Financial Consumer Agency of Canada — Agence de la consommation en matière financière du Canada

Credit Cards and You

Summer 2002

In this issue:

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What's New in the Summer Issue of *Credit Cards and You*

Credit Cards and You addresses the following topics in this issue:

- Methods of calculating interest-free periods
- Methods of applying interest-free periods (Method 1 or Method 2 described on pages 4 and 5) are now included in the credit card comparison tables on pages 6 to 9.
- *Comparison Table – Miscellaneous Fees on Credit Cards* gives an overview of the fees charged for various services offered by credit card issuers.
- *Getting the Most from Low Introductory Rates* gives tips on how to benefit from low introductory rate offers.
- *What Is Credit Balance Insurance?* provides an overview of credit balance insurance and includes a comparison table of basic features and costs for the institutions and retailers that offer this product.

Credit card changes/additions since the Spring issue:

- 5.9% introductory rate offers on cash advances and balance transfers expired on May 31 for the following institutions: Bank of Montreal, CS Alterna Bank, CS CO-OP.
- MBNA Canada raised the upper limit of the interest rate on its Preferred MasterCard from 17.99% to 19.99% (page 6).
- National Bank changed the interest rate on its Syncro MasterCard from prime + 4% to prime + 4% or 6%, depending on your credit rating (page 7).
- Royal Bank introduced a 6-month introductory rate on balance transfers on its Visa Classic card (page 6).
- Scotiabank introduced a new no-fee Value Visa credit card with an 11.9% annual percentage rate (page 7).
- Scotiabank raised the interest rate on its ScotiaLine Visa card from as low as prime + 2% to as low as prime + 2.5% (page 7).
- Scotiabank introduced a 6-month introductory rate on purchases, balance transfers and cash advances on all its Visa cards except ScotiaLine Visa (pages 6 and 7).

About *Credit Cards and You*

Credit Cards and You is published by the Financial Consumer Agency of Canada (FCAC). Current and past issues are available by calling our Consumer Contact Centre at 1-866-461-3222 or by visiting our Web site at < www.fcac-acfc.gc.ca >.

This publication is intended to provide user-friendly information related to credit card features and costs. Technical terms used in *Credit Cards and You* are included in a glossary of definitions.

This publication does not include an exhaustive list of all credit cards available in Canada, **nor does it include Gold, Platinum, co-branded or affinity credit cards**. The Agency does not advocate the use of specific credit cards.

The statistics in Tables 5 to 10 of this publication have been obtained from credit card issuers. The FCAC cannot guarantee the completeness or accuracy of this information.

The figures in this publication were in effect on June 1, 2002, but are subject to change. Credit card interest rate updates are posted in the Publications section of the FCAC Web site. However, for the most up-to-date information, contact your credit card issuer.

For additional information on financial products and services, visit the FCAC Web site at < www.fcac-acfc.gc.ca >.

About the FCAC

The Financial Consumer Agency of Canada (FCAC) was established in October 2001 by the *Financial Consumer Agency of Canada Act* to strengthen oversight of consumer protection measures in the federally regulated financial services sector and to expand consumer education activities. The FCAC ensures that federally regulated financial institutions comply with the consumer provisions of the federal laws and regulations that govern them, and monitors their adherence to their own voluntary codes. The FCAC also informs and educates Canadians about their rights and responsibilities as consumers of financial services.

Bank of Canada Rate Changes and Credit Card Interest Rates

Since January 2002, the Bank of Canada has increased the Bank Rate by 0.5%, while the United States left its key federal funds rate[1] unchanged at 1.75%. The current Bank of Canada Rate is 2.75%.

Table 1: 2002 Bank of Canada Rates

Date	Bank of Canada Rate
January 15	2.25%
April 16	2.50%
June 4	2.75%

The next Bank of Canada Rate announcement is scheduled for Tuesday, July 16, 2002.

Credit card interest rates are often compared to the Bank of Canada Rate. The difference between the two rates is called the **interest rate spread**.

In general, interest rates on standard credit cards have not moved with the Bank Rate since 1995, and low-rate cards have not followed suit since 1999. Moreover, retail credit card rates have not changed in the last 19 years (see Chart 1).

In the past six months, interest rates on credit cards in Canada have remained relatively stable. With the recent increases in the Bank Rate, the spreads between the Bank of Canada Rate and credit card interest rate have, on average, been narrowing from their January highs.

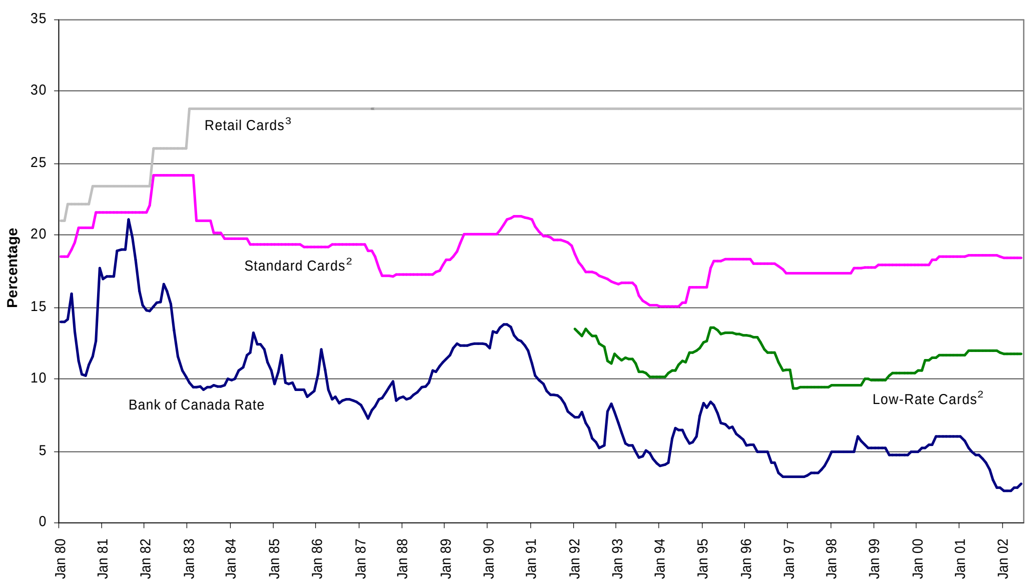
Table 2:
Interest Rate Spreads on Credit Cards – 1997 to 2002

Time Frame	Bank of Canada Rate	Standard Card Spread[2]	Low-Rate Card Spread[2]	Retail Card Spread[3]
Since 1997	between 2.25% and 6%	13.45%	6.14%	24.26%
January 2002	2.25%	16.20%	9.52%	26.55%
April 2002	2.50%	15.95%	9.27%	26.30%
June 2002	2.75%	15.70%	9.02%	26.05%

Financial institutions indicate that credit card interest rates are based on a variety of factors in addition to the cost of funds. These factors include losses due to fraud, customer defaults and delinquencies, ongoing infrastructure costs for administering credit card programs and the risks associated with extending unsecured credit. For example, for the six major banks, loan loss provisions (to cover customer defaults and delinquencies) on credit card outstanding balances have increased from 2.49% in 2000 to 3.02% in 2001[4].

