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\* Interest Rate Changes

\* 1998 Year End Facts and Figures

Compiled by the Office of Consumer Affairs of Industry Canada from information given by card issuers and accurate as of December 31, 1998.

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(Version française disponible)

## **Consumer Advisory**

### **Interest Rate Changes**

There have been some changes in interest rates in recent months. Toronto-Dominion reduced the interest rate on its low rate Emerald card from 9.25% to 8.99%. American Express increased the interest rate on its Optima card from 16.95% to 17.95%. Both changes are effective since November 1998. The current range of interest rates now stands at 8.99% to 12.90% for low rate cards and 17.50% to 18.90% for standard cards.

Also, in September 1998 the Simpsons card was amalgamated into the Hudson's Bay portfolio and no longer exists as a separate entity.

The Bank of Canada rate decreased from 5.5% to 5.25% from October 16, 1998 to November 18, 1998 and has remained steady since. This has increased the spread between the standard Visa credit card tracked by Industry Canada and the Bank of Canada rate from 12 points to 12.25 points. The spread between the Bank of Canada rate and low rate cards is now between a low of 3.74 points and 7.65 points.

### **Year End Facts and Figures**

There are an estimated 54.2 million credit cards<sup>1</sup> in circulation<sup>2</sup> in Canada, or 2.31 cards for every adult Canadian over the age of 18. Of those, 35.3 million are Visa or MasterCard and 18.9 million are cards issued by large department stores, gasoline companies, and other issuers such as American Express, and Diner's Club/enRoute.

The total number of Visa and MasterCards in circulation increased from 31.9 million in 1997 to 35.3 million in 1998. These cards were used for more than 1,001.1 million transactions in 1998. The dollar value of Visa and MasterCard sales increased approximately 11% from \$76.0 billion in 1997 to \$84.1 billion in 1998. The dollar value of Visa and MasterCard transactions including cash advances increased from \$84.3 billion in 1997 to \$93.9 billion in 1998. Outstanding balances owing on MasterCard and Visa cards at the end of October 1998 totalled \$23.9 billion, up from \$20.5 billion in 1997. The value of the average Visa and MasterCard sale increased from \$82.50 in 1997 to \$90.0 this year.

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1 This estimate includes only cards issued by Visa and MasterCard issuers and the other card issuers listed in this report. Their assistance and that of the Canadian Bankers Association in compiling this information is gratefully acknowledged.

2 The basis for estimation of the number of cards in circulation may differ from one issuer to another.

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## General Credit Cards (as of December 31, 1998)

Card Issuer	Annual Fee	Interest Rate	Grace Period	Interest Calculated from Date of Purchase
<b>MasterCard</b>	\$	%	Days	
Bank of Montreal Standard	0	18.40	23	x
Basic	0	15.40	19	x
Low Rate Option- for retail purchases	15	12.90	23	x
-for cash advances/MasterCard cheques	15	8.90	23	x
Canada Trust	8 <sup>2</sup>	17.90	21	x
Gold <sup>1</sup>	39	11.90	21	x
CS CO-OP	0	18.40	21	x
National Bank Standard	0	18.40 <sup>3</sup>	21	x
Economic Option	12	14.00	21	x
Low Rate Option	30	9.25	21	x
Niagara Credit Union	0	17.50	21	x
Low Rate Option	25	9.25	21	x
Canadian Tire	0	18.90	21	x
<b>VISA</b>				
Scotiabank Standard	8	17.50	21	x
Value Visa	29	9.25	25	x
CIBC Classic	0	17.50	24	x
Select Visa	29	9.9	24	x
Desjardins Standard	0	17.00	21	x
Low Rate Option	25	9.50	21	x
Laurentian Bank	0	17.50	21	x
Reduced Rate Option	24	9.50	21	x
Royal Bank Standard	0	17.50	21	x
Low Rate Option	25	9.50	21	x
TD Bank Standard	0	17.50	21	x
Emerald Visa	12 <sup>2</sup>	8.99	0	x
Vancouver City Savings	0	17.50	21	x
<b>American Express</b>				
Standard	0	9.9 (6 months) 14.95 (Preferred) 18.25 (Standard)	21	x
Optima	15	17.95	21	x

<sup>1</sup> Because this is a gold card, a minimum of \$40,000 per annum income is required to qualify.

<sup>2</sup> Under certain conditions, fee may be reduced or waived entirely.

<sup>3</sup> According to the results of credit analysis, the rate may be different.

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**Other Credit Cards**

Card Issuer	Fees (\$ annual)	Interest Rates (% annual)	Grace Period (days)	Late Payment Fees	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	x	
Petro-Canada	--	24.0	30	x	x	
Sears	--	28.8	25-30			x
Zellers	--	28.8	25-30			x

\* The Simpsons card was amalgamated into the Hudson's Bay portfolio in September 1998 and no longer exists as a separate entity.

