



Financial Consumer  
Agency of Canada

Agence de la consommation  
en matière financière du Canada



*Understanding Your  
Credit Report and  
Credit Score*

## Table of Contents

<i>Your credit history .....</i>	<i>1</i>
<i>Understanding your credit report .....</i>	<i>1</i>
<i>Understanding your credit score .....</i>	<i>7</i>
<i>Checking your credit report and your credit score .....</i>	<i>13</i>
<i>Building a credit history .....</i>	<i>15</i>

## Your credit history

If you have ever taken out a loan, used a credit card or taken advantage of a “buy now, pay later” offer, you will have a credit history.

Whenever a financial institution, such as a bank, a credit card company, or any other business gives you credit, it may send information about whether or not you make your payments on time to a credit-reporting agency. Credit-reporting agencies, also known as credit bureaus, are businesses that collect information about you and how long it takes you to pay back money you have borrowed. This information is called your “credit history”. When you want to borrow money in the future, the lender will check with a credit-reporting agency to see if you have a good credit history.

Having a good credit history is very important. If your credit history is poor, a lender can refuse to give you a loan. You may not be able to get a mortgage to buy a new house, or take out a personal loan. If the lender does decide to give you the loan, a poor credit history may mean you will have to pay a higher interest rate. A poor credit history can affect you in other ways, too. For example, a landlord may refuse to rent you an apartment because of a poor credit history.

A credit-reporting agency provides information about credit history in two ways, as a credit report and as a credit score.

## Understanding your credit report

### *What is a credit report?*

Along with the credit histories of millions of other people, your credit history is recorded in

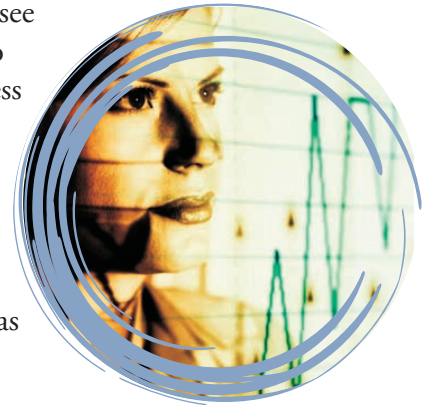
files maintained by at least one of Canada's three major credit-reporting agencies: Equifax, TransUnion and Northern Credit Bureaus. These files are called credit reports.

A credit report is a “snapshot” of your credit history. It is one of the main tools lenders use to decide whether or not to give you credit.

### *Who can see your credit report?*

You have the right to see your credit report. No one else can have access to the information in your report unless you allow it.

Usually, when you sign documents such as a loan or a credit card application, you are allowing the organization that is giving you credit to check your credit history. Credit-reporting agencies will only give information from your credit report to someone else when you have given permission, and when the request is related to credit, collection of a debt, rental of a house or an apartment, or an application for employment or insurance.



### *What kind of information does your credit report contain?*

Your credit report contains information about your past and present personal and financial situation.

**Personal information:** This is information such as your name, current and previous address(es), social insurance number, telephone number, date of birth, and your current and previous employer(s).

**Credit information:** This is information related to any credit you may already have, such as a credit or retail card, a line of credit, a loan or a mortgage.

**Banking information:** This is information about the accounts you have, including any NSF (non-sufficient funds) or “bad” cheques you may have written.

**Public records:** This is any information on the public record such as a bankruptcy or a credit-related court judgment against you in a lawsuit. Secured loans, which are backed by an asset (your property for example), may also appear in your credit report.

**Collection information:** This shows whether you ever had a debt that you could not pay, which was referred to a collection agency for payment.

**Consumer statement:** This is any statement you may have made to explain a particular situation, such as a dispute with a financial institution or a fraud warning.

**Credit report inquiries:** This is a list of all of the people who have inquired about your credit: yourself, a lender, or any other authorized organization.

## *How does the credit-reporting agency describe the history of your credit payments?*

In your credit report, credit-reporting agencies describe the history of your credit payments in a number of ways.

### **By rating it**

Some credit-reporting agencies report the lenders' rating of each of your credit history items on a scale of 1 to 9. A rating of “1” means you pay your bills within 30 days of the due date. A rating of “9” means that you never pay your bills at all or that you have made a consumer debt repayment proposal to the lender.

A letter will also appear in front of the number: for example, I2, O2, R2. The letter stands for the type of the credit you are using.

- “I” means you were given credit on an installment basis, such as for a car loan, where you borrow money once and repay it in fixed amounts, on a regular basis, for a specific period of time until the loan is paid off.
- “O” means you have open credit such as a line of credit, where you borrow money, as needed, up to a certain limit and the total balance is due at the end of each period. This category may also include student loans, for which the money may not be owing until you are out of school.
- “R” means you have “revolving” credit, where you make regular payments in varying amounts depending on the balance of your account, and can then borrow more money up to your credit limit. Credit cards are a good example of “revolving” credit.

### **By using a payment chart**

This chart shows your payment history over the last two years.

### **By using a payment scale**

This scale indicates the number of times you paid your bills 30, 60 or 90 days after the due date.

## *What does a credit report look like?*

On the following pages, you will find sample credit reports from two Canadian credit-reporting agencies: TransUnion and Equifax. If you look at these examples carefully, you will see what kind of information a credit report contains. These examples will also help you understand your own credit report. The examples shown here are for illustration purposes only.

