



DEBT MANAGEMENT



What is borrowing?

It is the act of getting money from a lender or goods from a supplier with a promise of future pay back based on certain terms and conditions.



Typical reasons for borrowing



Emergency



Hospitalization



Business



Special purchases



Get a good
credit score



More details about credit information and credit scores at...



CREDIT INFORMATION
C O R P O R A T I O N



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107 V.A. Rufino Street corner Esteban
Street Legaspi Village, 1229, Makati
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(632) 236-5900



inquiry@creditinfo.gov.ph



www.creditinfo.gov.ph



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Questions to ask before borrowing



- ☒ Do I really need this?
- ☒ Must I have it today?
- ☒ How much do I need?
- ☒ Can I afford the loan amortization?
- ☒ Can I manage my debt?



Where to borrow?



Financial Institutions



Savings & Loans Associations



Cooperatives



Self-help Groups



When you borrow, lenders look at



Character



Capacity



Capital



Collateral



Conditions



Lenders must be transparent and fully disclose...

- ✓ **Loan Amount**
- ✓ **Upfront Charges or Deductions Collected**
- ✓ **Schedule of Payments**
- ✓ **Effective Annual Interest Rate**
- ✓ **Other Charges (if any)**

Source:
BSP Circular No. 730 Implementing
Rules and Regulations on True and
Transparent Lending

Chatbox Activity

What is the top source of loans for Filipinos?

- a. Bank
- b. Cooperative
- c. Credit card issuer
- d. Family, friends, relatives
- e. Financing company
- f. Government entities
- g. Informal lenders
- h. Microfinance NGO
- i. Online lenders
- j. Pawnshop



What is a credit card?



- Any card or other credit device intended for the purpose of obtaining money, property, or services on credit.
- Issued by a credit card issuer, which refers to a bank or a corporation, that offers the use of its credit card

BSP Circular 1003, Sec. 2, Implementing Provisions of RA 10870



Credit Card: Pros and Cons

- 😊 Convenient, cashless
- 😊 Speedy transactions
- 😊 Rewards, rebates
- 😊 Deferred payments, installments at zero interest rates
- 😊 Balance transfers at lower interest rates

- 😬 Tendency to overspend
- 😬 High interest rates
- 😬 Finance charges, compounded
- 😬 High cash advance fees
- 😬 Other fees (annual membership, fees for late payments, overlimit fees)



Credit Card: DOs

1. Read and fully understand the terms and conditions of your credit card contract.
2. Keep purchases within your budget and capacity to pay.
3. Review your Credit Card Statement. Check for suspicious, unauthorized transactions.
4. Pay the full outstanding amount, on or before your due date.
5. Keep your contact information updated with your credit card issuer.
6. For any concern, contact your credit card issuer immediately.



Credit Card: DONTs

1. Don't spend money you do not have.
2. Don't run up your balances to the limit.
3. Don't purchase just because you want rewards or rebates.
4. Don't use credit cards for cash advances.
5. Don't ignore **legitimate** alerts and calls from your credit card issuers.
6. Don't hide from your creditors if you're having trouble.



Credit card issuers must:

- ✓ Disclose clear, understandable information to cardholders, in a billing statement, statement of account or equivalent document, in written or electronic form
- ✓ Notify cardholders, at least 90 days prior to changes in computations and fees, in written or electronic form
- ✓ Allow cardholders to terminate their credit card accounts if changes in the terms and conditions, computations and fees are unacceptable



Billing statements should contain:

Statement date; Cut-off Date; Due Date

Total Amount Due; Minimum Amount Due

Effective Interest Rates

Method of Computing Interest

Finance Charges

**Late Payment Fees;
Other Fees**

Conversion rates for foreign currency transactions

“Important Reminder: Paying less than the total amount due will increase the amount of interest you pay and the time it takes to repay your balance.”

Transaction History



Revolver Versus Transactor



REVOLVER

- A revolver is a credit card issuer term for customers who carry balances from month to month.
- Revolvers only pay the minimum amount due, which often only go toward paying interest and in the process inflates the outstanding balance and prolonging payment period.

VS



TRANSACTOR

- Is a consumer who pays their credit card balance in full and on time every month
- Transactors do not carry a balance from month to month, so they are not required to pay finance charges nor late fees.



Credit card holders must:

- Be "transactors"
- **Not** be "revolvers"
- Use credit cards responsibly



Online Lending

- Digital lending or “Online Lending” refers to the ‘digitization’ of the traditional lending process by the utilization of online channels for the application, disbursement, repayment, and other financing transactions.
- In a nutshell, online lending is financing through the use of online platforms.
- The BSP advises the public to exercise due diligence when dealing with online lenders



Source: https://www.findevgateway.org/sites/default/files/publications/files/1123_digital_lending_r10_print_ready.pdf



Beware of unauthorized online lenders!

