

Understanding and Improving Your Credit and Credit Score

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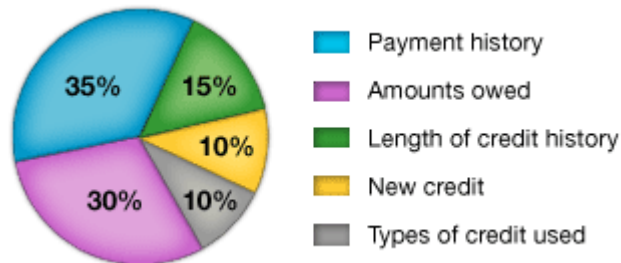
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What's In Your Credit Score

Credit Scores are calculated from a lot of different credit data in your credit report. This data can be grouped into five categories as outlined below. The percentages in the chart reflect how important each of the categories is in determining your credit score.



These percentages are based on the importance of the five categories for the general population. For particular groups - for example, people who have not been using credit long - the importance of these categories may be somewhat different.

Payment History

- Account payment information on specific types of accounts (credit cards, retail accounts, installment loans, finance company accounts, mortgage, etc.)
- Presence of adverse public records (bankruptcy, judgments, suits, liens, wage attachments, etc.), collection items, and/or delinquency (past due items)
- Severity of delinquency (how long past due)
- Amount past due on delinquent accounts or collection items
- Time since (recency of) past due items (delinquency), adverse public records (if any), or collection items (if any)
- Number of past due items on file
- Number of accounts paid as agreed

Amounts Owed

- Amount owing on accounts
- Amount owing on specific types of accounts
- Lack of a specific type of balance, in some cases
- Number of accounts with balances
- Proportion of credit lines used (proportion of balances to total credit limits on certain types of revolving accounts)

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- Proportion of installment loan amounts still owing (proportion of balance to original loan amount on certain types of installment loans)

Length of Credit History

- Time since accounts opened
- Time since accounts opened, by specific type of account
- Time since account activity

New Credit

- Number of recently opened accounts, and proportion of accounts that are recently opened, by type of account
- Number of recent credit inquiries (see below for more information)
- Time since recent account opening(s), by type of account
- Time since credit inquiry(s)
- Re-establishment of positive credit history following past payment problems

Types of Credit Used

- Number of (presence, prevalence, and recent information on) various types of accounts (credit cards, retail accounts, installment loans, mortgage, consumer finance accounts, etc.)

Please note that:

- **A credit score takes into consideration all these categories of information, not just one or two.**
No one piece of information or factor alone will determine your score.
- **The importance of any factor depends on the overall information in your credit report.**
For some people, a given factor may be more important than for someone else with a different credit history. In addition, as the information in your credit report changes, so does the importance of any factor in determining your credit score. Thus, it's impossible to say exactly how important any single factor is in determining your score - even the levels of importance shown here are for the general population, and will be different for different credit profiles. What's important is the mix of information, which varies from person to person, and for any one person over time.
- **Your credit score only looks at information in your credit report.**
However, lenders look at many things when making a credit decision including your income, how long you have worked at your present job and the kind of credit you are requesting.

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- **Your score considers both positive and negative information in your credit report.** Late payments will lower your score, but establishing or re-establishing a good track record of making payments on time will raise your credit score.

Re: “Number of Recent Credit Inquiries”

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.

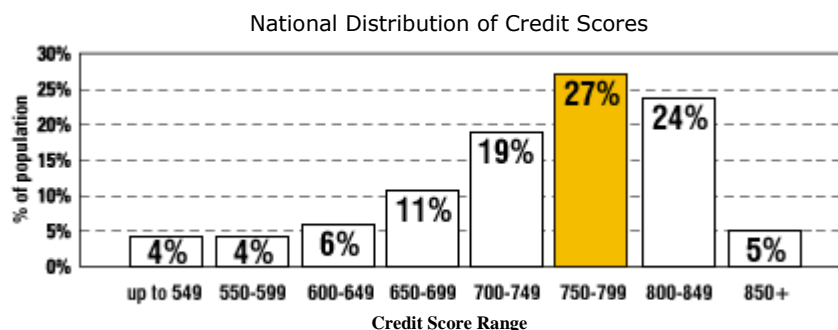
The scores can identify "rate shopping" so that one credit search leading to multiple inquiries being reported is usually only counted as a single inquiry. For most consumers, the presence of a few inquiries on your credit file has a limited impact on credit scores.

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. [Source: Equifax]

What Is A Good Credit Score?

