

Frequently Asked Questions (FAQ) – Credit Scores

FAQ's

Question	Answer
<p>What is a credit score?</p>	<p>A credit score is an objective numeric summary of information contained in your credit file at a point in time. Credit scores take information from your credit report, and sometimes other sources, and apply a mathematical formula that produce a three-digit number that enables lender to determine a potential borrower's credit risk. Numerical weights are placed on different aspects of your credit report and a mathematical calculation is used to arrive at a final score. As the data on your credit file changes, the score provided to you may also change. The score delivered is developed from the information reported on your credit file at that moment in time. It is important to review your credit report and correct any inaccuracies, thus ensuring that your credit data is a true depiction of your credit record.</p> <p>Note: There are literally thousands of score models used in the credit industry which consider different variables for different types of credit. Credit reports and scores help you obtain access to financial products and services in an more efficient lending environment</p>
<p>How is my credit score calculated?</p>	<p>The score is a three-digit number that lenders use to help them make decisions. Among other things, lenders use scores to determine whether or not to grant credit, and if so, how much credit and at what rate. A higher score indicates that the individual is a lower credit risk. To calculate a score, numerical weights are placed on different aspects of your credit file and a mathematical formula is used to arrive at a final credit score. TransUnion calculates your credit score based on many factors in your credit history and payment behaviour, including but not limited to:</p> <ul style="list-style-type: none"> • Track record for repaying loans and credit card balances • How much money is currently owed on credit accounts

	<ul style="list-style-type: none"> • How long accounts have been open • How much credit used compared to the amount of credit available • How often, and how recently you have applied for credit <p>While the overall purpose of credit scores is universal, individual credit grantors determine what scoring model they utilize in granting credit. Any such model will be applied to their credit policy to make decisions regarding extension of credit that conforms with their lending policies. Some lenders also use their own internal credit scores that incorporate internal data that is not part of TransUnion’s credit files when evaluating an application. The only way to find out about how a lender measure your creditworthiness is to ask the individual lender.</p>
<p>What is a reason description?</p>	<p>It is impossible to have a perfect score, therefore each time a score is determined there are various factors that impact the score more predominantly. When TransUnion provides a consumer a score, TransUnion also delivers a list of factors to assist the consumer to understand what factors may be impacting their personal credit score to provide some guidance on what they can do to make improvements to their credit histories.</p>
<p>What is a good score?</p>	<p>Typically, the higher the score the better. Each lender decides which score range it considers a good or poor credit risk. There are literally thousands of score models used in the credit industry which consider different variables for different types of credit. The lender is your best source of information about how your score relates to their final decision. Your score is only one component of the information that lenders use to evaluate credit risks.</p>
<p>What affects my credit score the most?</p>	<p>The score delivered is developed from the information reported on your credit file at that moment in time. It is important to review your credit report and correct any inaccuracies, thus ensuring that your credit data is a true depiction of your credit record.</p> <p>Your payment history is typically one of the most important aspect of your credit score. It demonstrates how you’ve managed your finances over time. Your credit history is also very important, as it</p>

	<p>demonstrates how long you've been managing your accounts, when you made your last payments, and any recent charges.</p>
<p>Will I be penalized for shopping around for the best interest rate?</p>	<p>A common misconception is that every inquiry decreases your credit score. This is not true. While an inquiry is recorded on your personal credit report every time you, one of your creditors or a potential creditor obtains your credit report, the presence of inquiries has only a small impact on your credit score. Your inquiry into your own file has no impact on your score. Most scoring models take appropriate steps to avoid or minimize impacting your score because of multiple inquiries that might occur as you shop for the best car or home loan terms.</p>
<p>Which personal details do not affect my credit score?</p>	<p>Your score is a representation of how you manage financial responsibility, not a testament to you as an individual. Things like age, ethnicity, religion, marital status, salary, occupation, and employer information are not factors in your credit report and therefore are not factors in the calculation of your score.</p>
<p>How can I improve my credit score?</p>	<p>Several factors affect your credit score including payment history, amounts you owe, utilization of available credit, length of credit history, new credit and types of credit you use, to name just a few. Here are some tips on how to improve your credit score:</p> <ul style="list-style-type: none"> • Be punctual – pay your bills on time. • Check your credit report regularly – Take the necessary steps to remove inaccuracies. • Watch your debt – Keep your account balances below 35% of your available credit. • Give yourself time – Time is one of the most significant factors to improve your credit score. Establish a long history of paying your bills on time and using credit responsibly.
<p>I was told that if I removed accounts from my file this would increase my score?</p>	<p>Credit score is a numeric “snapshot” of your credit risk at a particular point in time. Your credit report is a record of how you manage your credit obligations and this data is used to calculate to create a credit score. Numerical weights are placed on different aspects of a credit report and a mathematical calculation is used to</p>

	<p>arrive at a final score. Therefore, as the information in your credit report changes, the score may change.</p>
<p>Why don't I have a credit score?</p>	<ul style="list-style-type: none"> • You do not have a TransUnion credit file. • The consumer is less than 18 years old. • The account references a person associated with the account as deceased. • The credit report contains no accounts (too thin).
<p>How does my credit score affect me?</p>	<p>Your credit score can be an efficient indicator of your financial health. Lenders use your credit score as one of several tools to determine:</p> <ul style="list-style-type: none"> • Whether or not you are a good candidate for a loan. • What type of interest rate you may pay. <p>While your credit score is a key determinant of your credit worthiness, lenders also examine the information on your credit report and your loan application. While the overall purpose of credit scores is universal, individual credit grantors determine the scoring model utilized in granting credit and in other account assessments. The credit grantor applies the model that aligns with their credit policy to make decisions regarding the extension of credit</p> <p>Regularly checking your credit report enables you to:</p> <p>Be informed of the most up-to-date information in your credit history.</p> <p>Correct any inaccuracies, thus ensuring that your credit data is a true depiction of your credit record. Your credit score is a numeric “snapshot” of your credit risk at a particular point in time. Therefore, as the information in your credit report changes, the score may change.</p>