

Chapter 14: Application Analysis – Borrower Credit

Learning Outcomes

Successful understanding of the concepts presented in this chapter will enable the learner to:

- Differentiate between the credit report a consumer receives and the report a Mortgage Agent receives
- List the main credit bureaus in Canada
- Interpret and analyze a credit report
- Explain the components of a credit score

Introduction

Lenders use an applicant's current and past repayment history to determine the likelihood of future repayment. Although there is no way to perfectly predict an applicant's future repayment of debt, reviewing the applicant's current and past repayment history provides a fairly accurate indicator of future repayment trends.

Lenders rely on a credit bureau or credit agency, a company that compiles information provided to its members. The credit bureau's members consist of credit grantors such as banks, trust companies, finance companies, loan companies, and so on. These members provide the credit bureau with information on the individuals to which credit has been granted or who have applied for credit through the credit grantor.

This information is compiled into two distinct reports. One report is available to consumers. This report is designed to be read by consumers and is therefore compiled in a fashion that is easy for the average consumer to understand. The other type of report is the one provided to the credit bureau's members. This report is more detailed and relies heavily on codes that are typically only understood by its members.

This chapter will discuss the different Canadian credit bureaus and the impact of credit reports on the mortgage application.

14.1 Credit Bureaus

There are currently three credit reporting agencies operating in Canada: Equifax, Transunion and Northern Credit Bureau (NCB), which is owned by Experian, one of the three largest credit bureaus in the United States.

Both Equifax and Transunion were founded in the United States, Equifax as the Retail Credit Company in 1899 while Transunion was founded in 1968. Northern Credit Bureau was founded in Canada in the 1950s. Equifax and Transunion are the two most widely used credit bureaus in Canada.

More information can be found on Equifax by visiting its website at www.equifax.ca

More information can be found on Transunion by visiting its website at www.transunion.ca

More information can be found on Northern Credit Bureau by visiting its website at www.creditbureau.ca

14.2 Credit Reports

A credit report is the document that presents the information that the credit bureau has compiled on the applicant and comes in two forms. The first is the credit report produced for the consumer, while the other is the credit report produced for the credit bureau's members.

To illustrate the differences between a credit report provided to the consumer and one provided to a credit bureau member, both are illustrated in Figures 50 and 51.

Figure 50¹ – Sample Credit Report Provided to Consumers

Example of an **Equifax Credit Report** provided to a consumer

CONSUMER RELATIONS P.O. BOX 190 STATION JEAN TALON
MONTREAL QUEBEC H1S 2Z2

JANE DOE
10 PLEASANT ST.
TORONTO ONTARIO
M2N 1A2

CONFIDENTIAL INFORMATION
NOT TO BE USED FOR CREDIT PURPOSES
RE: EQUIFAX UNIQUE NUMBER: 3140123054

Dear JANE DOE,

Further to your request, a disclosure of your personal credit file as of 03/27/01 follows:

PERSONAL IDENTIFICATION INFORMATION:

The following personal identification information is currently showing on your credit file. Your date of birth and social insurance number have been partially masked to protect your personal information (i.e.: Birth Date/Age: 01/xx/60, Social Insurance Number: 123-xxx-789).

DATE FILE OPENED: 07/04/92

NAME: Doe, Jane

¹ Equifax Canada

CURRENT ADDRESS: 10 PLEASANT ST. TORONTO, ON
 DATE REPORTED: 12/96
 PREVIOUS ADDRESS: 2 AVENUE ST, TORONTO, ON
 DATE REPORTED: 12/93
 PRIOR ADDRESS: 3 DU BOULEVARD, MONTREAL, PQ
 DATE REPORTED: 07/92

BIRTH DATE/AGE: 10/XX/1968
 SOCIAL INSURANCE NUMBER: 123-XXX-789
 OTHER REFERENCE NAMES:
 CURRENT EMPLOYMENT: EDITOR
 PREVIOUS EMPLOYMENT: TRANSLATOR
 PRIOR EMPLOYMENT: CHEF
 OTHER INCOME:

CREDIT INQUIRIES ON YOUR FILE:

Following is a list of Equifax members who have received a copy of your credit file for credit granting or other permissible purposes. Addresses are available by calling Equifax at 1-800-465-7166.

DATE	REQUESTOR NAME	TELEPHONE
03/02/00	CANADA TRUST MTG	(416) 361-8518
02/22/00	TD BANK	(800) 787-7065
01/16/00	BQE NATIONALE	(450) 677-9122

The following inquiries are for your information only and are not displayed to others. They include requests from authorized parties to update their records regarding your existing account with them.

DATE	REQUESTOR NAME	TELEPHONE
03/23/00	SOC ALCOOLS (not displayed)	(514) 873-6281
03/22/00	CANADA TRUST MTG (not displayed)	(416) 361-8518
02/16/00	CMHC SCHL (not displayed)	(888) 463-6454
01/16/00	AMERICAN EXPRESS (not displayed)	(416) 123-4567

CONSUMER INTERVIEWS AND OTHER SERVICES:

You contacted our office in 12/98 to request a review of your credit file.

CREDIT HISTORY AND/OR BANKING INFORMATION:

The following information was reported to us by organizations listed below. Information is received every 30 days from most credit grantors. All account numbers with your creditors have been masked to protect your personal account information and only the last three digits will be displayed (i.e.: xxx...123).

GMAC last reported to us in 01/01 rating your instalment account as I1, meaning paid as agreed and up to date. The reported balance of your account was \$1000. Your account number: xxx...345. The account is in the subject's name only. Date account opened: 04/99. Credit limit or highest amount of credit advanced: \$4400. DATE OF

LAST ACTIVITY meaning the last payment or transaction made on this account was in 12/00. Additional comments: auto loan. Monthly payments.

CANADA TRUST MC last reported to us in 01/01 rating your revolving account as R1, meaning paid as agreed and up to date. At the time the reported balance of your account was \$285. Your account number: xxx...234. Date account opened: 06/99. Credit limit or highest amount of credit advanced \$2000. DATE OF LAST ACTIVITY meaning the last payment or transaction made on this account was in 12/00.

