



Australian Government

Department of Education, Employment and Workplace Relations

FNSCRD503A Promote understanding of the role and effective use of consumer credit

Release: 1

FNSCRD503A Promote understanding of the role and effective use of consumer credit

Modification History

Not applicable.

Unit Descriptor

Unit descriptor	<p>This unit describes the performance outcomes, skills and knowledge required to explain the functions and implications of different forms of consumer credit as part of developing the financial skills of clients.</p> <p>No licensing, legislative, regulatory or certification requirements apply to this unit at the time of endorsement.</p>
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Application of the Unit

Application of the unit	<p>This unit may have particular application in lending institutions prior to accepting loan applications received by those with minimal financial awareness especially the young, recent school leavers, unemployed, senior citizens and those from non-English speaking backgrounds.</p>
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Licensing/Regulatory Information

Not applicable.

Pre-Requisites

Prerequisite units		

Employability Skills Information

Employability skills	This unit contains employability skills.
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Elements and Performance Criteria Pre-Content

Elements describe the essential outcomes of a unit of competency.	Performance criteria describe the performance needed to demonstrate achievement of the element. Where bold italicised text is used, further information is detailed in the required skills and knowledge section and the range statement. Assessment of performance is to be consistent with the evidence guide.
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Elements and Performance Criteria

ELEMENT	PERFORMANCE CRITERIA
1. Identify range and type of consumer credit options	1.1. The <i>role of consumer credit</i> is identified and <i>advantages and disadvantages</i> of credit are discussed with the client 1.2. Types of <i>consumer credit facilities</i> are explained to the client in <i>plain language</i> including the <i>differences between unsecured and secured loans</i> 1.3. <i>Implications of default on secured loans</i> are explained to the client
2. Identify and discuss costs of using credit	2.1. <i>Fees and costs</i> associated with different types of credit options and the features and associated risks of fixed versus variable interest rates are explained to the client 2.2. <i>Ways to compare advertised interest rates</i> and the effects of fees and charges are demonstrated to the client
3. Promote effective use of consumer credit	3.1. Ways to avoid excessive or unmanageable debt are discussed with the client in relation to their financial situation 3.2. <i>Strategies to minimise fees on credit</i> including the importance of meeting minimal payments on credit cards are discussed with the client 3.3. <i>Ways to avoid credit card fraud</i> are identified and communicated to the client
4. Provide client with information regarding credit reference reports	4.1. The role of credit reference agencies is discussed and explained to the client in plain language 4.2. The purpose and use of credit reference reports in assessing loan applications and the <i>implications of establishing a poor credit history</i> are emphasised and explained to the client 4.3. The right to access and <i>methods of obtaining own credit reference report</i> is explained, and relevant contact details provided to the client for follow up if required

Required Skills and Knowledge

REQUIRED SKILLS AND KNOWLEDGE

This section describes the skills and knowledge required for this unit.

Required skills

- communication skills to:
 - clearly explain credit concepts to clients, using questioning and active listening as required and responding with empathy in sensitive cases
 - liaise with others, share information, listen and understand
 - use language and concepts appropriate to cultural differences
- interpersonal skills to establish rapport with clients and remain impartial in discussing credit options
- numeracy and IT skills to:
 - calculate credit and loan costs and repayments
 - access and use appropriate software such as spreadsheets and databases
 - access web-based information services
- literacy skills for analysing information and credit products to ensure appropriateness to client needs, currency and accuracy
- problem solving skills to identify any issues that have the potential to impact on the client's credit understanding and use and to develop options to resolve these issues when they arise
- organisational skills, including the ability to plan and sequence work

Required knowledge

- economic environment and its relationship to individual's credit and debt
- principles of lending and credit
- relevant industry codes of practice including:
 - Consumer Credit Code
 - Privacy Act
 - Credit Act
- relevant State and Territory legislation regarding consumer credit issues and Judgement Debt Recovery Acts
- roles and relationships between participants within the Australian financial services industry, including banks and other financial intermediaries
- the range of consumer credit alternatives, products of relevant institutions, advantages and disadvantages of different credit options

