Never give your card number over the phone unless you initiated the call or are certain of the caller's identity.
- Never leave your credit cards unattended at work.
- Protect your Personal Identification Number (PIN).
- Don't leave your credit cards in your vehicle.
- Always check your card when returned to you after a purchase.
- Carry your cards with you or make sure they are in a secure location.
- Sign the back of a new card as soon as you get it.
- Make a list of all your cards and their numbers.
- Always check your monthly statement.

your rights



consumer protection act

Ensures consumers are fully aware of their rights.

human rights

Prohibits discrimination in giving credit on the basis of sex, race, colour, religion, national origin, marital status, age, or receipt of public assistance.

credit reporting act

Sets up a procedure for the quick correction of mistakes that appear on consumer credit accounts.

collection agencies act

Prevents abuse by professional debts collectors, and applies to anyone employed to collect debts owed to others; does not apply to banks and other businesses collecting their own accounts.

sale of goods act

Contract of sale between buyer and seller. Encompasses type of contract, enforcement provisions, duties and remedies.

fair trading act

Applies to consumer transactions and unfair practices that occurred after September 1999.



building a credit history

- Establish a steady work record.
- Pay all bills promptly.
- Open a chequing account and don't bounce cheques.
- Open a savings account and make regular deposits.
- Apply for a local store credit card and make regular monthly payments.
- Apply for a small loan using your savings account as collateral.
- Get a co-signer on a loan and pay back the loan as agreed.

credit bureaus

- Equifax (1-800-465-7166)
- Trans Union
- Local credit bureaus affiliated with these major companies



credit report — a (continued)

