



Credit Comeback

HOW TO REBUILD CREDIT



Table of Contents

Credit Score	2
What is a Credit Score?	2
How is a Credit Score Calculated?	2
Timing	3
How long it will take you to re-establish a good credit score	3
Steps for Rebuilding Your Credit Score	3
Step 1: Getting Your Financial Affairs in Order	4
A. Dealing with Outstanding Debt/Bills	4
B. Getting Paperwork Together	4
C. Prepare a Net Worth Statement	4
Step 2: Build Credibility	5
Step 3: Get a Copy of Your Credit Report	5
A. Get a Copy from Each Credit Bureau	5
B. Ensure Information is Correct	5
C. Notify Creditors/Credit Bureaus of Errors	5
D. Record Explanation if Applicable	5
Step 4: Understand What Creditors Look For	6
A. Capacity (Income)	6
B. Capital (Net Worth)	7
C. Collateral (Security to Pledge)	7
D. Character (Stability)	8
E. Credit Rating (Payment History and Credit Score)	8
Step 5: Types of Credit to Apply For	9
A. Co-signer on Loan	9
B. Joint Credit	9
C. Cash Secured Loans	9
D. RRSP Loans	10
E. Auto Dealership Loan or Lease	10
F. Secured Credit Cards from a Financial Institution	10
G. Other Secured Credit Cards	10
H. Other Store Credit Cards	11
I. Prepaid Credit Cards	11
J. "Buy Now, Pay Later" Programs	11
K. Mortgages	11
L. Assumed Mortgages	12
M. Other Creditors	12
Step 6: Determine Your Chances of Obtaining Credit and Apply for Credit	12
A. Preparing	12
B. Approaching the Creditor	12
C. If You are Declined	12
Step 7: Once Credit is Received, Keep it Up to Date	13
Net Worth Statement	13
How it Works	13
Interpreting Your Net Worth Statement	13
The Net Worth Statement	14
Net Worth Guidelines	15
Assets: What You Own	15
Liabilities: What You Owe	16
Net Worth	16
Credit Reports	17
Credit Rating Classifications	17-18
Examples of Who Uses Credit Reports	18
Obtaining Your Credit Report	18

Credit Score

What is a Credit Score?

- Algorithmic formula that says a lot financially about how responsible you are (creditworthiness)
- Reference point for lenders to determine risk on an individual for lending purposes
- Range from 300-900

How is a Credit Score Calculated?

Payment history – 35%

- Considers all credit accounts
- Considers late/missed payments, collections and public record items

Credit utilization (used credit vs. available credit) – 30%

- How much total available credit is being used on your credit accounts

Credit history – 15%

- Details about how long your credit accounts have been in existence
- Creditors like to see that you've been able to properly handle credit accounts over time

Public records – 10%

- Prior bankruptcies/collections or other derogatory public records mean higher risk

Inquiries – 10%

- Inquiries that make the most impact are those that may be considered "credit-seeking" (applying for many loans or credit cards in a short period of time)
- Could be seen as the first indicator of financial stress

Remember, be careful! There are many apps available to access your free credit score. This information may not be "live information" and could be out of date. Be cautious of who is getting your personal information online.

Timing

How Long it Will Take You to Re-establish a Good Credit Score Depends Upon Several Factors:

- The steps you have taken to move in a positive direction
- The length of time since the negative rating occurred. We recommend waiting at least 6 months after a debt management program and a year after a bankruptcy to start trying to obtain credit.
- Your ability to pay for new credit obligations
- Meeting the criteria of creditors when you apply
- Finding a reputable creditor willing to work with you

Steps for Rebuilding Your Credit Score

These steps will help you understand what you can do to increase your chances of gaining credit and help you strategize in applying for credit:

- | | |
|---------------|---|
| STEP 1 | Getting your finances in order |
| STEP 2 | Build credibility |
| STEP 3 | Get a copy of your credit report |
| STEP 4 | Understand what creditors look for |
| STEP 5 | Types of credit to apply for |
| STEP 6 | Determine your chances of obtaining credit and apply for credit |
| STEP 7 | Once credit is received, keep it up to date |

