

Credit Repair in Canada

There are really 2 categories of credit repair that you need to consider:

“Fixing” credit, which can happen quickly and efficiently but rectifying mistakes on your credit report.

Re-Establishing credit, which is more of a long-term plan that will allow you to slowly bring your credit score back to levels that allow triple A lending. These chart below outlines how Equifax views Canadian credit scores.

Credit Score Ranges in Canada

Poor (or Too New to Score)	Fair	Good	Very Good	Excellent
559 & Under	560 - 659	660 - 724	725 - 759	760 & Over
Percentage of Canada's Population in this Range				
4%	10%	15%	14%	57%
Percentage of Borrowers in this Range Who will Reach 90 Days Past Due or Worse				
33% or more	11% or more	2% - 5%	1% - 2%	1%

How to “fix your credit” score fast

If the problem is a low credit score (or credit rating), caused by one of these three issues, then we may be able to quickly “right the ship”:

Reduce your credit card or line of credit balances to below 75% of your limit. If your low credit score is due to having maxed out credit cards or very high balances on your revolving debts (e.g. line of credit or credit cards), this can be fixed as quickly as you can bring your balances owing, down to below 75% of your credit limits (below 50% is even better and under 30% is best). About a month after you pay down your balances (and keep them there), your credit score should rebound as long as you don't have any other negatives against you, like late payments.

Get collections removed from your credit report. If your credit score is being held back because of collections reporting on the public records section of your credit report, you may be able to revive your flagging credit score by paying off the collections and then requesting that those creditors remove their collection notations from your credit report. The type of collections that appear under the public records section of a credit report are things like unpaid utility bills, cable bills, telephone bills, cell phone bills, parking tickets and other debts that are in collections that weren't originally a credit account.

Get old, negative information removed from your credit report. All negative information is supposed to fall off your credit report in 6 to 7 years depending on the province you live in. If there are any late payments or bad debts on your credit report that are older than this, you can ask to have them removed if the credit reporting company forgot to do it on their own.

If you have more problems on your credit report than the three mentioned above, then there is probably no quick fix for your credit score. Your credit will need to be re-established. It will take time for you to rebuild it, but it can be done.

Re-establishing credit

Identify why you have these credit problems. You need to be honest with yourself about your spending.

Create a spending plan.

Catch up late payments and make your payments as agreed.

After payment have been caught up, close or decrease credit limits to avoid a similar situation in the future.

If you've had bankruptcy or consumer proposal, **consider a "secured credit card."** Options for secured credit cards exist through Capital One or Hometrust. Consider a Canadian Tire credit card or Department Store credit card as they are often easier to obtain. Use these cards and pay them to zero each month, this will prove to the credit agencies that you're able to use credit responsibly.

Make sure you **check your score regularly** through one of the credit agencies.

Avoid unnecessary "credit pulls" by agencies, car dealerships, banks, etc. It is important to remember that we get "2 free credit pulls" per year. This means that the credit agencies consider it to be normal if your credit is pulled twice a year. If you've had 4 car dealer ships and BMO, CIBC and TD all pull your credit in one year - your credit score will be negatively affected. Make sure that you're VERY clear with anyone that is speaking with you about credit that you're not interested in your credit being pulled until you're confident you're ready to move forward with a purchase.

Sometimes our lives take a turn and we need to rely on credit to survive for a few months. A situation like this may hurt your credit score for a while. If you have no plans of applying for credit any time soon, then just try to be responsible and do the right thing in these situations, you'll have time to fix up any credit slip ups in the future. Even in difficult times, try to at least make minimum payments and work with your financial institutions to stay in touch. Ask for and try to negotiate any sort out payment plans available with the lenders. If you don't ask, you don't know what is available! They are certainly not advertising those sorts of things. Getting out in front of a tricky time with credit is the MOST IMPORTANT. Stay in communication and ask for help early!

Unfortunately, many clients leave it too long and find themselves in a negative situation that could have been avoided had they reached out to a credit professional as soon as they needed help. Never hesitate to give us a call if you'd like to discuss some options!