LEGEND

- 1** **MOU BY DATA:** Shows information used to prepare credit file
- 2** **CONSUMER REFERRAL TELEPHONE NUMBER:** Telephone number where consumer may call office for credit credit
- 3** **CONSUMER FILE ALERT:** Indicates information concerning credit file or credit
- 4** **ONLINE INFO SOURCE:** Online computer application used to generate credit
- 5** **DEBT FILE WAS ACCESSED:** (print only)
- 6** **SAFESCAN WARNING:** Indicates that the report was reviewed for potential application fraud or other errors to system users only
- 7** **SCORES AND REASON CODES:** A risk score is only used by approved financial institutions. The score is based on a credit bureau risk measurement system. Available only to risk sensitive users.
- IDENTIFICATION SECTION:**
 - 8** Subject name (consumer's name)
 - 9** Date file was established
 - 10** Date of last update file
 - 11** Current address (street, apartment, city, state, zip)
 - 12** Former address
 - 13** Second Street address
 - 14** Address name subject is the director
 - 15** Date of birth (month, day, year) with office display key to provide a report use matches with information on file
- INQUIRIES SECTION:**
 - 16** **INQS:** Accounts appear. Dates of inquiries (month, day, year) by
 - 17** **INQ:** Inquiry for name and telephone for inquiries in the past 60 months
 - 18** **INQES:** Last month's inquiries since file established
- EMPLOYMENT SECTION:**
 - 19** **EE:** Employer and subject. If former, date terminated, date applied for, date received, month, day, year
 - 20** **EE:** Employer and subject. If former, date terminated, date applied for, date received, month, day, year
 - 21** **EE:** Employer and subject. If former, date terminated, date applied for, date received, month, day, year
 - 22** **EE:** Employer and subject. If former, date terminated, date applied for, date received, month, day, year. An optional information provided in Query
- 23** **SUMMARY SECTION:** Provides specific data items
 - A** Credit report history of name
 - B** Number of previous accounts of name
 - C** Number of public record entries on name (bankruptcy or tax)
 - D** Number of inquiries on name (M) includes inquiries on length of file and the number of inquiries since the file was first opened
 - E** Number of trades on file
 - F** Highest rated range of trades on file
 - G** Status of trades on file
- 24** **PUBLIC RECORDS OF OTHER INFORMATION:**
 - BACKLOGGERS:** A present legal judgment concerning a consumer
 - A** Date filed
 - B** Type of action
 - C** Court name
 - D** Judgment amount (trustee)
 - E** Taxing
 - F** Assets
 - G** Title (trustee, spouse or both)
 - H** Name of bank(s) and (N) the responsible state (person)
 - DEBT FROM COLLECTION:** A debt which a creditor is unable to collect and has assigned to a collector
 - A** Reported date
 - B** Type of debt (rent, P) — unpaid debt (other) — past due (other)
 - C** Name of the collector (collection agency)
 - 25** **Original amount of a contract**
 - 26** **Industry classification code**
 - 27** **Trade name company number**
 - 28** **Trade establishment**
 - 29** **Balance of debt reported**
 - 30** **SECURED (FORM):** A debt that is legally secured (i.e., it is secured) and is shown when the debt is secured (personal property or collateral) and the date is reported with the debt in the report. There is a change in collateralization. Secured loans are not included in the balance of debt.
 - 31** **Has reported**
 - 32** **Is secured**
 - 33** **Name of reporting bureau (agency)**
 - 34** **Industry type (industry)**
 - 35** **Account number and address of office**
 - 36** **Account name**
 - 37** **Account type**
 - 38** **ACCOUNT:** Account opened against a dealer for payment of motor vehicle
 - A** Date judgment granted or date filed
 - B** Judgment amount (ID) — assessed payment (ID) — judgment
 - C** Court identification number (state of court)
 - D** Amount of judgment
 - E** Plaintiff
 - F** Defendant name
 - G** Name
 - H** Terms of payment (if other) — not satisfied (if other) — unknown (if other) — when applicable
 - 39** **Other side of a legal determination included. Shows motor credit counseling and motor payment (ID) — P332**
 - 40** **TRADE INFORMATION SECTION:**
 - A** Company name and trade protection used or a company name
 - B** Date item had reported to bureau
 - C** Industry sector of account
 - D** Date of item was reported with credit grantor
 - E** Highest credit range and the highest amount owed on credit item
 - F** Monthly payment amount
 - G** Balance owing as of date reported
 - H** Account past due as of date reported (other) — applicable
 - I** Years of accounts and number of payments on file to date
 - J** Number of days since payment (as of) — 30/60/90 days (date)
 - K** Number of days since reported (reported) or a date
 - L** Date of last 20% on the account
 - M** Previous high rates (ID) — within highest — most report companies
 - N** Additional information on the account
 - O** Date this 20% on the account was updated by an account — available
 - 41** **BANKING INFORMATION SECTION:**
 - A** Company name and telephone number
 - B** Type of account
 - C** Type of account
 - D** Date account was opened with credit grantor
 - E** Balance of account as of date reported
 - F** Additional information on account
 - 42** **CONSUMER STATEMENT SECTION:** Statement of consumer or subject added to the file to explain discrepancies or other comments
 - 43** **SAFESCANED:** Indicates inquiry was made by the credit bureau. Available to all consumers
 - 44** **Additional information**





a credit report — b

**TRANS UNION OF CANADA, INC.
CONSUMER CREDIT REPORT**

Open: 999
Date: 31DEC95

1 Subject Spouse	Surname Consumer	Given Name to Robert	Soc. Ins. No.	Birth 11Oct51
2-Ref AKA	Consumer	Bob Robert		22Jan52
On File 20Oct89	Last Inq 19Oct92	Current Residence Owner/Owner	Telephone 4165511212	Ext Phone 9055251212

RESIDENCE(S)

Street 325 Midler Ave #307 100 Main St. E #215	City Scarborough Toronto	Prov ON ON	Postal M1R3N1 M5K 3T8	Since Nov82 Aug75	Until Jul90 May98
---	---------------------------------------	-------------------------	------------------------------------	--------------------------------	--------------------------------

