

A Survival Guide For Tough Times



Credit Canada
Debt Solutions



Credit Canada

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Proceeds from sales are directed toward
consumer education in money management skills.

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Money - What Is It?

There are many reasons for consumers not being able to manage their credit obligations. Reasons for non-payment are manifold and could be any of the following:

- Loss of employment
- Disability/illness
- Marital breakdown
- No budget/spending plan
- Poor money management skills

Everyone's circumstances are different. It is very important that as soon as you start to fall behind in payments, you communicate with your creditors to keep them informed. The longer you avoid contacting your creditor, the harder it will be for you to reach a mutually satisfactory solution.

If your creditor understands your circumstances, the opportunity for a satisfactory solution can be greatly improved.

There are times due to insufficient funds and circumstances, the consumer has no option but to deal with the creditor directly.

When communicating with a creditor, it is important that you inform them of your income and your monthly expenses and include a letter outlining your proposal and extenuating circumstances. (example on pages 3 & 4.)

This publication will give you the information you need to approach and achieve a satisfactory solution with your creditors.

Good Luck!

Maintaining A Good Credit Rating

1. **Pay your bills on time.** If you are unable to pay your bills as agreed, contact your creditors and explain your situation. Contact a Counsellor at Credit Canada for unbiased professional advice.
2. **Don't sign a credit contract until you have read it and understood it.** If you don't understand it, ask questions until you are satisfied.
3. **Never sign a blank sheet.** Your signature is your promise to pay and a contract is a legal document.
4. **Try to pay off any debt quickly.** Avoid those prolonged low monthly payments and avoid having to refinance at higher interest rates. Try to pay more than the minimum monthly payment.
5. **Deal with known, respected and established companies.**
6. **Be sure you understand the total cost of your purchase.**

Credit Rating Guide

Your credit rating guide for using the common language for consumer credit.

Usual manner of payment.	0	R	I
Too new to rate; approved 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 "9".	5	5	5
Making regular payments under a consolidation order or similar arrangement through a third party.	7	7	7
Repossession (indicates it is a voluntary return of merchandise by the consumer).	8	8	8
Bad debt; placed for collections; skip.	9	9	9

TERMS: 0 = Open Account R = Revolving or Option I = Installment

To get a copy of your report contact Equifax Canada Inc. and Trans Union Canada.

Equifax Canada Inc., Box 190 Jean Talon Station, Montreal, Quebec, H1S 2Z2 Phone 1 800 465 7166 Fax 514 355 8502 Internet www.econsumer.equifax.ca

Trans Union Canada – Consumer Relations Centre, P.O. Box 338, LCD 1, Hamilton, Ontario, L8L 7W2 Phone 1 866 525 0262 or 905 525 0262 Internet www.transunion.ca

Tips For Dealing With Your Creditors

When On The Phone...

Most importantly, make sure you talk to someone who is in charge or responsible such as:

1. Bank/Credit Union – branch manager, collection supervisor or loans officer.
2. Finance Company – branch manager.
3. Retail/Department Store – collection supervisor or credit manager.
 - If the person you talk with is not helpful, ask to speak to his or her supervisor.
 - Keep a concise and accurate record of the person you talked with, company name, date, time, phone number, and what was said and how it was said.
 - Keep in touch with the person you talk with until the problem is solved.
 - Avoid making promises you can't keep.
 - An agreement over the phone is not a legitimate contract. Put it in writing!
 - Keep your temper and be polite. Ask for your creditors' help, rather than telling them what to do.
 - If you feel the collector is harassing you, contact your local Ministry of Consumer and Business Service Office.

When Writing To Your Creditor

Never mail cash. Keep a receipt/copy of all your cheques/money orders.

- A. Write a letter outlining any of the following:
- your reason for the letter
 - your employment status
 - your intentions on the debt
 - your reduced repayment terms
 - your request for interest relief
 - your offer on a settlement amount
 - your condition as to why you cannot make a payment
 - your request for the termination of the debt (medical reasons)
 - your request for the creditor to pull the account back from collections
- B. Photocopy what income you are receiving (paystub/slip).
- C. Create a monthly expense sheet (to be included in package to creditors).