Step 1: Getting Your Finances in Order

A. Dealing with Outstanding Debt/Bills

- Pay off any negative outstanding debts/bills
- Ensure bills are up to date
- Ensure taxes and GST, if applicable, are up to date
- Ensure issues that created any previous problems are resolved

B. Getting Paperwork Together

- Ask what they need to see and have it ready
- Obtain a letter from your landlord indicating the time you have rented and your rental payment history
- Get mortgage statement or proof of payments made on time
- Get proof of insurance payments and utilities paid on time
- Prepare notes outlining what caused problems in the past and what actions you have taken or will take to prevent the issues from reoccurring
- Obtain documents and proof of income (pay stubs, tax returns, notice of assessments, contracts, business financial statements, etc.)
- Don't forget to account for irregular income and expenses. Take the average monthly income over six months to a year and use this number.
- Set up an automatic savings plan and highlight this information to lenders
- Prepare a [spending plan](#) to show you have surplus cashflow

C. Prepare a Net Worth Statement

- Complete a net worth statement outlining your assets (what you own) and liabilities (what you owe); see pages 13-16 for instructions
- Highlight savings, vehicles, cash on hand, investments, RRSPs, pensions, stock plans, RESPs, cash value of life insurance policy
- Indicate if you have set up a savings program on your own or through work
- List assets such as vehicles, motorbikes, boats, RVs, etc.
- Though household items are an asset they have little value to most creditors
- List any loans, lines of credit or overdrafts that have a balance owing. These amounts should be included in your net worth statement.
- Ensure there are no unpaid bills or taxes owing
- [Calculate net worth](#) and provide an explanation if it is low relative to your age and income
- Use fair market value for assets, not replacement value

Step 2: Build Credibility

- Try to ensure payments towards bills and credit obligations have been on time for at least six months prior to applying for credit. For any late payments, prepare an explanation for why they were late.
- Develop an emergency fund. Strive to save at least three months of your basic living expenses (e.g. food, shelter, utilities and transportation).
- Demonstrate a systematic savings program
- Have some cash for a down payment or to cover possible future financial changes
- Prepare a net worth statement for the past 2-3 years showing a positive trend
- Manage your accounts without NSF fees
- Minimize the use of overdrafts on your account

Step 3: Get a Copy of Your Credit Report

A. Get a Copy from Each Credit Bureau

- [Equifax](#) and [TransUnion](#) offer a copy of your credit report for free
- Order by mailing/faxing a request
- You will be required to provide photocopies of government issued identification along with your form. If completed correctly, your credit report will be mailed to you in 2-4 weeks.
- Can be obtained online for a fee if you have a credit card in your name
- For more information, flip to page 18

B. Ensure Information is Correct

- Collections must show as paid
- The Orderly Payment of Debts (OPD) program should show as paid in full
- Bankruptcy should show as discharged
- Any debts included in the OPD program or bankruptcy should be shown as such and a "0" balance now owing
- All paid accounts should show a "0" balance
- Ensure any good existing credit is appearing. Credit lines that survived a debt repayment program may help in rebuilding credit.

C. Notify Creditors/Credit Bureaus of Errors

- If you notice errors on your credit report, you can fill out a dispute form and submit copies of supporting documentation
- Forward copies of documentation to credit bureaus with explanation of error so they can investigate the error
- If appropriate, forward copy to creditor in question as well

D. Record Explanation if Applicable

- You are able to record an explanation of up to 500 words on your credit report if you think it will help explain negative credit history
- This information will be seen by all who pull your credit report

Step 4: Understand What Creditors Look For

Creditors evaluate applicants and credit applications using five principles or the five Cs: **Capacity**, **Capital**, **Collateral**, **Character** and **Credit Ratings**. The importance and impact of each of the Cs depends upon the lender in question. Credit Ratings and Capacity tend to play the most significant role in the credit decision granting process.

A. Capacity (Income)

Stability of income:

- Length of time on the job. The bigger the loan (e.g. mortgage), the more important employment length becomes to lenders.
- If you have changed positions but are still in the same field of work, ensure the creditor is aware of this
- Highlight if you are in an occupation that is in high demand
- If on contract, ensure you have a history of past contracts and any proof that your contracts will continue
- A letter from your employer, outlining how long you have been with the company may be required
- If self-employed, ensure you have the financial records of the company for a minimum of two years
- If you are a student or new in a job, let the creditor know if you are working in the field which you were trained
- If you have not been on the job for long, provide an explanation as to why—perhaps you moved with a spouse/partner, took a new position for higher pay, changed jobs to improve or better utilize your skills, etc.

