

Second Stage Counselling

It's now been a few months since you filed your bankruptcy or proposal. Hopefully you have a better understanding of the concepts from your first counselling session and you've had time to practice and put them into action.

Some questions to consider:

- How well are you doing?
- Have you made any significant changes to your money management strategies?
- Do you have a budget you follow monthly?
- Are you saving money to meet unexpected and irregular expenses?
- Have you set some financial goals and are you working to achieve them?

Money Management Follow Up

Review Your Plan

Now that you've completed several months of tracking income and expenses, you should be able to assess how well you've been doing.

- Review your monthly income and expenses.
- Review your irregular and flexible expenses to make sure they're accounted for (e.g., Christmas spending, back-to-school purchases, unexpected prescriptions).
- Review your goals and savings to make sure they're also included in your plan.
- Determine if you need to make any changes and then make any if necessary.

Maintain Your Plan

The following are some tips for managing and maintaining your budget:

- Have regular family discussions to review and revise the family budget.
- Keep receipts for all your expenses or review your online banking transactions.
- Stay within your planned amount when shopping.
- Maintain a separate bank account for certain annual or irregular purchases/expenses.



Contributing Causes of Insolvency

Understanding what happened to cause your debt is important for preventing financial problems in the future. Typically, there are two main categories of debt:

Life Happenings	Personal Behaviour
<ul style="list-style-type: none"> • Medical issues • Addiction • Death in the family • Unemployment/underemployment/reduction of income • Separation/divorce/unhealthy relationships • Change in family dynamics such as birth of a child or care of an elderly parent • Business failure • Lack of education/understanding of contracts 	<ul style="list-style-type: none"> • Overuse/misuse of credit • Reliance on credit to make ends meet • Mismanaged spending • Avoidance of making necessary payments • Acquisition of assets that are, or become, not affordable • Failure to create and/or stick to a budget

Often the cause of a bankruptcy or proposal is a combination of many factors from both life happenings and negative debt behavior.

Understanding Credit

Credit is a financial tool that can help you realize personal and financial goals by allowing you to obtain goods and services now in exchange for a promise to pay in the future. However, it also means committing future income to pay for present needs and wants. It's important to understand how credit works. If not understood, it can lead to serious financial problems.



Credit 101

When deciding to reestablish credit, it is important to learn and understand the basics of credit.

- Rebuilding credit involves borrowing or using a creditor's money and paying them back.
- If you are offered a credit product you do not need to take it.
- A co-signer is responsible for the loan they co-sign if the original borrower does not make the payments.



- Making a larger cash down payment when getting a loan will reduce the total amount you have to repay.
- Interest on credit card purchases (excluding cash advances) is not charged if the balance is paid in full before the due date.
- Interest on cash advances is charged from the day the advance is made.
- Making late payments or skipping payments is harmful to your credit.
- Having numerous requests for credit—known as “hits”—on your credit report in a short period of time can hinder you from getting credit in the future.
- It’s up to you to review your credit report to ensure the accuracy of the information and to correct any errors.
- Using debit credit cards or pre-paid credit cards will not rebuild credit.
- Your ability to borrow involves more than just making your payments on time. It also involves your debt ratio: the amount of debt you carry in relation to your income.

Re-establishing Credit

Not everyone who has filed a bankruptcy or proposal will be interested in or able to reestablish credit. For those who do wish to rebuild their credit, take positive steps to ensure rebuilding is possible.

- Start cautiously. Educate yourself about getting and using credit, as well as the types of credit. Make sure you know the terms and cost of the credit you’re applying for.
- Be choosy when obtaining credit, but remember too many “hits” on your credit report can lower your credit score.
- Talk to your banker. Explain the circumstances surrounding your bankruptcy/proposal and ask what you can do to re-establish credit.

Re-establishing credit can be done with one of the following types of credit. You do not need to have all forms of credit to increase your credit score.

- **Re-establish with installment credit.** Consider taking out a loan and repay it as scheduled. Keep in mind, you may need security or collateral or you may need a co-signer to get the loan.
- **Re-establish with revolving credit.** Consider a credit card. Use it, wait for the bill to come then pay the bill before the due date to create a positive credit history. You may have to start with a secured card. See if your bank will offer one or search the internet for secured credit cards.
- **Re-establish with open credit.** Consider a line of credit. Once you take money from the line of credit, make sure to pay it back on a regular basis to create a positive credit history.