EMPLOYMENT(S)

Employer's Name & Address Henry & Hie. Dogs/111 Nathan St, Toronto Skelco/444 from Rob Toronto	Occupation Cooks Waiter	Since Jul81 Dec78	Until Aug91 Jan79
Spouse's Employer Henry & Hie. Dogs/111 Nathan St, Toronto	Sales Rep	Jul82	Aug82

2 FILE SUMMARY

Legal=2-Nov94 Inq=1-JUN91 Coll=2-APR92 Inq=2-Oct95 Chk=1=2 Coll=1=0
 Chk=2=000 Inq=1=377 Fch=2=377 Pym=2425 Acc=2 Neg=0 Pnd=0
 Trade=Nov93/Jan94 Balance= Inst=3000 Rev=577 Open=50 Mer=-80 #Inq=1

3 MESSAGES

Trans Alert INPUT S.I.N. DOES NOT MATCH FILE S.I.N.
 Bank Alert CURRENT INPUT ADDRESS IS A MAIL DRGP

4 BUREAU RISK SCORE

EMPHISCA: +555 ** ALERT **

Factors

- 00 Delinquency
- 01 Amount owed on delinquent accounts
- 18 Date of last credit check (to reset)
- 15 Frequent delinquency

5 TRADES

Rept	Open	Law	B. Credit	Balance	PartBal	Term	Payment Pattern	MOB
BC Nov82	Ontario Credit Bldg, 445 451 1212	May92	8000	577	577	108M	21112111111111111111	EO
BB Nov82	Canadian Bank, 905-525-1212	Jan84	4500	3000	0	325M	11111111111111111111	II

6 REGISTERED ITEMS

Rept	Open	Name	Amount	Balance	PartBal	Term	Security
BB Jul90	Jul90	Canadian Bank, 120 Main St., Toronto, ON M5K 2Z4	4820				A

7 BANKRUPTCY

Rept	Rept	Trustee	Amount	Link
Nov93	Jul91	Hewes & Associates 12 Main St., Toronto Court 123-5	500	75500
			Discharged	23Jan93

8 LEGAL ITEMS

Rept	Rept	Plaintiff's Name	Amount	Balance
Jan93	Nov92	Darham Finance Ltd County Court July 177487	800	
Mar98	Oct89	A's Electronics Supreme Court July 1234567	5000	
			Fail (11Jan93)	Fail (11Jan93)

9 COLLECTIONS

Rept	Rept	Agency/Creditor's Name	Amount	Balance
Jul95	Jan95	ABC Collections	1250	144
Jul94	Nov90	Atlantic Collect/Acc Cable Services	250	
			Still owing Jun95	Fail Jun94

10 INQUIRIES

Date	Credit	Grantor
15Jul95	BB	Bank 416-551-1212
15Jul92	LR	Department Store 905-203-1111

11 REMARKS

Info Information

SOECC94 COBS - Reason for bankruptcy - temporary unemployment

This completes the file for ROBERT CONSUMER.



CREDIT REPORT FIELDS

1 FILE AND DEMOGRAPHIC INFORMATION

- Date the credit report was issued
- Consumer's and spouse's name, plus any known aliases
- Social Insurance Number for consumer and spouse
- Date of birth, telephone number, current and previous employment
- Date the file was created
- Last date of inquiry on file
- Current address and date reported
- All previous addresses on file

2 FILE SUMMARY

Provides a snapshot of all activity on the consumer's credit report.