Level of income:

- The level of income coming into the household is of significant importance to creditors, as it demonstrates your eligibility and ability to repay the credit obligation
- This can be proven with pay stubs, notice of assessment, bank records, letters from an employer, financial statements and contracts
- Some creditors will compare your level of income to your existing expenses using mathematical ratios: Gross Debt Service Ratio and Total Debt Service Ratio
- These ratios tell creditors if you have too much debt and may not be able to afford additional credit or if the new credit you are applying for is unrealistic given your income levels
- If the application is in joint names, they will base the ratio on both applicants' incomes

Gross Debt Service Ratio

(should be below 35%)

Rent/Mortgage and Housing Costs
(taxes, heating, lot rental, half condo fees, etc.)

divided by

Total Gross Income

Total Debt Service Ratio

(should be below 42%)

Rent/Mortgage, Housing Costs
and Existing Debt Payments

divided by

Total Gross Income

B. Capital (Net Worth)

- As indicated, creditors are looking for cash on hand and in savings accounts or assets you can liquidate to cover future payments if the need arises
- They are also looking at existing debts, the amount, and who you owe
- Use your net worth statement to show how much capital you have
- Debts to Canada Revenue Agency, finance companies, unpaid bills/utilities will be construed as negative

C. Collateral (Security to Pledge)

- Do you have assets that could be pledged as security for the loan/credit? This may include vehicles, investments, property, home, cash
- Remember, whatever you pledge can be seized if you default on the loan or miss payments
- RRSPs cannot be used as collateral
- Co-signing is also a form of collateral because the co-signer is agreeing to pay the loan should the primary applicant be unable to pay
- As a co-signer, your debt ratios may be impacted when shopping for credit for yourself
- If you miss a payment, the co-signer will be required to pay, and it could impact their credit score
- If using a co-signer, ensure the credit is placed in your name as the primary applicant, so it will appear on your credit report and assist you in rebuilding your credit
- If they put the credit in the co-signer's name first, it will help you get the loan but will not assist you in rebuilding your credit
- In the event the primary applicant defaults on the loan, both the applicant and co-signer's credit will be affected

D. Character (Stability)

- Have you been on the job for two years or more? If not, why did you change?
- Have you been living at your residence for two years or more? If not, why did you move?
- Do you have a credit product on your credit report that looks good? If you have current credit that has been operating up to date with a positive credit rating, it will definitely help you.
- Do you have a good relationship with your financial institution?
- Do you have a systematic savings program in place?
- If you have overdraft protection, make limited use of it and stay within the limits

E. Credit Rating (Payment History and Credit Score)

- How long have you had a file open with the credit bureau?
- Everything is to be purged off your report six years from the date of last activity, so if you had negative credit and it has been purged, that is helpful for your credit. If the purge, however, results in nothing on your credit report, it's a red flag for creditors. So be prepared to answer why the report has little information.
- Is your personal information correct? This may include birth date, social insurance number, address, employment, inquiries and credit history.
- Hard inquiries are ones you have authorized. All creditors see these, and they can negatively impact credit rating and score if there are too many in a short period of time so avoid applying randomly for credit at multiple places.
- Soft inquiries are internal credit checks completed by a company or yourself. Only you see these, and they do not have an impact on your credit score.
- What does your credit history look like? Credit ratings are measured using a 0-9 rating system.
- Do you have anything under the public records section? If so, be ready to explain.
- Ensure bankruptcy shows as discharged
- Ensure the Orderly Payment of Debts (OPD) program shows as paid in full
- The creditor may ask for proof of completing the OPD program, so have the "Paid in Full" package that Money Mentors sent you available
- You may have to explain to creditors what the OPD program is as some lenders are not familiar with the program and they may confuse it with bankruptcy
- Ensure collections show as paid
- A credit score generally ranges from 300-900
- Consider getting a copy of your credit report annually to ensure information is correct and you are not a victim of identity theft
- Bear in mind there are many institutions, companies and lenders interested in your credit history to make decisions on everything from granting you credit, opening credit accounts, setting ATM withdrawal limits, renting you an apartment, offering utility hook-ups and even hiring you
- Learn more about the difference between credit scores and credit ratings [here](#)

