

What if I need to borrow money or access credit?

Before you borrow money the first thing to think about is whether you can afford it.

The best way to check out what will be affordable for you is to do a budget and see what's left over after your other expenses. It doesn't matter whether you want to borrow for a small or larger item, like a car or you are borrowing from the No Interest Loan Scheme (NILS), you still need to know what you can afford.

What are the alternatives to borrowing?

There may be alternatives to the stress and expense that comes with borrowing money. You might want to think about:

- **The purpose of the expense**

If the purpose is not essential it may be better and more affordable in the long term to save the entire or part of the cost rather than getting into debt. Having a loan that covers the whole expense means that you will end up paying more than the original price because of interest, fees and charges.

- **Lay-by**

A lay-by can be a more affordable way to purchase something without entering into debt. Be sure to check out the fees and charges before you enter into a lay-by!

- **Shopping around**

Allow yourself time to shop around for the best deal. Prices and offers can vary from store to store.

What do I need to know?

Ok, so you've done your budget and now you want to get the best deal for your money! Below are some of the most important things to consider and know when borrowing money:

1. **Always borrow from a licensed credit provider**

Make sure you are borrowing money from a licensed credit provider. If a credit provider is not licensed you will not have the same legal protection or rights as you would if they were.

To check whether a credit provider is licensed see:

www.moneysmart.gov.au or phone ASIC's info line on 1300 300 630.

2. Interest, fees and charges

Interest, fees and charges can really hurt financially! Before you agree to borrow money, be sure to ask the creditor or person lending the money:

- What the interest rate is on top of the amount you are borrowing?
- What do the interest rates mean per payment?
- Will you be required to pay monthly or fortnightly? This can make a difference to your repayment period.
- What the fees or charges for the loan are? This includes both regular ongoing fees and one-off fees.
- If you miss a payment or are late with a payment what the penalty or charge is.
- For an information or fact sheet which details any fees or charges associated with borrowing money from them.

A financial counsellor can help you decide if the interest rates, fees and charges of a credit option suit your borrowing needs and financial situation best.

3. Read over everything and make sure you understand before you sign

Collect the documents you need for the application and processing of your loan request. It's better to have these ready and not have to keep going back and forth to the lender because you haven't got everything you need.

Get a copy of the loan contract, agreement and any insurance that you are being offered to take away and have a look at *before* you sign anything. Contracts can be difficult to read and getting some help with this from a financial counsellor or consumer credit solicitor can be useful.

Signing a contract

A contract is a binding legal agreement between the debtor(s) (the person/people borrowing the money) and creditor(s) (the person/organisation lending the money). It generally details the terms and conditions of a loan. This means what each party must or mustn't do. This usually includes things like the details of both debtor and creditor, the amount of money lent, the repayment period and any fees or charges.

As a legally binding agreement or document you are usually required to follow the terms and conditions of the contract you have made with your creditor.

Remember to always read any contract carefully and in full. This includes the fine print or underwriting. Contracts are often hard to understand and it might be helpful

to see a financial counsellor or a consumer credit solicitor. Always ask questions if you need to.

Don't sign a contract until you understand and agree with all the terms and conditions.

A contract can be:

In writing

A contract may be in a written document which requires your signature. Not all contracts are in writing. This form can be useful because it is a written record of your loan arrangement.

When you put your signature on a contract it means you agree to the terms and conditions of the contract you have signed. If you don't agree to what is written, don't sign!

Oral

An oral contract happens when you agree verbally to purchase goods or services. For example if you are having your car repaired and the mechanic tells you (in person or over the phone) that your car needs \$100 worth of repairs and you agree to have the repairs done. Even though you haven't signed anything, you may still be required to pay the amount discussed.

If you are agreeing verbally to something it is important to always make sure you ask how much it will cost and ask for a written quote before you agree. Having a quote in writing will help both parties to understand their responsibilities.

Ticking an online form

Today many people purchase goods and services via the internet through sites like eBay and Amazon. If you purchase goods or services via the internet you will be asked to tick a box which asks if you agree to the terms and conditions. Make sure you understand the terms and conditions before you tick this box and proceed with your purchase.

If you are purchasing goods or services overseas and you have an issue with the supplier remember Australia's consumer protection laws do not apply in other countries.

- 4. Know how much you want to borrow and don't be talked into taking out more than this amount**

- 5. Know your rights & responsibilities**

Both you (the borrower) and the credit provider (the lender) have certain rights and responsibilities. A creditor must provide you with either a credit guide or a written notice containing information about their licence number, fees and also details of your right to make a complaint.

Be sure to get a credit guide or written notice before you go ahead with any credit or loan.

Hints, tips and warnings on credit options

Beware of these types of credit!

Some forms of borrowing money are expensive and can be misleading. Below you will find a list of credit options which should be wary of:

- **Credit cards** - Credit cards can be really expensive because they often have a high interest rate plus fees. This means that you will pay more than the amount you spend. Unless you can pay the full amount off each month and NOT leave anything owing, you will end up paying interest on all your card purchases.

If you are thinking about getting a credit card always look for a card with the lowest interest and longest repayment 'window' or period.

