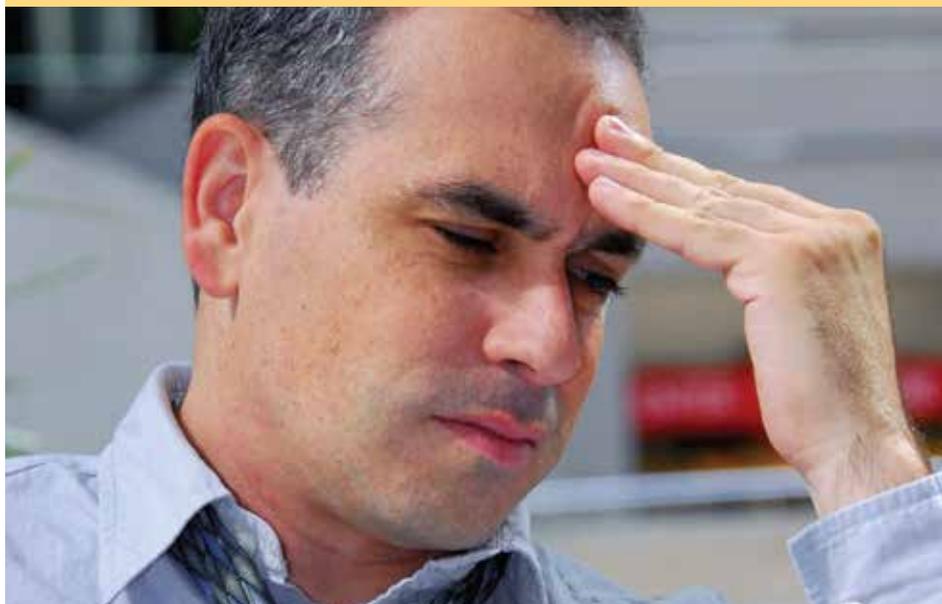


# Money Mistakes



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When debt is the problem, we are the solution.

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# CONSOLIDATED

CREDIT COUNSELING SERVICES OF CANADA, INC.

When debt is the problem, we are the solution.

*Congratulations on taking this important step to a brighter financial future. Consolidated Credit Counseling Services of Canada, Inc. has been helping Canadians across the country solve their credit and debt problems for years.*

*Our Educational Team has created over twenty-five publications to help you improve your personal finances. By logging onto [www.consolidatedcredit.ca](http://www.consolidatedcredit.ca) you can access all of our publications free of charge. We have tools to help you become debt free, use your money wisely, plan for the future, and build wealth. The topics Consolidated Credit Counseling Services of Canada addresses range from identity theft to building a better credit rating; from how to buy a home to paying for university. On our website you will also find interactive tools that allow you to calculate your debt and see how much it is costing you.*

*We are dedicated to personal financial literacy and providing a debt-free life for Canadians. If you are overburdened by high interest rate credit card debt, then I invite you to speak with one of our trained counsellors free of charge by calling 1-800-656-4079 for free professional advice.*

Sincerely,

Jeffrey Schwartz  
Executive Director

Consolidated Credit Counseling Services of Canada, Inc.

## Money Mistakes Oops, I made a mistake! FAQ's about Money

Everyone makes mistakes with their money. It happens, but it can lead to problems, and these problems may escalate if you don't do the right things to correct them. The following is a guide to help you solve the money mistakes that could occur during your lifetime. The world of finances can be tricky. If you don't act to correct these mistakes you could be putting your financial future at risk.

### **“I missed a mortgage payment. What should I do now?”**



Your mortgage should be your top priority when it comes to paying monthly bills. You do not want to find yourself in a legal battle with your lender.

The first thing you should do if you miss a mortgage payment is to contact your lender. Don't pretend that it never happened. Your lender may not start repossession proceedings immediately, but they will most definitely want to know what is going on.

As soon as you realize your mistake, contact the lender and explain to them what happened. You may have just forgotten, or there may have been a banking error, or you

may not have enough money in your account to cover the mortgage.