# TransUnion's Credit Report

Check to see if your personal information is correct.

If you gave the credit-reporting agency a statement to explain a particular situation, it will be included here.

This scale explains the symbols used to describe your payment history.

Check to see if your credit card information and payment history are correct.

Check to see if all of your accounts are listed correctly. If you find an error, ask the credit-reporting agency about it to ensure you are not a victim of fraud.

## Personal Information

**Name:** Audrey O'Dell  
**Also Known As:** Audrey T. O'Dell  
**Date of Birth:** 04/30/1973  
**Telephone #:** (123) 456-7890  
**Employer:** TransUnion  
**Date Updated:** 09/1999  
**Current Address:** 123 A ST  
 HAMILTON, ON L8N 3L2  
**Date Updated:** 07/2000  
**Previous Address:** 456 B ST  
 CHARLOTTETOWN, PE C1A 2S8  
**Date Updated:** 01/1994

## Consumer Statement

None reported

## Summary

**Total Accounts:** 5  
**Open Accounts:** 0  
**Closed Accounts:** 5  
**Delinquent:** 0  
**Derogatory:** 0  
**Balances:** 4430  
**Payments:** 110  
**Public Records:** 0  
**Inquiries (2 years):** 3

## Account History

At-a-glance viewing of your payment history

Not Open	Unknown	Current	30 days late	60 days late	90 days late	120 days late	150+ days late	Payment plan	Repossession Foreclosure	Collection Chargeoff
		OK	30	60	90	120	150	PP	RF	CC

**Revolving Accounts:** Accounts with an open-end term

### ZELLERS

**Account #:** 1246\*\*\*\*  
**Condition:** Open  
**Balance:** \$345  
**High Balance:**  
**Terms:**  
**Remarks:**  
**Type:** Revolving account  
**Pay status:** Paid as Agreed  
**Payment:** \$10 Monthly (due every month)  
**Limit:** \$1500  
**Opened:** 04/2002  
**Reported:** 06/09/2004  
**Responsibility:** Individual account  
**Past Due:**

**Two Year Payment History:**

OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK
jun	jul	aug	sep	oct	nov	dec	03	feb	mar	apr	may	jun	jul	aug	sep	oct	nov	dec	04	feb	mar	apr	may

**Six Year Payment History:**

30 days late: 0      60 days late: 0      90 days late: 0

### TD/GM VISA

**Account #:**  
**Condition:** Open  
**Balance:** \$1210  
**High Balance:** \$1500  
**Terms:**  
**Remarks:**  
**Type:** Revolving account  
**Pay status:** Paid as Agreed  
**Payment:** \$0 Monthly (due every month)  
**Limit:** \$1000  
**Opened:** 11/2001  
**Reported:** 06/09/2004  
**Responsibility:** Individual account  
**Past Due:**

**Two Year Payment History:**

OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK
jun	jul	aug	sep	oct	nov	dec	03	feb	mar	apr	may	jun	jul	aug	sep	oct	nov	dec	04	feb	mar	apr	may

**Six Year Payment History:**

30 days late: 0      60 days late: 0      90 days late: 0

Check to see if the information about your installment loans, your car loan for example, and payment history are correct.

Check to see that information about any collections is correct. Note the dates, since this information is usually removed from your credit report after 6 years.

Check to see if your banking information is correct.

An unusual increase in the number of inquiries can have a negative influence on your credit score.

Your own inquiries do not have any effect on your credit score.

Make sure that you have given all of the companies listed here permission to see your credit report information.

**Installment Accounts:** Accounts comprised of fixed terms with regular payments

**ASSOCIATES FINANCIAL**

<b>Account #:</b> 1465456****	<b>Type:</b> Installment account	<b>Opened:</b> 04/2002
<b>Condition:</b> Open	<b>Pay status:</b> Paid as Agreed	<b>Reported:</b> 06/09/2004
<b>Balance:</b> \$2000	<b>Payment:</b> \$100 Monthly	<b>Responsibility:</b> Individual account
<b>High Balance:</b> \$4000	(due every month)	<b>Past Due:</b>
<b>Terms:</b>	<b>Limit:</b>	
<b>Remarks:</b>		

**Two Year Payment History:**

OK  
 jun jul aug sep oct nov dec 03 feb mar apr may jun jul aug sep oct nov dec 04 feb mar apr may

**Six Year Payment History:**

30 days late: 0                      60 days late: 0                      90 days late: 0

**Other:** Accounts in which the exact category is unknown

None reported

**Collection Accounts:** Delinquent accounts sent for recovery

None reported

**Bank Information**

Bank accounts closed for derogatory reasons

None reported

**Public Information**

None reported

Check to see if the public information related to bankruptcies, judgments, and secured loans is correct. Check the date, since the information is usually removed from your credit report after 5 to 10 years, depending on the type of information and the laws of the province in which you live.

**Inquiries**

Creditor Name	Date of Inquiry
CDN IMPERIAL BANK OF COM	03/20/2004
CITIBANK CANADA	12/04/2003
TCRS/COTTER	03/08/2003

**Creditor Contacts**

Creditor Name                      Phone Number

None reported

If there are companies listed here that you cannot remember doing business with, call them at the phone number listed.