In this issue of *Credit Cards and You*, interest rates on credit cards vary from as low as prime + 2.5% to 13.9% for low-rate cards, and from as low as 9.9% to 22% for standard cards. See the comparison tables on pages 6 to 9 for more information.

Chart 1: Bank of Canada Rate and Credit Card Interest Rates



1 See glossary for definition.
2 Based on the average of the six major banks (Bank of Montreal, CIBC, National Bank, Royal Bank, Scotiabank and TD Bank) for purchases. An average for all financial institutions listed in this publication is not available.
3 Based on the average of the Sears card and the HBC card. An average for all retailers listed in this publication is not available.
4 Source: Canadian Bankers Association. Credit card outstanding balances exclude securitized credit cards.

The Credit Card Decision: Shop Around!

Using credit cards to pay for purchases is a convenience. In general, credit cards let you make purchases up to a specific credit limit, for which you are billed later. They allow you to carry a balance from one billing cycle to the next. However, you have to pay a minimum amount on your balance each month, and any amount left unpaid is subject to interest charges, based on an annual percentage rate or APR. Financial institutions and retailers will most likely verify your personal credit history prior to issuing a credit card.

While the credit limit amount and the APR are important, they should not be your only consideration when choosing a credit card. Depending on your personal use and financial situation, you may benefit from other features, such as a longer grace period or reward programs. **Be a wise consumer and shop around.** Use Table 3 to help you find a card that suits your needs.

Table 3: What Type of Credit Card Is Right for You?

Type of Card	Features	When to Choose
Standard Card (Page 6)	❑ Generally has no annual fee ❑ High APR ❑ Often has reward programs	❑ If you normally **pay your balance off in full** each month ❑ If the value of the reward program outweighs your annual fee (if any)
Low-Rate Card (Page 7)	❑ Generally has an annual fee ❑ Lower APR than standard card ❑ May have reward programs	❑ If you tend to **carry a balance** ❑ If your savings on the interest **outweigh your annual fee** (Example 1 on Page 8 shows how much you can save with a low-rate card)
Retail Card (Page 8)	❑ Generally has no annual fee ❑ Can usually only be used at the issuing retailer or a limited number of stores ❑ Higher APR than standard card ❑ Calculation of APR is often complex ❑ Generally offers store discounts or other reward programs	❑ If you normally **pay your balance off in full** each month ❑ If you often shop at a specific retailer ❑ If you can take advantage of the benefits the retailer offers
Charge Card (Page 9)	❑ Generally has an annual fee ❑ Must pay entire balance off each month ❑ Generally offers an unlimited credit limit ❑ High penalty rate for late payments ❑ Can usually only be used at the issuing retailer or a limited number of stores ❑ Often has reward programs	❑ If you **pay your balance off in full** each month ❑ If you can benefit from options such as unlimited credit or reward programs

How Interest Is Calculated on Credit Cards

If you always pay the amount owing on your credit card by the payment due date, you never have to pay any interest. If you do not always pay in full the amount owing on your credit card by the due date, it is important for you to understand how your credit card issuer calculates the interest charged on the different transactions that appear on your monthly statement.

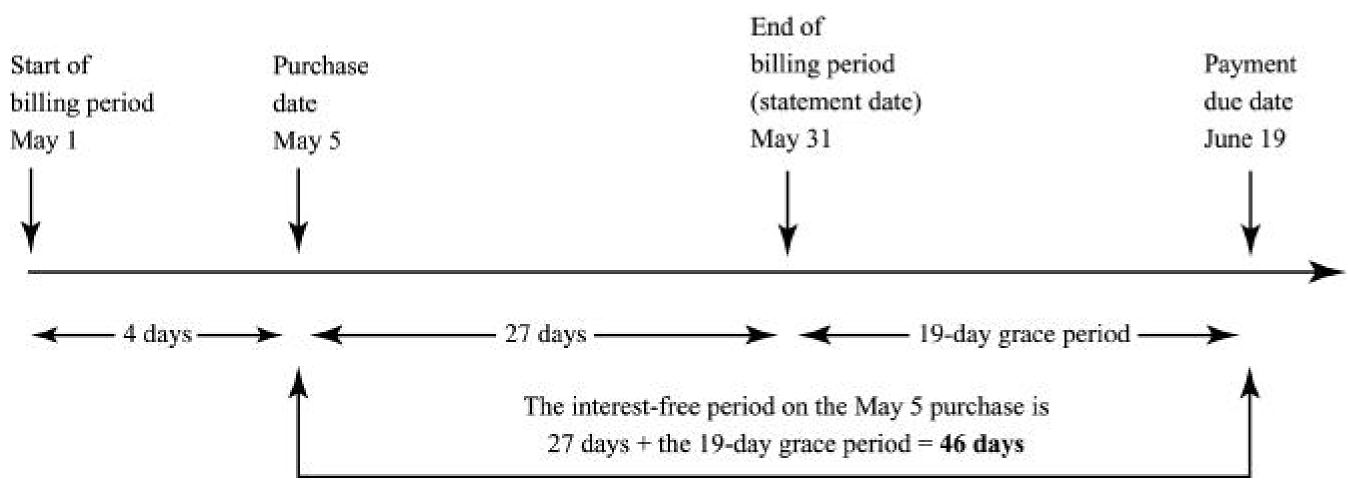
- **New purchases** (purchases appearing on your billing statement for the first time) **could benefit** from an **interest-free period** under certain conditions (see the section on interest-free periods below).
- **Purchases carried over from a prior billing period** are charged interest from the date the purchases were made (some credit card issuers only charge interest from the date the purchases are posted to your account) until they are paid in full.
- **Cash advances and balance transfers are always charged interest from the day the funds are withdrawn.** There is no interest-free period.

