



How do I get a Debit Card?

Debit Cards

A debit card is a plastic card that you can use to pay for goods and services or withdraw money from a bank machine. When using a debit card, you can only spend the money that is in your bank account. You may have to pay a fee when you use your debit card. Banks and credit unions usually give you a debit card when you sign up for an account. In Canada, you have the right to open a bank account as long as you show proper identification.

You can open an account even if you:

- don't have a job
- don't have money to put in the account right away
- have been bankrupt

To open an account, you usually have to:

- go in person to a bank/financial institution
- provide an acceptable form of identification



How do I get a Credit Card?

Credit Cards

A credit card can be a great financial tool. A credit card allows you to make purchases today and pay for them in the future. Using a credit card for payments will help you show that you can pay back the money you borrow. However, if used irresponsibly, a credit card can lead to a lot of debt and unmanageable payments.

Before getting a credit card you should know how they work, the benefits, and whether you'll qualify.

How It Works

You can use your credit card to pay for goods or services:

- at a cash register or checkout
- over the phone
- online

Your *credit limit* is the most you can spend on your credit card. The limit is set when you first get your credit card, but you can request to change it.

Interest Charges

Interest is the money you'll pay if you don't pay your credit card balance in full by the *due date*. You'll continue to pay interest until you pay your balance back in full. Interest rates vary depending on your financial institution and the type of transaction. Your credit card statement and credit card agreement must state the interest rates.

When you use your credit card, you have an interest-free grace period. The grace period begins on the last day of your billing period. You can find out your billing period by checking on your credit card statement. The grace period does not apply to cash advances and balance transfers. Most credit cards have a minimum 21-day grace period.



For example, suppose you buy a cell phone using your credit card on January 15. On February 1, you get your credit card statement, which includes the cell phone. A 21-day, interest-free grace period will apply to purchases on your bill. This means you have until February 21 to pay off the cell phone and your other purchases completely to avoid interest charges.

How to Qualify

To qualify for a credit card, you'll need to meet some basic requirements:

- Minimum age of 18
- Be a permanent resident or citizen of Canada
- An acceptable credit score
- A social insurance number

Choosing a Credit Card

To choose the right credit card, consider what you want to use it for and your financial situation. There is a wide variety of credit cards including:

No-fee credit cards. A no-fee credit card is a good first credit card. It can help you build or improve your credit history without any annual fees.

Cash back credit cards. If you use a credit card for most of your day-to-day spending, a card with cash back rewards might be for you. You can earn rewards in specific categories, like grocery stores, travel, or gas stations.

Low-interest card cards. If you use your credit card to buy something that you can't pay off, you'll carry a balance on your credit card. You can do this as long as you make the minimum required monthly payment. In this case, a low-interest rate credit card could be a good choice.

The Government of Canada has a credit card comparison tool that can help you find the right credit card for you. You can search "Government of Canada Credit Card Comparison Tool" or go to <https://itools-ioutils.fcac-acfc.gc.ca/CCCT-OCCC/SearchFilter-eng.aspx>



Applying for a Credit Card

Every card has its own application process. The application may be online, in person, or over the phone. The approval could be immediate or take a few days to a week. When applying, make sure you have your:

- Full name and address
- Social insurance number
- Income information

Rejected Applications

If your credit card application is declined, don't panic. Review the common reasons for rejected applications, so you can see what to work on:

- Poor credit score
- Bad track record of repaying loans or other bills
- Low income/too much other debt
- Short employment history

Strengthen your finances to increase the chance of approval next time you apply. Look for ways to boost your income and/or lower other debt. Avoid re-applying until some time has passed and you have a stronger application.

Credit Card Tips

Keep an eye on your usage to make sure the balance doesn't go over your card limit. This can affect your credit score and result in charges. Remember to make your minimum payment on time. To avoid interest charges, don't carry a balance on your card. Pay the total off each month.

Used properly, a credit card can help you manage your money, build your credit, and save money through rewards or cashback. A good credit history helps if you want to make a major purchase or get a loan or mortgage.

If you don't use your credit card responsibly, you could end up losing it and damaging your *credit score*.



Credit Score

Your credit score is a three-digit number that represents the risk to a lender when you borrow money. A higher credit score means you're generally seen as a lower risk to lenders. Your credit score comes from the information in your credit report.

Your credit report is a summary of your credit history. Your credit report is created when you borrow money or apply for credit for the first time. Lenders send information about your accounts to the credit bureaus.

You get points if you use your credit responsibly. You lose points if you have trouble managing your credit. Your credit score will change over time as your credit report is updated.

Credit Score Calculation

Factors that may affect your credit score include:

- How long you've had credit
- How long each credit has been in your report
- If you carry a balance on your credit cards
- If you regularly miss payments
- The amount of your outstanding debts
- Being close to, at, or above your credit limit
- The number of recent credit applications
- The type of credit you're using
- If your debts have been sent to a collection agency
- Any record of insolvency or bankruptcy

Lenders set their own guidelines on the minimum credit score you need for them to lend you money. If you have a good credit score, you may be able to get lower interest rates. In general, you need to give permission for a business or individual to use your credit report.



Improving Your Credit Score

Monitor your payment history. Your payment history is the most important factor for your credit score. To improve your payment history:

- always make your payments on time
- make at least the minimum payment if you can't pay the full amount
- tell the lender right away if you think you'll have trouble paying a bill
- don't skip a payment even if a bill is in dispute

Use credit wisely. Don't go over your credit limit. If you have a credit card with a \$5,000 limit, try not to go over that limit. Borrowing more than the authorized limit on a credit card can lower your credit score.

Try to use less than 35% of your available credit. It's better to have a higher credit limit and use less of it each month. If you use a lot of your available credit, lenders see you as a greater risk. This is true even if you pay your balance in full by the due date.

Limit your number of credit applications or credit checks. It's normal and expected that you'll apply for credit from time to time. When someone asks for your credit report, it's recorded as an inquiry or credit checks.

To control the number of credit checks in your report:

- limit the number of times you apply for credit
- get quotes from different lenders within a two-week period when looking for a car or a mortgage. Your inquiries will be combined and treated as a single inquiry for your credit score.
- apply for credit only when you really need it

Soft hits are credit checks that appear in your credit report but only you can see them. These credit checks don't affect your credit score in any way. Asking for your own credit report is an example of a soft hit.

For more information about managing your finances, banking, and credit, you can go to <https://www.canada.ca/en/services/finance.html> or search "Government of Canada Money and Finances".