Tips for Improving your Credit Score

- Make your payments on time and in full.
- Set up automatic payments so you don’t lose track of or miss payments.
- Keep your total debt load on all credit low in comparison to your income.
- Maintain low balances on consumer credit (e.g., credit cards and lines of credit). Try to keep the total of all your debt at less than 20% of your available credit.
- Pay off debts rather than transferring them to new accounts.



- Vary your credit with a mix of installment, open and revolving credit.
- Make sure you are able to repay credit before using it. Being unable to pay will seriously and negatively affect your credit.
- Avoid Payday loans at all cost!
- When purchasing a big item such as a car, don't enter into a financing arrangement until you've selected the exact car you want.
- Check your credit report at least 6 months before applying for or re-applying for credit, and correct any errors on your report before making your application.
- Use secured credit (secured loans, co-signed credit, secured credit cards or lines of credit) if necessary to re-establish credit.
- Make sure that your Discharge Certificate / Certificate of Full Performance has been recorded by the credit bureaus.
- Try to stay put and not make frequent changes in your address, employment or bank.

Using Credit

Once obtained it is important to understand the benefits and shortcomings of using credit. To make sure you are using credit effectively and responsibly consider the following:

Advantages of Buying on Credit

- You can track how much you spend each month.
- You don't have to carry cash.
- Using credit responsibly can help you build your credit history.
- A good credit rating makes it easier to get credit in emergencies.

Disadvantages of Buying on Credit

- It is easier to spend impulsively by purchasing items you don't need or didn't planned for.
- Money tied up in installment payments is not available for future needs.
- Interest costs increase the cost of goods purchased.
- If payments aren't met, the item may be repossessed and money already paid lost.
- You may agree to a credit contract that is not understood.
- You might opt to buy higher priced merchandise because you can have a longer period of time to repay the debt.
- Careless use of credit can negatively affect your credit history so you can't borrow later.

Questions you Should Ask before Buying on Credit

- Do I need this item now?



- Is it worth the extra credit cost to have it now?
- Will this purchase help achieve a family or personal goal?
- Are the interest costs reasonable?
- Will I still be using the purchase when I have finished paying for it?
- Is my use of a credit card reasonable?
- Am I able to pay my credit card balance in full before the due date?
- Do I have an emergency fund to take care of unforeseen expenses?
- Can I avoid dipping into savings to meet regular expenses if I make this purchase?
- Do I have other credit or debts to pay for? Am I adding to my debt load?
- Are my assets greater than my debts?



Using Credit Cards

Once your bankruptcy or proposal is over, getting a credit card is a fast and easy way to rebuild credit. It is also a fast and easy way to get into financial difficulty, so be sure you understand credit cards and how they work before getting one.

Things to Consider Before Getting and Using a Credit Card

- Know yourself and your spending habits.
- Before getting credit cards, set some rules for the use of the cards.
- Limit the number of cards you carry. You only need one.
- Understand the cost of your credit card. Are there monthly fees? Annual fees?
- Know the due date for your payment.
- Understand how interest is charged on your credit card.
- A credit card must be used, the statement received, and the payment made on time in order to build a positive credit history.
- Limit the amount you charge on your credit cards. Never charge more than you can comfortably pay off in full before the due date.
- Plan to pay back credit used to meet unexpected expenses as soon as possible.

Types of Credit Cards

Credit Cards That Help Rebuild Credit

Regular Credit Cards. Credit cards from a bank, financial institution or credit card company.

Secured Credit Cards. Regular credit cards that are obtained by providing a security deposit to the card provider. The security is held by the provider and used only if you fail to pay the debt. If this happens, the provider cancels the card and uses the security deposit to pay back the debt.



Credit Cards That Don't Help Rebuild Credit

Debit Visa or Debit MasterCard. Debit cards that can be used like a credit card. Because they're tied to your bank account and use your own money, they won't rebuild credit.

Prepaid Credit Cards. Cards that are loaded by you with your money. Like a gift card, the cost of a purchase is deducted from the available balance when the card is used, try getting one from your bank or Canada Post. Be sure to check for hidden fees.

Remember: Secured credit cards and prepaid credit cards are NOT the same thing. Secured credit cards are regular cards obtained by offering a security deposit and can help rebuild credit. Prepaid cards, because they use your own money, do not rebuild credit.