The Interest-Free Period on New Purchases

The interest-free period on new purchases is the time from the day you make a purchase to when the credit card issuer begins charging you interest on that purchase. This period includes a grace period provided by the credit card issuer, which is the time between your statement date and your payment due date. The grace period can vary from 19 to 26 days (see pages 6 to 9 to find out the length of the grace period for your credit card, or ask your credit card issuer).

Let's look at an example of an interest-free period based on the following assumptions[1]:

- The billing period covers transactions made between May 1 and May 31 (31-day billing period).
- A new purchase was made on May 5.
- The payment due date is June 19. Therefore, the grace period is 19 days.



The total interest-free period on the purchase made on May 5 is 46 days, but **only applies if certain conditions are met** (see below).

When Does the Interest-Free Period Apply?

To determine whether the interest-free period applies to your new purchases (purchases appearing on your billing statement for the first time), credit card issuers use one of two methods (described in Table 4 as Method 1 and Method 2). Verify your credit card agreement, ask your credit card issuer, or look at the comparison tables on pages 6 to 9 to determine which method applies to your credit card.

1 For illustration purposes only. Your situation may be different.

Table 4: Methods of Applying Interest-Free Periods

<table>
<tr><th>Method 1</th><th>Method 2</th></tr>
<tr><td>For the interest-free period to apply to new purchases, you must pay your current month’s balance in full, by the due date.</td><td>For the interest-free period to apply to new purchases, you must pay your current month’s balance in full, by the due date, and you must also have paid your previous month’s balance in full, by the due date (you are not carrying a balance from the previous month).</td></tr>
<tr><td colspan="2">Example:

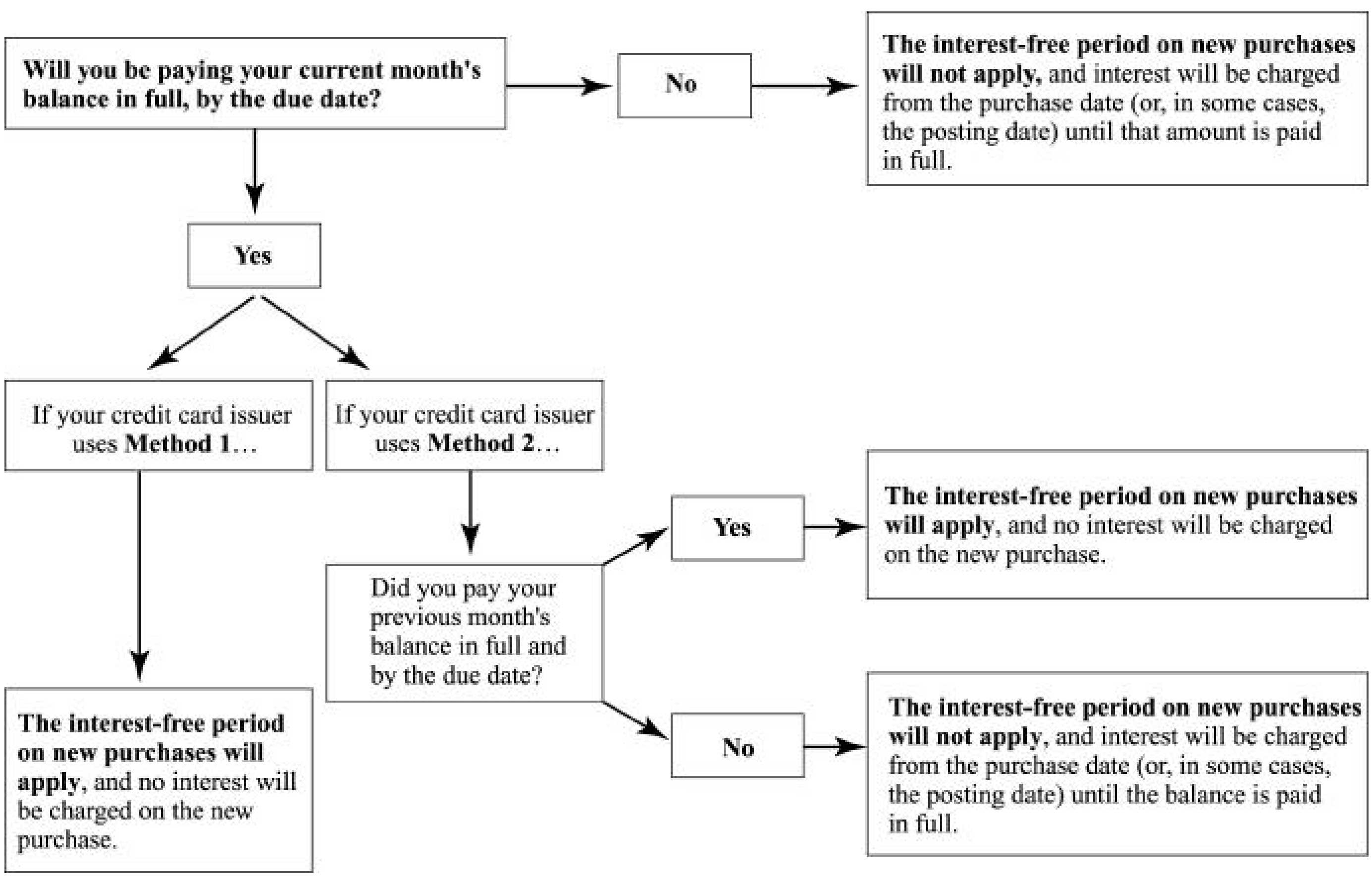
Mr. Jones carried a balance of $1,000 from May (he did not pay his May balance in full). During the month of June, he made a new purchase of $3,000. He paid his new balance in full, by the due date indicated on his statement.

If Mr. Jones’ credit card issuer uses Method 1, Mr. Jones will have to pay interest only on the $1,000 carried over from May. Remember, purchases carried over from a prior billing period are charged interest from the purchase date (or, in some cases, the posting date) until they are paid in full.

