



CONSUMER PROPOSAL VS. CREDIT COUNSELLING

From cutting debt, to cost, to asset protection and more, when it comes to options for dealing with your debt, making a Consumer Proposal can be a better choice than a credit counselling debt repayment program.

Compare key differences between debt solutions: consolidated credit counselling plans and debt consolidation with Consumer Proposals – some may come as a surprise!

Consumer Proposal

Credit Counselling

Types of Debt Eligible

Virtually all types of debt may be consolidated in a Consumer Proposal, including but not limited to:

- General consumer and business debts (credit cards, lines of credit, overdrafts, payday loans, personal debts, etc.)
- Government debts (taxes, business GST, etc.)
- Student loans (Federal, Provincial, private)
- ICBC debt
- MSP debt

Besides bankruptcy, a Consumer Proposal is the only method in Canada for reducing a balance owing on government debts.



- Credit counselling plans are severely limited in the types of debts they cover. They may help you consolidate only basic unsecured consumer debts such as credit cards, lines of credit and loans.

- Government creditors such as Canada Revenue Agency or student loans will not agree to or accept credit counsellor debt management plans.



Negotiating Debt

- Debts may be cut by up to 50-80%, in full settlement.
- Consolidated debt is reduced to what you can afford to repay. Creditors will write-off/forgive the unpaid balance.
- Debts automatically stop accruing interest charges – without negotiation.
- Your personal circumstances such as income, family size, etc. are considered when calculating your proposal offer. Your Trustee needs to sign off that your proposal fits within your means without causing undue hardship.
- Only 50% of your creditors (by dollar value) need to accept your proposal offer for it to be legally binding on all creditors (even any who disagree).



- You generally repay 100% of your debt - the informal nature of credit counselling provides no ability to reduce your debt balances.

- Participation by each creditor/debt will be negotiated by your credit counsellor.

- Debts with creditors who do not work with credit counsellors or agree to your credit counselling plan must be paid by you separately.

- Creditors may or may not agree to stop charging interest, or to reduce the interest rate.

- Creditors can change their mind and opt out of your repayment plan at any time, although most won't so long as your plan is in good standing.

Monthly Payments

- Wide range of potential payments since there is much flexibility to cut debt. Monthly proposal payments are most common, but other terms may be possible.
- No payments are required beyond what you are offering to creditors in your Consumer Proposal.
- Consumer Proposal costs are covered in your monthly proposal payment; they are simply deducted from the funds your creditors receive.
- Licensed Insolvency Trustees fees are set by government tariff and will be reviewed by government body to ensure complete transparency.



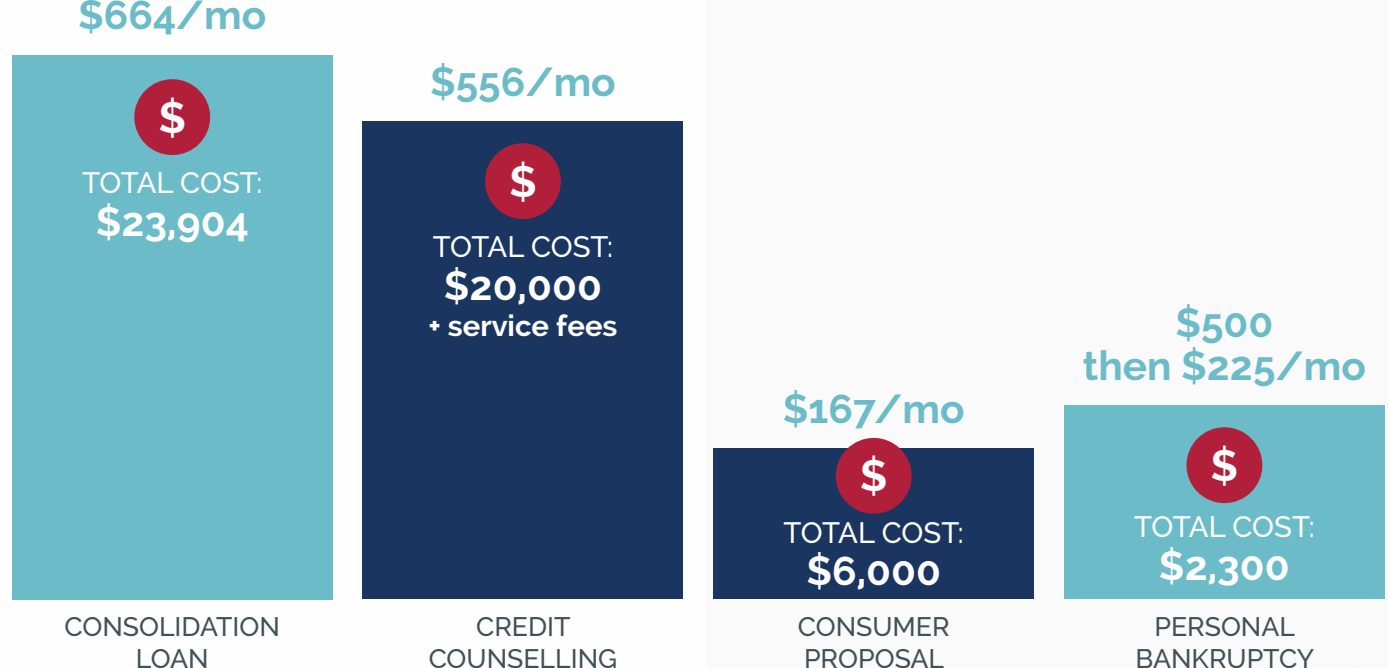
- Debt repayment is usually done with monthly payments. Monthly payments may be high (even before factoring in fees), since 100% of your debt is being repaid.

