

Types of credit

Factsheet

There are many different types of credit.

Types of credit

- ▶ A car loan is for buying a new or used car – not for any other item.
- ▶ An interest-free deal lets you take goods home before you pay for them.
- ▶ A consumer lease lets you hire an item (for example, a home computer or television) over a period of time.
- ▶ A credit card is to buy things (goods and services) up to an approved credit limit. You get one from a lender (credit provider).
- ▶ A home loan is for buying a home – not for any other item.
- ▶ A payday loan is a short-term loan, normally only for a number of weeks.
- ▶ A personal loan is for something you need or want, like buying a car or taking a holiday.
- ▶ Rent-to-buy is where you buy an item by renting it for an amount of time.
- ▶ Store cards are used like regular credit cards but you usually pay higher interest.
- ▶ A consolidation loan is when you put all of your loans into one loan.

Remember

- ▶ There are many different types of credit.
- ▶ Some credit costs more than others.
- ▶ Different types of credit are used for different purposes.
- ▶ Look for the credit that is best for you.

Where to get more information

For more information about different types of credit, visit ASIC's MoneySmart, moneysmart.gov.au, or call 1300 300 630. You can also call a Financial Information Service Officer on 13 23 00 who will help you better manage your use of credit.



Indira gets a No Interest Loans Scheme loan

Indira has a washing machine that is leaking. She calls a repairman who says it is too old to fix and says Indira needs a new one.

Indira is worried as she does not have enough savings to buy a new washing machine. Indira goes to her bank to get a loan for \$500 to buy a washing machine she saw at the shop.

The bank tells Indira they will not give her a loan for this amount.

Indira calls her local neighbourhood house and tells Angela, a worker, her situation.

Angela tells Indira to call Eric about the No Interest Loan Scheme, also called NILS. Eric knows all about NILS. Angela gives Indira his phone number.

Indira calls Eric to see when she can meet him and learn more about the NILS. Eric asks Indira to come to see him and bring her Centrelink card.

When Indira meets Eric he explains that NILS is for people who get a Centrelink payment and need safe and fair access to credit they can afford. He says NILS is to buy essential household items like washing machines, computers or furniture. Getting the loan means Indira has to pay back the money, but she does not have to pay interest.

Eric and Indira work out that Indira can afford to repay \$20 a fortnight for 12 months. Eric organises a loan for \$500 so Indira can buy a washing machine.

Indira is happy because her new washing machine is much better and she can pay back the \$500 over the next 12 months.

