



FREQUENTLY ASKED QUESTIONS ABOUT FICO® SCORES FOR CANADA



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Introduction to Credit Scoring

When you apply for credit—such as a credit card, auto loan or mortgage—the company from which you are seeking credit checks your [credit report](#) from one or both major Canadian CRAs. In addition to your credit report, they will most likely use a [credit score](#), such as a [FICO® Score](#), in their evaluation of [credit risk](#) before lending their money to you.

Each lender has its own process and policies for making decisions when reviewing a credit application. Most lenders consider a FICO® Score along with additional information, either from one or both credit reports or from supplemental information you provide with your application, such as your income.

What is in a credit report?

Although each CRA formats and reports this information differently, all [credit reports](#) contain basically the same categories of information.

- **Identifying Information** - Your name, address, Social Insurance Number, date of birth and employment information. This information is not used in calculating [FICO® Scores](#); it is only used to identify you. Updates to this information come from information you supply to your lenders.
- **Credit Accounts** - Most lenders report information about each account you have established with them. They report the type of [credit accounts](#), the date you opened the account, your [credit limit](#) or loan amount, the account balance, and your payment history.
- **Credit Inquiries** - Your credit reports list the inquiries that lenders have made for your credit reports. When you apply for a loan, you authorize your lender to ask for a copy of your credit reports.
- **Public Records and Collections** - CRAs also collect public record information from courts, and [delinquencies](#) reported by collection agencies.

How do I check my credit report for free?

You may get a free copy of your [credit report](#) from each major [CRA](#); visit their websites for more information. Please note your free credit report will not include your [FICO® Score](#). Because your FICO® Score is based on the information in your credit report, it is important to make sure that the credit report information is accurate.

What if there is an error on my credit report?

If you find an error on one or both [credit reports](#), contact the [CRA](#) or the organization that provided the information to the agency. Both parties are responsible for correcting inaccurate or incomplete information in your report as required by the [Personal Information Protection and Electronic Documents Act \(PIPEDA\)](#).

What is a credit score?

A credit score is a number summarizing your [credit risk](#), based on your credit data. A credit score helps lenders evaluate your credit profile and influences the credit that's available to you, including loan and credit card approvals, interest rates, [credit limits](#) and more.

About FICO® Scores

What is FICO?

[FICO](#), formerly known as Fair Isaac Corporation, is the company that invented [FICO® Scores](#). Starting in the 1950s, FICO sparked a revolution in [credit risk](#) assessment by pioneering credit risk scoring for credit grantors. This new approach to measuring risk enabled banks, retailers and other businesses to improve their performance and to expand consumers' access to credit. Today, FICO® Scores are widely recognized as the industry standard for measuring credit risk.

It is important to note that while FICO works with the [CRAs](#) to provide your FICO® Scores, it does not have access to or store any of your personal data or determine the accuracy of the information in your [credit file](#).

What are FICO® Scores?

[FICO® Scores](#) are widely used [credit scores](#). Each FICO® Score is a three-digit number calculated from the data on your [credit reports](#) at the two major [CRAs](#)—TransUnion and Equifax. Your FICO® Scores predict how likely you are to pay back a [credit obligation](#) as agreed. Lenders use FICO® Scores to help them quickly, consistently and objectively evaluate potential borrowers' [credit risk](#). FICO® Scores were previously known as BEACON® Scores at Equifax.

How are FICO® Scores different?

Not all [credit scores](#) are [FICO® Scores](#). Because FICO® Scores are the credit scores widely used by lenders, knowing your FICO® Scores is the best way to understand how potential lenders could evaluate your [credit risk](#) when you apply for a loan or credit. Other credit scores, which use scoring formulas different from FICO's, may not give you an accurate representation of the scores your lender uses when assessing your credit profile.

What goes into FICO® Scores?

