

Use the checklist below for when you want to borrow a fixed amount of money, like a one-off loan or to pay for a purchase.

Fixed-credit checklist

The total amount I will have to pay \$

This amount is made up of:

Cash price \$

Interest at %
for years months \$

Insurance \$

Warranties \$

Fees and any other costs \$

Amount I will pay per week \$

Per fortnight \$

Per month \$

Security:

Missed payment penalty:

Is this the best deal you can get? If you are not sure you can take the information away and think about it. Get some advice.

Getting more information

Struggling with debt?

You can get advice from a Budget Advice Service. Contact details of your local office are in the White Pages or online at www.familybudgeting.org.nz. Or phone free (weekdays 8–4.30) 0508 BUDGETLINE (0508 283 438) to talk with a trained budget advisor.

To work out how much your loan will cost you, visit the www.sorted.org.nz website and click on 'Calculators'.

Need help understanding a contract? Community Law Centres are able to give free, independent legal advice.

Ministry of Consumer Affairs
PO Box 1473
Wellington 6140

Ph (04) 474 2750

Fax (04) 473 9400

www.consumeraffairs.govt.nz

This guide sets out the Ministry's interpretation of the Credit Contracts and Consumer Finance Act 2003. This guide should not be used as a substitute for specialist legal advice.

March 2009



BEFORE YOU BORROW MONEY

TEN QUESTIONS TO ASK BEFORE YOU SIGN



New Zealand Government

Use this guide to help you get what you want from a loan, credit purchase, or credit card.

Before you sign, ask these ten questions:

1. What's the total amount I'll be paying back?

Usually the longer the period of a loan, the more you'll pay back in total. The same goes for how much you'll pay each month. For example, \$100 a month may be affordable, but if it's for five years you'll be paying back a lot more than if the loan period is for two years.

2. Is my home or are my household goods being used as security?

A creditor can sell your security to get the money back if you don't keep up the repayments. If your home or household goods are being used as security for a loan you could lose them.

3. Is it the best deal I can get?

Buying credit is like buying anything else – it pays to shop around. Use the fixed-credit checklist in this brochure to compare credit offers. Then work out which is the best deal for you.

4. What extra costs have been added on?

Remember to include fees such as brokerage fees and set-up fees in your working out. These can add up, so even if the interest rate looks good, look at the fees charged as you may get stung.

5. What about insurance?

Credit providers may push you to get insurance. Think hard about whether you need insurance or not. For example, there's no point having redundancy insurance if you're not currently working.

6. What will happen if I miss a payment?

Check out what the penalty will be if you miss a payment. These will include things such as late payment fees or over limit fees (like on credit cards). Remember too, late payments can affect your credit rating.

7. I'm not sure I understand the form; do I have to sign straight away?

No! Don't be pressured into signing straight away. Take the paperwork away and get advice before you sign.

8. They've offered me a free gift! Should I be wary?

Be on your guard about free gifts or, for example, when financing a car you're offered a 'free' extended warranty or cash back. This may well have been added into the overall cost of the loan.

9. Who am I dealing with?

If you are not going through a broker there shouldn't be a broker fee put on your loan. This is against the law. If this happens you can make a report to the Commerce Commission on 0800 94 3600.

Also, remember that salespeople often work on commission to sell credit products. Don't let yourself be talked into anything you're not completely happy about, and make sure you're not being persuaded by the charm.

10. I've changed my mind. Can I cancel?

Under New Zealand law, there is a three day cooling off period. This means that after you receive the disclosure statement you have three working days to cancel the contract.

You need to tell the creditor in writing that you want to cancel. Hand-deliver your letter or send it by registered mail to make sure it arrives in time. Cancelling the credit does not always cancel the purchase. If you have borrowed the money to pay for goods and have already taken the goods home you will need to pay for the goods within 15 days. You may also need to pay a small amount to cover the lender's costs.

... that the right to trial by jury is a constitutional right, after consulting with counsel of their choice, the mutual benefit waives any right to trial by jury in the performance or enforcement of this Contract.

... has signed this Contract

Jane Smith
SIGNATURE