

Stop that CRISIS



**More than
3.5 million
Australians have
chosen credit
unions to help
them take control
of their finances.
The numbers just
keep growing.
Whether it's
assistance in
budgeting,
protecting your
assets, or
planning your
financial future,
credit unions are
there to help.**



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• • • Introduction

Many of us will suffer a financial crisis at one stage or another in our lives. Whether it's over-use of credit, too many bills arriving all at once, ill-health, losing a job, or an unusual turn of events, the reality is a financial crisis can happen to anyone.



Research into the financial habits of adult Australians, conducted by McGregor Marketing (1998), found that a large number of us are struggling to manage our finances:


- one in five, 20%, admit to having no particular budgeting strategy
- one in four, 28%, say they make impulse purchases outside their normal budget
- one in five, 22%, make a large number of shopping trips that cost more than intended
- one in eleven, 9%, have no money set aside if several bills were to arrive at once, and would need to strike up a payment plan with one or more of the companies concerned to pay off the debt
- one in six, 17%, are forced to spend on unexpected bills during any given month eg. motor vehicle repairs, breakages and urgent replacement of household goods.

These sorts of money problems are spread throughout the community. Financial problems are found in all types of households, irrespective of people's age, sex, marital status, occupation or income. It's not just a problem for the unemployed!

A large proportion of us are simply unprepared to handle a financial crisis. Some don't have the skills to manage their money prudently. Others ignore the warning signs and fall into a debt trap. Whatever the causes, the consequences can be devastating.


This booklet helps you to deal with a financial crisis. It provides practical information to enable you to take control of your finances and be better prepared for the unexpected. It also contains information on who you can turn to for help in sorting out your money problems.

As many people say, prevention is better than cure. Your financial institution can refer you to a Financial Planner for expert advice on



managing your superannuation, saving for your retirement or investing a redundancy payout. They will help you to make sensible long-term financial decisions and avoid difficulties arising from poor investment decisions.

However, if you are already finding it difficult to cope with day-to-day financial pressures, you should consult a Financial Counsellor who is trained to help you resolve current money problems and put you back in control of your finances.



• • • The debt trap

A lot of us run into financial difficulties because a series of small emergencies, happening one on top of the other, develops into a financial crisis. Consider how you would cope if, in the space of one week, your car broke down, the refrigerator stopped, the front fence fell over and the phone bill is overdue?

While a good budget and a healthy level of savings provides the best protection against a financial crisis, if you have no savings buffer, the only option is for you to review the level of your debt.

Australians love to use credit. The latest figures from the Australian Bureau of Statistics show the amount of new personal finance lending in the year to April



1998 was more than \$32 billion, including:

• credit cards and overdrafts	\$15.1 billion
• motor vehicles	\$7.0 billion
• boats, caravans, housing etc.	\$4.7 billion
• refinancing	\$2.3 billion
• debt consolidation	\$1.5 billion
• residential land	\$1.2 billion


Seasonal influences also affect our use of credit. Demand for personal finance is relatively low in the first few months of the year, builds quickly after Easter and remains high in the lead up to the festive season.

Responsible use of credit should be a key objective. But for many people “buy now and pay later” has become a way of life, to the extent where credit card limits are viewed more as money to spend than money to be repaid.

All this is happening at a time when job insecurity is high, people are working longer hours and more and more of us are employed on a part-time, casual or temporary basis.

Ten steps that you can take to avoid falling into a debt trap include:

- 1 draw up a budget - which has saving goals and spending priorities - and stick to it
- 2 have an emergency fund equal to three months' income
- 3 avoid impulse purchases and frequent trips to the shops - put things on lay-by if you must have them
- 4 use you own money to pay for goods and services as much as possible eg. cheques, debit cards or Visa debit cards are convenient ways of accessing your savings
- 5 pay the balance on your credit card off each month, especially after New Year
- 6 if you regularly carry a credit card balance over from one month to the next, make sure the interest rate on the card is reasonable
- 7 avoid department store credit cards which normally charge high interest rates
- 8 reduce the number of credit cards you have
- 9 if your pay is deposited electronically into your credit union, building society or bank account, ask the financial institution to pay your loan automatically
- 10 if you have several loans including lots of credit card debt, consider consolidating the loan balances into one personal loan - this will give you the opportunity to clear the debt, with one set of repayments, over a fixed period of time

