



**good
for
credit**



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Always keep in mind that saving rather than incurring debt should be your goal.

Sources

National Credit Regulator: ncr.org.za

BANKSETA: bankseta.org.za

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hello

How do you see credit?

Meet Sean, Emily, Vusi and Sasha.

As you follow each of their credit journeys, you'll get information and answers to many credit questions – all of which will help you manage your money better, bank better and ultimately live better.

Emily is a fashion designer. She's been working for a few years and feels confident that she can start her own side business. Before she takes this big step, her bookkeeping skills will need some improvement. She wants to be just as sharp as her design pencils. In her free time Emily learns about credit, because she'll need a loan to buy equipment for her own workplace and to pay for a few bookkeeping classes.

Sean grew up a few blocks away from Emily. He recently started a new job and just received his first salary. Tonight

he's taking his buddies to celebrate his new career and taking his shiny new credit card along to the party.

In the same city lives Sasha, a single mom, and her 2 kids. Her car just broke down. She doesn't have cash to pay for the repairs, but needs her car to get to work and her children to school. She puts the unexpected expense on her credit card, knowing that she can pay it back over a couple of months.

Vusi is Sean's manager at work. He wants to renovate his house. He applies for a personal loan to pay for the renovations, and then pays a set amount every month over a specified term.

Emily, Sean, Sasha and Vusi must understand how credit works.



thinking about credit

Before you borrow money, make sure you know what you're borrowing for and whether it's a need or a want. Is credit the best way to pay for it, can you afford the repayments and what do you need to give up to be able to make the credit payments? How stable is your income and employment?

Are you prepared for getting credit?

Credit enables Sasha to immediately pay for her car's repair, and then pay it off over time, with added interest. It's very convenient for her. While she gets her car fixed she doesn't have to worry about additional transport costs to get her children to and from school.

For Emily, credit opens up the opportunity to start her own business. She knows she'll need to manage her finances carefully to pay back her loan and to run a successful business. That's why she'll also use the credit to improve her bookkeeping skills.

Good vs bad credit – know the difference

Good credit will benefit you in the future and forms part of a larger financial plan to manage your finances. For instance, buying property or improving your skills. However, always bear in mind that you have to pay interest on any credit you take, and that you must be able to afford it, no matter why you apply for credit.

Vusi knows his home renovations could improve the value of his house. If he wants to sell, he's invested in the value and upkeep of the house. When Emily applies for a loan, she uses good credit. An entrepreneur at heart, she has a business plan ready for her own design studio. She's investing in her future.

Bad credit doesn't contribute to your wealth or well-being in the long run. For instance, if you use it to buy consumables such as drinks or takeaways or you can't really remember what you spent the money on.

Sean is having a great party. He ends up buying drinks for all his friends and a few people he doesn't really know. His credit card pays for everything. In the morning he realises that he, not his friends, will need to pay back what he spent, with interest. He has nothing to show for overspending.

Being good for credit

This is when you use credit for the right reasons, for instance necessary car repairs or a medical procedure. It also means you've budgeted for it and that you can afford to repay the monthly instalments. It's your responsibility to be good for credit.

Being a single mom, Sasha's always been vigilant with her spending. 3 years ago she took out a personal loan, but paid more than the monthly minimum to pay the loan off quicker. When she uses her credit card, she pays back the full amount every month. She budgets

to make sure she can afford it. Using credit responsibly in the past, she's built a good credit history.

Benefits of credit

- By using credit responsibly, you build a good credit history. This is essential when you need credit for larger transactions such as buying a house
- Credit gives you the flexibility to make big purchases and take up opportunities that cost more money than you might have at the time

Sean is now more careful with his spending, but he's already eyeing a new smartphone with so many accessories it makes his heart beat faster. But being a smart guy, he now knows that credit isn't free. He's still paying off the party he had, with interest. The new phone is a luxury and not a necessity, and buying it on credit will mean higher monthly repayments than he can afford. Another expensive purchase on credit

could quickly launch him into a debt spiral.

Consequences of credit

- **Credit is not free**
Interest, initiation and service fees, and other costs are added, which means you pay a price for the money you borrowed.
- **Increased impulse buying**
It's easy to overuse credit on items that you don't need. Then when a rainy day arrives, you have maxed out your available credit.
- **Potential financial difficulties**
If you don't use credit responsibly and stay within your means, it can lead to a debt spiral and over-indebtedness.





How much credit can you afford?

Before Vusi can apply for credit to renovate his house, he needs to budget how much he can afford to repay every month. He sets an afternoon aside to look at his current expenses and income.

To work out your budget, you need

- your latest salary slip
- your bank statements going back 3 months
- your credit report

Firstly check how much your consistent monthly income is after taking away non-recurring income such as once-off bonuses, variable income such as overtime, and deductions by your employer such as tax, pension contributions and unemployment insurance (your net salary).

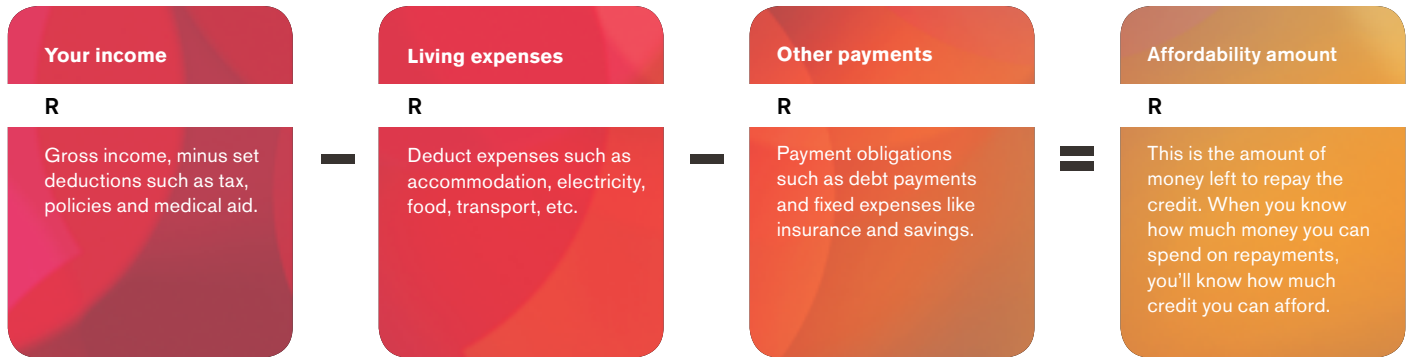
Now make a list of your monthly expenses. These are debt obligations such as your vehicle instalment, home loan and accounts. Add essential expenses such as food, fuel and electricity. Your bank statements will help you see which deductions and payments are made regularly.

