

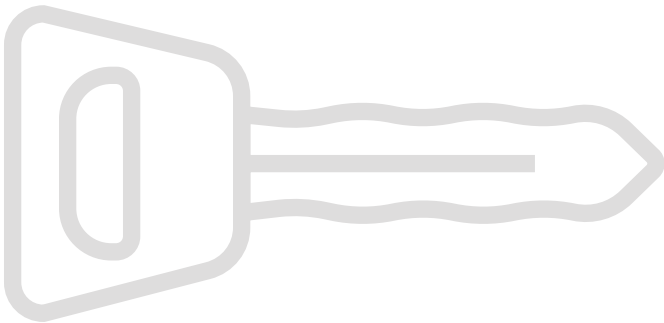


A Guide to Repairing and Rebuilding Your Credit Score

Created By Birchwood Credit Solutions

Who We Are

Birchwood Credit Solutions offers simple car loans to people who have no credit or less than perfect credit. Our service involves in-house financing, which means you're getting a one-stop solution. Plus, we provide the resources you need to understand the process. With all the information in hand, you can get a car loan from a trustworthy source and improve your credit score at the same time. We want to make sure everyone, no matter their credit score, can buy a Birchwood vehicle.



Why We Wrote This Guide

If you don't know what your credit score is, you're not alone. Responsible people end up with low scores without noticing—it's not an uncommon problem in Canada. Over half of Canadians have never checked their credit score, and about 1/4 of Canadians have an average to low ranking credit score. Figuring out how your credit score works, who manages your credit score, and how you can improve it can be confusing, so it's no wonder so many Canadians go without the information they need.

Think of your credit history and credit score as a profile telling others how dependable you are when borrowing money. Insurers, employers, landlords, utility companies, and other lenders use your credit score to gauge how predictable or risky their investment in you will be.

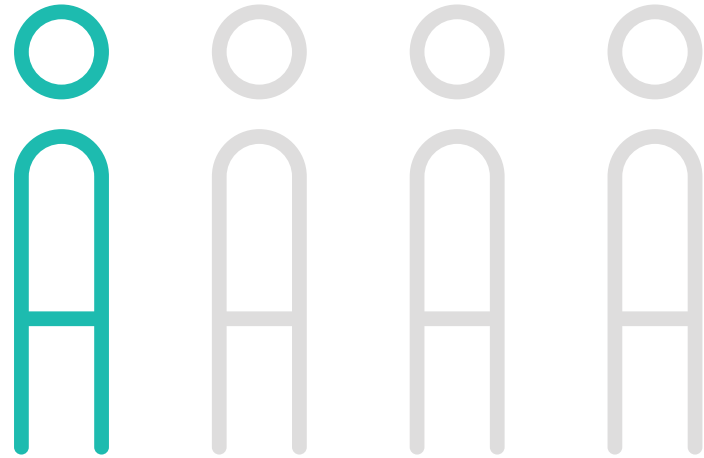
Without the right credit score, you may be turned down for the loan you asked for, or you may be tempted into too-good-to-be-true offers from untrustworthy sources. Your low credit score shouldn't be taken advantage of by any company trying to put you in a worse situation. Car loans don't have to be stressful. As Manitoba's largest auto dealer, Birchwood Credit Solutions is a credible source that will enable you to make smart choices when it comes to your car loan.

Getting around is an important part of your day. Whether you're driving your kids to daycare, moving materials to and from work, or getting to your new office away from home, the right vehicle can make a big difference. When you're not in a position to pay for a vehicle in full up front, a personal loan is a great option. It can even help you boost your credit score.



What You Can Gain From This Guide

Low credit scores can make it difficult to get a reasonable loan. The lower your credit score is, the higher your interest rates and payments tend to be. Though your credit history cannot be changed, there are ways you can improve your credit score in the future. Paying your bills on time isn't the only factor impacting your credit score. That's a common misconception. There are several other reasons why credit bureaus—the collection agencies who gather your credit history—are ranking you low. If you ever forgot to pay a cell phone bill on time, it probably lowered your credit score. If you have never taken out a loan before, you may not even have a credit score at all. It's important to understand what credit scores are, why you have a certain credit score, and how you can improve it, so you can get an affordable car loan while avoiding scams.