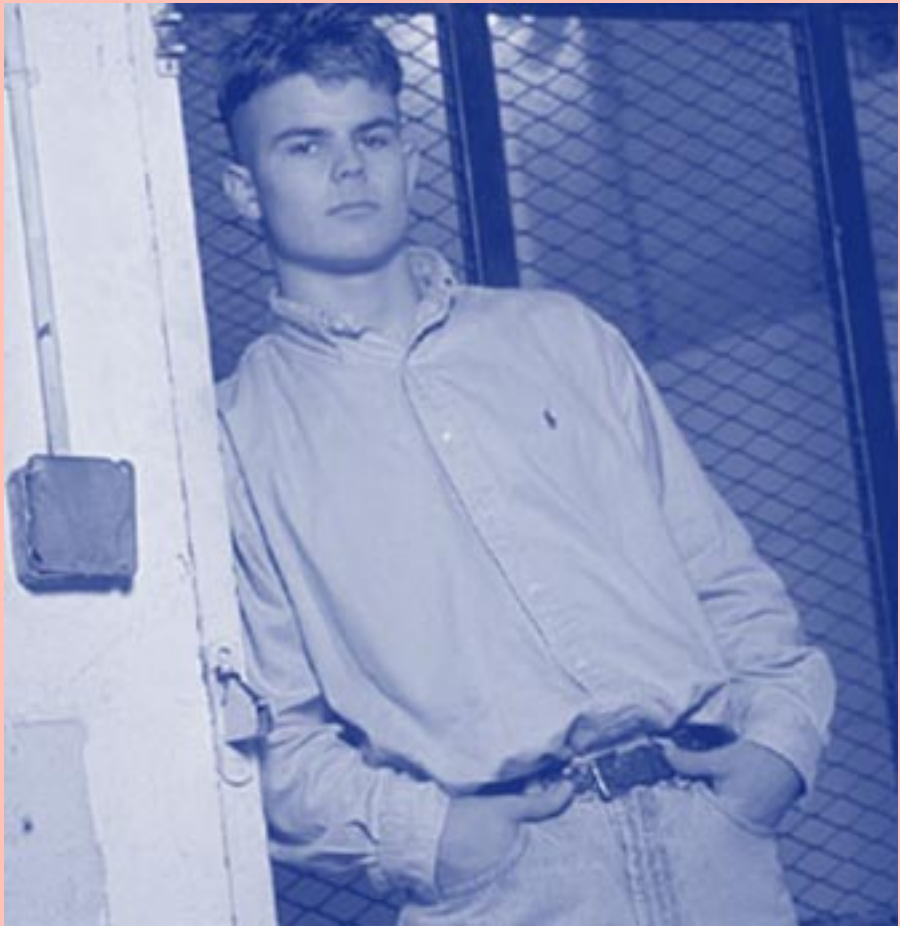


It is also wise to protect yourself from credit card fraud. While credit card holders are rarely to blame for fraudulent use of cards, you may need to satisfy your financial institution that you are not responsible for a disputed item on your bill.

The potential for credit card fraud can be minimised by:

- keep copies of all your credit card transactions as proof of what you spent, where and when
- check your monthly statements and make sure all the charges are yours
- don't let the card out of your sight
- if you change your mind about a purchase or there is an error on the transaction slip, make sure the merchant destroys the slip in front of you
- make sure any carbon copies of credit card transaction slips are destroyed
- don't give out your credit card number over the unsecure internet
- memorise your PIN (personal information number)
- never reveal your PIN to anyone
- report lost or stolen cards immediately
- sign the back of your credit card as soon as you get it - destroy old cards
- don't give your personal details to merchants

When families or individuals run into financial difficulties, the consequences can be devastating. Financial problems have the potential to destroy family relationships, cause physical and mental stress and reduce the quality of life for everyone concerned. This does not need to happen. By taking action, the situation can be rectified or improved.



NICK'S STORY:

Nick's Mum and Dad came to see a Financial Counsellor. They had just found out that their son entered into voluntary bankruptcy three months earlier with debts of \$12,000 and were very upset. He had been employed for some months and a mate at the pub had advised him to go bankrupt. He filled in the papers himself without seeking any advice

nor had he spoken to his parents. Last week he obtained a good job with a security company but when the search by the company revealed he could not get his security licence because he was an undischarged bankrupt, he broke down and told his parents. They were frantically looking for solutions. They would have been happy to help him if they found out about his problems before it was too late.

