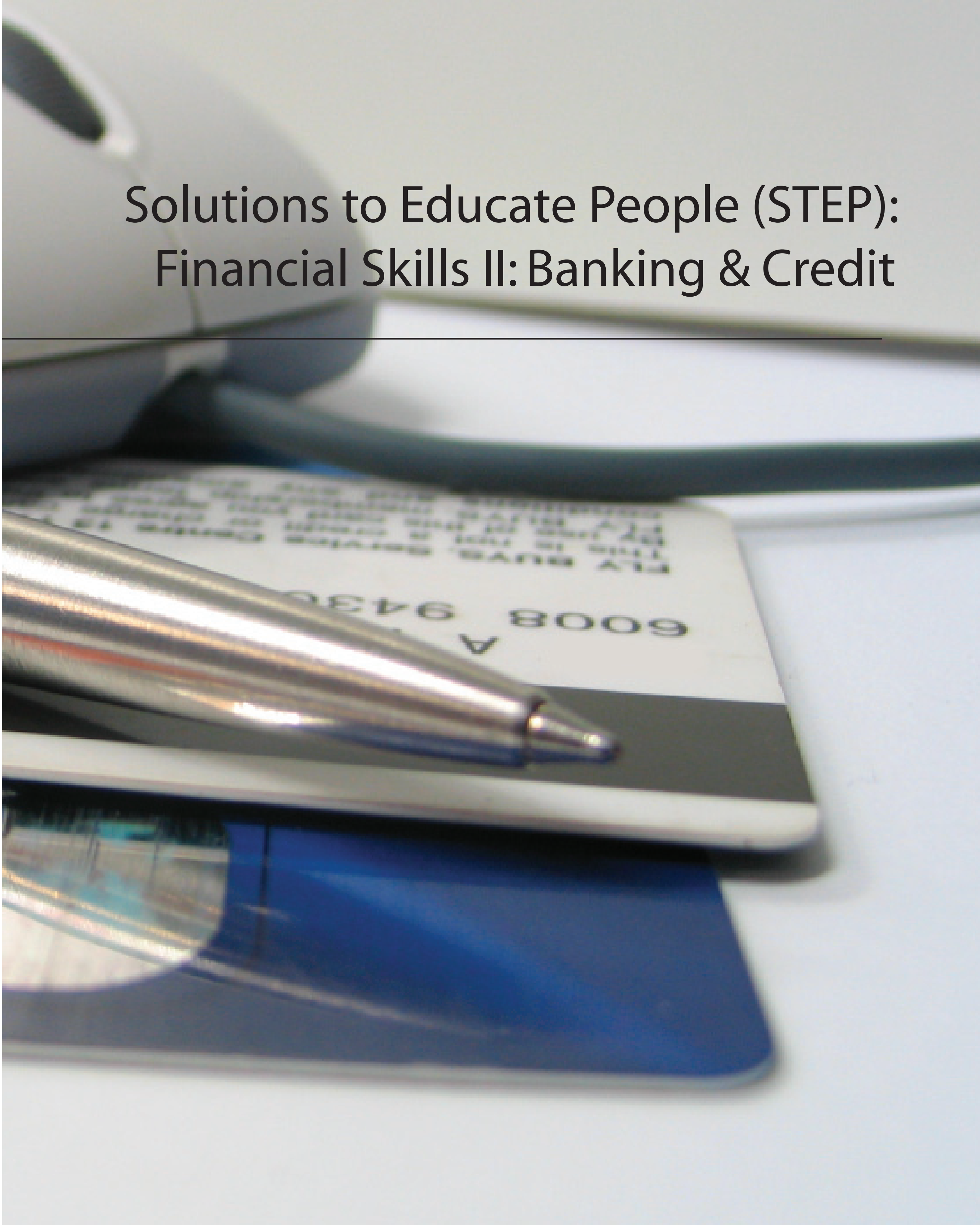
Northwest Territories Housing Corporation
Société d'habitation des Territoires du Nord-Ouest

Solutions to Educate People (STEP): Financial Skills II: Banking & Credit



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Financial Skills II:
Banking & Credit

Workbook

A course designed to teach participants how the banking system works, and how to work within that system.

Financial Skills II:
Banking & Credit

Workbook

Purpose of Course:
This one day course combines lecture, discussion and hands-on exercises to teach the basics of banking & credit. The workshop teaches participants how the banking system works, and how to work within that system. It is designed for people who have limited experience with banks and credit, or who live in communities where there are limited or no financial institutions.

Student Objectives:
- Understand how banks work and what they do
- Learn how to open and use chequing and savings accounts
- Learn about additional banking services such as debit cards and bank machines
- Understand the criteria used by banks for approving credit applications
- Learn how to use credit wisely and manage debts
- Understand how to establish (or repair) and maintain a good credit rating

Table of Contents

From Fur Trading to High Finance

Traditionally in the north, needs were met simply by living off the bounty of the land. As other people began to move into the area, a system of trade and barter was developed, furs were traded for new items that were being introduced into the culture. Although many people still live a traditional lifestyle in the north, the economic and technological changes that have occurred over the past century have brought many changes to the way people provide for themselves and their families.

Economic changes such as oil, gas and diamond exploration have created jobs for local people as well as people from other parts of Canada and the rest of the world. Rather than relying on the fur trade, more people now rely on cash to buy the things they need. Even those who practice their cultural traditions of trapping and hunting now use cash to buy goods, such as snowmobiles and store bought outerwear.

Whether you have lived in the north all of your life or you have moved here recently, you have probably found that banking services are somewhat limited in most communities. There are still many small northern communities that don't have banks, so people have found it necessary to operate their finances with cash or through the use of cheque cashing services at local stores.

But as more businesses become established in the north, it is more important that you know how to deal with banks. Most large employers require their employees to have bank accounts so paycheques can be automatically deposited. Most lenders want to be able to take monthly payments out of customers' bank accounts rather than waiting for their customers to send in payments.

The good news is that with advances in technology, it is much easier to deal with a bank, even if there is no branch in your community. There are now banking services available through the telephone, internet, and the many automatic cash dispensing machines. Whether you have dealt with banks for several years, or never had a bank account this workshop will give you the knowledge and skills you need to understand how banking and credit can work for you.

Banking Services

Deposit Accounts and Service Fees

Why open a bank account?

In some small communities in the north, there are no banks and many people manage without having a bank account. They operate with cash or use the financial services at local stores such as the Northern Store. But there are a number of reasons why it might be better to use a bank account:

____

____

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If you plan to buy a house, you will be required to open a bank account where your payments can be taken by the mortgage lender.

There are a wide variety of accounts available where you can keep your money in the bank but access it when you need to (deposit accounts). Some of these types of accounts are:

Chequing account:

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Savings account:

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Most banks offer a combination of these types of accounts and the choices are mind boggling. It may be simpler to let the banker know what services you need and have them recommend an account type for you.