From left to right in the first row:

- Total number of legal items, with date of most current
- Total number of bankruptcies, with date of most current
- Total number of collections with date of most current
- Total number of inquiries, with date of most current
- Number of inquiries in last six months
- Number of inquiries that are collection inquiries in the last 24 months

From left to right in the second row:

- Total high credit to the consumer
- Balance running on the available credit
- Total positive
- Total payments
- Number of accounts
- Number of accounts that have negative rating (MOP of 3,4,5,7,8,9)
- Number of accounts paid

From left to right in the third row:

- Date of oldest account opened and date of most current account opened
- Breakdown of total running balances - Installment, Revolving, Debt, Mortgage
- Total number of Registered Items

3 SPECIAL MESSAGES

Highlights specific credit file conditions that may include:

- A **Trans Alert**SM message appears when current credit address does not match any addresses on returned file, if input social insurance number does not match the file social insurance number, if there are four or more inquiries within the last 60 days, or if the input surname does not match returned file.
- A **HAWK**SM message (optional) appears if address, phone number or SIN have been used in potentially fraudulent activity such as a commercial or institutional address.

4 BUREAU RISK SCORE EMPIRICASM (optional)

Displays unitized predictive score to project a consumer's future credit risk. It is displayed numerically with four explanation factors. These factors are displayed in order based on their relative impact on the final score.

An "Alert" message occurs when a credit file contains MOP 7 or greater, a negative public record, a collection, or previous bankruptcy.

5 TRADES

Provides an ongoing historical and current record of the consumer's buying and payment activities. Trade information includes the following:

- Industry Code
- Name and telephone number of credit grantor
- Date the credit information was reported to Trans Union of Canada, Inc.

TRADES (cont'd)

- Date the account was opened
- Date of last activity on the account
- The high credit on the account
- Balance owing as of date reported
- Amount paid due as of date reported
- Terms of payment showing dollar amount owing and payment frequency

Frequency codes are:

L - Bi Monthly M - Monthly D - Daily S - Semi Annually
Q - Quarterly Y - Annually W - Weekly B - Bi Weekly

- Payment pattern gives you a detailed history of payment ratings for a maximum of 24 months. It reads from left to right with the most current verified entry on the left on the first line. The line below gives a summary of the historical status of the ratings for the total number of months the credit grantor has been reviewing the account. There are buckets for 30, 60 and 90 days. Ratings of "2" are added to the 30 day bucket, ratings of "3" are in the 60 day bucket and all other ratings (4,5,7,8,9) are counted in the 90 day bucket. "RM" is the total number of months reviewed.

- Type of account (R, I, O, M) and Manner Of Payment at which the account is currently reported.

(see breakdown of MOP codes for more details)

- R - Revolving
- I - Installment
- O - Open 30, 60, 90 day account
- M - Mortgage

- A remark is used if the account is in some type of dispute or requires an explanation of the credit condition of the account.

6 REGISTERED ITEMS

Gives full detail of registration including security.

- A - Consumer goods B - Inventory C - Equipment
- D - Assignment of book debts E - Other securities

7 BANKRUPTCY AND/OR PROPOSAL

Will be maintained on consumer's file in compliance with provincial regulations. Includes date reported, name and address of trustee, assets, liabilities, comments, date revised and discharges with date.

8 LEGAL ITEMS

Will be maintained on consumer's file in compliance with provincial regulations. Includes date reported, plaintiff's name, court, amount, balance, comments and served date.

9 COLLECTION INFORMATION

Includes agency name and creditor's names (if provided), amount, balance and comments, plus date reported and/or revised date.

10 INQUIRIES

Displays the users who have viewed the consumer's credit file. Includes the date of the inquiry, the industry code of the inquirer, their name and telephone number.

