



# Maintaining a Good Credit Report

A number of factors influence a consumer's credit score. For each of the situations below, determine:

1. if the consumer's credit score will be positively or negatively affected, or if there will be no effect;
2. why the credit score will be positively or negatively affected or will remain the same;
3. what the consumer must do to improve his or her credit score, where applicable.

## Scenario 1

Since I finished my studies and have begun my first job in my field, I'm able to begin paying off my student loan on time every month.

**a) Will the credit score increase, decrease, or stay the same?**

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**b) Why?**

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**c) How can this credit score be improved?**

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## Scenario 2

I pay my cell phone bill in full every month.

**a) Will the credit score increase, decrease, or stay the same?**

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**b) Why?**

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**c) How can this credit score be improved?**

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## Scenario 3

Because I wasn't making my computer payments to the store, my account was transferred to a collection agency.

**a) Will the credit score increase, decrease, or stay the same?**

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**b) Why?**

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**c) How can this credit score be improved?**

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## Scenario 4

I took a trip this winter, I had to have my car repaired lately, and I bought new furniture for my bedroom, plus a television set. I paid for everything with my credit card for a total of \$4,947. Since my credit card limit is \$5,000, there is no problem.

**a) Will the credit score increase, decrease, or stay the same?**

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**b) Why?**

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**c) How can this credit score be improved?**

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## Scenario 5

In the past six months, I applied for a new credit card, then purchased a television set and took advantage of the store's "36 instalment" promotion. I also signed a two-year contract with a cell phone provider. Finally, the landlord of my new apartment asked me permission to request information concerning my credit history before I signed the lease.

**a) Will the credit score increase, decrease, or stay the same?**

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**b) Why?**

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**c) How can this credit score be improved?**

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### Scenario 1

- a) The credit score will stay the same.
- b) On-time payment of certain financial products, such as a student loan, are not taken into account in the credit report and does not affect the score. However, default on payment can lower the credit score.
- c) Not applicable.

### Scenario 2

- a) The credit score may increase.
- b) Cell phones and Internet bills are exceptions. Making these payments on time can have a positive impact on the credit score, which cannot be said for other types of bills.
- c) Not applicable.

### Scenario 3

- a) The credit score will decrease.
- b) Late payments negatively affect credit scores. And the later the payments, the greater the impact on the credit report and credit score. The score is also negatively affected when bills are transferred to a collection agency.
- c)
  - If you cannot pay your bills on time, at least make the minimum payment.
  - If you think you may be unable to pay a bill, contact the lender in order to make an arrangement to repay the debt instead of defaulting on payment.

### Scenario 4

- a) The credit score will decrease.
- b) Using all the available credit is one factor that's reflected in the credit score. What counts is the percentage of credit actually used, not the limit. If the consumer uses a high percentage of his or her available credit, lenders may consider the consumer at risk of defaulting on payment.
- c) Not use more than 35% of the available credit.

### Scenario 5

- a) The credit score will decrease.
- b) When a lender or landlord requests information on your credit history, that request is recorded in your file. Several inquiries into your credit reports in a short period of time may suggest to lenders that the consumer is living above his or her means and may have trouble meeting his or her payment obligations.
- c) Apply for credit only when it's really necessary in order to limit the number of credit inquiries.