



Financial Literacy

Participant Handbook

Credit reporting



Module 7 - Credit Reporting

HANDOUT 7-1

Credit bureaus

Credit bureaus are agencies that collect information about how we use credit. They produce personal credit reports. Credit bureaus are private companies. They are regulated by the province, but they are not part of the government.

There are 2 credit bureaus in Canada:

- › Equifax
- › Transunion

They collect information about your credit use from credit card companies, financial institutions and other lenders.

What do they do with the information?

Credit bureaus then provide this information for a fee to lenders who want to know about your credit history, or your ability to repay debt.

Lenders use the information they get from credit bureaus to predict how you will manage credit in the future.

What are my rights around my credit report?

You are entitled to get a copy of your credit report for free once a year by mail or anytime online for a fee.

No one is allowed to see your credit report without your permission. A credit bureau can only provide a copy of your report for these purposes:

- › applying for credit
- › collecting a debt
- › applying to rent an apartment
- › applying for a job
- › applying for insurance.

Credit reports are not shared across international borders – your credit history does not follow you to a new country.

Why should I have a copy of my credit report?

Equifax or Transunion do not share information with each other. Lenders might only report to one of them, so each credit bureau may have different information about you. This is why it's a good idea to request a copy of your credit report from both of them. Mistakes happen. It is up to you to check your report and take steps to correct the information.

Module 7 - Credit Reporting

HANDOUT 7-2

Credit reports

Credit bureaus summarize your credit use in a report. The credit report is one of the main things lenders look at when they decide whether or not to give you credit.

A credit report contains your history of credit use, your credit ratings, and your credit score.

An easy way to think about how these relate to each other is to think of the credit bureau as a school. The credit report is your report card. The credit rating is your grades in each subject. The credit score is your overall grade point average.



**65%
GPA**

Credit Bureau	Credit Report	Credit Rating	Credit Score
---------------	---------------	---------------	--------------



Name:
Credit file #:
Credit Inquiries:

**TD Visa:
R1**

700

Module 7 - Credit Reporting

HANDOUT 7-2, continued

Who can get access to your credit report?

Lenders: Financial institutions or credit card companies will ask your permission to check your report. This is to check your credit-worthiness. They can use the information in your report to decide:

- › whether to give you credit
- › your credit limit
- › the amount of the loan
- › the interest rate.

When you apply for a loan or credit card, the lender will likely require that you give them access to your credit report for as long as you have an account with them.

Landlords: If you are trying to rent an apartment, some landlords may ask you to give them access to your credit report when you fill out a rental application. They use this information to see if you are likely to pay your rent.

Insurance: Some insurance companies use credit information along with other information when deciding to give you insurance and what rate to charge you.”

Employers: Some employers may ask to do a credit check when you apply for a new job. They may use your credit report to help them decide whether you will be a responsible employee. For example, government departments or companies that deal with credit or investments often ask for a credit check for new employees or contractors. This is part of their security screening.

Sample Equifax 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:	

Module 7 - Credit reporting

HANDOUT 7-3, continued

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.

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).

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.

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

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.

Module 7 - Credit reporting

HANDOUT 7-3, continued

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.

RETENTION PERIOD OF DATA:**CREDIT INQUIRIES TO THE FILE**

- An Inquiry made by a Creditor will automatically purge three (3) years from the date of the inquiry. The system will keep a minimum of five (5) inquiries.

CREDIT HISTORY AND BANKING INFORMATION

- A credit transaction will automatically purge from the system six (6) years from the date of last activity.
- All banking information (checking or saving account) will automatically purge from the system six (6) years from the date of registration.

VOLUNTARY DEPOSIT - ORDERLY PAYMENT OF DEBTS, CREDIT COUNSELING

- When voluntary deposit – OPD – credit counseling is paid, it will automatically purge from the system three (3) years from the date paid.

REGISTERED CONSUMER PROPOSAL

- When a registered consumer proposal is paid, it will automatically purge three (3) years from the date paid.

BANKRUPTCY

- A bankruptcy automatically purges six (6) years from the date of discharge in the case of a single bankruptcy. If the consumer declares several bankruptcies, the system will keep each bankruptcy for fourteen (14) years from the date of each discharge. All accounts included in a bankruptcy remain on file indicating “included in bankruptcy” and will purge six (6) years from the date of last activity.

