

CREDIT

SCORES &

REPORTS

Lenders use your credit score (or credit rating) to decide whether to give you credit or lend you money.

Knowing this can help you negotiate better deals, or understand why a lender rejected you.

If you've ever applied for credit or a loan, there will be a credit report about you.

Your credit report offers potential lenders and creditors a summary of your credit history. Your credit score is a number that represents your overall credit risk at a glance, or the likelihood you'll pay your bills on time.

Lenders may also use your credit report and credit score to set the interest rate and other terms on any credit they offer.

OBTAIN YOUR REPORT

You have a right to get a copy of your credit report for free every 3 months. It's worth getting a copy at least once a year.

The three credit bureaus that provide credit reports are Equifax, Experian and TransUnion. Your credit reports from each may not be identical, as some lenders and creditors may not report to all three. Some may report to only two, one or none at all.

YOUR CREDIT SCORE

Your credit score is calculated on:

- The amount of money you've borrowed
- The number of credit applications you've made
- Whether you pay on time

Every credit reporting agency has a different score metric. A higher score means the lender will consider you less risky. A lower score will affect your ability to get a loan or credit.

FIXING ERRORS

When you get your credit report, check that:

- The loans and debts listed are yours
- Your personal details are correct
- If something is wrong or out of date, contact the credit reporting agency and ask them to fix it.

GOOD DEBT

Many people mistakenly think all debt is bad, but there are certain types of debt that can be advantageous when it comes to your credit.

What is it?

Speaking generally, debt that you're able to repay responsibly based on the loan agreement can be "good debt," as a favorable payment history (and showing you can responsibly handle a mix of different types of debt) may be reflected in credit scores. Ask your broker for advice in this area.

SOFT ENQUIRIES

- Checking your own credit report
- Pre-approved offers of credit and insurance
- Account reviews
- Won't impact credit score

HARD ENQUIRIES

- Credit reviews by potential lenders, creditors, employers, or landlords to extend a job, service or credit
- Remain on credit report for two years
- May negatively impact credit score