Service Fees:

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Overdraft Protection:

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Daniel and Frieda Need Your Help

Daniel and Frieda live in public housing in a small community in the Sahtu region. They have 3 young children, aged 6 months, 2 years and 5 years old. Daniel works full time as an equipment operator while Frieda stays home with the kids.

Daniel's employer has just informed him that his pay cheques are going to be deposited automatically each pay day, so he will have to open a bank account. Daniel and Frieda have recently developed a budget and have set some financial goals for their family. They are trying to save up for a couple of items they want to buy.

1. What type of bank account do you think they need?

2. Should they open more than one account?

3. If you think they should open more than one account, how many accounts should they open and what type should they be?

4. Estimate how much this will cost them:

Loans & Mortgages:
How Interest Rates Are Set

Loans and mortgages are both words that describe money that is borrowed from a bank to buy something you can't pay cash for. The difference between the two is based on what the bank uses to make sure you repay the money.

Loans are secured with things that you own such as vehicles, equipment and household items. Mortgages are secured with land and buildings.

When you get a loan from a bank, you promise to repay the money and agree that if you can't, they can sell some of your assets to pay off the loan. In the case of a mortgage, you promise to repay the money and agree that if you can't, the bank can sell your house or land to pay it off.

There are loans available for almost any purpose, as long as you are not using the money for anything fraudulent or illegal.

Loans & Mortgages

Loans:

____

____

____

Mortgages:

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____

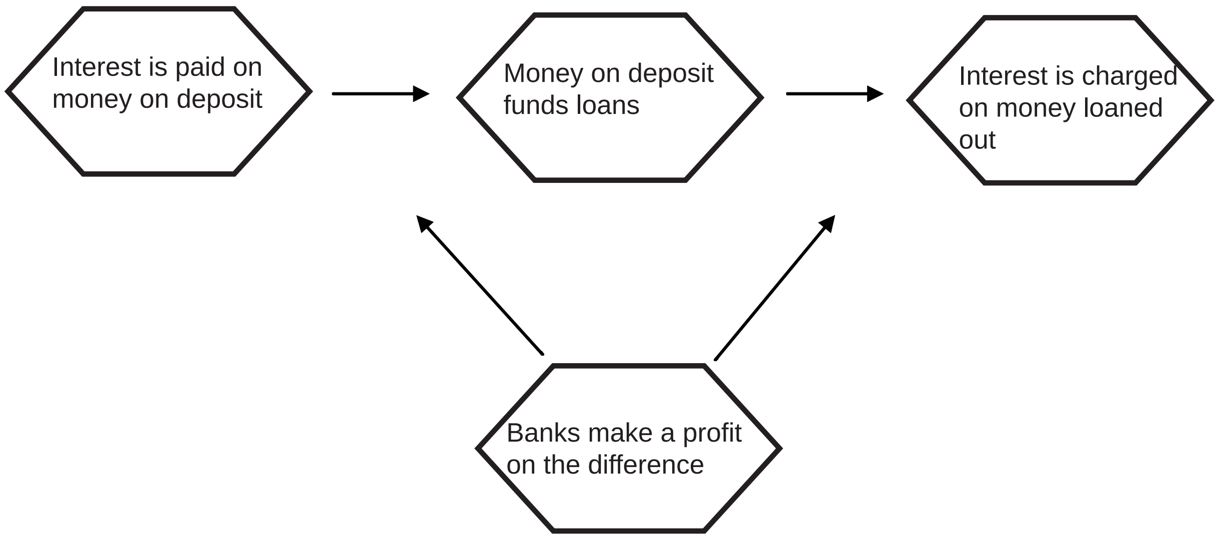
____

Try This Matching Exercise:

Match the terms on the left to their definitions on the right by drawing a line to the correct definition:

Prime Rate	The length of time your interest rate and payment amount will stay the same
Term	The cost to you of borrowing money from the bank
Amortization	The original amount borrowed from the bank
Interest	The length of time it will take to pay off the loan or mortgage
Principal	Interest rate charged to the best commercial (business) customers of the bank

How Interest Rates Are Set



- The bank uses the money you deposit in your account to lend to people who apply for loans.
- You are paid interest for letting the bank use your money to lend out.
- The difference between the interest rate on savings accounts and the interest charged to loan clients is how the banks make money.
- If they don't have enough money on deposit to fund loans, they have to borrow money from the Bank of Canada, thereby losing some of their profits.
- Bank loan interest rates are always a little higher than the Bank of Canada rates.
- In addition to the state of the economy, interest rates change depending on whether the banks have a lot of money on deposit to loan out (lower interest rates on savings accounts) or if they don't have much on deposit and want to encourage people to save (higher interest rates on savings accounts).

Northern Store "Banking"

In some of the smaller northern communities there are no chartered banks so people often use Northern Store financial services. The store will allow customers to cash cheques and open charge accounts for store purchases, along with other financial services. Instead of paying a service fee on your account each month as you do for bank accounts, the store charges a percentage of the amount you are cashing – usually 1% - or a minimum charge of $3.00. For example, if you wanted to cash a cheque for $500.00, you would have to pay $5.00 to the Northern Store. However, if you spend at least half of your cheque to pay your account at the store, there is no charge.

This is a convenient service to have when you live in a community without a bank, but it is also costly to do your banking this way. Now that internet and telephone banking services are available, it may be possible to do your banking at a chartered bank rather than having to rely on the Northern Store services.

PROS	CONS

You have seen that there are benefits to opening a bank account or using the Northern Store financial services. You will need to decide which will work best for you.

Chequing & Savings Accounts

What Do You Need to Open an Account?

If you are a Canadian resident, you have the right to open a bank account even if you:

- don't have a job
- don't have money to deposit right away
- have been bankrupt

In order to open a bank account, you need to go to the bank in person (usually) and show them some identification such as a driver's license or birth certificate. The identification must be original, not a photocopy.

Even though you have a right to open a bank account, the bank can refuse to open an account if:

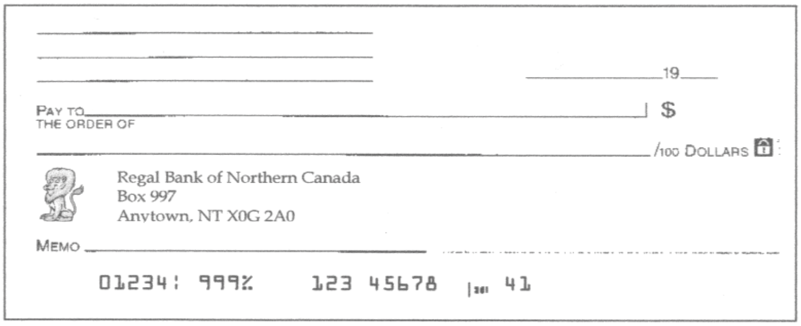
- you have committed a crime (fraud, theft, etc. – including too many NSF cheques!)
- you show false identification

If a bank refuses to open an account, you can ask them to write you a letter explaining why they refused. You can then contact the Financial Consumer Agency of Canada. This is a government organization and they will handle any complaints you have about being refused for a bank account.

