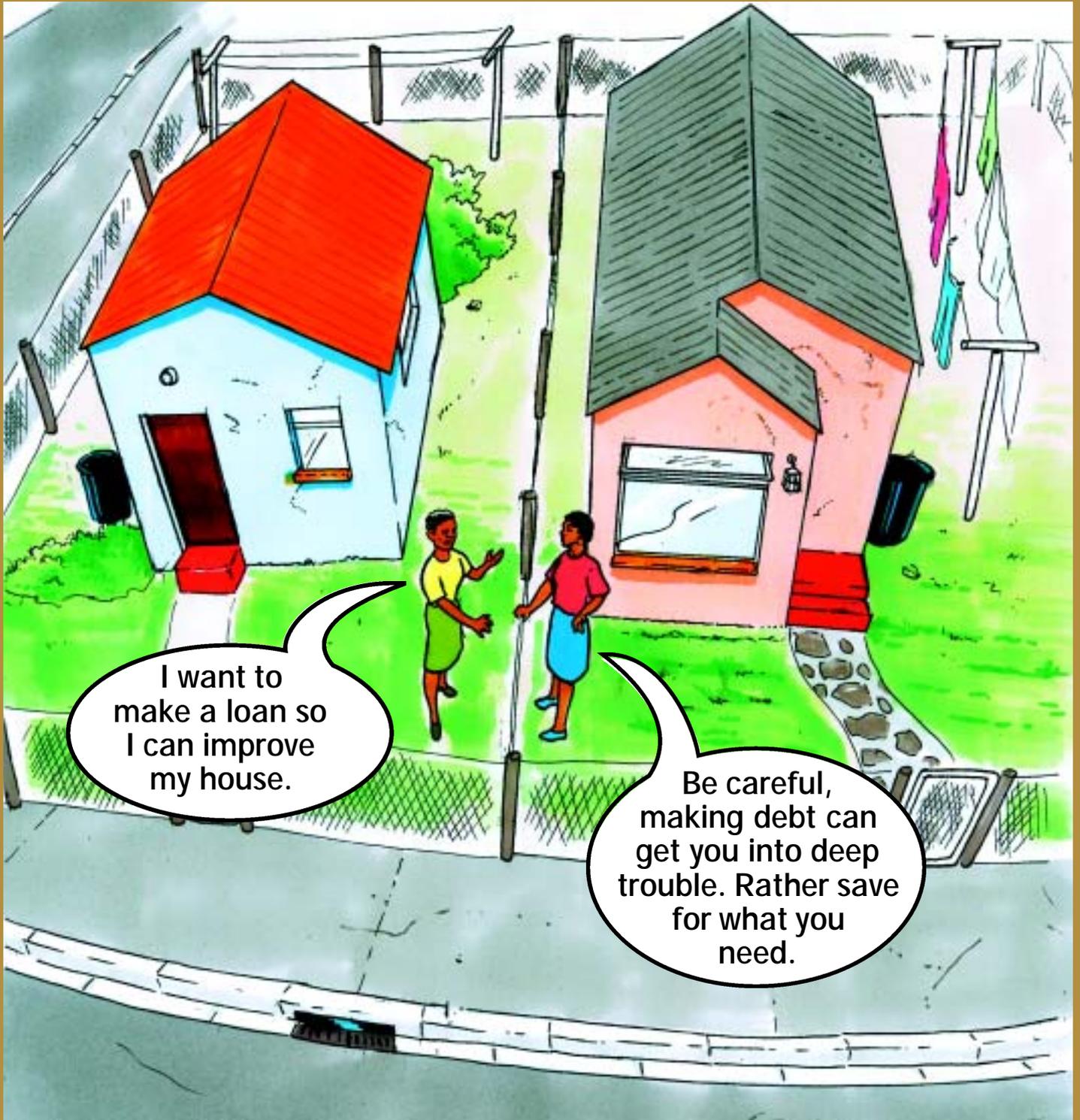


WORKING SMART WITH CREDIT AND LOANS



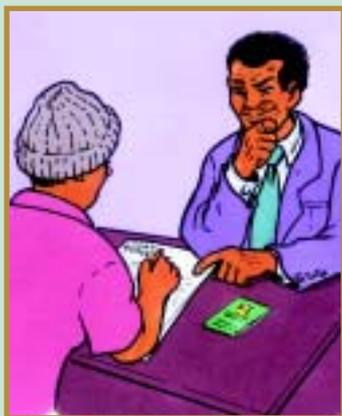
HOAP

HOME OWNERS' ADVICE PAMPHLETS





Loan amount received	R100
Interest	R30
Total amount to repay	R130



WHY DO PEOPLE TAKE LOANS?

