

Cause for Concern

Too much debt is unhealthy... for everyone.

Canadians are carrying too much debt, and it's a cause for concern. "Consumers are buying too much car," says Anthony Okuchi, Senior Manager, Product Strategy at LGM Financial Services. "There's this ongoing trend of people going longer with their terms to finance more car than they should be buying. How much longer can they expect this to last?"

Since interest rates are not expected to change drastically over the next two years, the situation may not change in the near future. "Finance managers should be providing consumers with education on good financial acumen when it comes to buying the right cars for their budgets," observes Okuchi.

Data shows that even though consumers are financing for six years, they are trading in their vehicles after four years. "They still

have two years more of loans left on their vehicle," notes Okuchi. "They roll the last two years of payment into a new car. So instead of having a six year

The impact on the dealer? Lower sales in the long run. If interest rates do go up, it will create a storm where few consumers will qualify for financing

slowly coming in," says Moureaux, Strategic Advisor at Desjardins. "With the new government that came into place, it may take some



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term, they've gone to a seven year term or an eight year term. Eventually they're carrying that debt onto the next vehicle. And eventually it will become unsustainable for the consumer because they're carrying more negative equity on each subsequent vehicle purchase that they make."

because their level of debt won't allow them to finance their next vehicle.

Negative equity

As far as Claude Moureaux is concerned, long term loans are not healthy for anyone. "We definitely foresee a possible tightening and regulation

time to settle different things, but there's a possibility for tightening on longer terms and negative equity. It's a question of time, and since we are a credit union, we're very sensitive to that our mandate is to drive responsible credit."

Krystyna Lagowski

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