

OCT - 7 1996  
INDUSTRIE, SCIENCE ET  
TECHNOLOGIE

- + Credit Card Costs Report Now Online
- + Little Movement in Rates
- + Spread between Card Rates and Bank Rate Still High
- + 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 September 15, 1996.

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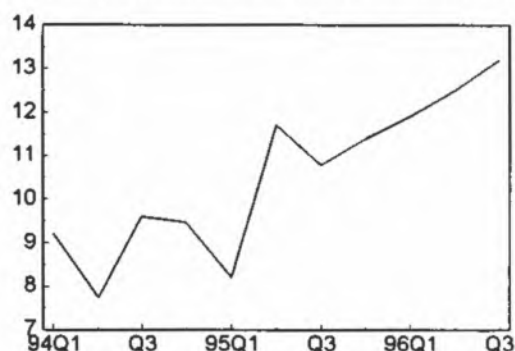
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### Consumer Advisory - Card Rates Remain Persistently High

There has been little movement in credit card rates over the summer months, nor are significant changes expected for the fall. Only the CIBC and Vancouver City Savings dropped rates on their standard cards from 17.50% to 16.50%, making the range of rates for standard cards between 15.90% and 18.90%. Other cards administered by the CIBC (including the Club Z card and the Ford Visa) dropped a point from 18.50% to 17.50%. Three banks dropped the rates on their low rate cards with the TD's Emerald card falling to 10.75% from 11.90%, the Royal Bank's low rate card falling to 10.50% from 12.50%, and the Bank of Montreal's Low rate card falling to 10.40% from 10.90%. The current range of rates for option cards is 10.40% to 11.90%. Retail card rates have remained at 28.80% since 1981.

The spread between the Bank of Canada rate (currently 4.25%) and the sample Visa card tracked by Industry Canada has continued to increase, on average, since 1994. It is currently 13.25 percentage points compared to its average of 8.9 points between 1986 and 1996. The spreads between the Bank rate and standard card rates presently range between 11.65 and 14.65 points while the spread between the Bank rate and retail card rates is 24.55 points.

Quarterly Spread Between Bank Rate and Card Rate



Consumers should be aware that many financial institutions offer **low interest rate cards** with rates about six points below standard card rates. While some of these cards have been available since 1992, survey data suggest that many people are not aware of their existence. Consumers who routinely carry balances on their credit cards are encouraged to ask their banks for information about these cards. The Canadian Bankers Association has indicated that most consumers who have standard cards would qualify for low rate cards.

#### "CREDIT CARD COSTS" IS NOW ONLINE!

On October 8, 1996 the Office of Consumer Affairs launches its online service **Consumer Connection**. Use it to find the **Credit Card Costs** report and more!

Look for Consumer Connection under Marketplace Services on Strategis  
(<http://strategis.ic.gc.ca>)

Correction Notice (Reference: Credit Card Costs, June 1996)

1. The CIBC Club Z card awards 15 club Z points for every dollar spent (not 5 points).
2. The Bank of Montreal has asked us to note that the dollar value assigned to points awarded through its Air Miles MasterCard was not accurate, and it is difficult to establish a dollar value, because this is dependent on the fare that can be obtained from an airline and use of other sponsors of the program.

### General Credit Cards (as of September 15, 1996)

Card Issuer	Annual Fees	Interest Rates	Grace Period	Interest Calculated from Date of Purchase
<b>MasterCard</b>	\$	%	Days	
<b>Bank of Montreal</b>				
Standard	--	18.90	23	x
Basic	--	15.90	19	x
Low Rate Option	25	10.40	19	x
Canada Trust	8 <sup>1</sup>	17.50	21	x
CS CO-OP	--	18.90	21	x
National Bank	--	18.90 <sup>2</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>				
<b>Bank of Nova Scotia</b>				
Standard	8	17.75	21	x
Value Visa	29	11.90	21	x
<b>CIBC</b>				
Standard	--	16.50	21	x
<b>Caisses populaires</b>				
Desjardins	--	17.50	21	x
Laurentian Bank	--	17.50	21	x
<b>Royal Bank</b>				
Standard	--	17.50	21	x
Option	25	10.50	21	x
<b>Toronto-Dominion Bank</b>				
Standard	12 <sup>1</sup>	17.50	21	x
Emerald Card	12 <sup>1</sup>	10.75	0	x
Vancouver City Savings	--	16.50	21	x
<b>American Express</b>				
Standard	--	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> According to the results of credit analysis, the rate may be different.

