



Secured Credit Cards

*A secured credit card
might be for you if:*

- You need to build a credit history or rebuild a poor credit score
- You are having difficulty obtaining other types of credit cards



How Secured Credit Cards Work

Most credit cards offered to consumers are considered unsecured. This means that the consumer usually doesn't have to make a security deposit to obtain the card. Unsecured credit cards usually include standard, gold and platinum (both low-rate and regular-rate), retail credit cards and charge cards.

However, a secured card may be suitable for you if you're having trouble obtaining an unsecured credit card because:

- you have no credit history;
- you've had credit problems in the past and want to rebuild your credit score;
- you've recently filed for bankruptcy; or
- you're new to Canada.

What You'll Need to Obtain a Secured Credit Card

To obtain a secured card, you'll need to deposit a sum of money with the credit card issuer. Depending on the credit limit you request, the required security deposit for a secured card can range from a few hundred to several thousand dollars.

As well as the security deposit, you may be charged a one-time "set-up" or application fee. Before you apply for a secured card, be sure to ask the credit issuer whether you will have to pay a fee and whether it will be refunded if your application is turned down.

Your credit limit is normally set as a percentage (usually 100 per cent or more) of your deposit. For example, if you provide the credit card issuer with a deposit of \$500, you may be granted a credit limit of \$500 or more. If you don't make your credit card payments, the credit issuer may use your deposit to pay down your credit card balance.

However, making all your credit card payments on time will help you build a credit history or rebuild a poor credit score. Once your credit score is considered satisfactory by a credit issuer, you may be eligible for an unsecured credit card such as a low-rate or regular-rate standard card. At this time, the security deposit may be returned to you if you decide to close your credit card account after paying off the entire balance.

Interest Rates and Other Fees That May Apply

Secured credit cards normally have a higher interest rate than unsecured cards. Secured credit cards also usually have monthly or annual fees and, like other cards, have service fees associated with some transactions.

For more details, see the comparison table *Service Fees on Credit Card Transactions* in the *Credit Cards and You* series.

Interest and Insurance on Your Security Deposit

Most secured credit card issuers will pay you interest on your security deposit.

The financial institution that holds your deposit is either your credit issuer (if it accepts deposits), or another financial institution chosen by the issuer. No matter who holds your security deposit, check with your card issuer to see if your deposit is insured with the Canada Deposit Insurance Corporation (CDIC) or a provincial deposit insurance corporation. Every province also has a deposit insurance corporation that protects deposits held at the financial institutions it regulates.

CDIC insures deposits (up to a limit of \$100,000) held in financial institutions regulated by the Government of Canada. This protects you if the financial institution holding your deposit declares bankruptcy. For more information, visit CDIC's Web site at www.cdic.ca or call CDIC toll-free at 1-800-461-2342.

Tips for Finding a Secured Card

Before applying for a secured credit card, check your credit report periodically with the two credit-reporting agencies in Canada (TransUnion and Equifax). If your credit report contains an error, have the error corrected immediately, since it may prevent you from getting an unsecured card. For more information on getting a copy of your credit report or correcting errors, see our publication entitled *Understanding Your Credit Report and Credit Score*.

Here are some precautions you should take when looking for a secured card:

- Be cautious about secured card offers from unknown institutions. If you have doubts about the integrity of a secured credit card offer, contact FCAC toll-free at 1-866-461-3222.
- Beware of secured card offers from issuers outside Canada. If you have problems, it may be difficult to resolve them if the company is not located in Canada.
- Avoid offers for secured cards that do not have a recognized brand name such as VISA, MasterCard or American Express. These cards may only be accepted at a small number of stores or may require you to make purchases from a specific catalogue.
- Read and make sure you understand all the terms and conditions associated with a secured card before you accept it.

Secured Credit cards

The information contained in this table is updated periodically by FCAC. Financial institutions can change the costs as well as the terms and conditions of their products at any time. Contact the financial institutions directly if you wish to obtain the latest information on their products.