**Charge Cards\***

Card Issuer	Fee (\$ 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	52-60		x
Irving Oil	--	24	25	x	

\* As of December 31, 1998. 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.

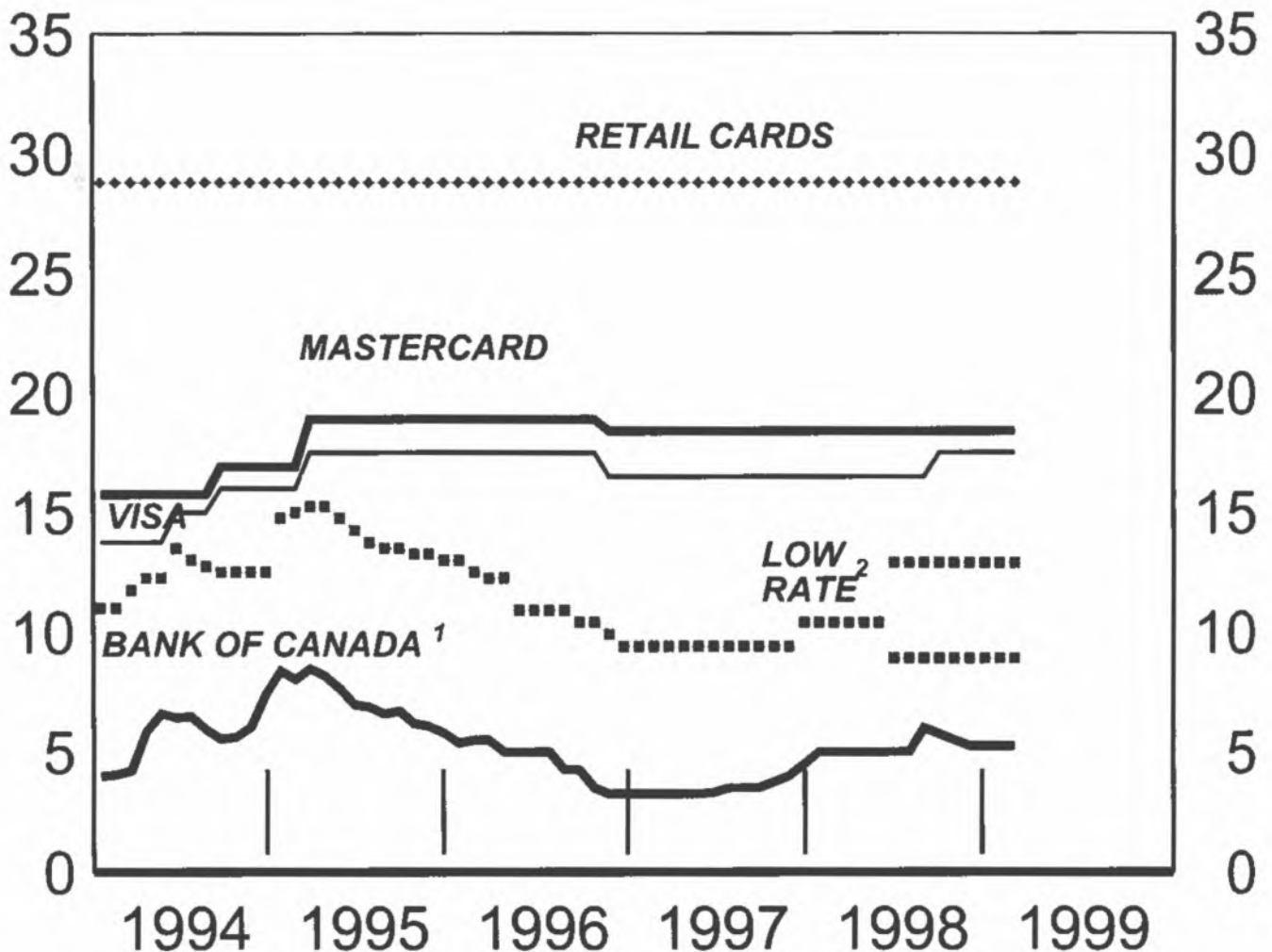
**Grace Period:** The number of days between the statement date and the payment due date.

**Late payment fees:** A late payment fee will be charged, if the minimum monthly payment is not made by the due date.

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# Credit Card Rates and the Bank of Canada Rate

Rate (%)



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

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

2. The Low Rate card used as the example is the Bank of Montreal Low Rate Option which since June 1998 is offering a split rate of 8.90% on cash advances/Mastercard cheques and 12.90% on retail purchases instead of the old 10.4% rate.

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## 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.