PREVIOUS PAYMENT STATUS:

30 DAYS: 1 time (s) account previously R2 meaning one payment past due

PUBLIC RECORDS AND OTHER INFORMATION:

The following information was reported to your file on the date indicated.

A COLLECTION was assigned in 10/96 to Commercial Credit by Transamerica Financial in the amount of: \$2675. Date reported paid: 07/97. Collection status: PAID. DATE OF LAST ACTIVITY was in 04/96. Collection agency reference number: 222222.

A JUDGEMENT was FILED IN 01/96 in Min Govt Serv. Plaintiff and/or case number: Chrysler Canada 4444. Defendant/other info: joint with Dossier. Amount reported: \$7525. Status reported: Satisfied. Date satisfied: 09/97.

A BANKRUPTCY was FILED IN 08/97 in SC Newmarket. Case number and/or trustee: 555555 SYNDIC & ASS. Liabilities: \$250000. Assets: \$8900000. Item classification: individual. Information reported on: The subject only. The item is reported as: DISCHARGED. DATE SETTLED: 05/98. Additional comments: absolute discharge from bankruptcy.

THE CONSUMER PROVIDED A PERSONAL STATEMENT to us in 12/98. The statement has been recorded as follows:

RE: BANKRUPTCY, CONSUMER DECLARED BANKRUPTCY DUE TO DIVORCE This statement is to be removed from the file in: 12/04.

Figure 51 is an example of an Equifax credit report provided to an Equifax member. This report is for training purposes only. The code in the left hand column of the report corresponds to the Equifax Legend in Figure 52, which follows this report.

*Figure 51² – Sample Credit Report Provided to Credit Bureau Members***Equifax Consumer Credit Report (provided to credit bureau members)**

This report shows a sample of potential information found on a credit report. This is not an actual report.

[1]	NM-DENTON, RICHARD CA-1231, 15TH AVE SW APT 408, CALGARY, AB, T3C0X6 FA-2314, 11TH AV 1201, TORONTO, ON, M4W4C1. ID-BDS-04-13-33, SSS-424-694-038,SSC-222-222-333 ES-SUPERVISOR,MCDOUGALS HAULAGE		
[2]	----- Equifax and Affiliate Bureaus - Refer Consumer inquiries to 1-800-465-7166		
[3]	CAUTION - WRONG SSS/SSC NUMBER		
[4]	FN 00-0008095-07-265 UN 2060576929	[5]	05/14/99
[6]	SAFESCAN WARNING: INQUIRY ADDRESS REPORTED MISUSED TOTAL VERIFICATION ADVISED		
[7]	RISK SCORE : 549 ACCOUNT NOT PAID AS AGREED, PUBLIC RECORD, OR COLLECTION AGENCY FILING. LENGTH OF TIME (OR UNKNOWN TIME) SINCE ACCT NOT PD AS AGREED OR NARR RPTD. LENGTH OF TIME SINCE PUBLIC RECORD OR COLLECTION AGENCY FILING. TOO FEW ACCOUNTS CURRENTLY PAID AS AGREED.		
[8]	*DENTON, RICHARD,C, SHIRLEY	[9]	SINCE 04/23/75
		[10]	FAD 05/11/99
[11]	2314,11TH AV 1201, TORONTO,ON M4W3C1,STS RPTD 05/99		
[12]	111,WILLOW ST.,TORONTO,ON M4G1T6,CRT RPTD 09/97		
[13]	933,WESTMARR RD,REGINA,SK S4P9E1		
[14]	AKA-DENTON,C,RICHARD		
[15]	BDS-04/13/1933,SSS-424-694-038		
[16]	----- *INQS-SUBJECT SHOWS 3 INQUIRIES SINCE 03/99		
[17]	05/11/99	CIBC	(416) 111-1111
	04/16/99	GLASSMAN MANAGEMENT	(604) 222-2222
	04/10/99	BANK OF NOVA SCOTIA	(514) 333-3333
	11/22/98	TEACHER SAVINGS CREDIT UNION	(604) 444-4444
	10/12/98	SEARS	(416) 555-5555
[18]	# INQS – 48		
[19]	ES - SUPERVISOR,MCDOUGALS HAULAGE,TORONTO,ON,EMP 01/97,VER 01/98,\$2500		
[20]	EF - DRIVER,PRIORITY TRUCKING,REGINA,SK,EMP 12/79,VR 12/90,,LEFT 01/96		
[21]	E2 - SUPERVISOR, MIDTOWN CATERING		
[22]	EC - TEACHER,OSCVI HIGH SCHOOL,REGINA,SK,EMP 07/94,VER 10/98		