Source: TransUnion

## Equifax's Credit Report

CONSUMER RELATIONS P.O. BOX 190 STATION JEAN TALON  
MONTREAL QUEBEC H1S 2Z2

JANE DOE  
10 PLEASANT ST.  
TORONTO ONTARIO  
M2N 1A2

CONFIDENTIAL INFORMATION  
NOT TO BE USED FOR CREDIT PURPOSES  
RE: EQUIFAX UNIQUE NUMBER: 3140123054

Dear JANE DOE,

Further to your request, a disclosure of your personal credit file as of 03/27/01 follows:

### PERSONAL IDENTIFICATION INFORMATION:

The following personal identification information is currently showing on your credit file. Your date of birth and social insurance number have been partially masked to protect your personal information (ie: Birth Date/Age: 01/xx/60, Social Insurance Number: 123-xxx-789).

DATE FILE OPENED: 07/04/92

NAME: Doe, Jane  
CURRENT ADDRESS: 10 PLEASANT ST. TORONTO,ON  
DATE REPORTED: 12/96  
PREVIOUS ADDRESS: 2 AVENUE ST,TORONTO,ON  
DATE REPORTED: 12/93  
PRIOR ADDRESS: 3 DU BOULEVARD,MONTREAL,PQ  
DATE REPORTED: 07/92

BIRTH DATE/AGE: 10/XX/1968  
SOCIAL INSURANCE NUMBER: 123-XXX-789

OTHER REFERENCE NAMES:  
CURRENT EMPLOYMENT: EDITOR  
PREVIOUS EMPLOYMENT: TRANSLATOR  
PRIOR EMPLOYMENT: CHEF  
OTHER INCOME:

### CREDIT INQUIRIES ON YOUR FILE:

Following is a list of Equifax members who have received a copy of your credit file for credit granting or other permissible purposes. Addresses are available by calling Equifax at 1-800-465-7166.

DATE	REQUESTOR NAME	TELEPHONE
03/02/00	CANADA TRUST MTG	(416) 361-8518
02/22/00	TD BANK	(800) 787-7065
01/16/00	BQE NATIONALE	(450) 677-9122

The following inquiries are for your information only and are not displayed to others. They include requests from authorized parties to update their records regarding your existing account with them.

DATE	REQUESTOR NAME	TELEPHONE
03/23/00	SOC ALCOOLS (not displayed)	(514) 873-6281
03/22/00	CANADA TRUST MTG (not displayed)	(416) 361-8518
02/16/00	CMHC SCHL (not displayed)	(888) 463-6454
01/16/00	AMERICAN EXPRESS (not displayed)	(416) 123-4567

CONSUMER INTERVIEWS AND OTHER SERVICES:  
You contacted our office in 12/98 to request a review of your credit file.

Check to see if your personal information is correct.

An unusual increase in the number of inquiries can have a negative influence on your credit score.

Make sure that you have given all of the companies listed here permission to see your credit report information.

Call these companies at the phone numbers listed if you cannot remember doing business with them.

Your own inquiries do not have any effect on your credit score.

CREDIT HISTORY AND/OR BANKING INFORMATION:

The following information was reported to us by organizations listed below. Information is received every 30 days from most credit grantors. All account numbers with your creditors have been masked to protect your personal account information and only the last three digits will be displayed (i.e.: xxx...123).

Check to see if your car loan information is correct.

GMAC last reported to us in 01/01 rating your installment account as I1, meaning paid as agreed and up to date. The reported balance of your account was \$1000. Your account number: xxx...345. The account is in the subject's name only. Date account opened: 04/99. Credit limit or highest amount of credit advanced: \$4400. DATE OF LAST ACTIVITY meaning the last payment or transaction made on this account was in 12/00. Additional comments: auto loan. Monthly payments.

Check your payment history. "I1" means your last reported car loan payment was made as agreed.

Check your payment history. "R2" means that you made a credit card payment 30 to 60 days after the payment due date.

CANADA TRUST MC last reported to us in 01/01 rating your revolving account as R1, meaning paid as agreed and up to date. At the time the reported balance of your account was \$285. Your account number: xxx...234. Date account opened: 06/99. Credit limit or highest amount of credit advanced \$2000. DATE OF LAST ACTIVITY meaning the last payment or transaction made on this account was in 12/00. PREVIOUS PAYMENT STATUS: 30 DAYS: 1 time (s) account previously R2 meaning one payment past due

Check to see that information about any reported bankruptcy is correct. Check the discharge date, since this information is usually removed from your credit report after 6 or 7 years, depending on the laws of the province in which you live.

Check to see that information about any public records and collections is correct. Note the dates, since this information is usually removed from your credit report after 6 to 10 years, depending on the laws of the province in which you live.

PUBLIC RECORDS AND OTHER INFORMATION:

The following information was reported to your file on the date indicated.

A COLLECTION was assigned in 10/96 to Commercial Credit by Transamerica Financial in the amount of:\$2675. Date reported paid: 07/97. Collection status: PAID. DATE OF LAST ACTIVITY was in 04/96. Collection agency reference number: 222222.

A JUDGEMENT was FILED IN 01/96 in Min Govt Serv. Plaintiff and/or case number: Chrysler Canada 4444. Defendant/other info: joint with Dossier. Amount reported: \$7525. Status reported: Satisfied. Date satisfied: 09/97.