• • • The warning signs


Getting into trouble with credit isn't hard to do, especially if you are trying to cope with unemployment, retrenchment, illness in the family, divorce or gambling problems. Many of us rely on wages, including overtime, to pay off our house, car or holiday, and if that income is no longer available, our finances are immediately thrown into chaos.

A recent survey (1998) by the Insolvency and Trustee Service, Australia (ITSA) found that the major factors contributing to bankruptcy were:

- unemployment 29%
- excessive use of credit 18%
- business failure 11%
- low income 10%
- illness or disability 8%
- marital reasons 8%
- motor vehicle accident 5%
- gambling 1%
- other reasons 10%

And you don't have to borrow huge amounts of money to run into strife - almost two-thirds (62%) of people who applied for bankruptcy owed less than \$20,000.

Amount owed	Proportion of bankrupts %
\$1,999 and under	4
\$2,000 to \$ 4,999	12
\$5,000 to \$ 9,999	21
\$10,000 to \$19,999	25
Subtotal	62
\$20,000 to \$49,999	22
\$50,000 to \$99,000	7
\$100,000 to \$499,000	8
\$500,000 or more	1
Total	100



International studies indicate that 93% of people who use credit DO NOT run into trouble with their debts. But 7% do so, generally because they are:

- either addicted or reckless in their spending; or
- on high incomes but experience some event that leads to a severe financial crisis; or
- on low incomes and experience problems after using credit to pay for essential items such as food, housing and electricity



CHECKLIST

Ask Yourself These Questions

If you find yourself answering “YES” to any of these questions, you may already have a debt problem or be about to suffer a financial crisis.

- Are you spending more money than you earn?
- Is illness, loss of a job or personal problems causing you financial hardship?
- Are your creditors constantly contacting you to pay overdue bills?
- Are you always paying off the minimum balance on your credit cards?
- Are you borrowing from family and friends just to manage?
- Do you regularly pay interest and service charges on your debts because of late payments?
- Are financial institutions wanting overdue payments or threatening legal action?
- Is your vehicle about to be repossessed?
- Are you behind in your house payments or rent?
- Do you need to use your credit card to pay for food?
- Are you paying off one credit card with another?
- Do you need top up loans to pay your utility bills and car registration?



JANE'S STORY:

Jane was a twenty-two year old who had \$21,000 in debts which she had been paying off by working three part-time jobs. She had a bank consolidating loan of \$10,000 which had been guaranteed by her father, three store accounts, a credit card and an overdrawn cheque account.

She began to borrow three years ago when she and her boyfriend broke up. She was feeling lonely and miserable. She took out a loan for a holiday so she could “get away for a while”. She also obtained a credit card so she would be able to get some nice clothes for her

holiday. She found, every time she felt down, that she could cheer herself up by buying new clothes or a new teddy bear - always on credit. Jane had become a “shop-a-holic”. Her wardrobe was overflowing and her flat was full of hundreds and hundreds of teddy bears.

Jane lost one of her part-time jobs and was having trouble meeting her repayments when she first saw a Financial Counsellor. The Counsellor persuaded her to stop using her credit cards and to see a personal addiction counsellor about her spending problem. A money plan was worked out and reduced payments offered to all Jane's creditors.

• • • When trouble strikes

Talk to your creditors

If you are experiencing problems, talk to your creditors straight away. You may feel awkward and embarrassed, but it is important to let your creditors know what is happening. Most creditors will be pleased you have called to inform them about your situation. When they haven't heard from you, they will think the worst. Avoiding creditors only puts them off side.

Before you talk to them, sit down and work out what you are going to say. Take the time to think about what money you have coming in and what money you are spending. Prepare a money plan so you can make an offer to your creditors that is realistic and within your means.



TIP

Don't make promises you can't keep. It will make negotiations that much harder in the future.

Prepare a money plan

The main reason for preparing a money plan is to be aware of all your expenditures so you can make a reasonable offer to creditors. An outline of a money plan is provided on pages 12 to 13.

It can be frightening to find out just how much it costs to live. If your first attempt at the money plan comes out in the red, don't panic. This happens to most people. Take the time to sit down with your partner, if you have one, and look carefully at each item on your list. Think about what items you really need or whether they are just "nice to have's".