Writing Cheques & Deposit Slips

Although you may choose to make withdrawals or purchases from your bank account with a debit card, you may need to write cheques every once in awhile.

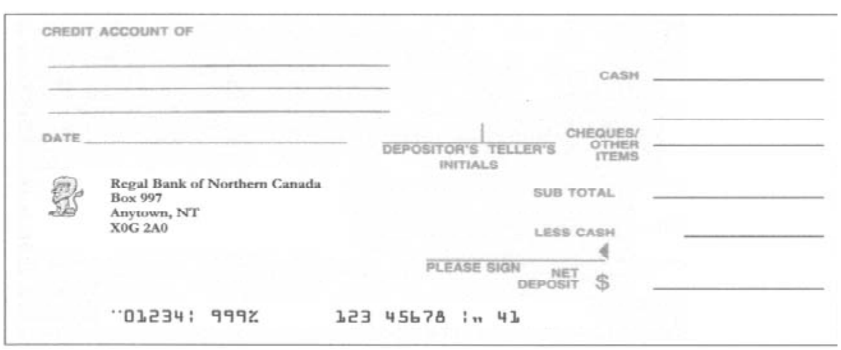
Cheques come in different styles and colours, but generally have the same kind of information on them:



- Write out the name of the 'payee' (person to whom you are writing the cheque) in full. Do not use use initials.
- Always make the cheque payable to someone – don't write blank cheques!
- Make sure the amount you have written in numbers and words is the same.
- Don't leave space in front of or behind the amount in words. Draw a line before and after you write the amount.

  e.g. -----------------One hundred----------------------DOLLARS
- Remember to sign the cheque.
- If you make any changes to the writing on the cheque, put your initials beside the change.

Deposit slips vary from one bank to another, but they also contain similar information.



The deposit slip tells the bank how much money you are putting into your account and whether it is in cash or cheques or both. It also tells the bank your account name and number, and often has space for you to sign your name if you plan to take some of the money out in cash from your deposit.

Some banks may require that you present your debit card when you go to the branch to make a deposit. If you are mailing a cheque or money order to a bank for deposit, you should write the words “For Deposit Only” along with your account number on the back of the cheque.

Never send cash through the mail!

Writing Cheques

Using the blank forms in Appendix i at the back of your workbook, fill out the cheques and deposit slips for the following situations:

1. Write a cheque for your rent to your landlord, Far North Properties Ltd. You are post-dating the cheque for the first day of the next month. The cheque is in the amount of $650.00.

2. Write a cheque for $200.00 cash that you plan to take out of the bank. Date the cheque with today’s date.

3. Write a cheque to the Local Store for your groceries. The cheque is in the amount of $127.93 and it is dated today.

4. Write a cheque to YK Motors for the down payment on your car. The cheque is in the amount of $1,100.00 and is dated today.

Keeping Track of Your Account Activity

It is important to keep track of the deposits and payments you make through your bank account. If you write cheques when there is not enough money in your account, the bank will return the cheque due to Non-Sufficient Funds (NSF). In addition, the bank will charge you a high service fee when this happens, and often the business you wrote the cheque to will charge you an additional fee.

It is against the law to write NSF cheques and in some instances, bank customers who do this frequently or on purpose can be charged with fraud. If you write too many NSF cheques, your bank may close your account.

By keeping track of the activity in your bank account you will be able to keep a close eye on the amount you have in your account from day to day.

- You can find out how much money you have in the bank by using telephone or internet banking.
- Keep in mind that not all cheques come out of **(clear)** your bank account right away, so you need to keep track of any cheques you have written and watch for them to go through your bank account. If you are making a deposit, it may also take a few days to clear your bank account, especially if it was mailed in.
- The best way to keep track of the activity in your bank account is to use a small book provided by the bank called a ‘cheque register’. This book has space for you to write down each deposit or withdrawal you make to or from the account, along with other entries such as automatic withdrawals of loan or mortgage payments or service charges.
- You should check your records against the statement the bank sends you to make sure everything has been recorded properly.

Note: Keep your blank cheques and deposit slips in a safe place. Many people believe that as long as the cheques are not signed, they can’t be used. However, thieves can obtain information about your home address, bank name and account number from these documents. This information can be used for fraudulent purposes.

Using the Cheque Register

The cheque register will have pages with space for you to write in the details of each entry that goes through your bank account. It will look similar to this:

Date	Description	Withdrawal	Deposit	Balance

Try completing a cheque register on your own with the information below.

In this example we are going to start with a new account that we have just opened.

Record the following entries in the cheque register:

1) May 8 – Deposit to open account $100.00
2) May 15 – Deposit paycheque $1,000.00
3) May 15 – Automatic withdrawal – Mortgage payment $325.00
4) May 15 – Automatic withdrawal – House insurance $45.00
5) May 17 – Cheque #101 – Co-op Store $124.17
6) May 19 – Cheque #102 – Water bill $100.00
7) May 20 – Cash withdrawal $50.00
8) May 22 – Debit card purchase – Local Store $148.95

Date	Description	Withdrawal	Deposit	Balance
May 8	Deposit – Open Account			

Reconciling

Now that you have kept track of your activity in the bank account, you need to compare your records to the bank's record. When the bank statement comes in you can do this by "reconciling" or matching your records with the statement.

Account Reconciliation: Compare the entries on the bank statement with the entries in your cheque register. Check to see if the bank entered the correct amounts for deposits and withdrawals that you made in the month. Also check your record to make sure you recorded all the entries correctly.

Take a look at the bank statement for this account at the appendix on page ii.

Account Reconciliation Worksheet

ENTER the **Last Balance** shown on the front of the statement: … Last Balance $ _______

LIST all **Deposits/Credits** that appear in the cheque register which do not appear on this Account Statement:

____

____

____

____

____

____

TOTAL of missing items…………………………………….................+ $ ________

LIST all **Withdrawals/Debits** that appear in the cheque register which do not appear on this Account Statement:

____

____

____

____

____

____

TOTAL of missing items: …………………………...........................….....< $________>

____

TOTAL: This balance should agree with the balance in your records: ________

Other Ways To Access Your Money

Changes in technology have also changed the way we deal with our money. In the past few years, more and more people have started to use a variety of methods to make purchases instead of paying with cash. In addition to credit cards, the use of Debit Cards and Automatic Teller Machines (ATMs) continues to increase. People also have access to many banking services through telephone and internet banking. This is especially convenient if you live in a community that does not have a bank. You rarely have to carry cash, or even go to a bank teller to take out cash. However, the services you can access if there is no bank in your community may be somewhat limited. If you choose to deal with a bank that does not have a branch in your community, there may be some services that you cannot access through other bank's ATMs or can only access through telephone and/or the internet. Check with the banks to see what you can and can't do through ATMs and telephone/internet banking.

