



Do You Know Your FICO Score?

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ABOUT THE AUTHOR

Dr. Hancock has written a regular weekly column entitled “All Psyched Up” for newspapers in two Canadian provinces for more than a dozen years. Over the years, her readers and clients have said that they have benefited from her common-sense solutions, wisdom, and sense of humour. Dr. Linda Hancock, the author of “Life is An Adventure...every step of the way” and “Open for Business Success” is a Registered Psychologist who has a private practice in Medicine Hat. She can be reached at 403-529-6877 or through email office@drlindahancock.com

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In 1956 an engineer named Bill Fair and a mathematician named Earl Isaac founded *Fair, Isaac and Company* (FICO), a credit score company, in San Rafael, California. Over the years, their formula for determining risk with consumers has evolved and now is recognized as one of the most used products throughout the world particularly in the banking industry.

Data about you and your financial patterns in five specific categories is gathered from banking, mortgage, credit card, retail and auto industries and then recorded in a file with your name. In Canada there are two companies who have your file - *Equifax* and *Transunion*. Approximately 35% of the information held has to do with your credit history; 30% refers to amounts that you owe; 15% comes from the length of your credit history; 10% from types of credit you have used and 10% from new credit you have obtained.

The information is then provided to you, the consumer, and to credit agencies in two formats each of which changes on a daily basis. A Credit Report lists all the activity you have had in those five categories - both positive and negative. The second report is a number between zero and 900 (your FICO score) which is used by creditors to determine your creditworthiness or risk. The score goes up and down on a daily basis because of the activities that are reported and added to your file. A late payment, significant use of credit available to you and inquiries made by credit lenders ("hard hits") can lower your score. An inquiry by the consumer ("soft hit"), payments made do dates and reduction of debt, on the other hand, raises your score.

Your Credit Report and FICO Score are used by creditors to determine whether they will lend you money, the amount that they will lend you and the interest rates that you will be charged.

Unfortunately, file errors can be made, and these will affect your ability to borrow money as well as your reputation with financial institutions. Because of this, it is very important that you check your Credit Report and FICO score to ensure that they are accurate on a fairly regular basis. (I check mine at the end of June and the end of December every year). If you find errors, you can notify *Equifax* and *Transunion* who will then make corrections to your file.

When I received my *Transunion* report for the first time, I was shocked to see that there were twenty-one transactions that were not accurate. Some of them were with companies that I didn't even recognize. Many were from several decades ago. Fortunately, I was able to have these removed by making *Transunion* aware of the errors and they subsequently removed them from my file.

If you find out that the information held is correct but your FICO score is low, the good news is that you can improve that score for the future by paying your bills on time, using your credit cards responsibly and not taking on new credit.

In Canada, you can request a free printed copy of your Credit Report and it will be mailed to you as many times a year as you wish as long as you make your request in writing. You will not, however, receive your FICO score unless you pay for it through the website of one of the two report agencies.

You can also request a free publication by the Government of Canada entitled "Understanding Your Credit Report and Credit Score" from the *Financial Consumer Agency of Canada*.

If you are having money or credit problems, the first thing that you need to do is become aware of the information that is on your *Equifax* and *Transunion* files. Each of these companies may have different information about you so checking with both companies is important.

Hiding your head in the sand is not going to help you. Become aware is, however, and since reading this article, you will never again be able to say, "I didn't know".

Ordering your Credit Report today is a good first step to ensuring that information about you and your financial situation is accurate.