Are there any areas where you can make reductions? Can you cut down on some items for a few months until you get over the crisis? Some areas to focus on are lunches, take-aways, entertainment, magazines, gifts and cards, clothing and impulse buying on credit cards.

Don't make your budget too inflexible or too tight. If you do, the time will come when you won't be able to stick to it any longer. Follow your budget for three months and then look at it again. Is it working for you?

Does it have a little reward for you for sticking to it? Are there any items which can be further reduced or should be increased?

Open a bills paying account at a financial institution for paying electricity, gas and water and other recurring expenses such as car registration and insurance, medical benefits, vet fees and school expenses.

Promise yourself you will not use the bills paying account for any other purpose.

Once you are happy with your money plan, you will be able to work out how much to offer your creditors.

Remember: You need to treat all creditors fairly. The creditor who is owed the most should get the most each month.

SAVE some money even if it's only a small amount to cover emergencies. There will be times when whatever can go wrong will go wrong!

Preparing your Money Plan

Fill in details on income and expenditure

The aim of the money plan is to bring to your attention all the areas where you spend money. When completing your money plan, keep in mind the following:

- The money plan (see table on page 14 to 15) is based on your pay period - if you are paid weekly, work out all your expenditure on a weekly basis. If you are paid fortnightly calculate your expenditure on a fortnightly basis, if you are paid monthly calculate your expenditure on a monthly basis.
- If you have children, include the Family Allowance in your income - and any other "extras" such as board.
- Write down where you think your income goes. If you aren't sure about all your expenditure items, keep a record of where every cent goes during one pay period.
- In the case of quarterly bills - electricity, telephone and other utilities - divide your average bill by 13; divide it by six if you are paid fortnightly; or divide it by three if you are paid monthly.
- Likewise for yearly accounts, and repairs and maintenance, divide by 52 if you are paid weekly; divide by 26 if you are paid fortnightly; or divide by 12 if you are paid monthly.
- For house repairs allow an amount each year - based on a 10 year cycle - to cover repairs to fences, gas, water and sewerage pipes, lawn mower, hot water system, gutters, roof etc.
- Allow for internal and external painting every five years.
- For car repairs contact your State motoring association for information on how much it costs to run a car - including replacement of tyres, spare parts, servicing charges, depreciation etc.
- School costs should include the costs of uniforms, shoes, books, pencils, excursions, and sports fees.
- For household repairs allow for the repair and replacement of items within the home over a 10 year period. This includes the stove, refrigerator, washing machine, microwave, dishwasher, TV, video, stereo, beds, furniture, bed linen, curtains, small electrical items, crockery, cutlery etc.
- Personal expenses include items such as lotto, lottery tickets, donations and hobbies, entertainment etc.

Decide your priorities

Once you have completed the details of your money plan, check what it looks like. Determine your goals and see where economies can be made.



Some tips for better budgeting are:

- make budgeting a family project.
- review your money plan regularly.
- spread expenses out as much as possible so they aren't concentrated in one or two pay periods.
- keep your records in a safe place - bills, certificates, insurance policies and renewals, wills etc.
- open a bills paying account at a credit union, building society or bank.
- set your goals - put needs before wants.
- don't rely on overtime or a second income.
- don't run for cover if an unexpected illness, accident or mishap occurs.
- keep going - be determined to succeed.
- stick to your money plan but don't be afraid to alter it if it can be improved.
- before you apply for credit, find out what the repayments are - be sure you still have a healthy surplus at the bottom of your money plan, after the new loan repayments are taken into account.
- credit won't help you beat your budget and it is never free.
- aim to have an emergency savings fund equal to three month's income.
- if your children receive pocket money, encourage them to budget too.
- review your plan regularly.

