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- + Some Interest Rates Fall
- + New Cards and Features Introduced
- + Compare the Cost of Canada's Basic Credit Cards
- + Interest Rates Are Not the Whole Story

Compiled by the Office of Consumer Affairs of Industry Canada from information given by card issuers, and accurate as of June 30, 1996.

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## Consumer Advisory

### More Cards - Some Lower Rates

Four banks have announced rate reductions of slightly more than one percentage point on their low rate cards. Another has decreased the rate on its standard card by 0.5 percentage points. The Bank of Montreal has introduced four new credit cards: a low rate card and a gold low rate card, both at 10.9%; a standard no frills card at 15.9%; and a joint credit card/calling card offered in conjunction with Bell Canada. American Express has introduced a no fee credit card at 9.9% interest for the first six months and 13.95% thereafter for customers who make their payments on time. The Royal Bank has also introduced a "Visa Classic II" card (see below).

### Rewards Points Compared

- **CIBC Club Z Visa Card** (Rate 18.5%; no fee) - 5 club Z points earned per \$1 spent (cannot be used at Zellers). Value per point not available but the Club Z catalogue should be consulted.
- **CIBC Ford Visa** (Rate 18.5%; no fee) - 5% of retail purchase amounts go towards a new Ford car to a maximum of \$700 per year and \$3500 in total.
- **Bank of Montreal/Air Miles MasterCard** (Rate 18.9%; no fee) - 1 Air Mile point earned per \$40 spent. 1 point worth approximately \$0.35 and a minimum of 500 points needed for booking on flights.
- **Bank of Montreal/First Home MasterCard** (Rate 18.9%; no fee) - 5% of retail purchase amounts go towards a Bank of Montreal mortgage. A maximum of \$500 can be earned per year. Up to 2.5% of the mortgage amount can be applied towards the down payment on a first home (to a maximum of \$2500).
- **Bank of Montreal/Telephone company MasterCard/Calling Card** (Rate 18.9%; no fee) - 5 long distance points earned per \$1 spent. A minimum of 20,000 points required for \$5 in long distance rebates, but rebates increase more than proportionately with increased expenditures. More substantial savings are possible when combined with Bell reward points scheme.
- **Royal Bank Visa Classic II** (Rate 17.5%; no fee until June 97) - 1 point earned per \$1 spent. A minimum of 2500 points required to redeem Eaton's or RadioShack gift certificates equal to 1% of total purchases. A maximum of \$500 can be redeemed per year. Discounts to 25% and 40% can be received for using this card at select retail stores and suppliers of travel, respectively.
- **Toronto Dominion GM Visa Card** (Rate 18.5%; no fee) - 5% of retail purchase amounts go towards a new GM car to a maximum of \$500 per year and \$3500 in total.

**Rules of thumb when considering reward point cards:** The value of these cards is dependent on individual spending patterns. These cards offer most savings to those who pay off their balance each month and who would anyway be purchasing the goods or services offered in conjunction with the card. For others, who carry a monthly balance, low rate cards are a better option. No one who carries a monthly balance should be tempted to use their cards more in order to accumulate reward points.

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**General Credit Cards** (as of June 30, 1996)

Card Issuer	Annual Fees	Interest Rates	Grace Period	Interest Calculated from Date of Purchase
<b>MasterCard</b>	\$	%	Days	
Bank of Montreal				
Standard	--	18.90	23	x
Basic	--	15.90	19	x
Low Rate Option	25	10.90	19	x
Canada Trust	8 <sup>1</sup>	18.00 <sup>2</sup>	21	x
CS CO-OP	--	18.90	21	x
National Bank	--	18.90 <sup>3</sup>	21	x
National Trust				
Basic	--	16.75	21	x
Low Interest Option	30	11.75	21	x
Niagara Credit Union	--	18.25	21	x
Canadian Tire	--	18.90	21	x
<b>VISA</b>				
Bank of Nova Scotia				
Standard	8	17.75	21	x
Value Visa	29	11.90	21	x
CIBC				
Standard	--	17.50	21	x
Caisses populaires				
Desjardins	--	17.50	21	x
Laurentian Bank	--	17.50	21	x
Royal Bank				
Standard	--	17.50	21	x
Option	25	12.50	21	x
Toronto-Dominion Bank				
Standard	12 <sup>1</sup>	17.50	21	x
Emerald Card	12 <sup>1</sup>	11.90	0	x
Vancouver City Savings	--	17.50	21	x
<b>American Express</b>	--	9.9 (6 months) 13.95 (Preferred) 16.95 (Standard)	21	x
Optima	15	16.95	21	x