Also take into account the money you pay monthly for things such as family responsibilities, e.g. contributing to the care of family members or even the community. Keep in mind that expenses can differ every month, so try to put an amount aside for unexpected expenses.

The amount of money left after all your financial obligations are deducted is how much you can spend to repay the loan.

Now you know how much credit you can afford.

Determine your affordability



tip

Make sure you've also planned for emergencies when calculating your affordability. When looking at affordability, also consider for how long you're willing to repay the calculated amount on credit each month.

Types of credit – which is right for you?

The type of credit you use depends on your needs. Sasha uses her credit card, while both Vusi and Emily apply for personal loans, which they'll repay over a specified period. A credit card's monthly payment may fluctuate depending on how much is spent, however, a personal loan's monthly payment will remain fixed unless there's a change in interest rate.

Situation	Type of need	Type of credit
Sasha has an emergency when her car breaks down. It has to be repaired quickly because she uses it to go to work and take her kids to school. She has insurance, but the repair costs are too small to claim for. It was an expensive month with many school expenses and she has no cash left to pay for the repairs.	Although she has a savings account, credit can come in handy in emergencies like these (health, financial and personal). Credit can be useful for peace of mind, offering her personal and financial security when she needs it most.	Credit card/ Credit facility
Emily buys equipment with her loan to start a small, successful business. She used a small part of the credit to attend bookkeeping classes to improve her business skills. Working for herself, she increases her income and repays her loan quicker than she thought she could.	Using credit wisely can provide the tools to achieve bigger things in life. Credit is a way of getting the money to become involved in key projects that will help Emily along her journey to achieving financial success and improve her social standing in her community.	Personal loan
Vusi wants to renovate his house. It will increase the value of his property. He takes out a personal loan that he can repay over 12 months.	A loan to finance home improvements will likely increase the value of Vusi's house.	Personal loan
You've paid off your debt and are now enjoying the benefits of the asset or improvements you made with the credit you took.	Ultimately, credit should be used as a way to build a better future. Using credit wisely, paying it off and meeting your financial goals will give you a sense of ownership for having played an active role in achieving your dreams.	Debt-free

Before applying for credit

tips

It's always cheaper to buy with cash. With cash you won't pay interest, fees or other charges associated with credit and you won't have to worry about keeping up with payments.

Carefully consider who you borrow from. You should never borrow from unregistered informal lenders. They do not comply with the National Credit Act, which means they can charge you fees and interest that are too high and make use of unlawful practices when collecting payments.

Check your credit profile. Getting your credit report before shopping for credit will give you an idea of whether there are things you need to work on before starting the process of applying for credit. You get one free credit report per year.

Be careful to take up credit on behalf of someone else, even if it's a good friend or family. It will have an impact on your affordability when you want to apply for credit for your own needs.

***credit is not the enemy,
bad credit habits are***

Answer these questions:

- Is applying for credit the only way I can get what I need? y n
- Will the loan uplift me financially, getting me closer to achieving my long-term goals? y n
- As the first step to knowing my financial health, do I know what my credit report looks like? y n
- Looking at my current budget, will I be able to repay the instalments on time, every time, for the duration of the credit agreement? y n
- Can I afford to repay all my credit and still have money left over for emergencies? y n
- Are my income and employment stable? y n
- Do I know the exact amount I need before applying for credit? y n
- Do I understand the full amount I'll need to pay back when I add all the fees and interest? y n

If you answered 'no' to any of these questions, you might need to rethink your decision to get credit.

5 steps to shop around for the best offer

Used wisely, credit can help you achieve your goals. Just always keep in mind that you have to pay interest, fees and charges for credit.

Vusi wants to choose the best credit provider for his personal loan. He looks at more than one lending institution and compares their interest rates, fees and products. He checks that they're doing business legally and that there are no hidden fees in the small print.

Look at your budget and affordability to see if you can afford credit repayments.