Personal Money Plan

Date: _____

Per week/f'night/month _____

NOTE: Always work your plan to your

Net income \$ _____

pay period

INCOME

		C. Car	
Net Income (1)	\$ _____	Petrol	\$ _____
Net Income (2)	\$ _____	Repairs	\$ _____
Benefits (1)	\$ _____	Registration	\$ _____
Benefits (2)	\$ _____	Insurance	\$ _____
Family Allowance	\$ _____	Licence	\$ _____
Board	\$ _____	Motoring Association	\$ _____
Maintenance	\$ _____	Fares	\$ _____
TOTAL INCOME	\$ _____	Total C.	\$ _____

LIVING EXPENDITURE

		D. Food	
A. Housing		Groceries	\$ _____
Rent	\$ _____	Meat	\$ _____
Mortgage (1)	\$ _____	Fruit & Vegetables	\$ _____
Mortgage (2)	\$ _____	Milk	\$ _____
Land Rates	\$ _____	Bread	\$ _____
Water Rates	\$ _____	Lunches	\$ _____
Insurance-Contents, Home	\$ _____	Pet Food	\$ _____
House Repairs	\$ _____	Total D.	\$ _____
House Replacements	\$ _____		
Strata Plan Levies	\$ _____	E. Education	
Total A.	\$ _____	School Fees	\$ _____
		Uniforms/School Bags	\$ _____
B. Utilities		Excursions/Sport	\$ _____
Electricity	\$ _____	Stationery/Books	\$ _____
Gas	\$ _____	Child Minding/Preschool	\$ _____
Heating	\$ _____	Lunches	\$ _____
Telephone	\$ _____	Self Education	\$ _____
Total B.	\$ _____	Total E.	\$ _____

F. Medical		H. Other repayments	
Medical Benefits	\$ _____	Car	\$ _____
Doctor	\$ _____		\$ _____
Dentist	\$ _____	Bank Cards	\$ _____
Chemist	\$ _____		\$ _____
Vitamins/Minerals	\$ _____		\$ _____
Optometrist	\$ _____	Credit Cards	\$ _____
Vet Fees	\$ _____		\$ _____
Total F.	\$ _____		\$ _____
		Store Accounts	\$ _____
G. Personal			\$ _____
Maintenance	\$ _____	Finance Companies	\$ _____
Life Assurance	\$ _____		\$ _____
Savings	\$ _____	Loans	\$ _____
Special Projects	\$ _____		\$ _____
Clothing	\$ _____	Rentals	\$ _____
Haircuts	\$ _____		\$ _____
Entertainment -Cinema/ Dining Out/Video	\$ _____	Total H.	\$ _____
Papers/Magazines/ Subscriptions	\$ _____	TOTAL EXPENDITURE	\$ _____
Holidays	\$ _____	(total living expenditure+H)	
Gifts	\$ _____		
Drinks (Alcoholic)	\$ _____		
Cigarettes	\$ _____		
Kid's Pocket Money	\$ _____		
Laundry/Dry Cleaning/ Shoe Repairs	\$ _____	TOTAL INCOME	\$ _____
Gambling - Lotto/ Scratchies/Sport	\$ _____		—
Personal Spending	\$ _____	TOTAL EXPENDITURE	\$ _____
Union Fees	\$ _____		=
Total G.	\$ _____	NET SURPLUS/ DEFICIENCY	\$ _____
Total Living Expenditure (A+B+C+D+E+F+G)	\$ _____		

Consolidate your debts

Consolidation of your debts is worth considering. It may reduce your overall repayments to a manageable level and reduce the interest rate you are paying. Make sure you shop around for a good rate of interest.



However, there is a danger. You may be tempted to use your credit cards again and finish up with credit card bills and a consolidating loan. Chopping up your credit card may help for a while but when the card is due for renewal, the financial institution will send you another one.

Be careful about taking out a consolidating loan if the financial institution requires a friend or family member to guarantee the loan.

Court instalment orders

Have you already received a court summons? If so, it's still not too late to talk to your creditors. If they won't listen and the matter is already in the hands of a collection agency, you can go to the court, talk to the registrar, and fill out a form to make an application to pay the debt by instalments through the court.

Again, it is very important that you have prepared a money plan to enable you to make a realistic offer to the court. If the offer is too low, the court will not approve it. If it is too high, you won't be able to keep up the repayments. If you fail to keep the repayments, the creditor can have the order set aside and the court may garnishee your wages or send the sheriff around to tag your goods for sale under a bailiff's auction.



MARK'S STORY:

Mark had a credit union loan which he normally had no problem paying. Unfortunately he had a serious work accident and was put on workers compensation. Initially he was able to meet his payments from his savings but as time went by he found it impossible.

