What is a credit file and why should I be careful with it?

You may have heard of a credit report or credit file, but what is it exactly?

A credit file or report is created when you first apply for credit, **even if you don't proceed!** That is, a phone plan, electricity account, credit card, personal loan etc.… basically, any product where you receive the goods or service upfront, and pay at a later date. This credit report is available to the bank or lending institution, and is basically like a "Borrowers Resume". They want to see if you are considered a good borrower or not. One thing to be careful of is to make sure your credit report looks as good as possible. Some of the items which can affect your report include;

- Too many enquiries – don't apply for too many loans or credit cards in a short period of time (no more than 3 or 4 in a 3 month period, and no more than 5 or 6 in a 12 month period).

- Too many changes of address or places of employment – ideally if you can try not to jump from address to address or job to job (unless you are a contractor or it is unavoidable). This is seen as unstable activity and can make the bank/lender nervous about giving you a loan.

- Defaults, Court Writs or Judgements – You may have one of these and not know about it. If you miss a payment on a bill or loan, and the credit provider feels as though the repayment is not recoverable, they may list a default on your credit report, or worse still they may take you to court, and this activity is also listed.

- Company or Trust Info – If you have a company or trust, the information will be recorded on your credit file. The bank/lender will want to know what is happening with this company – is it still active? Is it making a profit or loss? Does it have any debts? Your company will also have a credit report, and defaults listed on the company will also have an impact on the outcome of your home loan application.

There are also some minor other items listed on your credit file which may raise some questions, however that is what we are here for. We will apply for a credit report on your behalf to check the items mentioned above and make sure you are in the best possible shape when it comes time to apply for a home loan.

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