

Credit Score

Your credit score shows lenders how well you manage credit and how risky it would be for a lender to lend you money. The higher your score the better.

A credit score is calculated by using an industry formula. Unfortunately we cannot determine exactly how specific choices will impact the number, however keep in mind that when living within your means and making proactive choices you can work at improving the number.

The following factors are taken into consideration when calculating your number:

- How long you've had credit
- If you carry a balance on your credit cards
- If you regularly miss payments
- The amount of outstanding debt you have
- Being close to, at or above your credit limit. For example, if you have lines of credit as a "just in case" strategy but have all the funds spent, that would work against your credit score.
- The number of recent credit applications; this can be a number of things such as car loans, phone plans, multiple jobs
- The type of credit you are using
- If your debts have been sent to a collection agency. This occurs when you have missed enough deadlines that the lender has called in another agency to try to enforce repayment of the loan.
- Any record of insolvency or bankruptcy

Lenders will have different parameters that they will look at when reviewing a client's application. However the higher your credit score, the more negotiating room you will have when determining interest rates.

Credit Report

The credit report and credit score is created by Equifax and TransUnion. As these companies only look at your Canadian history, if you have credit history from other countries you may need to speak with the lender about them accepting additional out of country reports.

Who can see and use your credit report?

- Banks, credit unions and other financial institutions
- Credit card companies
- Car lease companies
- Retailers
- Mobile phone companies
- Insurance companies
- Governments
- Employers
- Landlords

All of the above organizations may ask to "check your credit" or "pull your report". Each time a report is generated, a note is made on your file. The more notes on your file may be concerning to some organizations as it may show you are urgently seeking credit and trying to live beyond your means or there are too many moving pieces which may demonstrate lack of consistency.

Accessing Your Credit Report

Bread + Butter Wealth

By accessing your credit report annually you are able to see if there have been any fraudulent transactions or identity theft in your name.

When you order your credit report through Equifax Canada or TransUnion Canada, it has no impact on your credit score.

You are able to access this information by:

Calling:

- Equifax Canada
Tel: 1-800-465-7166
- TransUnion Canada
Tel: 1-800-663-9980 (except Quebec)
Tel: 1-877-713-3393 (Quebec residents)

Mail:

- Complete the forms provided by Equifax and TransUnion

Online:

- If you want to access your report quickly you can visit their websites, however there may be an additional fee if you want to see it immediately. I believe TransUnion allows you to order your credit report online once a month for free.

As you go through this exercise, please ensure you are using reputable sites and only sharing your information with organizations you trust.