Credit Reports

Credit reports record financial information about you gathered from your creditors and are used by creditors to determine your suitability for the granting of credit. Your credit report is going to be very important if you hope to re-establish credit in the future. With that in mind, we suggest you take an active role in making your credit report as positive as it can be.

The Importance of Reviewing Your Credit Report

- You need to review your credit report to make sure information is accurate, particularly if you hope to re-establish credit in the future.
- Our suggestion is that you apply for your credit report from both Equifax and Trans Union about 6 to 8 weeks after receiving your Discharge Certificate (bankruptcy) or Certificate of Full Performance (proposal).
- Mistakes on credit reports are common so carefully review all areas of your report and address any errors with the credit bureaus. This takes time and effort but it may be worth it if you hope to obtain credit in the future. Dispute forms are available online.
- Remember: You are responsible for your credit report and should check it regularly. The rule of thumb is to check it on a yearly basis. **Please note: The Licensed Insolvency Trustee (LIT) in charge of your file is unable to access your credit report.**





How to Access Your Credit Report

There are four major Credit Bureaus in Canada. Get a report from all of them.

Equifax Canada

PO Box 190 Station Jean Tallon
Montreal QC H1S 2Z2
1-866-525-0262
www.consumer.equifax.ca

TransUnion Canada

PO Box 338 LCDI
Hamilton ON L8L 7W2
1-866-525-0206
www.transunion.ca

You can also access your credit report online for free via **Credit Karma** (www.creditkarma.ca) and **Borrowell** (www.borrowell.com).

Although there are many ways to order your credit report, such as by phone, fax, or e-mail, the easiest and safest method is by mail or by Internet. Here is a summary of those methods to request your credit report and their respective characteristics:

By mail — free of charge. If you make your request in writing and send it by mail, the credit-reporting agencies will provide you, by mail, with a free copy of your report. It is important, however, that in your request you include a copy of two pieces of I.D. Contact the credit-reporting agencies to find out which pieces of I.D. are acceptable. Forms are available online at their respective websites.

Online — some fees apply. You can also order your credit report through the reporting agencies' websites. This method is faster since you will receive your credit report online only a few minutes after you made the request. However, credit-reporting agencies charge a fee for providing you with an online copy of your credit report.

Credit Report Structure

A credit report is divided into several sections. You should review all sections carefully:

- Personal information
- Credit inquiries
- Credit history
- Public records



Credit Report Terminology

- **Installment credit.** A loan for a set amount to be paid back with specific payment amounts over a specific period of time. Indicated by an “I” on your report. Car leases are included here.

- **Revolving credit.** A credit card where you charge and pay regularly and on time to establish credit history. Indicated by an “R” on your report.
- **Open credit.** A line of credit which allows you to use up to a set amount of money without having to request a loan from the bank. Indicated by an “O” on your report.

Rating Indicators

Rating Indicators are number values assigned that reflect your payment history for individual creditors. A good credit rating to strive for would be I1 or R1 or O1.

- 0** – Too new to rate; approved but not used.
- 1** – Paid within 30 days of due date or paid as agreed.
- 2** – Paid within 31-60 days from due date or not more than two payments past due.
- 3** – Paid within 61-90 days from due date or not more than three payments past due.
- 4** – Paid within 91-120 days from due date or not more than four payments past due.
- 5** – Account is at least 120 overdue, but is not yet rated “9”.
- 6** – Code not used.
- 7** – Making regular payments through a special arrangement to settle your debts. Proposals are recorded here.
- 8** – Repossession (voluntary or involuntary return of merchandise).
- 9** – Bad debt; placed for collection; or moved without giving a new address. Bankruptcies are recorded here.

Retention Period of Data on a Credit Report

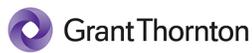
Information from various credit scores remains on your credit report for different lengths of time.

- **Credit inquiries to the file.** Three (3) years from the date of the inquiry. The system will keep a minimum of five (5) inquiries.
- **Voluntary deposit, orderly payment of debts or credit counselling.** Three (3) years from the date of full payment.
- **Registered consumer proposal.** Three (3) years from the date it is fully performed.
- **Credit history.** A credit transaction will automatically purge seven (7) years from the date of last activity.
- **Bankruptcy.** Seven (7) years from the date of discharge. If more than one bankruptcy is declared, the system will keep each bankruptcy for fourteen (14) years from the date of each discharge. All accounts included in a bankruptcy remain on file indicating “included in bankruptcy” and will purge seven (7) years from the date of last activity.