[FICO® Scores](#) are calculated from the credit data in your [credit report](#). This data is grouped into five categories; below is a detailed breakdown of the relative importance of each category. As you review this information, keep in mind that:

- FICO® Scores take into consideration all of these categories, not just one or two.
- The importance of any factor (piece of information) depends on the information in your entire credit report.
- FICO® Scores look only at the credit-related information on a credit report.
- FICO® Scores consider both positive and negative information on a credit report.



1. Payment History - Approximately 35% of a FICO® Score is based on this information:

- Payment information on many types of accounts:
 - Credit cards
 - Retail accounts
 - [Installment loans](#)
 - Finance company accounts
- Public record and [collection](#) items
- Details on late or missed payments ("[delinquencies](#)"), public records, and collection items
- Number of accounts that show no late payments, or are currently paid as agreed

2. The Amounts You Owe - Approximately 30% of a FICO® Score is based on this information:

- Amount owed on all accounts
- Amount owed on different types of accounts
- Number of accounts which carry a balance
- How much of the total credit line is being used on [revolving credit accounts](#)
- How much is still owed on installment loans, compared with the original loan amounts

Credit [utilization](#) is one of the most important factors evaluated in this category, and considers the amount you owe compared to how much credit you have available. While lenders determine how much credit they are willing to provide, you control how much you use. [FICO's](#) research shows that people using a high percentage of their available [credit limits](#) are more likely to have trouble making some payments now or in the near future, compared to people using a lower level of available credit.

Having [credit accounts](#) with an outstanding balance does not necessarily mean you are a high-risk borrower with a low FICO® Score. A long history of demonstrating consistent payments on [credit accounts](#) is a good way to show lenders you can responsibly manage additional credit.

3. Length of Credit History - Approximately 15% of a FICO® Score is based on this information:

In general, a longer [credit history](#) will increase a FICO® Score, all else being equal. However, even people who have not been using credit long can get a good FICO® Score, depending on what their credit report says about their payment history and amounts owed. Regarding length of history, a FICO® Score takes into account:

- How long credit accounts have been established. A FICO® Score can consider the age of the oldest account and the average age of all accounts.
- How long specific credit accounts have been established.
- How long it has been since you used certain accounts.

4. New Credit - Approximately 10% of a FICO® Score is based on this information:

FICO's research shows that opening several credit accounts in a short period of time represents greater risk—especially for people who do not have a long credit history. In this category, a FICO® Score takes into account:

- How many new accounts have been opened;
- How long it has been since a new account was opened;
- How many recent requests for credit have been made, as indicated by [inquiries](#) to the [CRAs](#); and
- Length of time since inquiries from credit applications were made by lenders.

Looking for an auto or mortgage loan may cause multiple lenders to request your credit report, even though you are only looking for one loan. In general, FICO® Scores compensate for this shopping behavior in the following ways:

- FICO® Scores ignore auto and mortgage loan inquiries made in the 30 days prior to scoring, so the inquiries won't affect the scores of consumers who apply for a loan within 30 days.
- After 30 days, FICO® Scores typically count inquiries of the same type (i.e., auto or mortgage loan) that fall within a typical shopping period as just one inquiry when determining your score.

5. Types of Credit in Use - Approximately 10% of a FICO® Score is based on this information:

FICO® Scores consider the mix of credit cards, retail accounts, installment loans, finance company accounts and mortgage loans. It is not necessary to have one of each, and it is not a good idea to open a credit account you don't intend to use. In this category, a FICO® Score takes into account:

- What kinds of credit accounts are on the credit report? Is there experience with both [revolving](#) and installment accounts, or has the credit experience been limited to only one type?
- How many accounts of each type exist? A FICO® Score also looks at the total number of accounts established.

What is left out of FICO® Scores?

FICO® Scores consider a wide range of information on a [credit report](#). However, they do NOT consider:

- Race, color, religion, national origin, age, sex and marital status
- Salary, or other employment information (however, lenders may consider this information separately)
- Where the consumer lives
- Any interest rate being charged on a credit card or other account
- Any items reported as child/family support obligations
- Certain types of [inquiries](#)
- Any information not found in the credit report

What is a good FICO® Score?