If Mr. Jones’ credit card issuer uses Method 2, Mr. Jones will have to pay interest on the $1,000 carried over from May and on the new purchase of $3,000. This occurs because Mr. Jones did not pay his May balance in full.</td></tr>
</table>

Follow the flow chart below to find out whether the interest-free period applies to your new purchase. Look at the comparison tables on pages 6 to 9 to see whether your credit card issuer uses Method 1 or Method 2.

Interest-Free Period Flow Chart



Standard Credit Cards

Most standard credit cards have no annual fee but issuers normally charge a high interest rate on outstanding balances. Some companies offer attractive initial interest rates that increase significantly after the introductory period expires (see section "About Introductory Rates" on pages 12 to 13 for more information). In addition, many institutions frequently offer reward programs, so **shop around** for the best package. Gold, Platinum, co-branded and affinity credit cards are not included in the following table. Items in bold represent a change from the Spring 2002 issue of *Credit Cards and You*, or a new item.

Table 5: Standard Credit Cards

Card Issuer (in alphabetical order)	Card Name	Annual Fee ($)	Annual Interest Rate for Purchases[1] (%)	Annual Interest Rate for Cash Advances[2] (%)	Annual Interest Rate for Balance Transfers[2] (%)	Grace Period on Purchases[3] (Days/Method)
American Express	Standard Card	–	9.90 (6-month introductory rate) 17.99 – 19.99 (thereafter)	19.99	19.99	21 – **M2**
Bank of Montreal	No-Fee MasterCard	–	18.40	18.40	18.40	19 – **M1**
Caisses Desjardins	Classic Visa	–	17.90	17.90	17.90	21 – **M1**
Canadian Tire	Options MasterCard	–	18.90	18.90	18.90	21 – **M1**
Capital One Bank	MasterCard	–	0.00 (6-month introductory rate) 9.90 – 19.80 (thereafter)	19.80	3.90 (6-month introductory rate) 9.90 – 19.80 (thereafter)	25 – **M2**
CIBC	Classic Visa Entourage American Express	– –	18.50 19.50	18.50 19.50	18.50 19.50	24 – **M1** 24 – **M1**
Citibank	Citi MasterCard	–	16.90 – 18.50	16.90 – 18.50	4.90 (6-month introductory rate) 16.90 – 18.50 (thereafter)	20 to 25 – **M2**
CS Alterna Bank	MasterCard	–	18.40	18.40	18.40	19 – **M1**
CS CO-OP	MasterCard	–	18.40	18.40	18.40	19 – **M1**
Diners Club International	Standard Card	65	22.00	22.00	22.00	25 – **M2**
HSBC	MasterCard	–	18.40	5.90 (limited time offer until June 30, 2002) 18.40 (thereafter)	5.90 (limited time offer until June 30, 2002) 18.40 (thereafter)	19 – **M1**
Laurentian Bank	Black Visa	–	17.99	17.99	17.99	21 – **M1**
MBNA Canada	Preferred MasterCard	–	9.99 – **19.99**	9.99 – **19.99**	3.90 (4-month introductory rate) 9.99 – **19.99** (thereafter)	25 – **M2**
National Bank	Regular MasterCard	–	18.90	18.90	18.90	21 – **M1**
Niagara Credit Union	Regular MasterCard	–	17.50	17.50	17.50	21 – **M1**
President's Choice Bank	President's Choice Financial MasterCard	–	17.97	17.97	5.97 on any balance transfers made before August 30 (rate is applicable until the balance transfer is paid in full)	25 – **M1**
Royal Bank	Visa Classic	–	17.90	18.50	**3.9 – 9.9 (6-month introductory rate)** 18.50 (thereafter)	21 – **M1**[4] **or M2**
Scotiabank	No-Fee Classic Visa Classic Visa	– 8	**3.9 (6-month introductory rate)** 18.50 (thereafter) **3.9 (6-month introductory rate)** 17.90 (thereafter)	**3.9 (6-month introductory rate)** 18.50 (thereafter) **3.9 (6-month introductory rate)** 17.90 (thereafter)	**3.9 (6-month introductory rate)** 18.50 (thereafter) **3.9 (6-month introductory rate)** 17.90 (thereafter)	26 – **M1** 26 – **M1**
TD Bank	TD Green Visa	–	18.50	18.50	18.50	21 – **M1**
Vancouver City Savings Credit Union	EnviroFund Visa	–	18.50	18.50	18.50	21 – **M1**

[1] If the balance is not paid in full by the due date, interest is calculated from the date the item was purchased.
[2] For cash advances or balance transfers, interest is calculated from the date funds are borrowed. There is no grace period.
[3] The grace period represents the number of days between the statement date and the payment due date. The actual interest-free period could be longer, depending on the date the item was purchased. **M1 (Method 1) and M2 (Method 2) refer to the type of grace period applied by the credit card issuer. See pages 4 to 5 for a detailed explanation of the two methods.**
[4] The Royal Bank states it currently uses M1 for most of its credit card accounts, but its disclosure documents permit the use of M2.

Low-Rate Credit Cards

If you tend to carry a balance each month, low-rate credit cards may be beneficial to you. Even though most financial institutions charge an annual fee for low-rate cards, they could save you money in the long run because of the lower interest rate on outstanding balances (see Example 1 on page 8). **Shop around** for a credit card that suits your needs, since terms and conditions vary. Gold, Platinum, co-branded and affinity credit cards are not included in the following table. Items in bold represent a change from the Spring 2002 issue of *Credit Cards and You*, or a new item.