JUDGMENTS, SEIZURE OF MOVABLE/IMMOVABLE, GARNISHMENT OF WAGES

- The above will automatically purge from the system six (6) years from the date filed.

COLLECTION ACCOUNTS

- A collection account under public records will automatically purge from the system six (6) years from the date of last activity.

SECURED LOANS

- A secured loan will automatically purge from the system six (6) years from the date filed.

(Exception: P.E.I. Public Records: seven (7) to ten (10) years.)

The attached Reference Update Form is included for your convenience. If you wish to update your file with more current information or to request a change in the information provided above, please complete this form and return it to Equifax. We will ensure that appropriate measures will be applied if corrections are required.

Module 7 - Credit reporting

HANDOUT 7-4

Reading a credit report

The information in an Equifax credit report varies slightly from a Transunion credit report, but both contain the same basic sections:

Personal information

This can include your name, address, previous addresses, birth date, social insurance number (SIN), and current and past employers. Check to make sure all this information is correct and up-to-date.

Inquiries

This section lists any people or companies who have asked for a copy of your credit report. Check to make sure no inquiries have been made without your permission. Having too many inquiries can have a bad effect on your credit score. Your own requests to see your own credit report do not affect your score.

Account information

This section contains information about all of your credit accounts. That includes loans, credit cards, department store cards, lines of credit, and consumer loans. The account information usually includes the creditor, account number, balance owed, credit limit, and the rating on your account.

All account ratings contain a number and a letter. The letter is an R, I, or O. This refers to the type of credit you have.

“R” stands for revolving credit. This is the kind of credit where you are given a limit up to which you can spend. When you make a payment, that credit is ready to use again, so it ‘revolves’. Examples of revolving credit include credit cards, overdraft protection, and lines of credit.

“I” is for instalment credit. This is the kind of credit where you receive an amount of money all at once and then pay back in regular instalment payments until the balance is zero. Examples include a car loan, student loan, or mortgage.

“O” stands for open credit. This is the kind of credit where you get a bill in the mail monthly and you are expected to pay it in full. Examples include a phone bill or utility bill. These often do not report on a regular basis to the credit bureaus.

Each credit account also gets a number rating on a scale between 0 and 9. R1 means you pay your bills on time according to the terms of your credit agreement. R9 means you have not paid **your bills as agreed** and the account has been placed for collection.

Module 7 - Credit reporting

HANDOUT 7-4, continued

For instance, you may have an R1 on a credit card if you pay it on time every month. At the same time, you might have R9 on a student loan you did not pay and that was sent for collection.

Rating	Description
R0	Too new to rate: approved but not used
R1	Pays within 30 days of billing, or pays as agreed
R2	Pays in more than 30 days but less than 60 or one payment past due
R3	Pays in more than 60 days but less than 90 or two payment past due
R4	Pays in more than 90 days but less than 120 or three or more payment past due
R5	Account is at least 120 days past due but is not yet rated R9
R6	No rating exists
R7	Paid through a consolidation order, consumer proposal or credit counseling debt management program
R8	Repossession of security
R9	Bad debt or placed for collection or bankruptcy

These ratings affect how people will view your report and your credit-worthiness. Make sure that all the information in this section is correct.

Banking information

This contains information about any bank accounts you have. It will also include whether you have any Not Sufficient Funds (NSF), or 'bounced' cheques on your account.

Public information

This is any information about accounts that have gone to collections. It will say if you have ever been bankrupt. It also lists judgements made against you when a creditor has taken you to court.

Consumer statement

This is where you can add a statement to explain any of the information on your report. For instance, if you received a poor rating on one of your accounts, you could explain that you were unemployed for a time or that you suffered a set-back due to illness.