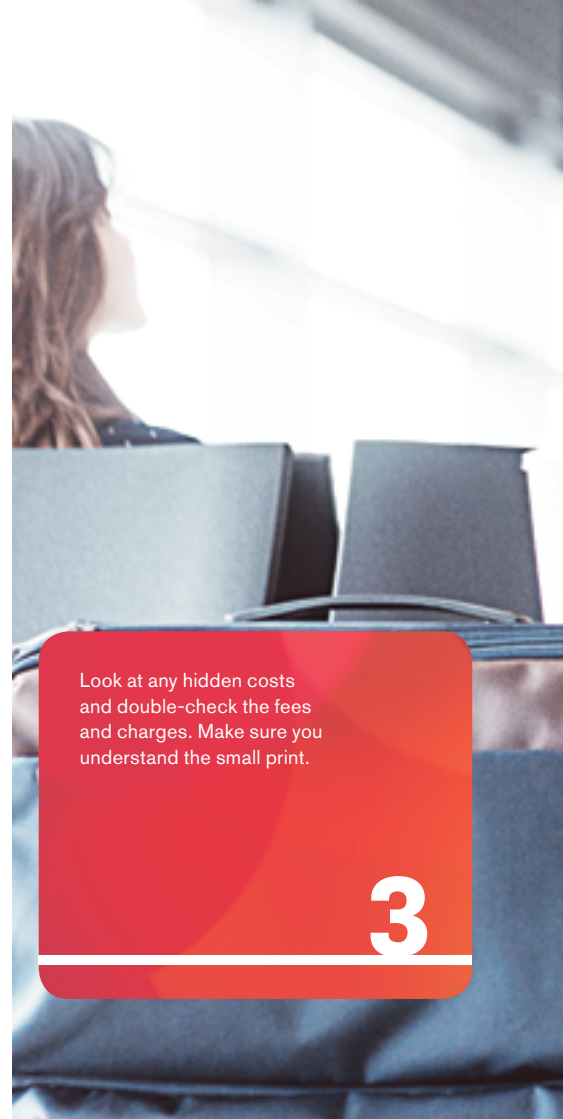
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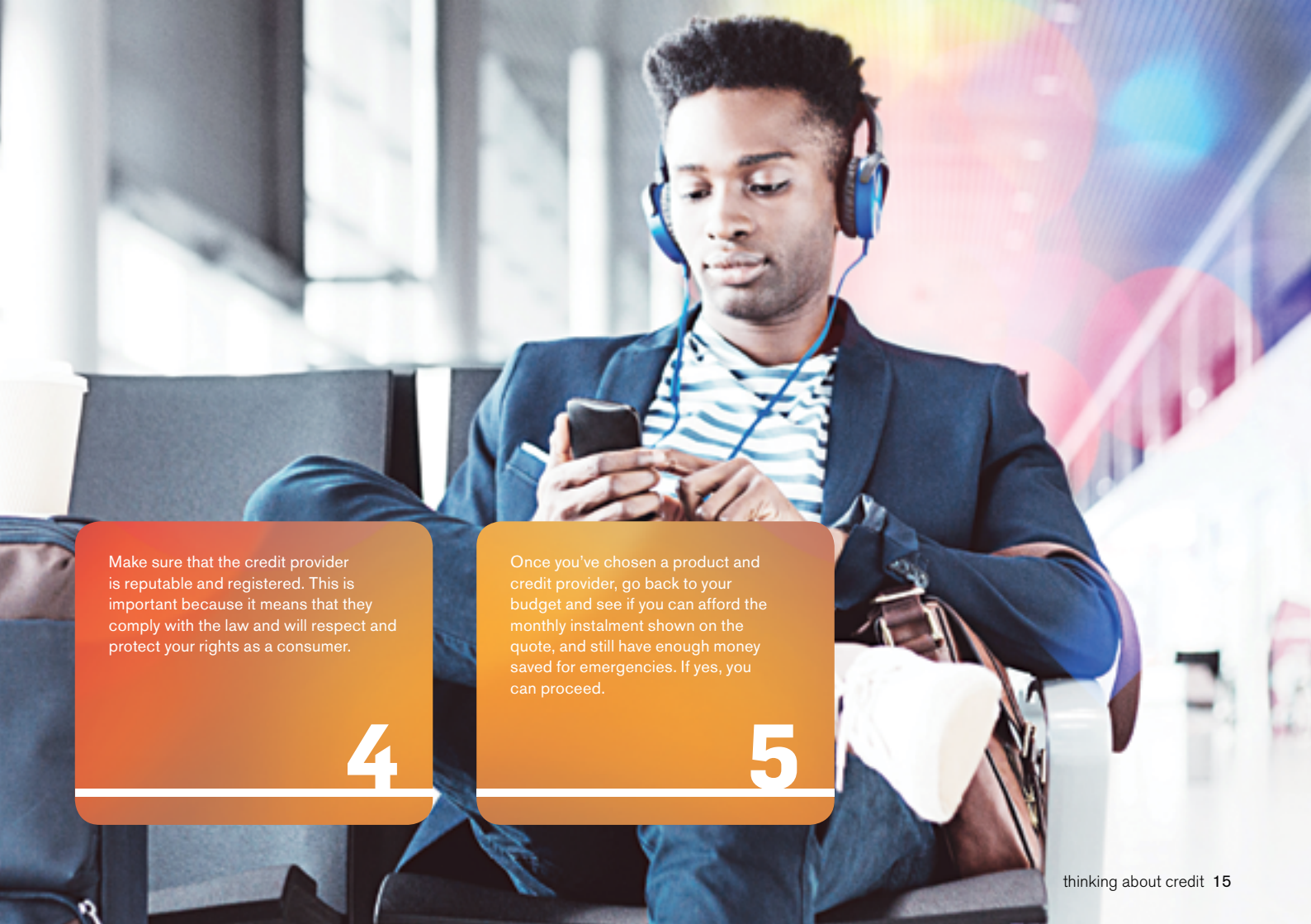
Shop around – not all credit providers charge the same. Compare credit options and decide what will work for you. Never take more credit than you need. Remember, you must always be completely honest with the credit provider about your finances when applying for credit.

2

Look at any hidden costs and double-check the fees and charges. Make sure you understand the small print.

3





Make sure that the credit provider is reputable and registered. This is important because it means that they comply with the law and will respect and protect your rights as a consumer.

4

Once you've chosen a product and credit provider, go back to your budget and see if you can afford the monthly instalment shown on the quote, and still have enough money saved for emergencies. If yes, you can proceed.

5

Fees, charges and other costs of credit

Credit can be really useful to help you achieve your goals. However, it's very important to remember that borrowing money is never free.

Be informed to make the best choice

There are various fees and charges that the credit provider will add to the total credit repayment amount. When all these fees are added, they increase the total amount you'll pay back on your loans every month.

Fees and charges in a nutshell

Initiation fee: This is a once-off fee for entering into a credit agreement. You can pay this fee upfront or you can add it to the total amount you borrow.

Service fee: Credit providers can charge a monthly administration fee.

Interest: Credit providers charge an added percentage of the amount you borrowed as interest, which means you pay back more than you borrowed.

Credit insurance premium: Credit providers insist that you take out credit insurance, which covers your debt in case of death, temporary or permanent disability, unemployment or the inability to earn an income.

Default administration charges: If you fall behind on your repayments, credit providers could charge you a fee for this.

Collection costs: If the credit provider tries to collect outstanding or overdue debt from you, they could add a fee for this.