People use loans to pay for things they need when they don't have money. It is better to save and pay for what you need by yourself rather than borrow money. However, this is not always possible if you want to start a business, buy a house or pay for education. You may need to take a loan for one of these. If you are unable to borrow the money from friends or family, you have to take a loan from a business. These kinds of loans bear interest.

WHAT IS INTEREST?

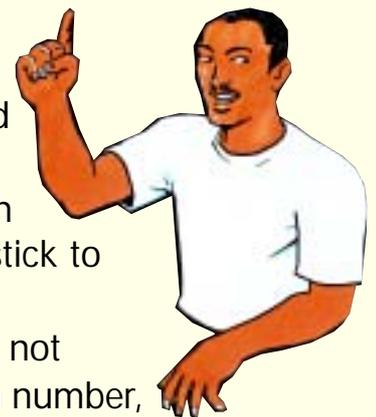
Interest is the fee you pay for using someone else's money. If a vegetable hawker lends money to you for 20 days, then she does not have the use of that money. She cannot use her money to buy vegetables to sell for a profit. She will charge you interest to make up for losing this chance to earn a profit. If she lends you R100, she may charge you R30 interest and you will have to repay her R130 altogether.

WHAT ARE CASH LOANS OR MICRO-LOANS?

Cash loans are loans from commercial micro-lenders. They are granted mainly to workers in formal jobs. These loans carry very high interest rates, so avoid them as much as possible.

IF YOU HAVE TO TAKE A MICRO-LOAN:

- Check if the loan company is registered with the Micro Finance Regulatory Council (MFRC). This is an organisation that ensures that these organisations stick to the law.
- Know your rights. The loan company is not allowed to take your bank card and pin number, identity document, or pension card – these are yours and must remain in your possession at all times.
- Take a very small loan and pay it back as soon as possible.
- Understand how much interest you must pay; not just as a percentage, but in Rand.
- Understand your monthly installment, how many installments you must pay and when payments are due.
- Do not take another loan while you are paying off an existing debt.

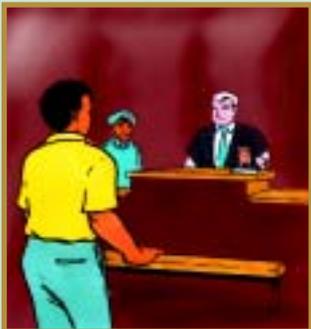
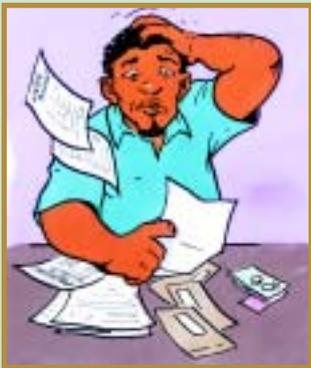


THE MOST IMPORTANT ADVICE IS

- Avoid loans, rather save and buy later
- Layby furniture or clothes
- If you have a loan, pay the loan off as soon as possible – this way you will save money on interest
- Pay an account off before you open up a new account



WHAT IS HIRE PURCHASE?



Hire purchase is like a loan. A company, like a furniture or clothing store, allows you to take the goods on the condition that you pay for them over a period. The interest on hire purchase is very high. Also, if you don't pay your account, the company may repossess the goods. If this happens you lose the goods as well as the money already paid. You could also get blacklisted.

When you buy something for cash, you pay less than when you buy it on hire purchase. For example, the cash price for a fridge may cost R2500. If you bought the same fridge on hire purchase, you could pay a monthly instalment of R150. This eventually adds up to R5400 if you pay it off over 36 months.

Cash purchase	Hire purchase	
Once-off payment of R2 500	Monthly installment: Number of installments: Total payments made over the 36 months	R150 36 R5400

WHAT CAN YOU DO IF YOU HAVE A PROBLEM WITH DEBT?

- Do not make new debt.
- Speak to those you owe money to (creditors) and make arrangements to pay your loans off over a longer period. Make sure you stick to the arrangement.
- Pay every creditor a small amount every month.
- **Avoid administration orders.** This is an order of the court which allows a lawyer to manage your debt. Once this has happened, it will be difficult for you to get credit ever again. Also, the lawyer administering the order will take a portion of the amount you pay every month as a fee. This means you will take longer to pay off your debt.
- **Avoid getting blacklisted.** If you do not repay your debt, the company that you owe can have you blacklisted on a national database which other companies also have access to. Next time you try to get credit, a company can check if you are blacklisted before giving you a loan.



ALSO SEE OTHER PAMPHLETS ABOUT:

- Savings and household finance
- Reading your municipal account
- Understanding rates and service charges

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