11 REMARKS

Consumer Statement allows for comments from the consumer regarding information on their file.

a credit report — b (continued)



CREDIT REPORT CODES

TYPES OF ACCOUNTS

Open Account (payment required: 1 full payment)	A
Revolving or Open-end (30 days)	B
Installment (fixed number of payments)	D
Mortgage	M

USUAL MANNER OF PAYMENT

	Type of Account		
	O	R	I
Too new to rate properly but not used	0	0	0
Pays or paid within 30 days of billing, pays account as agreed	1	1	1
Pays or paid in more than 30 days, but not more than 60 days, or not more than one payment past due	2	2	2
Pays or paid in more than 60 days but not more than 90 days, or two payments past due	3	3	3
Pays or paid in more than 90 days, but not more than 120 days, or three or more payments past due	4	4	4
Account is at least 120 days overdue but is not yet rated as "N"	5	5	5
Making regular payments under a credit plan or under a similar arrangement	7	7	7
Repossession	8	8	8
Bad debt placed for collection (sk 2)	9	9	9

INDUSTRY CODE CLASSIFICATION

CODE	KIND OF BUSINESS
A	AGRICULTURE
B	BANKS & TRUST COMPANIES
C	CHITCHING
D	DEPARTMENT RETAIL
F	FINANCE - PERSONAL
G	GROCERY
H	HOME FURNISHINGS
I	INSURANCE
J	JEWELRY
K	CONTRACTORS
L	LUMBER, BUILDING MATERIAL, HARDWARE
M	MEDICAL & RECREATION
N	CREDIT CARD & TRAVEL INTERMEDIARY
O	OIL COMPANIES
P	PERSONAL SERVICE, OTHER THAN MEDICAL
Q	FINANCE COMPANIES OTHER THAN PERSONAL FINANCE
R	REAL ESTATE & PUBLIC ACCOMMODATIONS
S	SPORTING GOODS
T	FARM & GARDEN SUPPLIES
U	UTILITIES & FUEL
V	GOVERNMENT
W	WHOLESALE
X	ADVERTISING
Y	COLLECTION SERVICES
Z	MISCELLANEOUS

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types and sources of credit



single-payment credit

Items and services are paid for in a single payment, within a given time period, after the purchase. Interest is usually not charged.

- Utility companies, medical services
- Some retail businesses

instalment credit

Merchandise and services are paid for in two or more regularly scheduled payments of a set amount. Interest is included. A repayment plan is drawn up in the form of a conditional sales contract based upon fulfilling a number of conditions of the contract.

- Some retail businesses, such as car and appliance dealers

consumer loans

Money may also be loaned for a special purpose, with the consumer agreeing to repay the debt in regularly scheduled payments.

- Chartered banks
- Consumer finance companies
- Credit unions
- Trust companies

revolving credit

Many items can be bought using this plan as long as the total amount does not go over the credit user's assigned dollar limit.

Repayment is made at regular time intervals for any amount at or above the minimum required amount. Interest is charged on the remaining balance.

- Retail stores
- Financial institutions that issue credit cards



how much can you afford?

(the 20-10 guideline)

never borrow more than 20% of your yearly net income

- If you earn \$400 a month after taxes, then your net income in one year is:

$$12 \times \$400 = \$4,800$$

- Calculate 20% of your annual net income to find your safe debt load.

$$\$4,800 \times 20\% = \$960$$

- So, you should never have more than \$960 of debt outstanding.
- Note: Housing debt (i.e., mortgage payments) should not be counted as part of the 20%.

monthly payments shouldn't exceed 10% of your monthly net income

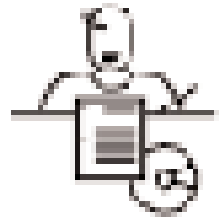
- If your take-home pay is \$400 a month:

$$\$400 \times 10\% = \$40$$

Your total monthly debt payments shouldn't total more than \$40 per month.

lesson seven

about credit



student activities

name: _____

date: _____



should they use credit?



directions

For each of the following situations, circle **YES**, **NO**, or **DEPENDS** to indicate your opinion related to this person using credit. Also, give reasons for your response.

Answers may vary.