Step 5: Types of Credit to Apply For

A. Co-signer on Loan

- Credit grantor may require a co-signer with good credit, stable income and perhaps some collateral or security
- A co-signer is normally required by a lender when the primary applicant does not easily qualify for the loan. This may be for different reasons, including not enough income, too much existing debt, little to no credit history, not enough capital/collateral, poor credit history, etc.
- This is a good way to get credit re-established as long as the credit/loan appears in your name when reported to the credit bureaus
- Remember that the co-signer is equally and legally responsible for the debt as the borrower. Ensure you make your payments on time so the lender does not go to the co-signer for repayment or negatively affect the co-signer's credit.

B. Joint Credit

- If you have a spouse/partner that has good credit, you may wish to explore getting a loan in both names
- If the account is made joint, do ask if it will appear in both persons names on their respective credit reports
- Not all credit institutions will actually report in the second card holder's name, so you may not gain this positive rating if that is the case
- Each person is equally liable for 100% of the debt obligation. If the account is in default, the lender can pursue collection activities on both parties.

C. Cash Secured Loans

- In this situation you use cash you have saved to secure a loan
- For example, if you have saved up \$5,000, you can ask the bank to issue you a \$5,000 personal loan with your \$5,000 cash as collateral. You would then pay the loan off each month and have your \$5,000 earning interest in a term deposit or a GIC. The \$5,000 collateral is returned to you after the loan is repaid.
- Ensure you negotiate a good rate from the financial institution as the loan is cash secured and of little risk to them
- Keep in mind you will likely pay more interest on your loan than what you will earn on a term deposit or a GIC. However, the purpose of this is to build your credit by having a loan that you are repaying show on your credit report versus making money on interest.
- Keep the loan for at least 12-18 months to allow enough time to build your credit history and re-establish good credit

D. RRSP Loans

- Sometimes banks are more willing to give RRSP loans than regular loans
- You can get these loans for as low as \$1,000
- They are also a great way to rebuild your credit, your relationship with that bank, and also develop your retirement savings and grow your net worth
- Do not get an RRSP loan unless it will substantially lower your taxable income (you can deduct the RRSP deposit at tax time) and make sure you can pay the loan off within a year

E. Auto Dealership Loan or Lease

- Visit a reputable dealership to inquire about financing
- Provide them with all the paperwork you have put together as mentioned previously, including a copy of your credit report
- Explain your situation outlining the improvements you have made so far
- Note they often have minimum requirements for down payments, income levels and repayment time since credit rating showed something negative
- Always read the fine print, understand the terms, conditions and rate being charged, and ask lots of questions
- If they approve you, ensure you look at the rate and determine if it is worth getting the loan or lease at this cost
- If the rate is higher, ask them when and under what conditions in the future they would be prepared to lower it
- If you are declined, ask them what more you can do to get credit with them in the future
- Ensure the loan/lease does report on your credit report as this will help you rebuild credit

F. Secured Credit Cards from a Financial Institution

- Some financial institutions will offer secured credit cards—cards where you provide cash as collateral
- Try a financial institution you have a good relationship with first to see if they offer secured credit cards
- Evaluate the terms and conditions of this type of card
- Remember the interest rate will still be around 18-20%. But most cards, if paid off in FULL by the due date, do not charge you any interest.
- You do not need to use the card every month to keep an R-1 rating. However, your credit score should improve more quickly if you do use it every month and pay it off.
- Ask if this card will show up on your credit report

G. Other Secured Credit Cards

- There are other companies that will provide secured cards for collateral
- Often these cards have much higher annual fees which is the cost of rebuilding your credit
- Once you have had a card with this company for 1-2 years you may wish to apply for a regular unsecured credit card or explore cheaper alternatives with other companies
- Remember, the rates on these cards are often 18-25%. However, if you pay the balance off in full before the due date, no interest is charged. Read the terms and conditions to ensure this is the case.
- A listing of financial institutions that offer secured credit cards can be found on the Financial Consumer Agency of Canada's [website](#)