<sup>1</sup> Under certain conditions, fee may be reduced or waived entirely.

<sup>2</sup> 17.50% as of August 1.

<sup>3</sup> Consumers, who would not normally be granted a card for credit rating reasons, may be provided with a card at a higher rate. This rate is reassessed after two years.

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## Other Credit Cards

Card Issuer	Fees (\$ annual)	Interest Rates (% annual)	Grace Period (days)	Interest Calculated from	
				Date of Purchase	Date of Statement
Canadian Tire	--	28.8	30		x
Eaton's	--	28.8	30		x
Home Card	--	28.8	30		x
Hudson's Bay	--	28.8	25-30		x
Imperial Oil (Esso)	--	24.0	30		x
Petro-Canada	--	24.0	30	x	
Sears	--	28.8	25-30		x
Simpsons	--	28.8	25-30		x
Zellers	--	28.8	25-30		x

## Charge Cards\*

Card Issuer	Fees (\$ annual)	Late Penalty Rates/Delin- quency Rate  (% annual)	Grace Period (days)	Late Penalty Calculated from	
				Date of Purchase	Date of Statement
American Express	55	30	30		x
Diners Club/enRoute	65	30	30-60		x
Irving Oil	--	24	25		x

\* As of June 30, 1996. Since credit card terms and conditions may change, you should contact card issuers directly for the latest information.

