

What Affects My Credit Report?



Anyone who's ever used a credit card, taken out a loan, or purchased an item on layaway has a credit history and score—a three-digit number from 300 (worst) to 900 (best) that rate how well you've managed credit in the past.

But how is your credit score measured, and how does it affect your ability to secure a loan, get a mortgage, or rent an apartment?

Credit reports are created when you use credit for the first time, and are updated thereafter as lenders provide information to credit reporting agencies (such as Equifax or TransUnion Canada). Reports include basic information such as:

- What you owe
- How long you've used credit
- If you make your payments
- How much credit you use within your limit
- Payments to service providers such as internet or mobile-phone service providers may be included—but aren't always.

Credit-reporting agencies in turn sell credit reports to other potential lenders—when you apply for a bank loan, a mortgage, or in some cases simply apply for rental housing or a job, your score can be checked.

The process and details are complicated, but basically, the more credit you can take on without missing payments, the better your score.

What lowers your score?

Missed payments, or taking on more credit than you can handle, signals to lenders that you may be a risky lending proposition.

Taking on more than around 50% of your available credit limit may also be seen as a sign of over-extending yourself.

Finally, though you can check your own credit rating as often as you like, external inquiries can only be made sparingly before the checks themselves begin to negatively affect your rating. If your report is accessed multiple times in a short timeframe, that can be seen as a sign that you've spread yourself too thin seeking credit—a red flag to lenders.

What raises your score?

It's better to have a mix of credit types—a credit card, plus an auto loan, plus a line of credit, all being managed responsibly, will bolster your credit score more than a single credit card will. (But make sure you can handle multiple types of credit. Taking them on and then failing to make payments is far worse for your score than only having one type of credit.)

Of course, you can check your own score—and you should, at least annually or twice a year, for mistakes that can affect your rating. You can dispute any genuine errors on your report, for free, including incorrect personal information or false credit information (for example, when a payment you made on time is shown to be late). You should also watch for credit accounts you have never taken out, a clear sign of identity theft. For more information on checking your rating, contact one of the credit bureaus directly at:

- TransUnion Canada: 1-866-525-0262 www.transunion.ca
- Equifax Canada: 1-800-465-7166 www.equifax.ca

Equifax Canada and TransUnion Canada may have different information about you in their files, so you should order your credit report from both agencies at least once a year.

Consider requesting your report from one agency and then waiting six months before you order from the other agency. By spacing out your requests in this way, you may be able to detect any problems sooner.