## 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 September 15, 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.

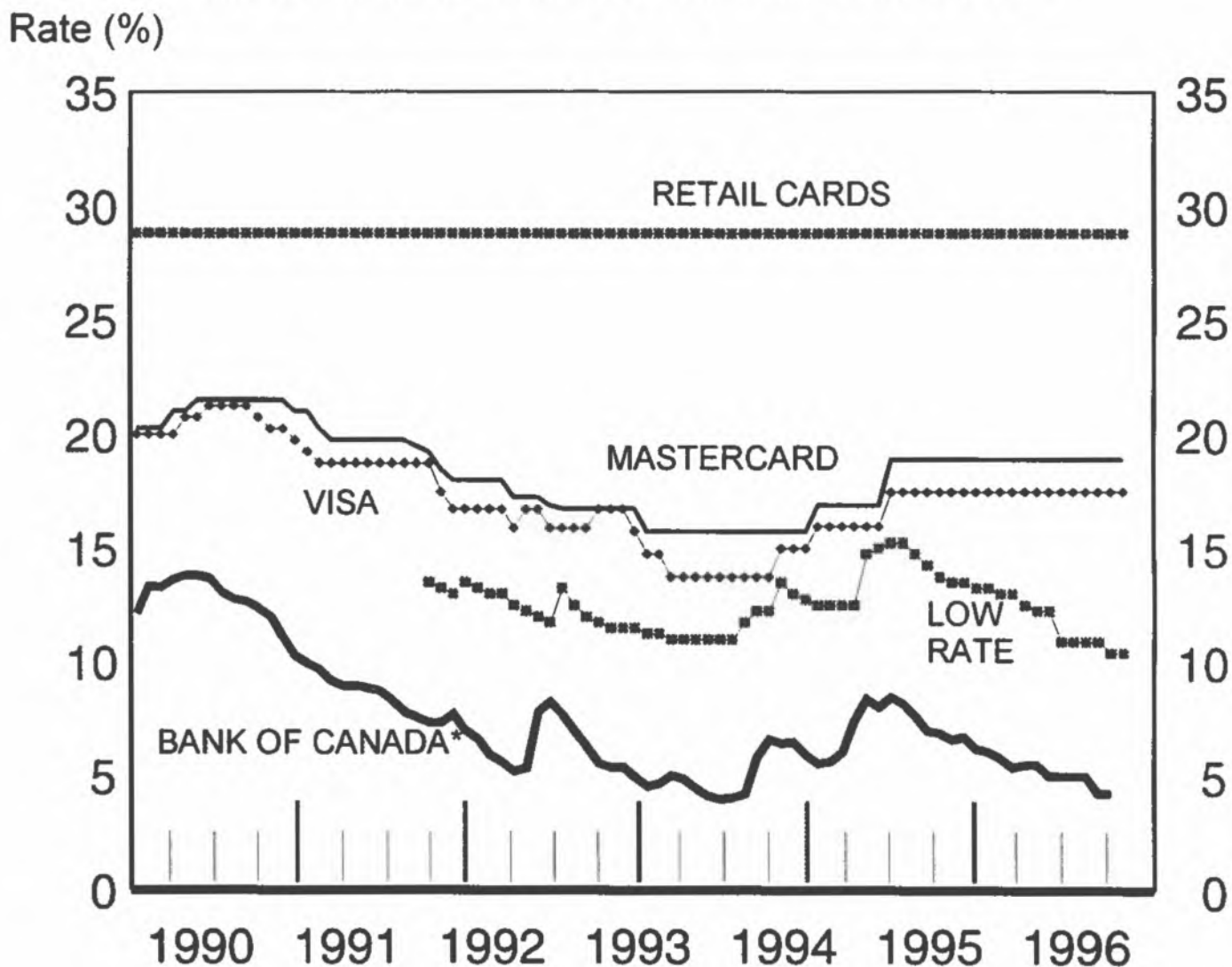
**Fees:** Charges such as transaction fees, administration fees or annual fees.

**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.

# CREDIT CARD RATES

## AND THE BANK OF CANADA RATE



• One Visa, one MasterCard, and one Low Rate Card issuer are used as examples. Rates of other cards vary.

\* 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.