H. Other Store Credit Cards

- Sometimes it is easier to get a store credit card as their interest rates are much higher, so they are prepared to take on more risk
- If you are declined by one store, do not try the next store in a very short period of time, as their lending criteria are quite similar and you do not want to have a number of hits on your credit report in a short period of time
- Give yourself time between applications

I. Prepaid Credit Cards

- Prepaid credit cards will provide the convenience of a credit card or debit card with the ability to set your spending limit based on the cash in the card
- Basically, you get a card and load it with cash and can spend up to that limit
- There may or may not be an annual fee for this card
- Prepaid credit cards do not report to the credit bureau, so they don't rebuild credit. However, they do offer the convenience of a credit card without the risk of accumulating debt.
- Most prepaid credit cards have an expiration date

J. "Buy Now, Pay Later" Programs

- If you need furniture/appliances and must pursue this route, note these financing programs rarely report to the credit bureau unless you actually allow the loan to commence at the end of the "free" period
- If you do not pay the full balance of the loan within the promotional period, the interest charges may be calculated back to the day you purchased the item and the rates may be high
- If you really do need furniture or appliances and use such a program, it is a much better idea to set up a savings program to have the money to pay the loan before the interest-free period ends
- Also note that some of these programs may charge an application fee

K. Mortgages

- In Canada, if you do not have a 20% down payment, the mortgage must be insured (against default) and approved by CMHC or Genworth
- At this time, neither of these companies will commit to a specific period of time after negative credit that they will grant a mortgage
- Generally, we would suggest waiting for 1-2 years after completing the OPD program and, in that time, attempt to get a credit card or loan and rebuild your credit
- Save up as much money for a down payment as possible. The minimum requirement is 5%.
- The mortgage must also be approved by the lender
- Some find it worthwhile going through a reputable mortgage broker because they work with multiple lenders, meaning they are able to shop around to find you the best rate and terms
- These brokers do not charge you anything for the application or to get you the mortgage, but get their commission from the mortgage company that approves your mortgage
- A good broker will sit down with you, determine your chances of getting a mortgage and guide you through this process and the steps you need to take to move forward and increase your chances of getting a mortgage at a fair rate
- The [mortgage stress test](#), which took effect on January 1st, 2018, may affect the value of the mortgage you are approved for

L. Assumed Mortgages

- If you are able to [assume a mortgage](#), remember that few mortgages appear on your credit report and your assumed mortgage may not be on the report either
- Owning a home and having a proven track record of mortgage payments may assist you in obtaining other credit in the future
- It is a good idea to work with a realtor and a good lawyer when assuming a mortgage to understand the terms and conditions and any issues that should be considered in going this route

M. Other Creditors

- There may be other opportunities out there to apply for credit
- Always consider the costs involved and interest rates
- Ask if they report to the credit bureaus
- Then ask yourself if the costs involved justify using this type of credit to help improve your score

Step 6: Determine Your Chances of Obtaining Credit and Apply for Credit

A. Preparing

- Do your homework and determine what type of credit you wish to apply for
- What are the costs?
- What are the interest rates?
- Is this the type of credit that will help rebuild your credit history?
- Determine where your best chances are to apply
- Find a person who has some experience and is prepared to listen to your situation

B. Approaching the Creditor

- Bring your paperwork with you to show the creditor you have done your homework
- Bring a copy of your credit report with you and ask them, if given your past history and what you have achieved since then, do they think you have a chance of getting credit with them
- If the response is positive, ensure you ask the costs, interest rates, terms and conditions. If the rate seems high, ask when and under what circumstances it could be lowered in the future.
- Remember, if approved, to read all the documents and ask your questions BEFORE you sign the paperwork

C. If You are Declined

- Ask the reasons for the decline
- Ask under what circumstances they may consider granting credit to you in the future
- Ask at what time in the future should you try applying again
- Ask if they have any other suggestions or considerations