Before entering into a credit agreement

- Insist on seeing the credit agreement/ quotation and go through it carefully to ensure you know exactly what you're agreeing to pay before you sign
- Make sure you know exactly how much the interest, fees and charges are
- Compare the costs of different credit providers to choose the best option

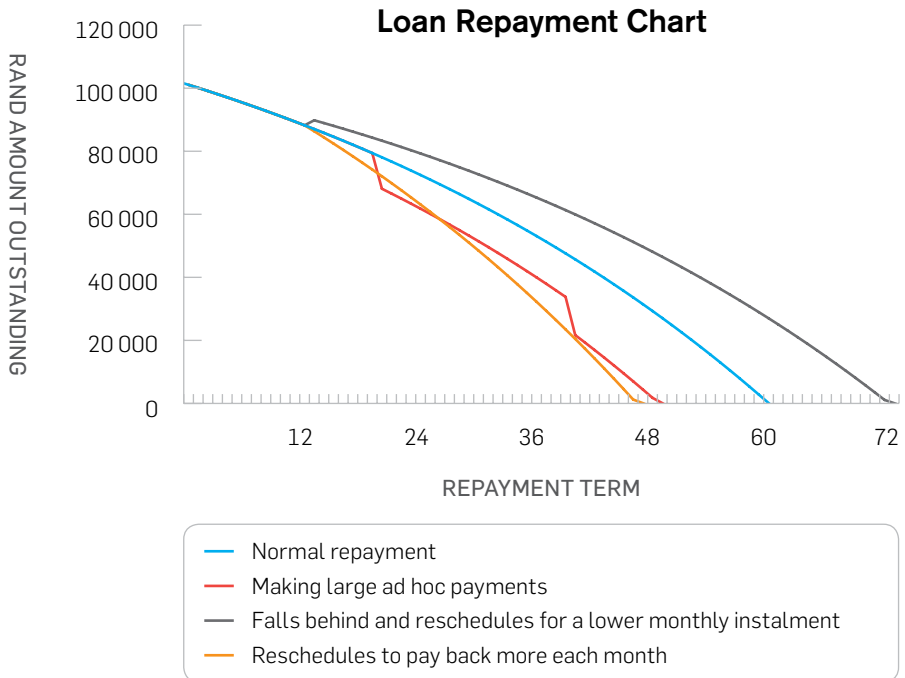
What else affects the cost of credit?

How long it takes to repay your debt also affects the total cost of your credit.

Remember that the fees and charges add up over time. Take for instance service fees, which are charged monthly. The more months you take to pay, the more you pay on service fees. So the longer you take to repay it, the higher the overall cost of credit will be.

That's another reason why the total amount you pay in the end will be higher than the amount you borrowed.

Emily gets approval for a loan of R100 000. It's a lot of money, but the equipment she needs to successfully run her business is expensive. She wants to repay the loan as quickly as possible, because the quicker she repays it, the lower the total cost of credit will be.



Emily must repay the R100 000 over a 5-year term. The interest rate is 21%. Let's see what happens to the total amount if:

1. She pays it back over the agreed term of 5 years.
Total credit cost: R167 386 incl. interest and fees
2. She makes large ad hoc payments when she can afford it and continues to pay her original instalment for the remainder of the loan.
Total credit cost: R153 674 incl. interest and fees, and loan is repaid in only 4 years
3. She falls behind and reschedules her loan by extending the remaining term to reduce her monthly instalments.
Total credit cost: R182 068 incl. interest and fees, and loan takes 12 months longer to be repaid
4. She reschedules her loan after 20 months by increasing her monthly instalment to pay it off quicker.
Total credit cost: R153 674 incl. interest and fees, and loan is repaid in under 4 years

How to compare credit costs or quotations

When it comes to credit, you want the best deal possible. That's why it's important to compare offers from a few credit providers before accepting an agreement.

All credit providers structure their offers a little differently, so what looks like a good deal at first glance may end up being costly. Knowing what to look out for makes it easier to tell which offer suits both your needs and pocket.

There are 3 ways to compare the offers from different credit providers:

1. the interest rate
2. the loan term
3. fees, costs and charges

tip | To make a fair comparison, ensure that the loan terms and the loan amounts being compared are the same.

1. How to use the interest rate to compare credit costs

Interest rates may look like small percentages, but they make a big difference to the total cost of credit.

Spot the difference:

Below is an example of a R100 000 loan over 60 months, with the same initiation fee of R1 197 (incl. VAT). You can see that the lower the interest rate is, the lower the instalments and the total cost of credit will be.

Interest rate Loan amount R100 000					
Interest rate (%)	Loan term (months)	Instalments (R)	Monthly fee (R incl. VAT)	Interest (R)	Total cost of credit (R)
18	60	2 566.01	68.40	52 910.35	157 560.35
23	60	2 848.65	68.40	69 868.83	174 518.83
28	60	3 146.27	68.40	87 726.48	192 376.48

2. How to use the loan term to compare credit costs

What if the interest rate is good, but you're not sure whether to repay the loan over a longer or shorter term? Longer terms mean more affordable monthly payments. However, keep in mind that the total cost of credit will be higher because interest is charged over a longer period.

Spot the difference:

See how much the total cost of credit is on a R100 000 loan with the same interest rate (28%) and the same initiation fee (R1 050), over different terms:

Loan term Loan amount R100 000					
Interest rate (%)	Loan term (months)	Instalments (R)	Monthly fee (R incl. VAT)	Interest (R)	Total cost of credit (R)
28	36	4 179.79	60.00	49 422.46	152 832.46
28	60	3 146.27	60.00	87 726.48	192 376.48
28	84	2 754.69	60.00	130 344.04	236 434.04





how to apply for credit

Before a credit provider decides to grant you credit, they first need to determine if you're a reliable credit client.



What do credit providers look at?

Credit providers want to know that the credit they grant will be paid back on time and in full.

Therefore, they do a credit risk assessment to evaluate potential borrowers. They do this to determine if you'll be a reliable credit client.