In Canada, FICO® Scores range from 300 to 900, where higher scores demonstrate lower [credit risk](#) and lower scores demonstrate higher credit risk. What's considered a "good" FICO® Score varies, since each lender has its own standards for approving credit applications, based on the level of risk it finds acceptable. So one lender may offer its lowest interest rates to people with FICO® Scores above 710, while another may only offer it to people with FICO® Scores above 760.

The chart below provides a breakdown of ranges for FICO® Scores found across the Canadian consumer population. Again, each lender has its own credit risk standards, but this chart can serve as a general guide of what a FICO® Score represents.

Score range	Rating	What FICO® Scores in this range mean
800 or Higher	Exceptional	Demonstrates to lenders that the consumer is an exceptional borrower
720 to 799	Very Good	Demonstrates to lenders that the consumer is a very dependable borrower
640 to 719	Good	Most lenders consider this a good score
580 to 639	Fair	Some lenders will approve loans with this score
Lower than 579	Poor	Demonstrates to lenders that the consumer is a risky borrower

FICO's research shows that people with a high FICO® Score tend to make their payments on time each month.

What are score factors?

Score factors are delivered with a consumer's [FICO® Score](#); these are the top areas that affected that consumer's FICO® Scores. The order in which the score factors are listed is important. The first factor indicates the area that most affected the score and the second factor is the next most significant influence. Addressing these factors can benefit the score.

What are the minimum requirements to calculate a FICO® Score?

A [credit file](#) must contain these minimum requirements:

- At least one account that has been open for three months or more*
- At least one undisputed account that has been reported to the [CRA](#) within the past six months*
- No indication of deceased on the credit file

**Deferred student loans are not eligible to satisfy this criterion*

How can FICO® Scores help me?

A [FICO® Score](#) gives lenders a fast, objective and consistent estimate of your [credit risk](#). Before the use of [credit scoring](#), the credit granting process could be slow, inconsistent and unfairly biased. Keep in mind that

FICO® Scores are only one of many factors lenders consider when making a credit decision. Here's how FICO® Scores may benefit you.

Get credit faster - FICO® Scores can be delivered almost instantaneously, helping lenders speed up credit card and loan approvals.

Unbiased credit decisions - Factors such as your gender, race, religion, nationality and marital status are not considered by FICO® Scores. When a lender uses your FICO® Score, they're getting an evaluation of your [credit history](#) that is fair and objective.

May save you money - A higher FICO® Score can help you qualify for better rates from lenders—generally, the higher your score, the lower your interest rate and payments.

More credit available - Because FICO® Scores allow lenders to more accurately associate risk levels with individual borrowers, they allow lenders to offer different prices to different borrowers. Rather than making strictly “yes-no” credit decisions and offering “one-size-fits-all” credit products, lenders use FICO® Scores to approve consumers who might have been declined credit in the past. Lenders are even able to provide higher-risk borrowers with credit that they are more likely to be able to manage.

Do I have more than one FICO® Score?

To keep up with consumer trends and the evolving needs of lenders, [FICO](#) periodically updates its [scoring model](#), resulting in new [FICO® Score](#) versions being released to market every few years.

Why is my FICO® Score different than other scores I have seen?

There are many different [credit scores](#) available to consumers and lenders. [FICO® Scores](#) are the credit scores used by lenders, and different lenders may use different versions of FICO® Scores. In addition, FICO® Scores are based on [credit file](#) data from a [CRA](#), so differences in your credit files may create differences in your FICO® Scores.

Why do FICO® Scores fluctuate/change?

There are many reasons why a score may change. [FICO® Scores](#) are calculated each time they are requested, taking into consideration the information that is in your [credit file](#) from a [CRA](#) at that time. So, as the information in your credit file at that CRA changes, FICO® Scores can also change. Review your key [score factors](#), which explain what factors from your [credit report](#) most affected a score. Comparing key score factors from the two different time periods can help identify causes for a change in a FICO® Score. Keep in mind that certain events such as [delinquent](#) payments or public records can lower FICO® Scores quickly.