Step 7: Once Credit is Received, Keep it Up to Date

- Ensure you make your payments on time
- Develop an emergency fund so that if issues occur in the future you have money to keep payments up to date
- Remember credit cards DO NOT have to be used every month to keep a good credit rating. However, your credit score should improve more quickly if you do use the credit card every month and pay it in full.
- If you do owe money on a credit card, pay it back in full before the due date to avoid interest charges
- Be careful not to use more than 35% of any limit on a card as that can negatively impact your credit score
- Consider [booking a free consultation](#) with a Money Mentors counsellor to guide you through this process

Net Worth Statement

How it Works

- List the dollar value of what you own (your assets) and subtract it by what you owe to others (your liabilities)
- The resulting number is the amount of money you would have left if you sold all your assets and investments and paid all your debts (your net worth)

Interpreting Your Net Worth Statement

- If your result is a positive value, it means that you own more than you owe
- If your result is a negative, you owe more to others than you own
- A negative result is not necessarily bad. It just shows that you have more debts than assets.
- Most people will have a negative net worth at some point in their life
- Be prepared to explain to a creditor if your net worth does appear low. It may have been due to a business failure, marital breakdown, illness/health matter, job loss, etc.
- By comparing your net worth statements over time, you can determine if you are making progress toward your financial goals
- If your bottom line improves (changes to a bigger positive number or to a smaller negative number), your financial situation is improving. You have increased your assets or decreased your liabilities.
- If your bottom line gets worse, look at why:
 - » You could have reduced your assets
 - OR**
 - » Increased your debt load. If your debt load has increased, ask yourself why. Have you made justifiable purchases like a new car or home?

The Net Worth Statement

Date:

ASSETS: What You Own

CURRENT VALUE

Cash	Savings accounts	\$ _____
	Chequing accounts	\$ _____
	Money owed to you	\$ _____
	Other	\$ _____

Investments	RRSPs	\$ _____
	TFSAs	\$ _____
	Term deposits/GICs	\$ _____
	Savings bonds	\$ _____
	Stocks/mutual funds	\$ _____
	The cash value of life insurance	\$ _____
	RESPs	\$ _____

Personal	Residence/property	\$ _____
	Vehicles	\$ _____
	Home furnishings/equipment	\$ _____
	Recreational equipment	\$ _____
	Collectibles (art, stamps, coins, jewellery, etc.)	\$ _____
	Other	\$ _____

TOTAL ASSETS	\$ _____
---------------------	----------

LIABILITIES: What You Owe

BALANCES

Credit card balances	\$ _____
Loan balance	\$ _____
Home mortgage balance	\$ _____
Car loan balance/lease buyout	\$ _____
Unpaid bills	\$ _____
Taxes	\$ _____
Charitable pledges	\$ _____
Other (family obligations, overdraft, etc.)	\$ _____

TOTAL LIABILITIES	\$ _____
--------------------------	----------

TOTAL ASSETS minus **TOTAL LIABILITIES** equals **NET WORTH**

\$ _____	-	\$ _____	=	\$ _____
----------	---	----------	---	----------

Net Worth Guidelines

Assets: What You Own

When listing assets, be as accurate as possible. The idea is to list the current dollar value of everything you own. This is not the amount you would spend to replace the item but the amount you could actually sell the item for now (fair market value).

A. Cash

- This category is very important as it indicates the money you have available to cover a down payment, emergencies or financial difficulties that may arise that could impact making future debt payments
- Having cash is of great significance to creditors, especially when re-establishing credit
- This would include money in your bank accounts
- Money owed to you is not of particular importance unless there can be proof and documentation it is coming to you within a particular period of time. This may include spousal support, insurance claims or a pending lawsuit. It must be money owing to you that you are confident will be repaid.

B. Investments

- List the amount you would receive today if you cashed in these items
- To get an idea of how much you would receive, contact the financial institutions and investment companies you deal with for a value estimate. You can also review your most recent statements online.
- This may include non-registered assets such as term deposits, GICs, Canada Savings Bonds, stocks, mutual funds, etc.
- It may also include registered accounts such as RESPs, RRSPs and TFSAs
- Also list investments through your employer like pension and stock options, etc.
- The cash value of a life insurance policy is the savings portion of a whole life insurance contract, not the amount you would receive in the event of death. Note that not all life insurance contracts have a cash value, such as term insurance policies.