If you missed the payment due to a lapse in memory, then explain to the lender that you will be sending in the cheque immediately – and make certain that you do it as soon as possible. If it was a banking error, then correct that error and be sure that your lender receives the cheque. If you are short on cash then you will have to work out an arrangement with your lender. Perhaps they will let you pay that month's payment in installments or you could make a double payment the next month.

If you find that you are in danger of being late every month because you lost your job or because of some other financial emergency, you and your lender will have to sift through the alternatives that may be available to you, like lower monthly payments.

Remember, a home loan is a secured loan and that means if you fail to make your monthly payments your lender has every right to take away your home. Many people are facing foreclosure because they can't make their home loan payments. The important thing to remember is that the lender does not want you to go into foreclosure; it usually isn't a healthy financial situation for them either. They want their money and they want you to pay it. The bottom line is to contact your lender and try to work out a deal that is beneficial to both parties.

## **“I maxed out my credit cards. Now what do I do?”**

You certainly aren't alone. The total household credit card debt in Canada is over \$2 billion. Many people are spending a third of their discretionary spending on debt and they are sinking rather than swimming. Canadians don't rank poorly in all aspects of credit card management, with seven in ten credit card holders usually paying off their monthly balance in full. But when it comes to testing basic credit card know-how, Canadians aren't passing with flying colours. According to a BMO survey, 58 per cent of credit card holders don't know the interest rate they are paying on the card they use most often, 62 per cent are unaware of their credit rating, and 28 per cent do not know their card's annual fee. Of course when this takes place, credit card debt sky rockets and it becomes nearly impossible to stay on track.



The first thing you should do if you maxed out your cards is to avoid obtaining any other credit cards. Stop using them. Then you need to begin the process of wiping out your debt as quickly as possible. Since you are carrying balances on multiple cards, focus on paying

off the highest rate cards first while continuing to make the minimum payments on your other accounts.

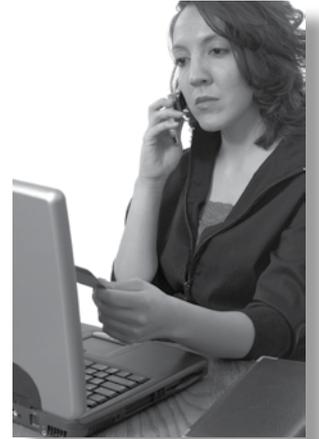
If you have a credit card charging 18% interest or more and another card that is charging 14%, it makes the best financial sense to concentrate any additional payments toward your high-rate credit card.

Do some research on transferring your balance to a card with a lower rate – be careful though, these are introductory rates and they will rise substantially after a period of usually six to twelve months. If you think you can pay off your balance over that introductory period then check into this option. Remember to read through all the details. Credit card companies are in business to make money.

There will most likely be a fee to transfer the balance. Instead of charging a straight fee, many credit card companies are charging a flat 3% on the amount transferred. So to transfer a balance of \$5,000, you will be charged \$150. Be certain to read the fine print in the credit card contract before you sign up. There could be more hidden fees that you were not originally aware of. Remember, if it sounds too good to be true, it probably is - especially in the credit card industry.

You can also simply call your credit card representative and ask for a reduced interest rate. This sounds impossible, but sometimes it does work. A 15-minute call to your lender could save you hundreds of dollars in interest charges and help you pay off your debts sooner.

Due to high finance fees, paying the minimum payment barely reduces the balance. Contact your creditors and negotiate a lower interest rate. For a short period, the credit card company may lower your rate, which gives you the chance to reduce your balance and increase your credit score. For example if the average rate reduction is going from 16% to 10.5%, that rate reduction on a \$2,000 balance would save you nearly \$200 over 2 1/2 years.



Another option is to call a non-profit credit counselling agency and begin the process of consolidating your credit card debt into one payment. When you do this, you will speak with a credit counsellor who will review your financial information and then work with your creditors to arrange reduced monthly payments, interest charges and fees for your unsecured debt.

