



Credit
Canada

Resolving Debt Problems

Understanding your options for
dealing with a debt situation

Webinar



Canada's first and longest-standing credit counselling agency

Providing you with the knowledge, skills, and confidence to make responsible financial decisions.



A photograph of three people in a modern office setting. On the left, a man in a dark suit is seen from the back, looking towards the center. In the center, a woman with short, vibrant red hair, wearing a black and white leopard print top, is smiling and looking at the man on the left. On the right, a man with curly brown hair, wearing a white button-down shirt, is looking towards the woman. They are gathered around a wooden table with a laptop, a stack of papers, and a small potted plant. Large windows in the background let in bright, natural light.

“Our clients have nothing in common, other than that they have a financial issue and are willing to talk to someone about it.”

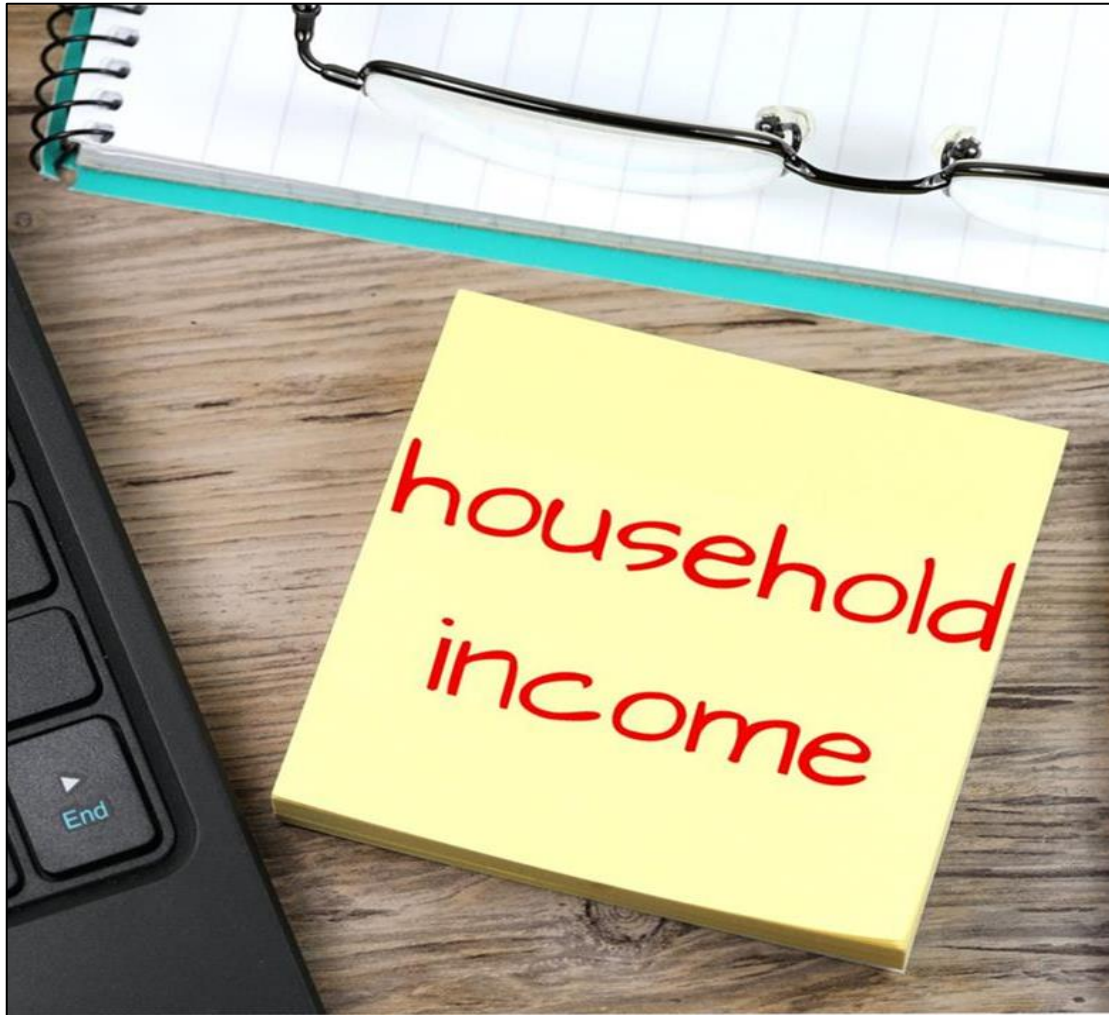
A woman with vibrant red hair styled in a bun, wearing a leopard print top, is seated at a wooden table and smiling while talking to a man. The man, wearing a blue suit and tie, is also smiling and looking at the woman. A laptop is open on the table in front of him. The background is a bright, modern office space with plants and a ladder.