A BANKRUPTCY was FILED IN 08/97 in SC Newmarket. Case number and/or trustee: 555555 SYNDIC & ASS. Liabilities: \$250000.Assets: \$8900000.Item classification: individual. Information reported on: The subject only. The item is reported as: DISCHARGED. DATE SETTLED: 05/98. Additional comments: absolute discharge from bankruptcy.

THE CONSUMER PROVIDED A PERSONAL STATEMENT to us in 12/98. The statement has been recorded as follows:

RE: BANKRUPTCY, CONSUMER DECLARED BANKRUPTCY DUE TO DIVORCE  
This statement is to be removed from the file in: 12/04.

If you gave the credit-reporting agency a statement to explain a particular situation, it will be included here.

Source: Equifax

## Understanding your credit score

### *What is a credit score?*

Your credit score is a judgment about your financial health, at a specific point in time. It indicates the risk you represent for lenders, compared with other consumers.

There are many different ways to work out credit scores. The credit-reporting agencies Equifax and TransUnion use a scale from 300 to 900. High scores on this scale are good. The higher your score, the lower the risk for the lender.

Lenders may also have their own ways of arriving at credit scores. In addition, lenders must decide on the lowest score you can have and still borrow money from them. They can also use your score to set the interest rate you will pay.

### *What factors influence your credit score?*

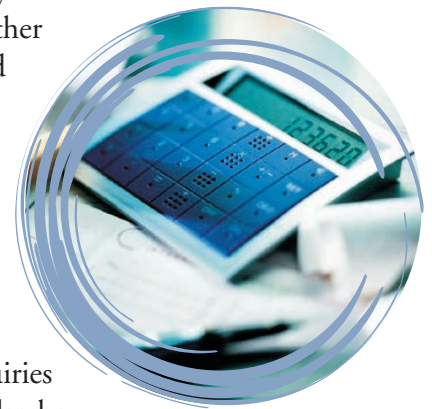
Credit-reporting agencies and lenders use a mathematical formula to figure out your credit score. This formula takes into account various factors described in your credit report, such as:

- your payment history (Do you carry over a balance on your credit card from month to month? Have you ever missed a payment on any of your debts?);
- any collection or bankruptcy recorded against you (Has a collection agency had to collect an unpaid bill from you? Have you ever been bankrupt?);
- your outstanding debts (What is the limit on your credit card? Is your spending close to your credit limit?);
- your account history (How long have you had credit?);

- the number of recent inquiries made about your credit report (How many times has someone asked about your credit report?); and
- the type of credit you are using (Do you only have credit cards, or do you have a mix of credit cards and loans?).

These factors do not all have the same weight in determining your credit score. The most important factors are your payment history, whether you have ever declared bankruptcy, and the amount of your outstanding credit balances.

Although other elements such as your mortgage information and any personal inquiries you have made may also be included in your credit report, they usually do not influence your credit score.



### *How long do these factors affect your credit score?*

Information that affects your credit score is usually removed from your credit report after a certain period of time. The length of time that information must stay in your report depends on:

- the province or territory where you live; and
- the type of information.

The charts on the next page show how long it takes before information is removed from TransUnion and Equifax credit reports.

**TransUnion**

	BC	AB	SK	MB	ON	QC	NB	NS	PEI	NL	Terr.
	<b>Years</b>										
<b>Credit transactions (trades)</b> (from the date of last activity or the date opened)	6	6	6	6	6	6	6	6	6	6	6
<b>Judgments</b> (from the reporting date)	6	6	6	6	7	7	7	6	10	7	6
<b>Collections</b> (from the reporting date)	6	6	6	6	6	6	6	6	6	6	6
<b>Secured loans (registered items)</b> (from the date opened)	5	5	5	5	5	5	5	5	5	5	5
<b>Bankruptcy</b> (from the discharge or reporting date)	6	6	6	6	7	7	7	6	7	7	6
<b>Registered consumer proposal, Orderly payment of debts</b> (from the date satisfied or reported, whichever comes first)	3	3	3	3	3	3	3	3	3	3	3
<b>Credit counseling</b> (from the date satisfied or reported, whichever comes first)	2	2	2	2	2	2	2	2	2	2	2

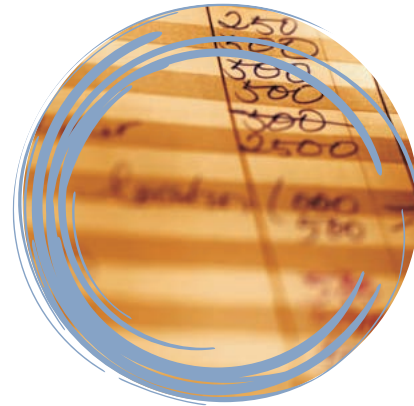
**Equifax**

	BC	AB	SK	MB	ON	QC	NB	NS	PEI	NL	Terr.
	<b>Years</b>										
<b>Credit transactions (trades)</b> (from the date of last activity)	6	6	6	6	6	6	6	6	6	6	6
<b>Judgments</b> (from the date satisfied or deposit)	6	6	6	6	6	6	6	6	7 to 10	6	6
<b>Collection</b> (from the date of last activity)	6	6	6	6	6	6	6	6	6	6	6
<b>Secured loans (registered items)</b> (from the filing date)	6	6	6	6	6	6	6	6	6	6	6
<b>Bankruptcy</b> (from the discharge date)	6	6	6	6	6	6	6	6	6	6	6
<b>Registered consumer proposal, orderly payment of debts</b> (from the date paid)	3	3	3	3	3	3	3	3	3	3	3
<b>Credit counseling</b> (from the date paid)	3	3	3	3	3	3	3	3	3	3	3

Source: TransUnion and Equifax

## What does a credit score look like?

On the following pages, you will find samples of credit scores from two Canadian credit-reporting agencies: TransUnion and Equifax. If you look at these examples carefully, you will see what kind of information a credit score report contains. This should help you understand your own credit score. The examples shown here are for illustration purposes only.