Handy hint!

Remember to always look at your statements, try to avoid cash advances and repay more than the minimum repayment amount in the interest-free period.

- **Store cards** - Store cards are credit cards offered by large retail stores. Interest rates for these cards are often much higher than other credit cards. This means if you don't pay them off quickly you will end up paying much more money than what you spent.

Sometimes retailers may send you a card even when you haven't requested it. It can be tempting to use this but remember that interest begins to build up as soon as you use the card. This interest rate is usually high. Stores or financial institutions should not send you a card unless you have requested it.

Before you sign up for a store card be sure to compare other forms of borrowing.

- **‘Interest free’ deals** - ‘Interest-free’ deals are often advertised at furniture or appliance stores. ‘Interest free’ is not the same as a ‘no Interest loan’ offered by a community organisation.

‘Interest free’ contracts may have regular payments due or a period without any payments. If you miss a required payment or don’t pay in full when the period without payments expires you may end up paying a lot in interest, fees and charges.

- **Pay-day, Same day or Fast-cash loans** - These types of loans loan people cash very quickly in small amounts. They are often targeted at people on low incomes who need to get cash quickly and do not think they can get money from other credit providers. They tend to have high fees and charges which end up being the same as high interest rates. It can be very difficult to pay back this type of credit quickly. If you don’t make the exact payments as they are due you will be charged fees that push up the cost of the repayments.

There are options such as *No interest Loans, Step Up Loans and Centrelink Advances* that may be a better and safer option for borrowing money.

If you need help and are considering a Pay-day, Same day or Fast-cash loan contact a free financial counsellor to discuss your options before you apply.

- **Loan sharks** - A loan shark is like a Pay-day, Same day or Fast-cash loan lender that offers high interest rate loans. They normally target people on low incomes who feel they can’t access credit any other way. A loan shark can also be an individual who offers money and uses inappropriate and threatening methods to get it back from you. Don’t borrow from anyone who says they can just lend you money. It is always best to go to a licensed lender.
- **Rent to Buy** - Stores that sell things like household goods and entertainment systems often offer ‘rent to buy’ deals. They tend to show you a weekly ‘rental figure’ or repayment and a nominal final payment. This deal can look pretty good at first but beware!

If you add up the number of weekly repayments plus the final payment, you will see that the final cost will be several times the actual price of the goods you are buying. To save a lot of money it is better to buy outright or consider a No Interest Loan Scheme instead.

- **Pawn Brokers** - Pawn brokers lend small loans in exchange for goods. When the loan is repaid in full along with any interest, charges or fees the goods are returned to you. If you cannot repay the loan the goods you pawned will be put on sale.

Be aware that the loan you get from pawning goods is usually less than the value of the goods themselves. If you add the interest and fees often charged by pawnbrokers the deal you are getting may actually not be very good. This is even true if you pawn goods in exchange for money without aiming to get the goods back.

Remember though, once you pawn something it can be very hard to get it back. This is because the repayments, interest and charges can be difficult to pay back in the repayment period.

- **Borrowing and family, friends and community members** - Before you borrow from family or friends think carefully about:
 - The amount of money you want to borrow
 - The way you will repay the debt
 - The length of time it will take to repay the debt
 - What will happen if it is hard to pay the debt back

It is important to think about how borrowing money from family and friends may affect your relationships. If for some reason you can't pay your debt back it can place stress on the relationship.

If you want to borrow money from your family or friends it is a good idea to set up a repayment plan together. Even if you are confident you can pay the debt back quickly, be sure to factor in a plan if you are finding it hard to make repayments. It is always best to talk and plan before things may get out of control.

It may be that family or friends ask you or put pressure on you to borrow money for them. This might be because they can't get a loan in their name for some reason.

Remember if you take out a loan in your name for someone else, you will be responsible for the repayments even if the other person says they will pay it!

- **Credit deals that seem too good to be true** - If you come across a credit deal that seems to be too good to be true, it probably is! There are lots of different ways that people can be scammed so it's best to be alert to anything that seems a bit unusual. Scams about credit can include receiving emails or calls about winning the lottery, inheriting a fortune or the early release of your superannuation if you reveal personal information. The golden rule is DON'T give your details to other people and always be on the lookout for anything that seems too good to be true.

Check out the Australian Competition & Consumer Commission (ACCC) Scam Watch website at www.scamwatch.gov.au. It has some great information about how to avoid scams and how to report one. There is also a handy list of Golden Rules which will help you to protect yourself from scams at <http://www.scamwatch.gov.au/content/index.phtml/tag/howtoprotectyourself>.

Safer ways to borrow money

- **No Interest Loan Schemes (NILS)** - No Interest Loan Schemes (NILS) are offered to people and families on low incomes by community organisations. They can be used to purchase things like household goods and car repairs.

Care Financial Counselling. offers a NILS program in the ACT. They have helped lots of people and families buy the things they need without the stress of added interest.

The maximum amount you can borrow is \$1500. If the item you want costs more than \$1500, you will need to have saved up the balance required before applying for the loan. This means that if you want to buy whitegoods for \$2000 you will need to save up the extra \$500 to be able to apply for the \$1500 offered by the NILS.

