

**ASIC**

Australian Securities &amp; Investments Commission

[Publications](#) > [Media Centre](#) > Six steps to smarter borrowing

## 10-145AD Six steps to smarter borrowing

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New legislation in relation to consumer credit means that from today, home loans, personal loans, credit cards, consumer leases, overdrafts and line of credit accounts, among other products and services, will be regulated by ASIC under a single, nationally consistent regime.

As it assumes responsibility for these new laws, which are designed to better protect the interests of borrowers and improve standards across the industry, ASIC has offered borrowers some practical guidance on dealing with credit and managing debt.

'For many Australians, credit is a fact of life, often part of exciting decisions like buying a home', Ms Delia Rickard, ASIC's Senior Executive Director Financial Literacy, Consumers and Retail Investors said.

'But with so many credit products on offer, some people do not get the right product that best suits their needs. They can end up paying more than they need to. Others borrow a lot more than they can afford to repay, particularly when it comes to home loans, and this places them at risk.

'Getting into debt is easier than getting out of it. Our six steps to smarter borrowing highlight practical things to think about and do before consumers sign a credit contract and while they are repaying a debt.

'ASIC also stresses the importance of taking action early if consumers start to experience difficulty in making repayments and explain what to do if you are experiencing financial hardship', Ms Rickard said.

### 1. Work out if you can afford to borrow

Before you borrow, use FIDO's budget planner to see exactly where your money goes now and how much you could afford in repayments. Remember to allow for interest rate rises and anything that might affect your income in the future (for example, changing jobs or starting a family). See [www.fido.gov.au/calculators](http://www.fido.gov.au/calculators).

### 2. Shop around for the best deal

If you decide to borrow, take the time to compare interest rates, product features and fees and charges. Even a small difference in the interest rate can make a big difference to what you have to repay. See our FIDO page [best credit deal](#).

### 3. Know who and what you're dealing with

Check that the person or organisation you're dealing with is registered or licensed with ASIC. Make sure you know what you're signing up for before you go ahead (check the terms and conditions of any loan contract, including penalties for missed repayments or for paying off a loan early). See our FIDO page [credit contract](#).

#### 4. Keep up with your repayments

Keep your repayments up-to-date and make extra payments when you can to save on interest, subject to the conditions of your loan. Try to pay off the entire amount owing on your credit card each month (or as much as possible). Check for fees or charges if you're thinking of transferring your credit balance to another card, consolidating your loans or refinancing. See our FIDO page [making repayments](#).

#### 5. Get help if you can't pay your debts

It's important to act quickly if you're having trouble making repayments. Keep paying what you can afford. Even though it can be difficult to face the problem, ignoring it will only make things worse. Contact your credit provider without delay. There are places you can go for help like financial counselling or free legal advice. See [www.fido.gov.au/credit](http://www.fido.gov.au/credit).

#### 6. Complain if things go wrong

Try to resolve any problem with your credit provider or broker first. If you aren't satisfied, take your complaint to an independent dispute resolution scheme. You can also complain to ASIC online at [www.asic.gov.au](http://www.asic.gov.au) or phone ASIC's Infoline on 1300 300 630.

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ASIC has recently released a package of materials to help Australians from all walks of life use credit wisely, make better borrowing decisions and take control of their debt, including a new booklet, *Credit, loans and debt: stay out of trouble when you borrow money* and 15 factsheets covering topics like home loans, debt management and what to do if you're in trouble, interest free deals, payday lending and other high-cost credit. All this information is available in a 'one-stop-shop' for consumers on FIDO, ASIC's website for consumers and investors at [www.fido.gov.au/credit](http://www.fido.gov.au/credit).

Contact ASIC's Infoline at [infoline@asic.gov.au](mailto:infoline@asic.gov.au) or call 1300 300 630 to order printed copies.



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