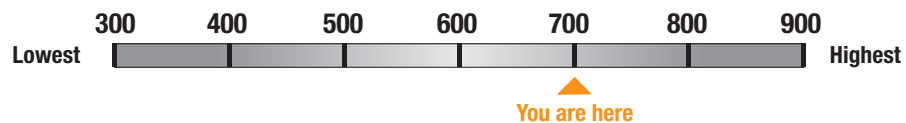


### TransUnion's Credit Score

This consumer has a credit score of 700.

#### Your credit score is 700

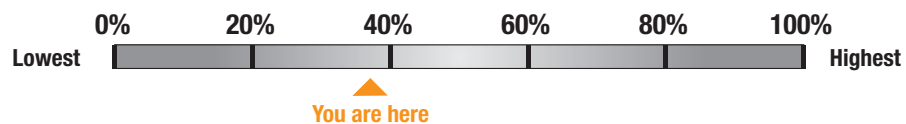
Based on your credit profile data, this is a numerical depiction of your creditworthiness.



This consumer has a better score than 36 per cent of the population.

#### Your credit ranks higher than 35.93% of the Canadian population

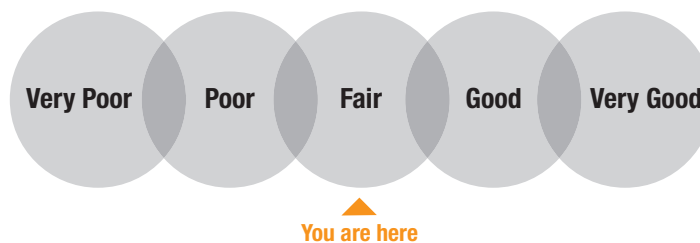
Based on your credit score, this is how your credit standing compares to the rest of Canada.



Lenders see this consumer as a fair credit risk.

#### Your creditworthiness is Fair

Based on your credit score, this is how you may be viewed from a lender's perspective.



**Here are the top factors that make your score lower:**

These factors influence this consumer's credit score.

Improvements in any of these areas should help increase this consumer's credit score.

**1. There are too many consumer finance company accounts on your credit report.** Having too much available credit can sometimes harm your credit score. Lenders may feel that you have the ability to spend more than you could potentially pay back. You might want to consider closing a few accounts or asking to have your credit limits reduced. Avoid closing too many accounts - especially the oldest accounts on your credit profile - because it could harm your credit score.

**2. Your account balances are too high.** High levels of debt can signal to potential lenders that you are spending more than you can afford. It is a good idea to use your credit cards regularly but remember to keep your balances below 35 percent of your available credit limits. If you have balances above 35-50 percent, you could see your credit score start to drop.

**3. There is not enough recent revolving account information on your credit report.** Using your credit accounts regularly is an important part of building healthy credit. Lenders will be able to better evaluate your creditworthiness if there is more data about your payment and spending behaviour on your credit report. Using a credit card to make a few purchases each month may help improve your credit score.

**4. Your loan balances are too high in comparison with your loan amounts.** High levels of debt can signal to potential lenders that you are spending more than you can afford. It is a good idea to use your credit cards regularly but remember to keep your balances below 35 percent of your available credit limits. If you have balances above 35-50 percent, you could see your credit score start to drop.

Source: TransUnion

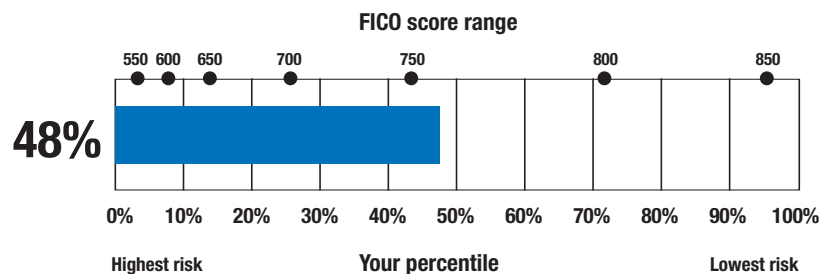
## Equifax's Credit Score

### FICO Score 760 FOR : LOUISE GUIDRY

This consumer has a credit score of 760.

- Your FICO score of 760 summarizes the information on your Equifax credit report.
- FICO scores range between 300 and 900.
- Higher scores are considered better scores. That is, the higher your score, the more favorably lenders look upon you as a credit risk.
- Your score is slightly below the average score of Canadian consumers, though most lenders consider this a good score.

This consumer has a better score than 48 per cent of the population.



### The Bottom Line: What a FICO score of 760 means to you

Lenders consider many factors in addition to your credit score when making credit decisions. Looking solely at your FICO score, however, most lenders would consider this score as good.