When they do the assessment they look mostly at your:

1. affordability
2. employment
3. credit behaviour

What do credit providers look at?

Your affordability

Vusi has already checked his affordability, but knows that the credit provider also needs to do this.

Credit providers will always make sure that you can afford to repay a loan. They want to see how much money you have left after all your deductions and expenses. That amount is used to work out how much you can afford to repay on a new loan, which is called your affordability.

The credit provider will determine your affordability by:

- **Looking at your salary slip.** This shows the credit provider how much money you take home every month. If your income varies because of commission or overtime, the credit provider will calculate an average based on the income over a period, usually between 3 – 6 months
- **Looking at your bank statement.** It can show how much you already owe and if you'll be able to afford a new loan on top of other financial commitments

Your employment

It's important to credit providers that you have stable employment. They'll want to know how long you've worked at your current employer and will also ask for your latest salary slip and a 3-month bank statement showing your last 3 salary deposits.

Having a permanent full-time position at his company and not working on a contract basis, Vusi knows that he has stable employment.

This improves his chances of having the loan approved.

Your credit behaviour

Being very aware of his responsibilities, Vusi has always been good at paying his accounts on time and using credit wisely. He therefore has a good credit rating.

The better your credit behaviour, the higher

your chances of being approved for new credit. Just like Vusi, your willingness to repay outstanding credit affects credit providers' decision to lend you money. They can see your payment history and credit behaviour on previous loans by looking at your credit profile, which is kept by a credit bureau.

Having a record as a responsible borrower, the credit providers know it won't be a big risk to give Vusi a loan.

However, if Vusi was someone who never worried about paying bills on time and ignored outstanding accounts, there would've been a risk that he may not repay the credit provider as agreed.

Only when credit providers are comfortable that a credit applicant can pay back the loan or facilities as per the agreement, will they make a credit offer.



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How to improve your chances of approval

There are 2 things you can do to improve your chances of credit approval. Firstly, make sure you have a good credit rating and secondly, ensure you'll be able to afford the credit you apply for.

Dreaming of his renovated house long before applying for a loan, Vusi looked at his credit rating to make sure he's good for credit. Having a good credit rating will help to get his application approved and will also get him the best rates.

Your credit rating

- shows how you manage your credit and how you pay your debts. It's almost like a financial CV that gives credit providers information on how well you've been, and currently are, paying your loans
- is calculated by looking at your past and current credit behaviour. It's based on your credit report, which is available at credit bureaus

These are widely known to affect your credit rating:

Your repayment history

The easiest way to maintain a good credit score is to pay all your instalments on time and in full every month. This proves that you are trustworthy and willing to pay off your debt as agreed with the credit provider.

Missing payments or paying less than the minimum amount will have a negative effect on your credit rating. It also remains visible on your credit report even after you eventually manage to pay your loan off in full.

Your outstanding credit balance

Credit providers look at the total amount you owe on all your loans. This amount is called the outstanding balance. This is to see how much you've already repaid and how often you use credit.

The length of your credit history

The longer your credit history, the more information is available about you, and the better the picture of your long-term credit behaviour.

The types of credit you have

Using a variety of credit options can show that you're able to manage different types of credit.

For example: If you have a personal loan and store accounts, and you repay them on time, it confirms your ability and commitment to pay the required amounts for a specific term.

New credit agreements you've recently taken up

Don't open too many new credit accounts at the same time, as this could suggest that you're in financial trouble and relying on credit to survive.

Using revolving credit such as credit cards and store accounts measures how easy it is for you to manage your budget on a monthly basis, as the repayment amounts for these accounts vary according to your monthly spending.

tip

If you have revolving credit such as credit cards, keep your balances low and manageable, and set a limit that you can't exceed. This shows that you're in control and using the credit available to you wisely.

How to improve your chances of approval

Your affordability

Credit providers do affordability calculations to see how much money you have left after you've paid all your financial commitments and deducted your living expenses.

You can improve your affordability when you **manage your income** properly and **reduce your expenses**. Remember, you must always be honest about your expenses.



Managing your income

You should know exactly how much you earn every month. The golden rule for managing your monthly income is to never spend more than you earn. If you apply for credit, your income should be enough to cover all your financial obligations and monthly living expenses.

When Vusi checked his affordability, he listed his income and all his expenses in a budget. Wanting the best loan he can afford, he was honest about all his expenses, for instance how much he really spends on food and on his dependants. The amount of money he had left after all his expenses were deducted showed how much he would be able to afford to pay back on a new loan.

Reducing your expenses

Reducing your expenses, especially on luxuries, is a definite way to ensure that there's more money left at the end of the month.

Your budget, bank statements or cellphone banking app can show you what you're spending your income on. See what practical steps you can take to cut down on your expenses.

Having 2 kids in primary school means that Sasha has a lot of expenses. The kids love to play sport and need clothes and equipment for practice and matches. Moreover, they grow like weeds. It feels as if she's buying new shoes, trousers and tops every term!

To reduce her expenses, Sasha started to share bulk grocery shopping with her sister. They buy items that are cheaper in bulk and divide it, so that each household has just enough to last for

the month. After all, you can only use so much toilet cleaner in one month!

Sean on the other hand, has no kids, no pets and almost not a care in the world. Realising that he's still climbing the corporate ladder at work, it'll still be a few years before he's at the salary level he dreams of. In the meantime, he needs to check his expenses carefully. To afford all the electronic gadgets he wants to buy, he'll have to reduce some of his expenses. So he moves out of the very expensive flat that he rented and now shares a more affordable flat with a friend. The flat they now rent together is not so flashy, but he has a lot more money in his pocket every month. Besides, it's much more fun living with his friend than alone.

Understanding loan agreement documents

Emily is overjoyed and relieved that her loan application has been approved. Receiving all the documents that outline the agreement, she's a bit worried that she won't understand everything. To her surprise she finds that it's not so difficult, but still decides to ask a consultant if she's unsure about anything.

Step 1: Carefully read the documents that outline your agreement.