At Credit Canada, we will review your finances, help solve debt problems, and help you understand how to manage your budget and rebuild your credit

Diagnosis first

What do we need to determine, before we
can even start to talk about Solutions?





INCOME

Does the client have an income?
Is it adequate to meet their basic
living needs?
Is it a dependable income, or is it
precarious?





EXPENSES

Does the client have a good understanding of where their money is currently going?

What do the expenses look like, overall?





ASSETS

Does the client have any significant assets? If so, can these be used in any way to mitigate their current financial situation?





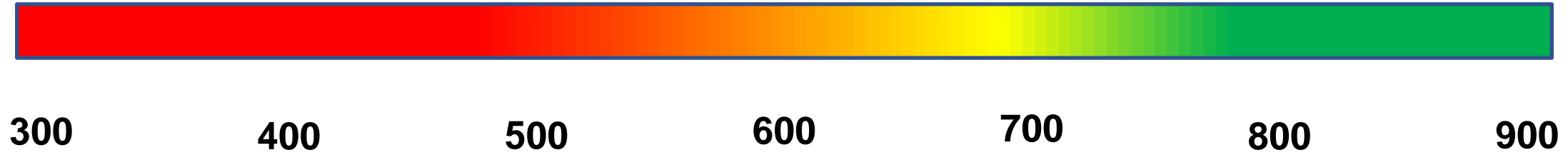
DEBTS

How bad is their current debt situation?

Are their debts with the original creditor, or have they been sent to a third party collection agency?

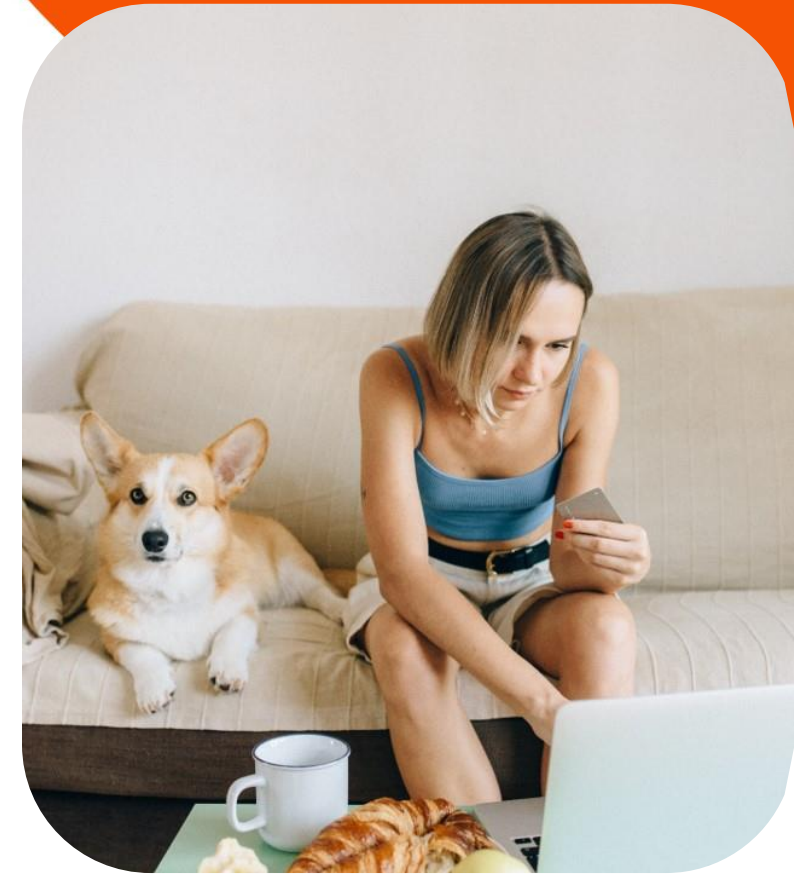


CREDIT SCORE



OTHER ISSUES?

