

# The Facts about Credit

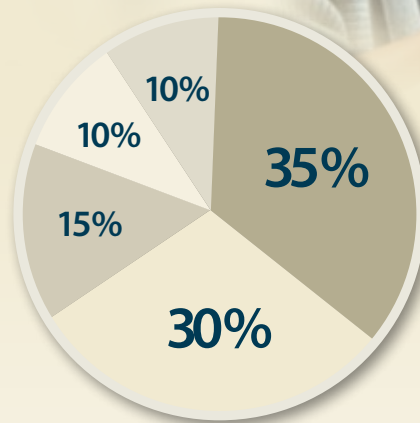
Your credit score is one of the most important numbers you have. Not only does your score affect your interest rates when applying for a loan, it can also impact your insurance rates, certain job prospects and even your chances of renting a great apartment. As a result, improving one's credit has become a multi-million dollar industry.

## What's your credit score?

Your credit score tells lenders and other businesses if you are creditworthy; that is, how much of a credit risk you pose if they allow you to borrow money. The **Fair Isaac Company (FICO®)** uses an algorithm that takes into account several different factors within your credit report and comes up with a score from 300 to 900. The higher the score, the better the credit risk you are to lenders. In Canada, lenders use **Equifax** and **TransUnion** to check credit histories.

Visit [www.nabilcaptan.com](http://www.nabilcaptan.com) for more information about taking control of your credit.

\*Source: Nabil Captan, The Credit DVD



## How is your credit score calculated?

- 35% Payment history
- 30% Amounts owed
- 15% Credit history
- 10% Inquiries, new credit lines
- 10% Types of credit in use

## How long will dings to your credit be held against you?

In most cases, it's only a matter of time before they fall off your credit report. The good news is that the older the negative information, the less it impacts your credit score.

If you have had...	It will stay on your credit report...
Negative information on credit cards, loans, lines of credit	6 years
Negative information on secured loans (e.g., mortgage, car lease or loan)	6 years (Equifax: 7-10 years in PEI)
Bad cheques, chequing/savings closures "for cause"	6 years
Inquiries	TransUnion: 6 years Equifax: 3 years
Judgments	6 years
Collections	6 years
Liens	Equifax: 6 years from date of filing (except in PEI where it ranges from 7-10 years) TransUnion: 5 years from date of filing
Bankruptcy	6 years (7 years in Ontario, Quebec, New Brunswick, Newfoundland and Labrador and PEI)
Remarks	6 years
Multiple bankruptcies	14 years



# Improve Your Credit Now

Although it's easy to become obsessed with improving your credit score, especially if you're getting ready to apply for a loan, it's best to focus on improving your overall credit report. After all, a great credit history will help to boost your credit score.

**Review your credit report once a year.** You can request a free copy of your credit report in writing as many times as you wish each year. Order a "credit file disclosure" from **Equifax Canada** or a "consumer disclosure" from **TransUnion Canada** by mail, fax, telephone or in person for free (ordering your credit report over the Internet may result in fees).

*Although many websites will promise you a free copy of your credit report, they may also try to lure you into credit-monitoring services that you may not need. Since you're entitled to a free credit report each year, you may not need to pay a third party to monitor your credit for you.*

**Report any errors that you find.** If you see a mistake, contact the credit reporting company in writing and be sure to include copies of any supporting documentation.

**Eliminate debt.** Pay off the debt that has the highest interest rate first. And once you've eliminated your debt, try to use less than 35 per cent of your available credit.

*Visit the Financial Consumer Agency of Canada website (<http://www.fcac-acfc.gc.ca/>) to learn more about credit reporting.*



## 3 Reasons You Don't Need a Credit Repair Company

The Financial Consumer Agency of Canada encourages consumers to be cautious about companies that promise to repair your credit and remove negative information for a fee.

**1** No one can change negative information that has been reported correctly.

**2** The only way to remove accurate negative information from your file is to wait until the legal time period has expired.

**3** You can repair your credit yourself for free by using sound credit practices.