

## **Financial Fitness: What Is Your Credit Rating?**

If you're thinking about getting a loan to for your business, you need to understand your financial fitness.

One of the main qualifications for getting a business loan is having a good credit rating.

Your credit rating is your history of repaying loans, credit cards or other financial obligations. It assesses your track record, how much you currently owe, what your payment amounts are, and gives you an overall score.

If you've had a manageable debt load, and make payments on time, you likely have a good credit rating.

But some business people who apply for a loan are surprised to find they don't qualify because they have a low or non-existent credit rating.

Why? Aside from those who have defaulted on past payments, some people simply don't have debt, and always use cash to pay for purchases. For others - like women who have been raising kids - loans and credit cards have been written up in their spouse's name, and the credit rating is attached to their partner.

Before you apply for a business loan, it's a good idea to check out your credit history to ensure it is accurate and to find out where you stand.

You can get a copy of your credit report and 'score' from agencies in Canada: Equifax and Trans Union.

Most commonly used is Equifax, unless you use the Royal Bank, as they report to Trans Union. If you want a copy of your credit report, mail or fax a request with copies of two pieces of identification to the companies. In a couple of weeks, they will mail your report to you. Or you can request an Equifax copy over the internet. You could also go to their offices and ask to see your report.

### **1. What Your File Contains**

- Personal Identification: name, address, birth date and your Social Insurance Number
- Inquiries: lists of individuals and companies that have requested a copy of your file in the past three years
- Public Record Information: secured loans, bankruptcies and/or judgments
- Collection Agencies: any involvement with a collection agency trying to settle a debt
- Trade Information: provides details of your credit transactions, whether payments are being made
- A rating or score is given from "R0" to "R9" (see table below for explanation)

## 2. What Should Not Be On Your File

- non-payment of rent
- information about race, colour, religion,
- criminal charges not resulting in conviction
- criminal charges older than seven years
- credit information older than six years — except bankruptcy
- health or healthcare information

## 3. What Affects Your Score?

- how much you are paying on your accounts
- how much you currently owe
- how long your accounts have been open
- what different types of credit you use
- how much credit you use compared to the amount available to you
- how often and how recently you have applied for credit

## 4. To contact these agencies:

### **Equifax**

[www.equifax.ca](http://www.equifax.ca)

Personal Solutions

Score Power \$21.95

Credit Report \$14.50

**Equifax** Consumer Relations Department

Box 190 Jean Talon Station

Montreal, Quebec H1S 2Z2

Tel: ( 514 ) 493-2314 /1 800 465-7166

Fax: ( 514 ) 355-8502

### **Trans Union**

Consumer Relations

709 Main Street W Suite 3201

Hamilton, On L8S 1A2

Tel: 1 800 663 9980

Fax: ( 905 ) 527-0401

**5. Here is a guideline on what your rating means:**

<b>Number</b>	<b>Rating</b>
R0	Too new to rate; approved but not used
R1	Pays within 30 days of billing, or pays as agreed
R2	Pays in more than 30 days but less than 60 or one payment past due
R3	Pays in more than 60 days but less than 90 or two payments past due
R4	Pays in more than 90 days but less than 120 or three or more payments past due
R5	Account is at least 120 days past due but is not yet rated R9
R6	No rating exists
R7	Paid through a consolidation order, consumer proposal or credit counselling debt management program
R8	Repossession
R9	Bad debt or placed for collection or bankruptcy

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