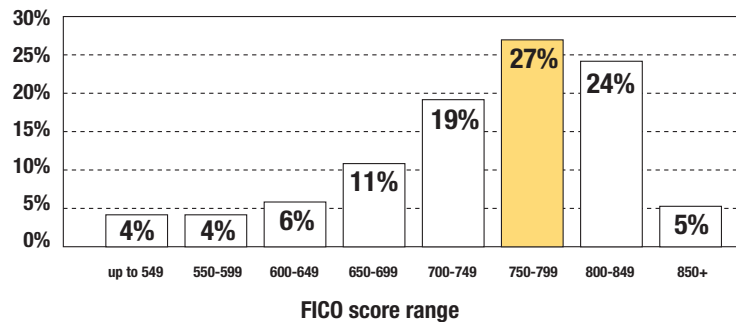
#### This Means:

- It is very unlikely your applications for credit cards or other loans will be turned down, based on your score alone.
- Most lenders will consider offering you very attractive and competitive rates and terms on loan products.
- Many lenders will be able to provide you with an instant approval status based on your score.

It is important to understand that different lenders set their own policies and tolerance for risk when making credit decisions, so there is no single "cutoff score" used by all lenders.

Twenty-seven per cent of consumers have scores in the same range as this consumer.

National distribution of FICO



#### Understanding the graph.

This chart shows the percentage of people who score in specific FICO score ranges. For example, about 4% of Canadian consumers have a FICO score between 550 and 599. Your score of 760 places you in the 750-799 range, along with 27% of the total population. (Note that the score ranges shown above are provided for your information, but they do not necessarily correspond to any particular lender's policies for extending credit.)

#### How Lenders see you

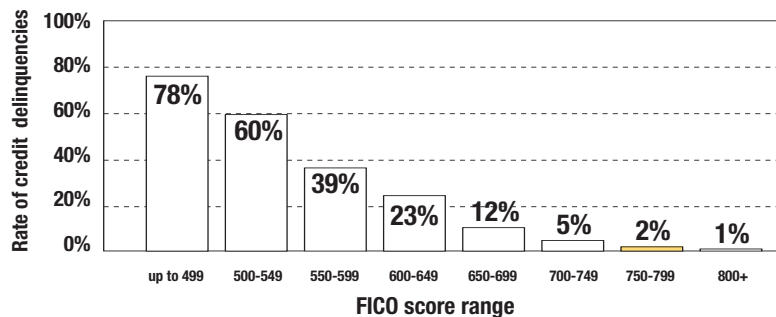
A majority of lenders use FICO scores as one method to estimate an applicant's credit risk. People with high FICO scores are likely to repay loans and credit cards more consistently than people with low FICO scores. Although FICO scores are remarkably predictive, no one can predict with certainty whether or not an applicant will repay a credit account.

As a group, the consumers in your score range, 750-799, have a delinquency rate of 2%, as illustrated in the graph. This means that for every 100 borrowers in this range, approximately 2 will default on a loan, file for bankruptcy, or fall 90 days past due on at least one credit account in the next two years.

Most lenders would consider consumers in this score range as very low risk.

Two per cent of consumers who fall into the same scoring range as this consumer, fail to pay off their loans.

Delinquency rates by FICO score



These factors have influenced this consumer's credit score

Improvements in any of these areas should help increase this consumer's credit score.

### **Summary of factors affecting your score**

The FICO score is calculated based on the information contained in your Equifax credit history. While knowing your actual score is a good start, understanding the key factors affecting your FICO score is much more important. These factors will provide you direction on how you can increase or maintain your FICO score over time.

The negative factors listed below are reasons why your FICO score is not higher. Your focus on these factors will help you to raise your FICO score over time. These negative factors are provided in order of impact to your score, the first factor listed indicates where you stand to gain the most points over time and so on.

#### **You have recently been seeking credit as reflected by the number of inquiries posted on your credit file in the last 12 months**

Research shows that consumers who are seeking new credit accounts are riskier than consumers who are not seeking credit. Inquiries are the only information lenders have that indicates a consumer is actively seeking credit. There are different types of inquiries that reside on your credit bureau report. The score only considers those inquiries that were posted as a result of you applying for credit. Other types of inquiries, such as account review inquiries (where a lender with whom you have an account has received your credit report) or consumer disclosure inquiries (where you have requested a copy of your own report) are not considered by the score. The scores can identify "rate shopping" so that one credit search leading to multiple inquiries being reported is usually only counted as a single inquiry. For most consumers, the presence of a few inquiries on your credit file has a limited impact on FICO scores. A common misperception is that every single inquiry will drop your score a certain number of points. This is not true. The impact of inquiries on your score will vary - depending on your overall credit profile. Inquiries will usually have a larger impact on the score for consumers with limited credit history and on consumers with previous late payments. The most prudent action to raise your score over time is to apply for credit only when you need it.

As time passes the age of your most recent inquiry will increase and your score will rise as a result, provided you do not apply for additional credit in the meantime. Our best recommendation - apply for credit only when you need it.

#### **The length of time your revolving or non-revolving accounts have been established is too short**

This reason is based on the age of the revolving or non-revolving charge accounts on your credit bureau report (the age of your oldest revolving or non-revolving charge account, the average age of your revolving or non-revolving charge accounts, or both). A revolving account such as Visa, MasterCard, or retail store card allows consumers to make a minimum monthly payment and roll or "revolve" the remainder of their balance to the next month. Non-revolving accounts such as American Express and Diners Club must be paid off in full each month. Research shows that consumers with longer credit histories have better repayment risk than those with shorter credit histories. Also, consumers who frequently open new accounts have greater repayment risk than those who do not.