Pre-agreement statement and quotation
Before signing a credit agreement, you should understand what you're agreeing to. If you don't, you could land in financial trouble. Ask the credit provider to explain the quotation to you if you don't understand.

What is it?

These documents give you information about the financial implications of the agreement. A pre-agreement statement may have the terms and conditions of your credit agreement attached or the terms and conditions may be separate. The quotation also shows the full cost.

Step 2: Check important information

To understand the agreement and to ensure that the credit provider also abides by the National Credit Act, you should ask yourself the following questions when you read through the document:

1. Does it state the total cost of the credit?
2. Is the monthly repayment amount shown?
3. Is there a delay in when you'll start paying the first instalment? For example, do you only start paying after 3 months? (Understand what the difference would be to the total cost of credit, if you had to start paying immediately.)
4. What is the repayment term?
5. Are any insurance products offered?
6. Are all the costs in line with the National Credit Act?
7. Is the credit provider registered with the National Credit Regulator?

tip | You don't have to accept the offer, sign anything or pay any fee at this stage. You have 5 days to think it through before you have to make a decision.



Check if the following information is in the credit agreement

General:

- **Payments** – When and how payments will be made, the number of payments, and the date of the first and last payments
- **Statements** – How often and in which way statements will be delivered
- **Insurance** (if applicable) – All insurance information, including what will and won't be covered
- **Default administration costs** – When and how it will be deducted
- **Addresses for receiving documents** – Includes personal details of all parties
- **Penalty interest** – Information about the interest charged on late payments
- **Marketing option** – The option to be excluded from telemarketing campaigns, marketing or consumer lists, or mass distribution
- **Annual credit limit increases** – Discuss automatic increases of credit limits for credit facilities
- **Credit bureaus** – Information on the reporting of your information

Your rights:

- **Consumer's right to cancel** – Specifies the conditions of a termination, including the surrender of goods
- **Early settlement** – States your rights and obligations should you choose to pay your loan off early
- **The right to apply for debt counselling**

Credit provider's rights:

- **The right to terminate** – Specifies the conditions of such a termination
- **Right to recover goods** and to enforce the agreement

ways to manage your credit

Making credit repayments on time improves your chances of being approved for credit in the future, and helps build a strong credit history.





What are your responsibilities?

While credit providers have an obligation to offer loans responsibly, you also have certain responsibilities when it comes to managing your credit.

If you take up credit, you have to:

- make your payments on time – meet monthly payment deadlines
- repay your debt with interest – repay the entire amount of debt, plus the interest
- update your contact details – the credit provider should be kept updated with new addresses, phone numbers and other contact details

The benefits of paying on time

Vusi is not a newcomer to the world of credit. Managing his loans responsibly in the past, he had no trouble getting the new loan approved and at a very favourable interest rate!

There are great **benefits to showing good credit behaviour**:

Lower interest rates

When using credit, you pay interest. The amount of interest you pay is often linked to your credit rating: the better your credit rating, the lower your interest.

1

Effortless credit approvals

By paying your instalments on time, you build up a good credit history. This will play a big role in maintaining a good credit rating, which will help you get approved for credit the next time you apply.

2

Higher credit limits

Credit providers will be more likely to increase your limit and lend you more money, as your good credit rating shows them that you can be trusted to pay back the loan in full and on time.

3



The benefits of paying more per month

Making only the minimum payments can leave you with a high debt balance for a long time. However, paying more than just the monthly minimum can save you a lot of money and improve your credit score.

Here's how bigger repayments can be to your benefit:

- **You'll save money on interest**

Because interest is charged on the total outstanding balance, you can lower how much interest you pay by making bigger payments.

- **You'll pay the balance off sooner**

If you pay more than the agreed monthly instalment, your debt will be paid back sooner. Once your debt is repaid, you'll have more money available to save towards your financial goals.

- **Your credit rating could improve**

If you have a lot of debt, especially revolving credit such as credit cards or store accounts, bringing your balance down faster by paying more may help improve your credit rating.

- **Your available credit will increase**

Having a credit card is handy, but if you use it a lot and only pay the minimum balance each month, you won't have any available credit for emergencies. Pay your card off quicker to make sure you have your entire credit limit available in case you need it.

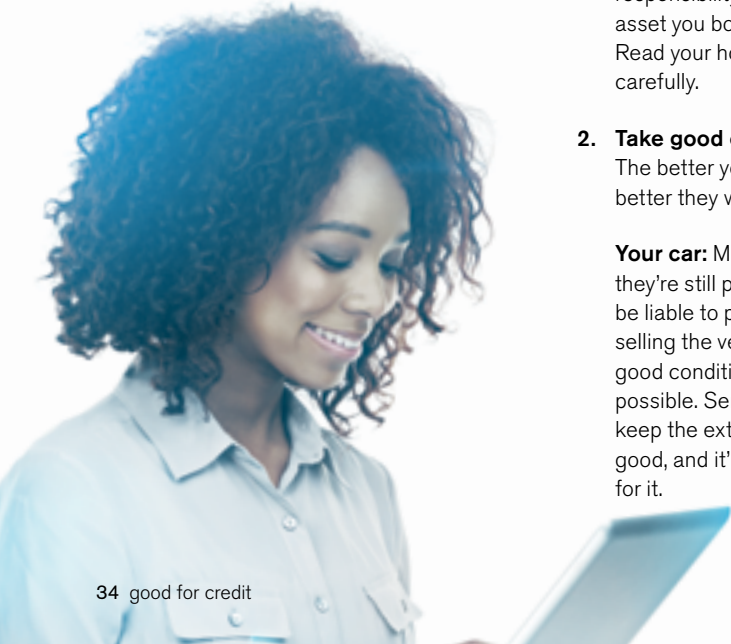
Easier approval for property rentals

To make sure they get reliable tenants, landlords often use prospective tenants' credit rating to verify if they have a good record of paying rent.

4

Protect your assets

Emily buys some expensive equipment with her loan. She'll take good care of it, because she could then get a good price if she wants to sell it again. By looking after her assets, she also protects her financial health.