C. Personal Assets

- House:
 - » If your home is mortgaged, list the amount you would receive if you sold the house now (the current market value) as an asset. You can find this amount by checking out the price of similar properties in your area or by phoning a real estate agent and asking if they have a free estimate service.
 - » You will list the balance owing on a mortgage or a home equity line of credit as a liability
- Other property:
 - » Perhaps you own a cabin, recreational property, farmland, a rental property, etc. List these properties as well. Also list investments through your employer like pension and stock options, etc.
- Vehicle:
 - » Check out the prices of cars similar to yours in the classified ads and in guides that list the recent selling price of similar cars
 - » If your vehicle is financed by a loan, you will list the balance owing as a liability
 - » If you have a car lease, you may list the vehicle as an asset and the outstanding lease owing as a liability or not list the vehicle at all but disclose the payment in your budget and advise the lender you have a lease as it will appear on your credit report and they can determine based on their policy whether to include this asset
- Home furnishings, recreational equipment and personal belongings:
 - » Any material that can be converted to cash could be listed, however, many lenders do not take these into consideration unless they have a definite resale value (this may include antiques, jewellery, artwork, electronic equipment, collectibles of value, etc.)

Liabilities: What You Owe

- Include unpaid bills such as rent or utilities that are due or past due
- Keep in mind these will have a negative impact on your credit
- Do not include bills you know you will have to pay in the future but aren't due yet (e.g. next month's rent or insurance)
- Include any balances owing on loans, lines of credit, overdrafts, student loans, credit cards, etc.
- Creditors look at both the amounts and types of credit outstanding

Net Worth

- As mentioned previously, your assets minus your liabilities equals your net worth
- Be prepared to explain your level of net worth versus your age and income
- If your net worth is low, was there a marital split, job loss, business failure, illness/health matter or other circumstances or life event that impacted this?
- This statement gives a summary of your financial situation. By comparing your statements annually, you can use it to monitor your progress over time.

Credit Reports

- There are two credit reporting agencies (bureaus) in Canada: Equifax and TransUnion
- Creditors must obtain your initial authorization to complete a credit check. These are considered hard inquiries. Once they have this initial authorization, they can do subsequent credit checks whenever they wish. These would, however, be considered soft inquiries.
- Anyone that has had or has applied for credit should have a credit report. If you had negative credit and it has since been “purged,” you may have a credit file but no ratings on it.
- Every person has their OWN credit report. These will be independent from their spouse/partner/children.
- Joint debt may appear on both persons’ credit reports or sometimes only in the name of the principal borrower. Some creditors may report to only one credit bureau. Some small creditors may not report at all.
- Loans, credit cards, leases and lines of credit are most often reported monthly, but some report quarterly or even bi-annually
- Mortgage payments may or may not be reported to the credit bureau
- NSF’s and other banking issues usually only report if they have become a problem or are uncollected
- Credit reports usually have four sections:
 1. Personal information (name, date of birth, social insurance, employment)
 2. Inquiries
 - a. Hard inquiries that all creditors see
 - b. Soft inquiries that only you see
 3. Public records (bankruptcies, judgements, collections, OPD program)
 4. Individual rating for each credit line from 0-9
- Individuals have the ability to add their own comments to their credit reports for clarification purposes of up to 500 words
- Individuals should notify the credit rating agencies when information is incorrect. The most effective way to do this is in writing and by forwarding copies of all supporting documentation.
- You should review your credit report annually

Credit Rating Classifications

I	Regular installments over a specific period of time
R	Revolving credit that have minimum payments, such as credit cards/payments that depend on balance
M	Mortgages
O	Open credit (credit with no upper limit, like a cell phone)
R-O	Too new to rate, approved not used, little credit history
R-1	Account paid as agreed within 30 days
R-2	Not more than one payment past due (31-60 days)
R-3	Two payments past due (61-90 days)
R-4	Three or more payments past due (91-120 days)
R-5	At least 120 days overdue
R-6	Rating does not exist
R-7	Making payments under consolidation order (OPD program or consumer proposal)
R-8	Repossession (voluntary or involuntary return of merchandise)
R-9	Bad debt, placed for collection, bankruptcy

Credit Rating Classifications, Cont.