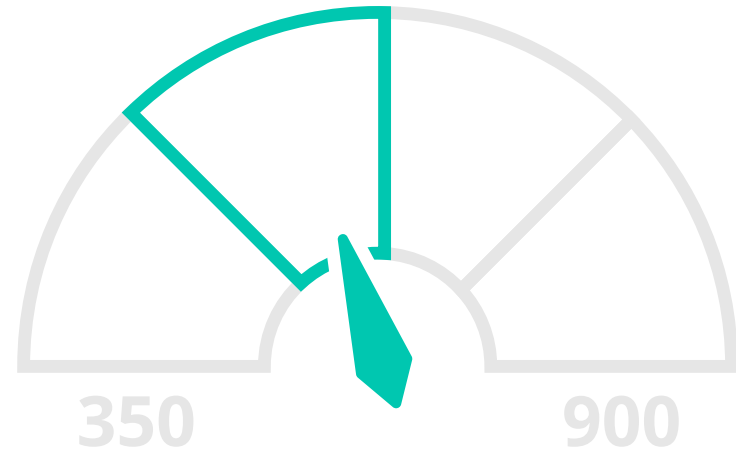


One in four Canadians have less than perfect credit scores

Understanding Your Credit History and Score

What does a credit score look like?

Credit scores in Canada are marked on a scale from 350 to 900. Scores between 600 and 800 are considered average. Scores below 550 are considered extreme risk, and scores 800 and above is excellent. The credit score system is comparable to demerits on your license but in reverse. The more demerits you have on your license, the more you pay monthly, the worse off you'll be. But the more points you have on your credit score, the less risky you look to a lender, and the better off you'll be. For example, if a person decides to take out a loan on a car with a credit score of 720, the down payment and interest rate would be half, if not more than half, than the cost for a person with a credit score of 590.



Understanding Your Credit History and Score



Where can I find my credit report?

You can order your credit report for free once a year from one of two credit bureaus: Equifax Canada (where it's called a "credit file disclosure") or TransUnion Canada (where it's called a "consumer disclosure"). When you apply for your credit history, it's called an inquiry. Your credit score will be called a FICO score, which stands for Fair Isaac Corporation, the group that invented it. The process involves filling out forms online, providing two pieces of ID, giving your SIN and credit card number and receiving the report by mail. It's important to get your credit history from one of these trustworthy sources. Unfortunately, there are organizations out there that will claim to provide free services, and then steal your personal information. Protect yourself from fraud and unexpected offers. A very short and concise difference between HTTP and HTTPS sites is that HTTPS is much more secure compared to HTTP.



What is a credit bureau?

Contrary to how it may seem, credit bureaus are not regulated by the government. However, legislation called the Fair Credit Reporting Act is in place to oversee credit bureau activity.

Remember credit bureaus are publicly traded, for-profit businesses working with banks and credit issuers to record your credit activity. It exists to help lenders, so your personal information, at the end of the day, is your responsibility. It's in your best interest to make sure what credit bureaus record is correct. As well, make sure you check both credit bureaus—your lender might send information to one credit bureau, and not the other.

Understanding Your Credit History and Score

What is on my credit report?

Before you start evaluating your report, it's important to understand how it's formatted. On your report, you'll find your personal information, credit information, banking information, public records, collection information, consumer statements, and credit report inquiries.

Credit reporting agencies use a scale from 0 to 9 to measure when and how you pay your bills. A rating of 0 on a bill means it's too new to be rated, 1 on a bill means you paid it within 30 days before the due date, and 9 means you didn't pay at all and have been sent to a collections agency.

In front of each number, you'll see a capital letter that stands for what type of credit you've been using. The letter 'I' stands for installment, which means any payments you make on a weekly, monthly, or annual basis to a lender. The letter 'O' stands for open credit, such as a line of credit, where you have a certain limit and balance to pay regularly. Student loans are considered an open line of credit. The letter 'R' stands for revolving credit, which is essentially any credit cards, or other accounts you have open where your payments vary.

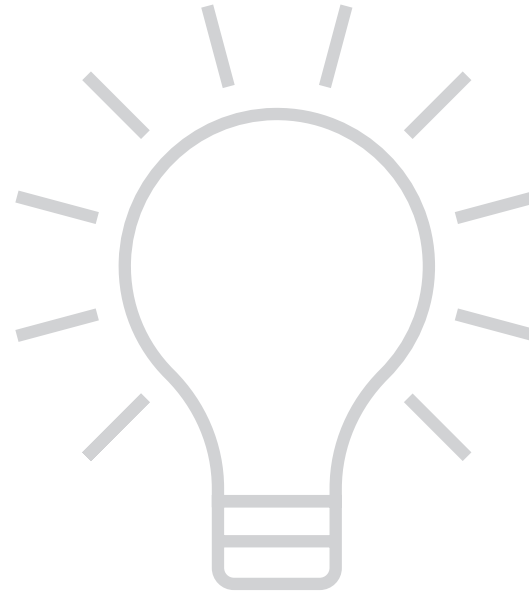
At the bottom, you'll see a payment history chart of what you've given out over the past 2 years, and a payment scale indicating when you've forgotten to pay your bills and for how long (30, 60 or 90 days post due date.)