New Credit

Does a FICO® Score alone determine whether I get credit?

No. Most lenders use several factors to make credit decisions, including a [FICO® Score](#). Lenders may look at information such as the amount of debt you can reasonably handle given your income, your employment history, and your [credit history](#). Based on their review of this information, as well as their specific underwriting policies, lenders may extend credit to you even with a low FICO® Score, or decline your request for credit even with a high FICO® Score.

What is a typical FICO® Score for someone new to credit?

[FICO® Scores](#) are generated by complex mathematical algorithms based on unique [credit report](#) data, so there is no “typical” or “entry-level” score. While someone new to credit may have difficulty scoring in the highest score ranges due to a limited number of active accounts and length of history, it is possible to have a FICO® Score that meets lenders’ criteria for granting credit. FICO® Scores consider the extent to which

people can demonstrate a good track record of making payments on time. In fact, payment history is more important for FICO® Scores (about 35%) than length of [credit history](#) (about 15%).

How is a credit history established?

There are a few ways to establish a [credit history](#), including the following.

- By applying for and opening a new credit card, a person with no or little credit history may not get very good terms on this credit card—such as a high annual percentage rate (APR). However, by charging small amounts and paying off the balance each month, you won't be paying interest each month so the high APR won't hurt your financial position.
- Those unable to get approved for a traditional credit card may be able to open a secured credit card to build credit history, provided the card issuer reports secured cards to the [CRA](#). This type of card requires a deposit of money with the credit card company. Charges can then be made on the secured card, typically up to the amount deposited.

With both traditional and secured credit cards, keeping balances low, paying off balances each month, and not missing payments are important for responsible financial health management.

What is a credit "inquiry"?

When you apply for credit, you authorize those lenders to ask or "inquire" for a copy of your [credit report](#) from a [CRA](#). When you later check your credit report, you may notice that their credit inquiries are listed. You may also see inquiries by businesses that you don't know. But the only inquiries that count toward your [FICO® Scores](#) are the ones that result from your applications for new credit.

Soft inquiry - Soft inquiries are all credit inquiries where your credit is NOT being reviewed by a prospective lender. FICO® Scores do not consider involuntary (soft) inquiries made by businesses with which you did not apply for credit, inquiries from lenders for account review purposes for which you already have a [credit account](#), or your own requests to see your [credit file](#).

Hard inquiry - Hard inquiries include credit checks when you've applied for an auto loan, mortgage, credit card or other types of loans. Each of these types of credit checks count as a single inquiry. One exception occurs when you are "rate shopping". Your FICO® Scores consider all hard inquiries within a reasonable shopping period for an auto loan or mortgage as a single inquiry.

Will my FICO® Scores drop if I apply for new credit?

If so, they probably won't drop much. If you apply for a [credit account](#), a request for your [credit report](#) information (called a "hard [inquiry](#)") will appear on your report. Looking for new credit can indicate higher [risk](#) to a lender, but multiple inquiries from auto or mortgage loan lenders within a short period of time are treated as a single inquiry rather than multiple inquiries and tend to have little effect on your [FICO® Scores](#).

How can I minimize the effect to my FICO® Score when seeking new credit?

Applying for new credit only accounts for about 10% of a [FICO® Score](#), so the affect is relatively modest. Exactly how much applying for new credit affects your score depends on your overall credit profile and what else is already in your [credit reports](#). For example, applying for new credit can have a greater effect on your FICO® Scores if you only have a few accounts or a short [credit history](#).

That said, there are definitely a few things to be aware of depending on the type of credit you are applying for. When you apply for credit, a credit check or "[inquiry](#)" can be requested to check your credit standing. Let's look at the common inquiries you might find in your credit reports.

Credit Cards - If you only need a small amount, credit card companies will sometimes provide an increased [credit limit](#) (for accounts already opened). While a request for an increased limit may count as an inquiry just like opening a new card would, it won't reduce the average age of your [credit accounts](#), which is also important to your FICO® Scores.