- Purging of information (removal from credit report)
 - » Six years from date of last activity
 - » Inquiries minimum of three years
 - » OPD program and the debts related to the OPD program are removed (in Alberta) two years after completion of the program
 - » Bankruptcy and debts included in the bankruptcy are purged six years after discharge date (for a first bankruptcy) or 14 years (for a second bankruptcy)

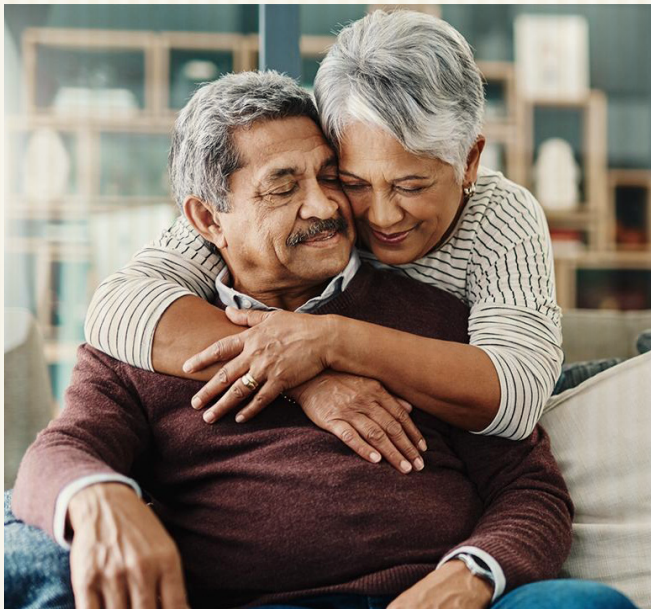
Examples of Who Uses Credit Reports

- Financial institutions to open accounts, grant credit, set ATM limits
- Credit card companies, leasing companies, mortgage brokers, stores
- Utility companies, cell phone companies
- Rental agencies, landlords, rental property managers
- Student loan department
- Insurance companies
- Some employers

Obtaining Your Credit Report

	EQUIFAX	TRANSUNION
By Telephone: A recorded message will prompt you for specific information	1-800-465-7166 Must have valid credit card for verification only. A free credit report will be mailed to you.	English: 1-800-663-9980 French: 1-877-713-3393 Must provide personal info over the phone (valid credit card is optional). A free credit report will be mailed to you.
By Mail/Fax: Estimated delivery time of two weeks. Complete a written request for a free report.	Form available here or call 1-800-465-7166 to request form. Mail to: Equifax Box 190, Jean Talon Stn Montreal, Quebec H1S 2Z2 Fax to: 1-514-355-8502	Form available here or call 1-800-663-9980 (English) or 1-877-713-3393 (French) to request form. Mail to: TransUnion Attention: Consumer Relations Centre Suite 205, 3115 Harvester Rd Burlington, Ontario L7N 3N8
By Website: Must have a valid credit card to purchase credit report online.	https://www.equifax.ca There is an additional fee to include your credit score.	https://www.transunion.ca/ There is an additional fee to include your credit score but you can get a free consumer disclosure.

Money Mentors is the only Alberta-based, not-for-profit credit counselling agency. Through a number of services, we help families and individuals recover from financial crisis and move forward. From credit counselling and money coaching to retirement planning and financial literacy, we're creating a healthier financial future for the entire province.



money 
mentors
A better path. A brighter future.

Calgary

Airstate Building
Suite 150,
1200 – 59 Ave. SE
Alberta T2H 2M4

Edmonton

Quikcard Centre
Suite 175,
17010 – 103 Ave.
Alberta T5S 1K7

Grande Prairie

Aberdeen Building
Suite 219,
9728 101 Ave.
Alberta T8V 5B6

Lethbridge

Idea Building
Suite 101,
1221 – 2 Ave. S
Alberta T1J 0E4

Medicine Hat

Suite 114,
640 – 3 St. SE
Alberta T1A 0H5

Red Deer

United Way
Building
4811 – 48 St.
Alberta T4N 1S6

 @MoneyMentors  facebook.com/MoneyMentors

 linkedin.com/company/money-mentors-alberta  @moneymentors.ab