

No or low-interest loans



Factsheet

November 2011

If you are a low-income earner there are alternatives to payday lenders and other fringe lenders or brokers.

The **No Interest Loans Scheme**¹ (NILS®) is designed especially for people who are on welfare benefits who need safe, fair and affordable access to credit.



Indira bought a new washing machine with a NILS® loan



Indira couldn't afford a new washing machine when her old one broke down. This meant she was doing all the family's washing in the bathtub. When a friend at the neighbourhood centre told Indira about NILS®, she went there to ask them about a loan.

She showed the NILS® Loans Worker her Centrelink pension card and other documentation required for a loan application. The Loans Worker helped her work out how much she could afford to repay. She chose one of the washing machines available through the program and it was delivered to her house. Indira is about to make her last repayment on the loan and is very happy with her new washing machine.

How do no or low-interest loans work?

- ▶ **NILS®** is available in many places in Australia. It offers loans of up to \$1200 without interest charges or fees to people on low incomes. The loans can be used for essential household goods or services which improve the quality of life for those who would otherwise not be able to access credit via fair and equitable means.
- ▶ You can use NILS® loans to:
 - ▶ buy essential household items, such as whitegoods, computers or furniture
 - ▶ purchase health items such as wheelchairs or asthma pumps
 - ▶ pay for car repairs (but usually these loans are limited to those in areas where there is little or no public transport).
- ▶ NILS® providers are based in community centres and other local organisations. To be eligible for NILS®, you must have a Centrelink health care or pension card (or qualify for one) and show that you have the willingness and capacity to repay the loan within 12 or 18 months.
- ▶ To find your nearest NILS® provider, go to goodshepherdmicrofinance.org.au or call ASIC's Infoline on 1300 300 630.

¹ The NILS trademark is registered to Good Shepherd Youth & Family Service (No 766836)



Other programs for low-income earners

StepUP

- ▶ This program offers fixed-rate, low-interest, unsecured personal loans for amounts between \$800 and \$3000, with no fees or charges. The loans can be used for essential household goods, second-hand cars, computers and medical and dental treatment.
- ▶ Go to goodshepherdmicrofinance.org.au or call ASIC's Infoline on 1300 300 630 for more information.

AddsUP

- ▶ This is a matched savings plan for people who have successfully repaid their NILS® or StepUP loan. Once you have saved \$300, the bank will put in a dollar for every dollar you save, up to a total of \$500.
- ▶ Go to goodshepherdmicrofinance.org.au or call ASIC's Infoline on 1300 300 630 for more information.

Saver Plus

- ▶ Saver Plus assists families on low incomes to develop a savings habit, build assets and improve financial capability. Participants set a savings goal and receive support and education to help them achieve it. When they reach their goal, their savings are matched, dollar for dollar, up to \$500.
- ▶ Contact the Saver Plus National Office for information at bsl.org.au/Saver-Plus, call or SMS 1300 610 355, or email saverplus@bsl.org.au



TIP Don't borrow to pay bills

If you are having trouble paying a water, phone, gas or electricity bill, contact your water, phone or energy company. Most companies have hardship officers who can help you work out a plan to **pay the bill in instalments**. If the provider won't help you, you can complain to one of the following ombudsman schemes.

- ▶ For phone bills, contact the Telecommunications Industry Ombudsman at tio.com.au or phone 1800 062 058.
- ▶ For energy and water bills, contact one of the ombudsman schemes in your state or territory:

ACT	acat.act.gov.au	02 6207 7740
NSW	ewon.com.au	1800 246 545
NT	ombudsman.nt.gov.au	1800 806 380
QLD	eoq.com.au	1800 662 837
SA	eiossa.com.au	1800 665 565
TAS	energyombudsman.tas.gov.au	1800 001 170
VIC	ewov.com.au	1800 500 509
WA	ombudsman.wa.gov.au/energy	1800 754 004

- ▶ If you are eligible for Centrelink payments, you may be able to get an **advance payment**. The amount available varies depending on the type of payment you receive - for some payments it is between \$250 and \$500, for other payments such as pensions it can be between 1 and 3 week's worth of payment. You have to pay this money back to Centrelink over the next six months, but it may help cover a temporary shortfall and you won't pay interest or fees (visit www.centrelink.gov.au).

- ▶ Some charities provide vouchers to assist in paying electricity debts. Contact your local community organisation to find out more.

Watch out for high-cost rental arrangements for whitegoods and other essential household goods

- ▶ If you don't have enough cash to pay for something upfront, paying for it a little at a time through a rental arrangement might seem like an attractive option. But those affordable weekly instalments can quickly add up. That could mean that your new fridge or computer ends up costing you more than you bargained for.
- ▶ The terms and conditions of these leases and contracts can be complicated. For example, you may be charged account-keeping fees, as well as penalties if you miss repayments, break the lease or pay it off early.



TIP

Before you sign anything, read our factsheets *Consumer leases* and *Rent to buy*. Download them at moneysmart.gov.au or call ASIC's Infoline on 1300 300 630 and we'll send them to you at no charge.





Six steps to smarter borrowing

Step 1.

Work out if you can afford to borrow

- ▶ Contact a local financial counsellor to see whether you can budget to solve your financial difficulties without borrowing. Call the National Debt Helpline on 1800 007 007 during business hours.
- ▶ Contact your local NILS® provider to work out if you are eligible to apply for a NILS® loan (visit goodshepherdmicrofinance.org.au for locations or call ASIC's Infoline on 1300 300 630).

Step 2.

Shop around for the best deal

- ▶ Talk to NILS® before going to a payday lender or broker.
- ▶ Ask Centrelink if you can get any financial assistance such as an advance payment (visit centrelink.gov.au).

Step 3.

Know who and what you're dealing with

- ▶ Make sure you understand the conditions of your loan, what your payment obligations are and what to do if you run into problems. If you're not sure, ask.

Step 4.

Keep up with your repayments

- ▶ Keep your repayments up-to-date.

Step 5.

Get help if you can't pay your debts

- ▶ Act quickly if you are having trouble making repayments. It may be difficult to face the problem, but ignoring it will only make things worse.
- ▶ If you can't make the full repayment, pay what you can. Contact the agency that organised the loan without delay and let them know you are having difficulties making repayments.
- ▶ There are places you can go for help – visit moneysmart.gov.au for information about support services such as free financial counselling and legal assistance, or call ASIC's Infoline on 1300 300 630.
- ▶ See our factsheet *Can't pay your debts?* at moneysmart.gov.au.

Step 6.

Complain if things go wrong

- ▶ Try to resolve your problem with the agency that arranged the loan first.
- ▶ If you aren't satisfied, take your complaint to the NILS® Manager at Good Shepherd by calling (03) 9495 9600. If you wish to make a complaint about the Saver Plus program, contact the National Manager Saver Plus at the Brotherhood of St Laurence by calling (03) 9483 1183.



moneysmart.gov.au

ASIC Infoline: 1300 300 630

Disclaimer

Please note that this is a summary giving you basic information about a particular topic. It does not cover the whole of the relevant law regarding that topic, and it is not a substitute for professional advice.

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