Note: If you use a Cash Dispensing Unit in a business to withdraw cash, you will be charged an extra fee in addition to the fee your bank charges you to withdraw cash from your account.

Debit Cards

A debit card is issued to you when you open a bank account. It is similar to a credit card, except that instead of paying the bill later on, you pay as soon as you use the card. There are other differences between a debit and credit card.

When you receive your debit card, your bank will either ask you to choose a PIN number, or they may issue you a PIN number that you can change if you want.

- Choose a PIN number with a combination of numbers.
- Never give out your PIN number or write it down near your card.
- When you use your debit card to make a purchase, be careful when you enter your PIN number so others cannot see it.

Automatic Teller Machines (ATMS) and Cash Dispensing Units (CDU's)

Banks have ATMs in their branches where you can do most of your banking at any time of the day or night. Many businesses have similar machines called Cash Dispensing Units (CDUs) where you can withdraw cash.

Banking services offered through your bank's ATM include:

1. ______________________________

2. ______________________________

3. ______________________________

4. ______________________________

5. ______________________________

6. ______________________________

Credit Cards

Credit cards allow you to make purchases when you don't have the cash to pay for them at the time you want to buy them. Each month, you will receive a statement that shows all of the purchases you made with your credit card.

Most credit card companies allow you to pay a small portion of the total amount you owe and this payment must be made every month (minimum monthly payment). You are charged interest on any amounts you don't pay in full when you receive your statement.

The interest rate on credit cards is much higher than the interest you would pay on a bank loan. There may also be other fees charged, depending on the type of credit card you use. When you need to make a large purchase, you should check with your bank to see what interest rate you would pay if you got a bank loan instead. It may be less expensive to obtain a bank loan rather than using your credit card.

Some people find that credit cards are very convenient to use, and as long as you pay your full balance off each month, they don't cost a lot. However if you only make the minimum payment each month, you will be paying much more for the items you purchase than what you thought.

Exercise: Daniel and Frieda have decided to buy some furniture for their home and plan to use a credit card for the purchase. How long do you think it will take them to pay off the balance?

Cost of furniture: $1,000.00
Interest rate on credit card: 18% per year

Minimum payment made	Length of time to repay	Actual cost
3% of balance or minimum of $10.00/month 10% of balance or minimum of $10.00/month		

Telephone & Internet Banking

Many banks now offer the option of doing much of your banking over the telephone or internet. You still need to get deposits made by visiting your bank branch, using mail service or through automatic deposits from your employer. However if this is an option for you, telephone and internet banking offer great convenience.

Services available through telephone and internet banking include:

1. ____

2. ____

3. ____

4. ____

5. ____

6. ____

Additional services available through internet banking only:

1. ____

2. ____

3. ____

4. ____

5. ____

These services are available for a small monthly fee, and can be set up by contacting your bank. In order to use internet banking, your computer will need to be capable of using this type of service so it is best to check with your bank to make sure this is possible.

You will be given a password that identifies you when you go on-line or call in to do your banking. As with any password, it's important to keep this information secret and store it in a place that is not near your computer or telephone.

Applying for Credit

Loan Applications and the "3 C's"

Before you apply for credit it is important to know exactly how much you need and what you will use it for. When applying for a loan from a bank, be prepared with this information:

1. ____________________
2. ____________________
3. ____________________
4. ____________________
5. ____________________
6. ____________________
7. ____________________
8. ____________________

Note: If you need a co-signer, the person who is co-signing the loan must be strong in the area(s) where you are lacking.

There are three basic areas that the banks and credit agencies check when you apply for credit. They are usually referred to as the "Three C's".

Character: ____________________

____

Capacity: ____________________

____

Collateral: ____________________

____

In some cases, you may not have all three C's going for you, but the bank may consider giving you credit if you get someone to co-sign the loan. This means that the co-signer will be fully responsible for paying the loan if you are unable to do so.

Net Worth Statement

ASSETS

Description		**Value**
Cash (including Bank Account Balances)		
Savings Account		
Investments (Term Deposits, GICs, etc.)		
RRSP		
Life Insurance (Cash Surrender Value)		
Household Furnishings		
Automobiles:		
Make, Model & Year		
Make, Model & Year		
Make, Model & Year		
Recreational Vehicles		
Make, Model & Year		
Make, Model & Year		
House/Mobile Home		
TOTAL ASSETS		

LIABILITIES

Description	**Credit Agency**	**Balance Owing**
Credit Cards		
Charge Accounts:		
Loans:		
Monthly Pyts:		
Mortgage		
Monthly Pyts:		
TOTAL LIABILITIES		

Net Worth (Total Assets - Liabilities) =

________________ - ________________ = ________________

Using Credit Wisely — What Will It Really Cost?

The trick to using credit is to know when to use it. It is best to have the money for a month or two extra payments kept in your savings account in case you can't make a payment one month. Damaging your credit rating can haunt you for a very long time, so be sure to make those payments on time!

The question to ask when you consider going into debt to make a purchase is "What will it really cost me?" Many companies are very good at convincing you to buy their products. They will entice you with "no money down" and "don't pay for six months" types of offer. Before you make a decision, look at what it will cost you to take advantage of these offers.

To do this:
Find out what the monthly payment will be and multiply it by the number of months you will have to pay. Subtract the original price of the item to see how much interest you will be paying.

Try this: *Calculate the actual cost of furniture based on the information in the flyer located in the appendix at page iv.*

Here are some other credit tips to keep in mind:

- Don't use credit to buy things you can't see when the bills come in.

- Don't have too many credit cards Most people can operate quite well with only one or two credit cards. More than that can lead to problems with repayment, and may also harm your credit rating.

- Never spend more than 40% of your monthly income on credit bills and mortgage/rent payments. This means that you should not take out more loans or credit than you can afford to repay.

- Keep your agreements with your creditors.

- If you have financial troubles, call the creditors and make arrangements immediately.

- The number of credit cards you have and your credit limit on these cards will affect your credit rating. If you have too many credit cards or several cards with high limits, it may make it more difficult to get banks to approve other loans and/or mortgages you may need in the future. Even if your credit cards are all paid off, banks sometimes worry that you might charge all your cards up to the limit and may be hesitant to give you more credit.

Managing Your Debt

There are many reasons that make people choose to go into debt, and not all of them are bad. There are some purchases we need to make that are too expensive for us to pay cash—things like vehicles and homes, for example. Other people feel it is important to use credit for other things such as education, recreational vehicles and vacations.

Since you are in control of your money, you get to decide whether or not you want to take out a loan or mortgage to buy the things you want and need.

Problems usually come up when people start to use credit to buy things that they can't really afford just to make themselves feel good or to keep other family members happy.

Debt Management Motto: Before you borrow, think about tomorrow.

In order to stay in control of your finances, you need to keep your debt at a level that you can manage. When you apply for a loan or mortgage from a bank, they do a calculation to see how much of your monthly income is already being spent on monthly debt payments.

