



know your credit score

the WISE network

Do you know the score on credit scores?

Very few people are familiar with their credit score and even fewer actually understand the benefits of maintaining a good credit score. Schools, financial institutions and the media have failed to educate individuals about the extent of how their credit score impacts their day-to-day lives. Comtech's objective is to bring greater awareness and understanding on the significance of maintaining a good credit score.

What is a credit score?

It's a simple three-digit number. Every month, lenders and creditors send information about your credit records to credit bureaus. The transferred information tells the credit bureau if you pay your bills on time, the amount of money you owe out, the different types of credit you have, how long you've had the account open and if you've applied for additional credit. These companies then crunch the information down to one number that becomes your credit score. In a nutshell, it's a snapshot of your financial health and determines if you get approved for credit and the rate you'll pay for credit.

CREDIT SCORES

- Credit scores range between 300 and 900. Higher scores are considered “better” scores. The higher the score, the more favourably lenders look upon you as a good credit risk. The average Canadian has a credit score of 700.
- A score of 760+ will secure you the best rates and give you negotiation power. If you have a good credit score don't be afraid to negotiate for a better rate on your loan, line of credit, credit card and mortgage.
- Work on increasing your credit score before considering or renewing your mortgage.
- Credit scores are now used by prospective employers, premiums charged by insurance companies, landlords and service providers.
- Credit scores do not take into consideration your gender, race, religion, nationality, marital status, income or assets.
- Part of the credit scoring formula takes into account five factors, each factor is assigned a weighting.
Payment History 35%, Amounts Owed 30%, Length of Credit History 15%, New Inquiries 10%, Types of Credit 10%
- Lenders consider many factors in addition to your credit score when making a credit decision.
- Use a credit card to build a credit history.
- Maxing out your credit cards can drop your credit score by 100 points.
- Miss a few payments and your score can drop by 100 points. Paying your bills on time is crucial – it's 35% of your score.
- Loans are a good indicator to lenders of your ability to pay back future loans if the loan was “paid back as agreed.” This type of credit can give you a higher score than other types of credit.
- Given time, a poor credit score can be repaired.
- Consumer proposals and bankruptcies stay on your file for 6 to 7 years, and should be considered last resorts in removing debt.

Not knowing the score on your credit score can cost you big money!

EXCELLENT 730+

GOOD 700 - 729

FAIR 670-699

WEAK 585-670

Example:

- Susan's Credit Score: 540 (poor) - Mortgage 5 years at 7.25%; Monthly Payment \$1,217*
- Ben's Credit Score: 700 (average) - Mortgage 5 years at 4.75%; Monthly Payment \$965*

Susan will pay \$4,143 in interest each year until her mortgage comes up for renewal.

*Based on \$170,000

TIPS FOR IMPROVING YOUR CREDIT SCORE

1. Start early.

Consumers with a longer credit history tend to have better repayment records and are a lower risk to lenders. Your score should improve as the years go by.

2. Don't open accounts you won't use.

Carrying around four or five credit cards you don't use actually works against you. The more credit you have at your disposal, the greater potential risk you are.

3. Knowing your limit.

If you are finding it difficult to meet financial commitments Comtech has a budget plan that may be of help to you. [Click here](#) for a copy of the Budget Plan.

4. Know the score.

Check your credit report every year, report any errors and follow up to ensure they are corrected. Only you can ensure your credit history is accurate.

5. Only apply when you need it.

Every time you apply for credit, a "credit inquiry" goes on your record. You want to keep these inquiries down. More than one or two a year will lower your credit score.

6. Pay your bills on time.

Black marks such as late payments, past due accounts and bankruptcies are given the most weight in determining your credit score. Being late on bills by 30 days or more can make your credit score drop by as much as 100 points. Sign up for automatic bill payment. If you can't pay off the entire balance each month, be sure to pay off as much as possible. If you have a very small balance owing do not put off paying the balance until the following month, it will count against you as a late payment regardless of the amount owing.

7. Pay off: don't put off.

Moving your debt to a lower rate card instead of paying it off can hurt your score, especially if you close out the old account. A consolidation loan can help repair your credit score and should be considered if you have been carrying a balance for more than 12 months.

8. Repairing your credit score.

A consolidation loan can help repair your credit score and lower your payments when you have maxed out your credit and/or department store cards. Beware of companies that promise to help re-establish your credit for a fee.

9. Stay low.

Maintain low to moderate balances. Keeping your balance low in relation to your available credit will improve your score.

Remember – your financial life is played by the numbers. A good credit score is your BFF and an asset you don't want to lose!