Table 6: Low-Rate Credit Cards

Card Issuer (in alphabetical order)	Card Name	Annual Fee ($)	Annual Interest Rate for Purchases[1] (%)	Annual Interest Rate for Cash Advances[2] (%)	Annual Interest Rate for Balance Transfers[2] (%)	Grace Period on Purchases[3] (Days/Method)
Bank of Montreal	Low-Rate MasterCard	15	12.90	7.90	7.90	19 – **M1**
Caisses Desjardins	Low-Rate Option Visa	25	8.90	8.90	8.90	21 – **M1**
CIBC	Select Visa	29	10.50	10.50	10.50	24 – **M1**
CS Alterna Bank	Low-Rate Option MasterCard	15	12.90	7.90	7.90	23 – **M1**
CS CO-OP	Low-Rate Option MasterCard	15	12.90	7.90	7.90	23 – **M1**
HSBC	Low-Rate MasterCard	15	12.90	5.90 (limited time offer until June 30, 2002) 7.90 (thereafter)	5.90 (limited time offer until June 30, 2002) 7.90 (thereafter)	23 – **M1**
Laurentian Bank	Black Visa (Reduced Rate Option)	29	10.50	10.50	10.50	21 – **M1**
National Bank	Low-Rate Option MasterCard Syncro MasterCard	15 35	13.90 prime + 4% **or 6%**[4]	8.90 prime + 4% **or 6%**[4]	8.90 prime + 4% **or 6%**[4]	21 – **M1** 21 – **M1**
Niagara Credit Union	Select MasterCard	25	9.25	9.25	9.25	21 – **M1**
Royal Bank	Visa Classic Low-Rate	25	10.50	10.50	10.50	21 – **M1**[5] **or M2**
Scotiabank	Value Visa **No Fee Value Visa** ScotiaLine Visa	29 **–** –	**3.9 (6-month introductory rate)** 9.90 (thereafter) **3.9 (6-month introductory rate) 11.90 (thereafter)** as low as prime + **2.5%**	**3.9 (6-month introductory rate)** 9.90 (thereafter) **3.9 (6-month introductory rate) 11.90 (thereafter)** as low as prime + **2.5%**	**3.9 (6-month introductory rate)** 9.90 (thereafter) **3.9 (6-month introductory rate) 11.90 (thereafter)** as low as prime + **2.5%**	26 – **M1** **26 – M1** 26 – **M1**
TD Bank	TD Emerald Visa	12	12.90	12.90	12.90	21 – **M1**
Vancouver City Savings Credit Union	EnviroFund Visa (Low Interest)	25	10.50	10.50	10.50	21 – **M1**

[1] If the balance is not paid in full by the due date, interest is calculated from the date the item was purchased.
[2] For cash advances or balance transfers, interest is calculated from the date funds are borrowed. There is no grace period.
[3] The grace period represents the number of days between the statement date and the payment due date. The actual interest-free period could be longer, depending on the date the item was purchased. **M1 (Method 1) and M2 (Method 2) refer to the type of grace period applied by the credit card issuer. See pages 4 to 5 for a detailed explanation of the two methods.**
[4] Depending on your credit rating
[5] The Royal Bank states it currently uses M1 for these credit card accounts, but its disclosure documents permit the use of M2.

Example 1: How Much Money You Can Save with a Low-Rate Credit Card or a Line of Credit

	Standard Credit Card	Low-Rate Credit Card	Line of Credit
Average monthly balance	$2,500	$2,500	$2,500
Annual percentage rate (APR)[1]	x 18%	x 11%	x 8.75%
Annual interest charges	= $450	= $275	= $218.75
Annual fee[1]	+ $0	+ $20	+ $0
Total annual cost	**= $450**	**= $295**	**= $218.75**
Total annual savings[2]	$0	**$155**	**$231.25**

1 Based on the average of the six major banks, caisses and credit unions listed in this publication for both standard and low-rate cards. For lines of credit, the APR is an approximation of the June 2002 industry average and will vary between institutions and with your credit rating.
2 This example assumes you carry a constant balance of $2,500 and that you make all minimum payments on time. Otherwise, your APR may increase, or you may be subject to other additional fees that will increase your overall costs. If you compare the low-rate card with a retail card for the same outstanding balance the savings are even higher.

Retail Credit Cards

Credit cards issued by retail stores are known as “retail cards”. Retailers often charge a high interest rate on outstanding balances, but usually offer reward programs such as discounts on store merchandise in return for using their cards. Retail cards can be particularly advantageous if you pay your balance in full each month and frequently shop at the same retailer. If you do not pay your balance in full, you may not have to pay interest between the purchase date and the statement date, since some retailers only start calculating interest from the date your statement is issued. In addition, certain stores (except in Quebec) may charge less interest if you pay at least 50% of the outstanding balance. **Check with your retailer** for the terms and conditions that apply.

In the following table, items in bold represent a change from the Spring 2002 issue of *Credit Cards and You*, or a new item.

Table 7: Retail Credit Cards

Card Issuer (in alphabetical order)	Annual Fee ($)	Interest Rate (%)	Grace Period[1] (Days/Method)	Interest Calculated from Purchase Date	Interest Calculated from Statement Date
Canadian Tire	–	28.80	25-30 – **M1**	-	✓
HBC[2]	**–**	28.80	25-30 – **M1**	-	✓
Petro-Canada	–	24.00	25-30 – **M2**	✓	-
Sears	–	28.80	25-30 – **M1**	-	✓

1 The grace period represents the number of days between the statement date and the payment due date. The actual interest-free period could be longer, depending on the date the item was purchased. **M1 (Method 1) and M2 (Method 2) refer to the type of grace period applied by the credit card issuer. See pages 4 to 5 for a detailed explanation of the two methods.**
2 As of September 2001, new Zellers and Hudson’s Bay credit cards are issued under the HBC brand. A number of Zellers and Hudson’s Bay credit cards issued prior to September 1, 2001, are still in circulation.

Charge Cards

A charge card is a *particular* kind of credit card. The balance on a charge card is **payable in full** by the due date and usually may not be rolled over to the next billing period. However, you may obtain certain benefits, such as not having a pre-set credit limit (purchases are normally approved based on your account history and your personal resources) or being able to participate in reward programs. Some issuers also provide a longer grace period to give you more flexibility in paying your balance. However, such benefits usually come at a price: there is an annual fee, and late payments are subject to a high penalty rate. In addition, if you pay late, your account may be temporarily frozen or your card revoked. Again, **shop around** to find the card that is best for you.

In the following table, items in bold represent a change from the Spring 2002 issue of *Credit Cards and You*, or a new item.