² Equifax Canada

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- [23] SUMMARY 01/96 - 04/99, 4-PR/OI, FB-NO, TOTAL-3, HCS3K-5K, 1-ONE,1-THREE,1- OTHER
-
- [24] *PUBLIC RECORDS OR OTHER INFORMATION
03/95 BKRPT 472VF22, 456789 ABC ASSOCIATES, LIAB\$55000, ASSETS\$1500, SUBJECT, IND,
DISCHARGED 12/95
- [25] 09/98 UP CL EEQUIFAX COLLECTIONS, \$1260, CG, BRN-ANY CO., DLA-12/97, BAL-\$1260
- [26] 04/98 SECLN CENT REG TOR, FP CASE NO-TRANS CANADA CREDIT 9 ELLIS AV TOR 3600, MATURE
04/02
- [27] 03/98 ST JD TOR SM CL CT.\$255,DEF-RICHARD DENTON, 1234/95, CITY OF TORONTO, SATISFIED 11/98
-
- [28] TRADE INFORMATION SECTION
- | BUS/ID CODE | RPTD | OPND | H/C | TRMS | BAL | P/D | RT | 30/60/90 | MR | DLA |
|--|-------|---------------------|------|------|------|-----|----|----------|-------|-------|
| CANADIAN TIRE (905) 735-3131 | | | | | | | | | | |
| *650AT12 | 04/99 | LOST OR STOLEN CARD | | | | | | | | |
| SEARS | | | | | | | | | | |
| *J 650DC16 | 04/99 | 01/96 | 3106 | | 0 | | R1 | 00 00 00 | 03/99 | |
| ROYAL BANK VISA | | | | | | | | | | |
| * 6500N28 | 04/99 | 04/96 | 5000 | 75 | 2450 | 150 | R3 | 06 03 02 | 36 | 03/99 |
| PREV HI RATES: R2 03/99, R3 10/98, R3 09/98. | | | | | | | | | | |
| AMOUNT IN H/C COLUMN IS CREDIT LIMIT | | | | | | | | | | |
-
- [29] BANKING INFORMATION SECTION
ROYAL BANK (604) 943-1171
09/98 CHKAC 601BB4559 09/96 L4F
4 NSF 1997
- [30] NARRATIVE RPTD 09/98 PURGE 03/04
** CONSUMER STATES SLOW PAYMENTS ON ACCOUNTS WERE DUE TO BEING UNEMPLOYED**
- [31] SAFESCANNED [32] &
- END OF REPORT
-

*Figure 52³ – Equifax Legend***EQUIFAX LEGEND**

- [1] **INQUIRY DATA:** Shows information used to inquire on the file.
- [2] **CONSUMER REFERRAL TELEPHONE NUMBER:**
Tells credit grantor where consumers may call if they are denied credit.
- [3] **CONSUMER FILE ALERT:** Information on inquiry does not match file or is invalid.
- [4] **FN, UN:** File number and Unique number for Equifax internal use only.
- [5] Date file was accessed (mm/dd/yy).
- [6] **SAFESCAN WARNING:** Fraud alert message warns you of potential application fraud.
(Available only to SafeScan subscribers.)
- [7] **SCORES AND REASON CODES:** A risk score accompanied by up to four reason codes appears in this section. Reason codes indicate the main reasons for the score. (Available only to risk score subscribers.)
- IDENTIFICATION SECTION:**
- [8] Subject and co-subject / spouse.
- [9] Date file was established.
- [10] Date of last activity on file.
- [11] Current address, origin and date added to file.
- [12] Former address.
- [13] Second former address.
- [14] AKA or name subject is also known as.
- [15] Date of birth (mm/dd/yy). SIN will only display here if provided on input and matches with information on file.
- INQUIRIES SECTION:**
- [16] **INQS:** Alert appears if three or more inquiries within past 90 days.
- [17] Date and member name for inquiries in the past 36 months.
- [18] Member phone number for inquiries in past 12 months.
INQS: Total number of inquiries since file established.
- EMPLOYMENT SECTION:**
- [19] **ES** (employment subject) Position, firm, location, date employed, date verified, monthly salary.
- [20] **EF** (employment former) Position, firm, location, date employed, date verified, monthly salary.
- [21] **E2** (employment second former) Position, firm, location.
- [22] **EC** (employment spouse) Position, firm, location, date employed, date verified. No spousal information provided in Quebec.
- [23] **SUMMARY SECTION (provides synopsis of file items):**
- | | |
|----------------|--|
| 01/96 | Oldest opening date of trade. |
| 04/99 | Newest reporting date of trade. |
| 4-PR/01 | Number of public record items or other information on file. |
| FB-NO | Foreign bureau information. NO indicates file contains no foreign bureau information. Y indicates there is foreign bureau information. |
| 3 | Number of trades on file. |

³ Equifax Canada

HCS3-5KK	High credit range of trades on file.
1-ONE }	
1-THREE }	Ratings of trades on file.
1-OTHER }	

- [24] **PUBLIC RECORDS OR OTHER INFORMATION:**
Bankruptcies: A person legally declared to be unable to pay debts (date filed, type of action, court code, case number and trustee, liability, assets, file (subject, spouse or both), type of bankruptcy (IND for personal; BUS for business)).
- [25] **Third party collections:** A debt that a creditor is unable to collect and hires a third party to do so (reported date, type of collection [UP CL - unpaid collection or PDCL - paid collection], name of third party collection agency, original amount of collection, industry classification [creditor], branch and company [creditor], date of last activity, balance as of date reported).
- [26] **Secured loans:** A chattel mortgage, registered loan, or registered lien is a loan where the debtor has given personal property as collateral and the loan is registered with the provincial government. This is not derogatory information. (Secured loans are not extended in the province of Quebec.) [date reported; type of account; name of reporting government agency; industry type of creditor; case number; name and address of creditor; amount of loan; maturity date].
- [27] **Judgments:** A court order against a debtor for payment of monies owing (date judgment granted or date filed; judgment status (STJD - satisfied judgment, JDGT - judgment); court identification number / name of court; amount of judgment; defendant; judgment number; plaintiff; status of judgment [satisfied, unsatisfied or disposition unknown] and date, when applicable). Other public record information may include foreclosures, credit counselling, and orderly payment of debt (OPD).
- [28] **TRADE**
Company name and/or telephone number and/or customer number.
Second Line:
RPTD - Date item last reported to Equifax.
OPND - Date account was opened with credit grantor.
H/C - High credit on the account; the highest amount owed or credit limit.
TRMS - Monthly repayment amount.
BAL - Balance owing as of date reported.
P/D - Past due amount as of date reported (shown if applicable).
RT - Types of accounts or manner of payment.
* Indicates the information was updated by an accounts receivable tape.
- [29] **BANKING INFORMATION SECTION:**
Company name and telephone number; date item was reported to Equifax; type of account; customer's member number; date account was opened with credit grantor; balance of account (approximate range); additional information on account.
- [30] **CONSUMER STATEMENT SECTION:** Statement the consumer or subject added to the file to explain discrepancies or other comments.
- [31] **SAFESCANNED:** Indicates inquiry was run through our fraud database. Available to subscribers only.
- [32] **&:** Indicates end of report.

