



Australian Government

Department of Education, Employment and Workplace Relations

FNSFLT203A Develop understanding of debt and consumer credit

Revision Number: 1

FNSFLT203A Develop understanding of debt and consumer credit

Modification History

Not applicable.

Unit Descriptor

Unit descriptor	This unit describes the performance outcomes, skills and knowledge required to understand the functions and implications of different forms of credit and the strategies and methods to make appropriate and effective decisions regarding the management of personal debt and the use of credit facilities. No licensing, legislative, regulatory or certification requirements apply to this unit at the time of endorsement.
------------------------	---

Application of the Unit

Application of the unit	This unit has wide application and may be used in workplaces, schools, adult and community learning organisations or registered training organisations in order to build the financial literacy of learners. The unit may also be used as part of pre-vocational or new apprenticeship programs or as part of services provided by counselling or advisory organisations.
--------------------------------	--

Licensing/Regulatory Information

Not applicable.

Pre-Requisites

Prerequisite units	

Prerequisite units		

Employability Skills Information

Employability skills	This unit contains employability skills.
-----------------------------	--

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.
---	--

Elements and Performance Criteria

ELEMENT	PERFORMANCE CRITERIA
1. Identify and discuss the role of credit in society	1.1. The concepts and terminology of credit provided by a financial institute and debt incurred by a borrower are analysed and discussed 1.2. The historical and current role of consumer credit within Australian society is identified and advantages and disadvantages of credit use are analysed and discussed 1.3. The impact of consumer debt on the national economy is analysed and discussed
2. Identify and discuss the range of credit options available	2.1. Types of credit facilities used by businesses are analysed and compared 2.2. Types of credit facilities used by individuals are analysed and compared 2.3. Differences between unsecured and secured loans are analysed and discussed 2.4. Implications of default on secured loans are explained to the client
3. Identify and discuss costs of using credit	3.1. Fees and costs associated with different types of credit options are analysed and compared 3.2. The features and associated risks of fixed versus variable interest rates are analysed and compared 3.3. Ways to compare advertised interest rates and the effects of fees and charges are analysed and discussed
4. Analyse and discuss the effective use of consumer credit	4.1. Ways to avoid excessive or unmanageable debt are analysed and discussed 4.2. Strategies to minimise fees on credit are identified and discussed 4.3. The importance of meeting minimum payments on credit cards is analysed and discussed 4.4. Ways to avoid credit card fraud are identified, analysed and discussed
5. Manage personal credit rating and history	5.1. The role of credit reference agencies is analysed and discussed 5.2. The purpose and use of credit reference reports in assessing loan applications is analysed and discussed 5.3. Implications of establishing a poor credit history are analysed and discussed 5.4. The right to access and methods of obtaining own

ELEMENT	PERFORMANCE CRITERIA
	<i>credit reference report</i> are analysed and discussed

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 debt and credit implications
 - use questioning to develop clear understanding
 - liaise with others, share information, listen and understand
 - use language and concepts appropriate to cultural differences
- numeracy and IT skills to:
 - calculate credit costs and payments
 - use a calculator
 - use internet information
- literacy skills for interpreting relevant information
- learning skills to maintain knowledge of credit issues and management

Required knowledge

- principles of lending and credit
- role of credit in society
- the role of financial institutions, regulatory bodies, credit reference agencies and consumer advisory bodies that are involved in the provision and management of credit

Evidence Guide

EVIDENCE GUIDE

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.

Overview of assessment

Critical aspects for assessment and evidence required to demonstrate competency in this unit

Evidence of the ability to:

- analyse and clearly explain the role of credit within the community
- analyse and clearly explain the different types of consumer credit options currently available
- analyse and clearly explain the associated implications and risks of the various credit schemes available, as well as the implication of establishing a poor credit reference history.

Context of and specific resources for assessment

Assessment must ensure:

- competency is demonstrated in the context of the the range statement
- access to and the use of a range of common office equipment, technology, software and consumables
- access to internet to source information.

Method of assessment

A range of assessment methods should be used to assess practical skills and knowledge. The following examples, in combination, are appropriate for this unit:

- evaluating an integrated activity which combines the elements of competency for the unit or a cluster of related units of competency
- verbal or written questioning on underpinning knowledge and skills
- setting and reviewing simulations or scenarios
- group discussion to determine and confirm understanding.

Guidance information for assessment

Range Statement

RANGE STATEMENT

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.

The ***role of consumer credit*** includes:

- enabling approved applicants the ability to purchase items (goods and/or services) where the cost of the item exceeds current savings available.

Advantages and disadvantages of credit may include:

- advantages:
 - obtain and can 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:
 - 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.

Consumer ***credit facilities*** may include:

- fixed:
 - personal loans
 - leases including mobile phones, cars, business premises, office equipment including personal computers
 - hire purchase
 - 'buy now, pay later' schemes
- revolving:
 - credit cards
 - store cards
 - overdraft.

Differences between unsecured and secured loans include:

- a secured loan is supported by an underlying asset while an unsecured loan is not
- unsecured loans attract higher interest rates due to increased risk to the lending institution.

Implications of default

- any shortfall in sale of repossessed asset against

RANGE STATEMENT	
on secured loans include:	outstanding loan amount must be paid by borrower • repossession of the underlying asset by the lending institution.
<i>Fees and costs</i> associated with different credit options may include:	• account servicing fees • credit purchase fees • late payment fees • loan establishment fees • withdrawing from a foreign Automatic Teller Machine (i.e. the ATM of a lending institution other than your own).
Fees and costs may be <i>analysed and compared</i> using:	• manually, comparing fees and costs drawn from tables and charts provided by financial institutions and analysed using a calculator • online, web-based, calculation tools • software applications such as spreadsheets.
<i>Ways to compare advertised interest rates</i> may include:	• informing the client of the 'comparison rate' which includes all associated fees and charges.
<i>Strategies to minimise fees</i> on credit may include:	• consolidating savings and credit facilities with the one institution where account servicing fees can be cancelled out • knowing how many free transactions come with the card • paying the minimum monthly instalment on time.
<i>Ways to avoid credit card fraud</i> include:	• not disclosing Personal Identification Number (PIN) to anyone • selecting a PIN only the card holder would know • signing the back of the credit card.
<i>Credit reference reports</i> refers to:	• reports established and maintained by credit reference agencies which record all negative events (i.e. defaults) listed by creditors against debtors.
<i>Implications of establishing a poor credit history</i> may include:	• higher interest rate penalties • inability to obtain finance in the future • may disadvantage applications for rental accommodation • necessity to obtain guarantor in future loans.
<i>Methods of obtaining own credit reference file</i> may include:	• writing, emailing or telephoning the relevant agency requesting a copy of your file, having provided relevant details to identify self.

Unit Sector(s)

Unit sector	Financial literacy
--------------------	--------------------

Competency field

Competency field	
-------------------------	--

Co-requisite units

Co-requisite units		