Table 8: Charge Cards

Card Issuer (in alphabetical order)	Annual Fee ($)	Penalty Interest Rate (%)	Grace Period[1] (Days/Method)	Penalty Interest Calculated from Purchase Date	Penalty Interest Calculated from Statement Date
American Express	55	30.0	30 – **M2**	-	✓
Diners Club International	65	30.0	52 to 60 – **M2**	**-**	✓
Irving Oil	–	24.0	25 – **M1**	**-**	✓

1 The grace period represents the number of days between the statement date and the payment due date. The actual interest-free period could be longer, depending on the date the item was purchased. **M1 (Method 1) and M2 (Method 2) refer to the type of grace period applied by the credit card issuer. See pages 4 to 5 for a detailed explanation of the two methods.**

Miscellaneous Fees on Credit Cards

To choose a credit card that is best suited to your needs, it is important to look at all the terms and conditions of the credit card. Just as the annual percentage rates, annual fees and interest-free periods can vary from one issuer to another, so can the miscellaneous fees for the various services they offer. These fees are generally listed in your credit card agreement. Depending on how you use your credit card, these fees can add up substantially. Some issuers may offer additional services, free of charge, that are not listed in the table below. These fees may not necessarily apply to Gold, Platinum and affinity credit cards. The "–" symbol represents no fee; "N/A" means the service is not offered.

Table 9: Miscellaneous Fees on Credit Cards

Card issuer (in alphabetical order)	Reprinting a statement	Making a copy of a transaction record (sales slip)	Cash advance (in Canada)[1]	Cash advance (outside Canada)[2]
American Express	$3	–	$2.75	$2.75
Bank of Montreal	$2	$2	$1.50 to $2.75 at an ABM, $3 to $4 in-branch	$3.50 to $4.50 at an ABM, $5 to $6 in branch
Caisses Desjardins	$5[3]	$5	$1 to $1.25	$2.50 to $3.50
Canadian Tire (MasterCard)	$2	$2	$3	$4
Canadian Tire (retail card)	–	–	$2	N/A
Capital One Bank	$3	$2	1% of amount (min. $5, max. $10)	–
CIBC	$2[3]	$2[3]	$2	$2
Citibank	$2[3]	$2[3]	$3	$3
CS Alterna Bank	$2	$2	$1.50 to $4.00	$3.50 to $6.00
CS CO-OP	$2	$2	$1.50 to $4.00	$3.50 to $6.00
Diners Club International	–	–	4% of amount (no min., no max.)	4% of amount (no min., no max.)
HBC	–	–	N/A	N/A
HSBC	$2	$2	$2 at an ABM, $3 in-branch	$3.50 to $4.50 at an ABM, $5 to $6 in-branch
Irving Oil	–	–	N/A	N/A
Laurentian Bank	$2.50[3]	$2.50[3]	$1.50	$3
MBNA Canada	$2.50[4]	$2.50[4]	1% of amount (min. $7.50, max. $20)	1% of amount (min. $7.50, max. $20)
National Bank	$5[3]	$5[3]	$1 to $3.50	$1 to $3.50
Niagara Credit Union	$4	–	–	–
Petro-Canada	$5	–	N/A	N/A
President's Choice Bank	$2	$2	$0 to $1.25[5]	$2.50
Royal Bank	$2[3]	$2[3]	$2	$5
Scotiabank	$2	$2	–	–
Sears Canada	–	–	N/A	N/A
TD Bank	$2	$2	–	–
Vancouver City Savings Credit Union	$2[3]	$2[3]	$1	$2

1 In addition to Interac or convenience fees at white-label ABMs.
2 In addition to System Plus, Cirrus or convenience fees at white-label ABMs.
3 No charge if request made within 30 days following the issuance of the statement.
4 Most recent 6 months provided free of charge.
5 Free of charge at President's Choice Financial and CIBC bank machines.

Card issuer (in alphabetical order)	Over-the-limit fee	Purchases of wire transfers, money orders, bets, lottery tickets, or casino gaming chips	Converting the amount of a transaction made outside Canada into Canadian currency	Handling a dishonoured cheque or cash advance[6]
American Express	–	–	Charge not disclosed	$25
Bank of Montreal	$20	$2.75	2.50%	$22
Caisses Desjardins	–	–	1.80%	$20
Canadian Tire (MasterCard)	–	–	2.30%	$25
Canadian Tire (retail card)	–	N/A	N/A	$25
Capital One Bank	$20	–	2.50%	$20
CIBC	–	–	1.80%	$25
Citibank	$10	–	2.00%	$25
CS Alterna Bank	$20	$2.75	2.50%	$22
CS CO-OP	$20	$2.75	2.50%	$22
Diners Club International	–	–	2.00%	$17
HBC	–	N/A	N/A	$25
HSBC	$10	$2.75	2.50%	$22
Irving Oil	–	N/A	–	–
Laurentian Bank	–	–	1.80%	$15
MBNA Canada	$20	1% of amount (min. $7.50, no max.)	2.50%	$20
National Bank	–	–	–	$10 the first time, $20 additional times
Niagara Credit Union	–	–	–	$20
Petro-Canada	–	N/A	N/A	$20
President’s Choice Bank	–	–	1.80%	$20
Royal Bank	$10	–	1.80%	$25
Scotiabank	$10	–	1.80%	$20
Sears Canada	–	N/A	1% on Sears Roebuck purchases	$25
TD Bank	–	–	1.65%	$18.50
Vancouver City Savings Credit Union	$10	–	1.80%	$17

6 If the cheque for your credit card payment is sent back to the credit card issuer for "Insufficient Funds (NSF)", or if a cheque for a cash advance on your credit card is not accepted by your credit card issuer because your credit limit has been exceeded.

About Introductory Rates

You may have received offers for credit cards with attractive introductory rates. If you carry a balance on your credit card, such offers may be advantageous. However, be aware that these low rates generally apply for a **limited time only**. As soon as the introductory period ends, the rate will increase to the card's regular rate (see Tables 5 to 8, on pages 6 to 9).

Before applying for a specific credit card, it is important that you understand the terms and conditions of the introductory offer. Ask the credit card issuer:

- the transactions to which the introductory rate offer applies;
- when the introductory period ends;
- what will be the regular interest rate at the end of the introductory period;
- if the introductory rate period will suddenly come to an end if you make a late payment or exceed the credit card limit;
- if any other fees or conditions apply.

Don't base your credit card decision solely on one factor such as attractive introductory rates. You should understand all of the features and conditions of a card to decide whether it is right for you.

