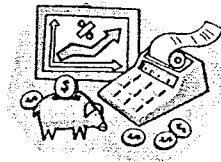
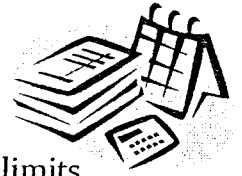


Credit: Building, Repairing & Using it Wisely

A **credit report** is a summary of how you pay your financial obligations. It contains information based on what you have done in the past. Lenders use it to verify information about you, your borrowing activity and your repayment history. Your **credit score** is based on information in your credit report and is used by lenders to predict the likelihood that you will repay future debt.

Factors that affect your *credit score* include:

- Your payment history – do you generally make your payments on time?
Paying on time is crucial for a good credit rating.
- How much you owe – your outstanding balances compared to your credit limits.
Even if you have a high limit on a credit product, you shouldn't need to use the full available limit on an ongoing basis.
- How long your credit file has been open – a young person with negative information in their credit file and a slightly older person with no credit file will most likely both have difficulty obtaining credit.
- How many times you have applied for new credit – how many inquiries are registered on your credit file and what is the nature of those inquiries?
Your credit score reflects how often you apply for new credit and how you handle the accounts that you've opened recently.
- The type of credit you have – consolidation loans, personal loans, lines of credit, credit cards, deferred interest / payment plans, etc. all impact your credit score differently.
The impact may be positive or negative, depending on your overall credit file.
- Collections items or judgements registered against you affect your credit score negatively.



Factors that affect your overall *credit rating* include the above as well as:

- Have savings that you add to on a regular basis and that is proportionate to your income.
Have rainy-day savings as well as long-term, retirement savings.
- Maintain a stable address and employment circumstances.
- Use your bank account properly – overdrafts and NSF's can signal financial difficulty.
- Pay more than the minimum payment due each month on a credit card and work on bringing the balance owing down. Limit your use of the card until it is paid in full.
- Only apply for credit that you need. One, maybe two credit cards, with very reasonable limits based on your income, are all you should need. Pay them off in full every month.
- Keep all credit card balances well below the limits on all of the cards at all times.
- Reduce your monthly debt payments (excluding mortgage payments) to no more than 15 – 20% of your take-home pay. This will allow you to manage unforeseen financial challenges effectively.
- Keep credit limits reasonable – if used or charged to the limit, you should be able to pay the full balance off within a year and leave it paid off.

*Good AND bad, everything stays on your credit file for 6 – 7 years, so **time** could be on your side.*

What is a Credit Report?

A credit report is a summary of how you pay your financial obligations. It begins when you first apply to borrow money. It allows potential lenders to evaluate risk so that, based on your past performance, they can decide if you are likely to repay the borrowed funds or not.

There are 2 main credit bureau companies in Canada, Equifax and TransUnion, and each will send you a copy of your own report once a year for free (if you request it by mail or phone). Even if you think that you know what is on your credit report, it is still a good idea to obtain a copy once a year to make sure that it is accurate. Contact them at the numbers below. Along with your credit report, they will mail you a form if you need to make a correction to your file or add a note to explain your circumstances. Requesting your own report is not recorded negatively against you (it is not considered a "hit").

EQUIFAX CANADA	TRANSUNION
Consumer Relations: 1-877-323-2598	Consumer Relations: 1-866-525-0262
Touch tone request: 1-800-465-7166	Touch tone request: 1-800-663-9980
www.equifax.ca	www.tuc.ca

Types of Credit Accounts:

- R Revolving account** (has a limit and you can use and pay and use, like a credit card)
I Installment account (has a fixed number of payments, like a car loan)
O Open account (the full balance owing must be paid each billing cycle, as with a cell phone account or monthly insurance premiums, e.g. ICBC)

Usual Manner of Payment	R	I	O
Too new to rate	0	0	0
Paid as agreed	1	1	1
Paid late but within 30 days	2	2	2
Paid up to 60 days late, but not more than 90; 2 payments past due	3	3	3
Paid up to 90 days late, but not more than 120; 3 payments past due	4	4	4
Account is at least 120 days overdue but not yet rated a 9	5	5	5
Making payments under a consolidation order, debt repayment program or similar arrangement	7	7	7
Repossession (indicates if it was a voluntary return or not)	8	8	8
Bad debt; placed for collections	9	9	9

Everything pertaining to regular consumer debt, good or bad, stays on your credit report for 6 - 7 years depending on which Province you live in. For more information about credit report details and ratings, consult the web sites for each of the credit bureau companies.

For tips to build, repair and use credit wisely, please see over...