

Understanding Your Credit

Provided by Genworth Financial Canada

Incurring debt is part of life for most people. Understanding how best to handle credit will help you maintain control of your overall financial situation.

Strong credit leads to quick credit approval at the best possible terms. Your credit history must clearly show your willingness and ability to pay your debts.

Your Credit Report

- During the application process, lenders look at your credit record and credit score to check how you've managed your debts.
- It's a smart idea to review your own credit report and score before applying for a loan.
- For a small fee, a credit bureau will provide an instantaneous, complete online credit report and credit score that details your current debts and payment history. They also detail what your score level means, how you compare to others, and provide tips to improve your score.
- You also may receive your credit report (without the credit score) by mail for free by contacting the credit bureau.
- When you receive your credit report, ensure that all the information and amounts are correct. Look carefully for any past-due or written-off amounts. Uncertainty and ambiguity on your credit report can be dangerous to your financial health.

Correcting Credit Problems

- If you have never had a loan or credit card, you can still show a good record of timely payments of your utility bills, property taxes or rent.
- You can establish minor credit relationships, such as short term installment loans or a credit card, and maintain a record of prompt payments.
- If you have a credit problem because of an unusual situation, write a letter of explanation. Your lender may overlook a credit problem if you can give a good reason for not having made your payment.
- If you're constantly struggling to pay your bills, seek professional help. Remember: creditors don't want to lose money. Let them know if you are having trouble with your payments. Most creditors will work out alternative payment arrangements to help you maintain a good credit rating.

Credit Tips

- Plan major purchases carefully and do not accumulate excessive amounts of debt.
- Pay down existing debts and ensure bills are paid on time, especially minimum payments on credit cards. If necessary, postpone major purchases until you can save the money required.
- Avoid large purchases before buying a house, since the added debt will affect your mortgage qualifications.
- Use credit responsibly. Establishing a track record of on-time payments will improve your credit rating.
- Avoid skipping bills to make other payments since missed payments appear on your credit report and create longer-term problems.
- Avoid defaulting on payments. Delinquent payments, collection items, and court judgments stay on your credit file for six years, even if you subsequently pay them.
- Save money regularly for financial emergencies. You also can arrange for credit lines to cover short term cash flow payments, but resist utilizing them on a long term basis.