To be eligible you must:

- Live in the ACT and surrounding district
- Hold a Centrelink Pension or Health Care Card or worker on a low income
- Have the capacity to repay the loan within 12-18 months
- Have stable accommodation

Loans are paid back fortnightly through Centrepay or by Deposit Book. For more information Contact:

Care Inc. Financial Counselling

Address: 1st Floor
Waldorf Apartments
2 Akuna Street
Canberra City

Office hours: Monday - Friday 9am to 5pm

Phone: (02) 6257 1788

Email: admin@carefcs.org

- **StepUp Loans** - StepUP loans are for individuals or families that have a current Centrelink Concession Card or are receiving [Family Tax Benefit Part A](#).

Individuals or families are also required to have lived at their current address for more than three months.

StepUP offers loans of between \$800 and \$3000 for personal or household purposes such as:

- Household Items including fridges, washing machines, and furniture
- Cars
- Computers
- Medical and Dental expenses
- House repairs
- Car repairs

Interest is charged at a fixed low rate, and loans can be repaid over three years. No fees apply. This loan is provided by National Australia Bank and is subject to NAB's credit assessment. Terms and conditions apply. For more information and to check your eligibility contact:

BCS Southern Region Office

Address: 14 Wormald Street, Symonston ACT 2609

Phone: (02) 6195 3168

- **Centrelink Advances** - Sometimes you may be able to negotiate an advance on your Centrelink payment. How much you can get will depend on the payment you receive and the purpose of the advance. You will need to pay this advance off and can talk about repayment options with Centrelink. Contact Centrelink for more information:

Online: <http://www.humanservices.gov.au/customer/enablers/advance-payment>

By phone: Self service 136 240

Calls from your home phone to a 13 number from anywhere in Australia are the cost of a local call. Local call charges may vary depending upon the telephone service provider, and mobiles may incur a higher charge.

In person: Visit your local Centrelink Service Centre

<http://humanservices.findnearest.com.au/>

- **Matched savings plans** - Matched savings plans help families on lower incomes to build saving habits and assets. The plan will match the amount you save up to a certain limit. For example, if you save \$465 the matched savings plan provider will give you \$465. The money the plan gives you is generally for educational support.

In the ACT, the Smith Family runs a matched savings plan called the SaverPlus program. Participants who are eligible for the program make regular deposits towards a savings goal over a 10 month period. At the same time they attend workshops to build their financial management skills. When participants reach their savings goal, the ANZ bank matches the amount - up to \$500. This money is to be put towards education costs like uniforms, text books, laptops, sports equipment, music tuition, TAFE or apprenticeship costs and much more.

You may be eligible for the program if you:

- hold a Centrelink Health Care Card or Pensioner Concession Card
- are at least 18 years old
- have a regular income from work (you or your partner) including casual, part-time, full-time or seasonal employment
- have a child at school or attend vocational education yourself

To learn more about the program and to apply contact:

The Smith Family, Saver Plus

Address: Corner Launceston and Easty streets
Woden ACT 2606

Phone: (02) 6283 7606

Website: <http://www.thesmithfamily.com.au/what-we-do/our-work/at-home/saver-plus>

- **Micro-Credit** - If you have a business idea or are in business you may be eligible for the ACT Women's Microcredit Program. This program offers small amounts of funding up to \$3,000 for women wanting to start their own business. You must be on a low income or hold a Centrelink concession card and show that you can repay any loan granted. For more information contact:

Brilliant Idea program, Lighthouse Business Innovation Centre

Ph: 1300 365 514

Website: <http://brilliantidea.com.au/>.

Where can I get free advice on what to choose?

Care Inc. Financial Counselling Service

Address: 1st Floor
Waldorf Apartments

2 Akuna Street
Canberra City

Ph: 1800 007 007 or 02- 6257 1788

Email: admin@carefcs.org

Website: www.carefcs.org

Opening hours: Monday - Friday 9am to 5pm

After hour support: Drop-In service available on Wednesday night between 5.30pm and 7.30pm. Please arrive by 6pm to ensure you are seen. This service provides information and assistance with filling in forms but does not provide advocacy.

You can also leave a message on our afterhours message bank on 1800 007 007 or 02- 6257 178 8 and a financial counsellor will call you back.

If you are distressed about your financial situation after office hours contact Lifeline on 13 11 14.

Salvation Army's Moneycare, Canberra

The Salvation Army's Moneycare service provides free and confidential financial counselling for people facing financial difficulties or wanting to avoid financial difficulties in the future. They are able to help with a range of issues including budgeting, credit, debt and repossession. Phone your local centre for an appointment.

Website: <https://salvos.org.au/need-help/financial-assistance/financial-counselling/>

Address: 4 Hawdon Place DICKSON ACT 2602

Phone: 02 6247 1340, 02 6247 3635

MoneySmart is a website created by the Australian Securities and Investments Commission. It is full of handy hints, tips and tools on how to manage your money.

For credit and borrowing information visit:

<https://www.moneysmart.gov.au/borrowing-and-credit>

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