Mark had two young children and some of their medical expenses had to be paid up front. He went to see a Financial Counsellor who spoke to the credit union which

agreed to three months without payments and to freeze the interest and then accept substantially reduced repayments so that Mark could manage. Mark promised to pay back the credit union when his workers compensation claim was finalised.

The credit union was sympathetic to Mark once they were aware of the full details of his situation. Remember lenders are not mind readers and you must tell them why you are having problems and give them the chance to help you.

Uniform Credit Code

The Consumer Credit Code applies to all fixed sum credit contracts signed after 1 November 1996 and to all continuing credit contracts - lines for credit and overdrafts and credit card type contracts- signed before or after 1 November 1996.

Section 80 of the Code says that a credit provider - a finance company, bank, building society, or credit union or other organisation providing credit - must not begin enforcement proceedings against a debtor unless the debtor is in default of the credit contract.

Section 80 also applies where there is a default under a mortgage. While a typical default under a loan contract is the failure to pay an instalment, a default under a mortgage may also arise due to failure to pay insurance on the mortgaged property.

The credit provider must give the debtor and any guarantor (if applicable) a Default Notice, allowing the debtor at least 30 days from the date of the notice to remedy the default.

There are some exceptions to this rule. For example, a Default Notice is not required if the credit provider applies to the Court and the Court authorises the commencement of proceedings without such a notice. Another example is where the credit provider believes that the provision of credit was induced by fraud.

If the Default Notice has been issued but the default has not been paid within the specified period, the creditor can apply to the court to obtain a judgement against the debtor, stating what is owed. An official court complaint form, commonly referred to as a summons or Statement of Liquidated Claim, must be served on the debtor (or on anyone over the age of 16 at the debtor's usual place of abode) and should be accompanied by a "notice of defence".



You have 28 days to file a defence if you have grounds. If there is no defence the court will invariably pass the judgement and it is then up to the creditor to decide what enforcement action to take. This may include obtaining warrants to seize property, sending the debtor bankrupt, or seeking an instalment order or an attachment of earnings.

An instalment order is a court order forcing the debtor to pay their debt by instalments. An attachment of earnings, commonly called a garnishee, is a court order directing a debtor's employer to

pay an amount of their wages to their creditor. The debtor is usually left with the basic wage.

The debtor will be required to pay the creditor's legal costs on top of interest and other charges on the debt.

Before cases get to court, a debtor can seek a variation of their commitments under Section 66 of the Uniform Credit Code. However, the debtor may need to show that their inability to meet the commitments is due to illness, unemployment or "other reasonable cause".

It's wise to talk to a Financial Counsellor (see page 23) if a creditor is taking legal action against you and you are unable to resolve the matter with them. Likewise, if you feel you are being harassed by a creditor or their collection agency, you should seek advice from a Financial Counsellor.

Bankruptcy is the last resort

Are you thinking about filing for bankruptcy? Has a friend, workmate, solicitor or accountant recommended bankruptcy? If so, you should carefully consider the problems bankruptcy will cause you.

Bankruptcy may get your creditors off your back and sort out your financial problems in the short term, but down the track its disadvantages will have a big impact on your life.

Alternatives to bankruptcy which you should explore with your Financial Counsellor include:

- an informal arrangement with creditors
- a Debt Agreement under Part 9 of the Bankruptcy Act
- a Formal Agreement under Part 10 of the Bankruptcy Act

The disadvantages of bankruptcy

The disadvantages of bankruptcy are substantial and include:

- It will be very difficult for you to rent while you are bankrupt. No real estate agent will draw up a lease for you as an undischarged bankrupt. Even after discharge, it will be difficult.
- You will lose your passport - it must be handed in to your trustee.
- You cannot be a director of a company.
- You cannot hold public office - this includes being Treasurer of your ten year old's cricket team or Secretary of the school P&C.
- Bankruptcy may affect your employment. For example, if you work in the security industry, the police force, have a Building Corporation licence or have a security rating in the armed forces, you will probably lose your job. In other occupations your future prospects may be affected.
- You will not be able to travel overseas without the permission of the Federal Court or your Trustee. Permission will only be given if you need to go overseas as part of your job or for the

death or illness of an immediate family member.