1. Gina, age 18, plans to buy a car on credit so that she is able to drive to school.

YES

NO

DEPENDS

2. Fran and Simon recently took out a loan for a new roof.

YES

NO

DEPENDS

3. Pavel, age 20, recently used his credit card to pay for textbooks for his new semester of classes.

YES

NO

DEPENDS

4. Marcia, age 28, charges all her groceries on her credit card.

YES

NO

DEPENDS

5. Sandy and Carla, age 24 and 27, are planning on buying a boat on credit for use during summers. Carla will be the main signer for the loan, with Sandy being the co-signer.

YES

NO

DEPENDS

should they use credit? answer key



directions

For each of the following situations, circle **YES**, **NO**, or **DEPENDS** to indicate your opinion related to this person using credit. Also, give reasons for your response.

Answers may vary.

1. Gina, age 18, plans to buy a car on credit so that she is able to drive to school.

YES

NO

DEPENDS

2. Fran and Simon recently took out a loan for a new roof.

YES

NO

DEPENDS

3. Pavel, age 20, recently used his credit card to pay for textbooks for his new semester of classes.

YES

NO

DEPENDS

4. Marcia, age 28, charges all her groceries on her credit card.

YES

NO

DEPENDS

5. Sandy and Carla, age 24 and 27, are planning on buying a boat on credit for use during summers. Carla will be the main signer for the loan, with Sandy being the co-signer.

YES

NO

DEPENDS

name: _____

date: _____



test your credit knowledge

The following questions are designed to help you remember the credit information just covered in class.



directions

In the spaces provided, answer each of the following questions about credit.

List five things you can do to build a credit history.

1. _____
2. _____
3. _____
4. _____
5. _____

When a prospective creditor evaluates a credit application, they look for the three C's: Character, Capital, and Capacity. **For each of the following statements, write the letter that corresponds to each statement's specific characteristic.**

a) Character

b) Capital

c) Capacity

6. _____ Do you have a savings account?
7. _____ Have you used credit before?
8. _____ How long have you lived at your present address?
9. _____ Do you have a steady job?
10. _____ Do you pay your bills on time?
11. _____ What are your current debts and your current living expenses?

List the four major categories of information that appear on a credit report.

12. _____
13. _____
14. _____
15. _____

test your credit knowledge (continued)

In the space provided, write the letter of the type of credit each statement represents.

a) Single payment credit

b) Instalment credit

c) Revolving credit

16. _____ Monthly payment on a car loan
17. _____ Monthly telephone bill
18. _____ Monthly heating bill
19. _____ Using a credit card to buy a new jacket from a department store and then paying the charge off over several months
20. _____ Using a major credit card to buy a pair of shoes and then paying the total amount of the credit card balance within a month

For each of the following statements, write a **T** in the space provided if the statement is true, and **F** in the space provided if the statement is false.

21. _____ It is legal for a creditor to deny an applicant credit based on marital status or age.
22. _____ If you are denied credit, the creditor is not legally obligated to explain why.
23. _____ When creditors evaluate your income, they can't legally refuse to consider income from public assistance in the same manner as other income.
24. _____ If you are refused credit because of a credit report, upon request from you, the lender must give you the name and address of the credit bureau that issued the report.
25. _____ Your credit report is available to anyone, regardless of the reason.
26. _____ A debt collector has the right to contact you at any time of day or night.
27. _____ To be within a safe debt load, your total credit should not exceed 50% of your net pay after subtracting rent.
28. What should you do if you find there is inaccurate information on your credit report?
29. Generally, how long can a consumer reporting agency report unfavourable information?
30. How long can bankruptcy information be reported by a consumer reporting agency?



test your credit knowledge answer key

The following questions are designed to help you remember the credit information just covered in class.



directions

In the spaces provided, answer each of the following questions about credit.

List five things you can do to build a credit history.