- Some resources may be free but normally you must pay professional fees for debt repayment services (even working with a non-profit agency).

- Indirect charges may include fees for set-up, monthly maintenance, application, membership and more. You may be charged fees even if creditors refuse your settlement offer.

- Being part of an unregulated debt repayment industry, credit counsellors will set their own prices.

Strategies to Pay Off \$20,000 of Debt Illustrative Comparison: Monthly Payments Over 3 Years



Key assumptions:

Repay 100% of debt with 12% interest consolidation loan.

Repay 100% of debt without interest charges.

Professional fees will be extra.

Repay 30% of debt without interest – 70% written-off.

No additional professional fees applicable.

Full forgiveness of all debts.

No surplus income requirements, minimum bankruptcy fees only.

Creditor & Asset Protection

- Legal protection / 'stay of proceedings' applies.
- Creditors are prohibited from contacting you for payment. Collection action must cease.
- Wage garnishments, bank account freezes and court proceedings will be stopped.
- You may choose to continue with mortgages and vehicle financing in place.
- Keep your assets unless you choose to offer any as part of your Consumer Proposal.



- Creditors participating in your plan usually refrain from contact, but there is no legal authority to enforce this.

- Creditors remain free to pursue collection activity and/or legal action.

- Debts secured to an asset are normally not covered; you would manage those outside your credit counselling plan.

- Assets are normally not surrendered for credit counselling plans, but you may choose to do so.

Time to be Debt-Free

- Repayment terms vary depending on your situation. Terms of 24-48 months are common.
- Must be completed within 60 months.
- A different type of proposal is available if you need a term longer than 5 years.
- You can pay off your Consumer Proposal early at any time.



- Terms of repayment plan will vary depending on the size of debt etc. Terms of 60 months are common.

- Payments can go on to a maximum of 5 years.

- Debt repayment plans may be paid off early.

Credit Rating Impact

- In BC an R7 rating will be noted for 3 years after completion, or 6 years from the date of filing, whichever comes first.
- You can apply for new credit any time.
- One-on-one financial counselling on credit scores, money management and more provided by fully qualified Insolvency Counsellors.



- In BC an R7 rating will be noted for 2 years after completion.

- You can often use and get new credit, but some credit counsellors may ask you to sign a disclosure statement that you will not do so.

- Credit counselling education resources are generally available.

Debt Help Expertise & Qualifications

Licensed Insolvency Trustees are licensed, overseen and regulated by the Federal government. They are:

- ✓ The only professionals in Canada legally empowered to help Canadians reduce/eliminate their debts.

- ✓ Bound to comply with a Code of Ethics and rules of professional conduct.

The Office of the Superintendent of Bankruptcy oversees all matters and filings related to Consumer Proposals.

- ✗ Credit counsellors are not legally required to have specific qualifications or training. Anyone can call themselves a 'credit counsellor'.

- ✗ Credit counselling does not fall under any government program or endorsement; some organizations are registered as collection agencies or debt repayment agents.

- ✗ The Government of Canada has published credit counsellor consumer alert references and notes some credit counsellors may promote their services over other options, since they receive money from your creditors based on what they recover from you.

Sands & Associates' qualified Licensed Insolvency Trustees will help you understand and compare all your debt management options so you can choose the solution that's right for you.

We take a supportive non-judgmental approach to debt help services and confidential consultations are always free.