- What is the root problem, and is it resolvable or not?
- Is the client behind on any monthly budget items, in particular rent or utilities?
- What is the current payment status for their credit accounts? Up-to-date or in collections? Are they in the payday loan cycle?
- Are their debts secured or unsecured?



POSSIBLE ACTIONS

- Referrals to community agencies or community legal clinics
- For student loans not in default, referral to National Student Loans Service Centre
- GOLD Financial Coaching Program – a 6 week virtual coaching program to provide personalized support to meet individual goals



CONSIDERING OPTIONS

Consider the effect across 3 areas:

- Current living standards (cash flow)
- Current credit position, and how the client is viewed by creditors (credit score)
- Future credit position, including the effect of present damage, whether it can be rebuilt, and how long that will take



CONSIDERING OPTIONS

Budget-based

In some cases, rebalancing income and expenses may be enough to put the client on a better path.



CONSIDERING OPTIONS

Using Assets

Disposing of an asset could provide a useful one-time lump sum payment. In some cases, selling an asset that is being financed could lighten the burden on an overstretched budget e.g. car loan on an unaffordable vehicle.



CONSIDERING OPTIONS

Options for Debts: Balance Transfers

Doing a balance transfer onto a low interest rate card will allow more of the payment to go to principal reduction.

* This assumes that the client is eligible for a low-rate credit card, or already has one.



CONSIDERING OPTIONS

Options for Debts:

HELOCs

Mortgage Refinancing

In this case, the client is trading their accumulated home equity for the opportunity to greatly reduce their interest cost on their debt.

* This assumes credit is good enough to qualify for refinancing.



CONSIDERING OPTIONS

Options for Debts:

Personal Loans

Good credit is an essential in this area.

High-interest lenders will definitely offer loans to consolidate credit card debt, but at what cost?



CONSIDERING OPTIONS

Options for Debts: Family Loans

Depending on a particular individual's circumstances, borrowing from family members may be their best remaining option.



Hardship Options



The “Hardship” options are those where the client (or their representative) ask that the lender TAKE A LOSS on the credit they have extended. This could include a partial or total loss of their expected income (the interest), or a partial or total loss of the actual credit extended (the principal). Hardship Options are used when the non-hardship options would not work. This is usually very damaging to a credit history, assuming that the credit history is not already damaged.

CONSIDERING OPTIONS

Direct with Creditors: **Internal Hardship Programs**

Some creditors may have their own internal hardship programs, to assist debtors in getting back on track. The impact on the credit history will be determined by how quickly the debtor can get back on track



CONSIDERING OPTIONS

Direct with Creditors: **Debt Settlements**

If the debtor would be able to access a significant lump of cash quickly, and would be able to clear a significant percentage of the debt all at once, a debt settlement offer could be considered by a creditor or creditors.



CONSIDERING OPTIONS

Hardship Options: Debt Consolidation Program

A Debt Consolidation Program is done through a credit counselling service. Typically, the interest is reduced or eliminated entirely, and the principal is repaid over an extended period of time.



CONSIDERING OPTIONS

Hardship Options: Consumer Proposal

A Consumer Proposal is a legal proceeding done by a Licensed Insolvency Trustee (LIT). The interest is removed entirely, and a negotiated portion of the debt is repaid over a number of years.



CONSIDERING OPTIONS

Hardship Options: **Bankruptcy**

A Bankruptcy is a legal proceeding done by a Licensed Insolvency Trustee (LIT).

Bankruptcies are done in cases where a “viable” Consumer Proposal cannot be filed, generally due to the debtor’s low income situation.



CONSIDERING OPTIONS

The Do-Nothing Option

Are you “judgement-proof”?