It will then be your responsibility to make your single monthly payment to the credit counselling agency. The agency takes your payments and distributes them to all your creditors. Some credit counselling agencies have programs available that automatically deduct the required monthly payments from your bank account on a monthly or bi-monthly basis. This will make it nearly impossible for you to miss a payment, as long as you have the required amount of money in the bank.

## **“I bounced a cheque. Now what?”**

If you bounce a cheque or close a chequing account before transactions clear, call the bank branch that you do or did business with immediately to correct this problem. The bank associate will assist you in solving this problem.

Your bank may charge you overdraft fees and other surcharges for the time they spend helping you correct this mistake. You may also face potential actions from the person or store/company that you gave the bad cheque to.

To prevent this from happening in the future you can get overdraft protection from your bank. With overdraft protection the bank pays off the bad cheque for you but then charges you a fee for their trouble. There is a limit to overdraft protection and you should be aware of it because once you reach that limit the bank will start returning the cheques and you will be paying more and more fees. Don't abuse overdraft protection. It's an expensive short term loan and you should use it only in case of emergency.

## **“I forgot to pay a cell phone bill and I received a collections notice”**

If you receive a notice from a collection agency then you probably did not respond to the service provider

(wireless provider, cable company) when they sent you the original bill.

So, the first thing you should do is contact the collection agency in writing and let them know that you simply forgot to pay the bill and plan on paying it immediately.

If an agency representative calls, simply ask them to put everything they have to say in writing. If he or she refuses and keeps talking, hang up the phone. There is no law stating that you must talk to a debt collector. But debt collectors will use a variety of approaches to get you on the phone with them. You may receive a letter from a collection agency telling you to call their office "immediately" – don't bother. You are not obligated by law to call them.



Communicate with debt collectors only in writing. Also, do not give your phone number out to a debt collector. The least amount of personal information they have the better. If you give them your number, you are only inviting them to call you.

If you are being harassed by a debt collector, the first thing you should do is familiarize yourself with the Collection Agencies Act, which was enacted to protect consumers from abusive, deceptive, and unfair treatment by debt

collectors. The Collection Agencies Act applies to personal, family and household debts, including past due credit card debts, mortgages, car loans, student loans and other personal loans, medical and insurance debts, utility bills, condo fees, unpaid legal judgments, and bounced cheques. Of course the best thing to do is pay the bill and use this as a reminder to pay your monthly bills in a timely fashion.

**“I was careless with my financial information and now I think I’m a victim of identity theft.”**

You receive a credit card that you never ordered, debt collectors are calling you to collect on things that you never bought; you notice that your credit score is much lower than it should be because you are in good credit standing. If this scenario happens to you then you are probably a victim of identity theft.

The first thing that you should do is notify the credit bureaus and establish fraud alerts. Immediately report the situation to the fraud department of the credit reporting companies - Equifax and TransUnion. Placing a fraud alert means that your file will be flagged and those creditors are required to call you before extending credit.

Under new provisions of the Consumer Reporting Act (CRA), you can place a fraud alert. The credit bureaus will each mail you a notice of your rights as an identity theft victim.

Once you receive them, contact each of the two bureaus immediately to request two things: a free copy of your credit report and an extension of the fraud alert to seven years. You will be required to have the proper evidence that someone was trying to open fraudulent accounts and an identity theft report (police report) to establish the seven-year alert. You may cancel the fraud alerts at any time.



In all communications with the credit bureaus, you will want to refer to the unique number assigned to your credit report and use registered, return receipt mail. Be sure to save all credit reports as part of your fraud documentation file.

You should also be able to "freeze" your credit reports with Equifax and TransUnion. By freezing your credit reports, you can prevent credit issuers from accessing your credit files except when you give permission. You can do this if the identity thief is especially aggressive. This successfully prevents thieves from opening up new credit card and loan accounts. In most provinces, security freezes are available at no charge to identity theft victims and for a relatively small fee for non-victims.

Also, be sure to immediately report the crime to your local police department.

If the crimes were committed in a location other than

where you live, you might also need to report it to the police departments in that town.