Score Range

Lenders generally want to see credit scores in the low 600's or higher. With a credit score of 680 or higher, you generally are going to be considered a good credit risk by mortgage lenders.



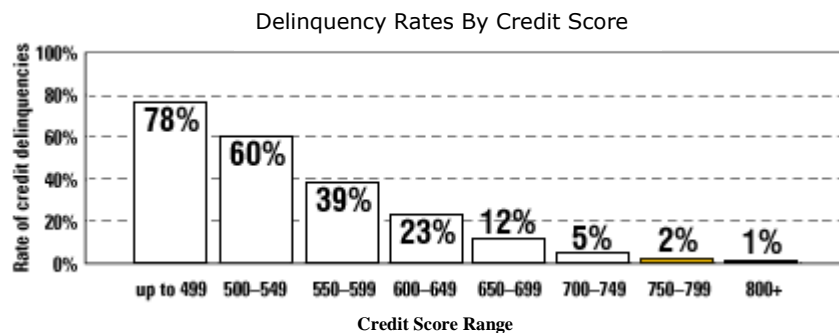
Understanding the graph. This chart shows the percentage of people who score in specific credit score ranges. For example, about 4% of Canadian consumers have a credit score between 550 and 599. A score of 760 places you in the 750-799 range, along with 27% of the total population. (Note that the score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

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How Lenders See You

A majority of lenders use credit scores as one method to estimate an applicant's credit risk. People with high credit scores are likely to repay loans and credit cards more consistently than people with low credit scores. Although credit 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 the 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.



Understanding the graph: This chart demonstrates the delinquency rate (or credit risk) associated with selected ranges of the credit score. In this illustration, the delinquency rate is the percentage of borrowers who reach 90 days past due or worse (such as bankruptcy or account charge-off) on any credit account over a two-year period. The graph clearly illustrates the predictive power of the credit scores, which is why lenders rely on them for credit decisions.

Source: Equifax

Improving Your Credit Score

It's important to note that raising your credit score is a bit like losing weight: It takes time and there is no quick fix. In fact, quick-fix efforts can backfire. The best advice is to manage credit responsibly over time. following these tips to raise your credit score.

Payment History Tips

- **Pay your bills on time.**
Delinquent payments and collections can have a major negative impact on your credit score.
- **If you have missed payments, get current and stay current.**
The longer you pay your bills on time, the better your credit score.
- **Be aware that paying off a collection account will not remove it from your credit report.**
It will stay on your report for seven years.
- **If you are having trouble making ends meet, contact your creditors or see a legitimate credit counselor.**

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This won't improve your credit score immediately, but if you can begin to manage your credit and pay on time, your score will get better over time.

Amounts Owed Tips

- **Keep balances low on credit cards and other “revolving credit”.**
High outstanding debt can affect a credit score. Keep balances less than 50% of your limit on each card.
- **Pay off debt rather than moving it around.**
The most effective way to improve your credit score in this area is by paying down your revolving credit. In fact, owing the same amount but having fewer open accounts may lower your score.
- **Don't close unused credit cards as a short-term strategy to raise your score.**
- **Don't open a number of new credit cards that you don't need, just to increase your available credit.**
This approach could backfire and actually lower your credit score.

Length of Credit History Tips

- **If you have been managing credit for a short time, don't open a lot of new accounts too rapidly.**
New accounts will lower your average account age, which will have a larger effect on your score if you don't have a lot of other credit information. Also, rapid account buildup can look risky if you are a new credit user.

New Credit Tips

- **Do your rate shopping for a given loan within a focused period of time.**
Credit scores distinguish between a search for a single loan and a search for many new credit lines, in part by the length of time over which inquiries occur.
- **Re-establish your credit history if you have had problems.**
Opening new accounts responsibly and paying them off on time will raise your credit score in the long term.
- **Note that it's OK to request and check your own credit report.**
This won't affect your score, as long as you order your credit report directly from the credit reporting agency or through an organization authorized to provide credit reports to consumers.

Types of Credit Use Tips

- **Apply for and open new credit accounts only as needed.**
Don't open accounts just to have a better credit mix - it probably won't raise your credit score.
- **Have credit cards - but manage them responsibly.**
In general, having credit cards and installment loans (and paying timely payments) will raise your credit score. Someone with no credit cards, for example, tends to be higher risk than someone who has managed credit cards responsibly.

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- **Note that closing an account doesn't make it go away.**
A closed account will still show up on your credit report, and may be considered by the score.

Identity Theft: What It Is And What You Can Do About It

Every year, thousands of people are victims of identity theft.