- *Establish a steady work record.*
- *Pay all bills promptly.*
- *Open a chequing account and don't bounce cheques.*
- *Open a savings account and make regular monthly payments.*
- *Apply for a small loan using your savings account for collateral and then pay it back as agreed.*
- *Get a co-signer for a loan and pay back the loan as agreed.*

When a prospective creditor evaluates a credit application, they look for the three C's: Character, Capital, and Capacity. **For each of the following statements, write the letter that corresponds to each statement's specific characteristic.**

a) Character

b) Capital

c) Capacity

6. **b** Do you have a savings account?
7. **a** Have you used credit before?
8. **a** How long have you lived at your present address?
9. **c** Do you have a steady job?
10. **a** Do you pay your bills on time?
11. **c** What are your current debts and your current living expenses?

List the four major categories of information that appear on a credit report.

12. *Identification and employment data*
13. *Payment history*
14. *Inquiries*
15. *Public record information*

test your credit knowledge answer key

In the space provided, write the letter of the type of credit each statement represents.

a) Single-payment credit b) Instalment credit c) Revolving credit

16. b Monthly payment on a car loan
17. a Monthly telephone bill
18. a Monthly heating bill
19. c Using a credit card to buy a new jacket from a department store and then paying the charge off over several months
20. a Using a major credit card to buy a pair of shoes and then paying the total amount of the credit card balance within a month

For each of the following statements, write a **T** in the space provided if the statement is true, and **F** in the space provided if the statement is false.

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23. t When creditors evaluate your income, they can't legally refuse to consider income from public assistance in the same manner as other income.
24. t If you are refused credit because of a credit report, upon request from you, the lender must give you the name and address of the credit bureau that issued the report.
25. f Your credit report is available to anyone, regardless of the reason.
26. f A debt collector has the right to contact you at any time of day or night.
27. t To be within a safe debt load, your total credit should not exceed 50% of your net pay after subtracting rent.

28. What should you do if you find there is inaccurate information on your credit report?

Contact the credit bureau. Under the Collections Practices Act, the credit bureau must investigate your report.

29. Generally, how long can a consumer reporting agency report unfavourable information?

7 years

30. How long can bankruptcy information be reported by a consumer reporting agency?

Up to 10 years

name: _____

date: _____



how much can they safely carry?

Most people can afford a certain amount of credit and stay within a safe budget. This amount is called a “safe debt load.” The following exercises will give you practice determining safe debt loads based on various incomes and fixed expenses.



directions

Read each of the following scenarios and determine the largest amount of debt each person can safely carry. **Write your answers in the blanks provided. Use the space below each question to show how you arrived at each answer.**

1. David has a monthly net income of \$1,360. His fixed monthly expenses is a student loan payment of \$116.

David would like to buy a new television set using a credit card. What is the largest monthly payment David can afford and still be within a safe debt load?

2. Francine and Pierre have a combined monthly net income of \$2,700. Their fixed monthly expenses include \$220 for Francine’s student loan payment, and \$82 for the stereo they bought last month.

Francine and Pierre would like to buy a new car. How much can they currently afford for monthly car payments and still maintain a safe debt load?

3. Miyoshi has a monthly net income of \$1,625. Her fixed monthly expenses include \$68 for the furniture she bought last month and a car payment of \$167. Are Miyoshi’s expenses within a safe debt load?

how much can they safely carry? answer key



Most people can afford a certain amount of credit and stay within a safe budget. This amount is called a “safe debt load.” The following exercises will give you practice determining safe debt loads based on various incomes and fixed expenses.



directions

Read each of the following scenarios and determine the largest amount of debt each person can safely carry. **Write your answers in the blanks provided. Use the space below each question to show how you arrived at each answer.**

1. David has a monthly net income of \$1,360. His fixed monthly expenses is a student loan payment of \$116.

David would like to buy a new television set using a credit card. What is the largest monthly payment David can afford and still be within a safe debt load?

\$20.00

$$\begin{aligned} \$1,360 \times 10\% &= \$136 \\ \$136 - \$116 &= \$20 \end{aligned}$$

2. Francine and Pierre have a combined monthly net income of \$2,700. Their fixed monthly expenses include \$220 for Francine’s student loan payment, and \$82 for the stereo they bought last month.

