

Anytime we borrow or access credit, information is collected and stored in a file, including how much we use and how we handle the debt. This is called a credit file and it is a report card on your credit worthiness.

Just as a school has your student file, a credit bureau has your credit file. They then share parts of this with creditors interested in lending you money, just as school's share your report cards with your new school or your transcripts with universities wanting to accept you.

The two major credit bureaus operating in Canada are **Equifax** and **TransUnion**.

Equifax: The information stored on a credit file only includes information reported by creditors. If a creditor did not report an individual's credit information to Equifax, it will not be on the credit file.

-requesting a credit report is free but credit score is a paid service.

TransUnion: Some creditors may only report to one of the bureaus so the information on a TransUnion credit file may be different than the information on a Equifax file. (Although major lenders will report to both.)

-This credit score uses a different algorithm to calculate so the report and score may differ slightly.

A Credit Report Card

Parts of a Credit File:

1. Credit History
2. Credit Report
3. Credit Score

Parts of a Credit File:

1. Credit History

2. Credit Report

3. Credit Score

Credit History: includes past credit information including

- number of credit accounts (open and closed)
- how long the accounts have been open
- types of credit accounts
- outstanding balances
- amount of credit available to use
- whether bills and debts are paid on time
- past debts, bankruptcies, and any legal judgments on debt.

Parts of a Credit File:

1. Credit History

2. Credit Report

3. Credit Score

Imagine your report card just arrived in the mail.

What are your steps for reviewing it?

Are there certain sections you're drawn to first?

What part is most important to you?

What part is most important to your parents?

What do you do if something looks wrong?

Parts of a Credit File:

1. Credit History

2. Credit Report

3. Credit Score

Credit Report: summary of an individual's credit history, produced by the bureau. (Summary of credit file).

Your report card is a summary of your progress in your classes, just as a credit report is a summary of your file.

This includes:

- personal information
- employment history
- credit history (all accounts, including closed), credit checks

Most of the information in our credit report is listed as a "trade line entry." Each trade line entry represents a credit account that has been reported to the bureau and is given a credit rating.

Credit ratings contain two parts: a letter and a number. The letter describes the type of credit, while the number describes the payment history.

A Credit Report Card

Parts of a Credit File:

1. Credit History

2. Credit Report

3. Credit Score

What number do you think is a good credit score?

A Credit Report Card

Parts of a Credit File:

1. Credit History
2. Credit Report
3. Credit Score

What number do you think is a good credit score?

720-850 is the best!

Is a higher score really better? YES

Sample interest and payment for a \$20,000 car loan paid over 60 months

Score	Interest rate	Monthly payment	Total interest paid
720-850	3.26%	\$362	\$1,699
660-689	6.75%	\$394	\$3,618
500-589	16.70%	\$494	\$9,632

Source: Sample loan savings calculator results from myfico.com, as of 5/20/2015

A Credit Report Card

Parts of a Credit File:

1. Credit History
2. Credit Report
3. Credit Score

Credit Score: A numerical expression of credit worthiness.

-based on a mathematical formula

-used to determine how likely a borrower is to repay debts.

Your credit score is like your average on your report card or transcript. This number determines future career options and post-secondary school options, just like your credit score determines future financial options.

The most common credit score use in North America is the FICO credit score (FICO stands for Fair, Isaac and Company, named after the founders Bill Fair and Earl Isaac. (credit scores can vary from one company to another depending on the formula used).

When you obtain a credit score from a website, such as Credit Karma, they won't use FICO credit scores because you can only use that through a credit application (which produces a hard inquiry)

It is also important to know that the FICO formula has been updated to improve its model so there are many different versions, meaning your FICO score could vary

<https://www.youtube.com/watch?v=DHvawQz79e4>



FICO Credit Score Range 300-850 (higher=better).

720-850 is the best!

A Credit Report Card

Parts of a Credit File:

1. Credit History
2. Credit Report
3. Credit Score

Calculating Credit Score:

Credit Score Make Up:

35% payment history

30% use of available credit
(total amount owed / total credit limit)

15% credit history
(the longer credit accounts are open, the better for your score)

10% number of inquiries
(how often bureau is asked for your report/score due to new credit)

10% types of credit
(variety of types shows you're a calculated borrower)

Credit checks can have an impact on your credit score.

Hard Inquiry: when an individual applies for credit, such as a mortgage, credit card, or loan.

This can decrease your FICO credit score by up to 5 points.
(All inquiries within 45 days are considered one inquiry)

Soft Inquiry: when an individual or lender checks your report for informational purposes. This will not impact your score and doesn't appear on your report.

Parts of a Credit File:

1. Credit History
2. Credit Report
3. Credit Score

Improving Your Credit Score:

- Make payments on time.
- Keep your credit utilization low (try to use 10%).
- Keep accounts open for a long time, build credit slowly.
- Vary the types of credit you use.
- Pay off statement balances each month (not just minimum payment).
- Do your research before asking for credit.
- Monitor your credit score.

Move Forward/Back-Credit Score Activity

Worksheet-Using Estimator