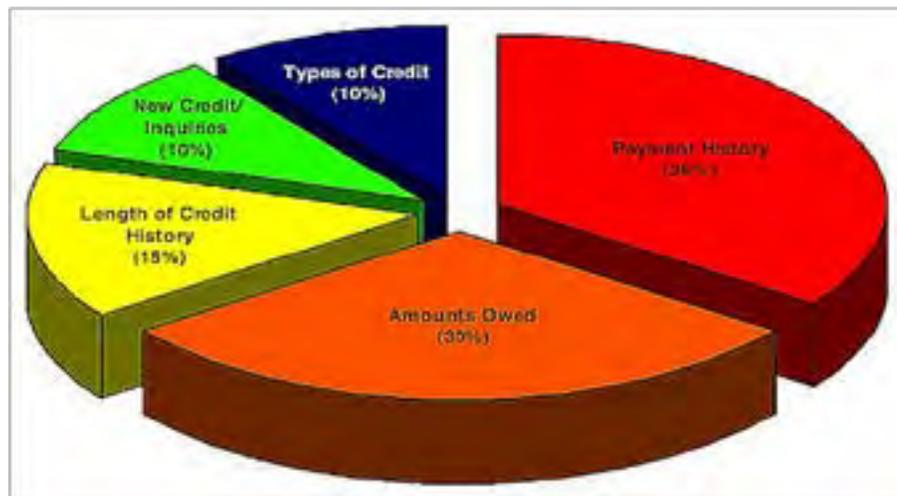
Module 7 - Credit reporting

HANDOUT 7-5

Credit scores

A credit score is a score between 300 and 900 that credit bureaus use to rate the information in your credit report. Credit bureaus use a mathematical formula based on many factors to arrive at your credit score.

There are 5 main factors used to arrive at your credit score. They do not all have equal weight. Some count for more than others do.



Payment history (35%)

This factor carries the most weight. Lenders are most concerned with your past borrowing and whether you repay your debts on time. Paying bills late or having unpaid accounts sent to collections will lower your score.

Amounts owed (30%)

This factor compares the amount of debt you have to the amount of credit available to you. The closer you are to your credit limit, the more it affects your score.

Length of credit history (15%)

This factor looks at how long you have been using credit. It can help your credit score if you keep accounts open that you've had for a long time.

New credit & inquiries (10%)

Every time you apply for new credit, it is recorded as an 'inquiry' on your report. If there are a lot of inquiries on your report, it can lower your score. Lenders may wonder why you are applying for so much credit at once.

Module 7 - Credit reporting

HANDOUT 7-5, continued

Types of credit (10%)

Having different types of credit can improve your score. It shows you know how to manage different forms of credit, such as credit cards, lines of credit, car loans, and student loans.

Other factors that affect your score

- If you have had accounts turned over to collections, it can lower your score a lot.
- If you have filed for bankruptcy, it can lower your score a lot.

Factors that do not affect your score

- Inquiries that you make into your own credit report will not affect your score.
- Mortgage information may appear in your credit report, but it is not used to calculate your credit score.

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ACTIVITY SHEET 7-6



REQUEST TO OBTAIN MY FREE CREDIT REPORT

PLEASE PRINT

Name:

LAST NAME FIRST NAME INITIAL SUFFIX (DE, JR, III, etc.)

Current Address:

STREET ADDRESS APT CITY PROVINCE POSTAL CODE

PREVIOUS ADDRESS(ES) (within last 3 years)

STREET ADDRESS APT CITY PROVINCE POSTAL CODE

STREET ADDRESS APT CITY PROVINCE POSTAL CODE

Date of Birth:

MONTH/DAY/YEAR

Social Insurance Number:

(OPTIONAL)

The name and last 4 digits of a major credit card:

² You must provide copies of a piece of government-issued identification (such as a driver's license, health card, birth certificate or passport). If neither piece of government-issued identification shows your current home address, you must also submit a copy of an additional document that shows your address (such as a recent telephone or utilities bill, or a bank or credit card statement). You may black out transaction details on a bill or statement, as long the copy clearly shows the date of the document, the number, your name and address, and your account number.

³ Equifax will use the information you provide to confirm your identity and current home address. We will cross-reference the information you provide with our own records. If any part of your name, date of birth or address in our records is different from the information you provide, we will update our records to reflect the correct information. The information you provide to confirm your identity will not be used to update or change your financial or credit history information.

If you provide your Social Insurance Number, we will cross-reference it with our records to ensure that we disclose the correct information to you. Knowing your SIN helps us avoid delays and confusion in case another individual's identifying information (such as name and address) is similar to your own.

We will keep a copy of the information you provide to demonstrate that we complied with our obligation to obtain reasonable identification from you.

⁴ Equifax will send a copy of your credit report by mail to your confirmed home address. You should receive it within a to 30 days.

