

Where Is Your Credit Score Heading?

It may seem like just an ordinary little number, but your credit score has the potential to impact your life, and especially your financial prospects, in a big way.



Your credit rating determines whether or not you qualify to obtain financing for a major purchase like a home or car, and it is the primary factor in establishing the interest rates and terms for any borrowed

funds. Furthermore, your credit history can influence insurance premiums, the ability to rent a home and even employment opportunities.

Think Ahead

Just one late payment can trigger a decrease in your credit score that could cost you thousands of dollars in the following years.

To earn a higher score, increase your access to credit and ensure your financial affairs advance in the right direction, it's important to gain a thorough understanding of the factors that affect your credit rating.

Break it Down ... Piece by Piece

Independent companies, reporting agencies and even individual creditors evaluate a borrower's creditworthiness with distinct formulas designed to meet their own needs. They all use the information compiled on your credit report to determine a figure that represents your level of credit risk.

When lenders talk about your credit score, they are usually referring to the FICO® score devised by the Fair Isaac Corporation. Fair Isaac formulates a unique score between 300 and 900 for both of the major credit bureaus in Canada: Equifax and TransUnion.

The most reliable borrowers are rewarded with the highest scores based on these 5 aspects of their credit situation:

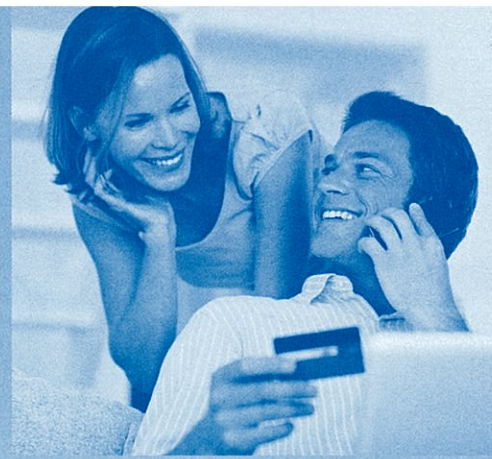
Leave Mistakes Behind

Information included in your report can affect your score for many years, but recent activity has a much greater impact than older issues.



Source: Fair Isaac Corporation

Raise Your Standing ... Boost Your Score



Here's how you can demonstrate your dependability as a borrower and improve your credit score:

PAYMENT HISTORY: 35%

Make all of your payments on time every month. Consider setting up automatic withdrawals, and pay more than the minimum due whenever possible. This will help reduce your credit risk as well as the amount of debt you incur.

AMOUNTS OWED: 30%

Keeping your ratio of outstanding debt to available credit below 50% is good, but less than 30% is best. Splitting a high balance among multiple cards may work to improve your ratio; however, opening new accounts to do this can offset the benefit. If you do not plan to apply for a loan anytime soon, it might make sense to carry more debt on the cards with the lowest interest rates so that a greater portion of each payment goes toward reducing the principal balance.

LENGTH OF CREDIT HISTORY: 15%

Try to avoid closing long-standing credit lines or opening too many new ones within a short period of time. Either of these actions could lower the average age of your accounts.

It's good to have at least one credit card with a low interest rate to establish or lengthen your credit history and build up your score. Use it from time to time to keep it active, even if you pay off the balance completely each month.

NEW CREDIT: 10%

Avoid applying for new credit if you plan to secure a major loan in the near future. A high number of recently opened accounts or multiple credit inquiries can signal excess risk to a lender. However, loans that typically involve rate shopping, such as mortgage, auto and student loans, are treated differently. Generally, related inquiries made in the process of finding a loan won't significantly affect your score.

If you have had difficulties in the past, opening and maintaining a new account will help restore your credit record over time.

TYPES OF CREDIT USED: 10%

Showing that you can responsibly manage both revolving debt, such as credit cards, and installment debt, like a car loan, will make you a more attractive borrower.

Disputes and Discrepancies

Be wary of services that charge a fee to correct blemishes on your report. Anything they can do legally, you can do yourself at little or no cost. Your credit report and score are available from both of the credit reporting agencies that service Canada. The report is typically free if requested by mail. See www.transunion.ca or www.equifax.com/home/en_ca for details.

It's well worth the effort to review your report thoroughly and notify the reporting agencies of any errors that you may find. Be clear about your request to remove or correct each particular item. The agencies will investigate your dispute and make corrections when they are justified.

If you suspect that someone has applied for or received credit in your name, ask the credit bureaus to attach a fraud alert to your credit report. This indicates that lenders should take extra precautions to verify your identity before extending credit.



Take Control of Debt

Carrying large amounts of debt for a long time can not only harm your credit score, it's also likely to be expensive and stressful. Try the following method to lower your outstanding credit balances.

Make a list of your credit cards, and include the amount owed, minimum payment and interest rate for each account. Commit to paying slightly more than the minimum payments every month.

Pay as much as you can toward the account with the highest interest rate whenever you have extra funds available.

Once that card is paid off, begin paying more on the one with the next highest rate.

Repeat the process until you are debt-free.