Issuer / Name of Card ¹	Minimum Personal Income Required (\$)	Minimum Credit Limit (\$)	Security Deposit Required (\$)	Annual Interest Rate			Minimum Payment (\$ or % of outstanding balance)	Annual Fees		Reward Program	Rewards and Benefits ⁴					
				Purchases (%) ²	Cash Advances (%) ³	Balance Transfers (%) ³		First Card (\$)	Extra Cards (\$)		Travel Insurance	Purchase Protection and Extended Warranty				
													Accident	Trip Cancel. and/or Interrup.	Medical	Car Rental
ATB Financial <i>Secured MasterCard</i>	Not specified	500	100% to 150% of credit limit	18.90	18.90	18.90	\$10 or 3%	49	25							
Capital One Bank <i>Guaranteed Secured MasterCard</i>	Not specified	300	75 to 300	19.80	19.80	19.80	\$10 or 3%, whichever is greater	59	Free	Security funds may be required.						
Capital One Bank <i>Low Rate Guaranteed Secured</i>	Not specified	300	75 to 300	14.90	19.80	14.90	\$10 or 3%, whichever is greater	69	Free	Security funds may be required.						
Home Trust <i>Equityline VISA</i>	Not specified	7,500	Equity on your home	4.99 to 15.99	4.99 to 15.99	4.99 to 15.99	\$10 or 0.75% to 1.5%, whichever is greater	Vary by province ⁵	Vary by province ⁵				✓			✓
Home Trust <i>Secured VISA</i>	Not specified	500	Same as credit limit	19.99	19.99	N/A	\$10 or 3%, whichever is greater	\$49 annually or \$5 monthly ⁶	\$19 annually or \$2 monthly ⁶							✓
Peoples Trust <i>Optimax Crédit</i>	Not specified	500	Same as credit limit	19.50	24.50	N/A	\$10 or 3%, whichever is greater	5.55 monthly fee ⁷	2.95 monthly fee ⁷							
Peoples Trust <i>Peoples Trust Secured MasterCard</i>	Not specified	500	Same as credit limit	19.50	24.50	N/A	\$10 or 3%, whichever is greater	5.95 monthly fee ⁸	2.95 monthly fee ⁸							
Vancity Credit Union <i>Enviro Classic My VISA Rewards Plus</i>	Not specified	500	1 to 1 for no or poor credit history ⁹	19.50	19.50	19.50	\$10 or 3%, whichever is greater	Free	Free	\$2 = 1 point toward travel, merchandise, financial products/services and charitable donations	✓					✓

✓ This option is offered for an additional fee. ✓ This option is included in the annual card fee.

1 RBC Royal Bank - The Secured Card option is available for all RBC VISA cards. Applicants are required to deposit a security pledge in the amount of the credit limit desired. The security pledge is deposited into a GIC account, which earns interest. Applications for a Secured Card are only available at RBC branches. Exceptions: Not available for Student VISA, VISA Infinite for Private Banking. TD Canada Trust - A secured card option is available for TD Canada Trust credit cards. Secured TD Canada Trust credit cards will require a deposit to secure a credit limit. For more information on TD Canada Trust secured cards visit a TD Canada Trust branch. BMO – Bank of Montreal - A secured card option is available for BMO credit cards. Secured BMO credit cards will require a deposit to secure a credit limit. For more information on BMO secured cards visit a BMO branch.

2 If the grace period does not apply, the interest on purchases is calculated from the date of purchase of the item or, in some cases, the date the item is posted to your account.

3 Unless otherwise specified, for cash advances or balance transfers, interest is calculated from the date funds are borrowed. There is no grace period.

4 This is not a complete list of all rewards and benefits offered by credit card issuers. For more details about other rewards and benefits that are offered for additional fees, check with the credit card issuer.

5 There is a one-time, non-refundable set-up fee of up to 3.0% of the credit limit, and a legal fee of between \$345 and \$780, depending on your province of residence. In Quebec, there is an annual membership fee of \$100.

6 Paid on a monthly basis.

7 There is a \$125 account set-up fee for the first card, and a \$19 account set-up fee for extra cards.

8 There is a \$49 account set-up fee for the first card, and a \$29 account set-up fee for extra cards.

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How You Can Reach Us

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