If getting the limit raised on an existing card isn't an option, then applying for the fewest number of credit cards will have the least negative affect to your FICO® Scores. For example, if a person needed an extra \$5,000, getting one card with a \$5,000 limit has less effect on your score than getting two cards each with \$2,500 limits. That's because when applying for new credit cards, each application is counted separately as an individual inquiry in your [credit file](#), and the more inquiries you have, the more that could hurt your FICO® Scores. Having more inquiries makes you look [riskier](#) to potential lenders.

Home and Auto Loans - FICO® Scores do not penalize people for rate shopping for a home or car loan. During rate shopping, multiple lenders may request your credit reports to check your credit. But FICO® Scores de-duplicate these and consider inquiries within a reasonable shopping period for an auto loan or mortgage each as a single inquiry. Doing the entire rate shopping and getting the loan within 45 days will reduce the effect to your FICO® Score.

Credit Cards

Should I take advantage of promotional credit card offers?

Generally, opening new accounts can indicate increased [credit risk](#) and can hurt your [FICO® Scores](#). Please keep in mind that opening a new account, and to a lesser extent the resulting credit [inquiry](#), may demonstrate higher risk in the short term.

Will closing a credit card account affect a FICO® Score?

Yes, but not in the way you might expect. And, while closing an account may be a good strategy for responsible financial health management in some cases, it also may have a negative effect on your [FICO® Scores](#).

FICO® Scores take into consideration something called a "credit [utilization](#) ratio". This ratio looks at your total used credit in relation to your total available credit; the higher this ratio is, the more it can negatively affect your FICO® Scores. Closing an old or unused card essentially wipes away some of your available credit and thereby increases your credit utilization ratio.

Does growing credit card debt impact a FICO® Score?

Yes. Amounts owed on credit cards impact FICO® Scores, since the 'amounts owed' category makes up 30% of the FICO® Score calculation.

Student Loans

What is the effect of paying student loans while in college versus after graduation?

Once you start paying your student loan, it will be part of your credit information considered by [FICO® Scores](#). Deferred loans do not harm FICO® Scores. The existence of the loan is a factor used to demonstrate the length of [credit history](#) and mix of credit.

Keep in mind that missing or late payments have a negative impact on FICO® Scores.

How are FICO® Scores affected by the combination of interest and principal?

Most [installment loans](#) are a combination of interest and principal. The inputs into your [FICO® Scores](#) are based on data in your [credit report](#), which generally does not break out the interest and principal components, but instead reports the overall debt. Therefore the fact that loan payments are a combination of interest and principal does not have an impact on a score.

Does moving loans into forbearance affect FICO® Scores?

Forbearance is a period of time during repayment in which a borrower is permitted to temporarily postpone making regular monthly payments. The debt is not forgiven, but regular payments are suspended until a later time. As an example, forbearance may be granted if a borrower is experiencing temporary financial difficulty. The consumer may be making reduced payments, interest-only payments or no payments. [FICO® Scores](#) do not consider the fact that a loan is in forbearance. Therefore, the fact that a loan moved into forbearance would not impact the score. However, even when a loan is in forbearance, other information about the loan may still continue to impact the score.

Mortgages

Do mortgages affect a FICO® Score?

FICO® Scores are calculated from the information in consumer [credit files](#). Whether a mortgage affects the borrower's FICO® Scores depends on how mortgages are reported to the CRAs, as well as on the person's overall credit profile. If data in the credit profile indicates that the consumer has a mortgage, that debt and its payment history *could* be calculated into his or her FICO® Scores.

Public Records

How will public records affect my FICO® Scores?

Adverse public records, which include bankruptcies and judgments, are considered a very negative event by [FICO® Scores](#), and will affect your FICO® Scores for as long as it is listed on your [credit files](#). However, as the item ages, its effect on a FICO® Score gradually decreases.

