



HOW TO READ A CREDIT REPORT

Most people don't really think of their credit reports until a specific event triggers them to reconsider their current score and history, such as applying for a new job or making a major purchase. Panic can often ensue, as they find out they have no idea how to read a credit report.

As for business owners; looking into the credit report of a potential candidate is crucial especially if you're considering them for a position that requires financial responsibility.

While it's not a complete picture that defines the personality of the applicant as a whole, it does give you some insight into this person's integrity and financial responsibility.

Let's discuss.

The Benefits of Looking into a Candidate's Credit Report

Checking credit reports can significantly reduce the risk of money-related issues such as embezzlement and theft.

It also gives you an idea of whether a certain applicant is a good match for positions that require more responsibility, regardless of whether it involves handling money or not.

Remember, a responsible person is less likely to let his credit score slide too low due to negligence.

How to Read a Credit Report

You can always rely on us at Certn to provide you with all your background checking needs, including credit reports. The challenge, though, is how to interpret the results.

Before moving on to the details, we want to provide a quick disclaimer. We only strictly provide the results of our check. We do not make the decision to hire, decide who is eligible to rent an apartment, or receive a loan.

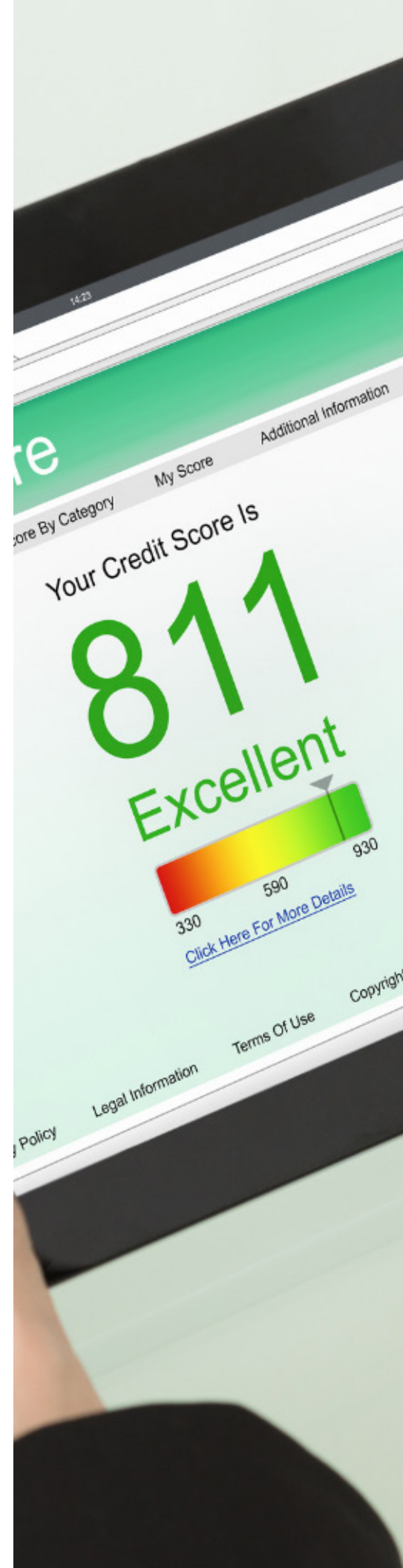
Now that we've cleared that up - let's drill the details on the various credit reports you should be aware of, starting with ERS.

What Does ERS Stand For?

There are two major credit bureaus in Canada. Equifax and Transunion. The information we retrieve from Equifax returns with an ERS that stands for Equifax Risk Score.

It is a scoring system formulated to determine the likelihood of a person being financially delinquent within a 24-month period. This rating is calculated based on one's length of credit history, payment history, current amounts owed, types of credit taken out, and new credits currently being applied for.

It is also important to note that most entries only influence one's credit score if it has been done within the last seven years. This means that a credit report is heavily geared towards recent events and not the entirety of one's credit history.



The Report

Credit Score: N/A

GRADE:

SCORE:

DEFAULT %:

A+	A	B+	B	C+	C	D	F
+850-800	799-750	749-700	699-650	649-600	599-550	549-500	<499
1%	2%	5%	15%	31%	51%	71%	87%

The credit score will be expressed by a three-digit number ranging usually from 300 to 900. The higher the number, the more positive it is. It is also accompanied by a credit score grade.

Those who get an A+ are considered as excellent. They have painstakingly built their credit history and have rarely missed a payment.

Those who score from A to B+ are considered as very good. They also have a solid credit history but have probably missed a few payments along the way.

Those who are within the C range are average. They have a history of late payments and have probably gotten into financial hardships or negligence in the past. Having said that, this is still not a grade considered as a failure. Those who have this grade can still apply for a loan but can expect higher interest rates and less flexible payment terms.

Finally, those who range from D to F will have difficulty getting approved for a loan.





What Do the Numbers and Letters Mean?

You will also find four letters and nine numbers within the report. Here

R	Revolving	These are revolving amounts owed such as for regular credit cards.
I	Installment	These are lump sums of credit that are being paid off in predetermined installments.
O	Open	These are usually mostly utility bills such as phone or internet dues.
M	Mortgage	These are home payments.

The numbers stand for payment rates.

0	The entry is still too new to rate or the opened line of credit hasn't been used yet.
1	The account has been paid for as agreed and is up to date.
2	The account has one payment past due.
3	The account has two payments past due.
4	The account has three or more payments past due.
5	The account is at least 120 days past due.
7	The account was paid through consolidation or a similar arrangement.
8	This stands for a repossession.
9	The account was probably never paid and there aren't any updates that can be collected.

Here's an example of an entry and its interpretation:

M3 - This means that the person's mortgage is currently two payments past due.

Why Is the ERS Not Appearing?

One of the most frequently asked questions we get from our clients is why are they coming up with no hits? This is not a platform issue. Instead, it can mean several things:

- There are insufficient tradelines. Tradelines stand for credit accounts. Each credit account gets its own tradeline. For instance, a mortgage tradeline is separate from a credit card tradeline. Each credit card gets a tradeline as well if the person has multiple cards.
- There is no existing credit history. This happens when one is either new to the country or recently graduated and has yet to apply for any line of credit.
- There is insufficient or inaccurate information provided. Make sure that you have entered the correct Canadian postal code. Be mindful of how you enter the candidate's legal name as well, this includes any hyphens and special characters. Providing the candidate's social insurance number will also increase the likelihood of getting a hit.

What Happens Now?

Regardless if you get a hit or not, our lines here at Certn are always open to receive any query or concerns. We're happy to provide you with any type of assistance that you may need from any of our background checks, credit reports included.

Take the Guessing Game out of Your Hiring Process

Don't rely on the word of your candidate alone. There are other checks that you can perform with us aside from a credit report check. Certn also offers credential verification, criminal background checks, and more; all to ensure that you only get the talent that your company rightfully deserves.