Remember...

Be realistic – If you offer to make a payment make sure you can afford it. Missing a payment could jeopardize your proposal.

Be reasonable – Creditors will want to get paid back within a reasonable amount of time.

Be specific – Tell the creditor when you will contact them in the future. Tell them which month or what day. Make sure you follow-up with your letter.

A Sample Letter To Your Creditors

Part of the process of managing your debt is getting in touch with your creditors to let them know of your intentions. Here is a sample letter that you can send to creditors informing them about your financial situation and outlining terms for how you propose to repay

Today's Date

Credit Department
1 Downtown Street
Toronto, Ontario M5B 1L2

Dear (Creditor's Name)

I am writing this letter to request a temporary change in the repayment terms of my account. Since I have become unemployed, (or list other reasons) I've had to make some financial adjustments. Please find enclosed a copy of my pay stub (or other) and my monthly expenses and any other debts/obligations.

My temporary income is from (social assistance, spouse's employment, or part time earning – list what you are collecting). However, when I carefully examined my financial situation and made a strict budget for my living expenses, it has become necessary to ask (creditor's name) to accept a reduced payment of \$_____ for the next _____ months.

My current monthly take home is \$_____ (list total income) and my minimum monthly living expenses are \$_____ (list total expenses).

As you can see, I have only \$_____ left each month for my proposed payment.

My Account #	Amount Owing	Monthly Pmt	Proposed Pmt
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

You can expect a certified cheque (or money order) for my first payment on (date). For the next _____ months I will make the same payment. As soon as my situation improves, or at the end of _____ I will try to catch up on the arrears and resume my normal payment.

I request that my account is not placed in the hands of a collection agency, (if it already has, ask them to pull the account back) as I wish to deal with you directly and do not want to go further in debt. Could you please consider withholding interest on my account over the next 60 (90) days as I am awaiting employment (or other) and will notify you in 60 (90) days as to any changes? I do not want to jeopardize my future relationship with (creditor's name) as this has never happened before.

Thank you for considering this proposal. Please let me know if this is acceptable for the short term. If it is, please sign this letter and send me a copy. I am eager to resolve this problem.

Sincerely,

____ Yes, I/We accept the payments offered.

Authorized signature _____ for _____ (company name).

Attach a copy of any income proof – i.e., disability, pension, welfare, employment income (EI), etc.

Monthly Expenses

Estimating Expenses Chart

W - weekly
M - monthly
O - occasional

		Initial	Revised
Housing Expenses:			
First Mortgage	▣ _____	_____	_____
Second Mortgage	▣ _____	_____	_____
Property Taxes	▣ _____	_____	_____
House Insurance	▣ _____	_____	_____
Rent / Condo Fees	▣ _____	_____	_____
Telephone	▣ _____	_____	_____
Cell phone	▣ _____	_____	_____
TV cable	▣ _____	_____	_____
Internet	▣ _____	_____	_____
Hydro	▣ _____	_____	_____
Water / Sewer	▣ _____	_____	_____
Gas/oil/wood/electric	▣ _____	_____	_____
Maintenance Contracts	▣ _____	_____	_____
Other	▣ _____	_____	_____
Other	▣ _____	_____	_____
Other	▣ _____	_____	_____
Other	▣ _____	_____	_____
Work Expenses:			
Transit - Applicant	▣ _____	_____	_____
Transit - Spouse	▣ _____	_____	_____
Lunches / Breaks	▣ _____	_____	_____
Lunches / Breaks	▣ _____	_____	_____
Daycare	▣ _____	_____	_____
Special Clothing	▣ _____	_____	_____
Sub Total	▣ _____	_____	_____
		Total Forward:	_____
		Living Expenses:	_____
		Food	_____
		Personal Travel	_____
		Clothing	_____
		Alimony & Support	_____
		Auto License / Maintenance	_____
		Insurance - Auto	_____
		Insurance - Life	_____
		Medical / Doctor	_____
		Prescription Drugs	_____
		Dental	_____
		Laundry / Dry Cleaning	_____
		Pets	_____
		Personal Expenses:	_____
		Tobacco	_____
		Alcohol / Beverages	_____
		Recreation	_____
		Babysitter	_____
		Personal Grooming	_____
		Barber / Hairdresser	_____
		Magazines / Newspapers	_____
		Gifts	_____
		Religious Donations	_____
		School Expenses	_____
		Donations	_____
		Allowances	_____
		Total Expenses	_____
		Debt Payments	_____
		Total	_____
		Summary of Funds Available	
		Net Income From All Sources	_____
		Less Total Expenses	_____
		Funds Available	_____