⁵ Please note that if any corrections are necessary, you must complete the credit report update form (included with the credit report sent to you). That form - Consumer Credit Report Update Form - can also be found on line at www.equifax.ca/under-Credit-Education-and-How-can-I-correct-an-inaccuracy-in-my-Equifax-report?

PLEASE SEND YOUR COMPLETED FORM WITH PHOTOCOPIES OF YOUR IDENTIFICATION TO:

Mail: National Consumer Relations
P. O. Box 150, Station Jean-Talbot
Montreal, Quebec H1S 2Z2

Fax: 514-355-8503

SIGNATURE

DATE

There is another credit reporting agency in Canada that provides this service:

Trans Union of Canada
P. O. Box 238 L.C.D.E. Hamilton, Ontario L8E 7W2
Telephone: 1-800-563-0900 Telephone: 1-877-713-3794 (for Quebec)

YES, I WOULD ALSO LIKE TO PURCHASE MY EQUIFAX CREDIT SCORE FOR \$9.95 (tax included)

I authorize Equifax to charge \$9.95 to my credit card: VISA MasterCard AMEX

Cardholder Name: _____

Card Number: _____

Expiry Date: _____

MONTH/DAY/YEAR

Note: Cheque and cash payments are not accepted. Cardholder's name must be same as requester's name.

Equifax Credit Score is a product score service providers use when assessing applications for credit and services. It is not part of your credit report, but is based on the particular information in your credit file at the time it is calculated. Equifax Credit Score is not the same as the FICO Score, which is also used by some lenders. Equifax will provide your credit report free of charge, whether or not you purchase your Equifax Credit Score.

CONSUMER USE ONLY



CREDIT BUREAU REQUEST FORM

(If you would like to receive a copy of your credit report with this request, please complete fully **and** attach photocopies of both sides of 2 pieces of ID)

CONSUMER RELATIONS CENTRE
 PO Box 338 LCD
 Hamilton, Ontario L8L 7W7
 Tel (905) 523-0262 / (800) 663-9980
 www.transunion.ca

You may also request your credit report by phone using our Interactive Voice Response system:
 1(800) 663-9980 (Prompt 1)

The information on this form is requested to enable our associates to confirm your identity and access your file as mandated by consumer reporting legislation. If our system does not currently contain a file with the information you provided, your inquiry will result in a file being created or updated accordingly.

PERSONAL INFORMATION

Last Name		First Name	
Middle Name		Date of Birth (MM/DD/YYYY)	JR/SR
Social Insurance Number (Optional)		Living Place Number (Optional) No GO Places Please	
Requested by (transunion.com) Website			

ADDRESS INFORMATION

Present Address			Apartment
City	Province	Postal Code	How Long
Previous Address (if Present is less than one year)			Apartment
City	Province	Postal Code	How Long

EMPLOYMENT INFORMATION (OPTIONAL)

Employer	How Long
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I understand and consent to the information provided above being used to update my credit file. I understand that my identification will be used for authentication purposes and will be stored electronically.

I am the person named above and I understand that I could be prosecuted under federal or provincial legislation for obtaining information from a consumer reporting agency by fraudulent means or under false pretences.

Signature	Date
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Your request CANNOT be fulfilled without including both sides of 2 pieces of acceptable photocopied ID. Please see attached letter for list of acceptable ID.

Module 7 - Credit reporting

HANDOUT 7-8

Correcting common errors on credit reports

Incorrect personal information

Make sure your name, SIN number, address, employment, and contact information are all up to date.

Incorrect account information

If there is an account on your report you do not recognize, you may be the victim of identity theft.

- › Sometimes an account that is yours can appear on your report more than once and this can affect your score.
- › Check to make sure the information listed about the account is correct, including your credit limit, balance owed, and payment history.

Uninvited inquiries

Make sure you have given permission to view your credit report to anyone listed under your inquiries. No one should see your credit report unless you say they can. Too many inquiries can have a bad effect on your score.

Expired information

Some kinds of information should not stay on your report past a certain amount of time. If they stay on too long, they can have a bad effect on your score. The length of time depends on:

- › the type of information
- › the rules in the province you live in
- › the rules at each credit bureau.

The next page shows charts for Equifax and Transunion. They list how long information can stay on your report by province.

Module 7 - Credit reporting

HANDOUT 7-8, continued

These charts from Equifax and Transunion credit bureaus show how long information can stay on your report by province.