Bankruptcy - if you file for bankruptcy, here are some things you should do to make sure your creditors are accurately reporting the bankruptcy filing:

- Check your credit files to ensure that accounts that were not part of the bankruptcy filing are not being reported with a bankruptcy status.
- Make sure your bankruptcy is removed as soon as it is eligible to be “purged” from your credit file.

Judgments - creditors, collections agencies, and legitimate credit counselors may be able to provide direction, to people when they are having trouble managing their financial health.

More about FICO® Scores & Financial Health

Are FICO® Scores unfair to minorities?

No. [FICO® Scores](#) do not consider your gender, race, nationality or marital status. Independent research has shown that FICO® Scores are not unfair to minorities or people with little [credit history](#). FICO® Scores have proven to be an accurate and consistent measure of repayment [risk](#).

How are FICO® Scores calculated for married couples?

Married couples don't have joint [FICO® Scores](#), they each have individual scores. The difference is that when you are single you usually only need to worry about your own credit habits and credit profile. However, if you and your spouse open a [credit account](#) under both your names, the spending and payment behavior on that account will impact both your FICO® Scores.

How can I manage my credit and FICO® Score responsibly?

Higher [FICO® Scores](#) are a result of healthy credit behaviors, and the best way to have higher FICO® Scores is to demonstrate healthy credit behaviors over time. Here are a few tips you can follow.

Pay your bills on time. [Delinquent](#) payments and [collections](#) can have a major negative impact on your FICO® Scores. If you're behind on payments, get current and stay current.

Avoid collections. Paying off a collection account will not remove it from your [credit report](#).

Keep balances low. It's okay to use your credit cards, just be careful about using a large percentage of your available credit – high [utilization](#) rates can have a major impact on your FICO® Scores.

Do your rate shopping within a short period of time. FICO® Scores distinguish between a search for a single loan and a search for a mortgage or auto loan, in part by the length of time over which [inquiries](#) occur.

Have credit and manage it responsibly. Ultimately, having a mixture of credit is a good thing – as long as you make your payments regularly and on time. Someone with no credit cards tends to be higher [risk](#) than someone who has managed credit cards responsibly.

What's the ideal utilization ratio?

There is no single [utilization](#) percentage that equates to optimal points. Generally, lower utilization means less [credit risk](#) and has a positive effect on [FICO® Scores](#).

Will spending less and saving more affect a FICO® Score?

While putting more money towards savings is usually a good idea, it's not necessarily going to affect your [FICO® Scores](#). FICO® Scores do not consider the amount of cash you have, therefore the amount of money you save doesn't affect your FICO® Scores.

As far as spending less, that could have an effect on your FICO® Scores. For example, if you typically use your credit cards for purchases, then by spending less, you may reduce your credit card balances over time. FICO® Scores factor in the balance on [revolving credit accounts](#) such as credit cards.

Do accounts that are not on my credit reports affect my FICO® Scores?

Though your [FICO® Scores](#) capture a pretty accurate picture of your [credit history](#), not every account is recorded. Your positive rental and utility payment history may not be listed in your [credit reports](#), and if an account is not found on your credit report, it can't affect your FICO® Score.

What are the factors of late payments, and how do they affect FICO® Scores?

[FICO® Scores](#) consider late payments in these general areas; how **recent** the late payments are, how **severe** the late payments are, and how **frequently** the late payments occur. This means that recent [delinquencies](#) could be more damaging to a FICO® Score than several late payments that happened a long time ago.

You may have noticed on your [credit reports](#) that late payments are listed by how late the payments are. Typically, creditors report late payments in one of these categories: 30-days late, 60-days late, 90-days late, 120-days late, 150-days late, or [charge-off](#). While a 90-day late is worse than a 30-day late, the important thing to understand is that people who continually pay their bills on time tend to appear less risky to lenders.

A history of payments is the largest factor in FICO® Scores. Sometimes circumstances cause people to be unable to keep current with their bills—maybe an unexpected medical emergency or losing a job. Creditors and legitimate credit counselors may be able to provide direction to people when they are having trouble responsibly managing their financial health.