10 Basic Rules Of Money Management

1. **Plan.** Plan for the future, major purchases and periodic expenses.
2. **Set financial goals.** Determine short, mid and long range financial goals.
3. **Know your financial situation.** Determine monthly living expenses, periodic expenses and monthly debt payments.
4. **Develop a realistic budget.** Follow your budget as closely as possible. Evaluate your budget. Compare actual expenses with planned expenses.
5. **Don't allow expenses to exceed income.** Avoid paying only the minimum on your charge cards, try to pay more. Don't charge more every month than you are repaying to your creditors.
6. **Saving is good.** Save for periodic expenses, such as care and home maintenance. Save 10 to 15 percent of your net income. Accumulate three to six months' salary in an emergency fund.
7. **Put money away for retirement,** by opening a Registered Retirement Savings Plan (RRSP) and take advantage of current income tax rules that allow for other tax-deductible savings.
7. **Pay your bills on time.** Maintain a good credit rating. If you are unable to pay your bills as agreed, contact your creditors and explain your situation. Contact Credit Canada for professional advice.
8. **Distinguish the difference between needs and wants.** Take care of your needs first. Money should be spent for wants only after needs have been met.
9. **Use credit wisely.** Use credit for safety, convenience and planned purchases. Determine the total you can comfortably afford to purchase on credit. Credit payments should not exceed 15 to 20 percent of net income. Do not borrow from one creditor to pay another.
10. **Keep a record of daily expenditures.** Use a "Monthly Budget Tracker" daily expenses budgeting booklet to assist you in identifying how you spend your money and where any adjustments need to be made.

Are You Facing Credit Difficulties?

If for any reason you cannot meet your payment obligations to any of your creditors, contact the creditor immediately and discuss your problems candidly. Creditors are flexible when changes in your life make repayment of your obligations difficult, but you must make them aware of your situation. Do not try to avoid your creditors. It will just make the situation worse.

If you find that your ability to deal with your creditors directly has become impossible, or you cannot see a way out of your financial situation on your own, contact your nearest Credit Counselling Service.

Credit Canada offers no-cost/low-cost confidential credit counselling. It serves anyone who needs advice on how to handle money and reduce or eliminate debt. Credit Canada also arranges debt retirement programs to help individuals deal with their creditors and get out of debt. Credit Canada has offices and affiliated Agencies to serve you throughout Canada. If you think that you may have a debt problem, take a few seconds to answer the following questions below:

- | | | |
|---|------------------------------|-----------------------------|
| 1. Do your monthly bills often exceed your monthly income? | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| 2. Do you have to borrow money to make minimum monthly payments? | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| 3. Are you unable to make minimum monthly payments? | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| 4. Would you like free advice on how to successfully manage your personal finances? | Yes <input type="checkbox"/> | No <input type="checkbox"/> |

If you have answered yes to any of these questions, you will probably benefit from professional debt counselling from Credit Canada. For more information contact us at: **(416) 228-DEBT (3328)** or **1-800-267-2272** or on the web at: CreditCanada.com or E-mail us at: info@creditcanada.com

Money Saving Tips For Budgeting

Housing:

- Communicate with relatives/friends via email
- Conserve water
- Do your own painting
- Learn to do simple repairs
- Use glass instead of paper cups
- Switch to energy efficient light bulbs
- Lights on only when necessary
- Lower the temperature at night
- Make your own cleaning supplies
- Improvise furniture, shop garage sales
- Use worn out towels to make wash cloths
- Make only emergency long distance phone calls
- Carry only replacement value insurance on house
- Give up all unnecessary services on your telephone
- Stand up when talking long distance or use a timer
- Equip the house with storm windows/doors if possible