Take these steps to make sure your assets are protected:

1. Seek insurance advice for your assets bought on credit

Many items, such as furniture and electronic appliances, can be covered by your household insurance. It's your responsibility to check that the specific asset you bought on credit is covered. Read your household insurance policy carefully.

2. Take good care of them

The better you look after your assets, the better they will retain their value.

Your car: Many people sell their car while they're still paying off the loan. You'll still be liable to pay off the full amount after selling the vehicle, so make sure it's in good condition to get the best price possible. Service the car regularly and keep the exterior and interior looking good, and it'll help you get a fair price for it.

Your home: Buying property is most likely the biggest investment you'll ever make. Make regular repairs and fix problems as they arise. This will help your property keep its value and even increase its worth. Keep in mind that things like plumbing and electrical fixtures will need to be upgraded from time to time.

3. Understand your credit life insurance policy

Some credit agreements will require you to have credit insurance. You can use your own credit insurer or take up insurance from the credit provider offering you the credit. Read your policy carefully and make sure you understand exactly what's covered.

Tips to stay in control of your finances

Managing your credit is important to stay good for credit.

Keep control by following these steps:

- 1 Get a copy of your credit report. You can get it free once a year
- 2 Keep an up-to-date budget
- 3 List all your debt and decide which ones need to be paid off the quickest
- 4 Cut down on unnecessary expenses and increase your debt repayments where possible
- 5 Keep a folder of all your communication with your credit providers
- 6 Keep a debt progress table and note all the payments you make and the amount still outstanding
- 7 Stay focused on your financial goals

While managing your credit will initially require a bit of work on your part, it'll soon become a habit that'll help you reap the rewards of being good for credit.

when help is needed

We can't always control what happens in our lives. Unexpected expenses could leave you unable to pay your monthly debt repayments. Should this happen, it's important to take action.



Struggling with debt?

Contact your credit providers immediately to try and arrange an alternative payment plan. Always explain your situation if you can't afford to pay your instalments. If there's no way forward and you can't keep up with your payments, it might be time to consider debt relief alternatives.

Some debt relief options:

- voluntary surrender
- debt rescheduling
- debt review
- debt administration
- voluntary sequestration

Voluntary surrender

What is it?

If you've bought an item on credit and then realise that you can't make the payments, you may be able to give it back to the seller. The seller may then resell it. You must then pay the difference between what you owe and the amount the seller resells it for.

When should I consider it?

- You've bought an asset and can't afford the repayments anymore
- Your asset is still in good condition and you know that you'll get a good price for it

How does it affect me?

- You'll have to give the item back
- Giving up the asset doesn't automatically make you debt free – you'll still have to repay the difference between the amount you owe and the amount the seller resells it for





Debt rescheduling

How can rescheduling my loan help if I'm struggling to make my debt repayments?

Rescheduling means the terms of an existing loan are amended through mutual agreement between you and the credit provider to make your loan repayments more affordable.

How will my loan repayments be made more affordable?

The loan payment period is increased in order to decrease your monthly repayment amount. Your interest rate remains the same.

What does it mean if my loan payment period is increased?

You'll pay back your loan over a longer period. While this means that your monthly repayments could be lower, your total cost of credit will be more because you'll pay interest over the longer period. You can manage this by increasing your repayment again once your financial position has improved.

When can I reschedule my loan?

You can proactively reschedule your loan if you're worried that you may start to miss your loan repayments. You can also reschedule your loan if you've fallen behind on your loan repayments.

Who can I contact if I want to reschedule my loan?

You can apply for rescheduling with your credit provider.

How does the rescheduling process work?

Automated rescheduling rules will determine whether you qualify for rescheduling. There are different types of rescheduling and you'll be asked questions to determine what type will best suit your needs.



Debt review

What is debt review?

If you're over-indebted, a debt counsellor can help you by restructuring your debt payments based on what you can afford. The debt counsellor works out an affordable monthly payment plan by extending the term over which you repay your debt, and in some cases by reducing the interest rates and fees.

Important: The aim is to help you manage and repay your debt. Debt review doesn't mean that your debt gets written off.

When would I apply for debt review?

If you earn an income but find yourself over-indebted, you may qualify for debt review.

What does it mean to be over-indebted?

It's when you don't have enough money left for necessary living expenses after making your monthly debt repayments, even though you've lowered your living expenses as much as possible and made arrangements with your credit providers such as rescheduling your existing loans.

Will it cost me money to go under debt review?

Yes. Debt counsellor fees are regulated by the National Credit Regulator. Make sure that all the costs and fees are explained to you if you contact a debt counsellor.

What happens when I apply for debt review?

A debt counsellor will assess your financial situation. If you're found to be over-indebted, they'll calculate what you can afford to pay towards your debt each month so that you'll still have enough money to pay your necessary living expenses. The debt counsellor will then submit a proposal to your credit providers saying how much you're able to pay. If they agree to the proposal, your debt review case becomes effective by means of an order. The credit bureau will be informed, and for the duration of the debt review your credit bureau report will show that you're undergoing debt counselling. All debt review cases must then either go to the National Credit Tribunal for a consent order or alternatively, to a magistrate's court to become effective by means of a court order.

How is my debt paid while I'm under debt review?

Once your credit providers have accepted the debt counsellor's repayment proposal, a consent or court order is obtained.

Your restructured repayments are then combined into a single monthly repayment. This single payment has to be made to a payment distribution agent every month, who distributes the payment to your credit providers as agreed in your repayment plan. Alternatively, you can choose to pay your credit providers directly, but you'll still have to pay the debt counsellor's fees to the payment distribution agent.

How long will I remain under debt review?

It's different for everybody as every individual's situation is unique. Your debt repayment plan will show exactly when your last day of payment will be. Make sure you understand how long the process will take.

Can I apply for more credit while under debt review?

No. You also won't be able to access any of your existing credit facilities.

What happens once I've repaid all the debt?

You'll receive a clearance certificate and be in a position to apply for credit again.

What if my financial position improves while I'm under debt review?