Do your research

- What is the registered name or company of the lender?
- Is it the same as the trademarks on the online lending platform or website?
- If not, what is the “relationship” between the lender and the online platform or website?
- Does the lender or the online platform have a good track record based on customer feedback?

Verify with regulators

- If lender is a bank, credit card issuer, e-money issuer or pawnshop, verify if licensed by the Bangko Sentral ng Pilipinas
- If lender is a financing company or other entity, verify if registered or authorized by the Securities and Exchange Commission



Protect yourself from unauthorized online lenders!

- ❖ Transact only with licensed online lenders
- ❖ Transact only if you fully trust the lender and its online platform provider
- ❖ Share personal and account information only if security of the online lending platform is proven
- ❖ Borrow only if you have evaluated your credit needs, capacity to pay, and loan terms and conditions
- ❖ Keep proofs of digital transactions and communications with the online lender
- ❖ Make sure that the online lender has accessible customer service hotline and effective complaints handling mechanism



**Any
borrowed
money you
use to earn
more and
improve your
financial
condition**



**Using other
people's
money to
make you
"lose" more
money**



Good Debt or Bad Debt?



Good Debt or Bad Debt?



Good Debt or Bad Debt?





DEBT TRAP

**THE DANGER
OF HAVING
TOO MUCH**



Strategies in paying off debts

Debt Stacking

- 1 List loans based on interest rate
- 2 Prioritize paying loan with highest interest rate



Strategies in paying off debts

Debt Snowball

- 1 List loans based on outstanding balance or amount**
- 2 Prioritize paying the loans with smallest amount**



Strategies in paying off debts

Loan Restructuring



Tips to get out of debt

- Stop borrowing and talk to your creditor
- Request a loan restructuring with affordable payments
- Adjust your spending
- Create or look for other income streams



Even if you are over-indebted, lenders are prohibited to...

- ✗ Threaten to inflict violence or harm
- ✗ Use obscenities, insults or profane language
- ✗ Threaten to communicate false credit information
- ✗ Threaten to take action that cannot be legally enforced
- ✗ Disclose to third parties names of borrowers who refuse to pay debts
- ✗ Make false representations to collect a debt or to obtain information
- ✗ Making contact at unreasonable times (before 6:00 a.m. or after 10:00 p.m.)

Source: BSP Regulations on Financial Consumer Protection



Can debt be a cause for your imprisonment?



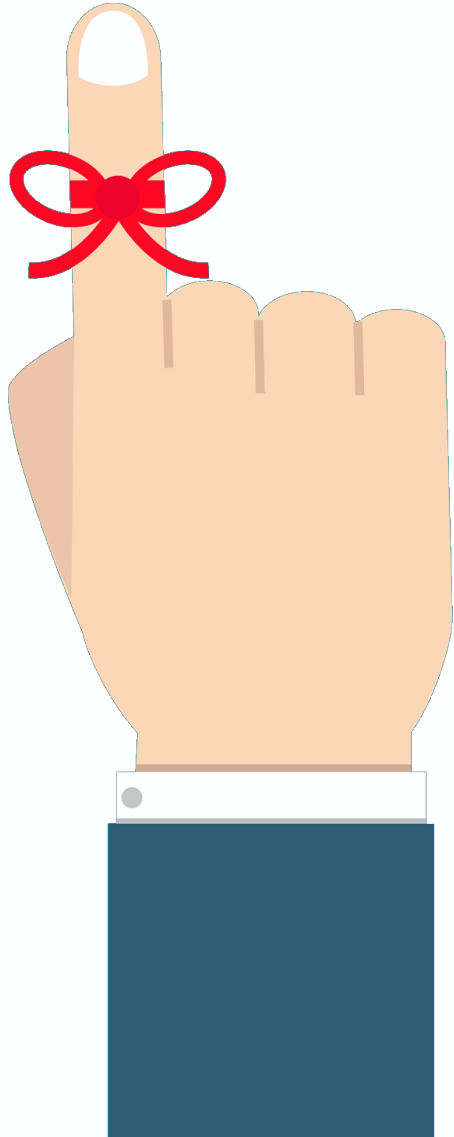
Is death the end of debt?



Debt from parents



Remember:



- 1 Borrow for productive activities**
- 2 Borrow only what you can afford to pay**
- 3 Pay on time, in full**