Food:

- Grow a garden
- Consider no name brands
- Preserve food when feasible
- Do more cooking from scratch
- Cut down on meals away from home
- Pack a lunch – “Brown Bag” as often as possible (\$5.00 a day saves \$25.00 a week, \$100 a month, \$1,200.00 a year!)
- Use coupons for items you regularly buy
- If storage permits, buy in quantity when a regularly used item is on sale
- Plan menus in advance to avoid impulse buying
- Use leftovers (planovers) in soups and casseroles
- Avoid buying snacks or “empty calorie” foods
- Clean out fridge, then make a grocery list and use it
- Use crock-pot methods to cook less tender cuts of meat
- Stretch hamburger with bread crumbs, oatmeal or tomato sauce
- Take advantage of seasonal specials, especially fresh produce
- If space permits, store products in the freezer to prevent spoilage
- Cook only as much as will be eaten unless it can be part of another meal
- Limit food shopping to once a week – the less trips to the grocery store the better
- Use equally nutritious reconstituted dry or evaporated milk for cooking instead of more expensive whole milk

Clothing:

- Carefully coordinate
- Mend clothes promptly
- Buy clothing that is washable
- Buy clothing that does not need ironing
- Sew as much as practical, repair, remodel
- Have children change old clothes for rough play
- Hang clothes on clothesline to dry instead of using a dryer
- Do not buy clothes that require dry cleaning
- Use detergent that works well in cool and warm water
- Organize laundry to run a minimum number of loads
- Comparison shop for best quality and prices

Health & Medical:

- Serve nutritious meals
- Have regular check-ups
- Develop good health habits
- Follow safety rules to prevent accidents
- Carry only one health and accident insurance
- Stop using tobacco, alcohol and/or addictive drugs
- Investigate services offered by the health department
- Learn to take temperature, pulse and respiration

Recreation & Entertainment:

- Eliminate cable TV
- Take vacations at home
- Have potluck affairs at home
- Use public parks and picnic areas
- Consider the costs of habits such as smoking
- Attend high school and sandlot sporting events instead of more expensive pro sports
- Do family things together that are inexpensive

Money Saving Tips For Budgeting

Savings:

- Open a savings account with a no-fee financial institution
- Save bonus income
- Keep your loose change for savings
- Alter your spending habits
- Be willing to compromise
- Make saving a family affair
- Determine your saving goals
- Use savings for emergencies
- Use payroll deductions for savings
- Put your budget on a diet
- Save on a regular basis, pay yourself first

Transportation:

- Car pool
- Consider moving closer to work
- Get rid of one car
- Do your own maintenance
- Use public transportation
- Drive small cars that cost less to operate

Personal:

- Cut children's hair yourself
- Do your own shampoos, sets and blow dries
- Select cosmetics that are reasonably priced
- Carry only pocket change needed for bus fare and small items
- Set reasonable amounts for children's allowances

Employment:

- Share transportation
- Use washable uniforms
- Secure your position by being a valuable employee
- Let your boss know you are interested in more training

Education:

- Online newspaper subscription
- Use the public library for reading materials
- Cut out subscriptions to magazines that entertain only
- Study to improve your qualifications for the job you hold
- Develop skills to enhance your position
- Use the library for free Internet services
- Comparison shop for Internet services

Gifts & Donations:

- Make gifts instead of buying them
- Give of your time instead of your money
- Carefully consider each situation and cut out all the monetary giving that you possible can

Child Care:

- Share child care responsibilities with a friend, neighbour or spouse
- Investigate government or church operated nursery schools that welcome children from low income families

Miscellaneous:

- Have legal aid evaluate child support payment

Notes

Feel free to contact
Credit Canada Debt Solutions.

As a non-profit organization we provide affordable,
practical assistance and confidential guidance to people in need.
We are registered and Provincially licensed.

For a free debt assessment go to:
CreditCanada.com

416 228 DEBT (3328)
Toll free: 1 800 267 2272