- You will not be able to borrow money. The bankruptcy listing on the Credit Reference Association of Australia (CRAA) will stay on the records for seven years from the date of your bankruptcy - for more information on the CRAA see page 26.
- You may be required to make contributions to your Bankruptcy Trustee from your wages. The amount you will pay is based on a formula which changes with the number of dependants you have. After your income reaches the formula limit, you will be required to pay 50c in the \$1 of everything you earn over this amount.
- Income is not only the wages you earn, but also includes any benefits you receive such as your income tax refund, use of a car, cheap rent or any other fringe benefits.
- You lose control of your own financial situation. When you go bankrupt, you are saying "I cannot manage my own finances, somebody else needs to do it". A trustee is then appointed to take control.



Some of your property may be taken. If you own a house or are paying one off, the title will be transferred to your trustee and the property sold to pay your creditors. You will not get it back when you are discharged. You can keep your household goods and a car to the value of \$5,000 but expensive jewellery, car, caravan, boat, trailer, land or any other item of value will go.

How can you avoid bankruptcy?

Always seek advice before taking the bankruptcy option. Once you have filed your papers it is too late. The bankruptcy cannot be undone. Most people who seek assistance from a Financial Counsellor, and who are prepared to work on their problem, can avoid bankruptcy by choosing one of the other options, such as:

- Getting a Financial Counsellor to set up a repayment arrangement with your creditors which you can afford.
- Talk to your creditors about refinancing.
- Sell property you do not need. Do not sell essential items - they may be hard to replace.

Talk to your Financial Counsellor about a Debt Agreement under Part 9 of the Bankruptcy Act. This is a streamlined, low cost process through which you can make a formal proposal to your creditors to pay all or part of your debts. The proposal then goes to your creditors for a vote. It is only available for people whose income is under approximately \$26,000 after tax, but check it out anyway. Legislation is being considered to increase the income level.

Finding a Financial Counsellor

If you are in financial difficulties and it all becomes too difficult, talk to a financial counselling service. Financial Counsellors are available in every State and Territory, but make sure you are dealing with a trained, accredited Counsellor. Financial counselling services attempt to meet community and personal needs. People from all walks of life and with a variety of problems come to Financial Counsellors. They include people on pensions and unemployment benefits, fighting to keep their heads above water, and struggling to pay high rents, high electricity bills and still eat on a restricted income. Some are professionals -

including accountants, bank managers and engineers - while others are struggling to cope both financially and emotionally with a changed lifestyle due to retrenchment or illness.

Most credit providers now recognise the importance of financial counselling for customers who are experiencing financial problems. Many credit unions and banks refer clients to these specialised services. Financial counselling is free and confidential. If you feel you may like to talk to a Financial Counsellor, ring one of these numbers throughout Australia, and they will refer you as quickly as possible to the closest service in your area.

N.S.W.	Credit Helpline, Sydney	1800 808488
VIC.	Credit Helpline, Victoria	1800 803800
QLD.	Lifeline Creditline	1800 650539
S.A.	Dept. of Family & Community Services Adelaide Central Mission	08 8226 7000 08 8202 5180
TAS.	Anglicare Financial Counselling Services	03 6334 6060
N.T.	Anglicare	08 8985 0000
W.A..	Financial Counsellors Resource Project	08 9221 9411
A.C.T.	Care Financial Counselling and Consumer Credit Legal Service	02 6257 1788



ROBERT & JANELLE'S STORY

Robert was a senior manager with a large pharmaceutical company on an excellent salary package. Janelle worked part-time at a community aid centre. They had three children at private schools and a large house mortgage, but they managed their finances well and were some months ahead in their mortgage payments. Robert's company was taken over by an international company and as a result of their downsizing, Robert became redundant.

At first he was not too concerned. He felt confident he would obtain another position quite quickly. But as the weeks went by and he failed to be successful in more than 70 positions he applied for, their financial position became desperate. Janelle's income helped put food on the table and to contribute towards school fees.

Both Robert and Janelle knew something had to be done.

They approached a Financial Counsellor who contacted their creditors and the schools and arranged for a break from payments for a few weeks. A range of options were discussed including the possibility of selling the house and changing schools. Having someone to share the financial problems made a big difference to Robert. He was able to look for work without being loaded by financial problems.

He approached job interviews with a new sense of purpose and within a month had obtained employment. His income was lower, but when Robert and Janelle worked together on their money plan and made some adjustments to their living expenses, they were able to resume full payments to their creditors.

