

Breakdown of a **CREDIT SCORE**

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Chilliwack
Learning
Society

- IT'S A -
**MONEY
THING®**



Before **CREDIT SCORES**

- No standard for measuring risk
- Up to individual lenders to judge loan applicants

What is a
CREDIT SCORE?



A credit score is a number used by financial institutions and credit card companies **to determine risk level** when issuing you a loan or a credit card.

The FICO® score is the most widely used credit score model in North America.

It was introduced in 1989 by Fair, Isaac and Company, now Fair Isaac Corporation.

It's also known as the Beacon score in Canada.

Fair Isaac Corporation



FICO

TRANSUNION®

EQUIFAX®



765

720

Since each credit bureau uses its own formula, **your FICO score can vary**, depending on which bureau supplies the information.

What does my score
MEAN?



Most credit scores are between 300 and 850



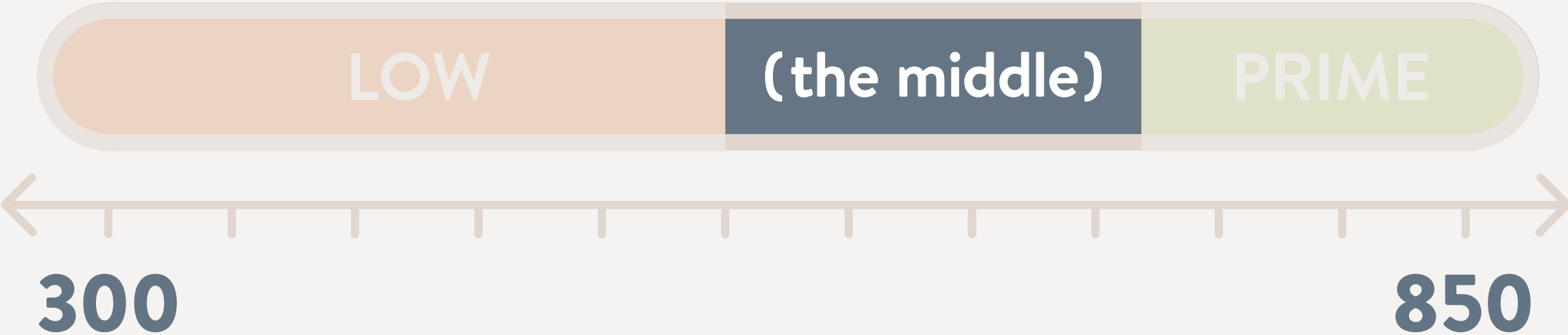
LOW (<550)

A low score means you could be denied a loan or a credit card



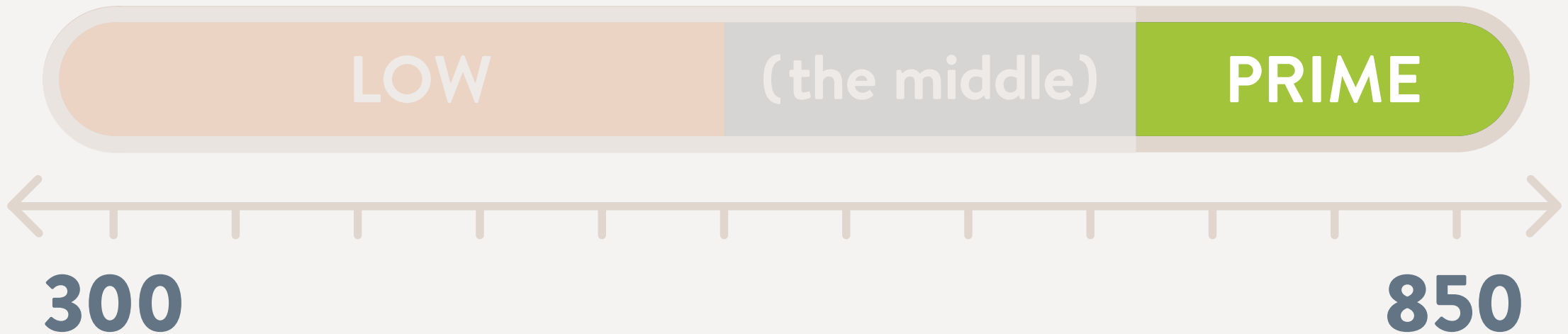
MIDDLE (550 to 720)

You might get approved for a loan,
but at a higher interest rate



PRIME (720+)

Loan approval at the best rates;
this is where you want your score to be



Why does my score
MATTER?