Evidence Guide

EVIDENCE GUIDE	
<p>The Evidence Guide provides advice on assessment and must be read in conjunction with the performance criteria, required skills and knowledge, range statement and the Assessment Guidelines for the Training Package.</p>	
Overview of assessment	
Critical aspects for assessment and evidence required to demonstrate competency in this unit	<p>Evidence of the ability to:</p> <ul style="list-style-type: none"> clearly explain the different types of consumer credit options currently available to clients and the associated implications and risks of the various credit schemes, as well as the implications of establishing a poor credit reference history.
Context of and specific resources for assessment	<p>Assessment must ensure:</p> <ul style="list-style-type: none"> competency is demonstrated in the context of the financial services work environment and conditions specified in the range statement either in a relevant workplace or a closely simulated work environment access to and the use of a range of common office equipment, technology, software and consumables access to financial services product information
Method of assessment	<p>A range of assessment methods should be used to assess practical skills and knowledge. The following examples, in combination, are appropriate for this unit:</p> <ul style="list-style-type: none"> evaluating an integrated activity which combines the elements of competency for the unit or a cluster of related units of competency observing processes and procedures in workplaces or role plays verbal or written questioning on underpinning knowledge and skills setting and reviewing workplace projects and business simulations or scenarios.
Guidance information for assessment	

Range Statement

RANGE STATEMENT	
<p>The range statement relates to the unit of competency as a whole. It allows for different work environments and situations that may affect performance. Bold italicised wording, if used in the performance criteria, is detailed below. Essential operating conditions that may be present with training and assessment (depending on the work situation, needs of the candidate, accessibility of the item, and local industry and regional contexts) may also be included.</p>	
<p>The <i>role of consumer credit</i> includes:</p>	<ul style="list-style-type: none"> • enabling approved applicants the ability to purchase items (goods or services) where the cost of the item exceeds current savings available.
<p><i>Advantages and disadvantages</i> of credit may include:</p>	<ul style="list-style-type: none"> • advantages: <ul style="list-style-type: none"> • can obtain and use purchased item immediately • minimises the need to carry cash or write cheques • allows for instalment payments on expensive items • convenient form of payment when travelling, especially overseas • disadvantages: <ul style="list-style-type: none"> • may increase cost of items purchased due to interest accrued • usually attracts other fees such as account servicing fees • can lead to compulsive buying habits • creates a false sense of wealth.
<p><i>Consumer credit facilities</i> may include:</p>	<ul style="list-style-type: none"> • fixed: <ul style="list-style-type: none"> • personal loans • lease • hire purchase • buy now, pay later schemes • revolving: <ul style="list-style-type: none"> • credit cards • store cards • overdraft.
<p><i>Plain language</i> refers to:</p>	<ul style="list-style-type: none"> • written or spoken forms of language easily understood by the listener, giving particular regard to the listener's characteristics including: <ul style="list-style-type: none"> • age • ethnicity • basic skills of comprehension • defining key terms and phrases, assuming little or no

RANGE STATEMENT	
	prior knowledge of the subject and may in some cases require the assistance of an interpreter.

RANGE STATEMENT	
<i>Differences between unsecured and secured loans</i> include:	<ul style="list-style-type: none"> • a secured loan is supported by an underlying asset while an unsecured loan is not • unsecured loans attract a higher interest rate due to increased risk to the lending institution.
<i>Implications of default on secured loans</i> include:	<ul style="list-style-type: none"> • repossession of the underlying asset by the lending institution • any shortfall in sale of repossessed asset against outstanding loan amount must be paid by borrower.
<i>Fees and costs</i> associated with different credit options may include:	<ul style="list-style-type: none"> • account servicing fees • credit purchase fees • late payment fees • loan establishment fees • withdrawing from a foreign Automatic Teller Machine (ATM).
<i>Ways to compare advertised interest rates</i> may include:	<ul style="list-style-type: none"> • informing the client of the comparison rate which includes all associated fees and charges.
<i>Strategies to minimise fees on credit</i> may include:	<ul style="list-style-type: none"> • consolidating savings and credit facilities with the one institution where account servicing fees can be cancelled out • know how many free transactions come with the card • paying the minimum monthly instalment on time.
<i>Ways to avoid credit card fraud</i> include:	<ul style="list-style-type: none"> • not disclosing Personal Identification Number (PIN) to anyone • selecting a PIN only the cardholder would know • signing the back of the credit card.
<i>Implications of establishing poor credit history</i> may include:	<ul style="list-style-type: none"> • higher interest rate penalties • inability to obtain finance in the future • disadvantaged applications for rental accommodation • necessity to obtain guarantor in future loans.
<i>Methods of obtaining own credit reference report</i> may include:	<ul style="list-style-type: none"> • writing, emailing or telephoning the relevant agency requesting a copy of one's own file, having provided relevant details to identify self

Unit Sector(s)

Unit sector	Credit management
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Competency field

Competency field	
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Co-requisite units

Co-requisite units		