*Figure 53⁴ – Equifax Trade Information Descriptions***TRADE INFORMATION DESCRIPTIONS****Types of accounts:**

- | | | | |
|----------|--|----------|----------------|
| O | Open account (30 days or 90 days) | C | Line of Credit |
| R | Revolving or option (open-end account) | M | Mortgage |
| I | Instalment (fixed number of payments) | | |

Manner of payment (North American Standard account ratings):

- 0 -** Too new to rate; approved but not used.
- 1 -** Pays (or paid) within 30 days of payment due date or not over one payment past due.
- 2 -** Pays (or paid) in more than 30 days from payment due date, but not more than 60 days, or not more than two payments past due.
- 3 -** Pays (or paid) in more than 60 days from payment due date, but not more than 90 days, or not more than three payments past due.
- 4 -** Pays (or paid) in more than 90 days from payment due date, but not more than 120 days, or not more than four payments past due.
- 5 -** Account is at least 120 days overdue but is not yet rated "9."
- 7 -** Making regular payments under a consolidation order or similar arrangement.
- 9 -** Bad debt; placed for collection; skip.

⁴ Equifax Canada

Figure 54⁵ – Equifax Glossary**Glossary**

Key words are specific abbreviations in various sections of the credit file. Please use this list to interpret the abbreviations when you see them.

* Indicates an update from a trade source.		EF	Subject's former employment	NV	Not Verified
A	Spousal account	EMP	Date employed	O	Own or open account
ACC	Account number	ES	Employment - subject	OPD	Orderly payment of debt
AGE	Age of subject	E2	Subject's second former employment	P	Separated
AKA	Also known as	FA	Former address	PD	Date paid
ASSET	Assets (Amount)	F2	Second former address	PDCL	Paid collection
B	Both	FAD	File activity date	P/D	Past due amount
BAL	Balance	FB	Foreign bureau	PR/BK	Proposal under bankruptcy
BDS	Birth date - subject	FN	File number or former name (depends on line)	PR/OI	Public records or other information
BNRPT	Bankruptcy	FORCL	Foreclosure	R	Revolving account
BRN	Creditor's name and/or address	FS	Date file was established	RPTD	Date reported
BUS	Business	GARN	Garnishment	RT	Current rating
BUS/ID CODE	Business industry code	H/C	High Credit	S	Single
CA	Current address	I	Instalment (account/individual)	SAVAC	Savings account
CASE NO	Case number	ID	Identification information	SECLN	Secured loan
CDC	Consumer debt counselling	IND	Individual	SINCE	Date file was established
CF	Co-subject's former employment	INQS	Inquiries	SPECL	Special notice item
CHKAC	Chequing account	IN VOL	Involuntary	SSC	Social insurance/spouse
CRCLD	Court consolidation	INVER	Indirectly verified	SSS	Social insurance/subject
CRT	Update by in-house operator	J	Joint	STJD	Satisfied judgment
D	Divorced	JDGT	Judgment	STS	System-to-system customer
DAPA	Debtor assistance	LEFT	Date left employment	TRMS	Terms
EF	Defendant	LIAB	Liabilities (amount)	U	Unknown
DEPS	Dependants	LWR	Lawyer	UN	Unique file number
DIS	Dispute following resolution	M	Married	UPCL	Unpaid collection
DLA	Date of last activity	MAR	Marital status	VER	Date verified

⁵ Equifax Canada

DN	Death notice	MATURE	Date of maturity	VLDEP	Voluntary deposit
DVFD	Divorce filed	MR	Months reviewed	VOL	Voluntary
DVFL	Divorce final	N/RES	Non-responsibility notice	W	Widow, widower
EC	Spouse's current employment	NSF	Non-sufficient funds	XX	Automatic combine
				&	End of report

SUMMARY LINE: Recap of trade lines oldest opening date of trade to newest reporting date of trade; **PR/OI** number of public record / other information items; **FB** number of foreign bureau postings or inquiries; **TOTAL** number of trade items; **HC** High Credit range; number of ratings.

Interpreting a Credit Report

Figure 55 is the information that was used to obtain the credit bureau (referred to in the mortgage industry as “pulling the credit bureau”). This information is typically entered into the mortgage origination software and through the use of that software, the credit bureau is obtained. In this case the file that is being accessed is on Richard Denton.

Figure 55 – Equifax: Information Used to Obtain a Credit Report

[1] NM-DENTON, RICHARD
 CA-1231, 15TH AVE SW APT 408, CALGARY, AB, T3C0X6
 FA-2314, 11TH AV 1201, TORONTO, ON, M4W4C1.
 ID-BDS-04-13-SSS-424-694-038,SSC-222-222-333
 ES-SUPERVISOR,MCDUGALS HAULAGE

Figure 56 shows the contact information which may be provided to the applicant if there are any questions or concerns about the file. The applicant cannot be given a copy of this credit bureau because doing so contravenes the contract between the Brokerage and the credit bureau.

Figure 56 – Equifax: Contact Information

[2] Equifax and Affiliate Bureaus - Refer Consumer inquiries to 1-800-465-7166

Figure 57 illustrates the message that will be displayed if there is information contained in the inquiry that does not match the file. The SSS refers to the social insurance number of the subject, while the SSC refers to the social insurance number of the Co-applicant (if any)

Figure 57 – Equifax: Error Message

[3] CAUTION - WRONG SSS/SSC NUMBER

Figure 58 provides the file number and unique file number for Equifax’s internal use. This number can be referenced by the Mortgage Agent if he or she needs to discuss the file with Equifax.

Figure 58 – Equifax: File number

[4] FN 00-0008095-07-265 UN 2060576929 [5] 05/14/99

Figure 59 illustrates the message that is displayed if there is the potential for fraud. In this example Richard's address has been reported as being misused. The Mortgage Agent should verify that this is Richard's address by viewing Richard's driver's license and a recent bill that has been mailed to that address such as a Hydro bill.