• • • Steps in establishing a good credit rating

Credit rating

A good credit rating is very important when you need to arrange a loan or mortgage. Oddly enough, if you have always paid cash for everything you own, you probably consider yourself to be an excellent credit risk. But without a credit record, you are an unknown entity to the thousands of financial institutions and other companies that offer credit. You will probably get the loan but not as easily as if you had established a solid credit rating.



Credit ratings are based on how reliable you are at repaying off your debts. The best ways of achieving a sound credit rating are to:

- answer the questions on any credit application form, fully and accurately
- pay your bills and loan repayments on time
- contact your creditors immediately if you get into difficulties

If you have a poor history of managing credit, the steps you should take to improve your credit rating are:

- receive financial counselling
- establish a consistent employment record
- live within your means - have a budget
- pay your rent or home loan promptly
- establish some savings
- never be late with credit card or loan payments
- check that your credit file is accurate (see page 26)


Credit Reference Association of Australia (CRAA)

By far the largest credit reporting agency in Australia today is the Credit Reference Association of Australia (CRAA). Its members include banks, finance companies, credit unions, building societies, credit card and charge card issuers, telephone companies and large numbers of manufacturing, wholesale and service organisations.



If you have ever used credit, a credit agency, like CRAA, is likely to have a file which contains information on:

- your personal details - full name, date of birth, driver's licence number and current and past residential addresses
- records of credit applications you have made
- records of current credit lines
- items on the public record, such as certain court judgements and bankruptcies
- details of company directorships
- information reported by CRAA's members regarding seriously overdue accounts (more than 60 days in arrears), and those which have been settled and brought up to date



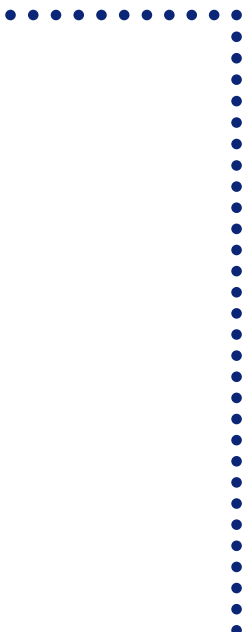
Separate files are kept on credit obtained for family, domestic and household purposes and credit obtained for business purposes. The CRAA files do not record information on your:

- income
- political, social or religious beliefs or affiliations
- criminal record
- medical history or physical handicaps
- race, ethnic or national origins
- sexual practices or preferences
- lifestyle, character or reputation

For its member organisations, the CRAA provides a credit score for individuals who apply for credit. The final credit decision, however, is made by the organisation you are seeking credit from, not the CRAA.

CRAA members must have a legitimate commercial reason for seeking information from your file. The only other organisations which can see your files are a limited number of government agencies with a legal right to do so. All enquiries leave behind a 'footprint' specifying who saw your file, when they saw it, and exactly what information they obtained.

You have a right to ask for a copy of your own CRAA file. You can do so by calling the CRAA (toll free) on 1300 36 4141 for more information. Remember to check how much they will charge for a copy of your file.



• • • You are not alone

Removing the fear of a financial crisis should be an important priority for all of us. Unfortunately, crises will happen so it's best to have a sound budget and savings goals that can cope with life's emergencies.

Credit unions acknowledge the importance of budgeting and the peace of mind this brings. They offer a comprehensive range of financial services and can help you to select the best way to save money and manage loan repayments.

Credit union savings options include:

- financial information and planning services
- low-cost means of accessing your savings - cheques, debit cards and Visa debit
- a flexible range of secure high-interest term deposits and savings accounts
- a mortgage offset savings account to help you reduce your mortgage faster
- a Christmas Account to help you prepare for that costly time of year

Credit union loan options include:

- personal loans
- home loans
- home equity loans
- credit card
- consolidation loans

Credit unions are owned by their members for their members. They put your interests first!



**Anyone can join
a credit union.**

**Just ring
13 11 28**

**for further
information.**

Special Thanks:

Credit Union Services Corporation (Australia) Limited wish to thank Creditline Financial Counselling Services for contributing to this booklet.

Note:

While we have checked everything in this booklet, no person should rely on its contents without first making their own inquiries or obtaining advice from a qualified person or both, regarding their particular circumstances.

This publication is not intended to exhaustively set out the legal requirements with respect to the Uniform Credit Code, Bankruptcy Act, Privacy Act, EFT Code or other legislation or regulations.

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