It is suggested that you should not spend more than ______ % of your gross monthly income (the amount you earn before taxes) on monthly housing expenses (Gross Debt Service Ratio). This includes your rent or mortgage payment, property taxes and utility costs (heat, power, and water).

It is also recommended that you not spend more than ______ % of your gross monthly income on your monthly debt payments (Total Debt Service ratio), including your monthly housing expense, loan and credit card payments.

Before you decide to take on more debt, do these two calculations to see if you can afford another monthly payment.

GDS and TDS Formulas:

$$\text{GDS} = \frac{\text{Monthly Housing Expenses X 100}}{\text{Gross Monthly Income}}$$

$$\text{TDS} = \frac{\text{Monthly Housing + Other Debts X 100}}{\text{Gross Monthly Income}}$$

Try this: *Calculate the Gross Debt Service Ratio and the Total Debt Service Ratio of Freddie Forester, Paul Power and Suzie Student. You will find their application forms at page vi to viii in the appendix. Decide if they can afford their requested loans.*

Applicant 1 [ ] yes [ ] no Why ______________________

Applicant 2 [ ] yes [ ] no Why ______________________

Applicant 3 [ ] yes [ ] no Why ______________________

Negotiating With Banks

Often people believe that banks have all the power when it comes to money, but the truth is that they need you as much (or more!) as you need them. In some instances, you may be able to negotiate lower interest rates or service charges. If you meet the following conditions, don't be afraid to ask!

1. ____

2. ____

3. ____

It's a good idea to shop around—and if you are considering going to a competitor, banks will often lower their interest rates or charges to avoid losing your business. These days it is possible to do your banking over the internet or telephone and through mail. If there is only one bank in your town, you do not have to deal with them – you can deal with any bank. You may want to compare all your options.

Your Credit Rating

Borrowing money from credit agencies is all about trust. They want to know that they can trust you to keep your agreements; to know that you will pay them back in the way that you agreed.

Our actions towards other people are what either builds or destroys trust in them. We know we can trust someone because they haven't let us down in the past. Your credit rating is just an evaluation of how trustworthy you are. It shows lenders how you have dealt with credit in the past. Did you pay the amount back? Did you make your payments when you agreed to make them?

Why Is It Important?

When you can show that you keep your agreements, credit granting agencies (banks and stores) are more willing to lend you money or give you credit. However if you show that you often make your payments late, or not at all, credit granting agencies are not likely to trust you, and will refuse you credit. This is why it is so important to establish and keep your credit rating in excellent condition.

- Your credit information is sent to credit bureaus (usually Equifax, Trans Union or Northern Credit Bureau in Canada) by the credit granting agencies you deal with. Credit bureaus are central data bases that gather information about consumer credit.

- Credit rating numbers are assigned by credit granting agencies and are reported to the credit bureaus. Credit rating numbers range from 1 – 9, with 1 indicating that you always pay on time and 9 indicating that you have skipped out on the debt and that it is now written off.

  The ideal credit rating is called I-1 or R-1.

- Other information is included in your credit report such as where you live and how long you have lived there, where you work and how long you have worked there, previous addresses and employment, and the results of collection action taken against you through the legal system.

- You can get a copy of your credit report by contacting the credit bureau directly.

- If you see something on your report that you believe to be incorrect, it is important to contact the credit bureau to ask them to correct it.

Establishing or Repairing Your Credit History

If you have never had credit before, it can sometimes be difficult to get it. It's like trying to get a job when you've had no experience — how do you get the experience if no one will hire you? There are a number of things you can do to establish a credit rating or to re-establish your credit rating if it was bad in the past.

1. Get a co-signer.
2. Borrow when you don't need to just to establish credit.
3. Use other charge accounts.

What if I have bad credit right now?

If this is the case, you need to get back in control of your finances in order to repair the damage. There are a number of steps you can take to do this:

1. Accept responsibility.

2. Create a budget and stick to it.

3. Contact the credit granting agencies (banks and stores).

4. Pay off the most expensive debts first.

5. Consolidate debts.

6. Arrange for orderly payment of debts.

Maintaining a Good Credit History

In order to maintain a good credit rating, the number one thing to do is to make sure all your agreements are kept. It is not enough to just repay your debts. You must make regular payments in the amount and on the date that you agreed to when you got the loan.

If you are unable to make a payment on time, phone the bank or credit granting agency before the payment date to make other arrangements. Don't just ignore it!

If you have had credit problems in the past, you may need to take steps so you don't get into trouble again. A few suggestions to do this are:

1. Limit the amount of credit you have.

2. Set financial goals.

Congratulations on completing the Financial Skills II: Banking & Credit workshop. You are on your way to taking control of your money which will lower your stress level and put more joy in your life! Good luck as you apply these new skills.

Financial Skills II:
Banking & Credit

Appendix

Blank Cheques

20 ____

PAY TO THE ORDER OF ____ $

/100 DOLLARS

Regal Bank of Northern Canada
Box 997
Anytown, NT X0G 2A0

MEMO ____

01234: 999% 123 45678 | 41

20 ____

PAY TO THE ORDER OF ____ $

/100 DOLLARS

Regal Bank of Northern Canada
Box 997
Anytown, NT X0G 2A0

MEMO ____

01234: 999% 123 45678 | 41

20 ____

PAY TO THE ORDER OF ____ $

/100 DOLLARS

Regal Bank of Northern Canada
Box 997
Anytown, NT X0G 2A0

MEMO ____

01234: 999% 123 45678 | 41

20 ____

PAY TO THE ORDER OF ____ $

/100 DOLLARS

Regal Bank of Northern Canada
Box 997
Anytown, NT X0G 2A0

MEMO ____

01234: 999% 123 45678 | 41

Regal Bank of Northern Canada
Box 111
Anytown, NT
X0G 2A0

Happy Homeowner ACCOUNT STATEMENT
Box 999
Northern Canada
X0G 2A0

Acc't. 123 456 7

Period – May 1/XX – May 31/XX

Date	Description	Withdrawals	Deposits	Balance
May 1	Balance Forward			$ 0.00
May 8	Open Account		$100.00	$ 100.00
May 15	Deposit		$1,000.00	$1,100.00
May 15	Mortgage Pyt.	$325.00		$ 775.00
May 15	Pre-Auth. Pyt - Insurance	$45.00		$ 730.00
May 20	Withdrawal	$50.00		$ 680.00
May 21	Chq #101	$124.17		$ 555.83
May 22	Local Store	$148.95		$ 406.88
May 31	Service fee	$12.00		$ 394.88

