

YOUR CREDIT SCORE

A credit score is also referred to as a FICO Score and is a mathematical formula created by Fair Isaac and Company.

The credit score is used by most companies to see if you are a good credit risk or not. Equifax and Trans Union will crunch the numbers from the credit report, and spit out a number somewhere between 300 and 900, or even no number or R for Reject. **A score over 680+ is considered excellent.**

HOW SCORES ARE CALCULATED

FACTOR	WEIGHT	POINTS
Payment History Bankruptcies, late payments, past due accounts and wage attachments, collections, judgments	35%	315
Amounts Owed Amount owed on accounts, proportion of balance to total credit limit	30%	270
Length of Credit History Time since accounts opened, time since account activity	15%	135
New Credit Number of recent inquiries, number of recently opened accounts	10%	90
Types of Credit Number of various types of accounts (credit cards, retail cards, mortgage, line of credit, loans etc.)	10%	90
POTENTIAL TOTALS	100%	900

HOW YOU CAN IMPROVE YOUR CREDIT SCORE

- Order a copy of your credit report annually, review it carefully and correct any significant errors:
 - www.equifax.ca
 - www.transunion.ca
- Pay your bills on time
- If you have a questionable credit history, you should open a few new accounts, use them responsibly, and pay them off on time
- Don't open accounts and not use them. Having six or seven of the same type of credit card does not work in your favour
- Having a credit card or installment loan can help boost your score; as long as you don't have a high balance
- Keep balances low in relation to the available credit. If the credit limit is \$10,000, keeping the balance below \$2,500 (or 25% of the limit) will improve your score. Balances over \$7,500 (75% of the limit) will decrease the score. Going over the limit has an even more negative effect
- Pay off credit card debt instead of moving it around to lower rate cards. Moving balances to other credit cards and closing out the old account can hurt the score