Your income is very low

You don't own any significant assets like property, and have little or no money in the bank

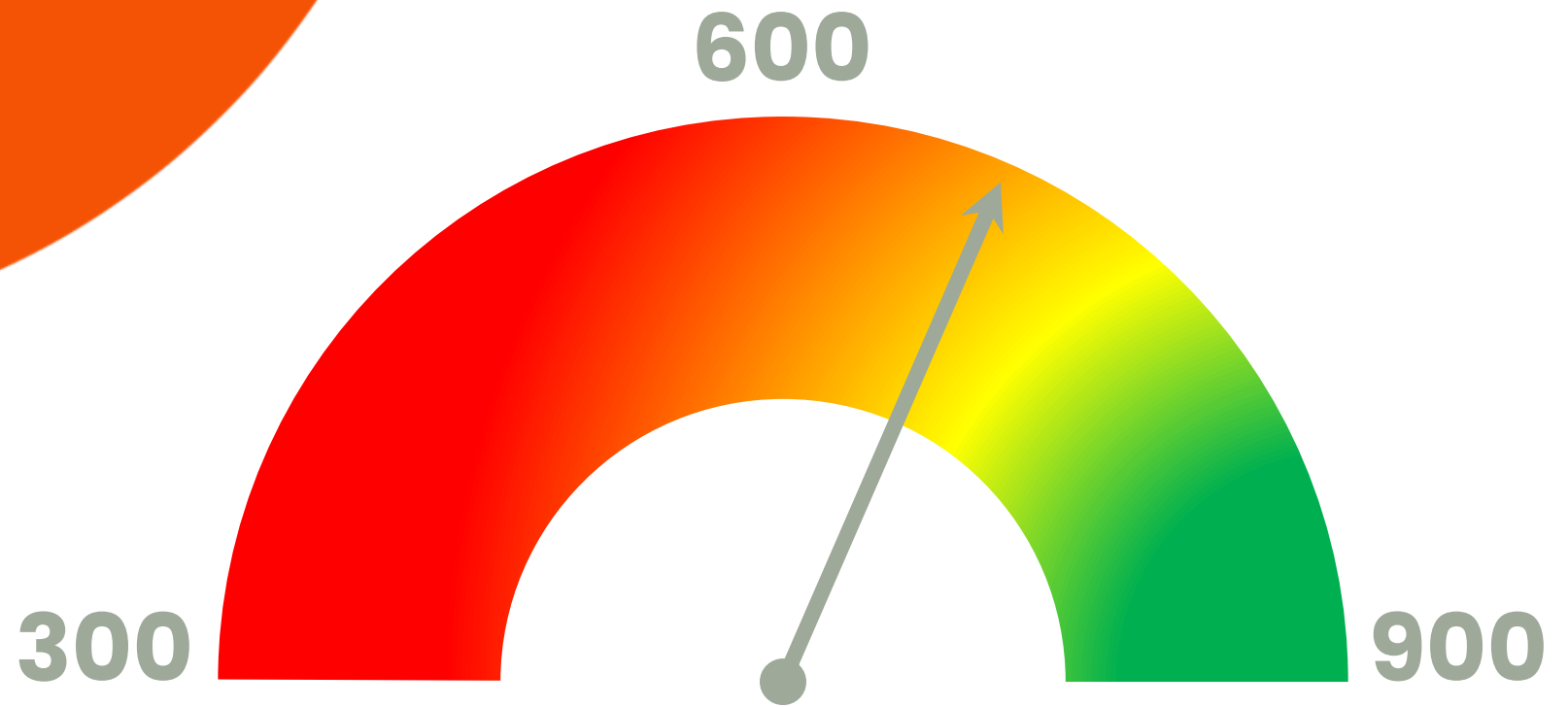
Your income is from sources called “public entitlements” e.g. social assistance, EI, OAS, CPP, etc.





Rebuild Your Credit History





300

600

900

Your Credit Score



Why your Credit History Matters

Who checks your credit?

- Banks and other Lenders
- Cell phone and other Utility companies
- Landlords



What is on your Credit Report?

- Personal Information
- Inquiries
- Accounts Reporting
- Public Record Information



What Makes Credit Bad?



**Negative payment
history in the past**



**Accounts in
collections?**



**Other “derogatory”
items on credit
history**



How to Rebuild Bad Credit



6-year rule

Negative items will disappear from history eventually.

Example - Bankruptcy

Proper credit usage in the present will eventually overcome past credit history. What will you have on your report?

You will need something that shows:

- Activity
- Payment
- Low % of credit usage





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Questions & Comments



Use the chat box to ask a question.



Upcoming webinars



August 28, 2024

Webinar: Money Basics for Students



September 25, 2024

Webinar: TBD



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