Figure 59 – Equifax: Safescan Warning

[6] SAFESCAN WARNING:
INQUIRY ADDRESS REPORTED MISUSED
TOTAL VERIFICATION ADVISED

Figure 60 indicates the Beacon Score (Equifax's credit score) with a list of reasons for the score. This will be discussed in detail in the next section.

Figure 60 – Equifax: Beacon Score

[7] RISK SCORE : 549
ACCOUNT NOT PAID AS AGREED, PUBLIC RECORD, OR COLLECTION
AGENCY FILING.
LENGTH OF TIME (OR UNKNOWN TIME) SINCE ACCT NOT PD AS AGREED
OR NARR RPTD.
LENGTH OF TIME SINCE PUBLIC RECORD OR COLLECTION AGENCY FILING.
TOO FEW ACCOUNTS CURRENTLY PAID AS AGREED.

Identification Sections

Figure 61 is the Identification Section and illustrates the information that Equifax has on file for Richard. Section 9 indicates how long this file has been open on Richard. This is of particular importance for this example, as it will be seen in his Trade Information section that his oldest credit was obtained in 1996. Since a file is only created when an individual obtains credit or is applying for credit, the twenty-one years between Richard applying for and obtaining credit is curious. The most common reason for a lapse in credit of this nature is that information that was once on Richard's file has been removed. This can occur after a bankruptcy has been discharged for six years, which is the reason for the lack of credit between 1975 and 1996 on Richard's report.

Section 10 indicates the date that this file was accessed, while sections 11, 12 and 13 provide Richard's current and former addresses. Section 14 indicates that Richard has an alias or Also Known As (AKA), which may have been caused by faulty inputting by a credit bureau member when he or she inputted Richard's information in an application, or by Richard providing false information to a credit grantor.

Section 15 indicates Richard's date of birth and his social insurance number.

Figure 61 – Equifax: Identification Section

[8] *DENTON, RICHARD,C, SHIRLEY [9] SINCE 04/23/75 [10] FAD 05/11/99
 [11] 2314,11TH AV 1201, TORONTO,ON M4W3C1,STS RPTD 05/99
 [12] 111,WILLOW ST.,TORONTO,ON M4G1T6,CRT RPTD 09/97
 [13] 933,WESTMARR RD,REGINA,SK S4P9E1
 [14] AKA-DENTON,C,RICHARD
 [15] BDS-04/13/1933,SSS-424-694-038

Inquiry Sections

Figure 62 is an alert that appears if there have been three or more inquiries within the last ninety days. In this case there have been three inquiries, resulting in the alert.

Figure 62 – Equifax: Inquiry Alert

[16] *INQS-SUBJECT SHOWS 3 INQUIRIES SINCE 03/99

Figure 63 displays the date of inquiries over the past thirty-six months as well as the credit bureau member's name and contact information. This is helpful for a Lender who wishes to contact a previous inquirer to determine if credit was advanced or declined.

Figure 63 – Equifax: Inquiries

[17]	05/11/99	CIBC (416) 111-1111
	04/16/99	GLASSMAN MANAGEMENT (604) 222-2222
	04/10/99	BANK OF NOVA SCOTIA (514) 333-3333
	11/22/98	TEACHER SAVINGS CREDIT UNION (604) 444-4444
	10/12/98	SEARS (416) 555-5555

Figure 64 displays the number of inquiries since the file has been opened. In Richard's example, there have been forty-eight inquiries since the file's inception in 1975.

Figure 64 – Equifax: Total Inquiries Since File Opened

[18] # INQS – 48

Figure 65 displays Richard's current employer in section 19, and his former employers in section 20 and 21. Section 22 displays Richard's spouse's or co-applicant's current employer.

Figure 65 – Equifax: Employment Section

19] ES - SUPERVISOR,MCDOUGALS HAULAGE,TORONTO,ON,EMP 01/97,VER 01/98,\$2500

- [20] EF - DRIVER,PRIORITY TRUCKING,REGINA,SK,EMP 12/79,VR 12/90,,LEFT 01/96
- [21] E2 - SUPERVISOR, MIDTOWN CATERING
- [22] EC - TEACHER,OSCVI HIGH SCHOOL,REGINA,SK,EMP 07/94,VER 10/98

Success Tip – Question Discrepancies

Ensure that you match the information that your client has provided on his or her application with the information contained in the credit report. If there are discrepancies you must ask your client to clarify them and update the application, if necessary, or update Equifax.

Credit Summary Section

Figure 66 displays a summary of Richard’s current credit. 01/96 indicates the oldest opening trade line, or the oldest opening date of credit that appears in the following section. 04/99 indicates the latest reporting date of credit, while 4-PR/OI indicates that Richard has 4 Public Records (PR) or Other Information (OI) on his file. FB represents Foreign Bureau and the following No indicates that there is no foreign credit bureau for Richard. If there was, this would read Yes.

Total-3 indicates that there are a total of 3 trade lines (or items of credit) on the file, and they have balances between three thousand and five thousand dollars (HC\$3K-5K). 1-ONE, 1-THREE,1-OTHER indicates the ratings that Richard’s trade lines have.

Figure 66 – Equifax: Credit Summary

[23] SUMMARY 01/96 - 04/99, 4-PR/OI, FB-NO, TOTAL-3, HCS\$3K-5K, 1-ONE,1-THREE,1- OTHER

Figure 67 lists the Public Records or Other Information on Richard’s file. In this example Richard was bankrupt in March, 1995 and was discharged in December, 1995. Since there were nine months between Richard’s filing for bankruptcy and his being discharged it is safe to assume that this was Richard’s first bankruptcy. An individual’s first bankruptcy is typically discharged after nine months; while a second bankruptcy is discharged after twelve months and a third bankruptcy can take two or more years before a discharge is approved.