Credit scores can influence:



**Renting an
Apartment**



**Student
Loans**



**Car
Payments**

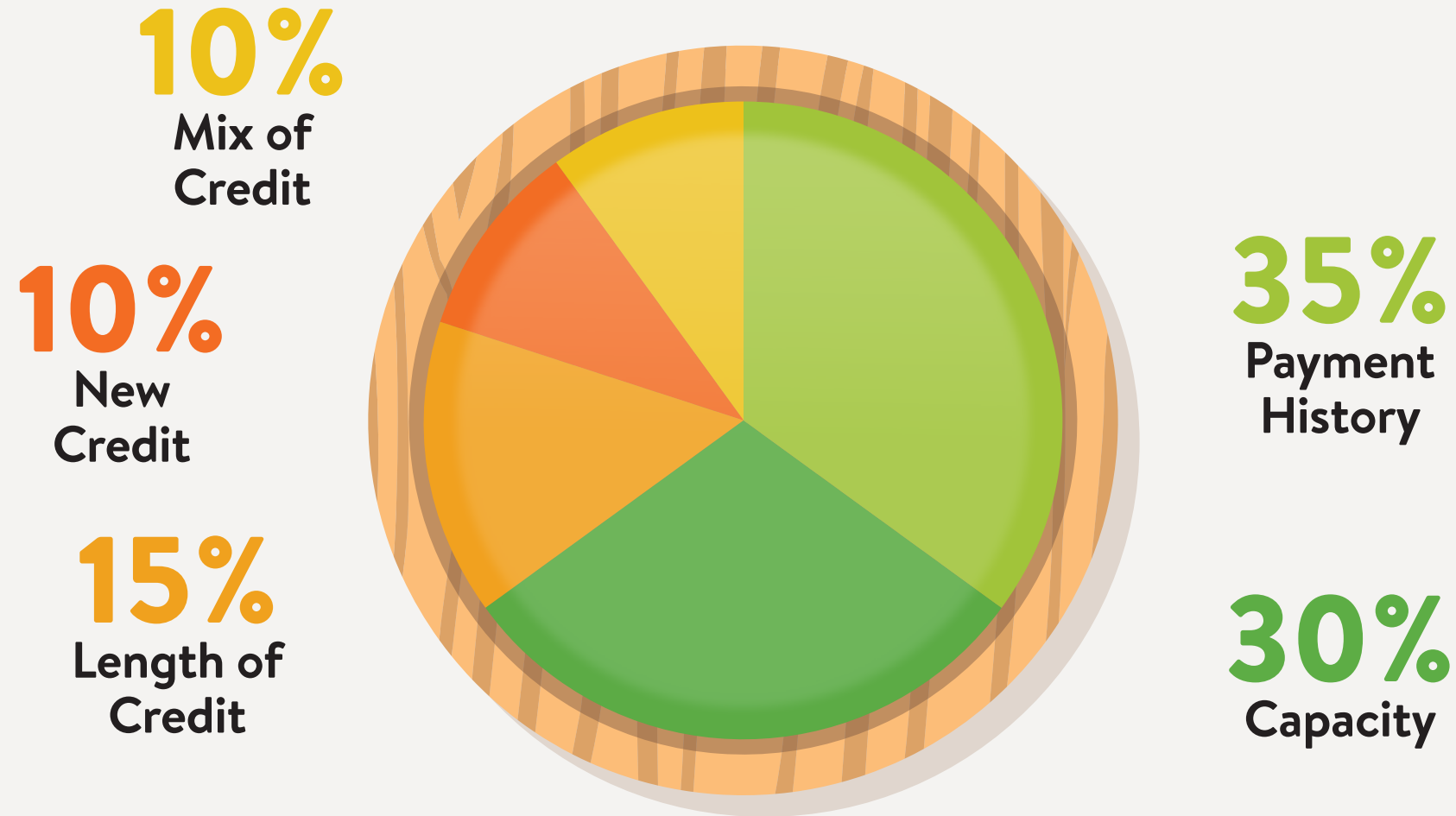


**Job
Applications**

How are credit scores
CALCULATED?