Getting the Most from Low Introductory Rates

If the low introductory rate applies only to balance transfers and/or cash advances (and not to purchases), you should remember that **by limiting your new purchases** until you pay off the balance transfer or cash advance you will save money in the long run. If you continue to make purchases while carrying a balance, you may reduce the potential savings from the low introductory rate on your balance transfer or cash advance, generally for two reasons:

1) When you transfer a credit card balance to, or take a cash advance from, a card with a low introductory rate, and **you do not pay off the entire balance at the end of the first month: you begin paying interest, usually at the credit card's regular higher rate**, on your new purchases from the date you make them or, in some cases, the day they are posted to your account. Because you do not pay off the entire balance at month's end, **there is no interest-free period on new purchases** (see pages 4 to 5 for an explanation of interest-free periods).

2) Most institutions **apply your payments to balance transfers and cash advances before they apply them to purchases. This is called the "order of transactions" related to payments**. In the case of low introductory rates on balance transfers and cash advances, you end up reducing your potential savings because you will be paying off the lower-interest debt first and carrying the higher interest debt (from purchases) for a longer time (see Example 2 on the next page).

   However, the order of transactions may vary from one institution to the other. Ask your credit card issuer to explain how its "order of transactions" is applied to your payments.

Example 2: Getting the Most from Low Introductory Rates

In both scenarios:

- You transfer a balance of $5,000 from an old card to a new one to benefit from the low introductory rate.
- Your new card has a 6% introductory rate on balance transfers, and an 18% interest rate (APR) on purchases.
- Your payments are applied first to balance transfers, then to purchases.
- **You will have a $5,000 balance remaining, but you will pay $9.06 less interest in Scenario 1.**

Scenario 1:

- You make **no other purchases** during the month.
- You will pay **$25.47** in interest charges.

Scenario 1: No other purchases	Outstanding Balance
May 1: Balance transfer	$5,000
May 31: Outstanding Balance	**$5,000**
Interest Rate (APR) on balance transfer	6%
Interest charged for May	**$25.47***
* $5,000 x (6% APR ÷ 365 [days in a year] x **31** days) = $25.47	

Scenario 2:

- A few days after the transfer, you make a **purchase of $1,000** on your new card.
- The following day, you make a **partial payment of $1,000** to bring the balance back to $5,000.
- You will pay **$34.53** in interest charges.

Scenario 2: Additional purchase	Outstanding Balance	
	From the balance transfer	From the purchase
May 1: Balance transfer	$5,000	
May 5: Purchase of $1,000		$1,000
May 6: Partial payment of $1000 (applied to balance transfer)	$4,000	
May 31: Total Outstanding Balance = $5,000	**$4,000**	**$1,000**
Interest rate (APR) on each balance	6%	18%
Interest charged for May	$21.21*	$13.32**
Total interest charged for May	**$34.53**	

* Balance transfer: $5,000 x (6% APR ÷ 365 [days in a year] x **5** days) **+**
$4,000 x (6% APR ÷ 365 [days in a year] x **26** days) = $21.21

** Purchase: $0 x (18% APR ÷ 365 [days in a year] x **4** days) +
$1,000 x (18% APR ÷ 365 [days in a year] x **27** days) = $13.32

What Is Credit Balance Insurance?

Credit balance insurance is a form of protection against unforeseen events such as disability or death, which affect your ability to pay your bills. It covers outstanding balances on your credit card, up to a specified maximum. Like other forms of insurance, you must pay a premium to obtain coverage. It has a number of conditions and exclusions – such as which illnesses are covered, etc. – that are outlined in the insurance agreement. Credit card issuers offer balance insurance on their credit cards through the insurance companies they deal with.

You must be under 75 years of age to qualify, and usually you are not required to pass a medical exam to be eligible for coverage. However, before it pays a claim, the insurance company may require a medical opinion to satisfy itself about two issues:

- whether the medical condition that triggered your claim existed before your credit balance insurance started, in which case it would not normally be covered by insurance, and
- whether your claim is valid, meaning it is not fraudulent.

Credit balance insurance is optional and **is not a condition for obtaining a credit card**. It is usually offered to you when you sign up for a new credit card, but you can ask your credit card issuer to **start or stop** the insurance coverage **at any time**. There is usually a 30-day "risk-free trial period" when coverage starts, during which you can cancel the policy and obtain a refund of any premiums you have paid.

What It Covers

In the event of a temporary interruption in your ability to pay – **such as disability or unemployment** – credit balance insurance will **make the minimum payments on your credit card** – as long as you meet the specific requirements found in the insurance agreement. This may help you keep a good credit rating.

In the event of **accidental death or critical illness**, credit balance insurance will **pay off your entire balance**. The benefit is a one-time payment, **limited to what you owe at the time you die or fall critically ill, up to a maximum amount** specified in the insurance agreement.

What It Costs

The **monthly premium** charged for this type of insurance varies from month to month, as well as with the credit card issuer. It is usually a percentage of your previous month's balance, and is charged directly on your monthly statements. Example 3 shows approximately how much credit balance insurance costs on a yearly basis if you carry a balance on your credit card. The lower your outstanding balance, the lower your monthly premium. To find out exactly how much your credit card issuer charges for coverage, see Table 10 on the next page.

Example 3: How Much Credit Balance Insurance Costs

Previous Month's Balance	**Monthly Premium**[1]	**Approximate Yearly Cost**[2] (Monthly Premium x 12 Months)
$0	$0	$0
$100	$0.88	$10.56
$500	$4.40	$52.80
$1,000	$8.80	$105.60
$2,500	$22.00	$264.00
$5,000	$44.00	$528.00
$10,000	$88.00	$1,056.00

1 Based on a June 2002 industry average of $0.88 per $100 of outstanding balance.

2 Assuming your monthly balance stays constant.

If your credit card balance is near your credit limit, you should monitor the situation closely since the premium will be charged automatically and may put you over your credit limit. If this occurs, your credit card issuer may charge you an **"over the limit fee"**, if it is applicable (see page 11).

Who Should Obtain Credit Balance Insurance

Credit balance insurance **may be worthwhile** if you do not have other insurance that covers debts in the event of disability or death. If you are considering purchasing credit balance insurance, **make sure it does not duplicate the coverage you already have through another insurance policy**.

The table below compares the basic features of credit balance insurance: cost, age of eligibility and maximum benefit. It is important to assess your particular insurance needs and to choose the product that best suits your overall requirements. Terms and conditions of the insurance vary, so **shop around**. In addition to the features outlined here, ask the credit card issuer (or check the insurance agreement) for the following:

- What is covered by the insurance?
- What are the conditions for obtaining benefits?
- What illnesses/disabilities are covered by the insurance?
- Is a spouse/supplementary cardholder covered on the plan?
- When and how are benefits paid?

