

Breakdown of a CREDIT SCORE

- IT'S A -
MONEY THING[®]

Before the invention of CREDIT SCORES

The world was a very different place. Shoulder pads were considered fashionable, and it was entirely up to individual lenders to make judgment calls on whether or not to approve loans.

That was kind of unfair, so a standardized scoring system was introduced to help lenders determine your creditworthiness.

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.



WHY DO I HAVE MORE THAN ONE?

EQUIFAX[®]

TRANSUNION[®]

The FICO[®] Score model is used to generate your credit score, based on information from your credit report.



Since each credit bureau uses its own formula, your FICO Score can vary, depending on which bureau supplies the info.

765

720

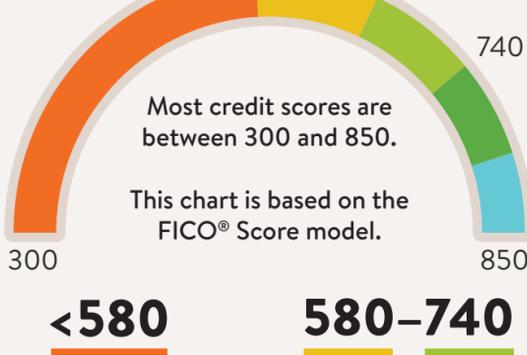
DID YOU KNOW?

The FICO Score is the most widely used credit score model in North America. It was first introduced in 1989 by Fair, Isaac and Company, now Fair Isaac Corporation (FICO). It's also known as the Beacon score in Canada.

Fair Isaac Corporation

FICO

WHAT DOES MY SCORE MEAN?



<580

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

580-740

You may not get turned down for a loan, but you will likely be charged a higher interest rate.

740+

You're in good shape. This is where you want your credit score to be.

WHY DOES IT MATTER?

Today, credit scores can affect a lot more than just loans:



Renting an Apartment



Student Loans



Car Payments



Job Applications

HOW IS IT CALCULATED?

10% MIX OF CREDIT

10% NEW CREDIT

15% LENGTH OF CREDIT

35% PAYMENT HISTORY

30% CAPACITY



Payment History (35%)

Making payments on time boosts your score.



Capacity (30%)

The less you use of your total available credit each month, the better. Your score can suffer if you get close to maxing out all your credit, even if you're making payments on time!



Length of Credit (15%)

A longer history of good credit habits raises your score.



New Credit (10%)

Opening new credit cards (even retail credit cards) has a short-term negative effect on your score.



Mix of Credit (10%)

A mix of revolving credit (credit cards) and installment loans (mortgages, car loans) boosts your score.

HOW DO I KEEP TRACK OF IT?



Access your Equifax consumer credit report and credit score at no charge. Both your report and score are updated once per month.

→ equifax.ca

Accessing your TransUnion credit report with your credit score does cost money and is available as part of Transunion's subscription-based real-time monitoring service.

→ transunion.ca



SUMMER



WINTER

Set seasonal calendar reminders so you can remember to check on your credit throughout the year.

Use your report to check on your:

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

And other information that could be influencing your score.



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Sources: FICO, Forbes, Financial Consumer Agency of Canada, CBC News

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