Equifax	BC	AB	SK	MB	ON	QC	NB	NS	PEI	NL	Terr.
	Year(s)										
Credit transactions (trades) (from the date of last activity)	6	6	6	6	6	6	6	6	6	6	6
Judgments (from the date satisfied or deposit)	6	6	6	6	6	6	7	6	7 to 10	6	6
Collections (from the date of last activity)	6	6	6	6	6	6	6	6	6	6	6
Secured loans (registered items) (from the filing date)	6	6	6	6	6	6	6	6	6	6	6
Bankruptcy (from the discharge date)	6	6	6	6	6	6	6	6	6	6	6
Registered consumer proposal, Orderly payment of debts (from the date paid)	3	3	3	3	3	3	3	3	3	3	3
Credit counseling (from the date paid)	3	3	3	3	3	3	3	3	3	3	3

TransUnion	BC	AB	SK	MB	ON	QC	NB	NS	PEI	NL	Terr.
	Year(s)										
Credit transactions (trades) (from the first date of delinquency)	6	6	6	6	6	6	6	6	6	6	6
Judgments (from the reporting date)	6	6	6	6	7	7	7	6	10	7	6
Collections (from the first date of delinquency)	6	6	6	6	6	6	6	6	6	6	6
Secured loans (registered items) (from the date opened)	5	5	5	5	5	5	5	5	5	5	5
Bankruptcy (from the discharge)	6	6	6	6	7	7	7	6	7	7	6
Registered consumer proposal, Orderly payment of debts (from the date satisfied)	3	3	3	3	3	3	3	3	3	3	3
Credit counseling (from the date satisfied)	2	2	2	2	2	2	2	2	2	2	2

Source: Equifax and Transunion

Module 7 - Credit reporting**HANDOUT 7-8, continued****What to do if you identify an error on your report**

1. Find the documents that prove there is an error. For instance, if the report says you did not pay a bill, find the receipt that shows you made the payment.
2. Make a copy of your proof.
3. Call the credit bureau. Explain the error. Find out what they need from you so that they can do a check on the item in dispute.
4. Send the credit bureau a letter or fill out their dispute form. Include all the information needed to check into and correct the error. This process can take up to 30 days.
5. The credit bureau will contact the creditor or financial institution to confirm that an error was made.
6. If they agree an error was made, the credit bureau has 30 days to correct the error on your report (90 days in Alberta).
7. If the financial institution does not think there was an error, you can still write a statement explaining your side of the story. The credit bureau will add this to your report.
8. You can also contact the financial institution to register a complaint. By law, all financial institutions in Canada must have a process for resolving complaints from customers.

Module 7 - Credit reporting

ACTIVITY SHEET 7-9

Credit score scenarios

Scenario #1: John

John has three credit cards. Here are his credit limits and balances:

Card	Limit	Balance
Sears	\$1000	\$999
VISA	\$5000	\$5500
MasterCard	\$3500	\$3000

John does not keep track of the due dates on the bills. Instead, he sends a payment sometime after his mid-month paycheque.

Scenario #2: Amir

Amir has applied for and received four credit cards since he moved to Canada because he understood he needed to build a credit history. He has never used any of them because he does not like the idea of paying interest. He prides himself on paying cash for everything. Amir and his wife are thinking about buying a house. They will soon go to the bank to apply for a mortgage.

Scenario #3: Yin

Yin found out last year that she was the victim of identity theft. She began to get bills for a bunch of credit cards that she never applied for. She ignored the bills and the collection phone calls that followed.

Scenario #4: Sarah

Sarah had five credit cards, a cell phone plan, and a consumer loan for a computer. Last year Sarah lost her job. She is collecting social assistance while she looks for work. She rotates her bill payments, paying the minimum payment only every two months. She cancelled her cell phone contract, but there was a cancellation fee of \$200. She could not pay it, and it has gone to collections.

Module 7 - Credit reporting

HANDOUT 7-10

Ways to improve your credit score

Pay your bills on time. This is a great way to show that you can manage credit wisely. Late payments or accounts sent to collections can really hurt your score. Utility bill payments are not recorded in your score monthly. But those debts will be in the public records section if you reach a collection stage. Cell phones, credit cards and loan payments will be reported monthly. Keep track of your due dates and manage your money so you can pay all your bills on time.

