

YOUR BUSINESS

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Credit card launched for 'bad risk' clients

Home Trust seeks customers other lenders reject

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It's a long stretch from a gold card but a new, blue Visa card to be launched next month is being touted as "a chance for a new start" for millions of Canadians who can't get conventional plastic.

Canada's newest trust company, Home Trust Co., announced an "alternative credit card" yesterday that will help young people, new immigrants, the self-employed or those who've run into financial problems to slowly build, or rebuild, their credit record.

"Having a credit card is terribly important, and it's becoming more and more important. This is a chance for a new start," said James Appleyard, vice-president of business development for Home Trust.

By putting down a deposit of between \$300 and \$5,000, and paying a fee of about \$6 a month, customers will be able to make purchases equivalent to the amount of their deposit. The company will charge 19.95 per cent interest on outstanding balances and customers will be paid 5 per cent interest on their deposits.

More than 50 companies have been offering a similar service in the United States for years, but this is the first time in Canada, said Appleyard.

Home Trust estimates there are some 4 million Canadians who don't have a credit card. There are currently 37.7 million credit cards being used in Canada.

While credit cards can be one of the easiest ways to build a credit rating, they can be hard to get from conventional banks and trust companies, which rarely offer secured credit cards because it's easier to focus on customers with solid credit records, said Appleyard.

It can often take someone who's run into financial problems four to seven years to qualify for a credit card, he said.

Laurie Campbell, program manager for the Credit Counselling Service of Toronto, a non-profit group that helps people get out of debt, said she worries about the growing reliance on credit cards — often six or seven at a time. But she applauded the new secured card.

"We like to think that we can get by without credit, and a lot of times we can. But if you want to rent a car, book a hotel, book an airline flight, even rent movies now, they're looking for your credit card," said Campbell.

"In a way, this is a forced savings program. They can't get the credit without applying the discipline of actually saving up funds to be able to do it."

The credit card is a natural extension for Home Trust, which for the past 20 years has been offering mortgages to clients refused conventional mortgages by the big banks and trust companies, said Appleyard.

"We're saying almost anyone who puts up a small security deposit can have a credit card and be able to order books on the Internet, be able to put down a credit card against not returning a video, and be able to go on a trip and check in to a hotel without the embarrassment of saying I don't have a credit card."