While recent developments in telecommunications and computer processing make it easier for companies and consumers to reach each other, they can also scatter your personal information more widely, making life easier for criminals.

Identity theft is the unauthorized collection and use of your personal information, usually for criminal purposes.

Your name, date of birth, address, credit card, Social Insurance Number (SIN) and other personal identification numbers can be used to open credit card and bank accounts, redirect mail, establish cellular phone service, rent vehicles, equipment, or accommodation, and even secure employment.

If this happens, you could be left with the bills, charges, bad cheques, and taxes.

How To Fight Identity Theft

- Minimize the risk. Be careful about sharing personal information or letting it circulate freely.
- When you are asked to provide personal information, ask how it will be used, why it is needed, who will be sharing it and how it will be safeguarded.
- Give out no more than the minimum, and carry the least possible with you.
- Be particularly careful about your SIN; it is an important key to your identity, especially in credit reports and computer databases.
- Don't give your credit card number on the telephone, by electronic mail, or to a voice mailbox, unless you know the person with whom you're communicating or you initiated the communication yourself, and you know that the communication channel is secure.
- Take advantage of technologies that enhance your security and privacy when you use the Internet, such as digital signatures, data encryption, and "anonymizing" services.
- Pay attention to your billing cycle. If credit card or utility bills fail to arrive, contact the companies to ensure that they have not been illicitly redirected.
- Notify creditors immediately if your identification or credit cards are lost or stolen.
- Access your credit report from a credit reporting agency once a year to ensure it's accurate and doesn't include debts or activities you haven't authorized or incurred.
- Ask that your accounts require passwords before any inquiries or changes can be made, whenever possible.
- Choose difficult passwords — *not* your mother's maiden name. Memorize them, change them often. *Don't* write them down and leave them in your wallet, or some equally obvious place.

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- Key in personal identification numbers privately when you use direct purchase terminals, bank machines, or telephones.
- Find out if your cardholder agreement offers protection from credit card fraud; you may be able to avoid taking on the identity thief's debts.
- Be careful what you throw out. Burn or shred personal financial information such as statements, credit card offers, receipts, insurance forms, etc. Insist that businesses you deal with do the same.

Are You A Victim Of Identity Theft?

- Report the crime to the police *immediately*. Ask for a copy of the police report so that you can provide proof of the theft to the organizations that you will have to contact later.
- Take steps to undo the damage. Avoid "credit-repair" companies: there is usually nothing they can do, and some have been known to propose a solution — establishing credit under a new identity — that is itself fraudulent.
- Document the steps you take and the expenses you incur to clear your name and re-establish your credit.
- Cancel your credit cards and get new ones issued. Ask the creditors about accounts tampered with or opened fraudulently in your name.
- Have your credit report annotated to reflect the identity theft. Do a follow-up check three months after to ensure that someone has not tried to use your identity again.
- Close your bank accounts and open new ones. Insist on password-only access to them.
- Get new bank machine and telephone calling cards, with new passwords or personal identification numbers.
- In the case of passport theft, advise the Passport Office.
- Contact Canada Post if you suspect that someone is diverting your mail.
- Advise your telephone, cable, and utilities that someone using your name could try to open new accounts fraudulently.
- Get a new driver's license.

If you suspect that someone has been using your SIN to get a job, or that your SIN has been compromised in some other way, contact Service Canada at:

Service Canada
Social Insurance Registration Office
P.O. Box 7000
Bathurst, New Brunswick E2A 4T1

To find out more about your privacy rights, call the Office of the Privacy Commissioner of Canada toll-free at 1-800-282-1376, or write:

The Office of the Privacy Commissioner
112 Kent Street
Ottawa, ON K1A 1H3

Resources For More Information

Equifax Canada

To obtain your own free credit report, once per year, visit www.equifax.ca

How can I correct an inaccuracy in my Equifax credit file?

Contact:

Equifax Canada Inc.
Consumer Relations Department
Box 190 Jean Talon Station,
Montreal, Quebec
H1S 2Z2

CALL: 1 800 465 7166 between 8:00am and 5:00pm ET

Equifax Credit Education Centre

https://www.econsumer.equifax.ca/ca/main?forward=/view/common/template.jsp&body=/view/education/credit_ed.jsp

Financial Consumer Agency of Canada

www.fcac-acfc.gc.ca

<http://www.fcac-acfc.gc.ca/eng/publications/CreditReportScore/CreditReportScoreTOC-eng.asp>

Office of the Privacy Commissioner of Canada

http://www.privcom.gc.ca/fs-fi/02_05_d_10_e.asp