Figure 67 – Equifax: Public Records

[24] *PUBLIC RECORDS OR OTHER INFORMATION
03/95 BKRPT 472VF22, 456789 ABC ASSOCIATES, LIAB\$55000, ASSET\$1500,
SUBJECT, IND, DISCHARGED 12/95

Figure 68 displays that there is an account in third party collections. This indicates that Richard owes an outstanding balance, in this case \$1.260, to a credit grantor.

Figure 68 – Equifax: Collections

[25] 09/98 UPCL EQUIFAX COLLECTIONS, \$1260, CG, BRN-ANY CO., DLA-12/97, BAL-\$1260

Success Tip - Collections

If you see a collection on your client's file, ensure that you ask him or her if it has been paid and, if so, if he or she has proof. If it has been paid, the credit bureau must be notified to have this section reflect that payment and a zero outstanding balance.

Figure 69 indicates that Richard has a secured loan with Trans Canada Credit (a previous finance company that is no longer active), when it was opened and when it was to mature. This is not derogatory credit.

Figure 69 – Equifax: Secured Loan

[26] 04/98 SECLN CENT REG TOR, FP CASE NO-TRANS CANADA CREDIT 9 ELLIS AV TOR 3600, MATURE 04/02

Figure 70 shows the reader that Richard has a judgment against him. This also requires that the Mortgage Agent ask the client for clarification.

Figure 70 – Equifax: Judgment

[27] 03/98 ST JD TOR SM CL CT.\$255,DEF-RICHARD DENTON, 1234/95, CITY OF TORONTO, SATISFIED 11/98

Success Tip - Notes

All explanations from the client regarding his or her credit must be written in the Notes section of the application before submission to a Lender. The Lender's underwriter *will* notice negative information on the credit bureau and *will* ask for an explanation. By providing it with the submission you will save time and confusion.

Figure 71 is a complete breakdown of the client's current credit into trade lines. As was seen in the Summary section, Richard has 3 trade lines. Richard has a Canadian Tire card that was reported lost or stolen and two active credit cards: a Sears card and a Royal Bank Visa card. For each trade line it is indicated when the account was last reported by the credit grantor (RPTD), when it was originally opened or created (OPND), the highest credit that the individual has had on that trade line (H/C), the monthly payments or terms (TRMS), the current outstanding balance (BAL), any amounts past due (P/D), the current rating (RT), how many times, if any the account has been delinquent thirty, sixty and ninety days (30/60/90), the number of months that this account has been reported (MR) and finally the last date that there was any activity on this account (DLA).

Therefore, in looking at Richard's Royal Bank Visa card, it can be seen that it was originally opened on April 1996 or four months after Richard was discharged from his

bankruptcy. The last payment that Richard made on this account was in April of 1999 and he is currently behind two payments for a total of \$150 in arrears. It can also be seen that he has been late several times. In this particular case the H/C column refers to the credit card's limit and not its highest credit.

Figure 71 – Equifax: Trade Lines

```
[28]  TRADE INFORMATION SECTION
      BUS/ID CODE      RPTD  OPND  H/C  TRMS  BAL  P/D  RT  30/60/90  MR  DLA

      CANADIAN TIRE (905) 735-3131
      *650AT12          04/99  LOST OR STOLEN CARD

      SEARS
      *J 650DC16        04/99  01/96  3106      0          R1  00 00 00  03/99

      ROYAL BANK VISA
      * 6500N28         04/99  04/96  5000  75  2450  150  R3  06 03 02  36 03/99
      PREV HI RATES: R2 03/99, R3 10/98, R3 09/98.
      AMOUNT IN H/C COLUMN IS CREDIT LIMIT
```

Success Tip – Questioning Credit Issues

What questions should you ask Richard about his credit problems? Was there a death in the family? Did he lose his job? The question that should be asked is, “What caused you to miss your payments on your Royal Bank Visa?.” The answer must be included in the Notes section of the application.

Figure 72 illustrates what the banking section appears like. This is not normally found on most credit reports.

Figure 72 – Equifax: Banking Information

```
[29]  BANKING INFORMATION SECTION
      ROYAL BANK (604) 943-1171
      09/98  CHKAC 601BB4559  09/96  L4F
      4 NSF 1997
```

Figure 73 will indicate that there is a statement that the consumer has added to his or her file and will provide that statement. This is not normally seen on most credit reports.

Figure 73 – Equifax: Narrative

```
[30]  NARRATIVE RPTD 09/98  PURGE 03/04
      ** CONSUMER STATES SLOW PAYMENTS ON ACCOUNTS WERE DUE TO
      BEING UNEMPLOYED**
```

Figure 74 indicates that this file has been Safescanned. This is a subscription-based service that will run the file through Equifax's fraud database.

Figure 74 – Equifax: Safescan Verification

- [31] **SAFESCANNED:** Indicates inquiry was run through our fraud database. Available to subscribers only.

Figure 75 indicates that the report is complete and that there was no more information available on this consumer.

Figure 75 – Equifax: End of Report

- [32] **&:** Indicates end of report.