Glossary of Credit Terms

Bankruptcy

A proceeding that may legally release a person from repaying debts owed, or reduce the amount owed over a few years.

Charge-off

A declaration by a lender, generally for tax purposes, that an amount of debt is unlikely to be collected, which can happen when a person becomes severely [delinquent](#) in repaying a debt. The lender reports to the [CRAs](#) that it has taken a loss, but the borrower is still responsible for paying back the debt. Also known as a “write-off.”

Collection

Attempted recovery of a past-due [credit obligation](#) by a lender’s collection department or a separate collection agency.

Consumer Reporting Agency (CRA) or Credit Bureau

An organization that assembles or evaluates consumer credit information, or other information on consumers for the purpose of preparing and furnishing consumer reports to third parties. The two largest CRAs in Canada, often also referred to as credit bureaus, are Equifax and TransUnion.

Credit account

A specific lending arrangement between a creditor and borrower that provides the borrower with a loan or a [revolving instrument](#) such as a credit card, with an obligation to repay the creditor. Sometimes referred to as a [credit obligation](#).

Credit file

The credit records at a [CRA](#) regarding a given individual. The file may include: the person’s name, address, Social Insurance Number, [credit history](#), [inquiries](#), [collection](#) records, and public records.

Credit history

A record of a person’s [credit accounts](#) and activities, including how the person has repaid [credit obligations](#) in the past.

Credit limit

The amount of credit that a financial institution extends to a borrower. Credit limit also refers to the maximum amount a credit card company will allow someone to borrow on a single card. Credit limits are usually determined based on the applicant’s [FICO® Score](#) and information contained in their credit application.

Credit obligation

See [credit account](#).

Credit report

A detailed report of an individual’s [credit history](#) as stored in an individual’s [credit file](#), prepared by a [CRA](#) and used by a lender when making credit decisions. Most credit reports include: the person’s name, address, credit history, [inquiries](#), [collection](#) records, and public records.

Credit risk

The likelihood that individuals will not pay their [credit obligations](#) as agreed. Borrowers who are more likely to pay as agreed pose less risk to creditors and lenders.

Credit score

See [What is a credit score?](#)

Default

When a debtor (or borrower) is unable or unwilling to meet the legal obligation of debt repayment. Usually an account is considered in “default” after being [delinquent](#) for several consecutive 30-day billing cycles.

Delinquent

A failure to deliver even the minimum payment on a loan or debt payment on or before the time agreed. Because most lenders have monthly payment cycles, they usually refer to such accounts as 30, 60, 90 or 120 days delinquent.

FICO

See [What is FICO?](#)

FICO® Scores

See [What are FICO® Scores?](#)

Inquiry

See [What is a credit “inquiry”?](#)

Installment debt

Debt to be paid back at regular intervals over a specified period. Examples of installment debt include most mortgages and auto loans. Sometimes referred to as an “installment account” or an “installment loan.”

Personal Information Protection and Electronic Documents Act (PIPEDA)

Federal privacy law for private-sector organizations. PIPEDA sets out the ground rules for how businesses must handle personal information in the course of commercial activity. Provinces have legislation similar to or in addition to PIPEDA, related to the collection, use and/or disclosure of personal information, such as consumer credit reports, and credit scores.

Revolving credit/debt

A line of credit that the borrower can repeatedly use and pay back without having to reapply every time credit is used. Bank credit cards are the most common type of revolving [credit account](#). Other types include department store cards and travel charge cards.

Score factors

See [What are score factors?](#)

Scoring model

A mathematical formula or statistical algorithm used to predict certain behaviors of prospective borrowers or existing customers relative to other people. A scoring model calculates scores based on data such as information on a consumer’s [credit report](#) that has proven to be predictive of specific consumer behaviors.

Utilization

The proportion of the balance owed on [revolving accounts](#) divided by the available [credit limit](#)(s). Utilization is an input used in determining a person’s [credit score](#). Typically, it is the amount of outstanding balances on all credit cards divided by the sum of their credit limits, and it’s expressed as a percentage.