Slide #1: Borrowing - What to Consider Before Borrowing Money

Before borrowing money, it's important to make sure that the loan you are signing up for is the right one for you.

Slide #2: To do this, keep the following considerations in mind.

The Full Cost of the Loan

The first thing to consider is the cost of the loan.

Slide #3:

Be sure you understand the total amount of money you'll repay when you add up the amount of your loan as well as the interest you'll pay. Depending on the interest rate and whether it remains fixed for the whole loan or fluctuates, it may be difficult to get an exact amount but it's important to know roughly how much this will cost in the end. Ask yourself whether the loan is still worthwhile in light of that final figure.

Slide #4:

Payments

Next, consider the payments.

Slide #5:

Make sure that the payments are comfortable and affordable for you. Don't just think about right now, but consider whether you will be able to afford the payments if your financial situation changes down the road. How much change can you tolerate before you will be unable to afford the payments? Be sure you will comfortably be able to make your payments even if interest rates rise. Ask whether it is possible that the interest rate will change over the period of the loan and whether you can afford the loan if your payment amount goes up.

It's also important to know and consider what will happen if you miss a payment or are late making a payment. Will you be charged a fee or will the interest rate increase if you miss a payment?

Slide #6:

Time

Think about how long it will take you to pay off the loan.

Slide #7:

Is this a commitment you're willing to make? Can you increase your payment frequency to pay off the loan sooner? For example, can you afford to make accelerated bi-weekly payments on your loan rather than monthly payments? If so, that could help you to pay off the loan more quickly and may reduce the amount you will pay in interest over the life of the loan.

It's also important to know and consider what will happen if you pay off the loan early? Will you have to pay a penalty? Is there a fee for extra payments? Or are you allowed to make extra payments to a certain amount or percentage per year without penalty?

Slide #8:

Qualifications

Do you meet all the necessary qualifications to get the loan?

Slide #9:

Can you qualify for the loan on your own? Will you need a co-signer? If so, is there someone you trust who is able to co-sign on the loan? Or are you able to wait and work on your qualifications so you can qualify on your own down the road?

Slide #10:

Fees

Look at the fees associated with your loan.

Slide #11:

What are the processing fees? What are they for and when are they paid? How do these fees compare with the fees on other loan options you may have? Will the lender negotiate the fees?

Slide #12:

Insurance

Whether or not to take out insurance on your loan is an important consideration and one you will need to think through when borrowing money.

Slide #13:

Some lenders may require you to insure your loan and others may leave the decision up to you. Most loans can be insured in the event of death, disability, critical illness or loss of employment. Find out how much extra the insurance will cost and what it will cover. No one likes to think about these situations happening to them but it's very important that you think through how you will continue to pay your debts in case of an emergency or any unforeseen circumstances that come up in your life.

Slide #14:

Terms of the Agreement

What are the terms of the agreement?

Slide #15:

Be sure you know and understand the terms of your loan agreement. Ask the lender any questions you may have. The lender must ask for your consent before they add any services to your loan, line of credit or credit card.

Slide #16:

Security

Is the loan secured?

Slide #17:

A secured loan may give you a lower interest rate than an unsecured loan but you may forfeit that security (whether it is your home, car or other property) if you fail to repay the loan.

Slide #18:

Your Rights & Responsibilities

When you borrow money, you have rights and responsibilities related to your loan or line of credit.

Slide #19:

The rights and responsibilities you have will depend, to some degree on the lender and the type of loan you are getting. For example, federally-regulated financial institutions can only give you a loan if you have given your express consent. If the consent is verbal, they must not delay in giving you written confirmation of your consent. They must also give you information about your personal loan in a clear and simple manner that is not misleading. You must also be responsible to ensure you take the time to understand and read the terms and conditions of the loan and ask any questions you may have before you sign the loan agreement. If you want to know your rights for your specific loan and situation, a good place to start is by looking at the Canada.ca website under Credit and loans: Know Your Rights. Also be sure you take the time to read through the terms and conditions of your loan in the paperwork you sign. Many of your rights and responsibilities will be outlined in your loan agreement.

Slide #20:

Conclusion

Borrowing money is a big decision and not one that should be made lightly. Take the time to research and think through your options. Ask questions and make sure you understand all the aspects of the loan before you sign the loan agreement.

Slide #21: Vision Logo Slide