

How does a bankruptcy affect my credit rating? Is a proposal any different?

The credit bureaus use a scale of 1-9 to rate your accounts. A rating of 1 is a perfect rating. It means you are current in your payments and have had no late payments for that specific account. A rating of 9 is given if something has gone to collections, has been classified as a bad debt or if a bankruptcy has been filed. A rating of 7 is given if you have filed a proposal.

The R or the

I in front of the number indicates the type of credit account that is being rated. An R stands for revolving credit. Examples of revolving credit would be a credit card or a line of credit where the credit fluctuates as you use it. There is often no defined payment schedule with this type of credit (other than minimum payments or interest payments). An I stands for installment. Examples of installment credit would be loans (like car loans, mortgages, RRSP loans etc.) where you have defined payments. This type of credit is where money is advanced and a payment schedule is set up with regular payments being made to pay the entire amount back in a specific period of time.

There are two major credit bureaus in Canada, Equifax and Transunion.

Equifax keeps

information about a first time bankruptcy on their files for the period of six years after the bankruptcy is discharged. This is the standard cycle they use for purging information from their records. Regular information is also kept on the bureau report for six years from the date of last reporting. A second time bankruptcy will be kept on record for fourteen years with Equifax. A proposal will be taken off the report three years from the date it is completed.

For Saskatchewan residents, Transunion keeps information about a bankruptcy on their files for the period of fourteen years after the bankruptcy is discharged. This is the standard cycle they use for purging information from their records.

For more information about either of the credit bureaus you can visit their websites.

Equifax:

http://www.equifax.com/EFX_Canada/consumer_information_centre/overview_e.html

Transunion:

<http://www.tuc.ca/TUCorp/home.asp>