ACCOUNT SUMMARY				
O/D Limit $0.00	Total Wds #7	$805.12	Total Dep #2	$1,100.00

Sample Personal Net Worth Statement

ASSETS

Description		**Value**
Cash (including Bank Account Balances)		$250.00
Savings Account(s)		$575.00
Investments (Term Deposits, GICs, etc.)		$1,000.00
RRSPs		$5,200.00
Life Insurance (Cash Surrender Value)		$0.00
Household Furnishings		$25,000.00
Automobiles:		
Make, Model & Year	1999 GMC Sierra	$20,000.00
Make, Model & Year	2003 Chev Impala	$22,000.00
Make, Model & Year		
Recreational Vehicles		
Make, Model & Year	2005 Honda 3000	$12,000.00
Make, Model & Year	1992 Travelaire 21.5'	$7,500.00
Make, Model & Year		
House/Mobile Home		
Age of home	7 yrs	$189,000.00
TOTAL ASSETS		**$282,525.00**

LIABILITIES

Description	**Credit Agency**	**Balance Owing**
Credit Cards		
	CIBC Visa	$980.00
	American Express	$325.00
Charge Accounts:		
	Local Store	$420.00
Loans:		
Truck Loan	GMAC	$18,000.00
Monthly Pyt:	$440.00	
Quad Loan	Honda Finance	$8,000.00
Monthly Pyt:	$123.00	
Monthly Pyt:		
Mortgage	Scotiabank	$170,000.00
Monthly Pyt:	$725.00	
TOTAL LIABILITIES		**$197,725.00**

Net Worth (Total Assets - Liabilities) = $84,800.00

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Leather Look Recliner

The plush durahide black fabric mimics leather in its feel and look without spending a fortune to get it. The luxurious sofa has two recliners. Purchase the matching chair to finish your room.

Reclining Sofa 87"w x 40"h x 41"d
929-20004w - 217-lb. **999.99 EPP: $42***
Stationary Loveseat 63"w x 40"h x 41"d
929-20040w - 108-lb. **699.99 EPP: $29***
Reclining Chair 37"w x 39"h x 42"d
929-20068w - 103-lb. **699.99 EPP: $29***

3-piece Glass Cocktail & End Tables Set
Cocktail Table 36"w x 21"h x 36"d
End Tables 24"w x 25"h x 24"d
929-20086w - 92-lb. **299.99**

Sofa
999.99

36 Months to Pay...
$42* Per Month
0 Down OAC

Leather Sectional

The spirol sectional features black genuine top grain Italian leather seating, with synthetic match bottom, sides and back. Stationary back and bottom cushions. Contemporary style pillowed arms and back supported by a solid hardwood frame. Comes in four sections featuring dark cherry trim on each end with lounger on left side.
Sectional Sofa 115"w x 37"h x 115"d
933-62347w - 318-lb. **$2,299 EPP: $96***

Sectional
$2299

36 Months to Pay...
$96* Per Month
0 Down OAC

Genuine Italian Leather Sectional

Loan Application

Name: ______________________

Address: ______________________ **Number of years at this address:** __________

Previous address (if living at current address for less than 2 years): ______________________

Previous address (if you lived at the above address for less than 2 years): ______________________

Date of Birth: ______________

Employment: ______________________ **Length of time employed:** __________

Annual Salary: ______________________

Previous Employment (if you have worked at your current job for less than 2 years) ______________ **Length of time employed:** __________

Previous Employment (if you worked at the above job for less than 2 years) ______________ **Length of time employed:** __________

Amount & Purpose of Loan ______________________

PERSONAL NET WORTH STATEMENT

ASSETS

Description		Value
Cash (including Bank Account Balances)		
Savings Account(s)		
Investments (Term Deposits, GICs, etc.)		
RRSPs		
Life Insurance (Cash Surrender Value)		
Household Furnishings		
Automobiles:		
Make, Model & Year		
Make, Model & Year		
Make, Model & Year		
Recreational Vehicles		
Make, Model & Year		
Make, Model & Year		
Make, Model & Year		
House/Mobile Home		
Age of home		
TOTAL ASSETS		

LIABILITIES

Description	Credit Agency	Balance Owing
Credit Cards		
Charge Accounts:		
Loans:		
Monthly Pyt:		
Monthly Pyt:		
Monthly Pyt:		
Mortgage		
Monthly Pyt:		
TOTAL LIABILITIES		

Net Worth (Total Assets - Liabilities) =

<

Loan Application

Name: Freddie Forester

Address: Box 456 Inuvik, NT

Number of years at this addres: 2 years

Previous address (if living at current address for less than 2 years): St. John's, Newfoundland

Previous address (if you lived at the above address for less than 2 years):

Date of Birth: Tuesday, March 03, 1970

Employment: Environment Tech. - Gwichin Renewable Resources

Length of time employed: 2 years

Annual Salary: $62,000

Previous Employment (if you have worked at

Length of time employed:

Previous Employment (if you worked at the

Length of time employed:

Amount & Purpose of Loan $12,000 - purchase 2004 Quad (pyts of $400/month)

Additional Information:
Recently divorced; 1 child
Credit rating is pretty good now but shows a bankruptcy that was discharged one year ago

PERSONAL NET WORTH STATEMENT

ASSETS Description		**Value**	**LIABILITIES Description**	**Credit Agency**	**Balance Owing**
Cash (including Bank Account Balances)		$350.00	Credit Cards		
Savings Account(s)		$1,200.00		Sears	$0.00
Investments (Term Deposits, GICs, etc.)		$10,000.00		Mastercard	$0.00
RRSPs		$8,000.00			
Life Insurance (Cash Surrender Value)		$0.00	Charge Accounts:		
Household Furnishings		$15,000.00			
Automobiles:			Loans:		
Make, Model & Year	2005 Yugo	$20,000.00		Royal Bank	$18,000.00
Make, Model & Year			Monthly Pyt:	$550.00	
Make, Model & Year					
Recreational Vehicles			Monthly Pyt:		
Make, Model & Year					
Make, Model & Year			Monthly Pyt:		
Make, Model & Year					
House/Mobile Home			Mortgage		
Age of home	(Renting)		Monthly Pyt:	(Rent - $1,000)	
TOTAL ASSETS		**$54,550.00**	**TOTAL LIABILITIES**		**$18,000.00**

Net Worth (Total Assets - **$36,550.00**

Loan Application

Name: Paul Power

Address: Box 452 Yellowknife, NT **Number of years at this address:** 12 years

Previous address (if living at current address for less than 2 years):

Previous address (if you lived at the above address for less than 2 years):

Date of Birth: Sept. 23, 1960

Employment: Lineman, NW Power Corp. **Length of time employed:** 9 years

Annual Salary: $78,000.00

Previous Employment (if you have worked at your current job for less than 2 years) **Length of time employed:**

Previous Employment (if you worked at the above job for less than 2 years) **Length of time employed:**

Amount & Purpose of Loan $25,000.00 to purchase new car(pyts of $800.00/month)

Additional Information:
Married with 3 children
Credit rating is pretty good, but shows a few late payment
Paul is well known and very active in the community