Table 10: Credit Balance Insurance

Card Issuer (in alphabetical order)[1]	Name of Insurance Plan	Monthly Premium[2] (per $100 of balance)	Age of Eligibility[3]	Maximum Benefit
American Express	Balance Payment Insurance	$0.75	Under 65	$10,000
Bank of Montreal	Balance Insurance	$0.74	Under 65	$15,000
Caisses Desjardins	Credit Balance Insurance	$0.75	Under 70	$15,000
Canadian Tire	ChargeGard (retail card)	$0.99	Under 66	$5,000
	Credit Protector (MasterCard)	$0.99	Under 66	$10,000
Capital One Bank	Account Balance Coverage	$0.75	Under 70	$10,000
CIBC	Payment Protector	$0.89	Under 65	$10,000
Citibank	Credit Shield	$0.75	Under 65	$10,000
HBC	SafeGard	$0.89	Under 66	$5,000
	AccountGard Protection	$1.29	Under 75	Unlimited
Laurentian Bank	Assurpayment	$0.70	Under 65	$15,000
MBNA Canada	Payment Protection Plan	$0.89	Under 70	$15,000
National Bank	Payment Insurance	$0.94	Under 65	$10,000
Niagara Credit Union	Credit Card Balance Protection	$0.60	Under 65	$10,000
Petro-Canada	AccountGard	$1.50	Under 65	$1,000
President's Choice Bank	Balance Protection	$0.75	Under 65	$10,000
Royal Bank	Balance Protector	$0.89	Under 65	$15,000
Scotiabank	Balance Insurance	$0.75	Under 65	$20,000
Sears	Credit Protection	$1.17	Under 70	$10,000
TD Bank	Balance Protection	$0.69	Under 65	$10,000

1 CS Alterna Bank, CS CO-OP, Diners Club International, HSBC, Irving Oil and Vancouver City Savings Credit Union do not offer credit balance insurance.
2 For joint or supplementary coverage (for example, a spouse), the premium could be higher. Check your insurance certificate for the terms and conditions of your insurance coverage.
3 You may still qualify for death, accidental death or dismemberment benefits if you are older than the age indicated. Check your insurance certificate or ask your credit card issuer.

Financial Consumer's Checklist

- Have you thought about:
  - How much credit you can handle
  - Whether you will be able to pay your balance in full each month
  - Whether you would benefit from reward programs
  - Whether you are prepared to pay an annual fee
  - Whether you shop at a particular retailer often enough to benefit from their card

- Have you **shopped around** for the credit card that best suits your needs?

- Do you understand the **terms and conditions** of the card, including the following:
  - Annual fee or other applicable fees
  - Minimum monthly payment
  - Interest charged on purchases, cash advances and balance transfers and how the interest is calculated
  - Grace period
  - Consequences of late payments
  - Other features and enhancements

- Do you understand the **terms and conditions** of the introductory offer (if any):
  - When the introductory period ends
  - What will be the regular interest rate at the end of the introductory period
  - Whether there are any other fees or conditions that apply to the offer
  - Whether the introductory rate period will suddenly come to an end if you make a late payment or exceed the credit card limit, and if so, what the new applicable rate would be

- Have you inquired about the **customer service** or support available for the card you have chosen?

Tips to Help You Save Money

- **Ask questions.** Your financial institution or retailer can help you.

- Don't base your credit card decision solely on one factor, such as introductory rates or reward programs. Look for the **overall package** that **best suits your needs** and your financial situation.

- If possible, **pay your entire balance** in full each month. If you cannot pay your balance off in full, transfer the balance to another form of credit that has a lower annual percentage rate (APR), such as a **line of credit**. If you do this every month, you will always benefit from the grace period on your credit card.

- If you carry a balance on a credit card, remember that interest is normally charged from the date purchases are made until they are paid in full. **Making early payments between statements will save you interest charges.**

- **Minimize cash advances**, since interest is charged from the day you borrow until the advances are paid in full.

- Allow enough time for your payment to reach your credit card company.

- Take advantage of **pre-authorized payment** options to ensure your monthly payments are paid from your savings/chequing account by the due date. However, keep track of these payments to ensure there is enough money to cover all withdrawals from your account.

- **Monitor your monthly billings or other mailings for notices of fee increases or rule changes** by your credit card company.

Glossary

Annual Fee: Charge levied each year for use of a credit card, billed directly to your monthly statement. Many credit cards come without an annual fee.

Annual Percentage Rate (APR) or Interest Rate: Annual interest rate charged on purchases not benefitting from the interest-free period. For cash advances or balance transfers, the APR is charged from the day the funds are withdrawn (there is no interest-free period).

Balance Transfer: Transfer of outstanding credit card balances from one card to another, usually between different institutions. Interest is usually charged by the new card issuer from the day the amount is transferred to the new card (there is no interest-free period).

Bank of Canada Rate or Bank Rate: The rate at which financial institutions can borrow money from the central bank. Changes to the Bank Rate lead to moves in the prime rate of the commercial banks, which serves as a benchmark for many of their loans. These changes can indirectly affect mortgage rates, and the interest paid to consumers on bank accounts, Guaranteed Investment Certificates (GICs) and other savings.

Cash Advance: Withdrawal of funds from your credit card up to the credit limit allowed. May be subject to daily limits. Interest is charged from the day the funds are withdrawn (there is no interest-free period).

Federal Funds Rate (U.S.): Interest rate at which U.S. depository institutions lend funds from the Federal Reserve to other depository institutions overnight.

Grace Period: The grace period is the time between the statement date and the payment due date, and is provided by the credit card issuer. The grace period usually varies between 19 and 26 days and is a component of the interest-free period. The grace period may not apply unless certain conditions are met.

Interest-Free Period: The interest-free period on new purchases is the time from the day you make a purchase to when the credit card issuer begins charging you interest on that purchase. The interest-free period includes the grace period provided by the credit card issuer, and may not apply unless certain conditions are met.

Minimum Payment: Minimum amount payable each month on the balance owing on a credit card.

Penalty Interest Rate: Rate at which penalty charges are calculated. Only applies to charge cards.

Prime Rate: The interest rate a financial institution charges on loans to its best customers.

Notes