## Definitions

**Credit Cards:** Cards that provide revolving credit. Minimum monthly payments are required.

**Charge cards:** Cards requiring payment in full each month.

**Fees:** Charges such as transaction fees, administration fees or annual fees.

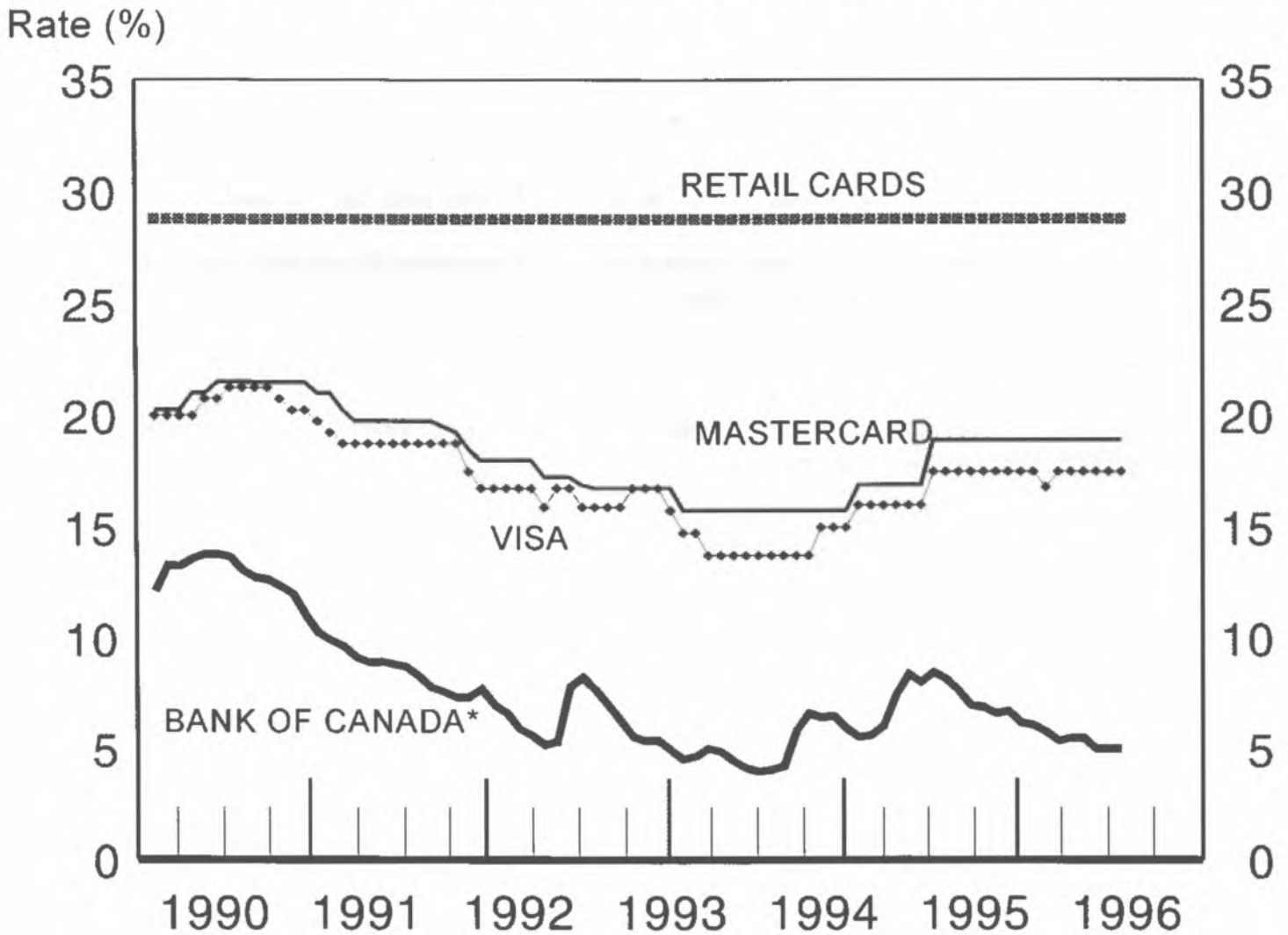
**Interest/Penalty Rate:** The nominal annual rate at which interest or penalty payments are calculated.

**Grace Period:** The number of days between the statement date and the payment due date.

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# CREDIT CARD RATES

## AND THE BANK OF CANADA RATE



- One Visa and one MasterCard issuer are used as examples. Rates of other cards vary.
- The spread between the sample Visa rate and the Bank of Canada rate is 12.5 percentage points as of June 30.
- The spread for the lowest Visa and MasterCard rate is 5.9 points while the spread for the highest is 13.9 points.
- The spread between retail card rates and the Bank rate is 23.8 points while the spread for gasoline cards is 19 points.

\* The Bank of Canada rate is the rate at which banks can borrow money from the Central Bank.

## Terms and Conditions

Remember these facts and save money:

### Bank, Trust Company and Credit Union Cards

- Interest is charged daily. So, if you make payments between statements, you save money.
- Interest is charged on cash advances from the day you borrow until they are paid in full.
- Interest is not charged on purchases showing up on your statement for the first time if the entire statement balance is paid by the due date.

And don't forget:

- When the balance is not paid in full by the due date, interest is charged on the daily balance from the date purchases have been posted to the account until it is paid in full.

### Other Credit Cards

- In most cases you pay less interest if you pay off at least half the balance each month. Retail stores (except in Quebec), subtract payments equal to 50% or more of the balance from the balance on the statement before charging interest. In Quebec, interest is calculated daily so in that province, you save money if you make payments between statements.
- Interest is compounded, so if you miss a payment, the next month you will pay interest on the balance plus interest. For example, at the current rate of 2.4% per month, one month's interest on \$100.00 is \$2.40. If no payment is made on this at all, the next month's interest will be charged on \$102.40 and will amount to \$2.47.

### Charge Cards

- Irving Oil calculates penalties on the outstanding daily balance.
- The American Express and Diners Club/enRoute account balances are due on receipt of statement. A delinquency assessment equal to 30% per annum is charged on unpaid balances. Cards are cancelled if balances remain unpaid.