Credit Scores

A credit score is a number generated by a computer that provides a snapshot of your ability to receive credit. It is based on data about your credit history and your payment behavior and is used by lenders to determine the risks associated with granting credit to you.



Excellent
800-900

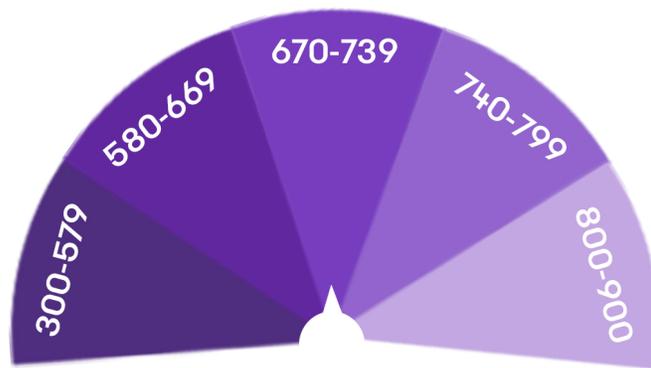
Great
740-799

Good
670-739

Fair
580-669

Poor
300-579

What does your credit score mean?



Factors Affecting your Credit Score

- **Payment History.** This factor shows your payment history for each debt. Your score is negatively affected if you're late with payments or you're not making payments as agreed. More recent late payments hurt more than older late payments.
- **Outstanding Debts.** Your credit score can be affected by the level of debt you carry and by the portion of available credit you use. High levels of debt compared to your income will negatively affect your score. Being close to your credit limits on available credit will negatively affect your score. Having low balances compared to available credit on two debts is better than having a high balance on one.



Internet Resources

Secured Credit Cards Companies		
Home Trust Visa	1-888-281-7793	www.hometrustedsecuredvisa.com
Capital One MasterCard	1-800-481-3239	www.capitalone.ca/credit-cards
People's Trust	1-877-694-6200	www.peoplestrust.com
Helpful Links		
Grant Thornton Limited	GTDebtSolutions.com	
Grant Thornton Limited's Blog	GTDebtSolutions.com/blog	
Office of the Superintendent of Bankruptcy (OSB)	www.ic.gc.ca/eic/site/bsf-osb.nsf/eng/home	
Financial Consumer Agency of Canada (FCAC)	www.canada.ca/en/financial-consumer-agency.html	
Canadian Association of Insolvency and Restructuring Professionals (CAIRP)	cairp.ca	
Service Canada	www.canada.ca/en/employment-social-development/corporate/portfolio/service-canada.html	



Local Resources- Nova Scotia

Health Resources

- Nova Scotia Health Authority www.nshealth.ca
- Tobacco Free Nova Scotia- Call 811 <https://tobaccofree.novascotia.ca/>
- Gambling Support Network 1-888-347-8888
- Addiction Services Offices
- Mental Health Crisis Line 1-888-429-8167

Employment Resources

- Nova Scotia Works Centers <https://novascotia.ca/works/>
- YMCA Nova Scotia Works Centre www.ymcansworks.ca
- Job Junction www.jobjunction.ca
- reach Ability www.reachability.org

Financial Literacy

- Financial Consumer Agency of Canada <https://www.canada.ca/en/financial-consumer-agency.html>
- Canada Revenue Agency <https://www.canada.ca/en/services/taxes.html>
- Office of the Superintendent of Bankruptcy <http://www.ic.gc.ca/eic/site/bsf-osb.nsf/Intro>

Family Related

- Kids Help Phone 1-800-668-6868
- Family resource Centers <https://novascotia.ca/coms/families/prevention-and-early-intervention/family-resource-centres.html>
- Community Services Head Office 1-877-424-1177

Seniors Related

- Nova Scotia Department of Seniors www.novascotia.ca/seniors/
- Seniors Pharmacare Program 1-800-544-6191
- Canada Pension Plan <https://www.canada.ca/en/services/benefits/publicpensions/cpp.html>

Credit Bureau Local Office

- Trans Union and Equifax is located at the office of Lyle Tilly Davidson located at 1718 Argyle Street, Suite 720, Halifax NS