It is a good idea to only apply for credit when you really need it. Meanwhile, maintain low-to-moderate balances and be sure to make your payments on time. Your score should improve as your revolving credit history ages.

#### **The amount owed on your non-mortgage related accounts is too high**

The score measures how much you owe on the non-mortgage related accounts (revolving, non-revolving, and installment) that are listed on your credit bureau report. Research reveals that consumers owing larger amounts on their credit accounts have greater future repayment risk than those who owe less. (For credit cards, the total outstanding balance on your last statement is generally the amount that will show in your credit bureau report. Note that even if you pay off your credit cards in full each and every month, your credit bureau report may show the last billing statement balance on those accounts.)

Paying off your debts and maintaining low balances will help to improve your credit score. Consolidating or moving your debt around from one account to another will usually not, however, raise your score, since the same amount is still owed.

#### **Proportion of loan balances to original loan amounts is too high**

Simply having installment loans and owing money on them does not mean you are a high-risk borrower. To the contrary, paying down installment loans is a good sign that you are able and willing to manage and repay debt, and evidence of successful repayment weighs favorably on your credit rating. The FICO score examines many aspects of your current installment loan and revolving balances. One measurement is to compare outstanding installment balances against the original loan amounts. Generally, the closer the loans are to being fully paid off, the better the score. Compared to other measurements of indebtedness, however, this has limited influence on the FICO score.

Paying down installment loans on a timely basis generally reflects well on your credit score. But if you want to improve your score, one way to do it is to try to pay the loans, (especially non-mortgage installment loans) down as quickly as you can.

Source: Equifax

## Checking your credit report and your credit score

### How can you check your credit report and score?

It's a good idea to request a copy of your credit report from the three credit-reporting agencies at least once a year to verify that your personal information is up to date, that your financial information is correct, and to ensure that you have not been the victim of identity fraud. Because your credit information can be kept by more than one credit-reporting agency, and because those agencies do not necessarily share information, it's important to check *all three* credit reports carefully.

#### Credit report

Although there are many ways to order your credit report, such as by phone, fax or e-mail, the easiest and safest methods are by mail or by Internet.

#### By mail

If you make your request in writing and send it by mail, the credit-reporting agencies will provide you, by mail, with a free copy of your report. It is important, however, that in your request you include a copy of two pieces of I.D. Contact the credit-reporting agencies to find out which pieces of I.D. are acceptable.

#### By Internet<sup>1</sup>

You can also order your credit report through the reporting agencies' websites. This method is faster since you will receive your credit report online only a few minutes after you made the request. However, credit-reporting agencies charge a fee for providing you with an online copy of your credit report.

#### Credit score

The only way you can obtain your credit score is online, through the credit-reporting agencies' websites<sup>1</sup>. The fee charged for your credit score might be higher than the cost of receiving only your credit report online.

However, the cost of your credit score will include an online copy of your credit report. You will receive your credit score (and credit report) online a few minutes after you have made the request.



To get copies of your credit report and credit score, contact Equifax, TransUnion and Northern Credit Bureaus Inc., at the following coordinates:

#### Equifax Canada

National Consumer Relations  
P.O. box 190, Station Jean-Talon,  
Montreal, Quebec  
H1S 2Z2  
Tel. (toll-free): 1-800-465-7166  
Fax: (514) 355-8502  
E-mail: [consumer.relations@equifax.com](mailto:consumer.relations@equifax.com)  
Web site: [www.equifax.ca](http://www.equifax.ca)

#### TransUnion Canada

All provinces except Quebec:  
Consumer Relations Centre  
P.O. Box 338 LCD 1  
Hamilton, Ontario  
L8L 7W2  
Tel. (toll-free): 1-866-525-0262  
Fax: (905) 527-0401  
Web site: [www.transunion.ca](http://www.transunion.ca)

<sup>1</sup> Credit reports and credit scores are not available to Nova Scotia residents on the Internet.

For Quebec Residents:  
**TransUnion (Echo Group)**  
1600 Henri Bourassa Boul Ouest  
Suite 210  
Montreal, Quebec  
H3M 3E2  
Tel. (toll-free): 1-877-713-3393  
Fax: (905) 527-0401  
Web site: [www.transunion.ca](http://www.transunion.ca)

**Northern Credit Bureaus Inc.**  
336 Rideau boulevard  
Rouyn-Noranda, Quebec  
J9X 1P2  
Fax (toll-free): 1-800-646-5876  
Web site: [www.creditbureau.ca](http://www.creditbureau.ca)

## *How can you get errors corrected?*

When you get your credit report, make sure the information in it is correct and up to date.

If you believe that the information in your credit report is incorrect, follow these steps.

### **1. Contact the credit-reporting agency**

Before the credit-reporting agency can make a correction on your credit report, it will have to contact the financial institution that reported the information to see if an error was made.

If the financial institution agrees that an error was made, the credit-reporting agency has 30 days (with the exception of Alberta that allows 90 days) to correct your credit report. If the financial institution says that the information reported is correct but you are

still not satisfied, you can submit a brief statement to the credit-reporting agency, explaining your situation. This statement will be added to your credit report.

### **2. Contact your financial institution**

To avoid any delays in getting errors on your credit report corrected, you can contact the financial institution that provided the incorrect information to the credit-reporting agency and ask the financial institution to follow up with the credit-reporting agency.