PERSONAL NET WORTH STATEMENT

ASSETS

Description		Value
Cash (including Bank Account Balances)		$50.00
Savings Account(s)		$1,460.00
Investments (Term Deposits, GICs, etc.)		$0.00
RRSPs		$72,000.00
Life Insurance (Cash Surrender Value)		$1,500.00
Household Furnishings		$30,000.00
Automobiles:		
Make, Model & Year	1989 Chev Caprice	$1,500.00
Make, Model & Year	2000 GM 1/2 ton	$22,000.00
Make, Model & Year		
Recreational Vehicles		
Make, Model & Year	1995 Fifth Wheel	$17,500.00
Make, Model & Year		
Make, Model & Year		
House/Mobile Home		
Age of home	18 years	$183,000.00
TOTAL ASSETS		**$329,010.00**

LIABILITIES

Description	Credit Agency	Balance Owing
Credit Cards		
	Visa	$3,210.00
	Mastercard	$8,300.00
	American Express	$2,200.00
Charge Accounts:	Brick	$2,200.00
Loans:		
	GMAC	$21,000.00
Monthly Pyt:	$625.00	
	Scotiabank	$12,000.00
Monthly Pyt:	$225.00	
	CIBC RSP Loan	$5,000.00
Monthly Pyt:	$130.00	
Mortgage	CIBC	$140,000.00
Monthly Pyt:	$850.00	
TOTAL LIABILITIES		**$193,910.00**

Net Worth (Total Assets - Liabilities) **$135,100.00**

Loan Application

Name: Suzie Student

Address: General Delivery, Fort Smith, NT — **Number of years at this address:** 3 months

Previous address (if living at current address for less than 2 years): Delisle, SK

Previous address (if you lived at the above address for less than 2 years): Vancouver, BC

Date of Birth: June 3, 1985

Employment: Cashier, Rexall Drugs (part-time) — **Length of time employed:** 2 months

Annual Salary: $15,000.00

Previous Employment (if you have Waitress, Delisle Hotel — **Length of time employed:** 6 months

Previous Employment (if you worked Waitress, Travelodge — **Length of time employed:** 3 years

Amount & Purpose of Loan $2,500 - vacation (pyts of $120/month)

Additional Information:
Suzie is single, has recently moved to the NWT
Credit rating is good, but shows very little credit history

PERSONAL NET WORTH STATEMENT

ASSETS

Description		**Value**
Cash (including Bank Account Balances)		$0.00
Savings Account(s)		$100.00
Investments (Term Deposits, GICs, etc.)		$0.00
RRSPs		$0.00
Life Insurance (Cash Surrender Value)		$0.00
Household Furnishings		$5,000.00
Automobiles:		
Make, Model & Year		
Make, Model & Year		
Make, Model & Year		
Recreational Vehicles		
Make, Model & Year	1982 Skidoo	$700.00
Make, Model & Year		
Make, Model & Year		
House/Mobile Home	(Renting)	
Age of home		
TOTAL ASSETS		**$5,800.00**

LIABILITIES

Description	**Credit Agency**	**Balance Owing**
Credit Cards		
	Visa	$200.00
Charge Accounts:		
Loans:		
	Student Loan	$3,100.00
Monthly Pyt:	$0.00	
Monthly Pyt:		
Monthly Pyt:		
Mortgage	(Rent - $100.00)	
Monthly Pyt:		
TOTAL LIABILITIES		**$3,300.00**

Net Worth (Total Assets - Liabilities) = **$2,500.00**

Sample Credit Report

CONSUMER RELATIONS P.O. BOX 190 STATION JEAN TALON
MONTREAL QUEBEC H1S 2Z2
JANE DOE
10 PLEASANT ST.
TORONTO ONTARIO
M2N 1A2

CONFIDENTIAL INFORMATION
NOT TO BE USED FOR CREDIT PURPOSES
RE: EQUIFAX UNIQUE NUMBER: 3140123054

Dear JANE DOE,
Further to your request, a disclosure of your personal credit file as of 03/27/01 follows:

PERSONAL IDENTIFICATION INFORMATION:
This section shows basic personal information such as birthdate, address, employment, etc.

The following personal identification information is currently showing on your credit file. Your date of birth and social insurance number have been partially masked to protect your personal information (ie: Birth Date/Age: 01/xx/60, Social Insurance Number: 123-xxx-789).
DATE FILE OPENED: 07/04/92
NAME: Doe, Jane
CURRENT ADDRESS: 10 PLEASANT ST. TORONTO,ON
DATE REPORTED: 12/96
PREVIOUS ADDRESS: 2 AVENUE ST,TORONTO,ON
DATE REPORTED: 12/93
PRIOR ADDRESS: 3 DU BOULEVARD,MONTREAL,PQ
DATE REPORTED: 07/92
BIRTH DATE/AGE: 10/XX/1968
SOCIAL INSURANCE NUMBER: 123-XXX-789
OTHER REFERENCE NAMES:
CURRENT EMPLOYMENT: EDITOR
PREVIOUS EMPLOYMENT: TRANSLATOR
PRIOR EMPLOYMENT: CHEF
OTHER INCOME:

CREDIT INQUIRIES ON YOUR FILE:
This section shows other creditors/businesses that have requested a copy of your credit report. If there a large number of requests, this may indicate to potential creditors that you are a ‘credit seeker’ – someone who applies for credit quite often. While this is not looked at favorably, creditors take into consideration the *types* of requests listed here. For example, someone who was shopping around for a vehicle and had visited a number of different dealerships might show 3 or 4 credit file requests for a specific time period from different vehicle financing agencies. This would not harm your credit rating. Creditors tend to get more concerned over a large number of credit file requests from a variety of credit agencies over a longer period of time.

Following is a list of Equifax members who have received a copy of your credit file for credit granting or other permissible purposes. Addresses are available by calling Equifax at 1-800-465-7166.

Sample Credit Report

DATE REQUESTOR NAME TELEPHONE
03/02/00 CANADA TRUST MTG (416) 361-8518
02/22/00 TD BANK (800) 787-7065
01/16/00 BQE NATIONALE (450) 677-9122
The following inquiries are for your information only and are not displayed to others. They include requests from authorized parties to update their records regarding your existing account with them.
DATE REQUESTOR NAME TELEPHONE
03/23/00 SOC ALCOOLS (not displayed) (514) 873-6281
03/22/00 CANADA TRUST MTG (not displayed) (416) 361-8518
02/16/00 CMHC SCHL (not displayed) (888) 463-6454
01/16/00 AMERICAN EXPRESS (not displayed) (416) 123-4567

CONSUMER INTERVIEWS AND OTHER SERVICES:
This section reports on services provided by the credit bureau to the individual
You contacted our office in 12/98 to request a review of your credit file.

CREDIT HISTORY AND/OR BANKING INFORMATION:
This is the most important part of the credit report. It shows reports on your credit and includes information on the number of creditors you deal with, the amount you owe each creditor, and your rating with each creditor. These ratings range from R1 or I1 (meaning revolving credit (R1) or installment credit (I1) to R9 or I9. A '1' rating indicates that credit is always paid as agreed. A '9' rating indicates that the debt has been written off or that you have failed to repay the debt. Numbers between 1 and 9 indicate a varying degree of late payments or poor credit habits. This section shows current credit ratings, along with ratings for previous time periods.

