

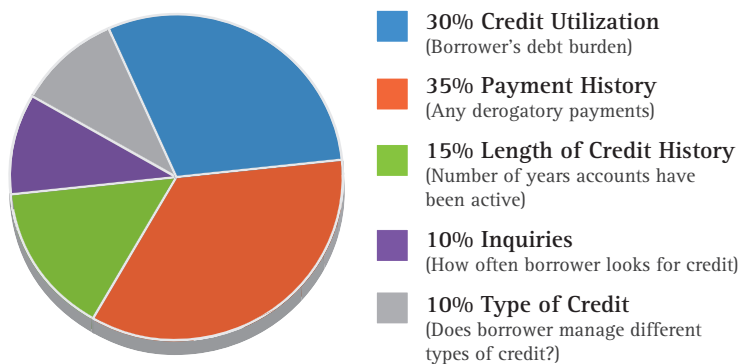
# UNDERSTANDING AND IMPROVING YOUR CREDIT

## WHAT IS A CREDIT REPORT?

A credit report is the primary tool that lenders use to establish a borrower's creditworthiness. An individual's credit report includes personal identification information as well as financial information such as a record of payment history on all credit facilities, on cell phones, and if there have been any collections or past bankruptcies. It also reflects current outstanding balances and maximum credit limits. Additionally, the credit report shows how many times the borrower has applied for new credit. All this information influences a borrower's credit score.

In Canada, there are two credit reporting agencies, Equifax and TransUnion; however, not all credit providers report to both agencies and the details between reports can vary. In addition to a borrower's credit profile, lenders often make decisions based on employment, indebtedness compared to income level, and the ability to easily make payments from month-to-month for a sustained period. When considering an application, Canada Guaranty will review both credit reports to ensure we have a complete picture of the borrower's credit history.

### Credit Score Breakdown



*Note: As variations exist between scoring models, percentages are approximate.*  
*Source: <https://www.consumer.equifax.ca/personal/education/credit-score/how-are-credit-scores-calculated/>*

## CREDIT UTILIZATION:

A measure of how much of your available credit, on credit cards and/or lines of credit, is being used. It also factors in the number of accounts with balances and the amount paid down on installment loans. Generally, lower credit utilization demonstrates restraint and is viewed as positive.

## PAYMENT HISTORY:

A credit score includes how all credit accounts are being repaid. Not only does this consist of any late monthly payments, but also items of public record and foreclosures. It's important to note that a co-borrower has just as much responsibility on the payment as the primary borrower. For instance, a missed payment on a co-signed credit card will show on both borrowers' credit reports.

## LENGTH OF CREDIT HISTORY:

A credit score not only considers the date that the first account was opened, but also the average age of the accounts on the report. Creditors typically want to see at least two open trades on a credit report, each being used for a minimum of two years.

## INQUIRIES:

Borrowers who continually seek new credit can negatively impact their credit score. An exception to this is borrowers who are rate shopping for a mortgage or auto-loan over a short period of time. In this case, the credit score will not be meaningfully impacted. Also, credit inquiries made by the borrower or a potential employer are typically not factored into the score.

## TYPES OF CREDIT:

In general, lenders and creditors like to see borrowers manage a variety of credit types. A borrower's credit score can improve if they have demonstrated the ability to manage several different credit accounts rather than having only installment loans or only revolving credit.

### How long does information stay on your Equifax or Trans Union credit report?

#### Judgments:

- Equifax will report a judgment for 6 years.
- TransUnion will also report for 6 years, except in ON, QC, NB and NL where they will report for 7 years, and 10 years in PEI.

#### Consumer Proposals:

- Equifax removes a consumer proposal 3 years after all included debts have been paid.
- TransUnion removes it from the credit report either:
  - 3 years after all included debts have been paid; or
  - 6 years after the proposal is signed.

#### Bankruptcy:

- Equifax will report for 6 years after discharge.
- TransUnion will report a bankruptcy for 6 years after discharge.

Except in ON, QC, NB, NL, and PEI where it will remain for 7 years.

**Double Bankruptcy:** Will stay on a credit report for 14 years.

Source: <https://www.canada.ca/en/financial-consumer-agency/services/credit-reports-score/information-credit-report.html>



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Below are some tips borrowers should keep in mind to help manage their credit score. It is important to seek professional advice when looking to improve one's credit score. Discuss any of these options with a lender to establish the right course of action for you.

## Tips to Improve Credit



- ✓ Establish a minimum of 2-3 trades with good repayment history for 24 months.
  - The longer a credit facility is open and active with timely repayment, the better the score can be.
- ✓ Ensure trades are varied: credit cards, installment loans, lines-of-credit and department store cards.
  - Lack of credit does not equal good credit.
- ✓ Illustrate the use of credit on a regular basis and ensure repayment is on time.
  - Arrange for automatic payments if possible.
- ✓ Review statements for accuracy.
- ✓ Check credit reports on a regular basis, making the necessary corrections and updates.
- ✓ In general, apply for credit only when required.
- ✓ When rate shopping, obtain quotes over a two-week period to ensure they are treated as one inquiry.

## Mistakes to Avoid



- ✗ Taking on new credit facilities simply because they are offered.
- ✗ Spending simply to earn rewards or points.
- ✗ Skipping or withholding payments, even if they are in dispute.
- ✗ Making only minimum payments and therefore paying more interest on balances.
- ✗ Taking cash advances for non-emergency situations.
- ✗ Accepting or using credit before fully understanding the terms and conditions.
- ✗ Hesitating to seek the help of professionals. Don't go through it alone!

## Did You Know:

- It is free for borrowers to get a copy of their own credit report:
  - <https://www.canada.ca/en/financial-consumer-agency/services/credit-reports-score/order-credit-report.html>
- A borrower can apply to have credit report errors fixed:
  - <https://www.canada.ca/en/financial-consumer-agency/services/credit-reports-score/check-errors.html#toc3>
- There are several alternatives to Bankruptcy, including Credit Counselling and a Consumer Proposal. It is recommended that a borrower seek the advice of a lawyer and/or accountant in addition to their mortgage professional. It is imperative that they understand all options and alternatives available as these actions could inhibit their ability to purchase a home in the future.
  - <https://www.canada.ca/en/financial-consumer-agency/services/debt/debt-help.html>

## Identity Theft

Every year, online scams contribute to millions of dollars in losses!



### Information Sought by Identity Thieves

- Full name
- Date of birth
- Social insurance number (SIN)
- Full address
- Mother's maiden name
- Username and password for online services
- Driver's license number
- Personal identification number (PIN)
- Credit card information
- Bank account numbers
- Passport number



### Signs of Identity Theft

Clients who have had their identity stolen may:

- Be unaware of trades on their credit report.
- Be surprised by the outstanding balance on trades.
- Have fraud warnings on their credit report.
- Be unaware of recent inquiries.



### Protect Your Information

- Shred documents that contain personal information – including junk mail.
- Do not carry your SIN in your wallet.
- Be cautious about what you share on social media.

## Key Contact Information:

- Equifax Canada Tel: 1-800-465-7166 | <https://www.consumer.equifax.ca/personal/contact-us/>
- TransUnion Canada Tel: 1-800-663-9980 | Quebec residents 1-877-713-3393 | <https://www.transunion.ca/customer-support/main>