



LENDERS KNOW YOUR CREDIT SCORE

So Why Shouldn't You?

Your credit score is one of your most important financial assets. Understanding your credit score can help when applying for a loan or identifying why you were rejected.

Your credit score can influence your borrowing power (or lack of). It can help lenders decide how much they will lend you, along with the terms and rate they will offer you.

It is based on personal and financial information about you and kept on your credit report.

Your credit report contains:

- credit applications
- overdue credit accounts
- payment defaults
- clear-outs (as a missing debtor)
- commercial credit information
- public record information

Your credit score, a number between zero and either 1,000 or 1,200, is calculated from your credit file by a credit reporting agency.

There are three credit reporting agencies in Australia – Experian, Equifax and Illion.

How is my credit score calculated?

Credit scoring is a mathematical assessment of the data included in your credit report. The credit score is calculated by the credit reporting agency using several complex formulas. The score shows the likelihood of your defaulting on your credit payments.

The higher the credit score the lower the risk that you will default. A score of around 550 to 600 will indicate that you are an average risk.

A score of less than 500 could severely affect your ability to obtain finance from lenders.

Credit score range	Illion	Equifax	Experian
★★★★★ Excellent	800-1,000	833-1,200	800-1,000
★★★★☆ Very good	700-799	726-832	700-799
★★★☆☆ Average	500-699	622-725	625-699
★★☆☆☆ Fair	300-499	510-621	550-624
★☆☆☆☆ Low	0-299	0-509	0-549

Source: Finder <https://www.finder.com.au/good-credit-score>

How do credit reporting agencies receive my information?

Credit bureaus collect information from credit providers about your financial history which forms your credit report including:

- phone contracts
- utility accounts
- credit cards
- personal loans
- home loans
- hire purchase

You can access a copy of your personal credit report at no charge through any of the three credit bureaus.

It is important to keep a close eye on your credit file

Credit reports hold a lot of important information about you that can have a huge influence on your ability to secure a loan. It is essential you ensure all the information in the report is correct.

Errors on credit reports can occur. If the errors are not corrected, it can have serious consequences when you apply for credit or a loan.

If there is data in your credit report that is incomplete, inaccurate, out of date, misleading or irrelevant, you can request to have it changed with the credit bureau. Incorrect listings can be changed without charge providing there is proof of the error.

Now you know what a credit score is and how to access it, it is important you...

1. Pay your bills on time – set up automatic payments to help.
2. Find ways to improve your score – eg close any zero balance credit cards or lower the credit limit.
3. Regularly check your report – to make sure the information is correct, and at least three months before applying for a loan.
4. Limit the number of credit or loan applications – only apply for pre-approvals or loans when you are serious about taking action. Every application will be recorded and impact your report.



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