The following information was reported to us by organizations listed below.
Information is received every 30 days from most credit grantors. All account numbers with your creditors have been masked to protect your personal account information and only the last three digits will be displayed (i.e.: xxx...123).
GMAC last reported to us in 01/01 rating your installment account as I1, meaning paid as agreed and up to date. The reported balance of your account was $1000. Your account number: xxx...345. The account is in the subject's name only. Date account opened: 04/99. Credit limit or highest amount of credit advanced: $4400. DATE OF LAST ACTIVITY meaning the last payment or transaction made on this account was in 12/00. Additional comments: auto loan. Monthly payments.
CANADA TRUST MC last reported to us in 01/01 rating your revolving account as R1, meaning paid as agreed and up to date. At the time the reported balance of your account was $285. Your account number: xxx...234. Date account opened: 06/99. Credit limit or highest amount of credit advanced $2000. DATE OF LAST ACTIVITY meaning the last payment or transaction made on this account was in 12/00.
PREVIOUS PAYMENT STATUS:
30 DAYS: 1 time (s) account previously R2 meaning one payment past due

PUBLIC RECORDS AND OTHER INFORMATION:
This section shows public records pertinent to the individual's credit. It will show collection action taken through the courts along with things like bankruptcy. Even if a debt is repaid, it will show here if legal action was taken.

The following information was reported to your file on the date indicated.

Sample Credit Report

A COLLECTION was assigned in 10/96 to Commercial Credit by Transamerica Financial in the amount of:$2675. Date reported paid: 07/97. Collection status: PAID. DATE OF LAST ACTIVITY was in 04/96. Collection agency reference number: 222222.

A JUDGEMENT was FILED IN 01/96 in Min Govt Serv. Plaintiff and/or case number: Chrysler Canada 4444. Defendant/other info: joint with Dossier. Amount reported: $7525. Status reported: Satisfied. Date satisfied: 09/97.
A BANKRUPTCY was FILED IN 08/97 in SC Newmarket. Case number and/or trustee: 5555555 SYNDIC & ASS. Liabilities: $250000.Assets: $8900000.Item classification: individual. Information reported on: The subject only. The item is reported as: DISCHARGED. DATE SETTLED: 05/98. Additional comments: absolute discharge from bankruptcy.
THE CONSUMER PROVIDED A PERSONAL STATEMENT to us in 12/98. The statement has been recorded as follows:
RE: BANKRUPTCY, CONSUMER DECLARED BANKRUPTCY DUE TO DIVORCE
This statement is to be removed from the file in: 12/04.

RETENTION PERIOD OF DATA:
This section explains the length of time information is kept on a credit file.

CREDIT INQUIRIES TO THE FILE

- An Inquiry made by a Creditor will automatically purge three (3) years from the date of the inquiry. The system will keep a minimum of five (5) inquiries.

CREDIT HISTORY AND BANKING INFORMATION

- A credit transaction will automatically purge from the sytem six (6) years from the date of last activity.
- All banking information (checking or saving account) will automatically purge from the system six (6) years from the date of registration.

VOLUNTARY DEPOSIT - ORDERLY PAYMENT OF DEBTS, CREDIT COUNSELING

- When voluntary deposit – OPD – credit counseling is paid, it will automatically purge from the sytem three (3) years from the date paid.

REGISTERED CONSUMER PROPOSAL

- When a registered consumer proposal is paid, it will automatically purge three (3) years from the date paid.

BANKRUPTCY

- A bankruptcy automatically purges six (6) years from the date of discharge in the case of a single bankruptcy. If the consumer declares several bankruptcies, 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 six (6) years from the date of last activity.

JUDGMENTS, SEIZURE OF MOVABLE/IMMOVABLE, GARNISHMENT OF WAGES

- The above will automatically purge from the system six (6) years from the date filed.

COLLECTION ACCOUNTS

- A collection account under public records will automatically purge from the sytem six (6) years from the date of last activity.

SECURED LOANS

- A secured loan will automatically purge from the system six (6) years from the date filed.

(Exception: P.E.I. Public Records: seven (7) to ten (10) years.)

This section refers to a form that is included when someone requests a copy of their credit file. The form allows them to attach updated information or to request a change in the information on their credit file:

The attached Reference Update Form is included for your convenience. If you wish to update your file with more current information or to request a change in the information provided above, please complete this form and return it to Equifax. We will ensure that appropriate measures will be applied if corrections are required.

Please be advised that the file you have received is for your information only and may not be used for credit purposes.

Following is general information about credit reports:

INFORMATION ABOUT YOUR CREDIT FILE

Every day Canadians purchase goods and services using credit. The decision to extend credit to you, the buyer, is made by the seller – commonly referred to as the “credit grantor”. Most often, this decision involves reviewing your personal credit file, which is obtained from a credit reporting agency such as Equifax. The agency is a clearinghouse for credit information. Credit grantors provide the agency with factual information about your credit history.

The reporting agency then assembles this information into your personal file. In return, credit grantors can access your files before granting credit to you or identifying you for security purposes. Only you and the credit grantor can have you personal file modified.

WHAT IS AN INQUIRY?

When you apply for credit a credit grantor carries out an account inquiry. Account inquiries are also done routinely by organizations based on their client lists. If you have dealt with certain organizations, your name would likely be on their client list. At times, they may monitor client accounts or update their client information prior to making promotional offerings. This second type of inquiry is confidential and is not shown to other organizations that may offer you credit.

WHY WAS I DENIED CREDIT?

Equifax neither grants nor denies any application for credit. We simply provide a factual account of your credit history to credit grantors. Each credit granting organization reviews this information and makes an independent decision based on its own individual criteria. If an account/business transaction is joint or you have co-signed, both parties are held equally responsible.

WHY HAS SOMETHING I PAID OFF STILL SHOWS ON MY CREDIT FILE?

The fact that you have paid an account on time or did not pay as agreed is of interest to any potential credit grantor because it reflects your ability to pay your bills. A credit file shows past and present transactions.

WHAT CAN BE DONE IF I SUSPECT I AM A VICTIM OF IDENTIFY FRAUD?
If you have lost or had your personal identification stolen or an institution has contacted you regarding suspected fraud activity, please call Equifax toll free at 1 800 465-7166 or (514) 493-2314. A statement will be added to your file to alert credit grantors that you may be a victim of fraud activity.
CREDIT CLINICS: SHOULD I USE THE SERVICE OF COMPANIES WHO INDICATE THEY CAN HELP FIX MY CREDIT?
That is your choice. Remember, however, that these companies cannot have accurate information removed from your credit file. If there is inaccurate information on you file; Equifax will amend it, at no charge to you.
Consumer Department