If the error came from your financial institution and the institution will not correct the error, ask for information on its complaint-handling process. Financial institutions that are regulated by the Government of Canada are required, by law, to have a process in place to resolve disputes between consumers and financial institutions. To obtain information on your financial institution's complaint-handling process, contact the Financial Consumer Agency of Canada (FCAC) toll-free, at 1-866-461-3222, or visit FCAC's Web site at the following Web address: [www.fcac.gc.ca](http://www.fcac.gc.ca).

## *How can you improve your credit score?*

If your credit score is not as high as you think it should be, make sure that the information in your credit report is correct. If it is correct, read your report carefully to find out which factors are most likely having a negative influence on your score, and then work to improve them.

Here are some tips on how to improve your credit score:

- Always pay your bills on time. Although the payment of your utility bills, such as phone, cable and electricity, is not recorded in your credit report, some cellphone companies may report late payments to the credit-



reporting agencies, which could affect your score.

- Try to pay your bills in full by the due date. If you aren't able to do this, pay at least the minimum amount shown on your monthly statement.
- Try to pay your debts as quickly as possible.
- Don't go over the credit limit on your credit card. Try to keep your balance well below the limit. The higher your balance, the more impact it has on your credit score.
- Reduce the number of credit applications you make. If too many potential lenders ask about your credit in a short period of time, this may have a negative effect on your score. However, your score does not change when you ask for information about your own credit report.
- Make sure you have a credit history. You may have a low score because you do not have a record of owing money and paying it back. You can build a credit history by using a credit card. See the next section to find out how.

## Building a credit history

### How can a credit card help?

It is important to have a credit history. If you don't have a credit history, you can begin building one by using a credit card - as long as you use the credit card wisely!

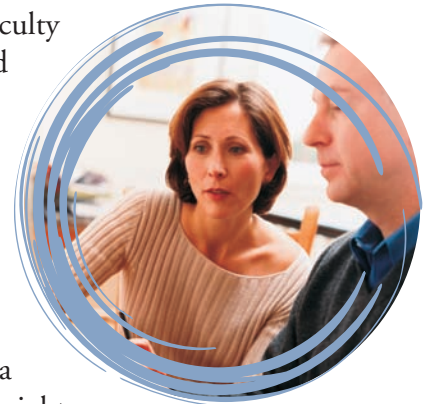
When you apply for a credit card, the card issuer will check your credit history with one or more of the credit-reporting agencies, to find out whether or not you are likely to pay back the money you borrow with your credit card.

If your credit card application has been approved and you start using your card, the

issuer reports any activity on the card to the credit-reporting agencies. For example, the issuer will tell the credit-reporting agencies what your outstanding balance is and whether or not you are making the required monthly payments on time. This helps you build a credit history.

If you are having difficulty obtaining a credit card because you have no credit history, you are new to the country, you have recently filed for bankruptcy or you have had credit problems in the past, a

“secured credit card” might be appropriate for you. To obtain a secured card, you will need to deposit a sum of money with the credit card issuer. Your credit limit is normally set as a percentage of your deposit. Making all your secured credit card payments on time can help you build a credit history, or rebuild a poor one. Once your credit history is considered satisfactory by a credit issuer, you may be eligible for a conventional type of credit card, such as a low-rate or standard card. For more information about secured credit cards, consult FCAC's publication entitled *Credit Cards and You*.



### How can you maintain a good credit history?

There are a number of things you can do to build and maintain a good credit history. Here are some important do's and don'ts.

#### Do's

- Pay your bills on time.
- Try to pay your bills in full by the due date. If you aren't able to do this, pay at least the

minimum amount shown on your monthly statement.

- Contact your creditors if you are having trouble making payments.
- Make sure that your monthly account statement is correct.
- Read the statements and other material you receive from your credit card company carefully. Keep up to date on any fee increases or changes in your card's terms and conditions.
- Deal with companies you know and trust.
- Get a copy of your credit report from all three credit-reporting agencies at least once a year and make sure they are accurate.

### Don'ts

- Don't accept or use any form of credit until you understand and are comfortable with its terms and conditions, to avoid any misunderstandings between you and the credit issuer.
- Don't wait to report any unauthorized transactions on your account. Contact your credit issuer immediately if your bill includes items you did not buy.
- Don't go over the credit limit on your credit card.



## We are the Financial Consumer Agency of Canada (FCAC)

The Financial Consumer Agency of Canada (FCAC) ensures compliance with the consumer protection laws that apply to banks and federally incorporated trust, loan and insurance companies. FCAC also provides consumers with accurate and objective information about financial products and services, and informs Canadians of their rights when dealing with financial institutions.

### Information

All of our information, services and publications are available to you free of charge. Our publications help you shop around and choose the best financial product or service for your needs.

### Protection

FCAC makes sure that federal financial institutions such as banks, trust, loan and insurance companies respect the laws and agreements that protect you. Call us for more information about your rights.

### Contact info:

- Telephone:** Monday to Friday, 8:30 a.m. to 6:00 p.m., Eastern Time
- Toll-free:** 1-866-461-3222 (FCAC)
- Fax:** 1-866-814-2224
- E-mail:** [info@fcac.gc.ca](mailto:info@fcac.gc.ca)
- Web site:** [www.fcac.gc.ca](http://www.fcac.gc.ca)