Give them as much documented evidence as possible. Be certain that the police report lists the fraudulent accounts. Get a copy of the report, which is called an "identity theft report" under the CRA. Keep the phone number of your investigator close by and give it to creditors and others who require verification of your case. Credit card companies and banks may require you to show the report in order to verify the crime.

Report the crime to the Royal Canadian Mounted Police (RCMP) and be sure to include your police report number.

In order to get new cards you will have to deal with your credit card companies and debit accounts. First, request replacement cards with new account numbers. In addition to phoning the credit card company regarding the fraud, you should also follow up in writing and you will probably be asked to provide a fraud affidavit or a dispute form. Send the letter to the address given for "billing inquiries."

If you notice new fraudulent activity by evidence through your mail and bills, report that activity right away.

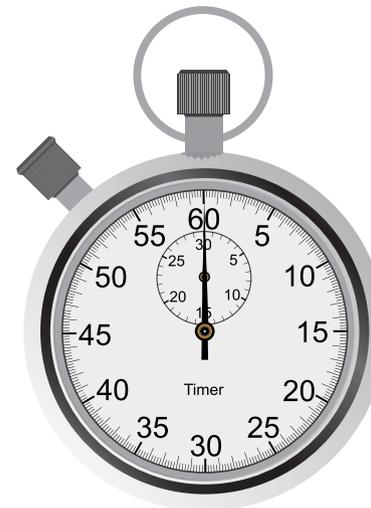
Regarding debt collectors -- if debt collectors try to force you to pay the unpaid bills on fraudulent accounts, ask for the name of the collection company, the name of the person contacting you, phone number, and address.

Tell the collector that you are a victim of fraud and are not responsible for the account. Do not be intimidated by the debt collector; you have rights.

Ask for the name and contact information for the referring credit issuer, the amount of the debt, account number, and dates of the charges. Ask if they need you to complete their fraud affidavit form or whether you can use the RCMP affidavit. Always follow up in writing. Under the new provisions in the CRA, a debt collector must notify the creditor that the debt may be a result of identity theft.

## **An Overview**

As stated earlier in this booklet, it's easy to make mistakes with your money but it's imperative to act quickly to prevent those mistakes from advancing into a panic situation. The one thing you can do is be careful and be sensible – after all it's your financial future that could be at risk.



## About Consolidated Credit Counseling Services of Canada, Inc.

Consolidated Credit Counseling Services of Canada is a consumer oriented, non-profit, registered charity. We are an industry leader in providing credit counselling and debt management services. Our mission is to assist individuals and families in ending financial crises and to help them solve money management problems through education, motivation, and professional counselling. Our organization is funded primarily through voluntary contributions from participating creditors. Our programs are designed to save our clients money and liquidate debts at an excellent rate.

We are dedicated to empowering consumers through educational programs that will influence them to refrain from overspending and abusing credit cards, as well as to encourage them to save and invest. Regardless of whether your financial problems are due to the purchase of a new home, birth of a child, major illness, or any other circumstance, we can help.

\* If you are headed for a debt disaster visit [www.ConsolidatedCredit.ca](http://www.ConsolidatedCredit.ca) or call 1-800-656-4079 for free professional advice by a trained counsellor.

# Now you can find **FREEDOM FROM DEBT!**

Consolidated Credit Counseling Services of Canada, a registered charitable organization, will provide you with professional financial education, counselling and resources.

In addition, you can benefit from customized Debt Management Programs, which incorporate a bill consolidation plan to help you regain your financial freedom.

### **Our professionally trained Counsellors will negotiate directly with your creditors to:**

- Reduce or even eliminate interest rates!
- Lower monthly payments.
- Eliminate over-limit fees.
- Consolidate debts into one lower payment.
- Help you pay off debt faster.
- Rebuild your credit rating.
- Save you thousands of dollars.
- Get you on a plan to be debt free!



Call today, and take your first step toward financial freedom!

**1-800-656-4079**  
or visit [www.ConsolidatedCredit.ca](http://www.ConsolidatedCredit.ca)