The breakdown of a credit score goes like this:

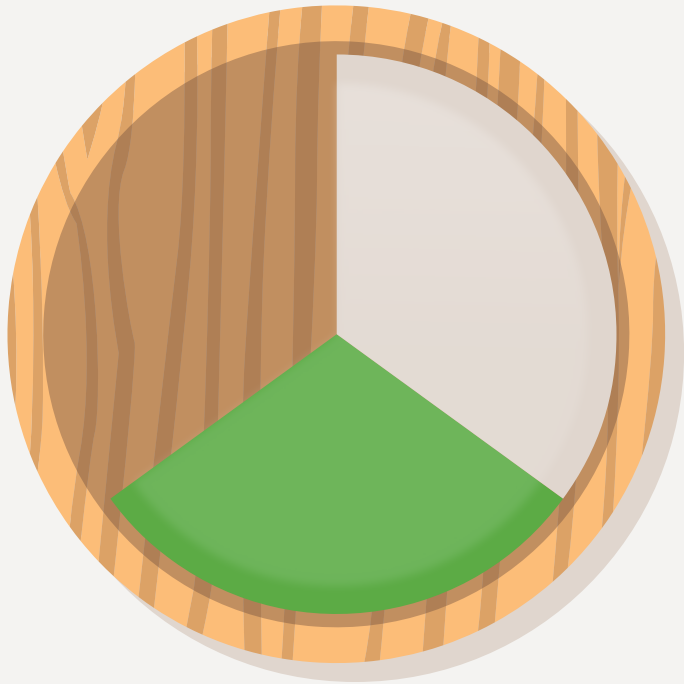


PAYMENT HISTORY (35%)



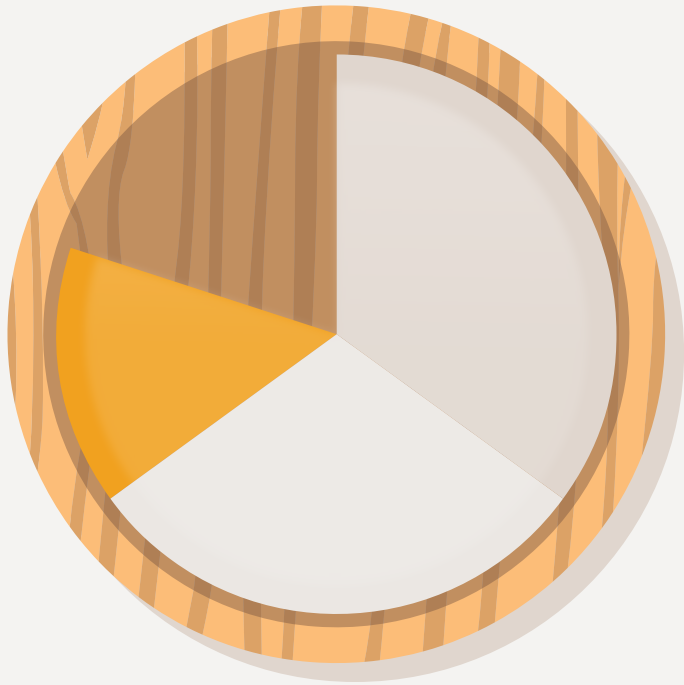
Making payments on time
boosts your score

CAPACITY (30%)