Understanding Your Credit History and Score

What should I watch out for in my credit history?

There isn't any data on this in Canada yet, but US government research indicates 20% of people have found errors in their credit report before. It's important to look through your credit report closely. If you find anything wrong, you can fill out a dispute letter and send it to the bureau you received your report from. Once you've sent a dispute letter, wait a while and then follow up to make sure your letter was received. Negative information on your credit history lasts for 6 years, but in New Brunswick, Newfoundland and Labrador, Ontario and Quebec the wait time is 7 years. Make sure your report is correct. If you run into any problems getting your dispute resolved, you can call the Financial Consumer Agency of Canada (www.fcac.gc.ca) to get some help. They can point you to other options to make sure your errors get fixed.

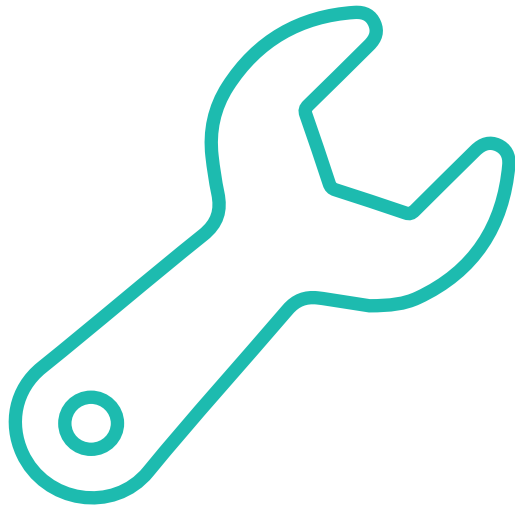


Why is my credit score low?

Lenders want to know they can depend on you. Where you're living, how long you've been employed, and what kind of loans you've taken out are a reflection of how you manage your finances. While not all the reasons for credit scores are disclosed by credit bureaus, there are some commonly known factors. In the next section, we'll go into more detail on what the guidelines are, and how you can follow them to improve your credit score.

Improving Your Credit Score

Before we explain some steps you can take to improve your score, it's important to know what credit bureaus consider most important. Paying your bills on time is a large part, but there are a few other things you should be aware of:



1) **Payment history makes up 35% of your credit score**

Do you pay your bills on time? How many bills have you missed? Paying your expenses early is generally a good thing.

2) **Credit utilization makes up 30% of your credit score**

What is the ratio of your credit limit to balance? If you have a \$3,000 limit and a \$2,000 balance that means you have a 67% utilization score. The higher your utilization, the lower your credit score will be.

3) **Length of credit history makes up 15% of your credit score**

How long have you had a credit card? How long have you been building credit? It's better to have had credit for longer.

4) **New loans and credit applications make up 10% of your credit score**

How many credit inquiries have you made? How many loans have you applied for? The more you've applied for, the lower your credit score will be.

5) **Varied types of credit make up 10% of your credit score**

Do you have revolving credit (Visa, MasterCard, or retail store card), non-revolving credit (American Express and Diners Club), or installments (loans)? If you have different types of credit, then your credit score will be higher.

Improving Your Credit Score

What are the steps I can take to improve my credit score?

We can't speak to all the reasons affecting your credit score—credit bureaus are private businesses that keep certain information confidential. However, we can point out the more known tips, which we've put into a checklist for you:

- **Have more than two checking accounts open**
- **Avoid registering a consumer proposal**
This is a document telling lenders you can't pay back what you borrowed, which will effect your payment history.
- **Avoid lawsuits where you end up paying fees**
- **Maintain a credit card over 2 years or more**
- **Avoid changing your address or phone plan**
Remember credit scores are based on how dependable you are. If your lifestyle is undergoing constant changes, you'll be viewed as riskier.
- **Apply for a credit score**
If you've never had a credit card or taken out a loan, you may not have credit.
- **Meet or stay ahead of the deadlines for your bills**
- **Have cell phone**
This allows your lenders to get in contact with you at any time
- **Avoid applying for multiple loans**
This can happen if you go to a dealership that doesn't do in-house financing. The dealership could send credit check inquiries to multiple banks.
- **Avoid closing a credit card**
Your score may go up if you have a credit card for more than a few years.
- **Use your credit card more than ATMs**
- **Open more than one type of credit**

Improving Your Credit Score



How does bankruptcy affect my credit score?

Even if you're just bankrupt for five months, your credit history will keep this information on record for 6 years. If you go bankrupt for the second time, this information stands on your credit history for 14 years. Getting out of bankruptcy can take a long time. To help you re-establish your credit, start saving money, pay all your bills on time and potentially look into getting a secured credit card.