You can apply for a court order that confirms that you're no longer over-indebted.

What happens if I don't pay my debt review instalments?

Debt review is a legally binding process. The order is granted by the magistrate's court or the National Consumer Tribunal, so you're legally required to pay it. Keeping up with your new instalments is very important. If you don't, your credit providers can withdraw from debt review, and you could face legal action and possibly lose your assets.

Can I withdraw once a debt review order has been granted?

You cannot withdraw from the process, but you can approach the court to set aside the order or apply for an order which declares that you're no longer over-indebted.

Which debt counsellor should I use?

You can visit the National Credit Regulator on ncr.org.za or phone 0860 62 76 27 for more information about debt review, and to find a registered debt counsellor.

Debt administration

What is debt administration?

An application is made to court and an administration order is granted if you're unable to meet your financial commitments. A debt administrator is appointed by the court and will communicate and negotiate with your credit providers on your behalf for a lower instalment and new payment plan.

When can I consider debt administration?

If you're over-indebted and your total debt is less than R50 000.

How does it affect me?

- An administrator manages your finances
- There are costs involved, which include the cost to obtain the administration order and monthly payments to the administrator for their services
- The debt repayment often becomes a salary deduction
- It protects you against legal action by a credit provider
- The administrator pays your credit providers every 3 months, so it takes longer to pay off your debt, and the interest adds up
- While you're under administration, you won't qualify for more credit and you'll be listed as under administration at the credit bureau





Voluntary sequestration

What is it?

You get an attorney to apply for insolvency of your estate in court. When the court agrees that you have more debt than assets and that you cannot pay it back, your estate will be declared insolvent. The process entails the selling of your assets, e.g. home, car, furniture and other valuables to pay off all or most of your debt.

When should I consider it?

- You can't afford your debt repayments and you have more debt than what your assets are worth
- You can't use any other debt relief options

How will it affect me?

- You'll no longer own any of your property
- You can't enter into any contracts on your own
- It's a criminal offence for you to apply for credit
- You may not be a member of a CC or a director of a company
- Your debt could be written off
- Your personal assets such as your house, car and furniture will be sold to pay your credit providers
- You're declared insolvent and won't qualify for new credit for at least 10 years unless the court orders that you're no longer insolvent within 10 years from the date of your sequestration
- Credit providers won't be able to take further action against you

Voluntary sequestration

How it works

Situation	Debt relief option
Ella is Sasha's sister. She bought a very expensive TV on credit. Shortly afterwards she had to pay for some costly medical tests and had to borrow money from Sasha for the TV's monthly instalment. Worrying that she could end up struggling to repay this loan, she realises that she needs to make a plan.	Voluntary surrender
John is one of Vusi's best friends. He loves living a life of luxury, which he unfortunately can't afford. He's now in the situation where his income can't cover his debt responsibilities anymore. He needs to make a plan, as he can't even pay the monthly minimums on his store cards, home loan or vehicle instalment. John needs help.	Debt review
Sean's colleague, Busi is in a fix. Her personal loan debt is out of control. If she had only one loan it would've been better, but she has 2! She doesn't know which loan she should pay off first and it worries her that one of the loans has very high fees, which adds to the debt burden.	Debt consolidation
Oliver is Emma's nephew. He has a few small loans with balances adding up to R45 000. He has over-committed himself and already fell behind on more than one of his loans. He's afraid that legal action will be taken against him and that some of his assets could be repossessed.	Debt administration
Jackie lives near Vusi. She's totally over-indebted and not coping with her monthly credit instalments. If she doesn't take action she'll be in a lot of trouble with her credit providers and can even end up in court. Her debt is too high to consider debt review. She knows that some of her assets, such as her house, will have to be sold to overcome the situation.	Voluntary sequestration

What happens

According to the National Credit Act, everybody has the right to voluntarily surrender any goods bought on credit. Ella must give written notice to the credit provider that she wants to return the TV, and then voluntarily surrender it to the store where she bought it. The store may give her an estimated value of how much they'll get if they resell the TV. Remember, the TV is now a used item, so it'll be worth less than what she initially paid for it.

Because John earns a regular income he qualifies for debt review. A debt counsellor will help him by negotiating repayments with his creditors on his behalf. John may now be able to pay his debts and provide for his family's essential living costs. The review process may protect him legally against creditors, while the debt counsellor can support him throughout the process.

Once the debt review is completed, in other words when all his debts have been paid in full, John may receive a clearance certificate. His debt review status will be removed from the credit bureau only once he's received the clearance certificate.

Busi discusses the problem with one of her credit providers who suggests she takes out a consolidation loan. Her debt will be combined in a single loan and the proceeds of the new loan will be used to settle each of her creditors directly. The new loan will replace all the previous loans (excluding her retail credit), preferably but not necessarily at a lower interest rate. The repayment period is usually stretched over a longer time, which will reduce her monthly repayment. It'll also reduce her service fees as she pays only one monthly fee instead of fees for various loans.

As Oliver's outstanding balance is less than R50 000, he applies for a debt administration court order. This order legally hands over the management of his financial affairs to a debt administrator.

He's protected from credit providers taking legal action against him, and once the process is finished, he'll be free of debt.

Jackie's house and furniture will be sold and the proceeds used to settle the debt owed to her credit providers. Once the process of voluntary sequestration starts, she'll stop making payments to her credit providers. She'll also be relieved of any claims once the creditors have received their benefit from her insolvent estate.

Implications

If the value of the item is less than the amount owed, she'll have to pay the difference.

John won't be able to enter into new loan agreements during the review process. He'll have to pay fixed fees during the review process.

Busi must do her calculations. While it'll be more affordable, the consolidated loan is extended over a longer term than her existing loans, so it'll probably cost her more in the long run. She must commit to not add new debt on top of her newly consolidated loan as that may cause her to get into trouble again.

The process isn't free and the administrator can take up to 12.5% of the amount that's distributed to Oliver's credit providers.

The legal fees are high. She's declared bankrupt and won't be able to apply for credit again for about 10 years.

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