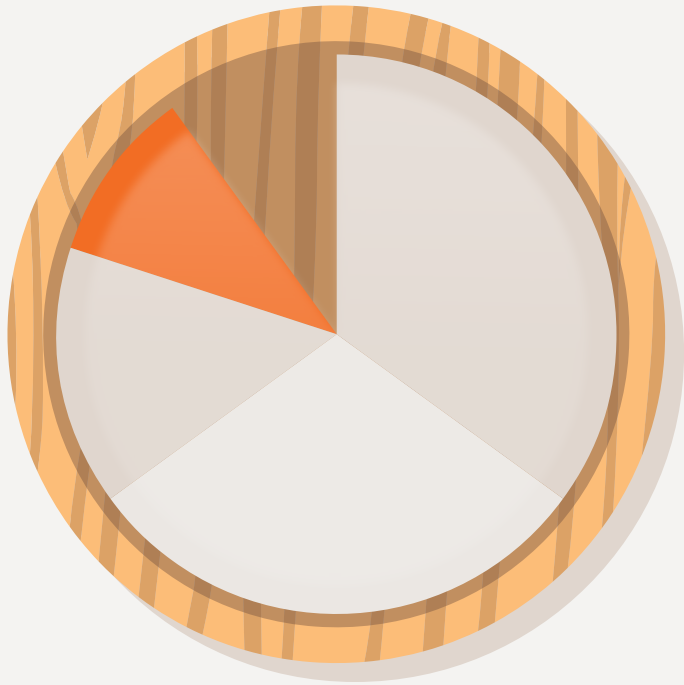
- How much of your available credit you actually use
- The less you use, the better
- Maxing out your lines of credit harms your score

LENGTH OF CREDIT (15%)



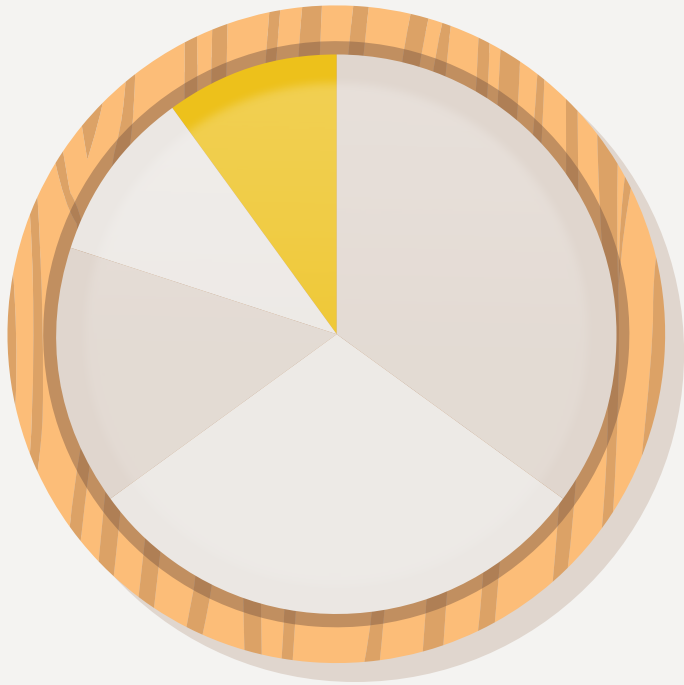
A long history of good credit habits raises your score

NEW CREDIT (10%)



- Opening a bunch of new credit lines in a short amount of time hurts your score
- This includes retail credit cards

MIX OF CREDIT (10%)



- Revolving credit
(*e.g., credit cards*)
- Instalment loans
(*e.g., mortgages, car loans*)

How do I keep track of
MY SCORE?





You can request **one free credit report per year** by mail from Equifax and TransUnion

If you can't wait for a free report by mail, you can always get an instant credit report online from Equifax or TransUnion for approximately \$15.

**Space out your requests
by a few months so
you can check on your
credit year-round.**



SUMMER



WINTER



Things to look for on your credit report that influence your credit score:

- **Account openings**
- **Account closings**
- **Repayment history**
- **Mix of credit**

Need access to your credit score?

(You won't find it on your credit report)



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Access through Equifax or TransUnion
for a fee (usually \$20–\$25)

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Sources: FICO, Forbes, Financial Consumer Agency of Canada

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