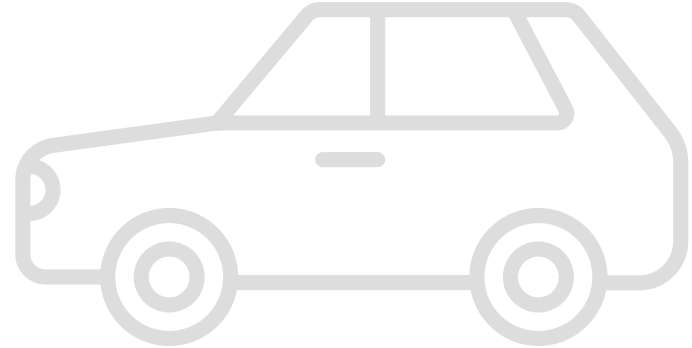
Are there quicker ways to fix my credit score?

Unfortunately, there are no quick fixes to this problem. If you come across any ads or promotions for "fast auto loans upfront" or a "guaranteed loans strategy," be careful. There are discreditable companies offering car loans and financing options. Try to be patient. It may seem frustrating at first, but remember your situation doesn't have to be permanent. If you work on improving your credit practices, you'll see your score change overtime.

Getting the Vehicle and Credit Score You Need

Believe it or not, taking out a loan on a vehicle can help you improve your credit score.

Remember you can raise your score with a variety of credit types. A car loan can be a great option if you don't have installment credit on your credit history. On top of this, compared to mortgages and other high-interest loans, car loans are lower cost and the payment times are shorter. This means you'll have a better chance of boosting your credit with less stress. Taking out a car loan to boost credit is most effective if you plan ahead and practice the following habits:



1) Save cash to make a down payment

The larger your down payment, the less your loan and monthly payments will likely be.

2) Select a car within your budget

Avoid putting yourself in a situation where you can't meet a payment on time because you chose a car too expensive for your lifestyle.

3) Make your monthly payments on time

Remember this makes up 35% of your credit score. Create a schedule in your agenda, make notes on your fridge—whatever you need to stay organized.

4) Pay more than the minimum required each month

Giving more than you're expected to shows you're responsible.

5) Reach below 30% owing as soon as possible

The quicker you reach your goal, the quicker your credit score will go up.

6) Apply for a payment period of 3 to 4 years

Paying off your car slowly is a good idea because credit only lasts for as long as you're making payments.

7) Avoid grace periods

Although you may be given extensions on payments, taking them won't help your credit score.

Worksheets to Get You Started

Getting your credit information organized can be complicated. To save you time, we've created worksheets to help you identify errors and dispute any errors you find on your credit report.

Sample Dispute Letter

Joe M Wordsworth

Account number	Address	Credit Bureau Name	Date (Month/Date/Year)
DOB number	Province, Canada	P.O. Box number	
		Province, Canada	

Dear Equifax:

I am writing to request an investigation of the following information appearing on my Equifax consumer report:

Dispute 1

- [Account number](#)
- [Dates associated with item disputed:](#) Month/Date/Year
- [Explanation of item disputed:](#) The account with Bank Name or Company in question is showing as settled for less than full value, but I paid the full amount owed. Please update to show it paid in full.

Enclosures

- Copy of credit report with report number
- Last billing statement from Bank Name or Company
- Payoff statement from Bank Name or Company

Thank you for your assistance.

Sincerely,

Joe M Wordsworth

Worksheets to Get You Started

Credit Report Error Checklist

- Name is correct
- SIN number is correct
- Current and previous addresses, phone number is correct
- Marital status is correct
- Employment history is correct
- Personal information section is correct
- Public record information section is correct
- Each item under the credit/trade account is still open
- Current balances are correct
- Authorized user or joint user account is correct
- Zero balances for debts discharged and paid in full
- Co-signer is correct
- Accounts closed are correct
- Accounts are not listed more than once
- Old negative information is not still listed
- Identity theft is not a possibility

Working With Birchwood Credit



Are You Ready To Apply?

We hope that this guide has provided you with useful information and practical tips that help you feel more informed and confident as you shop for a new vehicle.

We would love to help you find that new vehicle.



Apply for your car loan

Applying for a car loan shouldn't be stressful. We only ask for the information we need and finishing your application takes less than 3 minutes. Get started now.

[GET STARTED NOW](#)

What Our Customers Are Saying:



"Very professional and non-judgemental. I'm in a car that suits me with payments I can afford. The experience was so much better than traditional car dealerships. I would highly recommend."

- Desiree Blanc December 12 2018



Birchwood
CREDIT SOLUTIONS

