

# About your Credit Score and Credit Report

Your Credit Score is a quick indicator of your creditworthiness. The main scores we will look at below is related to your Equifax report, but there are **TWO** personal reports in total. (We will go through them later in the workbook). Here is a quick explanation.

- Comprehensive Score – Your overall score.
- Negative Data only – Score based on Defaults and Judgments only.
- Equifax One Score - This is the new 2024 scoring system. It identifies more clearly whether you will default on a loan or not.

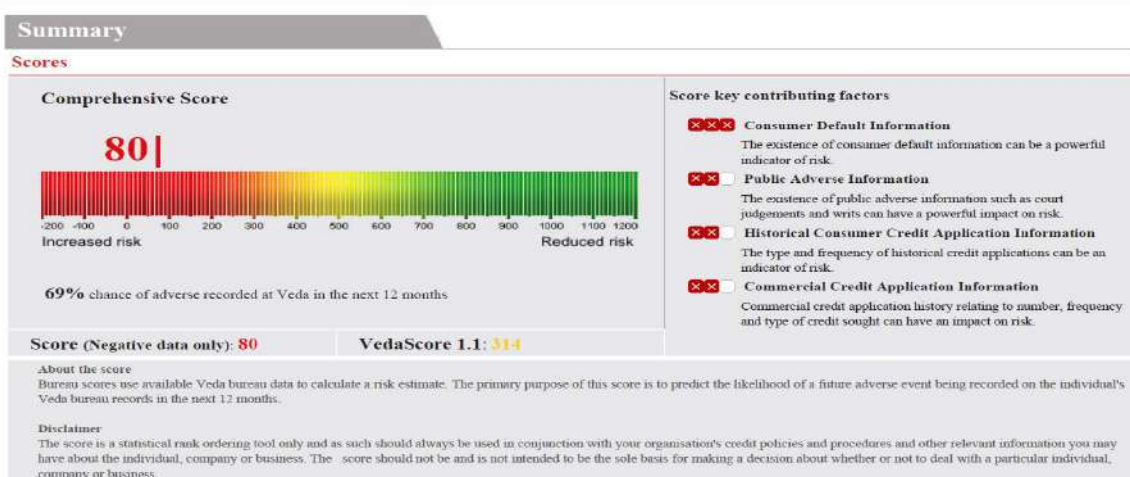
**Your score is 'mostly' determined by the below key factors.**

- How often you apply for credit.
- What type of credit you apply for, ie, home loan, personal loan, payday loan etc.
- How you repay those loans, if payments are late or you overdraw your accounts.
- If you have defaults if you are in collections or judgements or court rulings.

## ➔ An example of a Very Good Equifax Report – Green ticks are good.



## ➔ An example of a Not so good Equifax Report – Red crosses, not so much.



For home loan lending, a minimum Score of 600 is considered the starting point. You can apply if lower, but generally if you are in the 700's with no red crosses, it means you have an excellent Equifax report. For personal loans and car loans and business loans, a score of 500 is considered the starting point. Even at this score lenders will scrutinize your application, and apply an interest rate loading accordingly. For those of you who are going for your very first loan, when you apply for your loan contract (phone, car etc) your score and report will automatically self-generate via your application, and and you will have a starting score of 750.

\*Seek advice from a local accredited finance broker before you apply. This guide is for educational purposes only and not financial advice.

## Paying your loans on time. Why it's so important!

When we take out a loan to buy our first car, for example, or our home loan is settled and we start making repayments, most lenders will notify Equifax and Experian whether or not we have made our repayments on time.

Here is what the 24 months repayment history information looks like:

Current Repayment Status												
Payment report pending												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2022												✓
2023	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
2024	✓	✓	✓	✓	1	2	✓ A	✓ A	R	P	P	

\* Showing Financial Hardship Information (FHI) applicable in last 12 months.

Financial hardship information is not included in the calculation of the credit score or credit rating.

### Legend

✓ Payment received on time	4 90-119 days past due	R Payment Not Reported
1 Up to 29 days past due <sup>^</sup>	5 120-149 days past due	P Repayment pending
2 30-59 days past due	6 150-179 days past due	C Account Closed
3 60-89 Days past due	X 180+ days overdue	Outside of Reporting window

### A = Temporary relief / deferral Financial Hardship Arrangement (FHA)

Payment obligations are temporarily reduced or deferred as a result of a financial hardship arrangement. The repayment history for this month reflects that arrangement. <sup>^</sup>14 days grace period does not apply for this month.

### V = Variation Financial Hardship Arrangement (FHA).

A variation made to the terms or conditions as a result of a financial hardship arrangement. The repayment history reflects the new payments required.

If you miss a repayment, or do not meet the minimum payment needed by the due date, the lender will report this to the credit reporting agencies as a 1 for 1 missed payment. \*Full guide is above to read.

This is a 24 month history called RHI - repayment history information and it affects your credit score.

There is also 12 months of FHI - financial hardship information, reported by lenders, which is noted by an A or a V for alteration or variation of contract, if and when you apply for hardship for a few months break, for example. This cannot be amended or fixed if it's true and correct and will impact lender options for 12 months but does not affect your credit score.

Make sure your contact details are all up to date and you are receiving your statements for all your loans.

# Where you apply – Please pay attention.

Whenever you apply for a loan, or click on 'Pay in 4 installments' for example, when shopping on-line or looking at getting a small personal loan to travel, the first thing that the lender does, is go into your credit report and lodge an 'enquiry'.

This is needed by the Lender to firstly assess whether or not they will approve your contract as per the state of your credit report and score.

If you shop too much, Equifax thinks you are desperate for a loan, and will drop your score.

Once the enquiry is made it CANNOT be removed, unless it is fraudulent.

Therefore, understanding the importance of not applying unless you really need to, and not shopping around Online, will help you protect your future credit report and your ability to get the best lending options possible.

➔ **The example application | enquiry pattern as below is NOT GOOD (too many enquiries too close together).**

Consumer Credit Enquiries					
Enquiry Date	Credit Provider	Reason for enquiry	Amount	Association	Reference No.
27 Sep 2023	PPC PAY IN 4	BNPL Transaction	\$0.00	Principal's Account	
12 Dec 2022	SOCIETYONE AUSTRALIA P/L	Personal Loan (Fixed term)	\$12,000.00	Principal's Account	10001811149
12 Dec 2022	ING PERSONAL LOANS	Personal Loan (Fixed term)	\$15,150.00	Principal's Account	
10 Dec 2022	BANK OF WESTERN AUSTRALIA	Personal Loan (Fixed term)	\$42,000.00	Principal's Account	12998741-4105
09 Dec 2022	CBA CREDIT CARDS	Credit Card	\$0.00	Principal's Account	2524076 21
30 Sep 2022	CBA PERSONAL LOANS	Personal Loan (Fixed term)	\$29,991.00	Principal's Account	2524076 21
28 Sep 2022	LATITUDE FINANCE AUST*	Credit Card	\$0.00	Principal's Account	

➔ **Stop Before you Shop!**

There are currently 2 credit reporting agencies you can get your 2 free personal reports from:

1. Equifax Report: [www.mycreditfile.com.au](http://www.mycreditfile.com.au)
2. Experian Report: <https://www.experian.com.au/consumer/order-credit-report>

We wish you the very best with your wealth creation future, and please share our guide with family and friends so they too can learn how to protect their credit report and score for the best lending options possible.