14.3 Credit Scores and Analysis

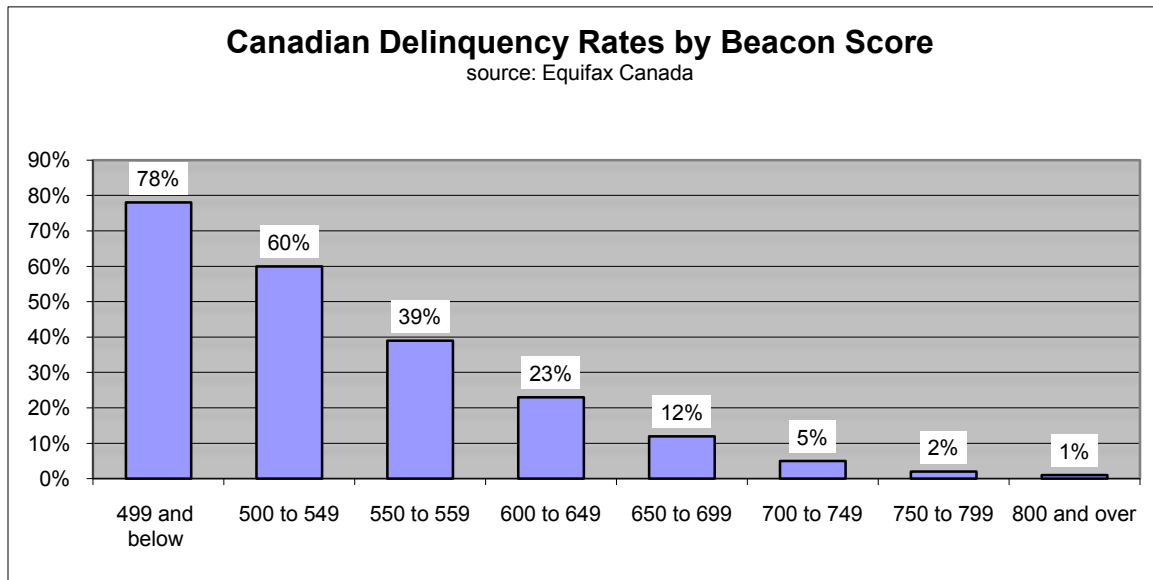
A credit report contains information that is kept on an individual's file for a certain period of time. This can differ from province to province, but in Ontario the following chart illustrates how long both Equifax and Transunion keep specific information.

Item	Years kept on file	
	Equifax	Transunion
Credit transactions, from the date of last activity	6	6
Judgments, from the reporting date	6	7
Collections, from the first date of delinquency	6	6
Secured Loans, from the date opened	6	5
Bankruptcy, from the date of discharge	6	7
Consumer Proposal, from the date satisfied	3	3
Credit Counselling, from the date paid	3	2

Understanding a Credit Score

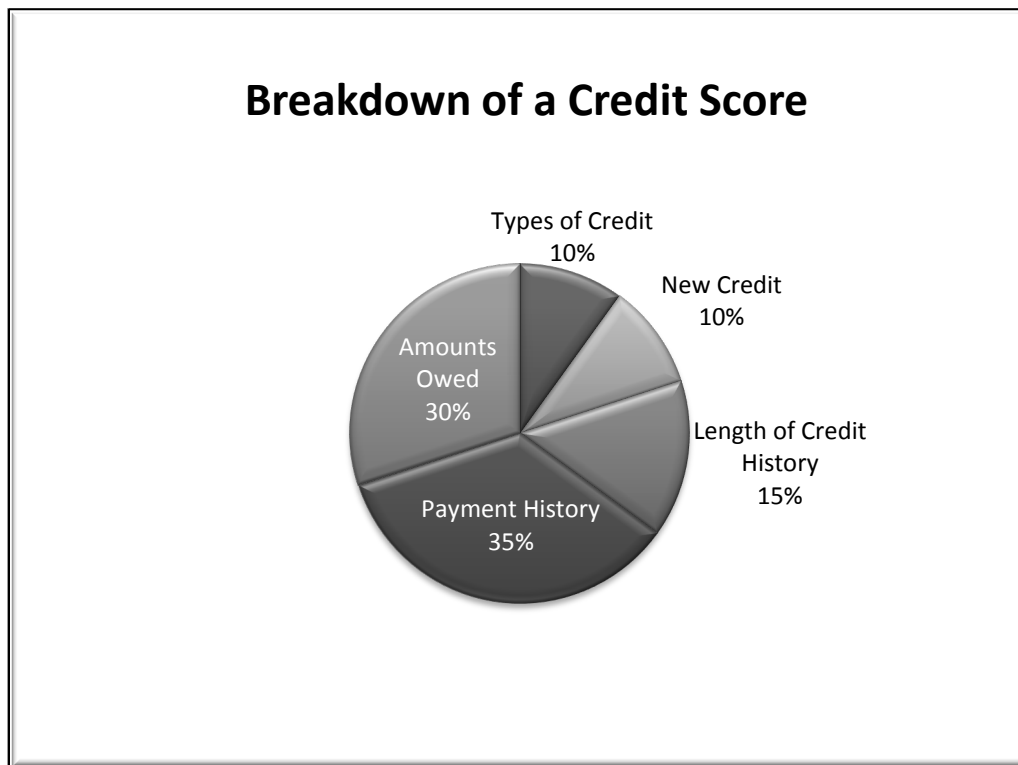
The Credit Score is a numerical representation of the subject's current and past credit and can range between 300 (the lowest score representing the worst credit) and 900 (the highest score representing the best credit). The credit-scoring model used by Equifax and Transunion is based on the FICO (Fair Isaac Company) model in the United States. Equifax's credit score is called the Beacon Score while TransUnion's is called Empirica Score. For the Lender, the credit score plays a significant factor in the decision to lend, and in determining the terms and conditions of that loan. Figure 76 illustrates why this is the case, providing a tabulation of the rates of delinquencies based on an individual's credit score.

Figure 76 – Canadian Delinquency Rates by Beacon Score



There are several major items that affect an individual's credit score, as is illustrated by Figure 77.

Figure 77 – Breakdown of a Credit Score



Items that affect a Credit Score

Payment History

Missing or late payments will have a negative effect on a credit score. It is important to ensure that all payments are made on or before their due dates, and in the correct amount. Any judgments, bankruptcies, collections and other public records are considered quite serious and have a significant detrimental impact on a credit score.

Amounts Owed

A good rule of thumb is to keep balances below thirty-percent of the available credit limit. Balances over this amount may lower a credit score. Having several accounts with high balances in relation to the available credit may indicate that the individual is relying heavily on credit to meet his or her daily living needs.

Length of Credit History

The longer a trade line has been established, the higher the credit score. Therefore if an individual is considering closing an account he or she should consider closing the most recently opened account.