Francine and Pierre would like to buy a new car. How much can they currently afford for monthly car payments and still maintain a safe debt load?

Francine and Pierre are already above their safe debt load and need to reduce their debt load before being able to afford the car.

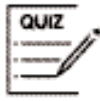
$$\begin{aligned} \$2,700 \times 10\% &= \$270 \\ \$270 - \$302 &= -\$32 \end{aligned}$$

3. Miyoshi has a monthly net income of \$1,625. Her fixed monthly expenses include \$68 for the furniture she bought last month, and a car payment of \$167. Are Miyoshi’s expenses within a safe debt load?

No.

$$\begin{aligned} \$1,625 \times 10\% &= \$162.50 \\ \$162.50 - 235 &= -\$72.50 \end{aligned}$$

Right now Miyoshi is over committed and is not within a safe debt load, and she should not commit to further debt.



lesson seven quiz: about credit

true-false

1. _____ A disadvantage of using credit is impulse buying.
2. _____ Capital refers to a person's assets.
3. _____ A steady employment record helps a person's credit history.
4. _____ Instalment credit usually allows a person to make additional purchases on an account.
5. _____ Using the 20-10 guideline, a person making \$40,000 a year should have no more than \$8,000 of outstanding debt.

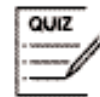
multiple choice

6. _____ A common advantage of using credit is:
 - A. less impulse buying.
 - B. lower cost for items purchased.
 - C. ability to obtain needed items now.
 - D. lower chance of overspending.
7. _____ A person's regular income is referred to as:
 - A. character.
 - B. capital.
 - C. collateral.
 - D. capacity.
8. _____ To build a credit history, a person could:
 - A. establish a steady employment record.
 - B. file his or her federal income taxes on time.
 - C. use an ATM several times a month.
 - D. request to view her or his credit file.
9. _____ Utility companies and medical service organizations commonly offer _____ credit.
 - A. revolving
 - B. single-payment
 - C. installment
 - D. retail
10. _____ Using the 20-10 guideline, a person earning \$1,500 a month should not have monthly credit payments that exceed:
 - A. \$300
 - B. \$150
 - C. \$20
 - D. \$30

case application

Makiko Nagata is considering a loan to finance her college education. She currently owes money on several charge accounts and credit cards. What actions would you recommend?

lesson seven quiz: about credit answer key



true-false

1. t A disadvantage of using credit is impulse buying.
2. t Capital refers to a person's assets.
3. t A steady employment record helps a person's credit history.
4. f Instalment credit usually allows a person to make additional purchases on an account.
5. f Using the 20-10 guideline, a person making \$40,000 a year should have no more than \$8,000 of outstanding debt.

multiple choice

6. C A common advantage of using credit is:
 - A. less impulse buying.
 - B. lower cost for items purchased.
 - C. ability to obtain needed items now.
 - D. lower chance of overspending.
7. D A person's regular income is referred to as:
 - A. character.
 - B. capital.
 - C. collateral.
 - D. capacity.
8. A To build a credit history, a person could:
 - A. establish a steady employment record.
 - B. file his or her federal income taxes on time.
 - C. use an ATM several times a month.
 - D. request to view her or his credit file.
9. B Utility companies and medical service organizations commonly offer _____ credit.
 - A. revolving
 - B. single-payment
 - C. installment
 - D. retail
10. A Using the 20-10 guideline, a person earning \$1,500 a month should not have monthly credit payments that exceed:
 - A. \$300
 - B. \$150
 - C. \$20
 - D. \$30

case application

Makiko Nagata is considering a loan to finance her college education. She currently owes money on several charge accounts and credit cards. What actions would you recommend?

While this is a valid reason for using credit, Mikiko might consider paying off some of her other debts before taking on this new loan. She might delay starting school full time until she has paid off her other accounts.