If you cannot pay on time, take action. Get in touch with the creditor and ask to work something out, so that it does not go on your credit record. If you become ill or disabled, check the terms of your loans and other credit to see if you are insured so that your payments will be covered.

Try to pay your credit card balances in full. This shows you have the money to cover the credit you use. It is also a good way to prevent debt from getting out of control. If you can't pay in full, pay as much as you can, but pay it on time. Be sure to at least make the minimum payment.

Pay your debt as fast as you can. The longer your debt remains, the more it seems that you are unable to handle it, and this will hurt your score. Take on only the amount of credit that you can manage.

Stay within your credit limit. Do not go over your credit limit on your cards or other sources of credit. The higher your balance, the more it affects your score. Try to keep your balance well below your credit limit.

Do not apply for credit too often. It can be good to show that you know how to handle different types of credit. But applying for too much credit in a short period of time can be taken as a sign of financial instability. Each of these applications results in an inquiry to the credit bureau. Too many inquiries on your record will hurt your score.

Do use credit. Sometimes a poor credit score just means that a person does not use credit much. You cannot build a credit history without using credit. Just make sure that when you do use it, you use it wisely.

Correct errors. Get a copy of your credit report. Make sure there are no errors. Mistakes may not be your fault, but it is your responsibility to fix them.

Module 7 - Credit reporting

ACTIVITY SHEET 7-11

Goal-setting

Example:

Goal: Get a copy of my credit report	When?
Tasks: › Fill out and send request to replace my missing identification › Photocopy ID › Fill out and send both credit report request forms	This Friday As soon as it arrives Within one week of receiving my ID

1. Goal:	
-----------------	--

Tasks:	When?

2. Goal:	
-----------------	--

Tasks:	When?

Module 7 - Credit reporting

HANDOUT 7-12

Resources

Financial Consumer Agency of Canada www.fcac-acfc.gc.ca

This website gives examples of both Equifax and Transunion credit reports. It has resources on how to read them and correct errors.

Equifax www.equifax.ca

This website offers access to your credit history and score for a fee as well as a free credit education centre.

Equifax Credit Report request form www.equifax.com/ecm/canada/EFXCreditReportRequestForm.pdf

Transunion www.tuc.ca

This website offers credit monitoring products and services for sale and also has a credit learning centre.

Transunion Credit Report request form www.transunion.ca/docs/personal/Consumer_Disclosure_Request_Form_en.pdf

Transunion form for Quebec residents www.transunion.ca/docs/personal/Consumer_Disclosure_Request_Form_quebec_en.pdf

Module 7 - Credit reporting

HANDOUT 7-13

Glossary

bankruptcy: When a person does not have enough money to pay their debts and cannot get more credit to borrow, they can file for bankruptcy. This may involve selling items off and making monthly payments to your creditors until you are discharged from your debt. The process may take over a year or more and you must pay a trustee to administer the process.

collections: Agencies that go after people who have not paid their debts and try to get the money back for the lender

credit bureau: A company that gathers information about you as a borrower and provides reports about your credit-worthiness

credit check: A request to a credit bureau for a report about your credit-worthiness

credit limit: The amount of credit you have available to you. Your credit limit is shown on your credit card statement.

credit rating: In a credit report, each of your accounts gets a rating. For instance, if you have a credit card and a car loan, you get ratings for each of these. The rating is a number from 0 to 9. A rating of 1 means you pay your bills on time and follow the terms of your credit agreement. A rating of 9 means you did not pay a debt and the account has been sent to collections.

credit score: A score between 300 and 900 that credit bureaus use to rate the information in your credit report. Credit bureaus use a mathematical formula based on many factors to arrive at your credit score.

creditor: Someone to whom you owe money

credit-worthy: Having a good credit 'track record'. This makes it easier to get access to credit at lower interest rates.

identity theft: When someone steals information about you and uses it to buy things or get cash in your name

instalment credit: The kind of credit where you receive an amount of money all at once and then pay back in regular instalment payments until the balance is zero, such as a car loan

Not Sufficient Funds: (NSF for short.) What the bank calls a cheque that you write when there is not enough money in your account to cover it. This results in a penalty fee.

open credit: The kind of credit where you get a bill in the mail monthly, such as a phone bill, and you are expected to pay it in full

revolving credit: The kind of credit where you are given a limit up to which you can spend, such as a credit card.