New Credit and Inquiries

Multiple inquiries can lower a credit score. The program can determine that an individual is a credit seeker. However, if an individual is seeking mortgage or auto financing, the program allows for a thirty-day buffer. For example, if an individual applies for a mortgage on November 30th, and the credit report shows three previous inquiries in November, the program will ignore those three inquiries since they took place within the thirty-day buffer zone.

In addition, if the individual has mortgage or auto inquiries on his or her credit report outside of that thirty-day period, the program will only count them as one inquiry provided that they were made within a fourteen-day period.

However, multiple applications for other types of credit such as personal loans and credit cards will lower an individual's credit score. The program also takes into account the length of time since the last new account was opened.

Types of Credit

The best mix of credit is a combination of a store credit card and a major credit card such as a Visa or MasterCard. It is important not to have too many, however, as the number of trades on a file can negatively impact a credit score.

Number of Trades on File

Too many credit cards and loans may also lower an individual's credit score. By having only a few trade lines, an individual's credit score may be improved.

Credit Inactivity

Using credit responsibly is one of the fastest ways to increase a credit score. Unfortunately those who only use cash to make purchases can have a lower credit score than those who regularly use credit.

Figure 78 provides an example as to how a credit-score might be calculated. Although this is only part of the model that Fair Isaac uses, it was accurate as of 1999 when Fair Isaac presented to the Federal Trade Commission in Washington, D.C. on July 22. Since the credit-scoring models used by the credit bureaus are proprietary, and although the following chart may be modeled on them, this is only for illustration purposes and does not insinuate nor purport to be how Equifax, Transunion, or any other credit bureau determines a credit score.

Figure 78 – Calculating a Credit Score

Own/Rent	Own	Rent	Other	No Info				
	25	15	10	17				
Years at Address	<.5	.5-2.49	2.5-6.49	6.5-10.49	>10.49	No Info		
	12	10	15	19	23	13		
Occupation	Professional	Semi-Prof	Manager	Office	Blue Collar	Retired	Other	No Info
	50	44	31	28	25	31	22	27
Years on job	<.5	.5-1.49	1.5-2.49	2.5-5.49	5.5-12.49	12.5	Retired	No Info
	2	8	19	25	30	39	43	20
Department Store (DS)/ Major Credit Cards (MCC)	None	Dept St	Maj CC	Both	No answer	No Info		
	0	11	16	27	10	12		
Bank Reference	Checking	Savings	Check & Sav	Other	No Info			
	5	10	20	11	9			
Debt Ratios	<15	15-25	26-35	36-49	50+	No Info		
	22	15	12	5	0	13		
Number of Inquiries	0	1	2	3	4	5-9	No Record	
	3	11	3	-7	-7	-20	0	
Years in File	<.5	1-2	3-4	5-7	8+			
	0	5	15	30	40			
Number of Revolving Trades	0	1-2	3-5	6+				
	5	12	8	-4				
% of Limit Used	0-15%	16-30%	31-40%	41-50%	>50%			
	15	5	-3	-10	-18			
Worst Credit	No Record	Any Derog	Any Slow	1 Satisf Lines	2 Satisf Lines	3 Satisf Lines		
	0	-29	-14	17	24	29		

14.4 Key Terms and Definitions

Bankruptcy

A legally declared inability of an individual or organization to pay their creditors

Beacon Score

A numerical representation of an individual's credit provided by Equifax

Collections

A debt that has been placed with a collection agency which is a company assigned to collect a debt on behalf of a third party

Consumer Proposal

A proposal made by a consumer debtor to his or her creditors under Division II of Part III of the *Bankruptcy and Insolvency Act (BIA)*, with the intention being to restructure the debt. A typical proposal will result in the debtor repaying less than the full debt but more than might occur in a bankruptcy.

Credit

The granting of a money by one party to another with an arrangement to make periodic payments to the credit grantor to retire the debt

Credit Bureau

An agency that collects information on individuals and provides that information to its members

Credit Counselling

Credit counselling involves negotiating with creditors to establish a repayment plan that will repay the borrower's debt with more favourable terms for the borrower than are currently in place.

Credit Report

A report on an individual's credit. Two types exist: one which is made available to the consumer and one which is provided to a member of a credit bureau.

Credit Score

A numerical representation of an individual's credit

Empirica Score

A numerical representation of an individual's credit provided by Transunion

Equifax

A Canadian credit bureau

Fair Isaac Company (FICO)

Fair Isaac, founded in 1956, is a company that provides software and consulting services. Its software is used by credit bureaus to calculate credit scores.

Judgment

A final court ruling resolving the key questions in a lawsuit and determining the rights and obligations of the opposing parties, such as the awarding of monies to an injured party

Northern Credit Bureau

A Canadian credit bureau

Public Records

Information that is available to the Canadian public. Credit bureaus include publicly available information such as bankruptcies, judgments, etc. in their credit reports.

Secured Loan

A loan in which a borrower pledges an asset such as a car that may be sold if the borrower is unable to repay the loan. This is typically registered under the *Personal Property Security Act* (PPSA)

Trade Line

Information on a debt, found in a credit report, that contains the date that the credit was granted, the balance, terms and repayment history

Transunion

A Canadian credit bureau

14.5 Review Questions

Answers to the Review Questions are found at www.REMIC.ca

Short Answer Questions

1. Define the term trade line.
2. Discuss the items that are involved in calculating a credit score.
3. What can an individual do to increase his or her credit score?
4. If an individual has a judgment filed against him or her, in what section of a credit bureau would this information be found?
5. If an individual has an account rated as an R3 on his or her credit bureau, what type of credit is this rating referring to and how many months in arrears is this account?
6. What is the relationship between a credit score and the delinquency rates of Canadians?
7. How long does a bankruptcy remain on an individual's credit report provided by:
 - a. Equifax?
 - b. Transunion?
8. How long does credit counselling remain on an individual's credit report provided by:
 - a. Equifax?
 - b. Transunion?
9. If an individual disputes an item in his or her credit report, what can he or she do?
10. Can a Mortgage Agent provide a copy of a client's credit report to the client?